StarTek, Inc.
Form 10-K
March 10, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013
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 (State or other jurisdiction of incorporation or organization)	84-1370538 (I.R.S. employer Identification No.)
8200 E. Maplewood Ave., Suite 100 Greenwood Village, Colorado (Address of principal executive offices)	80111 (Zip code)

(303) 262-4500
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.01 par value	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant on June 30, 2013 was approximately $57.5 million. As of March 3, 2014, there were 15,376,611 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the registrant's proxy statement to be delivered in connection with its annual meeting of stockholders to be held May 6, 2014. With the exception of certain portions of the proxy statement specifically incorporated herein by reference, the proxy statement is not deemed to be filed as part of this Form 10-K.

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For the Fiscal Year Ended December 31, 2013

Part I

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including the following:

- certain statements, including possible or assumed future results of operations, in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”;
- any statements regarding the prospects for our business or any of our services;
- any statements preceded by, followed by or that include the words “may,” “will,” “should,” “seeks,” “believes,” “expects,” “anticipates,” “intends,” “continue,” “estimate,” “plans,” “future,” “targets,” “predicts,” “budgeted,” “projections,” “outlooks,” “scheduled,” or similar expressions; and
- other statements regarding matters that are not historical facts.

Our business and results of operations are subject to risks and uncertainties, many of which are beyond our ability to control or predict. Because of these risks and uncertainties, actual results may differ materially from those expressed or implied by forward-looking statements, and investors are cautioned not to place undue reliance on such statements. All forward-looking statements herein speak only as of the date hereof, and we undertake no obligation to update any such forward-looking statements. Important factors that could cause actual results to differ materially from our expectations and may adversely affect our business and results of operations include, but are not limited to those items set forth in Item 1A. “Risk Factors” appearing in this Form 10-K.

Unless otherwise noted in this report, any description of “us," “we” or "our" refers to StarTek, Inc. ("STARTEK") and its subsidiaries. Financial information in this report is presented in U.S. dollars.

ITEM 1. BUSINESS

BUSINESS OVERVIEW

STARTEK is a comprehensive contact center and business process outsourcing service company with employees we call Brand Warriors who for over 25 years have been committed to making a positive impact on our clients’ business results. Our mission is to enable and empower our Brand Warriors to promote our clients’ brands every day and bring value to our stakeholders. We accomplish this by aligning with our clients’ business objectives. The STARTEK Advantage System is the sum total of our culture, customized solutions and processes that enhance our clients’ customer experience. The STARTEK Advantage System is focused on improving customer experience and reducing total cost of ownership for our clients. STARTEK has proven results for the multiple services we provide, including sales, order management and provisioning, customer care, technical support, receivables management, and retention programs. We manage programs using a variety of multi-channel customer interaction capabilities, including voice, chat, email, IVR and back-office support. STARTEK has delivery centers in the United States, Philippines, Canada, Costa Rica, Honduras and through its STARTEK@Home workforce.

We operate our business within three reportable segments, based on the geographic regions in which our services are rendered: Domestic, Asia Pacific and Latin America. As of December 31, 2013, our Domestic segment included the operations of seven facilities in the United States and one facility in Canada; our Asia Pacific segment included the operations of three facilities in the Philippines; and our Latin America segment included the operations of one facility in Costa Rica and one facility in Honduras.

Service Offerings

We provide customer experience management throughout the life cycle of our clients' customers. These service offerings include customer care, sales support, inbound sales, complex order processing, accounts receivable management, technical and product support, up-sell and cross-sell opportunities and other industry-specific processes. We provide these services by leveraging technology, agent performance tools, analytics and self service applications to coach and enable and empower our Brand Warriors.

Technical and Product Support. Our technical and product support service offering provides our clients' customers with high-end technical support services by telephone, e-mail, chat, facsimile and the Internet, 24 hours per day, seven days per week. Technical support inquiries are generally driven by a customer's purchase and use of a product or service, or by a customer's need for ongoing technical assistance.

Sales Support. Our revenue generation service supports every stage of the customer lifecycle and includes end-to-end pre and post-sales programs. Lead generation, direct sales, account management and retention programs, and marketing analysis and modeling are all available. We have the ability to increase customer purchasing levels, implement product promotion programs, introduce our clients' customers to new products and enhanced service offerings, secure additional customer orders and handle inquires related to post sales support. Unique service offerings are tailored to meet the specific needs of consumers.

Provisioning and Order Processing. Our services enable our clients to provide large-scale project management and customer relations services to their customers in a more efficient and cost-effective way. Our suite of order processing services range from enterprise level large-scale project management to direct-to-consumer order processing. Our complex order processing services provide our clients with large-scale project management and direct relationship management for their large enterprise customers. These services include full lifecycle order management and technical sales support for high-end communications services, such as wireline, wireless, data and customer premise equipment. In addition, we process order fallout from our clients' automated systems, complete billing review and revenue recovery and perform quality assurance. Our direct-to-consumer services include provisioning, order processing and transfer of accounts between client service providers.

Receivables Management. We help our clients reduce their bad debt write-offs and days sales outstanding as a natural extension of their operation. We provide billing, credit card support and first-party collections through our receivables management services. These services allow our clients to reduce the risk of non-payment by directly transferring the calls made by delinquent customers to us and our Brand Warrior representatives encourage the customers to “self-cure” in order to continue to receive service. Customers may immediately pay their current bill through credit or debit card payments, electronic checks or money orders.

Up-sell and Cross-sell Programs. Whether providing direct response services for marketing campaigns or enabling companies to test new offerings with existing customers, STARTEK is an expert at converting opportunities to sales. Companies spend a great amount of time and money to develop up-sell and cross-sell opportunities with their customers and we consistently outsell other internal and external providers.

Our goal is to provide higher conversion rates and improve the average revenue per sale. We select managers and representatives who not only have a sales mentality, but are dedicated to helping customers. We also employ a proven sales training methodology that all our sales and service representatives employ and they are supported by dedicated management teams. By working with our clients and providing a true sales team culture, we are able to achieve superior sales results.

Additional Services. We provide other industry-specific processes, including training curriculum development, workforce management, dialer automation and disposition. These services include both automated and live-agent interaction.

STARTEK's Production Disposition Tools are designed to capture line of business-specific queue metrics and order data, as well as drive order entry accuracy and efficiency; document and capture new orders as a means of validation and audit; capture and assess agent level accuracy on order entry accuracy, completeness and comment field description.

In addition, our Solutions Team engages with clients to understand their specific goals and anticipate the needs of their customers. As a part of the STARTEK Advantage System, the Solutions Team is involved from the earliest stages of the life cycle of our client engagements through ongoing operations in order to find the right solution from existing STARTEK tools and emerging technologies.

CUSTOMER TRENDS

We have observed a few emerging trends in client requirements of our industry. Our clients are increasingly focused on improving customer engagement and reducing total overall cost of ownership. We deliver a high level of customer satisfaction, as evidenced by our clients' customer service awards and our clients' ranking of STARTEK relative to other outsourced partners. Our clients value a combination of on-shore, near-shore, offshore and home agent delivery platforms to optimize their customer support costs. In response to the demand for offshore solutions, we opened our first facility in the Philippines in 2008 and a second facility in 2010. In response to the demand for near-shore solutions, we opened a new facility in Costa Rica in 2010 and in Honduras in 2011, which enabled us to provide a near-shore solution, while also increasing our Spanish language capability. Given this demand, we plan to continue to grow the number of offshore and near-shore agents.

We have also observed that our clients are demanding a decrease in the number of contacts it takes for their customers to enjoy their products or services. Process improvement has also driven further efficiencies for resolution of those contact issues. We are committed to delivering solutions through which we partner with our clients to achieve and deliver these efficiency gains.

We believe we are positioned to benefit from this trend as we have developed a comprehensive suite of services that drive continuous improvement on front and back-office transactions.

KEY COMPETITIVE DIFFERENTIATORS

STARTEK Advantage System

The sum total of the STARTEK culture, the STARTEK Operating Platform, customized solutions for every client program and our continuous improvement process is our STARTEK Advantage System. The STARTEK Advantage System empowers and enables our leaders to deliver consistent execution of operational results while driving year-over-year improvement for our clients' critical business requirements.

STARTEK's culture is built on trust and servant leadership. Servant leadership puts the employees first and leads with a focus on solving problems and promoting personal development. We are a gathering of like-minded professionals determined to make a positive impact for our employees, our clients and our stakeholders.

STARTEK Operating Platform provides the expertise, best practices and thought leadership to move our clients' programs toward specific, measurable goals. It includes execution and innovation in every area of the operation from onboarding our employees, enabling our employees, executing against goals, evaluating performance, improving performance and enhancing our client's business.

STARTEK deploys solutions that leverage what we have now, what we have learned from experience across a breadth of clients and industries and what we hear and understand from our client's goals. We will deliver the right people with the right leadership enabled by the right technology and empowered by the right tools to make a meaningful impact to our clients' business. Our recent acquisition of Ideal Dialogue gives us the ability to offer a solution for improving customer interactions and, subsequently, customer satisfaction. Ideal Dialogue has developed a unique methodology for training and measuring how we can better engage with customers to improve the customer experience.

We offer a variety of customer management solutions that provide front to back-office capabilities utilizing the right delivery platform including onshore, near shore, offshore and STARTEK@Home sourcing alternatives. We also offer multi-channel interactions across voice, chat, email and IVR channels. We believe that we are differentiated by our client centric culture, quality of our execution and results, our flexibility and competitive pricing.

Customization

Our solution configuration is aligned with our clients' unique requirements. We are flexible in designing solutions around our clients' strategic goals, and we provide experienced management teams that bring together a trained, productive workforce, equipped with the right tools and technology.

Consistent Performance

Performance is core to the STARTEK Operating Platform. Our clients expect consistent performance against the fundamentals of the business no matter the location or method of the service delivery. The operating platform sets the stage for us to drive continuous improvement and focus on the value-add aspects of our clients' business.

Cost Competitive

We are confident in our ability to be cost competitive in our solutions for our clients' needs. Through clearly understanding their needs and striving to reach goal congruency, we can assure that our collective financial goals are aligned in the most efficient way.

STRATEGY

Successful outsourcing partnerships strike a balance by delivering our clients a better customer experience through an efficient support model while generating a fair return for our stakeholders. Therefore, our mission is simple. We enable and empower our Brand Warriors to fight for our clients' brands every day in order to return value to our stakeholders. Our employees and customer service agents are called Brand Warriors because they are on the front lines protecting and promoting our clients' brands, which creates loyalty for our clients' products and services. Our clients' business objectives become our business objectives, as we seek to become their trusted partner. Every day, we strive to better understand our clients' market and competitive challenges so that we can play a more effective role as a trusted partner in their businesses. We seek to build customer loyalty and reduce our customers' costs through specific actionable continuous improvement efforts. Management believes that empowering and enabling our Brand Warriors is the most important way we can deliver the best possible consistent customer experience. STARTEK's leadership team is committed to driving year-over-year continuous improvement for our clients' businesses, not only in customer experience, but in total cost of ownership.

We seek to become a market leader in providing meaningful impact business process outsourcing ("BPO") services to our clients. Our approach is to develop relationships with our clients that are partnering and collaborative in nature where we are focused, flexible and responsive to their business needs. In addition, we offer creative industry-based solutions to meet our clients' ever changing business needs. The end result is the delivery of a quality customer experience to our clients' customers. To become a leader in the market, our strategy is to:

- grow our existing client base by deepening and broadening our relationships,
- add new clients and continue to diversify our client base,
- improve the profitability of our business through operational improvements and increased utilization,
- expand our global delivery platform to meet our clients' needs,
- broaden our service offerings by providing more innovative and technology-enabled solutions, and
- expand into new verticals.

During 2013, STARTEK acquired two companies that expand our reach with new and existing customers. Ideal Dialogue, Inc. is a company dedicated to improving client engagement through over 50 years of academic study in the science of human communication. STARTEK also acquired RN's On Call, which operates a nurse telephone triage and patient support service company. Registered nurses, specialized professionals, para-medical resources, call center specialists, quality/compliance officers and workflow analysts provide patient support. The phones are answered by certified medical professionals who can provide patients with immediate assistance by utilizing a combination of medical protocols, on call physicians and standing orders. The acquisition launched STARTEK Health, a division of STARTEK, dedicated to providing service to payers, providers, pharmaceutical companies and medical device producers in the healthcare industry. STARTEK Health recently launched a new website dedicated to showcasing the capabilities of the new division for the healthcare industry at www.startekhealth.com.

HISTORY OF THE BUSINESS

STARTEK was founded in 1987. At that time, our business was centered on supply chain management services, which included packaging, fulfillment, marketing support and logistics services. After our initial public offering on June 19, 1997, we began operating contact centers, which primarily focused on customer care, and grew to include our current suite of offerings as described in the "Business Overview" section of this Form 10-K.

SEASONALITY

Our business has been seasonal, dependent on our clients' marketing programs and product launches, which are often geared toward the end of summer and the winter holiday buying season. Our cable and satellite providers also bring a seasonal element towards special sports programming.

INDUSTRY

Outsourcing of non-core activities, such as those we provide, offers companies the ability to focus on their core competencies, leverage economies of scale and control variable costs of the business while accessing new technology and trained expert personnel. As the business environment continues to evolve, it has become more difficult and expensive for some companies to maintain the necessary personnel and service capabilities in-house to provide business process services on a cost-effective basis. Accordingly, we anticipate that outsourced customer care services will grow significantly in the coming years. In general, we believe that industries having higher levels of customer contact and service volume, such as the communications industry, tend to be more likely to seek outsourced services as a more efficient method of managing their technical support and customer care functions. We believe that outsourced service providers, including ourselves, will continue to benefit from these outsourcing trends.

COMPETITION

We compete with a number of companies that provide similar services on an outsourced basis, including business process outsourcing companies such as Teleperformance; Convergys Corporation; Transcom; NCO Group; Aegis PeopleSupport; Sitel Corporation; Sykes Enterprises, Incorporated; TeleTech Holdings, Inc.; Stream Global Services, Inc. and West Corporation. We compete with the aforementioned companies for new business and for the expansion of existing business within the clients we currently serve. Many of these competitors are significantly larger than us in revenue, income, number of contact centers and customer service agents, number of product offerings and market capitalization. We believe that while smaller than many of our competitors, we are able to compete because of our focus and scale as well as proven performance to add value to our clients. We believe our success is contingent more on our targeted service offering and performance delivery to our clients than our overall size. Several of our competitors merged during the last three years, which increased the size and reach of those competitors, which may affect our competitive position. There are also many private equity backed companies actively pursuing sale so further consolidation in the industry is expected. However, we believe there are integration challenges involved in consolidations, which may provide us an opportunity to deliver superior customer service to our clients. Some competitors may offer a broader range of services than we do, which may result in clients and potential clients consolidating their use of outsourced services with larger competitors, rather than using our services. We primarily compete with the aforementioned companies on the basis of price and quality. As such, our strategy continues to be to execute on our clients' quality metrics and rank among the top of all of their outsourced vendors, while continuing to be a cost-effective solution and driving year over year improvement. We view our competitive advantage as being a large enough company to offer the breadth of service offerings that are often requested by our clients while being agile enough to quickly respond to our clients' needs.

CLIENTS

We provide service to clients from our locations in North America, Latin America and Asia Pacific. Approximately 65% of our revenue is derived from clients within the telecommunications industry and 30% from clients within the cable and media industry.

Our three largest customers, AT&T Inc. ("AT&T"), T-Mobile USA, Inc. ("T-Mobile") and Comcast Cable Communications Management, LLC ("Comcast"), account for a significant percentage of our revenue. While we believe that we have good relationships with these clients, a loss of a large program from one of these clients, a significant reduction in the amount of business we receive from a principal client, renegotiation of pricing on several programs simultaneously for one of these clients, the delay or termination of a principal clients' product launch or service offering, or the complete loss of one or more of these principal clients would adversely affect our business and our results of operations. Also, our clients may unilaterally reduce their use of our services under our contracts without penalty.

Our work for AT&T is covered by several contracts for a variety of different lines of AT&T business. These contracts expire between 2014 and 2015. Our initial master services agreement covering all AT&T work had been extended through January 31, 2013. On January 25, 2013, we entered into a new master services agreement with AT&T Services, Inc., which expires December 31, 2015 and may be extended upon mutual agreement, but may be terminated by AT&T with written notice.

On July 28, 2011, we entered into a new master services agreement with T-Mobile effective July 1, 2011, which covers all services that we provide to T-Mobile. The new master services agreement with T-Mobile replaces the previous master services agreement dated October 1, 2007, has an initial term of five years and will automatically renew for additional one-year periods thereafter, but may be terminated by T-Mobile upon 90 days written notice.

On January 4, 2014, we signed a new master services agreement with Comcast, effective June 22, 2013, which provides for the same services as the original master services agreement that was signed in 2011 and would have expired in 2014. The new master services agreement covers all services that we provide to Comcast, has an initial term of one year and will automatically renew for additional one-year periods unless either party gives notice of cancellation. Comcast may terminate the agreement upon 90 days written notice.

GOVERNMENT AND ENVIRONMENTAL REGULATION

We are subject to numerous federal, state, and local laws in the states and territories in which we operate, including tax, environmental and other laws that govern the way we conduct our business. There are risks inherent in conducting business internationally, including significant changes in domestic government programs, policies, regulatory requirements, and taxation with respect to foreign operations; potentially longer working capital cycles; unexpected changes in foreign government programs, policies, regulatory requirements and labor laws; and difficulties in staffing and effectively managing foreign operations.

EMPLOYEES AND TRAINING

As of December 31, 2013, we employed approximately 11,600 employees. Approximately 3,000 were employed in the United States and approximately 8,600 were employees in foreign countries. None of our employees were members of a labor union or were covered by a collective bargaining agreement during 2013. We believe our overall relations with our workforce are good.

CORPORATE INFORMATION

Our principal executive offices are located at 8200 E. Maplewood Ave., Suite 100, Greenwood Village, Colorado 80111. Our telephone number is (303) 262-4500. Our website address is www.startek.com. Our stock currently trades on the New York Stock Exchange ("NYSE") under the symbol SRT.

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) and 15(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) are available free of charge through our website (www.startek.com) as soon as practicable after we furnish it to the Securities and Exchange Commission (“SEC”). We also make available on the “Investor Relations” page of our corporate website, the charters for the Compensation Committee, Audit Committee and Governance and Nominating Committee of our Board of Directors, as well as our Corporate Governance Guidelines and our Code of Ethics and Business Conduct.

None of the information on our website or any other website identified herein is part of this report. All website addresses in this report are intended to be inactive textual references only.

ITEM 1A. RISK FACTORS

A substantial portion of our revenue is generated by a limited number of clients. The loss or reduction in business from any of these clients would adversely affect our business and results of operations.

Revenue from our three largest clients, AT&T, T-Mobile and Comcast, accounted for 25.3%, 27.7% and 19.8%, respectively, of our revenues for the year ended December 31, 2013.

We may not be able to retain our principal clients. If we were to lose any of our principal clients, we may not be able to timely replace the revenue generated by them. Loss of a principal client could result from many factors, including consolidation or economic downturns in our clients' industries, as discussed further below.

The future revenue we generate from our principal clients may decline or grow at a slower rate than expected or than it has in the past. In the event we lose any of our principal clients or do not receive call volumes anticipated from these clients, we may suffer from the costs of underutilized capacity because of our inability to eliminate all of the costs associated with conducting business with that client, which could exacerbate the effect that the loss of a principal client would have on our operating results and financial condition. For example, there are no guarantees of volume under the current contract with AT&T. In addition, the current contract with AT&T provides for a tiered incentive pricing structure that provides for lower pricing at higher volumes. Additional productivity gains could be necessary to offset the negative impact that lower per-minute revenue at higher volume levels would have on our margins in future periods.

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

We enter into written agreements with each client for our services and seek to sign multi-year contracts with our clients. However these contracts generally permit termination upon 30 to 90 days notice by our clients, do not designate us as our clients' exclusive outsourced services provider, do not penalize our clients for early termination, hold us responsible for work performed that does not meet predefined specifications and do not contain minimum purchase requirements or volume commitments. Accordingly, we face the risk that our clients may cancel or renegotiate contracts we have with them, which may adversely affect our results. If a principal client canceled or did not renew its contract with us, our results would suffer. In addition, because the amount of revenue generated from any particular client is generally dependent on the volume and activity of our clients' customers, as described above, our business depends in part on the success of our clients' products. The number of customers who are attracted to the products of our clients may not be sufficient or our clients may not continue to develop new products that will require our services, in which case it may be more likely for our clients to terminate their contracts with us. Moreover, clients who may not terminate their contacts with us without cause could generally reduce the volume of services they outsource to us, which would have an adverse effect on our revenue, results of operations and overall financial condition.

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

Our current clients are almost exclusively communications companies, which include companies in the wire-line, wireless, cable and broadband lines of business. Currently, our business is largely dependent on continued demand for our services from clients in this industry and on trends in this industry to purchase outsourced services. A significant change in this trend could have a materially adverse effect on our financial condition and results of operations.

Client consolidation could result in a loss of business that would adversely affect our operating results

The communications industry has had a significant level of consolidation discussion. We cannot assure that additional consolidations will not occur in which our clients acquire additional businesses or are acquired themselves. Such consolidations may decrease our business volume and revenue, which could have an adverse effect on our business, results of operations and financial condition.

Our lack of a wide geographic diversity outside of North America may adversely affect our ability to serve existing customers or limit our ability to obtain new customers.

Although we currently conduct operations in Canada, the Philippines, Costa Rica and Honduras, we do not have a wide geographic diversity. Our lack of such diversity could adversely affect our business if one or more of our customers decide to move their existing business process outsourcing services offshore. It may also limit our ability to gain new clients that may require business process service providers to have this greater flexibility across differing geographies.

The movement of business process outsourcing services to other countries has been extensively reported in the press. Most analysts continue to believe that many outsourced services will continue to migrate to other countries with lower wages than those prevailing in the U.S.

If we decide to open facilities in, or otherwise expand into, additional countries, we may not be able to successfully establish operations in the markets that we target. There are certain risks inherent in conducting business in other countries including, but not limited to, exposure to currency fluctuations, difficulties in complying with foreign laws, unexpected changes in government programs, policies, regulatory requirements and labor laws, difficulties in staffing and managing foreign operations, political instability, and potentially adverse tax consequences. There can be no assurance that one or more of such factors will not have a material adverse effect on our business, growth prospects, results of operations, and financial condition.

Our operating results may be adversely affected if we are unable to maximize our facility capacity utilization.

Our profitability is influenced by our facility capacity utilization. The majority of our business involves technical support and customer care services initiated by our clients' customers, and as a result, our capacity utilization varies, and demands on our capacity are, to some degree, beyond our control. We have experienced, and in the future may experience periods of idle capacity from opening new facilities where forecasted volume levels do not materialize. In addition, we have experienced, and in the future may experience idle peak period capacity when we open a new facility or terminate or complete a large client program. These periods of idle capacity may be exacerbated if we expand our facilities or open new facilities in anticipation of new client business because we generally do not have the ability to require a client to enter into a long-term contract or to require clients to reimburse us for capacity expansion costs if they terminate their relationship with us or do not provide us with anticipated service volumes. From time to time, we assess the expected long-term capacity utilization of our facilities. Accordingly, we may, if deemed necessary, consolidate or close under-performing facilities in order to maintain or improve targeted utilization and margins.

In 2012, the decision was made to consolidate the business performed in Enid, Oklahoma into another U.S. facility. Enid reopened in the third quarter of 2013. In February 2012, we received a customer notification of its intent to reduce its business in our Decatur, Illinois and Jonesboro, Arkansas facilities. The Decatur facility closed in January 2013. We secured new business for the Jonesboro facility and continued to sell to this capacity until February 2014, when we announced the closure of this site. Operations will cease in the second quarter of 2014 when the business transitions to another facility. We closed our facility in Collinsville, Virginia during the first quarter of 2012. During 2012, we recognized $4.1 million in impairment losses and restructuring charges related to facility closures and assets whereby the carrying value did not support future cash flows. In February 2013, we announced the closure of our Cornwall, Ontario facility due to an end-of-life client program. In the fourth quarter of 2013, we recognized impairment losses in our Latin America segment associated with the furniture, fixtures and leasehold improvements at our site in Costa Rica after an impairment analysis indicated estimated future cash flows were insufficient to support the carrying values.

We may incur further impairment losses and restructuring charges during 2014 related to any additional planned closures. There can be no assurance that we will be able to achieve or maintain optimal facility capacity utilization.

If client demand declines due to economic conditions or otherwise, we would not leverage our fixed costs as effectively, which would have a material adverse effect on our results of operations and financial condition.

Our operations in Canada, the Philippines, Costa Rica and Honduras subject us to the risk of currency exchange fluctuations.

Because we conduct a material portion of our business outside the United States, in Canada, the Philippines, Costa Rica and Honduras, we are exposed to market risk from changes in the value of the Canadian dollar, Philippine peso, Costa Rican colon and the Honduran lempira. Material fluctuations in exchange rates impact our results through translation and consolidation of the financial results of our foreign operations and, therefore, may negatively impact our results of operations and financial condition. We have contracts wherein the revenue we earn is denominated in U.S. dollars, but the costs we incur to fulfill our obligations under those contracts are denominated in Canadian dollars, Philippine pesos and, to a lesser extent, the Costa Rican colon and Honduran lempira. Therefore, the fluctuations in the U.S. dollar to the Canadian dollar, Philippine peso, Costa Rican colon or Honduran lempira exchange rates can cause significant fluctuations in our results of operations. We engage in hedging activities relating to our exposure to such fluctuations in the value of the Canadian dollar and the Philippine peso. During 2013, we did not enter into hedging agreements for the Costa Rican colon or Honduran lempira. Our hedging strategy, including our ability to acquire the desired amount of hedge contracts, may not sufficiently protect us from further strengthening of these currencies against the U.S. dollar.

As a global company, we are subject to social, political and economic risks of doing business in many countries.

We conduct a significant portion of our business and employ a substantial number of people outside of the United States. During 2013, we generated approximately 58.8% or $135.9 million of our revenue from operations outside the United States. Circumstances and developments related to international operations that could negatively affect our business, financial condition or results of operations include, but are not limited to, the following factors:

- difficulties and costs of staffing and managing international operations in certain regions;
- differing employment practices and labor issues;
- local businesses and cultural factors that differ from our usual standards and practices;
- volatility in currencies;

- currency restrictions, which may prevent the transfer of capital and profits to the United States;
- unexpected changes in regulatory requirements and other laws;
- potentially adverse tax consequences;
- the responsibility of complying with multiple and potentially conflicting laws, e.g., with respect to corrupt practices, employment and licensing;
- the impact of regional or country-specific business cycles and economic instability;
- political instability, uncertainty over property rights, civil unrest, political activism or the continuation or escalation of terrorist activities; and
- access to capital may be more restricted, or unavailable on favorable terms or at all in certain locations.

Our global growth (including growth in new regions in the United States) also subjects us to certain risks, including risks associated with funding increasing headcount, integrating new offices, and establishing effective controls and procedures to regulate the operations of new offices and to monitor compliance with regulations such as the Foreign Corrupt Practices Act and similar laws.

Although we have committed substantial resources to expand our global platform, if we are unable to successfully manage the risks associated with our global business or to adequately manage operational fluctuations, our business, financial condition and results of operations could be harmed.

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

Our success is largely dependent on our ability to recruit, hire, train and retain qualified employees. Our business is labor intensive and, as is typical for our industry, continues to experience high personnel turnover. Our operations, especially our technical support and customer care services, generally require specially trained employees, which, in turn, requires significant recruiting and training costs. Such turnover adversely affects our operating efficiency, productivity and ability to fully respond to client demand, thereby adversely impacting our operating results. Some of this turnover can be attributed to the fact that we compete for labor not only with other call centers but also with other similar-paying jobs, including retail, services industries, food service, etc. As such, improvements in the local economies in which we operate can adversely affect our ability to recruit agents in those locations. Further increases in employee turnover or failure to effectively manage these high attrition rates would have an adverse effect on our results of operations and financial condition.

The addition of new clients or implementation of new projects for existing clients may require us to recruit, hire, and train personnel at accelerated rates. We may not be able to successfully recruit, hire, train, and retain sufficient qualified personnel to adequately staff for existing business or future growth, particularly if we undertake new client relationships in industries in which we have not previously provided services. Because a substantial portion of our operating expenses consists of labor-related costs, labor shortages or increases in wages (including minimum wages as mandated by the U.S. and Canadian federal governments, employee benefit costs, employment tax rates, and other labor related expenses) could cause our business, operating profits, and financial condition to suffer. Economic and legislative changes in the U.S. may encourage organizing efforts in the future which, if successful, could further increase our recruiting and training costs and could decrease our operating efficiency and productivity.

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

During the past economic downturns, we, like a number of companies in our industry, sought to limit our labor costs by limiting salary increases and payment of cash bonuses to our employees. During 2012, the local economies in some of the locations in which we operate experienced growth, which causes pressure on labor rates to remain competitive within the local economies. If these growth trends continue, we may need to further increase salaries or otherwise compensate our employees at higher levels in order to remain competitive. Higher salaries or other forms of compensation are likely to increase our cost of operations. If such increases are not offset by increased revenue, they will negatively impact our financial results. Conversely, if labor rates decrease due to higher unemployment in the current economic downturn, our cost of operations may decrease. In the past, some of our employees have attempted to organize a labor union, and economic and legislative changes may encourage organizing efforts in the future, which, if successful, could further increase our recruiting and training costs and could decrease our operating efficiency and productivity.

We have experienced significant management turnover and need to retain key management personnel.

In June 2011, Chad A. Carlson was named as our President and Chief Executive Officer. Lisa Weaver became the Chief Financial Officer in October of 2011. Joe Duryea was hired to lead Sales & Marketing in April 2012. Rod Leach became the Senior Vice President of Global Operations in August 2012. Jay Kirksey became the Senior Vice President, Global Human Resources in February 2013, Emily Millar was promoted to Senior Vice President, Client Solutions and Strategy in July 2013 and Pat Hain was promoted to Senior Vice President, Information Services in July 2013. We must successfully integrate any new management personnel whom we hire within our organization in order to achieve our operating objectives. Changes in other key management positions may temporarily affect our financial performance and results of operations as the new management becomes familiar with our business. Accordingly, our future financial performance will depend to a significant extent on our ability to motivate and retain key management personnel.

Our strategy partially depends on a trend of companies continuing to outsource non-core services.

Our existing clients and a number of clients we are currently targeting have been decreasing the number of firms they rely on to outsource their business process outsourced services. Due to financial uncertainties and the potential reduction in demand for our clients' products and services, our clients and prospective clients may decide to further consolidate the number of firms on which they rely for their business process outsourced services to reduce costs. Under these circumstances, our clients may cancel current contracts with us, or we may fail to attract new clients, which will adversely affect our financial condition. In addition, they may seek price reductions on our contracts as means to lower their costs. If global economic and market conditions remain uncertain or persist, spread, or deteriorate further, we may experience material impacts on our business, operating results, and financial condition.
Our business relies heavily on technology and computer systems, which subjects us to various uncertainties.
We have invested significantly in sophisticated and specialized communications and computer technology and have focused on the application of this technology to meet our clients' needs. We anticipate that it will be necessary to continue to invest in and develop new and enhanced technology on a timely basis to maintain our competitiveness. Significant capital expenditures may be required to keep our technology up-to-date. There can be no assurance that any of our information systems will be adequate to meet our future needs or that we will be able to incorporate new technology to enhance and develop our existing services. Moreover, investments in technology, including future investments in upgrades and enhancements to software, may not necessarily maintain our competitiveness. Our future success will also depend in part on our ability to anticipate and develop information technology solutions that keep pace with evolving industry standards and changing client demands.

Increases in the cost of telephone and data services or significant interruptions in such services could adversely affect our business.
We depend on telephone and data services provided by various local and long distance telephone companies. Because of this dependence, any change to the telecommunications market that would disrupt these services or limit our ability to obtain services at favorable rates could affect our business. We have taken steps to mitigate our exposure to the risks associated with rate fluctuations and service disruption by entering into long-term contracts with various providers for telephone and data services and by investing in redundant circuits. There is no obligation, however, for the vendors to renew their contracts with us or to offer the same or lower rates in the future, and such contracts are subject to termination or modification for various reasons outside of our control. In addition, there is no assurance that a redundant circuit would not also be disrupted. A significant increase in the cost of telephone services that is not recoverable through an increase in the price of our services or any significant interruption in telephone services, could adversely affect our business.

Unauthorized disclosure of sensitive or confidential client and customer data could expose us to protracted and costly litigation and penalties and may cause us to lose clients.

We are dependent on IT networks and systems to process, transmit and store electronic information and to communicate among our locations around the world and with our alliance partners and clients. Security breaches of this infrastructure could lead to shutdowns or disruptions of our systems and potential unauthorized disclosure of confidential information. We are also required at times to manage, utilize and store sensitive or confidential client or customer data. As a result, we are subject to contractual terms and numerous U.S. and foreign laws and regulations designed to protect this information, such as various U.S. federal and state laws governing the protection of health or other individually identifiable information. If any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to such data or otherwise mismanages or misappropriates that data, we could be subject to monetary damages, fines and/or criminal prosecution.

Although we maintain cyber liability insurance, such insurance may not adequately or timely compensate us for all losses we may incur. Unauthorized disclosure of sensitive or confidential client or customer data, whether through systems failure, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients. Similarly, unauthorized access to or through our information systems or those we develop for our clients, whether by our employees or third parties, could result in negative publicity, legal liability and damage to our reputation, business, financial condition, results of operations and cash flows.

We process, transmit and store personally identifiable information and unauthorized access to or the unintended release of this information could result in a claim for damage or loss of business and create unfavorable publicity.

We process, transmit and store personally identifiable information, both in our role as a service provider and as an employer. This information may include social security numbers, financial and health information, as well as other personal information. As a result, we are subject to certain contractual terms as well as federal, state and foreign laws and regulations designed to protect personally identifiable information. We take measures to protect against unauthorized access and to comply with these laws and regulations. We use the Internet as a mechanism for delivering our services to clients, which may expose us to potential disruptive intrusions. Unauthorized access, system denials of service, or failure to comply with data privacy laws and regulations may subject us to contractual liability and damages, loss of business, damages from individual claimants, fines, penalties, criminal prosecution and unfavorable publicity, any of which could negatively affect our operating results and financial condition. In addition, third party vendors that we engage to perform services for us may have an unintended release of personally identifiable information.

We are required to comply with laws governing the transmission, security and privacy of protected health information. In relation to our acquisition of a business process outsourcing provider focusing on health care, we are required to comply with applicable laws governing the transmission, security and privacy of health information, including, among others, the standards of The Health Insurance Portability and Accountability Act (“HIPAA”). The failure to comply with any of these laws could make it difficult to expand our recently acquired health care business process outsourcing business and/or cause us to incur significant liabilities.

If we make acquisitions, we could encounter difficulties that harm our business.
We may acquire companies, products, or technologies that we believe to be complementary to our business. If we engage in such acquisitions, we may have difficulty integrating the acquired personnel, operations, products or technologies. Acquisitions may dilute our earnings per share, disrupt our ongoing business, distract our management and employees, increase our expenses, subject us to liabilities, and increase our risk of litigation, all of which could harm our business. If we use cash to acquire companies, products, or technologies, it may divert resources otherwise available for other purposes or increase our debt. If we use our common stock to acquire companies, products, or technologies, we may experience a change of control or our stockholders may experience substantial dilution or both.
If we are unable to meet the debt covenant requirements under our revolving credit facility, potential growth and results of operations may suffer.

As of December 31, 2013, we had a $15.0 million secured revolving credit facility with Wells Fargo Bank, which has a term of four years. As of December 31, 2013, we had $1.0 million outstanding borrowings on our credit facility. If we do not meet the debt covenant requirements under the new revolving credit facility with Wells Fargo Bank, we may lose an important source of liquidity and be unable to meet short-term cash needs required for growth opportunities and we could face adverse effects on our financial statements, including payments for waivers or higher interest rate obligations.

Our largest stockholder has the ability to significantly influence corporate actions.

A. Emmet Stephenson, Jr., one of our co-founders, owned approximately 19.0% of our outstanding common stock as of March 3, 2014. Under an agreement we have entered into with Mr. Stephenson, so long as Mr. Stephenson beneficially owns 10% or more (but less than 30%) of our outstanding common stock, Mr. Stephenson will be entitled to designate one of our nominees for election to the board, although he has not currently exercised this right. In addition, our bylaws allow that any holder of 10% or more of our outstanding common stock may call a special meeting of our stockholders. The concentration of voting power in Mr. Stephenson's hands, and the control Mr. Stephenson may exercise over us as described above, may discourage, delay or prevent a change in control that might otherwise benefit our stockholders.

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

The market price of our common stock has been volatile, and could be subject to wide fluctuations, in response to quarterly variations in our operating results, changes in management, the degree of success in implementing our business and growth strategies, announcements of new contracts or contract cancellations, announcements of technological innovations or new products and services by us or our competitors, changes in financial estimates by securities analysts, the perception that significant stockholders may sell or intend to sell their shares, or other events or factors we cannot currently foresee. We are also subject to broad market fluctuations, given the overall volatility of the current U.S. and global economies, where the market prices of equity securities of many companies experience substantial price and volume fluctuations that have often been unrelated to the operating performance of such companies. These broad market fluctuations may adversely affect the market price of our common stock. Additionally, because our common stock trades at relatively low volume levels, any change in demand for our stock can be expected to substantially influence market prices thereof. The trading price of our stock varied from a low of $3.93 to a high of $7.24 during 2013.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Smaller reporting companies are not required to provide the information required by this item; however, there were none.

ITEM 2. PROPERTIES

As of December 31, 2013, we owned or leased the following facilities, containing in the aggregate approximately 864,000 square feet:

Properties	Year Opened	Approximate Square Feet	Leased or Owned
Domestic:			
U.S. Facilities			
Greeley, Colorado	1998	35,000	Leased (a)
Laramie, Wyoming	1998	22,000	Company Owned (b)
Enid, Oklahoma	2000	47,500	Company Owned (c)
Grand Junction, Colorado	2000	54,500	Leased
Lynchburg, Virginia	2004	41,300	Leased (d)
Victoria, Texas	2008	54,100	Leased (e)
Mansfield, Ohio	2008	50,000	Leased
Jonesboro, Arkansas	2008	65,400	Leased
Greenwood Village, Colorado	2012	14,100	Leased
Lutz, Florida	2013	3,600	Leased
Colorado Springs, Colorado	2013	28,000	Leased
Canadian Facilities			
Kingston, Ontario	2001	49,000	Leased
Asia Pacific:			
Philippine Facilities			
Makati City, Philippines	2008	78,000	Leased
Ortigas, Philippines	2010	158,000	Leased
Angeles City, Philippines	2013	61,000	Leased
Latin America:			
Costa Rica Facility			
Heredia, Costa Rica	2010	37,200	Leased
Honduras Facility			
San Pedro Sula, Honduras	2011	65,200	Leased

(a) Our Greeley, Colorado facility was sold under a sale-leaseback agreement effective December 31, 2013.

(b) Our Laramie, Wyoming facility ceased operations in January 2010.

(c) Our Enid, Oklahoma facility ceased operations in March 2012 and reopened in September 2013.

(d) Our Lynchburg, Virginia facility moved to this larger space nearby in September 2013.

(e) Our Victoria, Texas facility ceased operations in January 2010 and is currently being sublet through the remaining lease term.

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

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Part II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET FOR COMMON STOCK

Our common stock has been listed on the NYSE under the symbol "SRT" since the effective date of our initial public offering on June 19, 1997. The following table sets forth the quarterly high and low sales prices of our common stock as reported on the NYSE for the periods shown:

	High	Low
2013		
First Quarter	$5.99	$3.93
Second Quarter	$7.24	$4.14
Third Quarter	$6.51	$4.58
Fourth Quarter	$6.60	$5.84
2012		
First Quarter	$3.35	$1.95
Second Quarter	$3.40	$1.77
Third Quarter	$3.24	$2.68
Fourth Quarter	$4.26	$2.85

HOLDERS OF COMMON STOCK

As of March 3, 2014, there were approximately 1,655 stockholders of record and 15,376,611 shares of common stock outstanding. See Item 1A. "Risk Factors," set forth in this Form 10-K for a discussion of risks related to control that may be exercised over us by our principal stockholders.

DIVIDEND POLICY

On January 22, 2007, our board of directors announced it would not declare a quarterly dividend on our common stock in the first quarter of 2007, and did not expect to declare dividends in the near future, making the dividend paid in November 2006 the last quarterly dividend that will be paid for the foreseeable future. We plan to invest in growth initiatives in lieu of paying dividends.

STOCK REPURCHASE PROGRAM

Effective November 4, 2004, our board of directors authorized repurchases of up to $25 million of our common stock. The repurchase program will remain in effect until terminated by the board of directors, and will allow us to repurchase shares of our common stock from time to time on the open market, in block trades and in privately-negotiated transactions. Repurchases will be implemented by the Chief Financial Officer consistent with the guidelines adopted by the board of directors, and will depend on market conditions and other factors. Any repurchased shares will be held as treasury stock, and will be available for general corporate purposes. Any repurchases will be made in accordance with SEC rules. As of the date of this filing, no shares have been repurchased under this program.

The balance of the information required by Item 201 of Regulation S-K is omitted in accordance with the regulatory relief available to smaller reporting companies.

ITEM 6. SELECTED FINANCIAL DATA

Smaller reporting companies are not required to provide the information required by this item.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion analyzes our consolidated financial condition as of December 31, 2013 and 2012, and our consolidated results of operations for the years then ended. We are considered a "smaller reporting company" under applicable regulations of the SEC and are therefore eligible for relief from certain disclosure requirements. In accordance with such provisions, we have elected to provide our audited consolidated statements of operations and comprehensive (loss), cash flows and changes in stockholders' equity for two, rather than three, years.

OVERVIEW

STARTEK is a comprehensive contact center and business process outsourcing service company with employees we call Brand Warriors who for over 25 years have been committed to making a positive impact on our clients' business results. Our mission is to enable and empower our Brand Warriors to promote our clients' brands every day and bring value to our stakeholders. We accomplish this by aligning with our clients' business objectives.

STARTEK has proven results for the multiple services we provide, including sales, order management and provisioning, customer care, technical support, receivables management, and retention programs. We manage programs using a variety of multi-channel customer interaction capabilities, including voice, chat, email, IVR and back-office support. STARTEK has delivery centers in the United States, Philippines, Canada, Costa Rica, Honduras and through its STARTEK@Home workforce.

SIGNIFICANT DEVELOPMENTS DURING THE YEAR ENDED DECEMBER 31, 2013

Decatur, Illinois

In February 2012, we received written notifications that a client would be reducing business in our Decatur, Illinois facility. We recorded a $0.5 million restructuring reserve in the second quarter of 2012. The restructuring plan was completed during the first quarter of 2013.

Regina, Saskatchewan

The lease for this facility was due to expire July 31, 2013. We were successful in negotiating an early termination of the lease; therefore, the restructuring plan was completed during the first quarter of 2013 and we do not expect to incur any additional restructuring liabilities for this location.

Cornwall, Ontario

In February 2013, we announced the closure of our Cornwall, Ontario facility due to an end-of-life client program. Operations ceased during the first quarter of 2013, which was earlier than initially expected.

Laramie, Wyoming

In the fourth quarter 2010, we classified our Laramie facility as an asset held for sale. Due to the duration of the held for sale classification, we reclassified the asset back to assets in use during the second quarter of 2013, resulting in a depreciation charge of $0.1 million.

Enid, Oklahoma

We reopened our Enid facility in the third quarter of 2013; therefore, we reclassified the asset from assets held for sale to assets in use, resulting in a depreciation charge of $0.3 million.

Angeles City, Philippines

We began operating in our new location in Angeles City, Philippines in September 2013.

Colorado Springs, Colorado
Our healthcare division began operations in July 2013 in Colorado Springs, Colorado.

Lutz, Florida
We acquired Ideal Dialogue Company, LLC in March 2013.

Myrtle Beach, South Carolina
We are developing a new customer support center in Myrtle Beach, South Carolina.

SUBSEQUENT EVENTS
In February 2014, we announced the closure of our Jonesboro, Arkansas site. Operations will cease in the second quarter of 2014 when the business transitions to another facility. The lease will terminate in June 2015.

In February 2014, we signed a lease for a new contact center in Tegucigalpa, Honduras.

RESULTS OF OPERATIONS — YEARS ENDED DECEMBER 31, 2013 AND DECEMBER 31, 2012

The following table summarizes our revenues and gross profit for the periods indicated, by reporting segment:

	For the Year Ended December 31,			
	2013		2012	
	(in 000s)	(% of Total)	(in 000s)	(% of Total)
Domestic:				
Revenue	$120,928	52.3 %	$99,827	50.4 %
Cost of services	107,637	52.0 %	92,431	52.8 %
Gross profit	$13,291	54.6 %	$7,396	32.2 %
Gross profit %	11.0 %		7.4 %	
Asia Pacific:				
Revenue	81,082	35.1 %	$79,683	40.2 %
Cost of services	71,108	34.4 %	63,207	36.1 %
Gross profit	9,974	41.0 %	$16,476	71.6 %
Gross profit %	12.3 %		20.7 %	
Latin America:				
Revenue	29,247	12.6 %	$18,582	9.4 %
Cost of services	28,187	13.6 %	19,457	11.1 %
Gross profit	1,060	4.4 %	$(875)	(3.8)%
Gross profit %	3.6 %		(4.7)%	
Company Total:				
Revenue	$231,257	100.0 %	$198,092	100.0 %
Cost of services	206,932	100.0 %	175,095	100.0 %
Gross profit	$24,325	100.0 %	$22,997	100.0 %
Gross profit %	10.5 %		11.6 %	

Revenue

Revenue increased by $33.2 million, or 16.7%, from $198.1 million in 2012 to $231.3 million in 2013. The increase was due to performance within the Domestic and Latin America segments. Revenue in the Domestic segment increased by 21.1%, or $21.1 million, due to $33.1 million of new business and growth from existing programs, partially offset by a $7.7 million reduction from closed facilities, and a $4.3 million reduction for other program reductions. Asia Pacific revenue increased 1.8%, or $1.4 million, from $79.7 million in 2012 to $81.1 million in 2013 due primarily to the ramp up of new business of $13.4 million, partially offset by $10.7 million from lower call volumes and lost programs. Revenue in our Latin America segment increased $10.7 million, or 57.4%, from $18.6 million in 2012 to $29.2 million in 2013 primarily due to growth from existing clients of $12.3 million.

Cost of Services and Gross Profit

Included in gross profit are one-time charges of $1.5 million related to the IT transformation costs and $0.4 million for depreciation charges for the Enid and Laramie reclassifications from held for sale. Cost of services increased by $31.8 million, or 18.2%, from $175.1 million in 2012 to $206.9 million in 2013, primarily to support the 16.7% revenue growth. Gross profit as a percentage of revenue decreased from 11.6% in 2012 to 10.5% in 2013 due to IT transformation costs, segment mix, and labor efficiency performance issues in Asia Pacific that more than offset improvements in the Domestic and Latin America segments. Domestic cost of services increased by approximately $15.2 million due to the new business and growth mentioned above. Domestic gross profit as a percentage of revenue increased to 11.0% in 2013 from 7.4% in 2012 due to labor efficiency and capacity utilization improvements. Cost of services in the Asia Pacific segment increased by approximately $7.9 million, or 12.5%. Asia Pacific gross profit as a percentage of revenue decreased from 20.7% in 2012 to 12.3% in 2013. The unfavorable variances were due to program mix changes, new site start up and ramp related costs and inefficiencies across two key programs. Cost of services in Latin America increased by approximately $8.7 million, or 44.9%. The increase was primarily due to the continued ramp of our Honduras facility and investment in growth in Costa Rica. Latin America gross profit as a percentage of revenue increased from (4.7%) to 3.6% due to the higher headcount and asset utilization.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased from $29.6 million in 2012 to $28.8 million in 2013 and decreased significantly as a percentage of revenue in 2013 compared with 2012 from 15.0% to 12.5%, respectively. The decrease as a percentage of revenue was the result of revenue growth and continued focus on cost control.

Impairment Losses and Restructuring Charges, Net

During 2013, we recognized $0.5 million in impairment losses in our Latin America segment associated with the furniture, fixtures and leasehold improvements at our site in Costa Rica after an impairment analysis indicated estimated future cash flows were insufficient to support the carrying values. We also reversed $0.4 million of restructuring charges during this period due to expenses reimbursable under the sublease at our Victoria, Texas facility.

Impairment losses and restructuring charges totaled $4.1 million for 2012. The $4.1 million expense in 2012 consisted of the following activities in our Domestic segment:

- $3.1 million of impairment losses related to long-lived assets such as computer equipment, software, equipment and furniture and fixtures for which the future cash flows did not support the carrying value of the assets in our Decatur, Illinois and Jonesboro, Arkansas facilities;
- $0.5 million of restructuring charges related to lease, utilities, maintenance, and security expense that will continue to be incurred for the Decatur, Illinois location;
- $0.7 million of restructuring charges related to revised estimates of our expected lease term for our Regina, Saskatchewan site; partially offset by
- a reversal of $0.2 million of restructuring charges related to our Grand Junction, Colorado site that was re-opened in the third quarter of 2012.

Interest and Other Income (Expense), Net

Interest and other income (expense), net for 2013 was $1.6 million compared to $(0.3) million in 2012. The $1.6 million includes losses on disposal of assets related to our IT transformation project of $1.0 million, loss on sale leaseback transaction of $0.5 million and loss on disposal of assets previously held for sale of $0.1 million.

Income Tax

Income tax expense for 2013 was $0.2 million compared to $0.1 million in 2012. The current period income tax expense is the tax impact of the income tax provision for Canadian operations. Our U.S. operations have a valuation allowance recorded on U.S. deferred tax assets and we have tax holidays in the Philippines, Costa Rica and Honduras.

Net Loss

As a result of the factors described above, net loss was $6.4 million for the year ended December 31, 2013, compared to $10.5 million for the year ended December 31, 2012.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are generally cash flows generated by operating activities and from available borrowings under our revolving credit facility. We have historically utilized these resources to finance our operations and make capital expenditures associated with capacity expansion, upgrades of information technologies and service offerings, and business acquisitions. Due to the timing of our collections of large billings with our major customers, we have historically needed to draw on our line of credit periodically for ongoing working capital needs. Based on current expectations, we believe our cash from operations and capital resources will be sufficient to operate our business for at least the next 12 months.

As of December 31, 2013, working capital totaled $31.6 million and our current ratio was 2.11:1, compared to working capital of $36.4 million and a current ratio of 2.50:1 at December 31, 2012.

Net cash flows provided by operating activities in 2013 was $6.2 million compared to net cash provided by operating activities of $2.9 million for 2012. The $3.3 million increase in net cash flows from operating activities was due to a $1.8 million decrease in non-cash items such as depreciation and amortization, impairment charges, losses on asset disposals and stock-based compensation, offset by a $1.0 million net decrease in cash flows from assets and liabilities and a $4.1 million decrease in net loss.

Net cash used in investing activities in 2013 of $5.6 million primarily consisted of $8.8 million of capital expenditures and cash paid for acquisitions of $2.1 million, partially offset by the proceeds from the sale of assets of $3.4 million and proceeds from a sale leaseback transaction of $1.3 million. This compares to 2012 net cash used in investing activities of $2.8 million primarily for capital expenditures of $7.3 million, partially offset by the proceeds from the sale leaseback transaction of our Kingston, Ontario property of $3.9 million.

Net cash provided by financing activities in 2013 of $1.2 million was primarily attributed to borrowings from our line of credit. During the year ended December 31, 2013 we borrowed approximately $41.4 million and repaid approximately $40.4 million on our credit facility. This compares to 2012 net cash provided by financing activities of seven thousand, primarily for proceeds from purchases of our common stock under our Employee Stock Purchase Plan offset by payments on capital lease obligations.

Cash and cash equivalents held by the Company's foreign subsidiaries was $1.0 million and $1.3 million at December 31, 2013 and 2012, respectively. Under current tax laws and regulations, if cash and cash equivalents held outside the United States are distributed to the United States in the form of dividends or otherwise, we may be subject to additional U.S. income taxes and foreign withholding taxes.

Secured Revolving Credit Facility. We have a secured revolving credit facility, with a current borrowing capacity of $15.0 million, which can increase to $20.0 million at our option, to provide liquidity for working capital needs and a source of financing growth opportunities. After consideration of $1.0 million of borrowings outstanding under the credit facility and letters of credit outstanding thereunder of $0.08 million, our remaining borrowing capacity was $13.9 million at December 31, 2013.

Debt Covenants. Our secured revolving credit facility contains standard affirmative and negative covenants that may limit or restrict our ability to sell assets, incur additional indebtedness and engage in mergers and acquisitions. We were in compliance with all debt covenants at December 31, 2013.

CONTRACTUAL OBLIGATIONS

As a smaller reporting company we are not required to provide tabular disclosure of contractual obligations.

OFF-BALANCE SHEET ARRANGEMENTS

We have no material off-balance sheet transactions, unconditional purchase obligations or similar instruments and we are not a guarantor of any other entities’ debt or other financial obligations.

VARIABILITY OF OPERATING RESULTS

We have experienced and expect to continue to experience some quarterly variations in revenue and operating results due to a variety of factors, many of which are outside our control, including: (i) timing and amount of costs incurred to expand capacity in order to provide for volume growth from existing and future clients; (ii) changes in the volume of services provided to principal clients; (iii) expiration or termination of client projects or contracts; (iv) timing of existing and future client product launches or service offerings; (v) seasonal nature of certain clients’ businesses; and (vi) variability in demand for our services by our clients depending on demand for their products or services and/or depending on our performance.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements requires us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We base our accounting estimates on historical experience and other factors that we believe to be reasonable under the circumstances. Actual results could differ from those estimates.

We have discussed the development and selection of critical accounting policies and estimates with our Audit Committee. We believe that the following critical accounting policies involve our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Impairment of Long-Lived Assets

We periodically, on at least an annual basis, evaluate potential impairments of our long-lived assets. In our annual evaluation or when we determine that the carrying value of a long-lived asset may not be recoverable, based upon the existence of one or more indicators of impairment, we evaluate the projected undiscounted cash flows related to the assets. If these cash flows are less than the carrying values of the assets, we measure the impairment based on the excess of the carrying value of the long-lived asset over the long-lived asset's fair value. Where appropriate we use a probability-weighted approach to determine our future cash flows, based upon our estimate of the likelihood of certain scenarios, primarily whether we expect to sell new business within a current location. These estimates are consistent with our internal projections and external communications and public disclosures. Our projections contain assumptions pertaining to anticipated levels of utilization and revenue that may or may not be under contract but are based on our experience and/or projections received from our customers. If our estimate of the probability of different scenarios changed by 10%, the impact to our financial statements would not be material. During the year ended December 31, 2013, we recognized impairment losses in our Latin America segment associated with the furniture, fixtures and leasehold improvements at our site in Costa Rica after an impairment analysis indicated estimated future cash flows were insufficient to support the carrying values. Given that the impairment losses were valued using internal estimates of future cash flows, we have classified the remaining fair value of long-lived assets as Level 3 in the fair value hierarchy.

Restructuring Charges

On an ongoing basis, management assesses the profitability and utilization of our facilities and in some cases management has chosen to close facilities. Severance payments that occur from reductions in workforce are in accordance with our postemployment plans and/or statutory requirements that are communicated to all employees upon hire date; therefore, severance liabilities are recognized when they are determined to be probable and reasonably estimable. Other liabilities for costs associated with an exit or disposal activity are recognized when the liability is incurred, instead of upon commitment to an exit plan. A significant assumption used in determining the amount of the estimated liability for closing a facility is the estimated liability for future lease payments on vacant facilities. We determine our estimate of sublease based on our ability to successfully negotiate early termination agreements with landlords, a third-party broker or management's assessment of our ability to sublease the facility based upon the market conditions in which the facility is located. If the assumptions regarding early termination and the timing and amounts of sublease payments prove to be inaccurate, we may be required to record additional losses, or conversely, a future gain. We did not incur any restructuring charges during 2013. The only remaining restructuring plan at December 31, 2013 is related to our Victoria facility, which will be completed in 2014.

Accrued restructuring costs were valued using a discounted cash flow model. Significant assumptions used in determining the amount of the estimated liability for closing a facility are the estimated liability for future lease payments on vacant facilities and the discount rate utilized to determine the present value of the future expected cash flows. The cash flows consist of the future lease payment obligations required under the lease agreement. In the future, if we sublease for periods that differ from our assumption or if our estimate of a buy-out differs from our assumption, we may be required to record a gain or loss. Future cash flows also include estimated property taxes through the remainder of the lease term, which are valued based upon historical tax payments. Given that the restructuring charges were valued using our internal estimates using a discounted cash flow model, we have classified the accrued restructuring costs as Level 3 in the fair value hierarchy.

Derivative Instruments and Hedging Activities

We record derivative instruments as either an asset or liability measured at its fair value, with changes in the fair value of qualifying hedges recorded in other comprehensive income. As of December 31, 2013, we recorded a gross derivative liability related to our unrealized losses of approximately $2.2 million. Changes in a derivative's fair value are recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset the related results of the hedged item and requires that we must formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment.

We are generally able to apply cash flow hedge accounting, which associates the results of the hedges with forecasted future expenses. The current mark-to-market gain or loss is recorded in accumulated other comprehensive income and will be re-classified to operations as the forecasted expenses are incurred, typically within one year. During 2013 and 2012, our cash flow hedges were highly effective and hedge ineffectiveness was not material. While we expect that our derivative instruments that have been designated as hedges will continue to meet the conditions for hedge accounting, if hedges do not qualify as highly effective or if we do not believe that forecasted transactions will occur, the changes in the fair value of the derivatives used as hedges will be reflected in earnings.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes reflect net effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. We are subject to foreign income taxes on our foreign operations. We are required to estimate our income taxes in each jurisdiction in which we operate. This process involves estimating our actual current tax exposure, together with assessing temporary differences resulting from differing treatment of items for tax and financial reporting purposes. The tax effects of these temporary differences are recorded as deferred tax assets or deferred tax liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period during which such rates are enacted. We record a valuation allowance when it is more likely than not that we will not realize the net deferred tax assets in a certain jurisdiction.

We consider all available evidence to determine whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become realizable. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), and projected taxable income in assessing the realizability of deferred tax assets. In making such judgments, significant weight is given to evidence that can be objectively verified. Based on all available evidence, in particular our historical cumulative losses, recent operating losses and a U.S. pre-tax loss for the fiscal year ending December 31, 2013, we recorded a valuation allowance against our U.S. net deferred tax assets. The valuation allowance for deferred tax assets as of December 31, 2013 and 2012 was $20.0 million and $16.6 million, respectively. In order to fully realize the U.S. deferred tax assets, we will need to generate sufficient taxable income in future periods before the expiration of the deferred tax assets governed by the tax code. As of December 31, 2013, we had gross federal net operating loss carry forwards of approximately $34,560 expiring beginning in 2030 and gross state net operating loss carry forwards of approximately $60,435 expiring beginning in 2014.

We record tax benefits when they are more likely than not to be realized.

Recently Issued Accounting Standards

In July 2013, the FASB issued ASU 2013-11, Presentation of Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists, an amendment to FASB Accounting Standards Codification (“ASC”) Topic 740, Income Taxes (“FASB ASC Topic 740”). This update clarifies that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. In situations where a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this ASU is not expected to have a material impact on our financial statements.

In March 2013, the FASB issued ASU 2013-05 Topic 830 - Foreign Currency Matters (“ASU 2013-05”). ASU 2013-05 resolves the diversity in practice about whether Subtopic 810-10, Consolidation-Overall, or Subtopic 830-30, applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity. In addition, the amendments in this ASU resolve the diversity in practice for the treatment of business combinations achieved in stages (sometimes also referred to as step acquisitions) involving a foreign entity. ASU 2013-05 is effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The adoption of this ASU is not expected to have a material impact on our financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risks

We are exposed to market risk from foreign currency exchange rate fluctuations when subsidiaries with functional currencies other than the U.S. dollar (“USD”) are translated into our USD consolidated financial statements. To mitigate this risk, we enter into forward currency exchange contracts to reduce the effects on our operating results and cash flows caused by volatility in foreign currency exchange rates. The contracts cover periods commensurate with expected exposure, generally three to nine months, and are principally unsecured. The cumulative translation effects for subsidiaries using functional currencies other than the USD are included in “Accumulated other comprehensive income (loss)” in stockholders’ equity. Movements in non-U.S. dollar currency exchange rates may negatively or positively affect our competitive position, as exchange rate changes may affect business practices and/or pricing strategies of non-U.S. based competitors.

We serve many of our U.S.-based clients in several non-U.S. locations, such as Canada, the Philippines, Costa Rica and Honduras. Our client contracts are primarily priced and invoiced in U.S. dollars, however, the functional currencies of our Canadian and Philippine operations are the Canadian dollar ("CAD") and the Philippine peso ("PHP"), respectively. In Costa Rica and Honduras, our functional currency is the USD and the majority of our costs are denominated in U.S. dollars.
In order to hedge a portion of our anticipated cash flow requirements denominated in the Canadian dollar and Philippine peso, we had outstanding forward contracts as of December 31, 2013 with notional amounts totaling $46.4 million. The average contractual exchange rate for the CAD contracts is 1.04 and for the PHP contracts is 42.1. As of December 31, 2013, we had net total derivative liabilities associated with these contracts with a fair value of $2.2 million, which will settle within the next 12 months. If the USD were to weaken against the Canadian dollar and Philippine peso by 10% from current period-end levels, we would incur a loss of approximately $4.9 million on the underlying exposures of the derivative instruments. However, this loss would be mitigated by corresponding gains on the underlying exposures. As of December 31, 2013, we have not entered into any arrangements to hedge our exposure to fluctuations in the Costa Rican colon or the Honduran lempira relative to the U.S. dollar.

Interest Rate Risk

We currently have a $15 million secured credit facility, which can increase to $20 million. The interest rate on our credit facility is variable based upon the LIBOR index, and, therefore, is affected by changes in market interest rates. If the LIBOR increased 100 basis points, there would not be a material impact to our Condensed Consolidated Financial Statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

StarTek, Inc. and Subsidiaries:

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of StarTek, Inc.

We have audited the accompanying consolidated balance sheets of StarTek, Inc. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive loss, cash flows, and stockholders’ equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of StarTek, Inc. and subsidiaries at December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Denver, Colorado
March 7, 2014

STARTEK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except per share data)

	Year Ended December 31,	
	2013	2012
Revenue	$231,257	$198,092
Cost of services	206,932	175,095
Gross profit	24,325	22,997
Selling, general and administrative expenses	28,828	29,645
Impairment losses and restructuring charges, net	94	4,066
Operating loss	(4,597)	(10,714)
Interest and other income (expense), net	(1,579)	342
Loss before income taxes	(6,176)	(10,372)
Income tax expense	230	116
Net loss	$(6,406)	$(10,488)
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments	(898)	413
Change in fair value of derivative instruments	(2,640)	614
Comprehensive loss	$(9,944)	$(9,461)
Net loss per common share - basic and diluted	$(0.42)	$(0.69)
Weighted average common shares outstanding - basic and diluted	15,339	15,241

See Notes to Consolidated Financial Statements.

STARTEK, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	As of December 31,	
	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	$10,989	$9,183
Trade accounts receivable, net	43,708	41,070
Deferred income tax assets	157	288
Derivative asset	—	733
Prepaid expenses	2,939	2,045
Assets held for sale	—	4,969
Current portion of note receivable	645	660
Other current assets	1,626	1,332
Total current assets	60,064	60,280
Property, plant and equipment, net	22,210	26,310
Long-term deferred income tax assets	2,151	3,930
Long-term note receivable, net of current portion	—	602
Intangible assets, net	1,164	—
Goodwill	1,637	—
Other long-term assets	2,491	2,010
Total assets	$89,717	$93,132
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$8,477	$7,174
Accrued liabilities:		
Accrued payroll	9,196	7,035
Accrued compensated absences	2,469	2,591
Other accrued liabilities	1,901	2,150
Line of credit	1,000	—
Derivative liability	2,160	253
Deferred revenue	486	638
Deferred income tax liabilities	766	2,390
Other current liabilities	2,043	1,648
Total current liabilities	28,498	23,879
Deferred rent	1,445	2,202
Other liabilities	1,600	772
Total liabilities	31,543	26,853
Commitments and contingencies		
Stockholders' equity:		
Common stock, 32,000,000 non-convertible shares, $0.01 par value, authorized; 15,368,356 and 15,298,947 shares issued and outstanding at December 31, 2013 and 2012, respectively	154	153
Additional paid-in capital	74,273	72,435
Accumulated other comprehensive (loss) income	(1,009)	2,529
Accumulated deficit	(15,244)	(8,838)
Total stockholders' equity	58,174	66,279
Total liabilities and stockholders' equity	$89,717	$93,132

See Notes to Consolidated Financial Statements.

STARTEK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31, 2013	2012
Operating Activities		
Net loss	$(6,406)	$(10,488)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	12,527	12,957
Impairment losses	531	3,086
Losses (gains) on disposal of assets	1,074	(45)
Loss on sale leaseback transaction	475	—
Share-based compensation expense	1,607	1,275
Amortization of deferred gain on sale leaseback transaction	(273)	(47)
Deferred income taxes	166	410
Other, net	—	249
Changes in operating assets and liabilities:		
Trade accounts receivable, net	(2,711)	(3,287)
Prepaid expenses and other assets	(2,264)	1,113
Accounts payable	435	(121)
Income taxes, net	(348)	334
Accrued and other liabilities	1,429	(2,525)
Net cash provided by operating activities	6,242	2,911
Investing Activities		
Proceeds from note receivable	658	660
Proceeds from sale of assets	3,394	—
Proceeds from sale leaseback transaction	1,337	3,884
Purchases of property, plant and equipment	(8,843)	(7,305)
Cash paid for acquisitions of businesses	(2,097)	—
Net cash used in investing activities	(5,551)	(2,761)
Financing Activities		
Proceeds from stock option exercises	141	—
Proceeds from line of credit	41,390	28,641
Principal payments on line of credit	(40,390)	(28,641)
Payment of payroll taxes relating to vesting of restricted stock	(6)	—
Net proceeds from the issuance of common stock	97	103
Principal payments on capital lease obligations	(19)	(96)
Net cash provided by financing activities	1,213	7
Effect of exchange rate changes on cash	(98)	(693)
Net increase (decrease) in cash and cash equivalents	1,806	(536)
Cash and cash equivalents at beginning of period	9,183	9,719
Cash and cash equivalents at end of period	$10,989	$9,183
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$54	$78
Cash paid for income taxes	$533	$5
Supplemental Disclosure of Noncash Investing Activities		

Assets acquired through capital lease	$1,413	$—

See Notes to Consolidated Financial Statements.

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