

StarTek, Inc.  
Form 10-K  
March 14, 2016

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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2015

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-12793

StarTek, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(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

Common Stock, \$.01 par value

Name of Each Exchange on Which Registered

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  No

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  No

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

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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  No

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. "

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  Accelerated filer

Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No   
The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant on June 30, 2015 was approximately \$73.1 million. As of March 8, 2016, there were 15,699,398 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 2016 annual meeting of stockholders, which will be filed within 120 days after the registrant's fiscal year ended December 31, 2015. 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, 2015

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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 customer engagement business process outsourcing (BPO) services provider, delivering customer care solutions in a different and more meaningful way. We use “engagement” design principles vs. traditional contact center methods, resulting in added value services that create deeper customer relationships through better customer insights and interactions for our clients. Our unique approach to Omni Channel Design and Service, Training Innovation and Analytics, allows STARTEK to deliver full life-cycle care solutions through our engagement centers around the world. Our employees, whom we call Brand Warriors, are at the forefront of our customer engagement services and represent our greatest asset. For over 25 years, STARTEK Brand Warriors have been committed to enhancing the customer experience, providing higher value and making a positive impact for our clients’ business results.

Our vision is to be the most trusted global service provider to customer-centric companies who are looking for more effective ways to engage their customers, on their terms and preferred channels with solutions that are not always available via traditional “contact center” companies.

The STARTEK Advantage System, the sum total of our customer engagement culture, customized solutions and processes, allows us to always remain focused on enhancing our clients’ customer experience, increasing customer lifetime value (CLV) and reducing total cost of ownership. 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 service client programs using a variety of multi-channel customer

interaction capabilities, including voice, chat, email, social media, IVR and back-office support. STARTEK has engagement centers in the United States, Canada, Honduras, Jamaica, and the Philippines.

We operate our business within three reportable segments, based on the geographic regions in which our services are rendered: Domestic, Nearshore, and Offshore. As of December 31, 2015, our Domestic segment included the operations of thirteen facilities in the United States and one facility in Canada; our Offshore segment included the operations of four facilities in the Philippines; and our Nearshore segment included the operations of two facilities in Honduras and one facility in Jamaica. Operations at our facility in Costa Rica, which were included in our Nearshore segment, ceased in August 2014. The segment information included in Item 8, Note 16 of the Notes to Consolidated Financial Statements, is incorporated by reference in partial response to this Item 1.

## 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 multi-channel services and self-help applications to 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 through customer preferred channels (telephone, e-mail, chat, facsimile and 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 life cycle and includes end-to-end pre-sales and post-sales programs. Lead generation, direct sales, account management, retention programs, and marketing analysis and modeling are all available. We have the ability to increase customer purchasing levels, implement product promotion programs, introduce new products and enhanced service offerings, secure additional customer orders and handle inquiries related to post-sales support. Unique service offerings are tailored to meet the specific needs of consumers.

**Provisioning and Order Processing.** Our suite of order processing services range from enterprise level large-scale project management to direct-to-consumer order processing. Complex order processing services provide clients with large-scale project management and direct relationship management for their large enterprise customers. These services include full life cycle order management and technical sales support for high-end telecommunications services, such as wire line, 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. Direct-to-consumer services include provisioning, order processing and transfer of accounts between client service providers.

**Receivables Management.** We provide first and third party collections services directly for our clients. We provide these services for our clients in the telecommunication, cable and media and healthcare industries. Our Brand Warriors help our clients reduce bad debt write-offs and recover past due balances in an efficient, compliant and empathetic manner, which promotes and protects our clients' brand and helps them retain customers.

**Healthcare Services.** Healthcare services focus on four major segments of the market: providers, payers, pharmaceutical and medical devices. Our service offerings include customer care, sales support, accounts receivable management, remote patient care and medical triage. Our healthcare professionals include licensed RN's who compliantly support patients and doctors with their healthcare service needs.

**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 invest 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 utilize a proven sales training methodology that all 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 results.

Additional Services. We provide other industry-specific processes, including training curriculum development, workforce management, customer analytics, quality monitoring services, and dispositions. These services include technology enabled and human interactions.

Our Solutions Team engages with clients to understand their specific goals and anticipate the needs of their customers. By leveraging the STARTEK Advantage System, the Team customizes solutions to meet clients' goals.

## CUSTOMER TRENDS

Our clients are increasingly focused on improving customer engagement and reducing total overall cost of ownership. STARTEK delivers a high level of customer satisfaction, as evidenced by our clients' customer service awards and our ranking relative to other outsourced partners. Our clients also value a combination of onshore, nearshore, and offshore delivery platforms to optimize customer support costs.

Clients are also trying to decrease the number of contacts it takes for their customers to enjoy their products or services as well as increasing the channel options that are available. Process improvement and a push for more Omni Channel solutions has 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 and multi-channel solutions that will drive continuous improvement and customer experience on front and back-office transactions.

## KEY COMPETITIVE DIFFERENTIATORS

### STARTEK Advantage System

Our culture, "Customer Engagement" Operating Platform and custom solutions for every client program combined with our continuous improvement process is the sum total of our STARTEK Advantage System. The STARTEK Advantage System empowers and enables our leaders to constantly look for new ways to deliver consistent execution of operational results while meeting and/or exceeding our clients' current and future 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's "Customer Engagement" Operating Platform provides the core processes that allow us to be consistent in our service offering across sites and geographies. It includes execution and innovation in every area of the operation including on-boarding and enabling employees, executing against goals, evaluating and improving performance, and enhancing the total experience of our clients' customers.

STARTEK deploys solutions that leverage what we know, what we have learned from experience across a breadth of clients and industries, and what we hear and understand from the market and most importantly our clients. 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 on each and every one of our clients' businesses. The 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. The acquisition of ACCENT has given us added insights and analytics as well social service capabilities.

We offer a variety of customer engagement management solutions that provide front to back-office capabilities utilizing the right delivery platform including onshore, nearshore, and offshore alternatives. We also offer multi-channel customer interactions, including voice, chat, email and social media. We believe that we are differentiated by our client centric culture, operational flexibility, customer engagement methodology, added value approach and most importantly, the quality of execution and results.

### Customization



STARTEK is passionate about our client's current and future objectives. Our solution configuration is aligned with our clients' unique requirements but more importantly, the desired outcomes they are looking for. We are flexible and keenly aware that in designing solutions around clients' strategic goals is critical. Not only do we provide experienced management teams that bring together a trained, productive workforce, equipped with the right tools and technology, we provide front and back end analytics to develop the right solution and proprietary quality assurance tools that ensure a "closed loop" improvement cycle that is easy to measure and manage.

## 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 added-value aspects of our clients' businesses.

## Cost Competitive

We are confident in our ability to be cost competitive with solutions that meet 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

STARTEK views successful outsourcing partnerships as those that strike a balance by delivering a better customer experience to clients through an efficient, effective and ever improving support model while generating a fair return for our stakeholders. The STARTEK Advantage System and Brand Warrior mindset is behind everything we do. Our managers and customer engagement specialists all have a STARTEK Brand Warrior mindset, because they are on the front lines for our clients' brands and have the opportunity to create and improve loyalty for our clients' products and services each and every day. Our mission is to return value to our stakeholders by promoting and protecting our clients' brands by enabling and empowering us, as Brand Warriors, through servant leadership. 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' markets and competitive challenges so that we can play a more effective role as trusted partner and success driver in their businesses. We seek to build customer loyalty and reduce clients' costs through specific actionable continuous improvement efforts in all areas. We believe that empowering and enabling our engagement center management and front line employees 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 and constantly striving for the success of our clients' businesses.

We seek to become the trusted partner to our clients and provide meaningful, impactful customer engagement business process outsourcing ("BPO") services. Our approach is to develop relationships with our clients that are truly collaborative in nature where we are focused, flexible and proactive to their business needs. The end result is the delivery of the highest quality customer experience to our clients' customers. To achieve sustainable, predictable, profitable growth, our strategy is to:

- grow our existing client base by deepening and broadening our relationships,
- diversify our client base by adding new clients and verticals
- improve our market position by becoming the leader in customer engagement services
- improve profitability through operational improvements, increased utilization and higher margin accounts
- expand our global delivery platform to meet our clients' needs,
- broaden our service offerings through more innovative, technology-enabled and added-value solutions

During 2015, STARTEK acquired Accent Marketing Services, L.L.C. ("ACCENT"), a business process outsourcing company with a business model that focuses on data, analytics, and interaction with customers and their constituents to provide excellent service. ACCENT's business model and attention to customer engagement provides an excellent complement to STARTEK's Ideal Dialogue practice. Additionally, the acquisition of ACCENT expands our footprint into Jamaica and enhances our flexibility in meeting customer demands, including more use of internet-based customer service delivery.

During 2014, STARTEK acquired Collection Center, Inc. ("CCI"), a receivables management company located in Bismarck, North Dakota focused on third party collection services for healthcare providers. This complements our first party receivables management capabilities and enhances our portfolio of service offerings to healthcare providers as well as our other 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 work flow 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. STARTEK Health has a website dedicated to showcasing capabilities for the healthcare industry at [www.startekhealth.com](http://www.startekhealth.com).

The STARTEK Health division is focused on understanding the business aims of the industry including a focus on increasing service levels while faced with the expected increase in cost of delivering care. Industry reforms are further escalating administrative and compliance costs, shifting the focus on trimming operational expenses. At STARTEK Health, we understand these pressures, along with the need to remain flexible given the new healthcare reform mandates, growth in the aging population, varying communication needs of the multiple demographics requiring support, and the desire to achieve improved member satisfaction in a more competitive environment.

## 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 continued to focus on operating customer care contact centers and grew to include our current suite of offerings as described in the “Business Overview” section of this Form 10-K.

## SEASONALITY

Our business can be 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. We also have some seasonality with our healthcare clients.

## INDUSTRY

The worldwide outsourced customer care services industry is now projected to be over \$72 billion and growing at over 5% per year. Over the past several years, companies handling their own customer care requirements has continued to decrease. Clients are recognizing the value and expertise that can be found by outsourcing activities, such as those we provide. Outsourcing allows them to focus on core competencies, leverage economies of scale and control variable costs of their business while accessing new technology and trained expert personnel. We believe outsourced service providers, including ourselves, will continue to benefit from these outsourcing trends. The industry continues to be very fragmented with the largest competitors combined capturing less than 7% of the global market.

## 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; Expert Global Solutions; Sitel Corporation; Sykes Enterprises, Incorporated; TeleTech Holdings, Inc. and Alorica. 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 our ability to add value to our clients' business. 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 companies actively pursuing sale so further consolidation in the industry is expected. There are integration challenges involved in consolidations, which may provide us with an opportunity to deliver superior customer service to existing and new clients. We have maintained an opportunistic view of acquisitions, primarily focused on

diversification and strategic value in line with our strategic plan.

Some competitors 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 is to execute the STARTEK Advantage System on our clients' 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 clients while being agile enough to quickly respond to their needs. In other words, engaging with our clients in a more meaningful way and focusing on their customer engagement in a more meaningful way.

## CLIENTS

We provide service to clients from locations in the United States, Canada, Honduras, Jamaica, and the Philippines. Approximately 47% of our revenue is derived from clients within the telecommunications industry and 25% from clients within the cable and media industry.

Our three largest customers, T-Mobile USA, Inc. ("T-Mobile"), AT&T Inc. ("AT&T") 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 (See Item 1A. "Risk Factors"). The following table represents revenue concentration of our principal clients:

	Year Ended December 31,			
	2015	2014	2013	
T-Mobile USA, Inc., a subsidiary of Deutsche Telekom	24.6	% 30.7	% 27.7	%
AT&T Services, Inc. and AT&T Mobility, LLC, subsidiaries of AT&T, Inc.	12.4	% 22.1	% 25.3	%
Comcast Cable Communications Management, LLC, subsidiary of Comcast Corporation	11.3	% 16.3	% 19.8	%

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 25, 2013, we entered into a new master services agreement with AT&T Services, Inc., that was scheduled to expire on December 31, 2015 and has been extended through June 30, 2016, but may be terminated by AT&T with written notice. Our work for AT&T is covered by several contracts for a variety of different lines of AT&T business. These contracts expire on various dates prior to 2018.

On January 4, 2014, we signed a new master services agreement with Comcast, effective June 22, 2013. The new master services agreement covers all services provided 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. This new agreement provides for the same services as the original master services agreement that was signed in 2011 and would have expired in 2014. Neither party gave notice of termination; therefore, the contract has renewed for the year ending June 22, 2016, but 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, 2015, we employed approximately 14,500 employees. Approximately 5,300 were employed in the United States and approximately 9,200 were employees in foreign countries. None of our employees were members of a labor union or were covered by a collective bargaining agreement during 2015. We believe the overall relations with our workforce are good.

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## 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](http://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](http://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, T-Mobile, AT&T and Comcast, accounted for 24.6%, 12.4% and 11.3%, respectively, of our revenues for the year ended December 31, 2015.

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 replace the revenue on a timely basis. 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