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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, 1998

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.)
11808 Miracle Hills Drive, Omaha, Nebraska (Address of principal executive offices)	68154 (Zip Code)

Registrant's telephone number, including area code: (402) 963-1500

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 19, 1999, 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 19, 1999) of the voting stock held by non-affiliates was approximately $77.34 million.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on May 12, 1999, 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 conducts its business on a fully-integrated basis principally through three wholly-owned subsidiaries: West Telemarketing Corporation ("Inbound"); West Telemarketing Corporation Outbound ("Outbound"); and West Interactive Corporation ("Interactive"). The Company is a leading provider in each of inbound operator services, automated voice response services and outbound direct teleservices. The Company was incorporated in 1994 under the laws of the State of Delaware.

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 38.6% of the Company's revenue in 1998. Automated voice response services consist of computerized call-processing applications such as automated product information requests, prepaid calling card services, internet services 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 25.4% of the Company's revenues in 1998. 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 outbound teleservices organizations in the United States and represented approximately 36.0% of the Company's revenue in 1998. 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. In 1998, 59% of the Company's revenue was derived from clients using more than one service.

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. The Company's revenue and net income for the year ended December 31, 1998 were $482.8 million and $46.0 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. For information regarding the Registrants last three fiscal years, see the "Consolidated Financial Statements" and notes thereto appearing elsewhere in this Annual Report on Form 10-K.

The Company operated 7,624 telephone workstations as of December 31, 1998 in 21 state-of-the-art call centers located in Nebraska, Texas, Virginia, Oklahoma, Alabama, Arkansas, Illinois, Louisiana and Nevada which it uses for inbound and outbound services, and maintained 11,160 proprietary interactive voice response ports as of December 31, 1998 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.

Industry Overview

The teleservices industry facilitates direct communication between companies and their current and prospective customers through telecommunications-based systems. Wharton Economic Forecasting Associates ("WEFA Group") in its 1998 Economic Impact: US Direct Marketing Today forecasted that teleservices would be the leading direct marketing medium by which approximately $482.2 billion of goods and services would be sold via the telephone in 1998.

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. 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. The American Teleservices Association states that nearly 100 million Americans (one out of three) purchase goods and services over the phone each year.

Evolution of the Teleservices Industry

The teleservices industry has evolved during the past 14 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. 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. 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. Bain and Company, Inc. in its November 1997 Teleservices Outsourcing Directory forecasted that approximately 22% of American corporations were expected to outsource teleservices by 2000, representing a 200% increase from 1995. Further, this report forecasted that this portion of the teleservices market would exceed $20 billion by 2002.

Company Strategy

The Company 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 that 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. In 1998, 77% of the Company's revenue growth was derived from existing clients.

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:

[CHART APPEARS HERE]

I. Operator Teleservices (Inbound)

Inbound provides large volume inbound 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 1998, Inbound represented approximately 38.6% of the Company's revenue. The two divisions of Inbound are Direct Response Services and Custom Operator Services.

Direct Response Services. This division 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. 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 provides 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; (vi) client satisfaction information; and (vii) technical support. Our clients critical success factors are program specific, such as exceeding goals for call conversion, reduced average length of call, reduced average speed of answer, increased call quality, and successfully resolving the customer's concerns in a single contact.

In 1998, the Custom Operator Services Division introduced the Company's new desktop application to the call center, Agent Desktop Environment ("ADE"), a graphical user interface based application. The ADE application uses, the same technology that can be found on the Internet to present the agent scripting. The application supports computer telephony integration, and allows all transactions to be accomplished from a personal computer. A majority of the divisions' clients have their own host applications on the Company's desktop computer system. ADE allows integration with outside host systems, and allows agent access to multiple systems.

II. Interactive Teleservices (Interactive)

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. Interactive was ranked as the number one interactive teleservices company in 1997 and 1998 by Call Center Solutions magazine. In 1998, Interactive represented approximately 25.4% 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 large volume automated voice response services which allow a caller to access information by means of a touch-tone telephone or voice prompt. Interactive provides automated voice response services for a broad range of applications, which include secure automated credit card activation, information and entertainment services, prepaid calling card services, automated product information requests, database management and enhancement, 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 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 the technology to identify the specific toll-free number dialed by the caller. The toll-free number will identify the specific client campaign and directs the call to the appropriate switches, database machines, and other 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.

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 outbound teleservices operations in the United States. In 1996, 1997 and 1998, Outbound was named the top outbound teleservices company by Call Center Solutions magazine. In 1998, Outbound represented approximately 36.0% of the Company's revenue. 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 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 and necessary 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 call centers are served by redundant long distance and local access facilities. Most call centers are 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. Most inbound numbers directed to a Company call center 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. Inbound and Interactive facilities also have a stand-alone primary power systems 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 1998, the Company employed an average of approximately 11,935 telephone representatives per day for its inbound services and outbound services with peak employment of approximately 14,147 operators per day. In addition, the Company employed as of December 31, 1998 approximately 2,711 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 the Inbound, Interactive and Outbound divisions, 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 sites, 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 in Inbound 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 excused time.

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 Corp.'s nationwide long distance network and has the ability to allocate call volumes among its various inbound call centers on command assisted by sophisticated third party routing products. 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, inbound calls are optimally directed to available personnel which maximizes the utilization of personnel and improves efficiency. Network control monitors the status of all inbound call-processing activities on a minute-by-minute basis. Minor real time variances between projected and actual calling trends are promptly entered 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. All systems provide clients with the ability to directly interface and communicate with the Company's systems. The Company employs approximately 782 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 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 the live agent divisions 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 sales and marketing plans. These plans contain objectives and milestones which are tracked regularly throughout the year. The sales organization is a group of sales professionals organized by divisions who are trained to focus on specific industries and overall client needs. The objective is to sell integrated teleservice solutions to prospective and existing clients. Commissions are paid on both new sales and incremental revenues generated from new and existing clients to provide the appropriate incentives for the sales professionals. 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, internet and radio. While the Company has various competitors for each of its divisions, the Company believes that only a few competitors 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.

Reliance on Major Clients

A significant portion of the Company's revenue is generated from relatively few clients. The loss of the largest client or a number of its largest clients could have a material adverse effect on the Company. The Company's largest client, AT&T Corp., accounted for approximately 33%, and the Company's 41 largest clients in the aggregate accounted for approximately 80% of the Company's revenue in 1998. AT&T Corp. revenue was generated by over 20 different teleservices programs. The Company generally operates under contracts with these clients which may be terminated on 30-day notice and generally the contracts are for a term of less than one-year. Subsequent contracts may be subject to open bidding among the Company and its competitors.

Government Regulation

Teleservices sales practices are regulated at both the federal and state level. The Telephone Consumer Protection Act which was enacted in 1991 authorized and directed the Federal Communications Commission (the "FCC") to enact rules to regulate the telemarketing industry. In December 1992, the FCC enacted rules which place restrictions on the methods and timing of telemarketing sales calls.

The Federal Telemarketing Consumer Fraud and Abuse Act of 1994 (the "TCFAA") authorizes the Federal Trade Commission (the "FTC") to issue regulations designed to prevent deceptive and abusive telemarketing acts and practices. The FTC issued its Telemarketing Sales Rule (the "TSR"), which went into effect in January 1996. The TSR applies to most outbound telemarketing calls and certain inbound telemarketing calls and generally prohibits a variety of deceptive, unfair or abusive practices in telemarketing sales.

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. 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 Rule 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. As part of this rulemaking review proceeding, the FTC has issued proposed revisions to the 900 Number Rule which, among other things, would expand the scope of the 900 Number Rule to information services provided through other dialing patterns, impose more stringent requirements on the establishment of pre-subscription arrangements governing the use of toll free numbers for pay per call services and require express verifiable authorization from a telephone subscriber in order for purchases to be billed to the telephone subscriber's telephone bill. The industry filed written comments to the FTC's proposed revisions in March 1999. The FTC has scheduled a workshop for May 1999. In addition to commenting on the FTC's proposed changes, the industry has requested certain other reforms which would help reduce the charge-back rates. The Company cannot predict what final modifications to the 900 Number Rule will be implemented and what impact those modifications will have on the Company or the industry. 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 have an impact upon the Company. In general, this 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 also 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 pre-subscription agreements now must be executed in writing, require the use of a personal identification number (PIN), or other identifier unique to the subscriber and provide subscribers with a choice of the following billing methods: 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 in time when the charges begin and billing methods. There are also corresponding disclosure requirements for soliciting pre-subscription agreements and for consumers' billing statements.

In addition to the federal legislation and regulations, there are numerous state statutes and regulations governing telemarketing activities which do or may apply to the Company. For example, some states also place restrictions on the methods and timing of telemarketing calls and require that certain mandatory disclosures be made during the course of a telemarketing call.

The Company employees who are involved in certain types of sales activity, such as activity regarding insurance or mortgage loans, are required to be licensed by various state commissions or regulatory bodies and to comply with regulations enacted by those entities.

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 scripts provided by its clients.

The Company specifically trains its marketing representatives to handle calls in an approved manner and believes it is in compliance in all material respects with all federal and state regulations. 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 five automated voice response facilities with 11,160 ports as of December 31, 1998 and 21 state-of-the-art call centers with 7,624 workstations as of December 31, 1998. Certain of the Company's call centers can be used interchangeably by both Inbound and Outbound.

Inbound operates seven large volume, automated call-processing facilities located in Nebraska, Texas, Virginia, Oklahoma, Nevada, Louisiana, and Illinois. These facilities consist of 3,333 computer-assisted workstations. In 1998, Inbound employed an average of approximately 6,063 operators per day with peak employment of approximately 7,834 operators per day.

Interactive operates five large volume, automated voice response facilities located in Nebraska, Texas, Alberta (Canada), Oklahoma, and Virginia. Interactive has a total capacity of 11,160 voice response ports. Interactive is not a labor intensive business and employs approximately 253 managerial, staff and administrative personnel.

Outbound operates 14 large volume, automated facilities located in Texas, Alabama, Arkansas, Louisiana and Illinois. Outbound maintains 4,291 computer-assisted workstations and in 1998 employed an average of 5,872 marketing representatives per day with peak employment of approximately 6,313 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 as December 31, 1998.

Call Centers	Number of Telephone Workstations	Number of Voice Response Ports
Inbound		
Omaha, Nebraska	726	--
San Antonio, Texas	510	--
Hampton, Virginia	708	--
Tulsa, Oklahoma	435	--
Reno, Nevada	318	--
Baton Rouge, Louisiana	364	--
Rockford, Illinois	272	--
Inbound Total	3,333	--
Interactive		
Omaha, Nebraska	--	7,128
San Antonio, Texas	--	2,717
Calgary, Alberta (Canada)	--	391
Tulsa, Oklahoma	--	556
Hampton, Virginia	--	368
Interactive Total		11,160
Outbound		
San Antonio, Texas	1,064	--
Universal City, Texas	640	--
El Paso, Texas	594	--
Killeen, Texas	252	--
Waco, Texas	252	--
Lubbock, Texas	252	--
Odessa, Texas	117	--
McAllen, Texas	120	--
Mobile, Alabama	378	--
Texarkana, Arkansas	117	--
Fayetteville, Arkansas	120	--
Lafayette, Louisiana	151	--
Carbondale, Illinois	117	--
Outbound Total	4,291	--
Total	7,624	11,160

The Company occupied approximately 1,070,000 square feet of office space on December 31, 1998. All facilities described above other than the facilities located in San Antonio, Texas (which are owned) 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. The Company moved into the corporate headquarters throughout 1998.

The Company believes that its facilities are adequate for its current requirements and that additional space will be available as required. See Note D to the Company's consolidated 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. This case is currently captioned Lamar Andrews, et al., Plaintiff v. American Telephone & Telegraph Company, et al., Defendants, No. CV 191-175. The seven named plaintiffs allege that they 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. West Interactive Corporation provided interactive voice processing and other services to one or more customers which conducted some of the programs at issue in the litigation. The billing and collection services were provided through AT&T and US Sprint Communication Company Limited Partnership. The plaintiffs' second amended complaint alleges that the programs at issue involved, among other things, acts of unlawful gambling and the collection of illegal gambling debts, 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, the Georgia RICO statute, and other state and federal laws. AT&T has asserted a cross-claim against West Interactive Corporation seeking contractual and common law indemnity and contribution. The action seeks recovery of treble damages, punitive damages, costs and attorneys' fees. On October 2, 1998, the court heard argument on cross-motions for summary judgment by all parties. Those motions remain pending.

West Interactive Corporation, and Troy Eaden and Gary West, Co-Chairmen of the Board and directors of the Company, are named as defendants in a case filed on August 19, 1997, which is pending in the United States District Court for the Southern District of Georgia. The case is captioned Janie 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, File No. CV197-233. 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. West Interactive Corporation provided interactive voice processing and other services with regard to some of the programs. Plaintiff seeks to recover treble damages and punitive damages, together with expenses, attorney's fees and injunctive relief. The plaintiff filed a motion for class certification on November 17, 1997. The court has not ruled on that motion, and no class has been certified.

West Telemarketing Corporation Outbound is a defendant in a case filed on July 28, 1997, entitled 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, pending in the United States District Court for the District of South Carolina at Civil Action No. 4:97-2635-12. West Telemarketing Corporation Outbound is also named as a defendant in a Fourth Amended Complaint filed on October 26, 1998, in the case of Chris Bone, et al., individually and as class representatives, vs. Horry Telephone Cooperative, Inc.; AT&T Corp.; AT&T Communications, Inc.; AT&T Communications of Southern States, Inc.; and West Telemarketing Outbound Corporation, which is also pending in United States District Court for the District of South Carolina, at Civil Action No. 4:96-3527-22. Plaintiffs in both cases allege claims of negligent misrepresentation, fraud, breach of contract and statutory violations in connection with offers by AT&T of rate programs and long distance services which were allegedly either unavailable or not provided to plaintiffs. West Telemarketing Corporation Outbound provided telemarketing services to AT&T in connection with AT&T's marketing of its programs and services. Plaintiffs seek monetary damages, punitive damages, attorney's fees, costs and injunctive relief. No class has been certified in either case. The federal judge to whom both cases are assigned has consolidated the cases and referred all issues in both cases to the Federal Communications Commission (FCC). The judge also stayed both cases pending the outcome of the FCC referral.

Richard Carney, et al. v. West TeleServices, Inc., 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..........	53	Co-Chairman of the Board and Director
Mary E. West..........	53	Vice Chair of the Board, Secretary and Director
Troy L. Eaden.........	36	Co-Chairman of the Board and Director
Thomas B. Barker......	44	President, Chief Executive Officer and Director
Nancee Shannon Berger.	38	Chief Operating Officer
Michael A. Micek......	49	Chief Financial Officer, Executive Vice President--Finance and Treasurer
John W. Erwin.........	36	President--Direct Teleservices
Mark V. Lavin.........	40	President--Operator Teleservices
Steven M. Stangl......	40	Executive Vice President--Interactive Teleservices
Michael M. Sturgeon...	37	Executive Vice President--Sales and Marketing
Joseph L. Bradley.....	44	Executive Vice President--Systems and Technology
Dianne K. Ferris......	51	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. Mr. Eaden has served as Co-Chairman of the Board since September 1998. He served as the principal executive of the Company since 1989 and formally held the title of Chief Executive Officer from March 1995 to September 1998. 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. Mr. Barker was promoted to President and Chief Executive Officer in September 1998. 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.

Nancee Shannon 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. She was promoted to Chief Operating Officer of the Company in September 1998. Before joining Interactive, she was Senior Project Manager at Applied Communications, Inc.

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.

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. In September 1998, Mr. Lavin was promoted to President--Operator Teleservices. From 1991 until 1996, he held various management positions in reservation services for Radisson Hospitality Worldwide.

Steve M. Stangl joined Interactive in 1993 as Controller. Mr. Stangl was promoted to Vice President of Accounting in 1996. He was promoted to Executive Vice President of Interactive in September 1998. Before joining Interactive, he was an audit manager with the accounting firm of Deloitte & Touche.

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"). 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 sales prices of the Common Shares as reported on the Nasdaq National Market.

	High	Low
First Quarter of 1997	$25 1/4	$12
Second Quarter of 1997	$16 1/4	$12 3/8
Third Quarter of 1997	$16 3/8	$12 1/2
Fourth Quarter of 1997	$15 1/8	$10 1/8
First Quarter of 1998	$17 3/8	$11 1/2
Second Quarter of 1998	$18 1/4	$11 1/4
Third Quarter of 1998	$15 1/4	$ 9 1/4
Fourth Quarter of 1998	$14 1/4	$ 8 3/8

As of March 1, 1999, there were 100 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 on and at the dates indicated, selected historical consolidated financial data of 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, 1998 and 1997, and for the years ended December 31, 1998, 1997 and 1996 and Deloitte & Touche LLP's audit report with respect thereto have been included elsewhere 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,				
	1998	1997	1996	1995	1994
	(in thousands, except for per share and selected operating data)				
Income Statement Data:					
Revenue	$ 482,823	$ 398,832	$ 317,210	$ 256,894	$ 186,512
Cost of services	256,494	220,858	180,380	146,531	102,707
Selling, general and administrative expenses	152,838	118,878	87,499	70,575	51,904
Net operating income	73,491	59,096	49,331	39,788	31,901
Net other income (expense)	1,269	1,716	(3,420)	(3,389)	(1,905)
Net income before income tax expense	74,760	60,812	45,911	36,399	29,996
Actual income tax expense	28,769	23,402	4,213	828	269
Pro Forma Information (1):					
Income tax expense	--	--	12,950	13,130	10,900
Net income	$ 45,991	$ 37,410	$ 28,748	$ 22,441	$ 18,827
Earnings per share:					
Basic	$ 0.73	$ 0.59	$ 0.52	$ 0.42	$ 0.35
Diluted	$ 0.73	$ 0.59	$ 0.52	$ 0.42	$ 0.35
Weighted average number of common shares outstanding:					
Basic	63,330	63,330	54,891	53,968	53,968
Diluted	63,353	63,346	54,966	53,968	53,968
Selected Operating Data:					
Operating margin	15.2%	14.8%	15.6%	15.5%	17.1%
Number of workstations (at end of period)	7,624	5,931	4,440	3,158	2,228
Number of ports (at end of period)	11,160	8,056	5,804	3,870	3,496

	December 31,				
	1998	1997	1996	1995	1994
Balance Sheet Data:					
Working Capital	$ 70,699	$ 55,320	$ 46,169	$ 6,550	$ 5,408
Property and equipment, net	144,139	111,710	70,608	45,889	30,820
Total assets	326,139	282,150	238,285	123,452	88,880
Total debt	30,952	21,686	22,523	41,743	32,608
Stockholders' equity	242,208	196,217	158,879	38,229	27,179

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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 Company conducts its business principally through three wholly-owned subsidiaries: Inbound, Interactive and Outbound. 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, the effect on financial performance of increased competition in the teleservices industry, potential future competition, competitive pricing for services, potential future competing technologies and trends, dependence on technology and phone service, dependence on the Company's labor force, reliance on major clients, the success of new product innovations, legal proceedings and government regulation.

Overview

The Company is a leading provider of teleservices to businesses on an outsourced basis. The Company 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: Inbound services represented approximately 38.6% of total revenue for the year ended December 31, 1998. Revenue for Inbound services is primarily generated 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. Inbound services also generated revenue from calls transferred to telemarketing representatives from interactive voice response units. Inbound services also generated revenue by providing assistance to clients in the design and implementation of new applications.

Interactive services represented approximately 25.4% of total revenue for the year ended December 31, 1998. 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.

Outbound services represented approximately 36.0% of total revenue for the year ended December 31, 1998. Revenue for Outbound services is generated on an hourly basis at the time the marketing representatives place calls to consumers on behalf of it clients. Outbound services also generated 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 AT&T's largest clients, 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, 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, 1998, the Company experienced improvement in direct costs 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 in November 1996, Inbound, Interactive and Outbound 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 subsidiary companies terminated their Small Business Corporation status and became subject to Federal and state income taxes. The pro forma tax provision included in the 1996 statement of operations was calculated using the asset and liability approach for financial accounting and reporting of income taxes and reflects the combined Federal and state income tax rate as if the Company had been treated as a C Corporation prior to reorganization.

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,		
	1998	1997	1996
Revenue	100.0%	100.0%	100.0%
Cost of services	53.1	55.4	56.8
Selling, general and administrative expenses	31.7	29.8	27.6
Net operating income	15.2	14.8	15.6
Net other income (expense)	0.3	0.5	(1.1)
Net income before income tax expense	15.5	15.3	14.5
Actual income tax expense	6.0	5.9	1.3
Pro forma income tax expense	--	--	4.1
Net income and pro forma net income	9.5%	9.4%	9.1%

Years Ended December 31, 1998 and 1997

Revenue: Revenue increased $84.0 million or 21.1% to $482.8 million in 1998 from $398.8 million in 1997. The increase in revenue included $19.6 million derived from new clients and $64.4 million derived from existing clients. The overall revenue increase is attributable to higher call volumes.

During the year ended December 31, 1998, the Company provided service to more than 800 clients. Eighty percent of the Company's total revenue was generated by 41 clients. During 1998, AT&T remained the Company's largest client and accounted for 33% of total revenue up from 25% in 1997.

Cost of Services: Cost of services represents direct labor, telephone expense and other costs directly related to teleservices activities. Costs of services increased $35.6 million or 16.1% for the year ended December 31, 1998 to $256.5 million from $220.9 million for the comparable period of 1997. As a percentage of revenue, cost of services decreased to 53.1% for 1998 compared to 55.4% for 1997. The decreases in cost of services as a percentage of revenue can be attributed to the Company's ability to continue to hire cost-effective quality labor as it enters new markets through the addition of call centers and the shift in the overall service mix from Interactive services to more Outbound and Inbound services. Outbound and Inbound services traditionally have lower direct costs as a percentage of revenue. Call center additions in 1998 included Rockford, Illinois; Reno, Nevada; Baton Rouge, Louisiana; Texarkana, Arkansas; Carbondale, Illinois; Lafayette, Louisiana; Ft. Smith, Arkansas; McAllen, Texas and Fayetteville, Arkansas.

Selling, General and Administrative Expenses ("SG&A"): SG&A expenses increased by $33.9 million or 28.6% to $152.8 million for the year ended December 31, 1998, from $118.9 million in 1997. As a percentage of revenue, SG&A expenses increased to 31.7% for the year ended December 31, 1998, compared to 29.8% in 1997. The increase can be attributed to increased depreciation expense and other costs associated with call center expansion and the shift in the overall service mix from Interactive services to more Outbound and Inbound services. Outbound and Inbound services traditionally have higher SG&A expenses as a percentage of revenue.

Net Operating Income: Net operating income increased by $14.4 million or 24.4% to $73.5 million in 1998 from $59.1 million in 1997. As a percentage of revenue, net operating income increased to 15.2% for the year ended December 31, 1998, compared to 14.8% in 1997, 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 income from customer notes receivable and interest expense from short-term and long-term borrowings under credit facilities and capital leases. Other income (expense) for the year ended December 31, 1998, totaled $1.3 million compared to $1.7 million for 1997.

Net Income: Net income increased by $8.6 million or 22.9% for the year ended December 31, 1998, to $46.0 million from net income of $37.4 million in 1997. Net income includes a provision for income tax expense at a combined effective rate of 38.5% for 1998 and 1997.

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. Cost 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 Company's 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 1996, 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.

Liquidity and Capital Resources

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

The Company has a $20.0 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 June 29, 1999. Outstanding borrowings under this facility at December 31, 1998, were $2.0 million. The Company's credit facility contains certain financial and other covenants, which were met at December 31, 1998. The Company expects to renew the unsecured revolving credit facility when it expires and believes it could increase the amount of the facility, if needed.

The Company also has a $15.0 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. Outstanding borrowings under this facility at December 31, 1998 were $344,000. The credit facility expires on June 29, 1999. The Company expects to renew the revolving bank line when it expires and believes it could increase the amount of the facility, if needed.

The Company also purchased $15.2 million of furniture and telephone and computer equipment financed through notes payable to vendors and banks and capital leases over three years which are bearing interest from 4.6% to 6.2%.

Net cash flow from operating activities was $11.9 million for the year ended December 31, 1998, compared to net cash flow from operating activities of $45.1 and $61.4 million for the years ended December 31, 1997 and 1996, respectively. The decrease was due principally to increases in accounts receivable and other current assets resulting from growth in revenue, customer deposits and holdbacks refunded and accounts payable paid, which was partially offset by higher net income and depreciation.

Net cash flow used in investing activities was $43.5 million for the year ended December 31, 1998, compared to $49.6 million and $20.6 million, for the comparable periods of 1997 and 1996, respectively. The net cash flow used in investing activities was primarily due to investments in call centers to support the growth of the Company's business.

Net cash flow used in financing activities was $1.3 million for the year ended December 31, 1998, compared to $10.8 million and $7.6 million, for the comparable periods of 1997 and 1996, respectively. The net cash flow used in financing activities for the year ended December 31, 1998, was due primarily to pay off $6.0 million in long-term debt obligations offset partially by $2.7 million in cash borrowings under existing lines of credit and the net change in the accounts receivable financing program. 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 offset by $6.8 million in cash received from the accounts receivable financing program. The net cash flow used in financing activities for the year ended December 31, 1996, 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.

The Company also 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 $59.8 million for the year ended December 31, 1998. Capital expenditures for 1998 consisted primarily of furniture and telephone and computer equipment purchases. The Company projects its capital expenditures for 1999 to be approximately $45 million to $55 million, primarily for capacity expansion and upgrades at existing facilities and the addition of seven 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. The Company or any of its affiliates may be required to guarantee any existing or additional credit facilities.

Impact of Year 2000 Issue

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

Based on hardware and software assessments, the Company is in the process of modifying or replacing portions of its information and non-information technology systems. These adaptations will prepare the Company for continued operation beyond December 31, 1999. The Company believes that the modifications to existing software and conversions to new hardware and software should mitigate the impact of the Year 2000 Issue. The Company is also in the process of validating non-information technology systems utilized to support the Company's operations. The Company is requesting compliance data from vendors and is modifying or replacing equipment if necessary. Internal testing of the non-information technology systems is being conducted where possible. However, if the modifications and the conversions are not completed, the Year 2000 Issue could subject the Company to potential liability claims from its customers and could have a material adverse impact on the operations of the Company. Contingency plans are being developed and put into place to control the impact of single point failures. A major contingency already in place is backup power capabilities within the Company's call centers. Each call center is equipped with both battery and generator power availability protecting the Company in the event of local utility company failures.

The Company is communicating with all of its significant suppliers and customers to determine the extent to which the Company is vulnerable to those third parties' failure to remediate their own Year 2000 Issues. The Company's current assessment is based on presently available information. However, there can be no guarantee that the systems of other companies on which the Company's system relies, will be converted on a timely basis, or that failure to convert by another company, or a conversion is incompatible with the Company's systems, would not have material adverse effect on the Company. In the event the Company is unable to initiate phone calls or receive phone calls on behalf of its clients, loss of revenue will result, the extent and materiality of which would depend on the length of the time required to restore access.

The Company is utilizing both internal and external resources to reprogram or replace incompatible hardware and software. The Company has targeted the third quarter of 1999 to be compliant on all critical production systems and overall completion of the year 2000 project before the end of 1999. The Company has implemented a year 2000 test lab facility which is dedicated to testing systems for year 2000 compliance. The test lab is designed to replicate, as closely as possible, the Company production environments in each of the Company's divisions, allowing testing of all systems without impacting the production or normal development systems. The Company is also conducting internal system testing and, where possible, external system compatibility testing to validate operational capabilities beyond December 31, 1999.

The total cost of the year 2000 project was estimated at $5.6 million for the Company's critical systems and is being funded through operating cash flows. Of the total projected cost, approximately

$1.9 million is attributable to the purchase of new hardware and software which is being capitalized. To date, the Company has expended $1.2 million towards the purchase of new hardware and software. The remaining $3.7 million is to cover personnel and non-capital expenses which will be expensed as incurred and is not expected to have a material effect on the results of operations. To date, the Company has expended $1.1 million of the $3.7 million to cover personnel and non-capital expense. The costs of the project and 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

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, the effect on financial performance of increased competition in the teleservices industry, potential future competition, competitive pricing for services, potential future competing technologies and trends, dependence on technology and phone service, dependence on the Company's labor force, reliance on major clients, the success of new product innovations, legal proceedings and government regulation.

The Company does not use derivative financial and commodity instruments. The Company's other financial instruments include cash and cash equivalents, accounts and notes receivable, accounts and notes payable and long-term obligations. The Company's cash and cash equivalents, accounts and notes receivable and accounts and notes payable balances are generally short-term in nature and do not expose the Company to material market risk. The Company has $31.0 million of long-term obligations and $35.0 million of credit facilities. At December 31, 1998, approximately $2.3 million was outstanding under these variable rate credit facilities. Management does not believe that changes in future interest rates on these fixed and variable rate long-term obligations and credit facilities would have a material effect on the Company's results of operations given the Company's currently existing obligations under such long-term obligations and credit facilities.

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-18.

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 1999 annual meeting of stockholders to be held on May 12, 1999. 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 1999 annual meeting of stockholders to be held on May 12, 1999. 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 1999 annual meeting of stockholders to be held on May 12, 1999. 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 1999 annual meeting of stockholders to be held on May 12, 1999. 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 September 1, 1998 (Exhibit 10.01 to Form 10-Q dated November 12, 1998, File No. 000-21771)
10.07	Employment Agreement between the Company and Michael A. Micek dated January 1, 1996, as amended September 1, 1998 (Exhibit 10.02 to Form 10-Q dated November 12, 1998, File No. 000-21771)
10.08	Employment Agreement with Troy L. Eaden dated June 30, 1991, as amended October 1, 1998
10.09	Employment Agreement the Company and John W. Erwin dated January 1, 1996, as amended September 1, 1998 (Exhibit 10.03 to Form 10-Q dated November 12, 1998, File No. 000-21771)
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 Nancee R. Berger, dated January 1, 1996 amended September 1, 1998 (Exhibit 10.05 to Form 10-Q dated November 12, 1998, 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 September 1, 1998 (Exhibit 10.04 to Form 10-Q dated November 12, 1998, File No. 000-21771)

10.17 Employment Agreement between the Company and Steven M. Stangl dated January 1, 1996, as amended September 1, 1998 (Exhibit 10.06 to Form 10-Q dated November 12, 1998, File No. 000-21771)

10.18 Employment Agreement between the Company and Michael M. Sturgeon, dated March 17, 1997, as amended February 22, 1999

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)

23.01 Consent of Deloitte & Touche LLP

27.01 Financial Data Schedule for the year ended December 31, 1998

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/ Thomas B. Barker
Thomas B. Barker
President and Chief Executive Officer
(Principal Executive Officer)

March 31, 1999

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	Co-Chairman of the Board and Director	March 31, 1999
/s/ Mary E. West Mary E. West	Vice Chair of the Board and Director	March 31, 1999
/s/ Troy L. Eaden Troy L. Eaden	Co-Chairman of the Board and Director	March 31, 1999
/s/ Thomas B. Barker Thomas B. Barker	President and Chief Executive Officer and Director (Principal Executive Officer)	March 31, 1999
/s/ Michael A. Micek Michael A. Micek	Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 1999
/s/ William E. Fisher William E. Fisher	Director	March 31, 1999
/s/ Greg T. Sloma Greg T. Sloma	Director	March 31, 1999

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, 1998 and 1997 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1998. 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, 1998 and 1997 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP

Omaha, Nebraska
February 5, 1999

WEST TELESERVICES CORPORATION

CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands Except Per Share Amounts)

	December 31, 1998	December 31, 1997
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 6,928	$ 39,820
Accounts receivable, net of allowance for doubtful accounts of $1,870 and $447	98,300	64,325
Notes receivable	3,462	7,486
Accounts receivable--financing	2,637	4,971
Other	14,798	5,017
Total current assets	126,125	121,619
PROPERTY AND EQUIPMENT:		
Land and improvements	5,183	4,888
Buildings	27,746	23,059
Telephone and computer equipment	124,950	97,021
Office furniture and equipment	25,982	18,730
Leasehold improvements	34,703	24,119
Construction in process	7,117	1,182
Total property and equipment	225,681	168,999
Accumulated depreciation and amortization	(81,542)	(57,289)
Total property and equipment, net	144,139	111,710
GOODWILL, net of accumulated amortization of $3,537 and $1,853	46,996	48,680
NOTES RECEIVABLE AND OTHER ASSETS	8,879	141
TOTAL ASSETS	$326,139	$282,150
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable--bank	$ 2,000	$ --
Notes payable--financing	344	--
Accounts payable	12,857	18,948
Customer deposits and holdbacks	13,476	22,475
Accrued wages and benefits	5,305	8,809
Accrued phone expense	9,052	7,228
Other current liabilities	4,146	3,103
Current maturities of long-term obligations	8,246	5,736
Total current liabilities	55,426	66,299
LONG-TERM OBLIGATIONS, less current maturities	22,706	15,950
DEFERRED INCOME TAXES	5,799	3,684
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	157,647
Retained earnings	83,928	37,937
Total stockholders' equity	242,208	196,217
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$326,139	$282,150

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,		
	1998	1997	1996
REVENUE	$482,823	$398,832	$317,210
COST OF SERVICES	256,494	220,858	180,380
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	152,838	118,878	87,499
NET OPERATING INCOME	73,491	59,096	49,331
OTHER INCOME (EXPENSE):			
Interest income	3,762	3,240	2,490
Interest expense--including interest expense--financing of $772, $320 and $1,244	(1,627)	(1,049)	(4,124)
Minority interest in net income of consolidated subsidiaries	--	--	(1,359)
Other expense, net	(866)	(475)	(427)
Net other income (expense)	1,269	1,716	(3,420)
INCOME BEFORE INCOME TAX EXPENSE	74,760	60,812	45,911
ACTUAL INCOME TAX EXPENSE:			
Current income tax expense	27,340	22,392	1,701
Deferred income tax expense	1,429	1,010	2,512
Actual income tax expense	28,769	23,402	4,213
NET INCOME AND NET INCOME BEFORE PRO FORMA INCOME TAX EXPENSE	45,991	37,410	41,698
PRO FORMA INFORMATION:			
Income tax expense	--	--	12,950
Net income	$ 45,991	$ 37,410	$ 28,748
EARNINGS PER COMMON SHARE:			
Basic	$ 0.73	$ 0.59	$ 0.52
Diluted	$ 0.73	$ 0.59	$ 0.52
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:			
Basic common shares	63,330	63,330	54,891
Dilutive impact of potential common shares from stock options	23	16	75
Diluted common shares	63,353	63,346	54,966

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, 1996	$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
Net income	--	--	45,991	45,991
BALANCE, December 31, 1998	$633	$157,647	$ 83,928	$242,208

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

WEST TELESERVICES CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31, 1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 45,991	$ 37,410	$ 41,698
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	27,284	20,635	13,551
(Gain) loss on sale of equipment	58	238	(131)
Deferred income tax expense	1,429	1,010	2,512
Minority interest	--	--	1,359
Changes in operating assets and liabilities:			
Accounts receivable	(36,699)	(19,457)	(10,027)
Other assets and vendor receivables	(11,139)	(209)	(350)
Accounts payable	(6,091)	(4,323)	1,760
Other current liabilities and accrued expenses	(637)	2,487	2,709
Income tax payable	706	(2,472)	1,001
Customer deposits and holdbacks	(8,999)	9,813	7,322
Net cash flows from operating activities	11,903	45,132	61,404
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(44,551)	(43,852)	(21,631)
Proceeds from disposal of property and equipment	1,684	287	1,540
Issuance of notes receivable	(6,990)	(7,442)	(1,550)
Proceeds from payments of notes receivable	6,338	1,430	1,027
Net cash flows from investing activities	(43,519)	(49,577)	(20,614)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of debt	--	--	10,320
Payments of long-term obligations	(5,954)	(17,562)	(26,405)
Net change in line of credit agreement	2,000	--	(6,500)
Distribution to stockholders	--	--	(81,443)
Net change in accounts receivable financing and notes payable financing	2,678	6,834	(11,281)
Proceeds from issuance of common stock, net of expense	--	--	107,723
Payments for stock registration costs	--	(72)	--
Net cash flows from financing activities	(1,276)	(10,800)	(7,586)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(32,892)	(15,245)	33,204
CASH AND CASH EQUIVALENTS, Beginning of period	39,820	55,065	21,861
CASH AND CASH EQUIVALENTS, End of period	$ 6,928	$ 39,820	$ 55,065
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for interest	$ 1,627	$ 1,381	$ 4,696
Cash paid during the period for income taxes	$ 26,366	$ 24,877	$ 702
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:			
Acquisition of property through assumption of long-term obligations	$ 15,220	$ 16,725	$ 16,297
Reduction of accounts receivable through issuance of notes receivable	$ 2,724	$ 1,114	$ 61

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

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 located 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, pre-paid call card services 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 agreement 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. Both Inbound and Outbound also generate revenue by providing assistance to their clients in the design and programming of customized applications which are generally recognized on a hourly basis at the time the services are provided.

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

Selling, General and Administrative Expenses--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.

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.

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 and long-term obligations 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 and long-term obligations.

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. 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 adjustments which may be filed within one year of the actual transactions.

The Company obtains security deposits from certain 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 provision included in the 1996 statement of operations was calculated using the asset and liability approach for financial accounting and reporting of income taxes and reflects the combined Federal and state income tax rate of the Company as if the Company had been treated as a C Corporation prior to the reorganization.

Earnings Per Common Share--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.

Current Accounting Pronouncements--Effective January 1, 1998, the Company adopted the provisions of Financial Accounting Standards No. 131, Disclosure About Segments of an Enterprise and Related Information (SFAS No. 131). SFAS No. 131 establishes standards for reporting information about the operating segments, products and services, geographic areas and major customers of the entity. As the requirements of SFAS No. 131 are only of a disclosure nature, the adoption of SFAS No. 131 did not have a material impact on the Company's financial position or results of operations. The Company operates as an independent teleservices provider offering a full range of customized telecommunications-based services to business clients on an outsourced basis. The Company believes it has established a distinct competitive advantage in its ability to offer a full range of teleservices through its operating divisions (Inbound, Interactive and Outbound) on a fully-integrated basis. Accordingly, the Company primarily evaluates performance and determines the allocation of resources on an entity-wide basis.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133) which established accounting and reporting standards for derivative instruments, including derivative instruments that are embedded in other contracts, and for hedging activities. SFAS No. 133 is applicable for fiscal years and quarters beginning after June 15, 1999. The Company does not believe the adoption of SFAS No. 133 will have a material effect on the Company.

B. ACCOUNTS RECEIVABLE FINANCING PROGRAM

The Company maintains a line of credit with three participating banks in the amount of $15,000. Outstanding borrowings totaled $344 and $-0- at December 31, 1998 and 1997, respectively. Borrowings bear interest at 1.0% below the prime rate (actual rate 6.75% at December 31, 1998) to fund customer advances. Substantially all current assets of WIC are pledged as collateral on the line of credit which expires June 29, 1999. The Company had advances to Interactive customers through their accounts receivable financing programs aggregating $2,637 and $4,971 at December 31, 1998 and 1997, 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 10.75% at December 31, 1998).

C. LONG-TERM OBLIGATIONS AND CREDIT ARRANGEMENTS

The Company has a $20,000 unsecured revolving credit facility. Advances under the revolving credit facility bear interest at the prime rate less 1.0% (actual rate 6.75% at December 31, 1998). The revolving credit facility expires on June 29, 1999. Outstanding borrowings under the revolving credit facility totaled $2,000 and $-0- at December 31, 1998 and 1997, respectively. The Company's credit facility contains certain financial and other covenants which contain current ratio and tangible net worth requirements and limitations on indebtedness, among others. The financial covenants were met at December 31, 1998.

(Dollars in Thousands Except Per Share Amounts)

Long-term obligations consist of the following:

	December 31, 1998	December 31, 1997
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	$12,271	$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	2,000	3,151
Notes payable to bank, due in monthly installments of $176 including interest at 6.2% maturing October 28, 2001	5,758	--
Notes payable to vendor, due in monthly installments of $75 including interest at 5.4% maturing from November 1, 2001 to January 1, 2002	2,412	--
Capital lease obligations (See Note D)	8,511	5,535
	30,952	21,686
Less current maturities:		
Debt	4,305	1,880
Capital lease obligations (See Note D)	3,941	3,856
Current maturities of long-term obligations	8,246	5,736
Long-term obligations	$22,706	$15,950

Substantially all assets of the Company and its direct and indirect subsidiaries 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 excluding capital lease obligations described in Note D, are as follows:

1999	$ 4,305
2000	3,740
2001	3,079
2002	370
2003	10,947

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 on operating leases was $4,190, $2,666 and $2,158 for the years ended December 31, 1998, 1997 and 1996, respectively, exclusive of related party lease expense as discussed in Note E. 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.

(Dollars in Thousands Except Per Share Amounts)

Amortization of assets purchased through capital lease agreements is included in depreciation expense.

	December 31, 1998	December 31, 1997
Assets under capital leases consist of:		
Telephone and computer equipment	$17,012	$ 9,452
Office furniture and equipment	4,097	990
Lease/building improvements	633	--
Total cost	21,742	10,442
Accumulated depreciation	(5,463)	(3,454)
Net book value	$16,279	$ 6,988

Future minimum payments under non-cancellable operating and capital leases with initial or remaining terms of one year or more, 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,		
1999	$ 5,839	$4,357
2000	5,241	2,559
2001	4,310	2,304
2002	3,682	--
2003	2,822	--
2004 and thereafter	5,018	--
Total minimum obligations	$26,912	9,220
Less interest at 4.6% to 9.3%		709
Present value of net minimum lease payments		8,511
Less current portion		3,941
		$4,570

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,	
1999	$ 820
2000	869
2001	921
2002	976
2003	1,035
2004	717

(Dollars in Thousands Except Per Share Amounts)

Lease expense was $773, $730 and $691 for the years ended December 31, 1998, 1997 and 1996, respectively.

Total interest expense paid to related parties in connection with notes payable was $-0-, $-0- and $269 for the years ended December 31, 1998, 1997 and 1996, 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,		
	1998	1997	1996
Current income tax expense:			
Federal	$24,450	$20,417	$1,079
State	2,890	1,975	622
	27,340	22,392	1,701
Deferred income tax expense:			
Federal	1,088	966	2,446
State	341	44	66
	1,429	1,010	2,512
	$28,769	$23,402	$4,213

A reconciliation of income tax computed at statutory tax rates compared to actual and proforma income tax rates is as follows:

	Year Ended December 31,		
	1998	1997	1996
Statutory rate	35.00%	35.00%	35.00%
State income tax effect	2.33	1.56	1.05
Other	1.15	1.92	0.26
	38.48%	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 are as follows:

	December 31, 1998	December 31, 1997
Deferred tax assets:		
Allowance for doubtful accounts	$ 720	$ 162
Deferred tax liabilities:		
Depreciation	5,799	3,684
Net deferred tax liability	$5,079	$3,522

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 $1,208, $816 and $589 for the years ended December 31, 1998, 1997 and 1996, 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 generally vest over a three to seven year period and expire ten years after grant date. 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 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 to purchase 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. All options expire ten years after the date of the grant.

During December 1998, the Company amended all outstanding options granted. The options to purchase the Common Shares at $15.625 were surrendered by option holders in December of 1998 and replacement options of 5,185,700 Common Shares with an exercise price of $9.6875 were issued including replacement options of 44,000 Common Shares held by non-employee directors. All replacement options retain their original vesting schedules but are subject to a 382 day period in which exercises are prohibited. During December 1998, additional options to purchase 1,810,000 Common Shares at $9.6875 were issued. Twenty-five percent of the additional options vest on the first, second, third and fourth anniversaries of January 1, 1999. All options expire ten years after the date of the grant. No options were exercisable at December 31, 1998, 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, 1998, 1997 and 1996 and the stock options outstanding at the end of the respective fiscal years.

	Stock Option Shares	Weighted Average Exercise Price	Aggregate Amount
Outstanding at January 1, 1996......	--	$ --	$ --
Granted..........................	3,601,000	18.0000	64,818
Outstanding at December 31, 1996....	3,601,000	18.0000	64,818
Surrendered and replaced by plan amendment.......................	(3,601,000)	18.0000	(64,818)
Granted..........................	4,735,400	15.6375	74,050
Canceled.........................	(177,100)	15.6250	(2,767)
Outstanding at December 31, 1997....	4,558,300	15.6381	71,283
Granted..........................	7,760,800	10.2726	79,724
Surrendered and replaced by plan amendment.......................	(5,185,700)	15.6361	(81,084)
Canceled.........................	(137,700)	15.6250	(2,152)
Outstanding at December 31, 1998....	6,995,700	$ 9.6875	$ 67,771
Shares available for future grants at December 31, 1998...............	2,503,800		

The following table summarizes information about the Company's stock options outstanding at December 31, 1998:

Exercise Price	Stock Option Shares Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price
$9.6875	6,995,700	9.95	$9.6875

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 National Market quoted market price ($12 5/32 at July 1, 1998). 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, 1998 and 1997.

(Dollars in Thousands Except Per Share Amounts)

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, 1998, 1997 and 1996.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized over the options' vesting period. Had the Company's stock option and stock purchase plan been accounted for under Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation; 1998, 1997 and 1996 net income and earnings per share would have been reduced to the following pro forma amounts:

	Year ended December 31,		
	1998	1997	1996
Net Income:			
As reported	$45,991	$37,410	$28,748
Pro forma	$39,885	$31,751	$28,444
Earnings per common share:			
Basic as reported	$ 0.73	$ 0.59	$ 0.52
Diluted as reported	$ 0.73	$ 0.59	$ 0.52
Pro forma basic	$ 0.63	$ 0.50	$ 0.52
Pro forma diluted	$ 0.63	$ 0.50	$ 0.52

The weighted average fair value per share of options granted in 1998, 1997, and 1996 was $3.45, $7.65 and $5.99, respectively. 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:

	1998	1997	1996
Risk-free interest rate	4.7%	6.5%	6.5%
Dividend yield	0.0%	0.0%	0.0%
Expected volatility	55.0%	45.0%	40.0%
Expected life (years)	4.1	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 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. This case is currently captioned Lamar Andrews, et al., Plaintiff v. American Telephone & Telegraph Company, et al., Defendants, No. CV 191-175. The seven named plaintiffs allege that they 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. West Interactive Corporation provided interactive voice processing and other services to one or more customers which conducted some of the programs at issue in the litigation. The billing and collection services were provided through AT&T and US Sprint Communication Company Limited Partnership. The plaintiffs' second amended complaint alleges that the programs at issue involved, among other things, acts of unlawful gambling and the collection of illegal gambling debts, 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, the Georgia RICO statute, and other state and federal laws. AT&T has asserted a cross-claim against West Interactive Corporation seeking contractual and common law indemnity and contribution. The action seeks recovery of treble damages, punitive damages, costs and attorneys' fees. On October 2, 1998, the court heard argument on cross-motions for summary judgment by all parties. Those motions remain pending.

West Interactive Corporation, and Troy Eaden and Gary West, Co-Chairmen of the Board and directors of the Company, are named as defendants in a case filed on August 19, 1997, which is pending in the United States District Court for the Southern District of Georgia. The case is captioned Janie 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, File No. CV197-233. 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. West Interactive Corporation provided interactive voice processing and other services with regard to some of the programs. Plaintiff seeks to recover treble damages and punitive damages, together with expenses, attorney's fees and injunctive relief. The plaintiff filed a motion for class certification on November 17, 1997. The court has not ruled on that motion, and no class has been certified.

West Telemarketing Corporation Outbound is a defendant in a case filed on July 28, 1997, entitled 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, pending in the United States District Court for the District of South Carolina at Civil Action No. 4:97-2635-12. West Telemarketing Corporation Outbound is also named as a defendant in a Fourth Amended Complaint filed on October 26, 1998, in the case of Chris Bone, et al., individually and as class representatives, vs. Horry Telephone Cooperative, Inc.; AT&T Corp.; AT&T Communications, Inc.; AT&T Communications of Southern States, Inc.; and West Telemarketing Outbound Corporation, which is also pending in United States District Court for the District of South Carolina, at Civil Action No. 4:96-3527-22. Plaintiffs in both cases allege claims of negligent misrepresentation, fraud, breach of contract and statutory violations in connection with offers by AT&T of rate programs and long distance services which were allegedly either unavailable or not provided to plaintiffs. West Telemarketing Corporation Outbound provided telemarketing services to AT&T in connection with AT&T's marketing of its programs and services. Plaintiffs seek monetary damages, punitive damages, attorney's fees, costs and injunctive relief. No class has been certified in either case. The federal judge to whom both cases are assigned has consolidated the cases and referred all issues in both cases to the Federal Communications Commission (FCC). The judge also stayed both cases pending the outcome of the FCC referral.

(Dollars in Thousands Except Per Share Amounts)

Richard Carney, et al. v. West TeleServices, Inc., 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 AND SERVICE LINES

For the years ended December 31, 1998, through December 31, 1996, the Company had 41 to 50 major customers who accounted for approximately 80% of total revenues. The Company had one customer who accounted for 33% of total revenue for the year ended December 31, 1998, 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.

The following is revenue by service lines for years ending December 31, 1998, 1997 and 1996:

	For the Year Ending December 31,		
	1998	1997	1996
Inbound	$186,454	$130,469	$ 92,875
Interactive	122,601	138,874	134,017
Outbound	173,768	129,489	90,318
Total revenue	$482,823	$398,832	$317,210

WEST TELESERVICES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Years Ended December 31, 1998, 1997 and 1996
(Dollars in Thousands Except Per Share Amounts)

J. 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, 1998	June 30, 1998	September 30, 1998	December 31, 1998
Revenue	$116,075	$118,004	$123,294	$125,450
Net operating income	19,985	17,570	18,013	17,923
Net income before income taxes	20,223	17,916	18,438	18,183
Net income	12,412	11,016	11,355	11,208
Earnings per common share:				
Basic	$ 0.20	$ 0.17	$ 0.18	$ 0.18
Diluted	$ 0.20	$ 0.17	$ 0.18	$ 0.18

	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 common share:				
Basic	$ 0.18	$ 0.14	$ 0.14	$ 0.13
Diluted	$ 0.18	$ 0.14	$ 0.14	$ 0.13

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, 1998 and 1997, and for each of the three years in the period ended December 31, 1998, and have issued our report thereon dated February 5, 1999; 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.

Deloitte & Touche LLP

/S/ DELOITTE & TOUCHE LLP

Omaha, Nebraska
February 5, 1999

SCHEDULE II

WEST TELESERVICES CORPORATION AND SUBSIDIARIES

CONSOLIDATED VALUATION ACCOUNTS
Three Years Ended December 31, 1998
(Amounts in Thousands)

Description	Balance Beginning of Year	Additions-Charged to Cost and Expenses	Deductions-Amounts Charged-Off	Balance End of Year
December 31, 1998--Allowance for doubtful accounts................	$ 447	$3,484	$2,061	$1,870
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

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 September 1, 1998 (Exhibit 10.01 to Form 10-Q dated November 12, 1998, File No. 000-21771)	*
10.07	Employment Agreement between the Company and Michael A. Micek dated January 1, 1996, as amended September 1, 1998 (Exhibit 10.02 to Form 10-Q dated November 12, 1998, File No. 000-21771)	*
10.08	Employment Agreement with Troy L. Eaden dated June 30, 1991, as amended October 1, 1998	**
10.09	Employment Agreement between the Company and John W. Erwin dated January 1, 1996, as amended September 1, 1998 (Exhibit 10.03 to Form 10-Q dated November 12, 1998, File No. 000-21771)	*
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 Nancee R. Berger, dated January 1, 1996 amended September 1, 1998 (Exhibit 10.05 to Form 10-Q dated November 12, 1998, File No. 000-21771)	*
10.15	Employee Stock Purchase Plan dated July 1, 1997 (Exhibit	

	10.01 to Form 10-Q 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 September 1, 1998 (Exhibit 10.04 to Form 10-Q dated November 12, 1998, File No. 000-21771)	*

Exhibit Number	Description	Sequential Page Number
10.17	Employment Agreement between the Company and Steven M. Stangl dated January 1, 1996, as amended September 1, 1998 (Exhibit 10.06 to Form 10Q dated November 12, 1998, File No. 000-21771)	*
10.18	Employment Agreement between the Company and Michael M. Sturgeon, dated March 17, 1997, as amended February 22, 1999	**
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)	*
23.01	Consent of Deloitte & Touche LLP	**
27.01	Financial Data Schedule for the year ended December 31, 1998	**

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

EXHIBIT 10.08

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into effective the 1st day of October, 1998, between West TeleServices Corporation, a Delaware corporation ("Employer") and Troy L. Eaden, 11808 Miracle Hills Drive, Omaha, Nebraska ("Employee").

R E C I T A L S :

1. Employer and Employee have previously entered into an Employment Agreement effective June 30, 1991 (the "Existing Employment Agreement"); and

2. The parties desire to enter into this Agreement to amend and supercede the Existing Employment Agreement.

NOW, THEREFORE, the parties agree as follows:

1. Employment. Employer agrees to continue to employ Employee in his new current capacity as Co-Chairman of the Board of Employer. Employee shall be in charge of the operations of Employer subject to the general direction, approval and control of the Board of Directors of Employer. Employer may also direct Employee to perform similar duties for West Telemarketing Corporation, West Telemarketing Corporation Outbound and West Interactive Corporation, corporations which are wholly owned subsidiaries of the Employer (the "Subsidiaries"), subject to the limitation that Employee's total time commitment shall be consistent with that normally expected of similarly situated executive level employees. Employee shall serve Employer and the Subsidiaries 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 duties and to furthering the interest of Employer and the Subsidiaries.

2. Term of Employment. Employee's employment under this Agreement shall continue until terminated under the provisions of Paragraph 5 below.

3. Compensation. Employer shall pay Employee an annualized salary of two hundred seventy five thousand and six hundred and twenty four Dollars ($275,624) during the remaining three months of the calendar year of this Agreement. During all subsequent years, Employee's annual salary shall be as determined by the Board of Directors of Employer. Employee may receive 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 equal to those received by other executive level employees of Employer during the term of this Agreement.

5. Termination of Employment. The employment of Employee by Employer shall terminate upon occurrence of any of the following events:

(a) The employment of Employee shall terminate immediately upon the death of Employee.

(b) The employment of Employee shall terminate upon the Disability (as defined in Paragraph 6 below) of Employee.

(c) Voluntary termination of employment by Employee upon giving Employer 90 days advance notice in writing.

(d) Involuntary termination of employment by Employer without cause upon giving Employee notice in writing.

(e) Employer may terminate the employment of Employee immediately upon written notice in the event of the occurrence of any of the following events:

(i) The sale or transfer by Gary West and Mary West (collectively the "Wests") of more than ninety percent (90%) of the common stock of Employer owned by them to some third party;

(ii) The sale of all or substantially all of the assets of Employer; or

(iii) A merger of Employer with another company fifty-one percent (51%) or more of the stock of which, after the merger, is not owned by the Wests.

(f) Involuntary termination of employment by Employer immediately upon written notice to Employee for good cause. The term "good cause" as used herein, shall mean at least one of the following circumstances:

(i) If there is a material failure on the part of Employee to perform the duties required of him hereunder. If at any time during the term of this employment, Employee is, in the opinion of Employer, materially failing to perform his employment duties, Employer shall give written notice to Employee specifying in the notice the material failures of performance and the actions necessary to remedy the failures during the sixty (60) day period immediately following receipt by Employee of the written notice. If Employee fails to bring his performance into conformity with his obligations under this Agreement within such sixty (60) day period, Employer may terminate Employee's employment by sending written notice to Employee specifying an effective date of termination;

(ii) Dishonesty involving Employee's employment;

(iii) Employee's addiction to the use of drugs or alcohol.

Upon termination of employment for any reason, Employee shall be entitled to receive all salary through the date of termination, together with any bonuses declared by the Board of Directors with respect to Employee's services prior to the effective date of termination, but unpaid as of such date. In addition, upon a termination pursuant to subparagraph (d) above, Employee shall receive three (3) months severance pay.

6. Disability. For purposes of this Agreement, "Disability" shall be deemed to have occurred if Employee shall, by reason of illness or physical incapacitation for a period of three (3) consecutive months, or for an aggregate of six (6) months during any three (3) consecutive years during the term of this Agreement, fail to perform in an active capacity the services required under this Agreement.

7. 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.

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 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 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 otherwise 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 hereinbefore 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. The obligations imposed upon Employee by this

paragraph shall survive the expiration or termination of this Agreement.

9. Covenant Not to Compete. Employee covenants and agrees that for the period of two (2) years following termination of his employment with Employer for any reason except pursuant to Paragraph 5(d) above, 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 with whom Employee had contact or about whom Employee learned during the course of his employment with Employer and during the two (2) years immediately preceding the end of his employment;

(b) Induce or attempt to induce any person employed by Employer, 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.

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 and that the business of Employer by its nature, covers 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 Employee, the Court so hold 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. The obligations imposed upon Employee by this paragraph shall survive the expiration or termination of this Agreement.

10. 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 by 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 11, or if Employee shall breach the provisions of this Agreement with respect to Confidential Information, 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.

11. 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.

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

13. 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, the Existing Employment Agreement, and may not be amended except by a writing signed by the parties hereto.

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 TELESERVICES CORPORATION, Employer

By: /s/ THOMAS B. BARKER

Thomas B. Barker

Its: President and CEO

/s/ TROY L. EADEN

Troy L. Eaden

EXHIBIT 10.18

EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into effective the 17th day of March, 1997, between West Telemarketing Corporation a Delaware corporation ("Employer") and MICHAEL STURGEON ("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 - SALES AND MARKETING 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 Employee's 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 17th day of March, 1997, 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 two (2) years 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/ Thomas B. Barker

Its: President

/s/ Michael M. Sturgeon

Michael M. Sturgeon, Employee

WEST TELESERVICES CORPORATION
INTEROFFICE MEMORANDUM

TO: MIKE STURGEON

FROM: TOM BARKER

SUBJECT: 1999 COMPENSATION PLAN - EXHIBIT A

DATE: 03/24/99

Your Compensation Plan for 1999 while you are employed as Executive Vice President - Sales and Marketing for West TeleServices Corporation is outlined below:

1. Your base salary will be $190,000. 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.

2. You will be eligible to receive a monthly performance bonus based on 1999 revenue, net of Quintel, Psychic Readers Network, Access Resources and other affiliated companies revenue, compared to 1998 revenue less Quintel, Psychic Readers Network, Access Resources and other affiliated companies minus bonus paid year-to-date for the respective calendar year. This monthly bonus will be calculated by multiplying year-to-date qualifying revenue growth times the incentive factors indicated below. A negative calculation at the end of any given month will result in a loss carry forward to be applied to the next monthly bonus calculation. All bonuses will be paid within 30 days of the end of the month.

1998 REVENUE GROWTH	COMPENSATION RATE FACTOR
0 - $100 Million	.002
$100 Million +	.004

3. You will be eligible to receive a one-time bonus of $50,000.00 if WTSC consolidated revenue for 1999 is at least $570 million. Revenue derived from acquisitions or marketing services related programs will not be considered when calculating revenue for this bonus. If earned, this bonus will be paid within 30 days after 12/31/99 financials are prepared, but no later than 02/26/99.

EXHIBIT 23.01

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in Registration Statements Nos. 333-24473 and 333-29353 of West TeleServices Corporation and subsidiaries on Form S-8 of our reports dated February 5, 1999, appearing in the Annual Report on Form 10-K of West TeleServices Corporation and subsidiaries for the year ended December 31, 1998.

/S/ DELOITTE & TOUCHE LLP

Omaha, Nebraska
March 25, 1999

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