UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997

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 000-21771

WEST TELESERVICES CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OF ORGANIZATION)	47-0777362 (IRS EMPLOYER IDENTIFICATION NO.)
9910 MAPLE STREET, OMAHA, NEBRASKA (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	68134 (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (402) 571-7700

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: NONE.

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

COMMON STOCK (PAR VALUE $0.01 PER SHARE)
(TITLE OF CLASS)

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

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 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.

At March 17, 1998, 63,330,000 shares of common stock of the registrant were outstanding. The aggregate market value (based upon the closing price of these shares on the Nasdaq National Market at March 17, 1998) of the voting stock held by nonaffiliates was approximately $121.71 million.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on May 13, 1998, are incorporated into Part III.

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PART I

PART I

ITEM 1. BUSINESS

GENERAL

West TeleServices Corporation (the "Company") is one of the largest independent teleservices companies in the United States, and provides a full range of customized telecommunications-based services to business clients on an outsourced basis. The Company is a leading provider in each of inbound operator services, automated voice response services and outbound direct teleservices. Inbound operator services consist of live operator call-processing applications such as order capture, customer service and product support. Inbound was established in 1986 with the goal of becoming the leading inbound teleservices operation in the United States and represented approximately 32.7% of the Company's revenue in 1997. Automated voice response services consist of computerized call-processing applications such as automated product information requests, computerized surveys and polling, and secure automated credit card activation. Interactive began operations in 1989 with the goal of establishing the leadership position in automated voice response services and represented approximately 34.8% of the Company's revenues in 1997. Outbound direct teleservices consist of live operator direct marketing applications such as product sales and customer acquisition and retention campaigns. Outbound began operations in 1990 with the goal of becoming one of the leading teleservices organizations in the United States and represented approximately 32.5% of the Company's revenue in 1997. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview" for a discussion of the Company's 1997 revenue allocations. The Company has developed proprietary technology platforms designed to provide a high degree of automation and reliability in all three of its businesses. This technology also enables the Company to efficiently integrate a range of its services. The Company believes that its ability to offer integrated services for its clients distinguishes it from most of its competitors.

The Company targets businesses in highly competitive, consumer-based industries, including telecommunications, insurance, banking, pharmaceuticals, public utilities, consumer goods and computer software services, that require large volume applications. Representative clients include: AT&T Corp. ("AT&T"), Commonwealth Edison Company, MBNA Corporation, Merck & Co., Inc., Time-Life, Inc. and Turner Broadcasting System, Inc. The Company's revenue and pro forma net income for the year ended December 31, 1996 were $317.2 million and $28.7 million, respectively. The Company's revenue and net income for the year ended December 31, 1997 were $398.8 million and $37.4 million, respectively.

The Company operated approximately 5,900 telephone workstations as of December 31, 1997 in twelve state-of-the-art call centers located in Nebraska, Texas, Virginia, Oklahoma and Alabama which it uses for inbound and outbound services, and maintained approximately 8,100 proprietary interactive voice response ports as of December 31, 1997 for its automated voice response services. The Company has deployed multiple automatic call distributors, predictive dialers, a proprietary interactive voice response platform and multiple mainframe computer systems, in combination with an intelligent workstation environment, in order to fully automate and manage the Company's information-processing requirements. The Company believes it has designed and implemented a sophisticated technology platform, permitting it to provide flexible, high-quality and cost-effective service solutions for its clients.

The Company conducts its business principally through three wholly-owned subsidiaries: West Telemarketing Corporation ("Inbound"); West Telemarketing Corporation Outbound ("Outbound"); and West Interactive Corporation ("Interactive"). The Company, Inbound, Outbound, Interactive and all other direct or indirect subsidiaries of the Company are collectively referred to herein as the "West Affiliates."

INDUSTRY OVERVIEW

The teleservices industry facilitates direct communication between companies and their current and prospective customers through telecommunications-based systems. Industry sources estimate that total media advertising expenditures (including teleservices expenditures) in the United States were approximately $263.9 billion in 1997. Industry sources also estimate that teleservices expenditures in the United States were approximately $95.0 billion in 1997.

ADVANTAGES OF TELESERVICES

Many industries, including telecommunications, pharmaceuticals, consumer goods, banking and insurance, are experiencing increased competition to attract and retain customers, and accordingly many businesses are seeking to expand their direct contact with current and prospective customers. Many of these businesses are allocating more of their advertising and customer service expenditures to teleservices which effectively complement other marketing media such as television, radio and print advertising and enables businesses to quantify and evaluate the effectiveness of specific marketing expenditures. Teleservices is estimated to be the leading direct marketing medium by which approximately $451 billion of goods and services were sold via the telephone in 1997.

EVOLUTION OF THE TELESERVICES INDUSTRY

The teleservices industry has evolved during the past ten years from primarily single-facility, low technology environments to large, full service organizations with multi-location, large volume call-processing centers utilizing advanced systems. Certain independent teleservices providers have invested an increasing amount of capital in large volume state-of-the-art call centers and advanced network technology. Larger service providers, which can achieve greater economies of scale, can more easily justify ongoing investment in sophisticated call management software, predictive dialers and automatic call distributors, to better provide premium quality and cost-effective services. Businesses are seeking to provide greater information for consumers to make informed purchase decisions as product and service offerings become more complex and varied. As an example, it is estimated that in the mid-1980's only 5% of United States companies offered toll-free lines as compared to approximately 75% today. These toll-free lines are estimated to handle an average of 60 million calls per day. Finally, businesses are increasingly recognizing the economic benefits of expanding relationships with existing customers through teleservices such as customer retention campaigns.

ROLE OF OUTSOURCING

Businesses historically have relied on in-house personnel to provide most telephone-based services. Industry sources estimate that expenditures for the "non-captive" portion of the industry, which is serviced on an outsourced basis by independent teleservices companies, were approximately $6.4 billion in 1997 (or 8% of the estimated total industry). Based on discussions with its clients and prospective clients, the Company believes that businesses are increasingly outsourcing their teleservices activities in order to focus their internal resources on their core competencies, to increase the productivity of their marketing services and to reduce overall teleservices expenditures. Providers of outsourced teleservices can offer clients lower overall teleservices costs due to economies of scale in sharing the cost of new technology among a larger base of users and higher capacity utilization rates. The overall teleservices market is estimated to grow at approximately 8% per year for the next five years.

COMPANY STRATEGY

The Company believes that it is one of the leading providers in the teleservices industry and is well positioned to benefit from the continued growth in outsourced teleservices. The Company's objective is to enhance its leading position in each of inbound, automated voice response and outbound services. The principal elements of the Company's strategy are:

I. LEVERAGE ABILITY TO PROVIDE INTEGRATED SERVICE SOLUTIONS

The Company seeks to apply its operating expertise in inbound, automated voice response and outbound services to develop customized service solutions which utilize the resources of each division on an integrated basis. The Company is able to integrate its service offerings by utilizing its voice and data networking technology and its proprietary software systems and hardware platforms. The Company is able to design and implement highly flexible applications which combine the large volume call capacity of automated voice response with the specialized customer service capabilities of inbound services. As an additional component of integration, customer follow-up can be scheduled and initiated through the Company's outbound services. This integrated offering provides a cost effective solution for the client and increases the productivity of the Company's live operators. Furthermore, the Company leverages its ability to provide integrated services by cross-selling its services to its clients to capture an increasing share of their outsourced business. The Company believes that its integrated service capabilities are a significant competitive advantage.

II. PURSUE RECURRING AND LARGE VOLUME APPLICATIONS

The Company has developed its facilities and operations specifically to provide effective service to clients which generate large and recurring call volumes. The Company has established a strong track record in successfully managing client programs which produce such volumes. The consistent revenue streams derived from these large volume and recurring applications help the Company manage its long-term growth.

III. CAPITALIZE ON STATE-OF-THE-ART TECHNOLOGY

The Company seeks to capitalize on its state-of-the-art technology, which enables the Company to offer premium quality, flexible and cost-effective service solutions to its clients. The Company believes that its significant and continuing investment in sophisticated call center technology, including proprietary interactive voice response technology, proprietary scheduling systems, computer telephony integration systems, advanced call management software systems and high speed, fault-tolerant computer systems, is a competitive advantage. In addition, the Company's proprietary software systems, hardware platforms and extensive networking technology allow it to provide customized client applications and integrate two or more of its inbound, automated voice response and outbound services. The Company continually seeks to improve its technological capabilities.

IV. PROVIDE PREMIUM QUALITY SERVICES

The Company believes that service quality is a critical factor in a potential client's decision to outsource its teleservices. The Company differentiates the quality of its services through its ability to quickly respond to new applications and short-term volume fluctuations, efficiently address staffing needs, and effectively employ operating systems that can process client campaign data and provide sophisticated reports. The Company also seeks to provide premium quality services through an extensive training program and an experienced management team. The Company believes that it provides premium quality service to its clients and that the quality of its service is one of its competitive advantages.

V. DEVELOP LONG-TERM CLIENT RELATIONSHIPS

The Company focuses on developing long-term client relationships. Since the Company manages programs that interface with its clients' current or prospective customers, the Company seeks to develop a detailed understanding of each of its clients' specialized businesses. This process enables the Company to create customized solutions which meet clients' needs and minimize client turnover. As a result, the Company is better positioned to cross-sell its services and proactively offer new applications.

VI. LEVERAGE STRONG MANAGEMENT EXPERIENCE

The Company's management team possesses extensive industry experience in inbound, automated voice response and outbound services. The Company's management team has proven experience managing the rapid growth of the business. The founders of the Company are among the pioneers of key areas of the teleservices industry and the members of the management team have continued to contribute to the development of the teleservices industry. The Company believes that it has distinguished itself through its ability to attract and retain some of the most talented managers in the industry.

DESCRIPTION OF SERVICES

The Company's organizational structure is outlined below:

[FLOWCHART OF THE COMPANY'S ORGANIZATIONAL STRUCTURE APPEARS HERE]

I. OPERATOR TELESERVICES ("INBOUND")

Inbound provides live operator call-processing services, including order capture and customer service applications. Inbound was established in 1986 with the goal of becoming the leading inbound teleservices operation in the United States. It was one of the first service providers to fully automate its operations and to develop proprietary software systems to service the customized needs of its clients. In 1997, Inbound represented approximately 32.7% of the Company's revenue. The two divisions of Inbound are Direct Response Services and Custom Operator Services.

DIRECT RESPONSE SERVICES. This division provides large volume inbound call-processing services. Inbound custom designs applications to meet client specifications for order capture, lead generation, customer service, dealer referral and other information processing campaigns. Direct Response Services receives incoming calls 24 hours per day, 365 days per year. Clients measure this division's service quality by its ability to (i) process a large volume of simultaneous incoming calls and (ii) to minimize the number of calls which receive a busy signal. Although this division processes call volume from other media such as radio, print and direct mail advertisements, most of its call volume is generated via toll-free numbers appearing in television advertisements. This type of inbound campaign requires the capability to handle increases in call volumes over short periods of time.

The Company utilizes automatic call distributors and digital switches to identify the toll-free number dialed by each caller. The toll-free number specifies the particular client campaign and designates customer, product, and service information to the operator and provides a highly structured script designed to aid in processing the transaction. Each individual operator may receive a call for one of hundreds of different client campaigns at any given time. Furthermore, the Company can immediately report information captured during the call to its client, the client's advertising agency and the client's designated fulfillment company. Caller information and campaign call volume summary reports are customized and may be transmitted to the client via magnetic tape, electronic transfer or facsimile per the client's instructions. Clients also have the ability to access real-time on-line program results by media source. Immediate access to call volume data allows the Company's clients to quickly determine the cost effectiveness of various campaigns and to adjust their media expenditures accordingly.

CUSTOM OPERATOR SERVICES. This division provides customized teleservices solutions on a dedicated basis to large business clients. The Company believes that many businesses are finding it increasingly difficult to provide high quality customer service and product support without diverting resources from their core businesses. In addition, it is expensive for these businesses to own, operate and maintain state-of-the-art call-processing facilities. The Company believes there are significant growth opportunities in outsourced teleservices for companies that can provide customized solutions on a dedicated basis. The Company's objective for this division is to provide a wide range of inbound telephone-based services including: (i) programs designed to enhance or maximize customer acquisition and retention; (ii) customer service and support; (iii) product support; (iv) collection services; (v) customer complaint resolution; and (vi) client satisfaction information.

II. INTERACTIVE TELESERVICES ("INTERACTIVE")

Interactive provides large volume automated voice response services which allow a caller to access information by means of a touch-tone telephone or voice prompt. Interactive began operations in 1989 with the goal of establishing the leadership position in automated voice response services. The Company believes that Interactive is currently the largest, fully automated call-processing operation in the United States. In 1997, Interactive represented approximately 34.8% of the Company's revenues. Interactive has developed proprietary software systems and hardware platforms to service the diverse needs of its clients and complements the Company's live operator service offerings.

Interactive provides automated voice response services for a broad range of applications, which include secure automated credit card activation, information and entertainment services, polling and surveying, cellular fraud prevention service, automated product information requests, database management and enhancement, multiple caller conferencing, customer service and third-party caller transfers. Interactive is measured by its ability to process a large volume of simultaneous transactions. Additionally, Interactive designs customized applications to meet stated client specifications and offers a variety of voice recording services to aid in the design of an interactive voice application.

Interactive specializes in processing large volumes of telephone transactions generated by print, direct mail, radio and television broadcast advertisements. Interactive's clients typically advertise a toll-free or pay per call number designed to generate a prompt response. Interactive's automated voice-processing platforms may be accessed 24 hours per day, 365 days per year. Interactive's proprietary software systems and hardware platforms integrate the use of automated call distributors, digital switches and decentralized computers for database management with remote host computer interfaces and other peripheral processing activities. Interactive's proprietary technology systems along with inbound and outbound services, permit a caller to connect to a live operator to process data already captured through automated Voice Response Units ("VRUs"). Interactive utilizes VRU's or digital switches to identify the specific toll-free number dialed by the caller. The toll-free number will identify the specific client campaign and direct the call to the appropriate VRU's, switches, database machines, and other required hardware and software needed to fulfill the requirements of the client's application. Interactive was the first large scale platform to incorporate advanced services such as voice recognition for callers with rotary phones, and near real time transcription for quick data dissemination.

Interactive's clients have remote access capability to modify their scripts and obtain instantaneous call count and program information. Interactive reports all information captured or disseminated during a transaction to its clients. Campaign information, summary reports and statistics are customized to meet a client's specifications.

In connection with the provision of interactive teleservices, the Company offers an accounts receivable financing program for certain qualified clients designed to advance a portion of revenue created by the client's program prior to receipt of these funds through the normal collection cycle. These advances are collateralized by the client's billed receivables. The purpose of the program is to provide clients with working capital on a weekly basis instead of having them rely on the normal monthly collection cycle.

III. DIRECT TELESERVICES ("OUTBOUND")

Outbound provides live operator direct marketing services. Outbound began operations in 1990 with the goal of becoming one of the leading teleservices organizations in the United States. In 1997, Outbound represented approximately 32.5% of the Company's revenue. Since Outbound operates in a more mature and competitive environment than Inbound and Interactive, Outbound focuses exclusively on high volume projects. The two divisions of Outbound are Consumer Direct Services and Business Direct Services.

CONSUMER DIRECT SERVICES. This division provides business-to-consumer marketing services. While client applications may include product registration, customer acquisition and retention campaigns, lead generation, database enhancement and management, customer service and verification activities, the division's primary service is product sales. Outbound is typically measured by its ability to generate the highest net revenue per billable hour for its clients.

The Company typically initiates contact with consumers that have been identified by a client as existing or potential customers. Integrated call management systems utilizing large-scale predictive dialers systematically call consumers and transfer successful connections to a designated marketing representative. As a call is presented to a marketing representative who has been trained for specific client applications, the consumer's name, address and other available information are simultaneously presented along with the client's customized script. The Company's proprietary software systems permit clients to immediately access on-line program results and shadow monitor the performance of all designated marketing representatives. The Company can report information captured, summary results and more detailed statistical analyses in a customized format for each of its clients.

BUSINESS DIRECT SERVICES. This division provides business-to-business marketing services for clients whose target markets include thousands of small to medium sized businesses. These applications are designed to enhance and grow their database of information about their prospects and clients, schedule appointments for their regional and national sales forces, and sell services to accounts that may not warrant a face-to-face sales presentation.

FACILITIES AND SERVICE FORTIFICATION

The Company recognizes the importance of providing uninterrupted service for its clients. The Company has invested significant resources to develop, install and maintain facilities and systems designed to be highly reliable. All of the Company's service facilities and systems are designed to maximize system in-service time and minimize the possibility of telecommunications outage, commercial power loss or equipment failure. The Company believes that this level of reliability provides an important competitive advantage.

The Company utilizes redundant network architecture which substantially reduces the possibility of a system failure and the interruption of telecommunications service. As depicted in the diagram below, Inbound's and Interactive's call centers are served by redundant long distance and local access facilities. Each call center is serviced by dual central office switches, providing split access flexible egress routing capabilities, as well as backup access into each facility, using dual fiber ring SONET-based self-healing network architectures. All inbound numbers directed to a Company facility are appended with dual routing instructions in the event of an error on the primary network path. These capabilities allow incoming calls to be redirected via an alternate long distance switch and/or through a backup access line in the unlikely event of a long distance or local network failure.

[FLOWCHART OF THE COMPANY'S NETWORK ARCHITECTURE APPEARS HERE]

The Company's systems also feature operational redundancy. The Company uses automatic call distributors with dual processors and online automatic backup and fault-tolerant mainframe computers with spontaneous dual backup for all processors, disk management and mechanical functions. Copies of all proprietary Company software systems and client application software reside in a secure off-site storage facility. The Company actively monitors all critical components of its call-processing facilities 24 hours per day, 365 days per year. Each facility also has a stand-alone primary power system and both battery backup and diesel generator backup power systems.

PERSONNEL AND TRAINING

The Company believes that a key component of its success is the quality of its employees. As a large-scale service provider, the Company is continually refining its approach to recruiting, training and managing its employees. The Company has established procedures for the efficient weekly hiring and training of hundreds of qualified employees. These procedures, coupled with the Company's proprietary scheduling system, enable the Company to provide flexible scheduling and staffing solutions to meet a client's needs for additional resources.

The Company offers extensive classroom and on-the-job training programs for personnel, including instruction regarding call-processing procedures, direct sales techniques, customer service guidelines, telephone etiquette and proper use of voice inflections. Telephone representatives receive professional training lasting from four to 21 days, depending upon the client's program and the nature of the services being provided. In addition to training designed to enhance job performance, employees are also given a detailed description of the Company's organizational structure, standard operating procedures, and business philosophies.

In 1997, the Company employed an average of approximately 9,000 telephone representatives per day for its inbound services and outbound services with peak employment of approximately 10,300 operators per day. In addition, the Company employed as of December 31, 1997 approximately 2,100 management, staff and administrative employees. The Company considers its relations with its employees to be good.

CALL MANAGEMENT SYSTEMS

The Company specializes in processing large and recurring call volumes. In each of Inbound, Interactive and Outbound, the Company works closely with its clients to accurately project future call volumes. The Company uses the following practices to efficiently manage its call volumes:

HISTORICAL TRENDS ANALYSES. The Company tracks weekly, daily and hourly calling trends for individual client programs for Inbound, Interactive and Outbound. The Company believes that the key to a cost efficient teleservices program begins with the effective planning of future call volumes to determine the optimal number of employees, workstations and calling ports that need to be deployed each hour. Based upon the Company's experience in processing large call volumes during the past ten years, it has accumulated the data necessary to differentiate the calling patterns of different applications such as order capture, lead generation and customer service.

FORECASTING CALL VOLUMES/ESTABLISHING PRODUCTION PLANS. Call volumes are forecasted for each one-half hour increment for each day. Detailed assumptions are made regarding average length of call, average wait time between calls, average speed of answer, and service level targets to determine the actual number of calls that may be processed by a workstation or voice response port during a specific one-half hour increment. This process enables the Company to effectively determine the number of workstations and voice response ports needed for a given campaign.

STAFFING AND SCHEDULING PLANS. Based upon the total number of workstations required to be staffed, a detailed schedule is created. These schedules are typically forecasted six to eight weeks in advance to assist the Company's personnel and training departments in hiring and training the desired number of personnel. Operators and marketing representatives are given regular work schedules that are designed to coincide with anticipated calling patterns and trends.

The Company has developed a proprietary scheduling system that efficiently identifies variances between staff scheduled and staff needed. The system accommodates real-time adjustments to be made for personnel schedules as call volume projections fluctuate. Telephone agent personnel directly interact with the system to schedule additional hours or time off. The system is integrated into all attendance and payroll processing systems.

FACILITY CALLING PLAN. Once staffing and scheduling plans have been developed, each division determines how to efficiently allocate the projected call volumes among its call centers. Each call center receives a detailed plan outlining the projected call volumes for each day of the week and each one-half hour increment of each day. Personnel schedules are produced to optimally match the projected calling volumes.

NETWORK CONTROL. The Company interfaces directly with AT&T's nationwide long distance network and has the ability to allocate call volumes among its various call centers on command. Traffic control specialists within the Company are responsible for comparing actual call volumes and trends to stated staffing and scheduling plans. When necessary, adjustments can be made to fine tune minor variances between actual call volumes and personnel that have been scheduled by facility. As a result, calls are optimally directed to available personnel. Network control monitors the status of all call-processing activities on a minute-by-minute basis. Minor real time variances between projected and actual calling trends are promptly input into the Company's database and the call management cycle repeats.

TECHNOLOGY/SYSTEMS DEVELOPMENT

All proprietary software systems and hardware platforms for Inbound, Interactive and Outbound permit the design and execution of highly integrated service offerings which share consumer database files, source files, calling records and calling lists. All systems provide clients with the ability to directly interface and communicate with the Company's systems. The Company currently employs approximately 620 systems analysts, programmers and technicians to modify and enhance the Company's operating systems and to design client applications.

QUALITY ASSURANCE

By the nature of its services, the Company establishes direct contact with the customer base of its clients. Given the importance of this role, the Company believes that its reputation for providing premium quality service is critical. Both the Company and its clients shadow monitor and evaluate the performance of telephone representatives to confirm that clients' programs are properly implemented using clients' approved scripts and that the telephone representatives meet clients' customer service standards. The Company regularly measures the quality of its services by reviewing such variables as average length of call, calls per hour, average speed of answer, sales per hour, rate of call abandonment and order conversion percentages. The Company's information systems enable the Company to provide clients with regular reports on a real-time basis as to the status of an ongoing campaign and to transmit summary data and captured information electronically to clients.

The Company maintains a quality assurance department for each of Inbound, Interactive and Outbound that is responsible for the overall quality of the services being provided. A comprehensive performance appraisal is typically given to every telephone representative every six to eight weeks. The Company uses statistical summaries of the performance appraisal information for its training and operations departments to provide feedback and to identify telephone representatives who may need additional training.

SALES AND MARKETING

The Company's sales and marketing strategy focuses on leveraging the Company's teleservices expertise, integrated service capabilities and reputation for premium quality service in order to cross-sell its services to existing clients and to develop new long-term client relationships. The Company also identifies industries that face increased competition, such as telecommunications, insurance, banking, pharmaceuticals, consumer goods and computer software, in which the Company can offer clients large-scale cost-effective solutions on an outsourced basis.

The Company formulates detailed annual marketing plans. These plans contain objectives and milestones which are tracked regularly throughout the year. The sales organization consists of a vice president of sales for each division that manages a group of national account managers. A national account manager's primary responsibility is to solicit business from new prospects and to enhance existing client relationships. Commissions are paid on both new sales and incremental revenues generated from existing clients to provide the appropriate incentives for national account managers. Once a client campaign is initiated, a client services account manager is responsible for the daily management of the campaign.

COMPETITION

The teleservices industry is highly fragmented and competitive. The Company's competitors in the teleservices industry range from very small firms catering to specialized applications and short-term projects to large independent firms and the in-house operations of many clients and potential clients. In addition, some of the Company's services compete with other forms of marketing such as mail, television and radio. While the Company has various competitors for each of its divisions, the Company believes that only a few competitors currently have the capability to provide each of inbound, automated voice-processing and outbound services. The Company believes that the principal competitive factors in the teleservices industry are capacity, flexibility of implementing customized solutions to clients' teleservices needs, technological expertise and price.

PROPRIETARY RIGHTS AND LICENSES

The Company has made significant investments in the development of its proprietary software systems and hardware platforms. The Company relies on a combination of the protections provided by applicable copyright, trademark and trade secret laws, as well as on confidentiality procedures, to establish and protect its proprietary rights. The Company does not license any of its software or hardware designs for use by others. Despite these precautions, there can be no assurance that misappropriation of the Company's proprietary software and hardware designs will not occur. Although the Company believes that its intellectual property rights do not infringe upon the proprietary rights of third-parties, there can be no assurance that third-parties will not assert infringement claims against the Company. Further, there can be no assurance that intellectual property protection will be available in certain foreign countries should the Company commence operations outside North America.

GOVERNMENT REGULATION

Teleservices sales practices are regulated at both the federal and state level. The significant growth of the telemarketing industry in the 1980's produced concern over the proliferation of unsolicited teleservices calls made to private residences. In response, Congress passed the Telephone Consumer Protection Act of 1991 (the "TCPA") as the first attempt at regulating the telemarketing industry. The Federal Communications Commission ("FCC") enacted rules pursuant to the TCPA in December 1992 which among other things prohibit the initiation of telephone solicitations to residential telephone subscribers before 8:00 a.m. and after 9:00 p.m., prohibit the use of automated telephone dialing equipment to call certain telephone numbers, and require the maintenance of a list of residential consumers that have stated that they do not want to receive telephone solicitations to ensure that companies avoid making calls to consumers on this list.

In a further effort to combat telemarketing fraud, Congress also passed the Federal Telemarketing Consumer Fraud and Abuse Act of 1994 ("TCFAA") which authorized the Federal Trade Commission (the "FTC") to issue regulations designed to prevent deceptive and abusive telemarketing acts and practices. In 1995, the FTC issued its Telemarketing Sales Rule, which went into effect in January 1996. The Telemarketing Sales Rule broadly defines telemarketing as a plan, program or campaign conducted to induce the sale of goods, or services through the use of one or more telephones and which involve more than one interstate telephone call. The Telemarketing Sales Rule covers most outbound telemarketing calls and certain inbound telemarketing calls. Generally, the Telemarketing Sales Rule proscribes the making of outbound calls to consumers who have previously requested not to be called, prohibits telemarketers from making a variety of deceptive, unfair or abusive practices in telemarketing sales, prohibits telemarketers from debiting a consumer's checking, charge or similar account without the consumer's express written authorization. Alternatively, a consumer may give an oral authorization if the oral authorization is recorded and certain disclosures are made. The Telemarketing Sales Rule also imposes potential liability on companies providing substantial assistance to those engaged in violations of the Telemarketing Sales Rule.

In addition to the FTC's Telemarketing Sales Rule, there are numerous state statutes and regulations governing telemarketing activities to which the Company is subject or may be subject. For example, some state statutes impose restrictions on auto-dialed recorded message players, on solicitations initiated by or on behalf of the seller of goods or services and on the monitoring of telephone calls of telemarketer employees. Some states also require registration of any telemarketing campaign prior to any solicitation or attempted solicitation in connection therewith and impose certain mandatory disclosures which must be made during the course of the telephone calls. A number of states also provide that a sale cannot be final unless a written contract is delivered to and signed by the buyer and may be canceled within three business days. At least one state also prohibits telemarketers from requiring credit card payment. From time to time, bills are introduced in states which, if enacted, would regulate the use of credit information. The Company cannot predict whether this legislation will be enacted and what effect, if any, it would have on the Company or its industry.

The FTC has also adopted regulations governing pay per call services (the "900 Number Rule") pursuant to the Telephone Disclosure and Dispute Resolution Act passed by Congress in 1992

("TDDRA"). In general, the 900 Number Rule prescribes the content of advertising for such services, requires that certain introductory disclosures be made (at no charge to the caller) and provides for the manner and content of billing and collection for such services. The FCC supplements this regulation by requiring that common carriers assign a telephone number to a provider of interstate pay per call services and offer billing and collection services to such a provider to assure compliance with the 900 Number Rule. In March 1997, the FTC initiated a 900 Number rulemaking review proceeding to evaluate the operation of the 900 Number Rule and to determine whether the scope of the 900 Number Rule should be expanded to information services provided through dialing patterns other than 900 numbers. The Company cannot predict whether any modifications will be made to the 900 Number Rule, and, if so, what impact they would have on the Company or its industry.

The Telecommunications Act of 1996 also contains certain provisions which may impact upon the Company. In general, the 1996 Act eliminated the tariffed service exception from the pay per call rules and required the FCC to adopt new and more stringent rules for the use of toll free numbers for pay per call services because of abuses that arose from pay per call services offering toll free numbers. The FCC has proposed rules for the use of toll free numbers for pay per call services. The FCC has proposed rules designed to restrict the use of toll free numbers in connection with pay per call information programming. Among the most significant changes to the toll free number rules are that presubscription agreements now must be executed in writing, require the use of a PIN or other identifier unique to the subscriber and provide subscribers with a choice of billing method direct remit, debit prepaid account phone bill or credit or calling card. As an alternative, information providers may charge information services provided via toll free numbers with a prepaid account or debit, credit, charge or calling card if there is a preamble disclosing the costs, the point when the charges begin and billing methods. There are also corresponding disclosure requirements for soliciting presubscription agreements and for consumers' billing statements.

The industries served by the Company are also subject to varying degrees of government regulation. Generally, the Company relies on its clients and their advisors to develop the scripts to be used by the Company in making consumer solicitations. The Company generally requires its clients to indemnify the Company against claims and expenses arising with respect to the Company's services performed on its clients' behalf. The Company employees who complete sales for insurance companies are required to be licensed by various state insurance commissions and participate in regular continuing education programs, which are currently provided in-house by the Company. A state insurance department is reviewing certain practices and procedures used by the Company. The Company is working with the insurance department to comply with all regulations. The Company has never been held financially responsible, or been assessed any penalty, in any material respect for regulatory noncompliance. The Company may be subject to the payment of penalties in this matter, but based on its experience in other states, its understanding of the resolutions of similar reviews of other companies and the advice of legal counsel, the Company believes that this matter is not likely to have a material adverse effect on the Company. The Company believes it is in compliance in all material respects with all federal and state regulations. The Company specifically trains its marketing representatives to handle calls in an approved manner, and maintains "do not call" lists.

There can be no assurance, however, that the Company would not be subject to regulatory challenge for a violation of federal or state law by any of its clients.

ITEM 2. PROPERTIES

The Company operated four automated voice response facilities with approximately 8,100 ports as of December 31, 1997 and twelve state-of-the-art call centers with approximately 5,900 workstations as of December 31, 1997. Certain of the Company's call centers can be used interchangeably by both Inbound and Outbound.

Inbound operates four large volume, automated call-processing facilities located in Omaha, Nebraska, San Antonio, Texas, Hampton, Virginia and Tulsa, Oklahoma. These facilities consist of approximately 2,500 computer-assisted workstations. In 1997, Inbound employed an average of approximately 4,400 operators per day with peak employment of approximately 5,600 operators per day.

Interactive operates five large volume, automated voice response platforms located in Omaha, Nebraska (two platforms), San Antonio, Texas, Calgary, Alberta (Canada) and Tulsa, Oklahoma. Interactive has a total capacity of approximately 8,100 voice response ports. Interactive is not a labor intensive business and currently employs approximately 240 managerial, staff and administrative personnel.

Outbound operates eight large volume, automated facilities located in San Antonio, Texas, Universal City, Texas, El Paso, Texas, Killeen, Texas, Waco, Texas, Lubbock, Texas, Mobile, Alabama and Odessa, Texas. Outbound currently maintains approximately 3,400 computer-assisted workstations and in 1997 employed an average of 4,600 marketing representatives per day with peak employment of approximately 5,700 marketing representatives per day.

The following table summarizes the location of, and the number of telephone workstations at each of the Company's call centers for each of Inbound, Interactive and Outbound.

CALL CENTERS	NUMBER OF TELEPHONE WORKSTATIONS	NUMBER OF VOICE RESPONSE PORTS
Inbound		
Omaha, Nebraska	726	--
San Antonio, Texas	588	--
Hampton, Virginia	729	--
Tulsa, Oklahoma	443	--
Inbound Total	2,486	--
Interactive		
Omaha, Nebraska	--	5,036
San Antonio, Texas	--	2,261
Calgary, Alberta (Canada)	--	391
Tulsa, Oklahoma	--	368
Interactive Total		8,056
Outbound		
San Antonio, Texas	968	--
Universal City, Texas	560	--
El Paso, Texas	594	--
Killeen, Texas	324	--
Waco, Texas	252	--
Lubbock, Texas	252	--
Mobile, Alabama	378	--
Odessa, Texas	117	--
Outbound Total	3,445	
Total	5,931	8,056

The Company occupies approximately 964,000 square feet of office space. All facilities described above other than the facilities located in San Antonio, Texas are leased. The Company also owns 98,360 square feet of office space in a corporate headquarters building in Omaha, Nebraska. The corporate headquarters was purchased in the fourth quarter of 1997 and the Company plans to move into the building in the second quarter of 1998.

The Company believes that its facilities are adequate for its foreseeable needs and that additional space will be available as required. See Note D to Combined Financial Statements for information regarding the Company's obligations under its facilities leases.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company is subject to lawsuits and claims which arise out of its operations in the normal course of its business. The Company and certain of its subsidiaries are defendants in various litigation matters in the ordinary course of business, some of which involve claims for damages that are substantial in amount. The Company believes, except for the items discussed below for which the Company is currently unable to predict the outcome, the disposition of claims currently pending will not have a material adverse effect on the Company's financial position or results of operations.

West Interactive Corporation is a defendant in a case brought in the United States District Court for the Southern District of Georgia, Augusta Division, on September 12, 1991, captioned Lamar Andrews, Individually and as Representative of a Class of All Other Persons Similarly Situated, Plaintiff v. American Telephone & Telegraph Company, et al., Defendants, No. CV 191-175. The District Court certified a master class of all persons who paid for one or more 900 number calls pertaining to programs offering sweepstakes, games of chance, awards, cash or other prizes, gifts or information on unclaimed funds. These calls were billed and collected by AT&T Corp. (AT&T) and U.S. Sprint Communications Company Limited Partnership (Sprint). The District Court also certified a sub-class of those persons who paid, in the State of Georgia, for one or more such calls billed and collected by AT&T or Sprint. The complaint alleged that the programs at issue involved, among other things, acts of unlawful gambling, mail fraud and wire fraud in violation of the Racketeering Influenced and Corrupt Organizations Act (RICO), the Communications Act of 1934, the federal common law of communications and other state and federal laws. Interactive provided interactive voice processing and billing services to a customer which conducted some of the programs at issue in the litigation. The billing services were provided through AT&T. The action sought recovery of treble damages, punitive damages, costs and attorneys' fees. The Company's potential liability and expenses in this matter were not covered by insurance. On September 19, 1996, the United States Court of Appeals for the Eleventh Circuit reversed the District Court's order certifying the classes on the ground that the class action would be unmanageable and, on December 4, 1996, it denied the plaintiffs' subsequent petition for rehearing. On February 19, 1997, a Motion to Amend Class Definition and a Renewed Motion for Class Certification was filed by the plaintiffs in the District Court. On July 14, 1997, plaintiffs' motions were denied and the plaintiffs were ordered to amend the pleadings to eliminate all allegations as to class representation. On August 4, 1997, the plaintiffs filed a second amended complaint which deleted all class allegations. In addition to claims previously asserted, the second amended complaint includes an express claim based on the alleged collection of illegal gambling debts, and a claim under Georgia RICO statute with a request for actual and punitive damages under that statute.

On July 28, 1997, Schurman, Bowers, et al, individually and on behalf of a class of all other persons similarly situated v. Horry Telephone Cooperative, Inc., AT&T Corp., AT&T Communications, Inc., AT&T Communications of the Southern States, Inc, and West Telemarketing Outbound Corporation (Civil Action No. 4:97-2635-12) was filed in the Court of Common Pleas in Horry, South Carolina and then removed by the defendants to the United States District Court for the District of South Carolina. Plaintiffs allege, among other things, claims of negligent misrepresentation, fraud, breach of contract and statutory violations in connection with offers of rate programs and long distance services to the plaintiffs. Plaintiffs seek monetary damages, punitive damages, attorney's fees, costs and injunctive relief.

Gilchrist, individually and on behalf of a class of all other persons similarly situated, v. Direct American Marketers, Inc., Anthony Brown, Integretel, Inc., Troy Eaden, Gary West, West Interactive Corporation and Bellsouth Corporation (Civil Action File No. 197-233) was filed on August 19, 1997 in the Superior Court of Richmond County, Georgia and subsequently removed by the defendants to the United States District Court for the Southern District of Georgia. Troy Eaden, Chief Executive Officer and director of the Company, and Gary West, Chairman of the Board of the Company, and West Interactive Corporation are named defendants in the action. Plaintiff alleges claims under the Georgia Racketeer Influenced and Corrupt Organizations Act in connection with certain "900" number sweepstakes programs that were promoted by Direct American Marketers, Inc. Plaintiff seeks to recover monetary damages, together with expenses, attorney's fees and injunctive relief.

Richard Carney, et al. v. West TeleServices Corporation, West Telemarketing Corporation, West Telemarketing Corporation Outbound, West Telemarketing Insurance Agency, Inc., Hal Morris, Matt Mazzarella and John Erwin (Cause No. 97-CI-15780) was filed on October 31, 1997 in the 131st Judicial District Court of Bexar County, Texas. Plaintiffs seek certification of a class consisting of all hourly employees of West TeleServices Corporation, West Telemarketing Corporation, West Telemarketing Corporation Outbound, and West Telemarketing Insurance Agency, Inc. Plaintiffs allege that they were not paid for all compensable work performed by them during their employment. Plaintiffs seek recovery under the theories of quantum meruit, common law fraud, common law debt, conversion, and civil theft.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders in the fourth quarter of the fiscal year covered by this report.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company are as follows:

NAME	AGE	POSITION
Gary L. West	52	Chairman of the Board and Director
Mary E. West	52	Vice Chair of the Board, Secretary and Director
Troy L. Eaden	35	Chief Executive Officer and Director
Thomas B. Barker	43	President, Chief Operating Officer and Director
Michael A. Micek	48	Chief Financial Officer, Executive Vice President--Finance and Treasurer
Nancee R. Berger	37	President--Interactive Teleservices
John W. Erwin	35	President--Direct Teleservices
Mark V. Lavin	39	Executive Vice President--Operator Teleservices
Michael M. Sturgeon	36	Executive Vice President--Sales and Marketing
Joseph L. Bradley	43	Executive Vice President--Systems and Technology
Dianne K. Ferris	50	Executive Vice President--Administrative Services and Chief Administrative Officer

GARY L. WEST co-founded WATS Marketing of America ("WATS") in 1978 and remained with that company until 1985. Mr. West joined the Company in July 1987 after the expiration of a noncompetition agreement with WATS. Mr. West has served as Chairman of the Board since joining the Company. Mr. West and Mary E. West are husband and wife.

MARY E. WEST co-founded WATS and remained until December 1985. In January 1986, she and Mr. Eaden founded the Company. Mrs. West has served as Vice Chair of the Company since 1987. Mrs. West and Mr. West are wife and husband.

TROY L. EADEN co-founded the Company with Mrs. West in January 1986. He has served as the principal executive of the Company since 1989 and has formally held the title of Chief Executive Officer since March 1995. Mr. Eaden was employed by WATS from May 1980 to December 1985.

THOMAS B. BARKER joined the Company in 1991 as Executive Vice President of Interactive. Mr. Barker was promoted to President and Chief Operating Officer of the Company in March 1995. Prior to joining the Company, he served as President and Chief Operating Officer of Cue Network Corp., a provider of nationwide paging and satellite data distribution services.

MICHAEL A. MICEK joined the Company in 1988 and was appointed to Chief Financial Officer, Vice President--Finance and Treasurer in 1990. In 1997, Mr. Micek was promoted to Chief Financial Officer, Executive Vice President--Finance and Treasurer. Prior to joining the Company, Mr. Micek was a partner in the accounting firm of Blackman and Micek, P.C. from 1983 to 1988 and was employed by the accounting firm of Touche Ross from 1981 to 1983.

NANCEE R. BERGER joined Interactive in 1989 as Manager of Client Services. Ms. Berger was promoted to Vice President of Interactive in May 1994. She was promoted to Executive Vice President of Interactive in March 1995, and to President of Interactive Teleservices in October 1996. Before joining Interactive, she was Senior Project Manager at Applied Communications, Inc.

JOHN W. ERWIN joined the Company in 1988 as Executive Vice President of Outbound. In March of 1995, Mr. Erwin became President--Direct Teleservices. Prior to joining the Company, Mr. Erwin held a management position with Dial America Marketing and a management and ownership position with Telcom Communications Marketing, Inc., both of which provide outbound telemarketing services.

MARK V. LAVIN joined the Company in 1996 as Executive Vice President--Operator TeleServices. From 1991 until 1996, he held various management positions in reservation services for Radisson Hospitality Worldwide.

MICHAEL M. STURGEON joined the Company in 1991 as a National Account Manager--Interactive. In September 1994, Mr. Sturgeon was promoted to Vice President of Sales and Marketing--Interactive. In March of 1997, Mr. Sturgeon was promoted to Executive Vice President--Sales and Marketing for the Company. Prior to joining the Company, Mr. Sturgeon was a management consultant for Anderson Consulting and Laventhol & Hartworth.

JOSEPH L. BRADLEY has been at the Company since its inception in 1986. Mr. Bradley is Executive Vice President--Systems and Technology. Prior to joining the Company, Mr. Bradley worked in information systems from 1982 to 1986 with First Data Resources.

DIANE K. FERRIS joined the Company in 1988 as Vice President of Operations--Inbound. In February 1991, Ms. Ferris was promoted to Chief Administrative Officer. Prior to joining the Company, Ms. Ferris was Vice President of Administration and Corporate Planning for Mutual of Omaha Fund Management Company. In 1997, Ms. Ferris was promoted to Executive Vice President--Administrative Services and Chief Administrative Officer.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

On December 2, 1996, the Company completed the initial public offering (the "Initial Public Offering") of its shares of common stock, par value $0.01 per share (the "Common Shares" or "Shares"). The Common Shares are listed on the Nasdaq National Market under the symbol "WTSC." The following table sets forth for the periods indicated the high and low closing sales prices of the Common Shares as reported on the Nasdaq National Market.

	HIGH	LOW
Fourth Quarter of 1996 (from November 26, 1996)	$25 1/2	$21
First Quarter of 1997	$25 1/4	$12
Second Quarter of 1997	$16 1/8	$12 3/8
Third Quarter of 1997	$16 3/8	$12 1/2
Fourth Quarter of 1997	$15 1/8	$10 1/8

As of March 18, 1998, there were 106 holders of record of Common Shares. As of the same date, there were a total of 63,330,000 Common Shares issued and outstanding. No dividends have been declared with respect to the Common Shares since the Initial Public Offering. The Company currently intends to retain earnings to finance the growth and development of its business and for working capital and general corporate purposes, and does not anticipate paying cash dividends on the Common Shares in the foreseeable future. Any payment of dividends will be at the discretion of the Company's Board of Directors and will depend upon earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends and other factors.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth, for the periods and at the dates indicated, selected historical consolidated financial data of the Company. The selected consolidated historical financial data has been derived from the audited historical consolidated financial statements of the Company. The Company's consolidated financial statements as of December 31, 1997 and 1996, and for the years ended December 31, 1997, 1996 and 1995 and Deloitte & Touche LLP's audit report with respect thereto have been included in this Annual Report on Form 10-K. The information is qualified in its entirety by the detailed information included elsewhere herein and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and the "Consolidated Financial Statements" and notes thereto included elsewhere in this Annual Report on Form 10-K.

	YEAR ENDED DECEMBER 31,				
	1993	1994	1995	1996	1997
	(IN THOUSANDS, EXCEPT FOR PER SHARE AND SELECTED OPERATING DATA)				
INCOME STATEMENT DATA:					
Revenue	$ 142,508	$ 186,512	$ 256,894	$ 317,210	$ 398,832
Cost of services	77,785	102,707	146,531	180,380	220,858
Selling, general and administrative expenses	45,041	51,904	70,575	87,499	118,878
Litigation settlement	4,400	--	--	--	--
Net operating income	15,282	31,901	39,788	49,331	59,096
Net other income (expense)	(1,419)	(1,905)	(3,389)	(3,420)	1,716
Net income before income tax expense	13,863	29,996	36,399	45,911	60,812
Actual income tax expense	48	269	828	4,213	23,402
Pro Forma Information (1):					
Income tax expense	5,234	10,900	13,130	12,950	--
Net income	$ 8,581	$ 18,827	$ 22,441	$ 28,748	$ 37,410
Earnings per share:					
Basic	$ 0.16	$ 0.35	$ 0.42	$ 0.52	$ 0.59
Diluted	$ 0.16	$ 0.35	$ 0.42	$ 0.52	$ 0.59
Weighted average number of common shares outstanding:					
Basic	53,968	53,968	53,968	54,891	63,330
Diluted	53,968	53,968	53,968	54,966	63,346
SELECTED OPERATING DATA:					
Operating margin	10.7%	17.1%	15.5%	15.6%	14.8%
Number of workstations (at end of period)	2,095	2,228	3,158	4,440	5,931
Number of ports (at end of period)	2,530	3,496	3,870	5,804	8,056

	DECEMBER 31,				
	1993	1994	1995	1996	1997
BALANCE SHEET DATA:					
Working Capital	$ (4,742)	$ 5,408	$ 6,550	$ 46,169	$ 55,320
Property and equipment, net	26,396	30,820	45,889	70,608	111,710
Total assets	60,225	88,880	123,452	238,285	282,150
Total debt	23,913	32,608	41,743	22,523	21,686
Stockholders' equity	13,165	27,179	38,229	158,879	196,217

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(1) Reflects a pro forma provision for income taxes as if the Company had been subject to federal and state corporate income taxes for all periods. The pro forma provision for income taxes represents a combined federal and state tax rate.

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

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with "Selected Financial Data" and the Consolidated Financial Statements and Notes thereto appearing elsewhere in this Annual Report on Form 10-K.

Certain statements under this caption constitute forward-looking statements which involve risks and uncertainties. The Company's actual results in the future could differ significantly from the results discussed or implied in such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed under the heading "Business."

OVERVIEW

Inbound was formed in 1986 and, together with its affiliates, is one of the largest independent teleservices companies in the United States. During the first nine months of operations, the Company focused its resources on designing and building an automated call-processing platform to effectively manage large volumes of inbound calls. In January 1989, the Company began offering automated voice response services utilizing its own proprietary technology platform. In May 1990, the Company began offering outbound teleservices utilizing state-of-the-art workstations staffed by highly trained teleservices representatives. The Company is a leading provider of each of these services to businesses on an outsourced basis. The Company also believes it has established a distinct competitive advantage in its ability to offer a range of services through its three operating divisions (Inbound, Interactive and Outbound) on a fully-integrated basis.

Revenue: Revenue increased $81.6 million or 25.7% to $398.8 million in 1997 from $317.2 million in 1996. The increase in revenue included $5.8 million derived from new clients and $75.8 million derived from existing clients. The overall revenue increase is attributable to higher call volumes.

During the year ended December 31, 1997, the Company provided service to more than 800 clients. Eighty percent of the Company's total revenue was generated by 47 clients. During 1997, AT&T remained the Company's largest client and accounted for 25% of total revenue.

During the year ended December 31, 1997, Interactive transferred calls to a live agent at Inbound to complete a service that began on Interactive voice response units. Inbound billed Interactive for the live operator portion of the call and Interactive billed the entire service provided by both divisions. Consequently, a portion of Interactive revenue reported on the Company's reports on Form 10-Q in 1997 represents services delivered by Inbound. Management feels that it would be more appropriate to include the revenue in the division that provided the services rather than where the revenue is invoiced to the client. The table below sets forth this reallocated revenue by division by quarter for 1997:

	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	TOTAL	% OF COMPANY REVENUE
	(AMOUNTS IN THOUSANDS)					
As reported						
Inbound	$29,882	$25,515	$ 27,928	$ 32,255	$115,580	29.0%
Interactive	36,564	37,762	41,249	38,188	153,763	38.5%
Outbound	29,200	35,103	31,316	33,870	129,489	32.5%
TOTAL	$95,646	$98,380	$100,493	$104,313	$398,832	100.0%
Reallocated revenue						
Inbound	$31,759	$29,559	$ 32,176	$ 36,975	$130,469	32.7%
Interactive	34,687	33,718	37,001	33,468	138,874	34.8%
Outbound	29,200	35,103	31,316	33,870	129,489	32.5%
TOTAL	$95,646	$98,380	$100,493	$104,313	$398,832	100.0%

After giving effect to the reallocation of revenue described above, Inbound services represented approximately 32.7% of total revenue for the year ended December 31, 1997. Revenue for Inbound services is primarily generated at the time calls are answered by a telemarketing representative based on the number of calls and minutes received and processed on behalf of clients. Inbound services also generate revenue from calls transferred to telemarketing representatives from Interactive voice response units. The Company also generates revenue by providing assistance to clients in the design and implementation of new applications.

After giving effect to the reallocation of revenue described above, Interactive services represented approximately 34.8% of total revenue for the year ended December 31, 1997. Revenue for Interactive services is primarily generated at the time calls are received or sent by automated voice response units and is billed based on call duration. The Company also generates revenue by providing billing and collection services for pay per call programs.

Outbound services represented approximately 32.5% of total revenue for the year ended December 31, 1997. Revenue for Outbound services is generated on an hourly basis at the time the marketing representatives place calls to consumers on behalf of its clients. The Company also generates revenue by providing assistance to its clients in the design and programming of customized applications.

EXPENSES: Costs of telecommunications services incurred by the Company are primarily comprised of long distance transmission charges. The Company effectively manages its telecommunications costs through a long-term services contract with AT&T which includes an established rate schedule subject to certain call volume commitments. As one of the largest clients of AT&T, the Company believes it has negotiated a favorable contract at an attractive service rate. The Company has also entered into a number of equipment maintenance and network management contracts with AT&T in order to facilitate reliable and efficient network operations. Rates for telecommunications services are primarily determined by total call volume and level of network management and technical support under contract.

The Company manages its direct labor costs through its flexible staffing and scheduling initiatives. In particular, the Company has developed its own proprietary scheduling systems which are designed to optimize staffing and pay levels in anticipation of fluctuating call volumes as clients' campaigns are scheduled. The Company seeks to control its direct labor costs by decentralizing its operations and by seeking new geographic markets which offer attractive labor market characteristics for its Inbound and Outbound services. Direct labor rates fluctuate based upon local market factors such as the size and availability of a part-time workforce in addition to local economic growth. Labor rates are adjusted, as necessary, to attract the required number of service representatives during seasonal fluctuations. During the year ended December 31, 1997, the Company experienced improvement in direct cost as a percentage of revenue due in part to more favorable labor rates realized by entering new local markets.

Selling, general and administrative expenses consist of all expenses that support the ongoing operation of the Company. These expenses include costs related to division management, facilities costs, equipment depreciation and maintenance, amortization of goodwill, allowance for doubtful accounts, sales and marketing activities, client support services, and corporate management costs. Changes in selling, general and administrative expenses primarily reflect the addition of new facilities over certain periods or expanded marketing activities.

Prior to the reorganization of the Company on November 25, 1996 each of the West Affiliates were treated for federal income tax purposes as an S Corporation under the Internal Revenue Code. As a result, the stockholders of each of the West Affiliates, rather than the West Affiliates, have paid all federal income tax on the West Affiliates' income through November 25, 1996. Each of the West

Affiliates has made periodic distributions to its stockholders in amounts approximately equal to its stockholders' corresponding tax liabilities associated with such companies' earnings plus amounts representing a portion of retained earnings. Additionally, the Company has earned state income tax credits in Nebraska under a job creation and investment incentive program. As a result, the West Affiliates' stockholders have paid little, if any, state income tax in Nebraska. On November 26, 1996, the Company became a C Corporation for federal and state income tax purposes. The Company still is eligible for similar tax credits in Nebraska, at least through 1998, so long as the Company continues to create additional employment positions within that state. As the Company opens new facilities in states without job or investment tax credits, or in states with corporate income taxes, its effective tax rate may increase.

RESULTS OF OPERATIONS

The following table sets forth the Consolidated Statement of Operations Data as a percentage of revenue for the periods indicated:

	YEAR ENDED DECEMBER 31,		
	1995	1996	1997
Revenue	100.0%	100.0%	100.0%
Cost of services	57.0	56.8	55.4
Selling, general and administrative expenses	27.5	27.6	29.8
Net operating income	15.5	15.6	14.8
Net other income (expense)	(1.3)	(1.1)	0.5
Net income before income tax expense	14.2	14.5	15.3
Actual income tax expense	0.3	1.3	5.9
Pro forma provision for income taxes	5.1	4.1	--
Net income and pro forma net income	8.8%	9.1%	9.4%

YEARS ENDED DECEMBER 31, 1997 AND 1996

REVENUE: Revenue increased $81.6 million or 25.7% to $398.8 million in 1997 from $317.2 million in 1996. The increase in revenue included $5.8 million derived from new clients and $75.8 million derived from existing clients. The overall revenue increase is attributable to higher call volumes.

During the year ended December 31, 1997, the Company provided service to more than 800 clients. Eighty percent of the Company's total revenue was generated by 47 clients. During 1997, AT&T remained the Company's largest client and accounted for 25% of total revenue.

COST OF SERVICES: Cost of services represents direct labor, telephone expense and other costs directly related to teleservices activities. Costs of services increased $40.5 million or 22.4% for the year ended December 31, 1997 to $220.9 million from $180.4 million for the comparable period of 1996. As a percentage of revenue, cost of services decreased to 55.4% for 1997 compared to 56.8% for 1996. The decreases are partially due to the addition of call centers in new markets that had available, cost-effective quality labor. Call center additions in 1997 included Tulsa, Oklahoma, Lubbock, Texas, Mobile, Alabama, and Odessa, Texas.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("SG&A"): SG&A expenses increased by $31.4 million or 35.9% to $118.9 million for the year ended December 31, 1997 from $87.5 million in 1996. As a percentage of revenue, SG&A expenses increased to 29.8% for the year ended December 31, 1997 compared to 27.6% in 1996. The increase is primarily due to the increase in depreciation expense and other costs associated with call center expansion and the amortization of goodwill recorded to account for the exchange of stock of minority shareholders in connection with the initial public offering.

NET OPERATING INCOME: Net operating income increased by $9.8 million or 19.8% to $59.1 million in 1997 from $49.3 million in 1996. As a percentage of revenue, net operating income decreased slightly to 14.8% for the year ended December 31, 1997 compared to 15.6% in the 1996 period due to the factors discussed above for Revenue, Cost of Services and SG&A Expenses.

NET OTHER INCOME (EXPENSE): Net other income (expense) includes interest income from short-term investments, interest income from an accounts receivable financing program (net of the related interest expense to fund the program), interest expense from short-term and long-term borrowings under credit facilities and capital leases, and minority interest in net income. Other income (expense) for the year ended December 31,1997 totaled $1.7 million compared to ($3.4) million for 1996. The reduction in interest expense is primarily due to the repayment of outstanding long term debt in December 1996 and January 1997 with the proceeds of the Company's Initial Public Offering.

NET INCOME: Net income increased by $8.7 million or 30.1% for the year ended December 31, 1997, to $37.4 million from pro forma net income of $28.7 million in 1996. Net income includes a provision for actual income tax expense at a combined effective rate of 38.5% for 1997. Pro forma net income includes a provision for pro forma income tax expense at a combined income tax effective rate of 36.3% for 1996. The 1996 rate reflects the combined federal and state income tax rate of the Company as if it had been treated as a C Corporation.

YEARS ENDED DECEMBER 31, 1996 AND 1995

REVENUE: Revenue increased $60.3 million or 23.5% to $317.2 million in 1996 from $256.9 million in 1995. The increase in revenue included $18.5 million derived from new clients and $41.8 million derived from existing clients. The overall revenue increase is attributable to higher call volumes. Approximately $7.0 million of the increase in revenue was attributable to the introduction of the custom operator services offering. This new division specializes in dedicated inbound live operator applications.

COST OF SERVICES: Cost of services represents direct labor, telephone expense and other costs directly related to teleservices activities. Costs of services increased $33.9 million or 23.1% in 1996 to $180.4 million from $146.5 million for the comparable period of 1995. As a percentage of revenue, cost of services remained relatively unchanged at 56.8% for the year ended December 31, 1996 compared to 57.0% in 1995. The key component of direct labor was held in check partly through the entering of new labor markets by adding new facilities in Hampton, Virginia, Killeen, Texas, and Waco, Texas.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("SG&A"): SG&A expenses increased by $16.9 million or 24.0% to $87.5 million for the year ended December 31, 1996 from $70.6 million in 1995. As a percentage of revenue, SG&A expenses increased to 27.6% for the year ended December 31, 1996 compared to 27.5% in 1995.

NET OPERATING INCOME: Net operating income increased by $9.5 million or 24.0% to $49.3 million in 1996 from $39.8 million in 1995. As a percentage of revenue, net operating income remained relatively unchanged at 15.6% for the year ended December 31, 1996 compared to 15.5% in the 1995 period due to the factors discussed above.

NET OTHER EXPENSE: Net other expense includes interest income from short-term investments, interest income from an accounts receivable financing program (net of the related interest expense to fund the program), interest expense from short-term and long-term borrowings under credit facilities and capital leases, minority interest in net income and other expense. Other expense remained virtually unchanged at $3.4 million for the year ended December 31, 1996.

PRO FORMA NET INCOME: Pro forma net income increased by $6.3 million or 28.1% for the year ended December 31, 1996, to $28.7 million from $22.4 million in 1995. Pro forma net income includes a provision for actual income tax expense and pro forma income tax expense at a combined effective rate of 36.3% for 1996 and 37.2% for 1995. These rates reflect the combined federal and state income tax rate of the Company as if it had been treated as a C Corporation. The decrease in the effective tax rate is attributable to increased tax credits available under a Nebraska incentive program.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary source of liquidity has been cash flow from operations, supplemented by borrowings under its revolving bank lines of credit.

The Company has a $10.0 million unsecured revolving credit facility. Advances under the revolving credit facility bear interest at the prime rate less 1.0%. The revolving credit facility expires on July 31, 1999. There were no outstanding borrowings under this facility at December 31, 1997. The Company's credit facility contains certain financial covenants, which were met at December 31, 1997. The Company expects to renew the unsecured revolving credit facility and believes it could increase the amount of the facility, if needed.

The Company also has a $20.0 million revolving bank line used to fund an accounts receivable financing program offered to certain customers in the pay per call industry. Borrowings under the facility are limited to a borrowing base of pledged accounts receivable from certain of the Company's qualified customers which were assigned by the Company to the bank. There were no outstanding borrowings under this facility at December 31, 1997. The credit facility expires on June 30, 1998.

The Company purchased a new corporate headquarters building in the fourth quarter with interim financing provided by a $13.0 million short-term promissory note. In January of 1998, the short-term note of 1997 was replaced with a $12.5 million real estate mortgage to be paid in 59 monthly installments of $102,000 with the remainder of the balance to be paid on February 1, 2003. The note bears interest at 7.625%. The Company also purchased equipment financed through vendor notes payable over three years and bearing interest at 3.9%.

Net cash flow from operating activities decreased $18.8 million, or 34.7%, to $35.3 million for the year ended December 31, 1997, compared to a net cash flow from operating activities of $54.1 and $47.6 million for the years ended December 31, 1996 and 1995, respectively. The decrease was due principally to cash used for accounts receivable resulting from growth in revenue, accounts payable paid and income taxes paid, which in turn was partially offset by higher net income, depreciation, and deferred income tax expense.

Net cash flow used in investing activities was $49.6 million for the year ended December 31, 1997, compared to $20.6 million and $14.5 million, for the comparable periods of 1996 and 1995, respectively. The increase was primarily due to investments in call centers to support the growth of the business.

Net cash flow used in financing activities was $1.0 million for year ended December 31, 1997 compared to $0.3 million and $25.2 million, for the comparable periods of 1996 and 1995, respectively. The net cash flow used in financing activities for the year ended December 31, 1997, was used primarily to pay off $17.6 million in debt and capital lease obligations. In the years ended December 31, 1996 and 1995, net cash flow from financing activities was used primarily for distributions made to the existing stockholders to cover their tax liabilities as S Corporation stockholders and to provide a return of capital, offsetting borrowings under the Company's credit facilities, net of repayments. Also, the Company realized net proceeds of $107.7 million from the Initial Public Offering on December 2, 1996.

The Company used the net proceeds of the Initial Public Offering as follows: (i) to repay total outstanding debt of $42.8 million comprised of (a) an aggregate of $24.7 million outstanding under its revolving credit facilities, (b) $10.9 million in term loans and (c) $7.2 million in outstanding capital leases; (ii) approximately $44.1 million to repay the remaining balance of promissory notes payable to certain stockholders of the Company including interest created in connection with the declaration of a dividend to existing stockholders as part of the conversion of the Company to a C Corporation; and (iii) $4.8 million for capital expenditures. The balance of the net proceeds totaling $16.0 million was used for working capital and general corporate purposes.

The Company is subject to lawsuits and claims which arise out of the normal course of its business. The Company and certain of its subsidiaries are defendants in various litigation matters in the ordinary course of business, some of which involve claims for damages that are substantial in amount. Management believes, except for the items listed in Footnote H to the notes to the consolidated financial statements, for which management is currently unable to predict the outcome, the disposition of claims currently pending will not have a material adverse effect on the Company's financial position or results of operations.

CAPITAL EXPENDITURES

The Company's operations will continue to require significant capital expenditures for capacity expansion and upgrades. Capital expenditures were $60.6 million for the year ended December 31, 1997. Capital expenditures for 1997 consisted primarily of equipment purchases and the purchase of a new corporate headquarters building for $15.6 million. The Company projects its capital expenditures for 1998 to be approximately $40 million to $45 million, primarily for capacity expansion and upgrades at existing facilities and the addition of nine new call centers.

The Company believes that the cash flow from operations, together with existing cash and cash equivalents, financing through capital or operating leases, and available borrowings under its credit facilities will be adequate to meet its capital requirements for the foreseeable future. The Company may pledge additional property or assets of the Company or any of its subsidiaries, which are not already pledged as collateral securing existing credit facilities of the Company or any of its affiliates may be required to guarantee any existing or additional credit facilities.

IMPACT OF THE YEAR 2000 ISSUE

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

Based on a recent assessment, the Company determined that it will be required to modify or replace significant portions of its software so that its computer systems will properly utilize dates beyond December 31, 1999. The Company presently believes that modifications to existing software and conversions to new hardware and software can mitigate the impact of the Year 2000 Issue. However, if such modifications and conversions are not completed on timely basis, the Year 2000 Issue could have a material adverse impact on the operations of the Company.

The Company is in the process of initiating formal communications with all of its significant suppliers and large customers to determine the extent to which the Company is vulnerable to those third parties' failure to remediate their own Year 2000 Issue, and the Company's current assessments are based on presently available information. However, there can be no guarantee that the systems of other companies on which the Company's systems rely will be timely converted, or that a failure to convert by another company, or a conversion that is incompatible with the Company's systems, would not have material adverse effect on the Company.

The Company will utilize both internal and external resources to reprogram, or replace, and test the software for Year 2000 modifications. The Company plans to complete the Year 2000 project by December 31, 1999. The total remaining cost of the Year 2000 project is estimated at $4.8 million and is being funded through operating cash flows. Of the total projected cost, approximately $1.4 million is attributable to the purchase of new software and hardware which will be capitalized. The remaining $3.4 million, which will be expensed as incurred over the next two years, is not expected to have a material effect on the results of operations.

The costs of the project and the date on which the Company plans to complete the Year 2000 modifications and conversions are based on management's best estimates, which were derived utilizing numerous assumptions of future events including the continued availability of certain resources, third party modification plans and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those plans. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes, failure of third parties on which the Company relies and similar uncertainties.

INFLATION

The Company does not believe that inflation has had a material effect on its results of operations. However, there can be no assurance that the Company's business will not be affected by inflation in the future.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by this item is incorporated from the Company's Consolidated Financial Statements and Notes thereto set forth on pages F-1 through F-16.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by Item 10 is incorporated by reference from the Company's definitive proxy statement for the 1998 annual meeting of stockholders to be held on May 13, 1998. The definitive proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated by reference from the Company's definitive proxy statement for the 1998 annual meeting of stockholders to be held on May 13, 1998. The definitive proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by Item 12 is incorporated by reference from the Company's definitive proxy statement for the 1998 annual meeting of stockholders to be held on May 13, 1998. The definitive proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 13 is incorporated by reference from the Company's definitive proxy statement for the 1998 annual meeting of stockholders to be held on May 13, 1998. The definitive proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Form 10-K.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

Financial Statements

(a) Documents filed as a part of the report:

(1) Financial Statements:

(2) Financial Statement Schedules:

(3) Exhibits

Exhibits identified in parentheses below, on file with the United States Securities and Exchange Commission, are incorporated herein by reference as exhibits hereto.

EXHIBIT NUMBER	DESCRIPTION
3.01	Restated Certificate of Incorporation of the Company (Exhibit 3.01 to Registration Statement under Form S-1 (Amendment No. 2) dated November 21, 1996, File No. 333-13991)
3.02	Restated Bylaws of the Company (Exhibit 3.02 to Registration Statement under Form S-1 (Amendment No. 2) dated November 21, 1996, File No. 333-13991)
10.01	Form of Registration Rights Agreement (Exhibit 10.01 to Registration Statement under Form S-1 (Amendment No. 1) dated November 12, 1996, File No. 333-13991)
10.02	Bill of Sale & Assignment, dated October 30, 1996, from West Telemarketing Corp. to Troy L. Eaden (Exhibit 10.02 to Registration Statement under Form S-1 (Amendment No. 1) dated November 12, 1996, File No. 333-13991)
10.03	Purchase Agreement, dated March 14, 1996, between West Telemarketing Corporation and Executive Jet Sales, Inc. (Exhibit 10.03 to Registration Statement under Form S-1 (Amendment No. 1) dated November 12, 1996, File No. 333-13991)
10.04	1996 Stock Incentive Plan (Exhibit 10.04 to Registration Statement under Form S-1 (Amendment No. 1) dated November 12, 1996, File No. 333-13991)
10.05	Agreement and Plan of Reorganization (Exhibit 10.05 to Registration Statement under Form S-1 (Amendment No. 2) dated November 21, 1996, File No. 333-13991)
10.06	Employment Agreement between the Company and Thomas B. Barker dated January 1, 1996, as amended December 9, 1997
10.07	Employment Agreement between the Company and Michael A. Micek dated January 1, 1996, as amended December 9, 1997
10.08	Employment Agreement with Troy L. Eaden (Exhibit 10.08 to Registration Statement under Form S-1 (Amendment No. 1) dated November 12, 1996, File No. 333-13991)
10.09	Employment Agreement the Company and John W. Erwin dated January 1, 1996, as amended December 22, 1997
10.10	Stock Redemption Agreement, dated April 9, 1996, by and among John W. Erwin, Gary L. West, Mary E. West and Troy L. Eaden (Exhibit 10.11 to Registration Statement under Form S-1 (Amendment No. 1) dated November 12, 1996, File No. 333-13991)
10.11	Assignment and Assumption Agreement, dated as of November 12, 1996, by and among Gary L. West, Mary E. West, Troy L. Eaden and the Company (Exhibit 10.12 to Registration Statement under Form S-1 (Amendment No. 2) dated November 21, 1996, File No. 333-13991)
10.12	Personnel Company Subscription Service Agreement, dated as of November 12, 1996, between West Telemarketing Insurance Agency, Inc. and West Telemarketing Corporation Outbound (Exhibit 10.13 to Registration Statement under Form S-1 (Amendment No. 2) dated November 21, 1996, File No. 333-13991)
10.13	Lease, dated September 1, 1994, by and between West Telemarketing Corporation and 99-Maple Partnership (Exhibit 10.14 to Registration Statement under Form S-1 (Amendment No. 1) dated November 12, 1996, File No. 333-13991)

10.14 Employment Agreement between the Company and Michael M. Sturgeon, dated March 17, 1997 (Exhibit 10.01 to Form 10Q dated May 15, 1997, File No. 000-21771)

10.15 Employee Stock Purchase Plan dated July 1, 1997 (Exhibit 10.01 to Form 10Q dated August 14, 1997, File No. 000-21771)

10.16 Employment Agreement between the Company and Mark V. Lavin dated July 1, 1996, as amended December 22, 1997

21.01 Subsidiaries of the Company (Exhibit 21.01 to Registration Statement under Form S-1 (Amendment No. 2) dated November 21,1996, File No. 333-13991)

27.01 Financial Data Schedule for the year ended December 31, 1997

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

WEST TELESERVICES CORPORATION

By: /s/ Troy L. Eaden

March 24, 1998

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATE INDICATED.

SIGNATURES	TITLE	DATE
/s/ Gary L. West GARY L. WEST	Chairman of the Board and Director	March 24, 1998
/s/ Mary E. West MARY E. WEST	Vice Chair of the Board and Director	March 24, 1998
/s/ Troy L. Eaden TROY L. EADEN	Chief Executive Officer and Director (Principal Executive Officer)	March 24, 1998
/s/ Thomas B. Barker THOMAS B. BARKER	President and Chief Operating Officer and Director	March 24, 1998
/s/ Michael A. Micek MICHAEL A. MICEK	Chief Financial Officer (Principal Financial and Accounting Officer)	March 24, 1998
/s/ William E. Fisher WILLIAM E. FISHER	Director	March 24, 1998
/s/ Greg T. Sloma GREG T. SLOMA	Director	March 24, 1998

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
West TeleServices Corporation
Omaha, Nebraska

We have audited the accompanying consolidated balance sheets of West TeleServices Corporation and subsidiaries (the Company) as of December 31, 1997 and 1996 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1997. 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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of West TeleServices Corporation and subsidiaries as of December 31, 1997 and 1996 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP

Omaha, Nebraska
February 11, 1998

WEST TELESERVICES CORPORATION

CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	DECEMBER 31, 1997	DECEMBER 31, 1996
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 39,820	$ 55,065
Accounts receivable, net of allowance for doubtful accounts of $447 and $244	64,325	45,982
Notes receivable	7,486	360
Accounts receivable--financing	4,971	11,805
Other	5,017	4,049
Total current assets	121,619	117,261
PROPERTY AND EQUIPMENT:		
Land and improvements	4,888	2,715
Buildings	23,059	8,043
Telephone and computer equipment	97,021	68,483
Office furniture and equipment	18,730	14,383
Leasehold improvements	24,119	18,130
Construction in process	1,182	749
	168,999	112,503
Accumulated depreciation and amortization	(57,289)	(41,895)
	111,710	70,608
GOODWILL, NET OF ACCUMULATED AMORTIZATION OF $1,853 AND $168	48,680	50,365
OTHER ASSETS	141	51
	$282,150	$238,285
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 18,948	$ 23,271
Customer deposits and holdbacks	22,475	12,662
Accrued wages and benefits	8,809	5,748
Accrued phone expense	7,228	8,404
Other current liabilities	3,103	2,501
Current maturities of long-term obligations	5,736	16,809
Income tax payable	--	1,697
Total current liabilities	66,299	71,092
LONG TERM OBLIGATIONS, less current maturities	15,950	5,714
DEFERRED INCOME TAXES	3,684	2,600
COMMITMENTS AND CONTINGENCIES (Note H)	--	--
STOCKHOLDERS' EQUITY		
Preferred stock $0.01 par value, 10,000 shares authorized, no shares issued and outstanding	--	--
Common stock $0.01 par value, 200,000 shares authorized, 63,330 shares issued and outstanding	633	633
Additional paid-in capital	157,647	157,719
Retained earnings	37,937	527
Total stockholders' equity	196,217	158,879
	$282,150	$238,285

The accompanying notes are an integral part of these financial statements.

WEST TELESERVICES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
REVENUE	$398,832	$317,210	$256,894
COST OF SERVICES	220,858	180,380	146,531
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	118,878	87,499	70,575
NET OPERATING INCOME	59,096	49,331	39,788
OTHER INCOME (EXPENSE):			
Interest income	1,236	577	142
Interest income--financing, net of interest expense of $320, $1,244 and $1,784	1,684	669	449
Interest expense	(729)	(2,880)	(2,403)
Minority interest in net income of consolidated subsidiaries	--	(1,359)	(1,167)
Other expense, net	(475)	(427)	(410)
Net other income (expense)	1,716	(3,420)	(3,389)
NET INCOME BEFORE INCOME TAX EXPENSE	60,812	45,911	36,399
ACTUAL INCOME TAX EXPENSE:			
Current income tax expense	22,392	1,701	828
Deferred income tax expense	1,010	2,512	--
Actual income tax expense	23,402	4,213	828
NET INCOME AND NET INCOME BEFORE PROFORMA INCOME TAX EXPENSE	37,410	41,698	35,571
PROFORMA INFORMATION:			
Income tax expense	--	12,950	13,130
Net income	$ 37,410	$ 28,748	$ 22,441
EARNINGS PER COMMON SHARE:			
Basic	$ 0.59	$ 0.52	$ 0.42
Diluted	$ 0.59	$ 0.52	$ 0.42
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:			
Basic common shares	63,330	54,891	53,968
Dilutive impact of potential common shares from stock options	16	75	--
Diluted common shares	63,346	54,966	53,968

The accompanying notes are an integral part of these financial statements.

WEST TELESERVICES CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(AMOUNTS IN THOUSANDS)

	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY
BALANCE, January 1, 1995	$568	$ 4,743	$ 21,798	$ 27,109
Distributions to stockholders, net of $662 paid to minority shareholders	--	--	(24,451)	(24,451)
Net income	--	--	35,571	35,571
BALANCE, December 31, 1995	568	4,743	32,918	38,229
Issuance of 6,555 shares of common stock, net of expense	65	107,658	--	107,723
Effects of purchase accounting for minority interest	--	50,533	--	50,533
Distributions to stockholders, net of $2,139 paid to minority shareholders	--	(5,215)	(74,089)	(79,304)
Net income	--	--	41,698	41,698
BALANCE, December 31, 1996	633	157,719	527	158,879
Stock registration costs	--	(72)	--	(72)
Net income	--	--	37,410	37,410
BALANCE, December 31, 1997	$633	$157,647	$ 37,937	$196,217

The accompanying notes are an integral part of these financial statements.

WEST TELESERVICES CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(AMOUNTS IN THOUSANDS)

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 37,410	$ 41,698	$ 35,571
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	20,635	13,551	10,127
(Gain) loss on sale of equipment	238	(131)	148
Deferred income tax expense	1,010	2,512	--
Minority interest	--	1,359	1,167
Changes in operating assets and liabilities:			
Accounts receivable	(19,457)	(10,027)	(10,954)
Other assets and vendor receivables	(209)	(350)	(1,540)
Accounts payable	(4,323)	1,760	9,423
Other current liabilities and accrued expenses	2,487	2,709	3,615
Income tax payable	(2,472)	1,001	--
Net cash flows from operating activities	35,319	54,082	47,557
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(43,852)	(21,631)	(16,824)
Proceeds from disposal of property and equipment	287	1,540	1,165
Issuance of notes receivable	(7,442)	(1,550)	--
Proceeds from payments of notes receivable	1,430	1,027	1,173
Net cash flows from investing activities	(49,577)	(20,614)	(14,486)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of debt	--	10,320	7,123
Payments of debt	(6,468)	(14,870)	(3,644)
Payments of capital lease obligations	(11,094)	(11,535)	(5,193)
Payments of notes to shareholder	--	--	(975)
Net change in line of credit agreement	--	(6,500)	(340)
Distribution to stockholders	--	(81,443)	(25,113)
Net change in accounts receivable financing and notes payable financing	6,834	(11,281)	2,187
Proceeds from issuance of common stock, net of expense	--	107,723	--
Payments for stock registration costs	(72)	--	--
Net change in customer deposits and holdbacks	9,813	7,322	774
Net cash flows from financing activities	(987)	(264)	(25,181)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(15,245)	33,204	7,890
CASH AND CASH EQUIVALENTS, Beginning of period	55,065	21,861	13,971
CASH AND CASH EQUIVALENTS, End of period	$ 39,820	$ 55,065	$ 21,861
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for interest	$ 1,381	$ 4,696	$ 4,048
Cash paid during the period for income taxes	$ 24,877	$ 702	$ 459
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:			
Acquisition of property through assumption of debt obligations	$ 16,725	$ 16,297	$ 9,592
Reduction of accounts receivable through issuance of notes receivable	$ 1,114	$ 61	$ 367

The accompanying notes are an integral part of these financial statements.

WEST TELESERVICES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS DESCRIPTION--West TeleServices Corporation (WTSC) and its direct and indirect subsidiaries (West Telemarketing Corporation (WTC), West Interactive Corporation (WIC), West Telemarketing Corporation Outbound (WTCO), Interactive Billing Services, Inc. (IBS) and West Interactive Canada, Inc. (WICI)) (the "Company") provide a full range of customized telecommunications-based services to business clients on an outsourced basis. The Company is a leading provider of inbound operator services, automated voice response services and outbound direct teleservices through its call centers throughout the United States. The Company's inbound operator services ("Inbound") consist of live operator call-processing applications such as order capture, customer service and product support. The Company's automated voice response services ("Interactive") consist of computerized call-processing applications such as automated product information requests, computerized surveys and polling and secure automated credit card activation. The Company's outbound direct teleservices ("Outbound") consist of live operator direct marketing applications such as product sales, customer acquisition and retention campaigns. The Company has developed proprietary technology platforms designed to provide a high degree of automation and reliability in all three of its businesses.

The Company targets businesses in highly competitive, consumer-based industries, including telecommunications, insurance, banking, pharmaceuticals, public utilities, consumer goods and computer software services, that require large volume applications.

REORGANIZATION--Through the corporate reorganization completed on November 25, 1996, West TeleServices Corporation became the parent company for WTC, WTCO and WIC and indirectly for IBS and WICI. These five corporations were previously under common control and management. The corporations entered into a reorganization with the Company whereby each of the stockholders of WTC, WTCO and WIC exchanged their respective capital stock for 56,775,000 shares of common stock of the Company and each of the stockholders of IBS and WICI transferred their respective capital stock to WIC for nominal consideration.

BASIS OF CONSOLIDATION--The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and balances have been eliminated in the consolidated financial statements.

USE OF ESTIMATES--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION--Inbound revenue is recognized at the time calls are answered by a telemarketing representative based on the number of calls and/or minutes received and processed on behalf of clients. Interactive revenue is recognized at the time calls are received or sent by automated voice response units and is billed based on call duration. Outbound revenue is recognized on an hourly rate basis at the time the telemarketing representatives place calls to consumers on behalf of its clients. The customer is obligated to pay for these services when these activities have been performed.

COST OF SERVICES--Cost of services includes labor, telephone and other expense directly related to teleservices activities.

MINORITY INTEREST--The Company accounted for the minority interest portion of the reorganization under the purchase method of accounting. The consolidated financial statements for all periods presented give effect to the reorganization referred to above. Under such reorganization, the Company recorded the 4.945% minority interest in net income of consolidated subsidiaries for the period from January 1, 1996 through November 25, 1996 and for fiscal year 1995.

CASH AND CASH EQUIVALENTS--For purposes of the statement of cash flows, the Company considers short-term investments with maturities of three months or less at acquisition to be cash equivalents.

FINANCIAL INSTRUMENTS--Cash and cash equivalents, accounts receivable and accounts payable are short-term in nature and the net values at which they are recorded are considered to be reasonable estimates of their fair values. The carrying values of notes payable are deemed to be reasonable estimates of their fair values. Interest rates that are currently available to the Company for the reissuance of debt with similar terms and remaining maturities are used to estimate fair values of the notes payable.

PROPERTY AND EQUIPMENT--Property and equipment are recorded at cost. Depreciation expense is based on the estimated useful lives of the assets and is calculated on the straight-line method. The Company's buildings have estimated useful lives of 31.5 years and the majority of the other assets have estimated useful lives of five years.

GOODWILL--Goodwill represents the excess of the value of Company stock received by minority shareholders upon their exchange of stock in WTC and WTCO over the book value of this stock. The goodwill is being amortized over 30 years. Recoverability of these assets is evaluated periodically based on management's estimate of future undiscounted operating income for each respective component of goodwill.

CUSTOMER DEPOSITS AND HOLDBACKS--The Company obtains directly from the billing and collection agent, revenue generated from its Interactive customers' programs. The Company retains a specified amount of the revenue and remits the remainder to its customers. The retained amount is based upon the collection history of the customer's program success and is necessary to allow for potential caller adjustments which may be filed within one year of the actual phone calls.

The Company obtains security deposits from certain Inbound and Interactive customers, which are refunded to the customers when the Company discontinues service to the customers' programs.

INCOME TAXES--For periods subsequent to November 25, 1996, the Company and its wholly-owned subsidiaries file a consolidated income tax return. The Company uses an asset and liability approach for the financial reporting of income taxes in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. Deferred income taxes arise from temporary differences between financial and tax reporting.

Prior to the reorganization in November 1996, the affiliated companies elected to be treated as "Small Business Corporations" for income tax purposes. Under this election, all income and expense flowed through to the stockholders on a pro rata basis for income tax purposes. Accordingly, no provision for actual income taxes has been provided for during this period except for certain state taxes which are applicable to "Small Business Corporations."

Prior to the closing of the Company's Initial Public Offering and simultaneous to the reorganization, the five subsidiary companies terminated their Small Business Corporation status and became subject to Federal and state income taxes. The pro forma tax provisions were calculated using the asset and liability approach for financial accounting and reporting of income taxes.

BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE--In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earnings Per Share (SFAS No. 128), which specifies the computation, presentation and disclosure requirements for earnings per share. SFAS No. 128 supercedes Accounting Principle Board Opinion No. 15 entitled Earnings Per Share. Accordingly, all prior periods earnings per share amounts have been restated to conform with SFAS No. 128. Basic earnings per share excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in issuance of common stock that then shared in the earnings of the entity.

PREFERRED STOCK--The Board of Directors of the Company has the authority, without any further vote or action by the stockholders, to provide for the issuance of up to ten million shares of preferred stock from time to time in one or more series with such designations, rights, preferences and limitations as the Board of Directors may determine, including the consideration received therefor. The Board also has the authority to determine the number of shares comprising each series, dividend rates, redemption provisions, liquidation preferences, sinking fund provisions, conversion rights and voting rights without approval by the holders of common stock.

RECLASSIFICATIONS--Certain reclassifications have been made to prior years financial statements to conform to the current year presentation.

ACCOUNTING PRONOUNCEMENTS--In June 1997, the Financial Accounting Standards Board issued Statement of Accounting Standards No. 131, Disclosures About Segments of an Enterprise and Related Information (SFAS No. 131) which established presentation of financial data based on the "management approach". SFAS No. 131 is applicable for fiscal years beginning after December 15, 1997. The Company does not expect the pronouncement to effect the Company's reporting or its disclosures to its consolidated financial statements.

B. ACCOUNTS RECEIVABLE FINANCING PROGRAM

The Company maintains a line of credit with three participating banks in the amount of $20,000. There were no outstanding borrowings at December 31, 1997 and 1996. Borrowings bear interest at 1.0% below the prime rate (actual rate 7.5% at December 31, 1997) to fund customer advances. Substantially all current assets of WIC are pledged as collateral on the line of credit which expires June 30, 1998. The Company had advances to Interactive customers through their accounts receivable financing programs aggregating $4,971 and $11,805 at December 31, 1997 and 1996, respectively. Under terms of the programs, advances are collateralized by the customer's accounts receivable from unrelated national billing services. The Company charges interest at the prime rate plus 3.0% (actual rate 11.5% at December 31, 1997).

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

C. LONG-TERM OBLIGATIONS AND CREDIT ARRANGEMENTS

The Company has a $10,000 unsecured revolving credit facility. Advances under the revolving credit facility bear interest at the prime rate less 1.0% (actual rate 7.5% at December 31, 1997). The revolving credit facility expires on July 31, 1999. At December 31, 1997 and 1996, there were no outstanding borrowings under the revolving credit facilities. The Company's credit facility contains certain financial covenants which contain current ratio and tangible net worth requirements and limitations on indebtedness, among others. These financial covenants were met at December 31, 1997.

Long-term obligations consist of the following:

	DECEMBER 31, 1997	DECEMBER 31, 1996
Mortgage note payable to bank, due in monthly installments of $102 including interest at 7.625% with a balloon payment at maturity at February 1, 2003	$13,000	$ --
Notes payable to vendor, due in monthly installments of $110 including interest at 3.9% maturing from March 30, 2000 to March 1, 2001	3,151	--
Notes payable to banks. Paid in January of 1997	--	5,894
Capital lease obligations (See note D)	5,535	16,629
	21,686	22,523
Less current maturities:		
Debt	1,880	5,894
Capital lease obligations (See note D)	3,856	10,915
Current maturities of long-term obligations	5,736	16,809
Long-term obligations	$15,950	$5,714

Substantially all assets of the Companies are pledged as collateral on their debt. The agreements contain restrictive covenants which, among other things, require the maintenance of certain ratios and minimum tangible net worth, as defined in the agreements.

Scheduled maturities on long-term debt without capital lease obligations described in Note D, are as follows:

1998	$1,880
1999	1,557
2000	984
2001	414
2002 and thereafter	11,316

D. LEASES

The Company leases certain land, buildings and equipment under operating and capital leases which expire at varying dates through September 2007. Rent expense was $2,666, $2,158 and $1,807 for the years ended December 31, 1997, 1996 and 1995, respectively. On all real estate leases, the Company pays real estate taxes, insurance and maintenance associated with the leased sites. Certain of the leases offer extension options ranging from month to month to five-years. All of the capital leases call for transfer of ownership or contain bargain purchase options at the end of the lease term. Amortization of assets purchased through capital lease agreements is included in depreciation expense.

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	DECEMBER 31, 1997	DECEMBER 31, 1996
Assets under capital leases consist of:		
Telephone and computer equipment	$9,452	$22,107
Office furniture and equipment	990	3,327
Lease/building improvement	--	343
Total cost	10,442	25,777
Accumulated depreciation	3,454	5,355
Net book value	$6,988	$20,422

Future minimum payments under non-cancellable operating and capital leases with initial or remaining terms of one year or more and minimum future lease payments and present value of the net minimum lease payments are as presented below exclusive of related party leases as discussed in Note E:

	OPERATING LEASES	CAPITAL LEASES
Year Ending December 31,		
1998	$ 4,350	$4,160
1999	4,272	1,724
2000	4,008	--
2001	2,717	--
2002 and thereafter	6,431	--
Total minimum obligations	$21,778	5,884
Less interest at 4.4% to 9.25%		$ 349
Present value of net minimum lease payments		5,535
Less current portion		3,856
		$1,679

E. RELATED PARTY TRANSACTIONS

The Company leases certain office space owned by a partnership whose partners are majority stockholders of the Company. The lease expires August 31, 2004, and is accounted for as an operating lease. Required lease payments are as follows:

Year Ending December 31,	
1998	$ 773
1999	820
2000	869
2001	921
2002 and thereafter	2,729

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

Lease expense was $730, $691 and $649 for the years ended December 31, 1997, 1996 and 1995, respectively.

Total interest expense paid to related parties in connection with notes payable was $0, $269 and $59 for the years ended December 31, 1997, 1996 and 1995, respectively.

F. INCOME TAXES

Prior to the reorganization in November 1996, the predecessor companies maintained their Small Business Corporation status. Accordingly, no provision for actual income tax has been made as it relates to periods prior to the reorganization except for certain state taxes which are applicable to Small Business Corporations. However, pro forma income tax expense has been recognized in the statement of operations as if the reorganized company had been subject to federal and state corporate income taxes for all periods. The pro forma provision for income tax expense represents a combined federal and state tax rate.

Components of the actual income tax expense are as follows:

	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996
Current income tax expense:		
Federal	$20,417	$1,079
State	1,975	622
	22,392	1,701
Deferred income tax expense:		
Federal	966	2,446
State	44	66
	1,010	2,512
	$23,402	$4,213

The difference between the U.S. Federal statutory tax rate and the Company's effective tax rate are as follows:

	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996
Statutory rate	35.00%	35.00%
State income tax effect	3.48%	1.05%
Other	--	0.26%
	38.48%	36.31%

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

Significant temporary differences between reported financial and taxable earnings that give rise to deferred tax assets and liabilities were as follows:

	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996
Net current deferred tax asset:		
Allowance for doubtful accounts	$ 162	$ 88
Net long-term deferred tax liabilities:		
Depreciation	3,684	2,566
Other	--	34
Net long-term deferred tax liabilities	3,684	2,600
Net total deferred tax liabilities	$3,522	$2,512

G. EMPLOYEE BENEFITS AND INCENTIVE PLANS

The Company has a 401(k) plan which covers substantially all employees. Under the plan, the Company will match 50% of employee contributions up to 7% of their gross salary. The Company matching contributions are 100% vested after the employee has attained five years of service. Total contributions under the plan were $816, $589 and $564 for the years ended December 31, 1997, 1996 and 1995, respectively.

During September 1996, the Company adopted the 1996 Stock Incentive Plan (the Plan). The Plan authorized granting to officers and directors the right to purchase shares of Common Stock of the Company (Common Shares) at the fair market value determined on the date of grant. Options to purchase a maximum of 9,499,500 Common Shares may be granted under the Plan. There were options for 3,601,000 Common Shares issued during November 1996 under such Plan. During May of 1997, the Company amended the options granted during November 1996. The options to purchase the 3,601,000 Common Shares at $18.00 were surrendered by option holders in June of 1997 and new options of 4,707,400 Common Shares at $15.625 were issued. Ten percent of the options granted to employees vest on the first and second anniversaries of the grant date. An additional fifteen percent of the options granted to employees vest on each of the third, fourth, fifth and sixth anniversaries of the grant date. The final twenty percent of the options granted to employees vest on the seventh anniversary of the grant date. On February 14, 1997, options to purchase 28,000 Common Shares at $17.75 were issued relating to options granted to non-employee members of the board of directors. Forty-two percent of the options granted to the board of directors vest on the first anniversary of the grant date and twenty-nine percent of the options granted to the board of directors vest on the second and third anniversaries of the grant date. All options expire ten years after the date of the grant. No options were exercisable at December 31, 1997 and 1996.

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

The following table presents the activity of the stock options for each of the fiscal years ended December 31, 1997 and 1996 and the stock options outstanding at the end of the respective fiscal years.

	STOCK OPTION SHARES	OPTION PRICE PER SHARE	AGGREGATE AMOUNT
Outstanding at December 31, 1995......	--	$ --	$ --
Granted............................	3,601,000	18.00	64,818
Outstanding at December 31, 1996......	3,601,000	18.00	64,818
Surrendered due to plan amendment...	(3,601,000)	18.00	(64,818)
Granted............................	4,735,400	15.625-17.75	74,050
Canceled...........................	(177,100)	15.625	(2,767)
Outstanding at December 31, 1997......	4,558,300	$15.625-$17.75	$ 71,283
Shares available for future grants at December 31, 1997....................	4,941,200		

The following table summarizes information about the Company's stock options outstanding at December 31, 1997:

EXERCISE PRICE	STOCK OPTION SHARES OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE IN YEARS	WEIGHTED AVERAGE EXERCISE PRICE
$15.63	4,530,300	9.42	$15.63
17.75	28,000	9.12	17.75
$15.63-$17.75	4,558,300	9.42	$15.64

During May 1997, the Company and its stockholders, adopted the 1997 Employee Stock Purchase Plan (the Stock Purchase Plan). The Stock Purchase Plan provides employees an opportunity to purchase Common Shares through annual offerings to be made during the five year period commencing July 1, 1997. Each employee participating in any offering is granted an option to purchase as many full or fractional Common Shares as the participating employee may elect so long as the purchase price for such Common Shares does not exceed 10% of the compensation received by such employee from the Company during the annual offering period or 1,000 Common Shares. The purchase price is to be paid through payroll deductions. The purchase price for each Common Share is equal to 100% of the fair market value of the Common Share on the date of the grant, determined by the average of the high and low NASDAQ quoted market price ($14 5/8 at July 1, 1997). On the last day of the offering period, the option to purchase Common Shares becomes exercisable. If at the end of the offering the fair market value of the Common Shares is less than 100% of the fair market value at the date of grant, then the options will not be deemed exercised and the payroll deductions made with respect to the options will be applied to the next offering unless the employee elects to have the payroll deductions withdrawn from the Stock Purchase Plan. The maximum number of Common Shares available for sale under the Stock Purchase Plan is 2,000,000 shares. No options were exercisable at December 31, 1997.

The Company accounts for its stock-based compensation plans under the provisions of accounting Principles Board Opinion 25, Accounting for Stock Issued to Employees, which utilizes the intrinsic value method. As a result of the exercise price being equal to the market price at the date of grant, the Company recognized no compensation expense for the years ended December 31, 1997 and 1996.

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

The pro forma effect of accounting for stock-based compensation for the Company's plans using the fair value method required by Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation on 1997 and 1996 net income was $5,659, and $304 respectively, and on basic and diluted earnings per share was $.09 for 1997 and $.01 for 1996.

The fair value for options granted under the above described plans were estimated at the date of grant using the Black Scholes pricing model with the following assumptions:

	1997	1996
Risk-free interest rate	6.5%	6.5%
Dividend yield	0.0%	0.0%
Expected volatility	45.0%	40.0%
Expected life (years)	5.4	5.5

H. COMMITMENTS AND CONTINGENCIES

The Company is subject to lawsuits and claims which arise out of the normal course of its business. The Company and certain of its subsidiaries are defendants in various litigation matters in the ordinary course of business, some of which involve claims for damages that are substantial in amount. The Company believes, except for the items discussed below for which the Company is currently unable to predict the outcome, the disposition of claims currently pending will not have a material adverse effect on the Company's financial position or results of operations.

West Interactive Corporation (Interactive) is a defendant in a case brought in the United States District Court for the Southern District of Georgia, Augusta Division, on September 12, 1991, captioned Lamar Andrews, Individually and as Representative of a Class of All Other Persons Similarly Situated, Plaintiff v. American Telephone & Telegraph Company, et al., Defendants, No. CV 191-175. The District Court certified a master class of all persons who paid for one or more 900 number calls pertaining to programs offering sweepstakes, games of chance, awards, cash or other prizes, gifts or information on unclaimed funds. These calls were billed and collected by AT&T Corp. (AT&T) and U.S. Sprint Communications Company Limited Partnership (Sprint). The District Court also certified a sub-class of those persons who paid, in the State of Georgia, for one or more such calls billed and collected by AT&T or Sprint. The complaint alleged that the programs at issue involved, among other things, acts of unlawful gambling, mail fraud and wire fraud in violation of the Racketeering Influenced and Corrupt Organizations Act (RICO), the Communications Act of 1934, the federal common law of communications and other state and federal laws. Interactive provided interactive voice processing and billing services to a customer which conducted some of the programs at issue in the litigation. The billing services were provided through AT&T. The action sought recovery of treble damages, punitive damages, costs and attorneys' fees. The Company's potential liability and expenses in this matter were not covered by insurance. On September 19, 1996, the United States Court of Appeals for the Eleventh Circuit reversed the District Court's order certifying the classes on the ground that the class action would be unmanageable and, on December 4, 1996, it denied the plaintiffs' subsequent petition for rehearing. On February 19, 1997, a Motion to Amend Class Definition and a Renewed Motion for

Class Certification was filed by the plaintiffs in the District Court. On July 14, 1997, plaintiffs' motions were denied and the plaintiffs were ordered to amend the pleadings to eliminate all allegations as to class representation. On August 4, 1997, the plaintiffs filed a second amended complaint which deleted all class allegations. In addition to claims previously asserted, the second amended complaint includes an express claim based on the alleged collection of illegal gambling debts, and a claim under Georgia RICO statute with a request for actual and punitive damages under that statute.

Schurman, Bowers, et al, individually and on behalf of a class of all other persons similarly situated v. Horry Telephone Cooperative, Inc., AT&T Corp., AT&T Communications, Inc., AT&T Communications of the Southern States, Inc, and West Telemarketing Outbound Corporation (Civil Action No. 4:97-2635-12) was filed on July 28, 1997 in the Court of Common Pleas in Horry, South Carolina and then removed by the defendants to the United States District Court for the District of South Carolina. Plaintiffs allege, among other things, claims of negligent misrepresentation, fraud, breach of contract and statutory violations in connection with offers of rate programs and long distance services to the plaintiffs. Plaintiffs seek monetary damages, punitive damages, attorney's fees, costs and injunctive relief.

Gilchrist, individually and on behalf of a class of all other persons similarly situated, v. Direct American Marketers, Inc., Anthony Brown, Integretel, Inc., Troy Eaden, Gary West, West Interactive Corporation and Bellsouth Corporation (Civil Action File No. 197-233) was filed on August 19, 1997 in the Superior Court of Richmond County, Georgia and subsequently removed by the defendants to the United States District Court for the Southern District of Georgia. Troy Eaden, Chief Executive Officer and director of the Company, and Gary West, Chairman of the Board of the Company, and West Interactive Corporation are named defendants in the action. Plaintiff alleges claims under the Georgia Racketeer Influenced and Corrupt Organizations Act in connection with certain "900" number sweepstakes programs that were promoted by Direct American Marketers, Inc. Plaintiff seeks to recover monetary damages, together with expenses, attorney's fees and injunctive relief.

Richard Carney, et al. v. West TeleServices Corporation, West Telemarketing Corporation, West Telemarketing Corporation Outbound, West Telemarketing Insurance Agency, Inc., Hal Morris, Matt Mazzarella and John Erwin (Cause No. 97-CI-15780) was filed on October 31, 1997 in the 131st Judicial District Court of Bexar County, Texas. Plaintiffs seek certification of a class consisting of all hourly employees of West TeleServices Corporation, West Telemarketing Corporation, West Telemarketing Corporation Outbound, and West Telemarketing Insurance Agency, Inc. Plaintiffs allege that they were not paid for all compensable work performed by them during their employment. Plaintiffs seek recovery under the theories of quantum meruit, common law fraud, common law debt, conversion, and civil theft.

I. SIGNIFICANT CUSTOMERS

For the years ended December 31, 1997 through December 31, 1995, the Company had 20 to 24 major customers who accounted for approximately 62% to 72% of total revenues. The Company had two customers who accounted for 25% and 12% of total revenue for the year ended December 31, 1997, and 18% and 12% for the year ended December 31, 1996, and one customer who accounted for 15% of total revenue for the year ended December 31, 1995.

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

J. INITIAL PUBLIC OFFERING

In November 1996, the Company completed an initial public offering of 6,555,000 shares of common stock of the Company at an offering price of $18.00 per share. The net proceeds of the offering were used to redeem approximately $35,549 of Company notes payable, $7,253 of capital lease obligations and $43,879 of notes payable to shareholders.

K. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is the summary of the quarterly results of operations for the two years ended December 31:

	THREE MONTHS ENDED			
	MARCH 31, 1997	JUNE 30, 1997	SEPTEMBER 30, 1997	DECEMBER 31, 1997
Revenue	$95,646	$98,380	$100,493	$104,313
Net operating income	18,153	13,843	14,301	12,799
Net income before income taxes	18,522	14,222	14,550	13,518
Net income	11,312	8,679	8,946	8,473
Earnings per share:				
Basic	$ 0.18	$ 0.14	$ 0.14	$ 0.13
Diluted	$ 0.18	$ 0.14	$ 0.14	$ 0.13

	THREE MONTHS ENDED			
	MARCH 31, 1996	JUNE 30, 1996	SEPTEMBER 30, 1996	DECEMBER 31, 1996
Revenue	$79,488	$74,980	$ 80,720	$ 82,022
Net operating income	15,258	11,571	11,240	11,262
Net income before income taxes	14,331	10,724	10,406	10,450
Net income and net income before pro forma income tax expense	14,118	10,558	10,155	6,867
Pro forma information:				
Net income	8,954	6,696	6,441	6,657
Earnings per share:				
Basic	$ 0.17	$ 0.12	$ 0.12	$ 0.12
Diluted	$ 0.17	$ 0.12	$ 0.12	$ 0.11

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
West TeleServices Corporation

We have audited the consolidated financial statements of West TeleServices Corporation and subsidiaries (the Company) as of December 31, 1997 and 1996, and for each of the three years in the period ended December 31, 1997, and have issued our report thereon dated February 11, 1998; such report is included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedule of West TeleServices Corporation and subsidiaries, listed in Item 14. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP

Omaha, Nebraska
February 11, 1998

SCHEDULE II

WEST TELESERVICES CORPORATION AND SUBSIDIARIES

CONSOLIDATED VALUATION ACCOUNTS
THREE YEARS ENDED DECEMBER 31, 1997
(AMOUNTS IN THOUSANDS)

DESCRIPTION	BALANCE BEGINNING OF YEAR	ADDITIONS- CHARGED TO COST AND EXPENSES	DEDUCTIONS- AMOUNTS CHARGED-OFF	BALANCE END OF YEAR
December 31, 1997--Allowance for doubtful accounts................	$ 244	$1,027	$ 824	$ 447
December 31, 1996--Allowance for doubtful accounts................	$1,557	$1,279	$2,592	$ 244
December 31, 1995--Allowance for doubtful accounts................	$1,509	$2,361	$2,313	$1,557

EXHIBIT INDEX

Exhibits identified in parentheses below, on file with the United States Securities and Exchange Commission, are incorporated herein by reference as exhibits hereto.

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIAL PAGE NUMBER
3.01	Restated Certificate of Incorporation of the Company (Exhibit 3.01 to Registration Statement under Form S-1 (Amendment No. 2) dated November 21, 1996, File No. 333-13991)	*
3.02	Restated Bylaws of the Company (Exhibit 3.02 to Registration Statement under Form S-1 (Amendment No. 2) dated November 21, 1996, File No. 333-13991)	*
10.01	Form of Registration Rights Agreement (Exhibit 10.01 to Registration Statement under Form S-1 (Amendment No. 1) dated November 12, 1996, File No. 333-13991)	*
10.02	Bill of Sale & Assignment, dated October 30, 1996, from West Telemarketing Corp. to Troy L. Eaden (Exhibit 10.02 to Registration Statement under Form S-1 (Amendment No. 1) dated November 12, 1996, File No. 333-13991)	*
10.03	Purchase Agreement, dated March 14, 1996, between West Telemarketing Corporation and Executive Jet Sales, Inc. (Exhibit 10.03 to Registration Statement under Form S-1 (Amendment No. 1) dated November 12, 1996, File No. 333-13991)	*
10.04	1996 Stock Incentive Plan (Exhibit 10.04 to Registration Statement under Form S-1 (Amendment No. 1) dated November 12, 1996, File No. 333-13991)	*
10.05	Agreement and Plan of Reorganization (Exhibit 10.05 to Registration Statement under Form S-1 (Amendment No. 2) dated November 21, 1996, File No. 333-13991)	*
10.06	Employment Agreement between the Company and Thomas B. Barker dated January 1, 1996, as amended December 9, 1997	**
10.07	Employment Agreement between the Company and Michael A. Micek dated January 1, 1996, as amended December 9, 1997	**
10.08	Employment Agreement with Troy L. Eaden (Exhibit 10.08 to Registration Statement under Form S-1 (Amendment No. 1) dated November 12, 1996, File No. 333-13991)	*
10.09	Employment Agreement between the Company and John W. Erwin dated January 1, 1996, as amended December 22, 1997	**
10.10	Stock Redemption Agreement, dated April 9, 1996, by and among John W. Erwin, Gary L. West, Mary E. West and Troy L. Eaden (Exhibit 10.11 to Registration Statement under Form S-1 (Amendment No. 1) dated November 12, 1996, File No. 333-13991)	*
10.11	Assignment and Assumption Agreement, dated as of November 12, 1996, by and among Gary L. West, Mary E. West, Troy L. Eaden and the Company (Exhibit 10.12 to Registration Statement under Form S-1 (Amendment No. 2) dated November 21, 1996, File No. 333-13991)	*
10.12	Personnel Company Subscription Service Agreement, dated as of November 12, 1996, between West Telemarketing Insurance Agency, Inc. and West Telemarketing Corporation Outbound (Exhibit 10.13 to Registration Statement under Form S-1 (Amendment No. 2) dated November 21, 1996, File No. 333-13991)	*
10.13	Lease, dated September 1, 1994, by and between West Telemarketing Corporation and 99-Maple Partnership (Exhibit 10.14 to Registration Statement under Form S-1 (Amendment No. 1) dated November 12, 1996, File No. 333-13991)	*
10.14	Employment Agreement between the Company and Michael M. Sturgeon, dated March 17, 1997 (Exhibit 10.01 to Form 10Q dated May 15, 1997, File No. 000-21771)	*
10.15	Employee Stock Purchase Plan dated July 1, 1997 (Exhibit 10.01 to Form 10Q dated August 14, 1997, File No. 000-21771)	*
10.16	Employment Agreement between the Company and Mark V. Lavin dated July 1, 1996, as amended December 22, 1997	**
21.01	Subsidiaries of the Company (Exhibit 21.01 to Registration Statement under Form S-1 (Amendment No. 2)	

	dated November 21,1996, File No. 333-13991)	*
27.01	Financial Data Schedule for the year ended December 31, 1997.	*

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*Indicates that the page number for such item is not applicable.
**Filed herewith

EXHIBIT 10.06

EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into effective the 1st day of January, 1996, between West Telemarketing Corporation a Delaware corporation ("Employer") and TOM BARKER ("Employee").

RECITALS

A. WHEREAS, Employer and Employee have agreed to certain terms and conditions of employment between the parties; and

B. WHEREAS, the parties desire to enter into this Agreement to memorialize the terms and conditions of the employment relationship and any prior and existing employment agreement(s) between the parties.

NOW THEREFORE, the parties agree as follows;

1. Employment. Employer agrees to employ Employee in his capacity as PRESIDENT AND COO of Employer. Employer may also direct Employee to perform such duties for West Telemarketing Corporation Outbound and West Interactive Corporation and other entities which now are, or in the future may be, affiliated with Employer (the "Affiliates"), subject to the limitation that Employees total time commitment shall be consistent with that normally expected of similarly situated executive level employees. Employee shall serve Employer and the Affiliates faithfully, diligently and to the best of his ability. Employee agrees during the term of this Agreement to devote his best efforts, attention, energy and skill to the performance of his employment and/or consulting duties and to furthering the interest of Employer and the Affiliates.

2. Term of Employment. Employee's employment under this Agreement shall commence effective the 1st day of January, 1996, and shall continue for a period of two years unless terminated or renewed under the provisions of Paragraph 6 below.

   (a) Unless terminated pursuant to paragraph 6(a), the term of employment shall be extended by one year at the end of each successive year so that at the beginning of each successive year the term of this Agreement will be two years.

3. Compensation. Employer shall pay Employee as set forth in Exhibit A attached hereto and incorporated herein as is fully set forth in this paragraph. Employee may receive additional discretionary bonuses as determined by the Board of Directors of Employer in its sole discretion provided nothing contained herein shall be construed as a commitment by the corporation to declare or pay any such bonuses.

4. Benefits. In addition to the compensation provided for in Paragraph 3 above, Employer will provide Employee with employment benefits commensurate to those received by other executive level employees of Employer during the term of this Agreement.

5. Other Activities. Employee shall devote substantially all of his working time and efforts during the Company's normal business hours to the business and affairs of the Company and to the duties and responsibilities assigned to him pursuant to this Agreement. Employee may devote a reasonable amount of his time to civic, community or charitable activities. Employee in all events shall be free to invest his assets in such manner as will not require any substantial services by Employee in the conduct of the businesses or affairs of the entities or in the management of the assets in which such investments are made.

6. Term and Termination. The termination of this Agreement shall be governed by the following:

(a) The term of this Agreement shall be for the period set out in paragraph 2 unless earlier terminated in one of the following ways:

(1) Death. This Agreement shall immediately terminate upon the death of Employee.

(2) For Cause. The Employer, upon written notice to Employee, may terminate the employment of Employee at any time for "cause." For purposes of this paragraph, "cause" shall be deemed to exist if, and only if, the CEO and COO of Employer, in good faith, determine that Employee has engaged, during the performance of his duties hereunder, in significant objective acts or omissions constituting dishonesty, willful misconduct or gross negligence relating to the business of Employer.

(3) Without Cause. The Employer, upon written notice to Employee, may terminate the employment of Employee at any time without cause.

(4) Resignation. Employee, upon written notice to Employer, may resign from the employment of Employer at any time.

(b) Accrued Compensation on Termination. In the event of termination of the Agreement, Employee shall be entitled to receive:

(1) salary earned prior to and including the date of termination;

(2) any bonus earned as of the end of the month immediately preceding the date of termination; and

(3) all benefits, if any, which have vested as of the date of termination.

7. Consulting.

(a) In the event of termination of employment pursuant to paragraph 6(a) (3) or 6(a)(4) above, Employer and Employee agree that Employee shall, for a minimum period of twenty-four (24) months from the date of termination serve as a consultant to Employer.

(b) In the event of termination pursuant to paragraph 6(a)(2), Employer and Employee agree that Employer may, at its sole option, elect to retain the services of Employee as a consultant for a period of twenty-four (24) months from the date of termination and that Employee will serve as a consultant to Employer if Employer so elects.

(c) During any period of consulting, Employee shall be acting as an independent contractor. As part of the consulting services, Employee agrees to provide certain services to Employer, including, but not limited to, the following:

(1) oral and written information with reference to continuing programs and new programs which were developed or under development under the supervision of Employee;

(2) meeting with officers and managers of Employer to discuss and review programs and to make recommendations;

(3) analysis, opinion and information regarding the effectiveness and public acceptance of their programs.

(d) During the consulting period, Employee shall continue to receive, as compensation for his consulting, the annualized salary set forth in Exhibit A. No bonus of any kind will be paid during any period of consulting.

(e) Employee hereby agrees that during any period of consulting, he will devote his full attention, energy and skill to the performance of his duties and to furthering the interest of Employer and the affiliates, which shall include, and Employee acknowledges, a fiduciary duty and obligation to Employer. Employee acknowledges that this prohibition includes, but is not necessarily limited to, a preclusion from any other employment or consulting by Employee during the consulting period except pursuant to paragraph 7(f) hereafter.

(f) During the term of this Agreement, including any period of consulting, Employee shall not, singly, jointly, or as a member, employer or agent of any partnership, or as an officer, agent, employee, director, stockholder or investor of any other corporation or entity, or in any other capacity, engage in any business endeavors of any kind or nature whatsoever, other than those of Employer or its Affiliates without the express written consent of Employer, provided, however, that Employee may own stock in a publicly traded corporation. Employee agrees that Employer may in its sole discretion give or withhold its consent and understands that Employer's consent will not be unreasonably withheld if the following conditions are met:

(1) Employee's intended employment will not interfere in Employer's opinion with Employee's duties and obligations as a consultant, including the fiduciary duty assumed hereunder; and

(2) Employee's intended employment or activity would not, in the opinion of Employer, place Employee in a situation where confidential information of Employer or its Affiliates known to Employee may benefit Employee's new employer; and

(3) Employee's new employment will not, in Employer's opinion, result, directly or indirectly, in competition with Employer or its Affiliates, then or in the future.

(g) Notwithstanding any provisions in this Agreement to the contrary, the provisions of paragraph 7 shall survive the termination of this Agreement.

(h) Employer shall reimburse Employee for all reasonable expenses incurred by Employee in furtherance of his consulting duties pursuant to this Agreement provided the expenses are pre-approved by Employer.

(i) <u>Benefits During Consulting Period.</u> Employee and his dependents shall be entitled to continue their participation in all benefit plans in effect on the date of Employee's termination from employment during the period of consulting, under the same terms and conditions and at the same net cost to Employee as when employed by Employer unless Employee accepts new employment during the consulting term in accordance with paragraph 7 above, in which event all benefits will cease, at Employer's option, when the new employment is accepted by Employee.

8. <u>Confidential Information.</u> In the course of Employee's employment, Employee will be provided with certain information, technical data and know-how regarding the business of Employer and its Affiliates and their products, all of which is confidential (hereinafter referred to as "Confidential Information"). Employee agrees to receive, hold and treat all confidential information received from Employer and its Affiliates as confidential and secret and agrees to protect the secrecy of said Confidential Information. Employee agrees that the Confidential Information will be disclosed only to those persons who are required to have such knowledge in connection with their work for Employer and that such Confidential Information will not be disclosed to others without the prior written consent of the Employer. The provisions hereof shall not be applicable to: (a) information which at the time of disclosure to Employee is a matter of public knowledge; or (b) information which, after disclosure to Employee, becomes public knowledge other than through a breach of this Agreement. Unless the Confidential Information shall be of the type herein before set forth, Employee shall not use such Confidential Information for his own benefit or for a third party's or parties' benefit at any time. Upon termination of employment, Employee will return all books, records and other materials provided to or acquired by Employee during the course of employment which relate in any way to Employer or its business. The obligations imposed upon Employee by this paragraph shall survive the expiration or termination of this Agreement.

9. <u>Covenant Not to Compete.</u> Notwithstanding any other provision of this Agreement to the contrary, Employee covenants and agrees that for the period of one (1) year following termination of his employment with Employer for any reason he will not:

(a) directly or indirectly, for himself, or as agent of, or on behalf of, or in connection with, any person, firm, association or corporation, engage in any business competing directly for the customers, prospective customers or accounts of the Employer or any of its Affiliates with whom Employee had contact or about whom Employee learned during the course of his employment with Employer and during the one (1) year immediately preceding the end of his employment.

(b) induce or attempt to induce any person employed by Employer or any of its Affiliates, in any capacity, at the time of the termination of Employee's

service with Employer, to leave his employment, agency directorship or office with Employer or the Affiliate.

(c) induce or attempt to induce any customer of Employer or any of its Affiliates to terminate or change in any way its business relationship with Employer or the Affiliate.

Employee agrees the knowledge and information gained by him in the performance of his duties would be valuable to those who are now, or might become, competitors of the Employer or its Affiliates and that the business of Employer and its Affiliates by its nature, covers at least the entire United States of America and Canada. In the event these covenants not to compete are held, in any respect, to be an unreasonable restriction upon the Employee, the Court so holding may reduce the territory, or time, to which it pertains or otherwise reasonably modify the covenant to the extent necessary to render this covenant enforceable by said Court for the reasonable protection of Employer and its Affiliates. The obligations imposed upon Employee by this paragraph are severable from, and shall survive the expiration or termination of, this Agreement.

10. Developments.

(a) Employee will make full and prompt disclosure to Employer of all inventions, improvements, discoveries, methods, developments, software and works of authorship, whether patentable or not, which are created, made, conceived, reduced to practice by Employee or under his direction or jointly with others during his employment by Employer, whether or not during normal working hours or on the premises of Employer which relate to the business of Employer as conducted from time to time (all of which are collectively referred to in this Agreement as "Developments").

(b) Employee agrees to assign, and does hereby assign, to Employer (or any person or entity designated by Employer) all of his right, title and interest in and to all Developments and all related patents, patent applications, copyrights and copyright applications.

(c) Employee agrees to cooperate fully with Employer, both during and after his employment with Employer, with respect to the procurement, maintenance and enforcement of copyrights and patents (both in the United States and foreign countries) relating to Developments. Employee shall sign all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignment or priority rights, and powers of attorney, which Employer may deem necessary or desirable in order to protect its rights and interest in any Developments.

11. Injunction and Other Relief. Both parties hereto recognize that the services to be rendered under this Agreement by Employee are special, unique and of extraordinary character, and that in the event of the breach of Employee of the terms and conditions of this Agreement to be performed by him, or in the event Employee performs services for any person, firm or corporation engaged in the competing line of business with Employer as provided in Paragraph 9, or if Employee shall breach the provisions of this Agreement with respect to Confidential Information or consulting services, then Employer shall be entitled, if it so elects, in addition to all other remedies available to it under this Agreement or at law or in equity to affirmative injunctive relief.

12. Severability. In the event that any of the provisions of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of this Agreement and same shall be construed as if such invalid or unenforceable provisions had never been a part hereof. In the event any court would invalidate or fail to enforce any provision of Paragraph 7 and or Paragraph 9 of this Agreement, Employee shall return any sums paid to Employee by Employer pursuant to the consulting provision in paragraph 7 hereof.

13. Governing Law. This Agreement shall be governed by the laws of the State of Nebraska.

14. Entire Agreement. This Agreement constitutes the entire agreement between the parties respecting the employment of Employee by Employer and supersedes all prior understandings, arrangements and agreements, whether oral or written, including without limitation, any existing employment agreement, and may not be amended except by a writing signed by the parties hereto.

15. Notice. Notices to Employer under this Agreement shall be in writing and sent by registered mail, return receipt requested, at the following address:

Chief Executive Officer - West Telemarketing Corporation
9910 Maple Street
Omaha, Nebraska 68134

16. Miscellaneous. Employee acknowledges that:

(a) He has consulted with or had an opportunity to consult with an attorney of Employee's choosing regarding this Agreement.

(b) He will receive substantial and adequate consideration for his obligations under this Agreement.

(c) He believes the obligations, terms and conditions hereof are reasonable and necessary for the protectable interests of Employer and are enforceable.

(d) This Agreement contains restrictions on his post-employment activities.

IN WITNESS WHEREOF, Employer has, by its appropriate officers, executed this Agreement and Employee has executed this Agreement as of the day and year first above written.

WEST TELEMARKETING CORPORATION,
Employer

By: /s/ Troy L. Eaden

Its: Chief Executive Officer

/s/ Thomas Barker

Thomas Barker, Employee

WEST TELEMARKETING

Memorandum

TO: Tom Barker

FROM: Troy Eaden

DATE: December 9, 1997

RE: 1998 Compensation Plan - Exhibit A

- ---

Tom, below is an overview of your Compensation Plan for 1998. The components of your compensation plan will be reviewed by December 15th of each year for the following year. If changes are made for the upcoming year, a new Exhibit A will be created.

(1) Annual Salary - You will be paid an annual salary of $415,000 effective January 1, 1998. A cost of living increase has been factored into your salary for the new year.

(2) Performance Bonuses - As you are aware, quarterly performance bonuses have been replaced with increased participation in the 1996 West TeleServices Stock Option Plan. You received an increase of 213,000 shares of options from 437,000 to 650,000 effective May 15th of 1997.

EXHIBIT 10.07

EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into effective the 1st day of January, 1996, between West Telemarketing Corporation a Delaware corporation ("Employer") and MICHAEL A. MICEK ("Employee").

RECITALS

A. WHEREAS, Employer and Employee have agreed to certain terms and conditions of employment between the parties; and

B. WHEREAS, the parties desire to enter into this Agreement to memorialize the terms and conditions of the employment relationship and any prior and existing employment agreement(s) between the parties.

NOW THEREFORE, the parties agree as follows;

1. Employment. Employer agrees to employ Employee in his capacity as CHIEF FINANCIAL OFFICER of Employer. Employer may also direct Employee to perform such duties for West Interactive Corporation and West Telemarketing Corporation Outbound and other entities which now are, or in the future may be, affiliated with Employer (the "Affiliates"), subject to the limitation that Employees total time commitment shall be consistent with that normally expected of similarly situated executive level employees. Employee shall serve Employer and the Affiliates faithfully, diligently and to the best of his ability. Employee agrees during the term of this Agreement to devote his best efforts, attention, energy and skill to the performance of his employment and/or consulting duties and to furthering the interest of Employer and the Affiliates.

2. Term of Employment. Employee's employment under this Agreement shall commence effective the 1st day of January, 1996, and shall continue for a period of two years unless terminated or renewed under the provisions of Paragraph 6 below.

   (a) Unless terminated pursuant to paragraph 6(a), the term of employment shall be extended by one year at the end of each successive year so that at the beginning of each successive year the term of this Agreement will be two years.

3. Compensation. Employer shall pay Employee as set forth in Exhibit A attached hereto and incorporated herein as is fully set forth in this paragraph. Employee may receive additional discretionary bonuses as determined by the Board of Directors of Employer in its sole discretion provided nothing contained herein shall be construed as a commitment by the corporation to declare or pay any such bonuses.

4. Benefits. In addition to the compensation provided for in Paragraph 3 above, Employer will provide Employee with employment benefits commensurate to those received by other executive level employees of Employer during the term of this Agreement.

5. Other Activities. Employee shall devote substantially all of his working time and efforts during the Company's normal business hours to the business and affairs of the Company and to the duties and responsibilities assigned to him pursuant to this Agreement. Employee may devote a reasonable amount of his time to civic, community or charitable activities. Employee in all events shall be free to invest his assets in such manner as will not require any substantial services by Employee in the conduct of the businesses or affairs of the entities or in the management of the assets in which such investments are made.

6. Term and Termination. The termination of this Agreement shall be governed by the following:

(a) The term of this Agreement shall be for the period set out in paragraph 2 unless earlier terminated in one of the following ways:

(1) Death. This Agreement shall immediately terminate upon the death of Employee.

(2) For Cause. The Employer, upon written notice to Employee, may terminate the employment of Employee at any time for "cause." For purposes of this paragraph, "cause" shall be deemed to exist if, and only if, the CEO and COO of Employer, in good faith, determine that Employee has engaged, during the performance of his duties hereunder, in significant objective acts or omissions constituting dishonesty, willful misconduct or gross negligence relating to the business of Employer.

(3) Without Cause. The Employer, upon written notice to Employee, may terminate the employment of Employee at any time without cause.

(4) Resignation. Employee, upon written notice to Employer, may resign from the employment of Employer at any time.

(b) Accrued Compensation on Termination. In the event of termination of the Agreement, Employee shall be entitled to receive:

(1) salary earned prior to and including the date of termination;

(2) any bonus earned as of the end of the month immediately preceding the date of termination; and

(3) all benefits, if any, which have vested as of the date of termination.

7. Consulting.

(a) In the event of termination of employment pursuant to paragraph 6(a)(3) or 6(a)(4) above, Employer and Employee agree that Employee shall, for a minimum period of twenty-four (24) months from the date of termination serve as a consultant to Employer.

(b) In the event of termination pursuant to paragraph 6(a)(2), Employer and Employee agree that Employer may, at its sole option, elect to retain the services of Employee as a consultant for a period of twenty-four (24) months from the date of termination and that Employee will serve as a consultant to Employer if Employer so elects.

(c) During any period of consulting, Employee shall be acting as an independent contractor. As part of the consulting services, Employee agrees to provide certain services to Employer, including, but not limited to, the following:

(1) oral and written information with reference to continuing programs and new programs which were developed or under development under the supervision of Employee;

(2) meeting with officers and managers of Employer to discuss and review programs and to make recommendations;

(3) analysis, opinion and information regarding the effectiveness and public acceptance of their programs.

(d) During the consulting period, Employee shall continue to receive, as compensation for his consulting, the annualized salary set forth in Exhibit A. No bonus of any kind will be paid during any period of consulting.

(e) Employee hereby agrees that during any period of consulting, he will devote his full attention, energy and skill to the performance

of his duties and to furthering the interest of Employer and the affiliates, which shall include, and Employee acknowledges, a fiduciary duty and obligation to Employer. Employee acknowledges that this prohibition includes, but is not necessarily limited to, a preclusion from any other employment or consulting by Employee during the consulting period except pursuant to paragraph 7(f) hereafter.

(f) During the term of this Agreement, including any period of consulting, Employee shall not, singly, jointly, or as a member, employer or agent of any partnership, or as an officer, agent, employee, director, stockholder or investor of any other corporation or entity, or in any other capacity, engage in any business endeavors of any kind or nature whatsoever, other than those of Employer or its Affiliates without the express written consent of Employer, provided, however, that Employee may own stock in a publicly traded corporation. Employee agrees that Employer may in its sole discretion give or withhold its consent and understands that Employer's consent will not be unreasonably withheld if the following conditions are met:

(1) Employee's intended employment will not interfere in Employer's opinion with Employee's duties and obligations as a consultant, including the fiduciary duty assumed hereunder; and

(2) Employee's intended employment or activity would not, in the opinion of Employer, place Employee in a situation where confidential information of Employer or its Affiliates known to Employee may benefit Employee's new employer; and

(3) Employee's new employment will not, in Employer's opinion, result, directly or indirectly, in competition with Employer or its Affiliates, then or in the future.

(g) Notwithstanding any provisions in this Agreement to the contrary, the provisions of paragraph 7 shall survive the termination of this Agreement.

(h) Employer shall reimburse Employee for all reasonable expenses incurred by Employee in furtherance of his consulting duties pursuant to this Agreement provided the expenses are pre-approved by Employer.

(i) Benefits During Consulting Period. Employee and his dependents shall be entitled to continue their participation in all benefit plans in effect on the date of Employee's termination from employment during the period of consulting, under the same terms and conditions and at the same net cost to Employee as when employed by Employer unless Employee accepts new employment during the consulting term in accordance with paragraph 7 above, in which event all benefits will cease, at Employer's option, when the new employment is accepted by Employee.

8. Confidential Information. In the course of Employee's employment, Employee will be provided with certain information, technical data and know-how regarding the business of Employer and its Affiliates and their products, all of which is confidential (hereinafter referred to as "Confidential Information"). Employee agrees to receive, hold and treat all confidential information received from Employer and its Affiliates as confidential and secret and agrees to protect the secrecy of said Confidential Information. Employee agrees that the Confidential Information will be disclosed only to those persons who are required to have such knowledge in connection with their work for Employer and that such Confidential Information will not be disclosed to others without the prior written consent of the Employer. The provisions hereof shall not be applicable to: (a) information which at the time of disclosure to Employee is a matter of public knowledge; or (b) information which, after disclosure to Employee, becomes public knowledge other than through a breach of this Agreement. Unless the Confidential Information shall be of the type herein before set forth, Employee shall not use such Confidential Information for his own benefit or for a third party's or parties' benefit at any time. Upon termination of employment, Employee will return all books, records and other materials provided to or acquired by Employee during the course of employment which relate in any way to Employer or its business. The obligations imposed upon Employee by this paragraph shall survive the expiration or termination of this Agreement.

9. Covenant Not to Compete. Notwithstanding any other provision of this Agreement to the contrary, Employee covenants and agrees that for the period of one (1) year following termination of his employment with Employer for any reason he will not:

(a) directly or indirectly, for himself, or as agent of, or on behalf of, or in connection with, any person, firm, association or corporation, engage in any business competing directly for the customers, prospective customers or accounts of the Employer or any of its Affiliates with whom Employee had contact or about whom Employee learned during the course of his employment with Employer and during the one (1) year immediately preceding the end of his employment.

(b) induce or attempt to induce any person employed by Employer or any of its Affiliates, in any capacity, at the time of the termination of Employee's

service with Employer, to leave his employment, agency directorship or office with Employer or the Affiliate.

(c) induce or attempt to induce any customer of Employer or any of its Affiliates to terminate or change in any way its business relationship with Employer or the Affiliate.

Employee agrees the knowledge and information gained by him in the performance of his duties would be valuable to those who are now, or might become, competitors of the Employer or its Affiliates and that the business of Employer and its Affiliates by its nature, covers at least the entire United States of America and Canada. In the event these covenants not to compete are held, in any respect, to be an unreasonable restriction upon the Employee, the Court so holding may reduce the territory, or time, to which it pertains or otherwise reasonably modify the covenant to the extent necessary to render this covenant enforceable by said Court for the reasonable protection of Employer and its Affiliates. The obligations imposed upon Employee by this paragraph are severable from, and shall survive the expiration or termination of, this Agreement.

10. Developments.

(a) Employee will make full and prompt disclosure to Employer of all inventions, improvements, discoveries, methods, developments, software and works of authorship, whether patentable or not, which are created, made, conceived, reduced to practice by Employee or under his direction or jointly with others during his employment by Employer, whether or not during normal working hours or on the premises of Employer which relate to the business of Employer as conducted from time to time (all of which are collectively referred to in this Agreement as "Developments").

(b) Employee agrees to assign, and does hereby assign, to Employer (or any person or entity designated by Employer) all of his right, title and interest in and to all Developments and all related patents, patent applications, copyrights and copyright applications.

(c) Employee agrees to cooperate fully with Employer, both during and after his employment with Employer, with respect to the procurement, maintenance and enforcement of copyrights and patents (both in the United States and foreign countries) relating to Developments. Employee shall sign all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignment or priority rights, and powers of attorney, which Employer may deem necessary or desirable in order to protect its rights and interest in any Developments.

11. Injunction and Other Relief. Both parties hereto recognize that the services to be rendered under this Agreement by Employee are special, unique and of extraordinary character, and that in the event of the breach of Employee of the terms and conditions of this Agreement to be performed by him, or in the event Employee performs services for any person, firm or corporation engaged in the competing line of business with Employer as provided in Paragraph 9, or if Employee shall breach the provisions of this Agreement with respect to Confidential Information or consulting services, then Employer shall be entitled, if it so elects, in addition to all other remedies available to it under this Agreement or at law or in equity to affirmative injunctive relief.

12. Severability. In the event that any of the provisions of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of this Agreement and same shall be construed as if such invalid or unenforceable provisions had never been a part hereof. In the event any court would invalidate or fail to enforce any provision of Paragraph 7 and or Paragraph 9 of this Agreement, Employee shall return any sums paid to Employee by Employer pursuant to the consulting provision in paragraph 7 hereof.

13. Governing Law. This Agreement shall be governed by the laws of the State of Nebraska.

14. Entire Agreement. This Agreement constitutes the entire agreement between the parties respecting the employment of Employee by Employer and supersedes all prior understandings, arrangements and agreements, whether oral or written, including without limitation, any existing employment agreement, and may not be amended except by a writing signed by the parties hereto.

15. Notice. Notices to Employer under this Agreement shall be in writing and sent by registered mail, return receipt requested, at the following address:

President - West Telemarketing Corporation
9910 Maple Street
Omaha, Nebraska 68134

16. Miscellaneous. Employee acknowledges that:

(a) He has consulted with or had an opportunity to consult with an attorney of Employee's choosing regarding this Agreement.

(b) He will receive substantial and adequate consideration for his obligations under this Agreement.

(c) He believes the obligations, terms and conditions hereof are reasonable and necessary for the protectable interests of Employer and are enforceable.

(d) This Agreement contains restrictions on his post-employment activities.

IN WITNESS WHEREOF, Employer has, by its appropriate officers, executed this Agreement and Employee has executed this Agreement as of the day and year first above written.

WEST TELEMARKETING CORPORATION,
Employer

By: /s/ Troy L. Eaden

Its: Chief Executive Officer

/s/ Michael A. Micek

Michael A. Micek, Employee

WEST TELEMARKETING

Memorandum

TO: Mike Micek

FROM: Troy Eaden

DATE: December 9, 1997

RE: 1998 Compensation Plan - Exhibit A

Mike, below is an outline of your Compensation Plan for 1998. Your compensation plan will be reviewed by December 15th of each year for the following year. If changes are made for an upcoming year, a new Exhibit A will be created.

(1) Annual Salary - You will be paid an annual salary of $150,000.

(2) Effective 01/01/98, you will be eligible to receive a quarterly performance bonus based on year-to-date growth of profits over the same period of the prior year.

This quarterly bonus will be calculated by multiplying the year-to-date growth in profits each quarter by the corresponding "Profit Growth Participation" factor from the table below:

Profit Growth	Profit Growth Participation
0 - 19.99%	1.0%
20 - 29.99%	1.25%
30 - Above	1.40%

As an example, if profits for the first quarter of calendar year 1998 increases by 20% compared to the same period of the previous year representing a $2,000,000 increase in profits, you would earn a bonus of $25,000 ($2,000,000 x 1.25%).

Please note, a negative year-to-date profit calculation at the end of any given quarter will result in a "loss carry forward" to be applied to the next quarterly year-to-date calculation. All quarterly bonuses will be paid within 30 days after the end of each quarter.

(3) For purpose of this Exhibit A, profits shall be defined as pre-tax profit growth of the company.

EXHIBIT 10.09

EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into effective the 1st day of January, 1996, between West Telemarketing Corporation a Delaware corporation ("Employer") and JOHN ERWIN ("Employee").

RECITALS

A. WHEREAS, Employer and Employee have agreed to certain terms and conditions of employment between the parties; and

B. WHEREAS, the parties desire to enter into this Agreement to memorialize the terms and conditions of the employment relationship and any prior and existing employment agreement(s) between the parties.

NOW THEREFORE, the parties agree as follows;

1. Employment. Employer agrees to employ Employee in his capacity as PRESIDENT - OUTBOUND SERVICES of Employer. Employer may also direct Employee to perform such duties for West Telemarketing Corporation and West Interactive Corporation and other entities which now are, or in the future may be, affiliated with Employer (the "Affiliates"), subject to the limitation that Employees total time commitment shall be consistent with that normally expected of similarly situated executive level employees. Employee shall serve Employer and the Affiliates faithfully, diligently and to the best of his ability. Employee agrees during the term of this Agreement to devote his best efforts, attention, energy and skill to the performance of his employment and/or consulting duties and to furthering the interest of Employer and the Affiliates.

2. Term of Employment. Employee's employment under this Agreement shall commence effective the 1st day of January, 1996, and shall continue for a period of two years unless terminated or renewed under the provisions of Paragraph 6 below.

(a) Unless terminated pursuant to paragraph 6(a), the term of employment shall be extended by one year at the end of each successive year so that at the beginning of each successive year the term of this Agreement will be two years.

3. Compensation. Employer shall pay Employee as set forth in Exhibit A attached hereto and incorporated herein as is fully set forth in this paragraph. Employee may receive additional discretionary bonuses as determined by the Board of Directors of Employer in its sole discretion provided nothing contained herein shall be construed as a commitment by the corporation to declare or pay any such bonuses.

4. Benefits. In addition to the compensation provided for in Paragraph 3 above, Employer will provide Employee with employment benefits commensurate to those received by other executive level employees of Employer during the term of this Agreement.

5. Other Activities. Employee shall devote substantially all of his working time and efforts during the Company's normal business hours to the business and affairs of the Company and to the duties and responsibilities assigned to him pursuant to this Agreement. Employee may devote a reasonable amount of his time to civic, community or charitable activities. Employee in all events shall be free to invest his assets in such manner as will not require any substantial services by Employee in the conduct of the businesses or affairs of the entities or in the management of the assets in which such investments are made.

6. Term and Termination. The termination of this Agreement shall be governed by the following:

(a) The term of this Agreement shall be for the period set out in paragraph 2 unless earlier terminated in one of the following ways:

(1) Death. This Agreement shall immediately terminate upon the death of Employee.

(2) For Cause. The Employer, upon written notice to Employee, may terminate the employment of Employee at any time for "cause." For purposes of this paragraph, "cause" shall be deemed to exist if, and only if, the CEO and COO of Employer, in good faith, determine that Employee has engaged, during the performance of his duties hereunder, in significant objective acts or omissions constituting dishonesty, willful misconduct or gross negligence relating to the business of Employer.

(3) Without Cause. The Employer, upon written notice to Employee, may terminate the employment of Employee at any time without cause.

(4) Resignation. Employee, upon written notice to Employer, may resign from the employment of Employer at any time.

(b) Accrued Compensation on Termination. In the event of termination of the Agreement, Employee shall be entitled to receive:

(1) salary earned prior to and including the date of termination;

(2) any bonus earned as of the end of the month immediately preceding the date of termination; and

(3) all benefits, if any, which have vested as of the date of termination.

7. Consulting.

(a) In the event of termination of employment pursuant to paragraph 6(a) (3) or 6(a)(4) above, Employer and Employee agree that Employee shall, for a minimum period of twenty-four (24) months from the date of termination serve as a consultant to Employer.

(b) In the event of termination pursuant to paragraph 6(a)(2), Employer and Employee agree that Employer may, at its sole option, elect to retain the services of Employee as a consultant for a period of twenty-four (24) months from the date of termination and that Employee will serve as a consultant to Employer if Employer so elects.

(c) During any period of consulting, Employee shall be acting as an independent contractor. As part of the consulting services, Employee agrees to provide certain services to Employer, including, but not limited to, the following:

(1) oral and written information with reference to continuing programs and new programs which were developed or under development under the supervision of Employee;

(2) meeting with officers and managers of Employer to discuss and review programs and to make recommendations;

(3) analysis, opinion and information regarding the effectiveness and public acceptance of their programs.

(d) During the consulting period, Employee shall continue to receive, as compensation for his consulting, the annualized salary set forth in Exhibit A. No bonus of any kind will be paid during any period of consulting.

(e) Employee hereby agrees that during any period of consulting, he will devote his full attention, energy and skill to the performance

of his duties and to furthering the interest of Employer and the affiliates, which shall include, and Employee acknowledges, a fiduciary duty and obligation to Employer. Employee acknowledges that this prohibition includes, but is not necessarily limited to, a preclusion from any other employment or consulting by Employee during the consulting period except pursuant to paragraph 7(f) hereafter.

(f) During the term of this Agreement, including any period of consulting, Employee shall not, singly, jointly, or as a member, employer or agent of any partnership, or as an officer, agent, employee, director, stockholder or investor of any other corporation or entity, or in any other capacity, engage in any business endeavors of any kind or nature whatsoever, other than those of Employer or its Affiliates without the express written consent of Employer, provided, however, that Employee may own stock in a publicly traded corporation. Employee agrees that Employer may in its sole discretion give or withhold its consent and understands that Employer's consent will not be unreasonably withheld if the following conditions are met:

(1) Employee's intended employment will not interfere in Employer's opinion with Employee's duties and obligations as a consultant, including the fiduciary duty assumed hereunder; and

(2) Employee's intended employment or activity would not, in the opinion of Employer, place Employee in a situation where confidential information of Employer or its Affiliates known to Employee may benefit Employee's new employer; and

(3) Employee's new employment will not, in Employer's opinion, result, directly or indirectly, in competition with Employer or its Affiliates, then or in the future.

(g) Notwithstanding any provisions in this Agreement to the contrary, the provisions of paragraph 7 shall survive the termination of this Agreement.

(h) Employer shall reimburse Employee for all reasonable expenses incurred by Employee in furtherance of his consulting duties pursuant to this Agreement provided the expenses are pre-approved by Employer.

(i) Benefits During Consulting Period. Employee and his dependents shall be entitled to continue their participation in all benefit plans in effect on the date of Employee's termination from employment during the period of consulting, under the same terms and conditions and at the same net cost to Employee as when employed by Employer unless Employee accepts new employment during the consulting term in accordance with paragraph 7 above, in which event all benefits will cease, at Employer's option, when the new employment is accepted by Employee.

8. Confidential Information. In the course of Employee's employment, Employee will be provided with certain information, technical data and know-how regarding the business of Employer and its Affiliates and their products, all of which is confidential (hereinafter referred to as "Confidential Information"). Employee agrees to receive, hold and treat all confidential information received from Employer and its Affiliates as confidential and secret and agrees to protect the secrecy of said Confidential Information. Employee agrees that the Confidential Information will be disclosed only to those persons who are required to have such knowledge in connection with their work for Employer and that such Confidential Information will not be disclosed to others without the prior written consent of the Employer. The provisions hereof shall not be applicable to: (a) information which at the time of disclosure to Employee is a matter of public knowledge; or (b) information which, after disclosure to Employee, becomes public knowledge other than through a breach of this Agreement. Unless the Confidential Information shall be of the type herein before set forth, Employee shall not use such Confidential Information for his own benefit or for a third party's or parties' benefit at any time. Upon termination of employment, Employee will return all books, records and other materials provided to or acquired by Employee during the course of employment which relate in any way to Employer or its business. The obligations imposed upon Employee by this paragraph shall survive the expiration or termination of this Agreement.

9. Covenant Not to Compete. Notwithstanding any other provision of this Agreement to the contrary, Employee covenants and agrees that for the period of one (1) year following termination of his employment with Employer for any reason he will not:

(a) directly or indirectly, for himself, or as agent of, or on behalf of, or in connection with, any person, firm, association or corporation, engage in any business competing directly for the customers, prospective customers or accounts of the Employer or any of its Affiliates with whom Employee had contact or about whom Employee learned during the course of his employment with Employer and during the one (1) year immediately preceding the end of his employment.

(b) induce or attempt to induce any person employed by Employer or any of its Affiliates, in any capacity, at the time of the termination of Employee's

service with Employer, to leave his employment, agency directorship or office with Employer or the Affiliate.

(c) induce or attempt to induce any customer of Employer or any of its Affiliates to terminate or change in any way its business relationship with Employer or the Affiliate.

Employee agrees the knowledge and information gained by him in the performance of his duties would be valuable to those who are now, or might become, competitors of the Employer or its Affiliates and that the business of Employer and its Affiliates by its nature, covers at least the entire United States of America and Canada. In the event these covenants not to compete are held, in any respect, to be an unreasonable restriction upon the Employee, the Court so holding may reduce the territory, or time, to which it pertains or otherwise reasonably modify the covenant to the extent necessary to render this covenant enforceable by said Court for the reasonable protection of Employer and its Affiliates. The obligations imposed upon Employee by this paragraph are severable from, and shall survive the expiration or termination of, this Agreement.

10. Developments.

(a) Employee will make full and prompt disclosure to Employer of all inventions, improvements, discoveries, methods, developments, software and works of authorship, whether patentable or not, which are created, made, conceived, reduced to practice by Employee or under his direction or jointly with others during his employment by Employer, whether or not during normal working hours or on the premises of Employer which relate to the business of Employer as conducted from time to time (all of which are collectively referred to in this Agreement as "Developments").

(b) Employee agrees to assign, and does hereby assign, to Employer (or any person or entity designated by Employer) all of his right, title and interest in and to all Developments and all related patents, patent applications, copyrights and copyright applications.

(c) Employee agrees to cooperate fully with Employer, both during and after his employment with Employer, with respect to the procurement, maintenance and enforcement of copyrights and patents (both in the United States and foreign countries) relating to Developments. Employee shall sign all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignment or priority rights, and powers of attorney, which Employer may deem necessary or desirable in order to protect its rights and interest in any Developments.

11. Injunction and Other Relief. Both parties hereto recognize that the services to be rendered under this Agreement by Employee are special, unique and of extraordinary character, and that in the event of the breach of Employee of the terms and conditions of this Agreement to be performed by him, or in the event Employee performs services for any person, firm or corporation engaged in the competing line of business with Employer as provided in Paragraph 9, or if Employee shall breach the provisions of this Agreement with respect to Confidential Information or consulting services, then Employer shall be entitled, if it so elects, in addition to all other remedies available to it under this Agreement or at law or in equity to affirmative injunctive relief.

12. Severability. In the event that any of the provisions of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of this Agreement and same shall be construed as if such invalid or unenforceable provisions had never been a part hereof. In the event any court would invalidate or fail to enforce any provision of Paragraph 7 and or Paragraph 9 of this Agreement, Employee shall return any sums paid to Employee by Employer pursuant to the consulting provision in paragraph 7 hereof.

13. Governing Law. This Agreement shall be governed by the laws of the State of Nebraska.

14. Entire Agreement. This Agreement constitutes the entire agreement between the parties respecting the employment of Employee by Employer and supersedes all prior understandings, arrangements and agreements, whether oral or written, including without limitation, any existing employment agreement, and may not be amended except by a writing signed by the parties hereto.

15. Notice. Notices to Employer under this Agreement shall be in writing and sent by registered mail, return receipt requested, at the following address:

COO - West Telemarketing Corporation Outbound
9910 Maple Street
Omaha, Nebraska 68134

16. Miscellaneous. Employee acknowledges that:

(a) He has consulted with or had an opportunity to consult with an attorney of Employee's choosing regarding this Agreement.

(b) He will receive substantial and adequate consideration for his obligations under this Agreement.

(c) He believes the obligations, terms and conditions hereof are reasonable and necessary for the protectable interests of Employer and are enforceable.

(d) This Agreement contains restrictions on his post-employment activities.

IN WITNESS WHEREOF, Employer has, by its appropriate officers, executed this Agreement and Employee has executed this Agreement as of the day and year first above written.

WEST TELEMARKETING CORPORATION,
Employer

By: /s/ Thomas B. Barker

Its: President / Chief Operating Officer

/s/ John W. Erwin

John W. Erwin, Employee

InterOffice Memo

To: John Erwin

From: Tom Barker

Date: December 22, 1997

Subject: 1998 Compensation Plan - Exhibit A

- --

Your Compensation Plan for 1998 while you are employed as President - Outbound Services Division for West TeleServices Corporation is outlined below:

1. Your base salary will be $165,000. Should you elect to voluntarily terminate your employment, you will be compensated for your services through the date of your actual termination per your employment agreement. This will be reviewed on an annual basis and revised, if necessary, in accordance with the consumer price index.

2. Beginning 1/1/98, you will be eligible to receive a quarterly performance bonus based on each quarter's Pre Tax Profit growth of when compared to the same quarter of the previous year. A negative differential would result in a "loss carry forward" to be applied to future bonus calculations. The bonus will be calculated by multiplying the year to date Pre Tax Profit differential times the rate factor from the table below, minus bonuses paid year to date for the respective calendar year.

Rate Factor	WTO Pre Tax Profit
4%	10.99% of Sales
5%	11.0% of Sales

3. You will be eligible for a one time bonus of $100,000.00 if WTCO's Pre Tax Profit is 11.0% of sales or more YTD at year end. You will be eligible for a one time bonus of $200,000 if WTCO's Pre Tax Profit is 12% of sales or more YTD at year end. This amount will be paid not later than 30 days after your year end financial statements are prepared, but in no event shall you be paid later than February 28, 1999.

TBB:sb

EXHIBIT 10.16

EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into effective the 1st day of July, 1996, between West Telemarketing Corporation a Delaware corporation ("Employer") and MARK LAVIN ("Employee").

RECITALS

A. WHEREAS, Employer and Employee have agreed to certain terms and conditions of employment between the parties; and

B. WHEREAS, the parties desire to enter into this Agreement to memorialize the terms and conditions of the employment relationship and any prior and existing employment agreement(s) between the parties.

NOW THEREFORE, the parties agree as follows;

1. Employment. Employer agrees to employ Employee in his capacity as EXECUTIVE VICE PRESIDENT, DIRECT RESPONSE SERVICES of Employer. Employer may also direct Employee to perform such duties for West Telemarketing Corporation Outbound and West Interactive Corporation and other entities which now are, or in the future may be, affiliated with Employer (the "Affiliates"), subject to the limitation that Employees total time commitment shall be consistent with that normally expected of similarly situated executive level employees. Employee shall serve Employer and the Affiliates faithfully, diligently and to the best of his ability. Employee agrees during the term of this Agreement to devote his best efforts, attention, energy and skill to the performance of his employment and/or consulting duties and to furthering the interest of Employer and the Affiliates.

2. Term of Employment. Employee's employment under this Agreement shall commence effective the 1st day of July, 1996, and shall continue for a period of two years unless terminated or renewed under the provisions of Paragraph 6 below.

(a) Unless terminated pursuant to paragraph 6(a), the term of employment shall be extended by one year at the end of each successive year so that at the beginning of each successive year the term of this Agreement will be two years.

3. Compensation. Employer shall pay Employee as set forth in Exhibit A attached hereto and incorporated herein as is fully set forth in this paragraph. Employee may receive additional discretionary bonuses as determined by the Board of Directors of

Employer in its sole discretion provided nothing contained herein shall be construed as a commitment by the corporation to declare or pay any such bonuses.

4. <u>Benefits.</u> In addition to the compensation provided for in Paragraph 3 above, Employer will provide Employee with employment benefits commensurate to those received by other executive level employees of Employer during the term of this Agreement.

5. <u>Other Activities.</u> Employee shall devote substantially all of his working time and efforts during the Company's normal business hours to the business and affairs of the Company and to the duties and responsibilities assigned to him pursuant to this Agreement. Employee may devote a reasonable amount of his time to civic, community or charitable activities. Employee in all events shall be free to invest his assets in such manner as will not require any substantial services by Employee in the conduct of the businesses or affairs of the entities or in the management of the assets in which such investments are made.

6. <u>Term and Termination.</u> The termination of this Agreement shall be governed by the following:

(a) The term of this Agreement shall be for the period set out in paragraph 2 unless earlier terminated in one of the following ways:

(1) <u>Death.</u> This Agreement shall immediately terminate upon the death of Employee.

(2) <u>For Cause.</u> The Employer, upon written notice to Employee, may terminate the employment of Employee at any time for "cause." For purposes of this paragraph, "cause" shall be deemed to exist if, and only if, the CEO and COO of Employer, in good faith, determine that Employee has engaged, during the performance of his duties hereunder, in significant objective acts or omissions constituting dishonesty, willful misconduct or gross negligence relating to the business of Employer.

(3) <u>Without Cause.</u> The Employer, upon written notice to Employee, may terminate the employment of Employee at any time without cause.

(4) <u>Resignation.</u> Employee, upon written notice to Employer, may resign from the employment of Employer at any time.

(b) Accrued Compensation on Termination. In the event of termination of the Agreement, Employee shall be entitled to receive:

(1) salary earned prior to and including the date of termination;

(2) any bonus earned as of the end of the month immediately preceding the date of termination; and

(3) all benefits, if any, which have vested as of the date of termination.

7. Consulting.

(a) In the event of termination of employment pursuant to paragraph 6(a)(3) or 6(a)(4) above, Employer and Employee agree that Employee shall, for a minimum period of twenty-four (24) months from the date of termination serve as a consultant to Employer.

(b) In the event of termination pursuant to paragraph 6(a)(2), Employer and Employee agree that Employer may, at its sole option, elect to retain the services of Employee as a consultant for a period of twenty-four (24) months from the date of termination and that Employee will serve as a consultant to Employer if Employer so elects.

c) During any period of consulting, Employee shall be acting as an independent contractor. As part of the consulting services, Employee agrees to provide certain services to Employer, including, but not limited to, the following:

(1) oral and written information with reference to continuing programs and new programs which were developed or under development under the supervision of Employee;

(2) meeting with officers and managers of Employer to discuss and review programs and to make recommendations;

(3) analysis, opinion and information regarding the effectiveness and public acceptance of their programs.

d) During the consulting period, Employee shall continue to receive, as compensation for his consulting, the annualized salary set forth in Exhibit A. No bonus of any kind will be paid during any period of consulting.

e) Employee hereby agrees that during any period of consulting, he will devote his full attention, energy and skill to the performance

of his duties and to furthering the interest of Employer and the affiliates, which shall include, and Employee acknowledges, a fiduciary duty and obligation to Employer. Employee acknowledges that this prohibition includes, but is not necessarily limited to, a preclusion from any other employment or consulting by Employee during the consulting period except pursuant to paragraph 7(f) hereafter.

f) During the term of this Agreement, including any period of consulting, Employee shall not, singly, jointly, or as a member, employer or agent of any partnership, or as an officer, agent, employee, director, stockholder or investor of any other corporation or entity, or in any other capacity, engage in any business endeavors of any kind or nature whatsoever, other than those of Employer or its Affiliates without the express written consent of Employer, provided, however, that Employee may own stock in a publicly traded corporation. Employee agrees that Employer may in its sole discretion give or withhold its consent and understands that Employer's consent will not be unreasonably withheld if the following conditions are met:

(1) Employee's intended employment will not interfere in Employer's opinion with Employee's duties and obligations as a consultant, including the fiduciary duty assumed hereunder; and

(2) Employee's intended employment or activity would not, in the opinion of Employer, place Employee in a situation where confidential information of Employer or its Affiliates known to Employee may benefit Employee's new employer; and

(3) Employee's new employment will not, in Employer's opinion, result, directly or indirectly, in competition with Employer or its Affiliates, then or in the future.

g) Notwithstanding any provisions in this Agreement to the contrary, the provisions of paragraph 7 shall survive the termination of this Agreement.

h) Employer shall reimburse Employee for all reasonable expenses incurred by Employee in furtherance of his consulting duties pursuant to this Agreement provided the expenses are pre-approved by Employer.

i) Benefits During Consulting Period. Employee and his dependents shall be entitled to continue their participation in all benefit plans in effect on the date of Employee's termination from employment during the period of consulting, under the same terms and conditions and at the same net cost to Employee as when employed by Employer unless Employee accepts new employment during the consulting term in accordance with paragraph 7 above, in which event all benefits will cease, at Employer's option, when the new employment is accepted by Employee.

8. Confidential Information. In the course of Employee's employment, Employee will be provided with certain information, technical data and know-how regarding the business of Employer and its Affiliates and their products, all of which is confidential (hereinafter referred to as "Confidential Information"). Employee agrees to receive, hold and treat all confidential information received from Employer and its Affiliates as confidential and secret and agrees to protect the secrecy of said Confidential Information. Employee agrees that the Confidential Information will be disclosed only to those persons who are required to have such knowledge in connection with their work for Employer and that such Confidential Information will not be disclosed to others without the prior written consent of the Employer. The provisions hereof shall not be applicable to: (a) information which at the time of disclosure to Employee is a matter of public knowledge; or (b) information which, after disclosure to Employee, becomes public knowledge other than through a breach of this Agreement. Unless the Confidential Information shall be of the type herein before set forth, Employee shall not use such Confidential Information for his own benefit or for a third party's or parties' benefit at any time. Upon termination of employment, Employee will return all books, records and other materials provided to or acquired by Employee during the course of employment which relate in any way to Employer or its business. The obligations imposed upon Employee by this paragraph shall survive the expiration or termination of this Agreement.

9. Covenant Not to Compete. Notwithstanding any other provision of this Agreement to the contrary, Employee covenants and agrees that for the period of one (1) year following termination of his employment with Employer for any reason he will not:

a) directly or indirectly, for himself, or as agent of, or on behalf of, or in connection with, any person, firm, association or corporation, engage in any business competing directly for the customers, prospective customers or accounts of the Employer or any of its Affiliates with whom Employee had contact or about whom Employee learned during the course of his employment with Employer and during the one (1) year immediately preceding the end of his employment.

b) induce or attempt to induce any person employed by Employer or any of its Affiliates, in any capacity, at the time of the termination of Employee's

service with Employer, to leave his employment, agency directorship or office with Employer or the Affiliate.

c) induce or attempt to induce any customer of Employer or any of its Affiliates to terminate or change in any way its business relationship with Employer or the Affiliate.

Employee agrees the knowledge and information gained by him in the performance of his duties would be valuable to those who are now, or might become, competitors of the Employer or its Affiliates and that the business of Employer and its Affiliates by its nature, covers at least the entire United States of America and Canada. In the event these covenants not to compete are held, in any respect, to be an unreasonable restriction upon the Employee, the Court so holding may reduce the territory, or time, to which it pertains or otherwise reasonably modify the covenant to the extent necessary to render this covenant enforceable by said Court for the reasonable protection of Employer and its Affiliates. The obligations imposed upon Employee by this paragraph are severable from, and shall survive the expiration or termination of, this Agreement.

10. Developments.

a) Employee will make full and prompt disclosure to Employer of all inventions, improvements, discoveries, methods, developments, software and works of authorship, whether patentable or not, which are created, made, conceived, reduced to practice by Employee or under his direction or jointly with others during his employment by Employer, whether or not during normal working hours or on the premises of Employer which relate to the business of Employer as conducted from time to time (all of which are collectively referred to in this Agreement as "Developments").

b) Employee agrees to assign, and does hereby assign, to Employer (or any person or entity designated by Employer) all of his right, title and interest in and to all Developments and all related patents, patent applications, copyrights and copyright applications.

c) Employee agrees to cooperate fully with Employer, both during and after his employment with Employer, with respect to the procurement, maintenance and enforcement of copyrights and patents (both in the United States and foreign countries) relating to Developments. Employee shall sign all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignment or priority rights, and powers of attorney, which Employer may deem necessary or desirable in order to protect its rights and interest in any Developments.

11. <u>Injunction and Other Relief.</u> Both parties hereto recognize that the services to be rendered under this Agreement by Employee are special, unique and of extraordinary character, and that in the event of the breach of Employee of the terms and conditions of this Agreement to be performed by him, or in the event Employee performs services for any person, firm or corporation engaged in the competing line of business with Employer as provided in Paragraph 9, or if Employee shall breach the provisions of this Agreement with respect to Confidential Information or consulting services, then Employer shall be entitled, if it so elects, in addition to all other remedies available to it under this Agreement or at law or in equity to affirmative injunctive relief.

12. <u>Severability.</u> In the event that any of the provisions of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of this Agreement and same shall be construed as if such invalid or unenforceable provisions had never been a part hereof. In the event any court would invalidate or fail to enforce any provision of Paragraph 7 and or Paragraph 9 of this Agreement, Employee shall return any sums paid to Employee by Employer pursuant to the consulting provision in paragraph 7 hereof.

13. <u>Governing Law.</u> This Agreement shall be governed by the laws of the State of Nebraska.

14. <u>Entire Agreement.</u> This Agreement constitutes the entire agreement between the parties respecting the employment of Employee by Employer and supersedes all prior understandings, arrangements and agreements, whether oral or written, including without limitation, any existing employment agreement, and may not be amended except by a writing signed by the parties hereto.

15. <u>Notice.</u> Notices to Employer under this Agreement shall be in writing and sent by registered mail, return receipt requested, at the following address:

COO - West Telemarketing Corporation
9910 Maple Street
Omaha, Nebraska 68134

16. <u>Miscellaneous.</u> Employee acknowledges that:

a) He has consulted with or had an opportunity to consult with an attorney of Employee's choosing regarding this Agreement.

b) He will receive substantial and adequate consideration for his obligations under this Agreement.

c) He believes the obligations, terms and conditions hereof are reasonable and necessary for the protectable interests of Employer and are enforceable.

d) This Agreement contains restrictions on his post-employment activities.

IN WITNESS WHEREOF, Employer has, by its appropriate officers, executed this Agreement and Employee has executed this Agreement as of the day and year first above written.

WEST TELEMARKETING CORPORATION,
Employer

By: /s/ Thomas B. Barker

Its: President / Chief Operating Officer

/s/ Mark V. Lavin

Mark V. Lavin, Employee

InterOffice Memo

To: Mark Lavin

From: Tom Barker

Date: December 22, 1997

Subject: 1998 Compensation Plan - Exhibit A

Your Compensation Plan for of 1998 while you are employed as Executive Vice President Operator Services Division for West TeleServices Corporation is outlined below.

1. Your base salary will be $157,500. Should you elect to voluntarily terminate your employment, you will be compensated for your services through the date of your actual termination per your employment agreement.

2. All revenue and profits from the DR Division and the COS Division will be aggregated and compared to 1997. You will be eligible to receive a quarterly performance bonus based on Pre Tax Profit growth when compared to the same period of the prior year. This quarterly bonus will be calculated by multiplying the year-to-date Pre Tax Profit growth times the year-to-date incentive factors indicated below minus bonuses paid year-to-date for the respective calendar year. A negative profit calculation at the end of any given quarter will result in a loss carry-forward to be applied to the next quarterly bonus calculation. All bonuses will be paid within 30 days after the end of each quarter.

Pre Tax Profit Growth	Profit Factor
0 - $11.5 million	.013
$11.5 million +	.015

3. All Pre Tax Profit in excess of $11.5 million will be applied against the rate factor of .015. You will also be eligible to receive a one time bonus of $75,000 if your YTD SG&A as a % of sales is at 29.8 or less at year end. This amount will be paid not later than 30 days after your year end financial statements are prepared, but in no event will you be paid later than February 28, 1999.

TBB:sb

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FINANCIAL DATA SCHEDULE AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1997.

1,000

12-MOS
DEC-31-1997
JAN-01-1997
DEC-31-1997
39,820
0
64,772
447
0
121,619
168,999
57,289
282,150
66,299
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282,150
398,832
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23,402
37,410
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0
0
37,410
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0.59