

CSG SYSTEMS INTERNATIONAL INC

FORM 10-K (Annual Report)

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 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 0-27512

CSG SYSTEMS INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

47-0783182

(I.R.S. Employer Identification No.)

7887 East Belleview, Suite 1000
Englewood, Colorado 80111

(Address of principal executive offices, including zip code)

(303) 796-2850

(Registrant's telephone number, including area code)

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

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

Indicate by a 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 the Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the last sales price of such stock, as of the close of trading on January 31, 1999 was \$1,706,906,316.

Shares of common stock outstanding at March 15, 1999: 51,613,111.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its Annual Meeting of Stockholders to be filed on or prior to April 30, 1999, are incorporated by reference into Part III of the Form 10-K.

CSG SYSTEMS INTERNATIONAL, INC.

1998 FORM 10-K

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ITEM 1. BUSINESS

GENERAL

CSG Systems International, Inc. (the "Company" or "CSG") was formed in October 1994 and acquired all of the outstanding stock of CSG Systems, Inc. (formerly Cable Services Group, Inc.) from First Data Corporation ("FDC") in November 1994 (the "CSG Acquisition"). CSG Systems, Inc. had been a subsidiary or division of FDC from 1982 until the acquisition.

The Company's principal executive offices are located at 7887 East Belleview, Suite 1000, Englewood, Colorado 80111, and the telephone number at that address is (303) 796-2850. The Company's common stock is listed on the Nasdaq National Market under the symbol "CSGS".

COMPANY OVERVIEW

The Company provides customer care and billing solutions worldwide for the converging communications markets, including cable television, direct broadcast satellite ("DBS"), telephony, on-line services and others. The Company's products and services enable its clients to focus on their core businesses, improve customer service, and enter new markets and operate more efficiently. The Company offers its clients a full suite of processing and related services, and software and professional services which automate customer care and billing functions. These functions include set-up and activation of customer accounts, sales support, order processing, invoice calculation, production and mailing, management reporting, and customer analysis for target marketing. The Company's products and services combine the reliability and high volume transaction processing capabilities of a mainframe platform with the flexibility of client/server architecture. The Company generated revenue of \$236.6 million in 1998 compared to \$171.8 million in 1997, an increase of 38%, and revenue grew at a compound annual growth rate of 35% over the three-year period ended December 31, 1998.

The Company has established a leading presence by developing strategic relationships with major participants in the cable television and DBS industries, and derived approximately 78% and 13% of its total revenues in 1998 from the U.S. cable television and DBS industries, respectively. The Company provides customer care and billing to one-third of the households in the U.S. During 1998, the Company derived approximately 81% of its total revenues from processing and related services. At December 31, 1998, the Company was servicing client sites having an aggregate of 29.5 million customers in the U.S., compared to 21.1 million customers serviced as of December 31, 1997, an increase of 39%. During 1998, the Company converted and processed approximately 9.0 million new customers on its systems, with approximately 7.7 million of these new customers coming from Tele- Communications, Inc. ("TCI"). Total domestic revenue per customer account for 1998 was \$8.71, compared to \$7.73 for 1997, an increase of 13%, and revenue per customer account grew at a compound annual growth rate of 16% over the three-year period ended December 31, 1998.

The convergence of communications markets and growing competition are increasing the complexity and cost of managing the interaction between communications service providers and their customers. Customer care and billing systems coordinate all aspects of the customer's interaction with a service provider, from initial set-up and activation, to service activity monitoring, through billing and accounts receivable management. The growing complexity of communications services and the manner in which they are packaged and priced, has created increased demand for customer care and billing systems which deliver enhanced flexibility and functionality. Because of the significant level of technological expertise and capital resources required to develop and implement such systems successfully, the majority of cable television, DBS, and wireless service providers have elected to outsource customer care and billing.

In 1998, the Company acquired substantially all of the assets of US Telecom Advanced Technology Systems, Inc. ("USTATS") for approximately \$6.0 million in cash and assumption of certain liabilities of approximately \$1.3 million. USTATS, a South Carolina-based company, specializes in open systems, client/server customer care and billing systems serving the telecommunications markets. This acquisition

strengthened CSG's core telephony system serving cable television providers and provided technology for use in entering new markets, including the competitive local exchange carrier ("CLEC") and incumbent local exchange carriers ("ILEC").

In September 1997, the Company entered into a 15-year processing agreement with TCI (the "TCI Contract") which expires in 2012. The TCI Contract has minimum financial commitments over the 15-year life of the contract and includes exclusive rights to provide customer care and billing products and services for TCI's offerings of wireline video, all Internet/high-speed data services, residential wireline telephony services, and print and mail services. As of December 31, 1998, the Company had successfully converted approximately 8 million of the over 9 million TCI customers originally scheduled to be converted under the TCI Contract. The remaining customers are scheduled to be converted to the Company's processing system by the second quarter of 1999. AT&T completed a merger with TCI in March 1999. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussion of the TCI Contract and the TCI and AT&T merger.

In addition, during 1997, the Company purchased certain SUMMITrak software technology assets that were in development from TCI. The development efforts are on schedule and the resource requirements for completion of the development efforts are consistent with the original expectations. The related products from these development efforts are expected to be available for general release in 1999. See Note 4 to the Company's Consolidated Financial Statements for additional discussion of the SUMMITrak asset acquisition.

The Company expanded its operations internationally through the acquisition of Bytel Limited in June 1996. During 1998, Bytel Limited changed its name to CSG International Limited ("CSGI"). CSGI, established in 1992, is a leading provider of customer care and billing solutions in the United Kingdom to providers of converged cable television and telephony services. During 1998, 1997, and 1996, the Company derived 6.3%, 9.6%, and 8.1%, respectively, of its total revenues from international sources. See Note 3 to the Company's Consolidated Financial Statements for additional discussion of the Company's international operations.

Growth Strategy

The Company's growth strategy is designed to provide revenue and profit growth. The key elements of the strategy include:

Expand Core Processing Business. The Company will continue to leverage its investment and expertise in high-volume transaction processing to expand its processing business. The processing business provides highly predictable recurring revenues through multi-year contracts with a client base which includes leading communications service providers in growing markets. The Company increased the number of customers processed on its systems from 18.0 million as of December 31, 1995 to 29.5 million as of December 31, 1998. The Company's approach to customer care and billing provides a full suite of products and services which combines the reliability and high volume transaction processing capabilities of a mainframe platform with the flexibility of client/server architecture.

Introduce New Products and Services. The Company has a significant installed client base to which it can sell additional value-added products and services. The Company has increased its annual revenue per customer from \$5.60 in 1995 to \$8.71 in 1998, a compound annual growth rate of 16%, due primarily to the introduction of new products and services. The Company will continue to develop software applications, which will enhance and extend the functionality of its customer care and billing solution and also provide additional revenue opportunities.

Enter New Markets. As communications markets converge, the Company's products and services can facilitate efficient entry into new markets by existing or new clients. For example, as the cable television providers expand into on-line services and telephony, the Company will continue to offer the customer care and billing solutions necessary to meet their needs. The Company also seeks to identify other industries, such as the CLEC and ILEC markets, that with acquired technology or modifications to the Company's existing technology, could be served by the Company's customer care and billing solutions.

Enhance Growth Through Focused Acquisitions. The Company follows a disciplined approach to acquire assets and businesses which provide the technology and technical personnel to expedite the Company's product development efforts, provide complementary products or services, or provide access to new markets or clients.

Continue Technology Leadership. The Company believes that its technology in customer care and billing solutions gives communications service providers a competitive advantage. The Company's continuing investment in research and development ("R&D") is designed to position the Company to meet the growing and evolving needs of existing and potential clients.

Pursue International Opportunities. The Company believes that privatization and deregulation in international markets presents new opportunities for customer care and billing providers. In the United Kingdom, CSGI is one of the leading providers of customer care and billing solutions to providers of converged cable television and telephony services. The Company also intends to market the telephony customer care and billing system acquired in the USTATS transaction in European and other international markets.

CSG Products and Services

CSG's Multi-Tier Architecture. CSG's multi-tier approach maximizes the strength of the technological components in each tier. CSG's clients benefit from having a highly scaleable system that can grow with their businesses, as well as access to next generation technologies that are flexible and adaptable to their changing needs. In addition, these products are supported by CSG's Professional Services Group, which provides project management, and technical, business and marketing consulting services.

CSG's Base Tier. This layer in CSG's customer care and billing solution does the "heavy lifting". The billing engine uses proven, world-class technology, providing the highest throughput available. This allows CSG's clients to easily and affordably handle high-volume transactions. As communications providers begin to offer more than their traditional single service, such as cable or telephony, their ability to increase the scope of their customer care and billing solution is very important.

Communications Control System ("CCS") enables a client's customer service representatives ("CSRs") to enroll new customers, modify services to current customers, schedule installation and repairs, and process billing. CCS can handle more than 100 million accounts without significant capital investments. CCS also has a complete set of customer service functions, from order processing to customer information that can be used for target marketing.

Financial Services include an entire suite of financial products aimed at increasing CSG's clients' cash flow, managing risk and improving operating margins. Financial products include:

- . Credit Verification Service lets clients verify applicants' identities, assess risks and make service decisions while the applicant is on the phone.
- . Risk Management System helps CCS clients determine the credit-worthiness of prospective customers, relative to their general as well as cable credit histories.
- . Auto-Check Refunds Service processes refunds, issues and tracks checks and communicates directly with the customer.
- . PayBill Advantage Service allows customers to have their bills debited from their checking accounts or placed on their credit cards.

. Credit Card Processing Services uses a one-time credit card transaction to automatically collect payments for monthly services and special circumstances, such as a delinquent customer.

. Electronic Lockbox Service automates the process of posting electronic payments, dramatically reducing the possibility for error in payment.

. Collections Service automates the accounts receivable system, increasing recovery rates and reducing costs.

CSG's Middle-Tier. CSG's middle tier uses next generation technology to route, rate and deliver messages and transactions. Next generation technologies were chosen for these applications because of their openness, flexibility and adaptability. All of these products were introduced in the last three years.

Usage Handling System allows clients to rate different transactions based on the amount they are used, rather than using flat fee pricing. Rated transactions may include everything from telephone calls to downloading files on the worldwide web.

CSG Workforce Express helps make dispatchers and technicians more productive. It automatically routes the nearest technician to the next job. Technicians have a hand-held device, called CSG TechNet, with many functions, such as providing customer background, allowing them to up-sell new services and receive payments from customers, and providing a map to the next site.

Service Delivery System takes manual and automated tasks and configures them into a logical work flow system, to perform certain functions such as notifying external providers and activating service.

CSG Vantage is a sophisticated reporting package that allows clients to conduct market analyses and use that data to monitor customer behavior.

CSG Call Center Express is a suite of products that allow customers to complete a number of common service functions over the phone, increasing CSRs' productivity. The four products include:

. CSG Info Express allows customers to perform tasks such as checking account balances without having to speak to a CSR.

. CSG Ticket Express allows customers to order a pay-per-view event without speaking to a CSR.

. CSG Screen Express allows CSRs to get general customer background on their computer screens as each call comes in.

. CSG Statement Express allows CSRs to view a customer's statement as it was printed and sent to the customer.

CSG Enhanced Statement Presentation allows clients to tailor their logos, graphics and messages on customer invoices, including printing coupons. This helps them turn monthly bills into an easy-to-read communications and marketing tool.

Client Tier. These applications were designed with a variety of "touchpoints", or opportunities where CSG's clients' employees work directly with customers. Touchpoints include everything from a customer paying a bill over the Internet, to a technician completing a service call, to a CSR adding a new service for a customer. All of these applications have been introduced in the past three years, a visible sign of CSG's R&D efforts.

CSG Advanced Customer Service Representative (ACSR) is a "graphical user interface" to CCS. This allows CSRs to use "point and click" technology when performing customer care and billing functions. ACSR gives CSRs an integrated view of multiple services, such as cable TV, telephony, high-speed data, from one workstation. ACSR has two add-on modules:

. Customer Information Tracking tracks interactions with customers by type and subject and allows CSRs to add notes to them.

. Application Object Interface allows clients to create customized applications that access customer information and get updates from ACSR.

CSG TechNet is a handheld device that facilitates communication between technicians and dispatchers, and helps technicians to close their work orders in real time.

CSG.web is a self-directed customer service tool that allows customers to perform most service-related tasks over the Internet.

YEAR 2000

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for discussion of the Company's efforts to address the year 2000 risks related to the Company's business.

CLIENTS

The majority of the Company's largest clients are cable television and DBS providers and based on 1998 revenues are listed below in alphabetical order. All of such clients are located in the U.S. except Telewest, which is located in the United Kingdom.

CableVision Systems Corporation	Media One Group, Inc.
Century Communications Corporation	Primestar, Inc.
Comcast Corporation	TCI
Echostar Communications Corporation	Telewest
Falcon Cable TV	Time Warner

During the years ended December 31, 1998, 1997, and 1996, revenues from TCI represented approximately 37.4%, 32.9%, and 25.9% of total revenues, and revenues from Time Warner Cable and its affiliated companies ("Time Warner") represented approximately 14.1%, 20.1%, and 22.9% of total revenues, respectively. The increase in the TCI percentage between 1998 and 1997 relates primarily to the additional TCI customers converted to the Company's systems as a result of the 15-year TCI Contract executed in September 1997. The Company has separate processing agreements with multiple affiliates of Time Warner and provides products and services to them under separately negotiated and executed contracts.

CLIENT AND PRODUCT SUPPORT

The Company's clients typically rely on CSG for ongoing support and training needs relating to the Company's products. The Company has a multi-level support environment for its clients. The Company's Product Support Center operates 24 hours a day, seven days a week. Clients call an 800 number and through an automated voice response unit, direct their calls to the specific product support areas where the questions are answered. In addition, each client has a dedicated account manager. This professional helps clients resolve strategic and business issues. The Company has a full-time training staff and conducts ongoing training sessions both in the field and at its training facilities located in Denver, Colorado and Omaha, Nebraska.

SALES AND MARKETING

The Company has assembled a direct sales and sales support organization. The market for the Company's products and services is concentrated, with each existing and potential client representing multiple revenue opportunities. The Company has organized its sales efforts around senior level account managers who are responsible for new revenues and renewal of existing contracts within an account. Account managers are supported by direct sales and sales support personnel who are experienced in the various products and services that the Company provides.

FDC Data Processing Facility

The Company outsources to FDC data processing and related services required for operation of the CCS system. The Company's proprietary software is run in FDC's facility to obtain the necessary mainframe computer capacity and support without making the substantial capital investment that would be necessary for the Company to provide this service internally. The Company's clients are connected to the FDC facility through a combination of private and commercially provided networks. FDC provides the services to the Company pursuant to a five-year agreement which is scheduled to expire December 31, 2001. The Company believes it could obtain data processing services from alternative sources, if necessary.

Research and Development

The Company's product development efforts are focused on developing new products and improving existing products. The Company believes that the timely development of new applications and enhancements is essential to maintaining its competitive position in the marketplace.

The Company's total R&D expense, excluding purchased R&D, was \$27.5 million, \$22.6 million, and \$20.2 million for the years ended December 31, 1998, 1997, and 1996, or 11.6%, 13.2%, and 15.3% of total revenues, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Competition

The market for customer care and billing systems in the converging communications industries is highly competitive. The Company competes with both independent providers and in-house developers of customer management systems. The Company believes its most significant competitors are DST Systems, Inc., Convergys Corporation, and in-house systems. As the Company enters additional market segments, it expects to encounter additional competitors. Some of the Company's actual and potential competitors have substantially greater financial, marketing and technological resources than the Company.

The Company believes that the principal competitive factors in its markets include time to market, flexibility and architecture of the system, breadth of product features, product quality, customer service and support, quality of R&D effort, and price.

Proprietary Rights and Licenses

The Company relies on a combination of trade secrets and copyright laws, patents, license agreements, non-disclosure and other contractual provisions, and technical measures to protect its proprietary rights. The Company distributes its products under service and software license agreements which typically grant clients non-exclusive licenses to use the products. Use of the software products is restricted and subject to terms and conditions prohibiting unauthorized reproduction or transfer of the software products. The Company also seeks to protect the source code of its software as a trade secret and as a copyrighted work. Despite these precautions, there can be no assurance that misappropriation of the Company's software products and technology will not occur. The Company also incorporates via licenses or reselling arrangements a variety of third party technology and software products that provide specialized functionality within its own products and services. Although the Company believes that its product and service offerings conform with such arrangements and do not infringe upon the intellectual property rights of the other parties to such arrangements or of other third parties, there can be no assurance that any third parties will not assert contractual or infringement claims against the Company.

Employees

As of December 31, 1998, the Company had a total of 1,328 employees, an increase of 187 from December 31, 1997. The Company's success is dependent upon its ability to attract and retain qualified employees. None

of the Company's employees are subject to a collective bargaining agreement. The Company believes that its relations with its employees are good.

Item 2. Properties

The Company leases four facilities, totaling approximately 118,000 square feet in Denver, Colorado and surrounding communities. The Company utilizes these facilities primarily for (i) corporate headquarters, (ii) sales and marketing activities, (iii) business offices for its professional consultants, and (iv) certain R&D activities. The leases for these facilities expire in the years 1999 through 2004.

The Company leases four facilities, totaling approximately 187,000 square feet in Omaha, Nebraska. The Company utilizes these facilities primarily for (i) client services and product support, (ii) systems and programming activities, (iii) R&D activities, (iv) statement production and mailing, and (v) general and administrative functions. The leases for these facilities expire in the years 2000 through 2007.

The Company leases one facility, totaling 17,000 square feet in Jasper County, South Carolina. This facility is used for product support functions and R&D activities, and the lease expires in 2009.

The Company leases one facility, totaling 63,000 square feet in Wakulla County, Florida. This facility is used for statement production and mailing and the lease expires in 2008.

The Company leases office space totaling 13,000 square feet in Slough, Berkshire, in the United Kingdom for its U. K. operations. The lease for this facility expires in 2002.

The Company believes that its facilities are adequate for its current needs and that additional suitable space will be available as required. The Company also believes that it will be able to extend leases as they terminate. See Note 9 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 involved in litigation relating to claims arising out of its operations in the normal course of business. In the opinion of the Company's management, after consultation with legal counsel, the Company is not presently a party to any material pending or threatened legal proceedings.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Executive Officers of the Registrant

The present executive officers of the Company are Neal C. Hansen (Chairman of the Board and Chief Executive Officer), John P. Pogge (President and Chief Operating Officer), Greg A. Parker (Vice President and Chief Financial Officer) and Edward C. Nafus (Executive Vice President). During 1998, the Company executed employment agreements with each of the executive officers. Information concerning such executive officers appears in the following paragraphs:

Mr. Hansen, 58, is a co-founder of the Company and has been the Chairman of the Board and Chief Executive Officer and a director of the Company since its inception in 1994. From 1991 until founding the Company, Mr. Hansen served as a consultant to several software companies, including FDC. From 1989 to 1991, Mr. Hansen was a General Partner of Hansen, Haddix and Associates, a partnership which provided advisory management services to suppliers of software products and services. From 1983 to 1989, Mr. Hansen was Chairman and Chief Executive Officer of US WEST Applied Communications, Inc., and President of US WEST Data Systems Group.

Mr. Pogge, 45, joined the Company in 1995 and has served as President, Chief Operating Officer and a director of the Company since September 1997. Prior to that time, Mr. Pogge was an Executive Vice President of the Company and General Manager, Business Units. From 1992 to 1995, Mr. Pogge was Vice President, Corporate Development for US WEST, Inc. From 1987 to 1991, Mr. Pogge served as Vice President and General Counsel of Applied Communications, Inc. Mr. Pogge holds a J.D. degree from Creighton University School of Law and a BBA in Finance from the University of Houston. Mr. Pogge and Mr. Parker are brothers-in-law.

Mr. Parker, 40, joined the Company in July 1995 and has served as Vice President and Chief Financial Officer since April 1997. Prior to that time, Mr. Parker was Vice President, Finance. Previously, Mr. Parker was with Banc One for thirteen years and was Chief Financial Officer for Banc One in Houston and San Antonio. Mr. Parker received a BBA in Accounting and Economics from the University of Iowa in 1980. Mr. Pogge and Mr. Parker are brothers-in-law.

Mr. Nafus, 58, joined the Company in August 1998 as Executive Vice President. From 1992 to 1998, Mr. Nafus served as Executive Vice President of First Data Corporation and President of First Data International. Mr. Nafus was President of First Data Resources from 1989 to 1992, Executive Vice President of First Data Resources from 1984 to 1989 and held various other management positions with that company since 1984. Mr. Nafus holds a B.S. degree in Mathematics from Jamestown College.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's Common Stock is listed on the Nasdaq National Market ("NASDAQ/NMS") under the symbol "CSGS". The following table sets forth, for the fiscal quarters indicated, the high and low sale prices of the Company's Common Stock as reported by NASDAQ/NMS since the Company's Initial Public Offering on February 28, 1996. The per share amounts disclosed herein have been adjusted to reflect the Company's two-for-one stock split which was effective on March 5, 1999.

	High	Low
1998		
First quarter.....	\$22.63	\$18.44
Second quarter.....	24.50	18.91
Third quarter.....	24.63	18.38
Fourth quarter.....	39.50	19.13
	High	Low
1997		
First quarter.....	\$10.13	\$ 7.50
Second quarter.....	15.50	7.38
Third quarter.....	20.13	11.00
Fourth quarter.....	24.88	15.31

On March 15, 1999, the last sale price of the Company's Common Stock as reported by NASDAQ/NMS was \$35.31 per share. On January 31, 1999, the number of holders of record of Common Stock was 220.

Dividends

The Company has not declared or paid cash dividends on its Common Stock since its incorporation. The Company's debt agreement contains restrictions on the payment of dividends. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 6 to the Company's Consolidated Financial Statements.

Item 6. Selected Financial Data

The following selected financial data have been derived from the audited financial statements of the Company and CSG Systems, Inc., formerly Cable Services Group, Inc. (the "Predecessor"). The selected financial data presented below should be read in conjunction with, and is qualified by reference to "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's and the Predecessor's Consolidated Financial Statements. The information below is not necessarily indicative of the results of future operations.

	Company(1)(2)				Predecessor(1)	
	Year ended December 31,				One month ended	11 Months ended
	1998	1997	1996	1995	December 31, 1994	November 30, 1994
(in thousands, except per share amount)						
Statements of Operations Data:						
Revenues:						
Processing and related services.....	\$ 191,802	\$ 131,399	\$ 113,422	\$ 96,343	\$ 7,757	\$76,081
Software license and maintenance fees.....	31,021	26,880	14,736	57	--	--
Professional services..	13,817	13,525	4,139	4	--	--
Total revenues.....	236,640	171,804	132,297	96,404	7,757	76,081
Expenses:						
Cost of processing and related services:						
Direct costs.....	77,155	58,259	52,027	46,670	3,647	34,977
Amortization of acquired software(1)..	--	10,596	11,003	11,000	917	--
Amortization of client contracts and related intangibles(1).....	5,043	4,293	4,092	4,092	341	1,594
Total cost of processing and related services.....	82,198	73,148	67,122	61,762	4,905	36,571
Cost of software license and maintenance fees.....	17,907	9,787	5,040	--	--	--
Cost of professional services.....	7,141	7,047	2,083	--	--	--
Total cost of revenues.....	107,246	89,982	74,245	61,762	4,905	36,571
Gross margin (exclusive of depreciation).....	129,394	81,822	58,052	34,642	2,852	39,510
Operating expenses:						
Research and development:						
Research and development.....	27,485	22,586	20,206	14,278	1,044	7,680
Charge for purchased research and development(1)(5).....	--	105,484	--	--	40,953	--
Impairment of capitalized software development costs(6)..	--	11,737	--	--	--	--
Selling and marketing..	11,810	10,198	8,213	3,770	293	3,054
General and administrative:						
General and administrative.....	22,959	19,385	13,702	11,406	3,073	9,461
Amortization of goodwill and other intangibles(1).....	5,381	6,927	6,392	5,680	547	826
Impairment of intangible assets(7)..	--	4,707	--	--	--	--
Stock-based employee compensation(1).....	297	449	3,570	841	--	--
Depreciation.....	8,159	6,884	5,121	5,687	433	3,520
Total operating expenses.....	76,091	188,357	57,204	41,662	46,343	24,541
Operating income (loss)..	53,303	(106,535)	848	(7,020)	(43,491)	14,969

Other income (expense):						
Interest expense.....	(9,771)	(5,324)	(4,168)	(9,070)	(769)	(1,067)
Interest income.....	2,484	1,294	844	663	39	227
Other.....	(21)	349	--	--	--	--
Total other.....	(7,308)	(3,681)	(3,324)	(8,407)	(730)	(840)
Income (loss) before income taxes, extraordinary item and discontinued operations.....	45,995	(110,216)	(2,476)	(15,427)	(44,221)	14,129
Income tax (provision) benefit(8).....	39,643	--	--	--	3,757	(5,519)
Income (loss) before extraordinary item and discontinued operations.....	85,638	(110,216)	(2,476)	(15,427)	(40,464)	8,610
Extraordinary loss from early extinguishment of debt(3)(5).....	--	(577)	(1,260)	--	--	--
Income (loss) from continuing operations..	85,638	(110,793)	(3,736)	(15,427)	(40,464)	8,610
Discontinued operations(4):						
Loss from operations...	--	--	--	(3,093)	(239)	--
Gain (loss) from disposition.....	--	7,922	--	(660)	--	--
Total gain (loss) from discontinued operations.....	--	7,922	--	(3,753)	(239)	--
Net income (loss).....	\$ 85,638	\$ (102,871)	\$ (3,736)	\$ (19,180)	\$ (40,703)	\$ 8,610
Diluted net income (loss) per common share(9):						
Income (loss) attributable to common stockholders.....	\$ 1.62	\$ (2.16)	\$ (.07)	\$ (2.76)	\$ (7.88)	
Extraordinary loss from early extinguishment of debt.....	--	(.01)	(.03)	--	--	
Gain (loss) from discontinued operations.....	--	15	--	(.54)	(.04)	
Net income (loss) attributable to common stockholders.....	\$ 1.62	\$ (2.02)	\$ (.10)	\$ (3.30)	\$ (7.92)	
Weighted average diluted common shares.	52,991	50,994	43,746	6,901	5,175	

	Company(1)(2)				Predecessor(1)	
	Year ended December 31,				One month ended December 31,	11 Months ended November 30,
	1998	1997	1996	1995	1994	1994
	(in thousands)					
Other Data (at Period End):						
Number of clients' customers processed....	29,461	21,146	19,212	17,975	16,435	16,347
Balance Sheet Data (at Period End):						
Cash and cash equivalents.....	\$ 39,593	\$ 20,417	\$ 6,134	\$ 3,603	\$ 6,650	\$ 22
Working capital.....	7,050	3,518	4,430	2,359	4,681	8,356
Total assets(5).....	271,496	179,793	114,910	105,553	130,160	65,695
Total debt(3)(5).....	128,250	135,000	32,500	85,068	95,000	10,438
Redeemable convertible preferred stock(3).....	--	--	--	62,985	59,363	--
Stockholders' equity (deficit)(1)(3)(5)(6)...	60,998	(33,086)	41,964	(61,988)	(40,429)	43,031

(1) The Company was formed in October 1994 and acquired all of the outstanding shares of CSG Systems, Inc., formerly Cable Services Group, Inc., from First Data Corporation ("FDC") on November 30, 1994 (the "CSG Acquisition"). The Company did not have any substantive operations prior to the CSG Acquisition. The CSG Acquisition was accounted for as a purchase and the Company's Consolidated Financial Statements (the "Consolidated Financial Statements") since the date of the acquisition are presented on the new basis of accounting established for the purchased assets and liabilities. The Company incurred certain acquisition-related charges as a result of the CSG Acquisition. These acquisition-related charges included an immediate charge of \$40.9 million as of the acquisition date for purchased research and development and recurring, periodic amortization of acquired software, client contracts and related intangibles, noncompete agreement and goodwill, and stock-based employee compensation.

(2) On June 28, 1996, the Company acquired all of the outstanding shares of Bytel Limited. Bytel Limited changed its name to CSG International Limited ("CSGI") in 1998. The acquisition was accounted for using the purchase method of accounting.

(3) The Company completed an initial public offering ("IPO") of its Common Stock in March 1996. The Company sold 6,670,000 shares of Common Stock resulting in net proceeds to the Company of \$44.8 million. Such proceeds were used to repay long-term debt of \$40.3 million and to pay accrued dividends of \$4.5 million on Redeemable Convertible Preferred Stock ("Preferred Stock"). As of the closing of the IPO, all of the Preferred Stock was automatically converted into 35,999,996 shares of Common Stock. The Company incurred an extraordinary loss of \$1.3 million for the write-off of deferred financing costs attributable to the portion of the long-term debt repaid.

(4) Contemporaneously with the Acquisition, the Company purchased from FDC all of the outstanding capital stock of Anasazi Inc. ("Anasazi"). On August 31, 1995, the Company completed a substantial divestiture of Anasazi, resulting in the Company owning less than 20% of Anasazi. In September 1997, the Company sold its remaining ownership interest in Anasazi for \$8.6 million in cash and recognized a gain of \$7.9 million. The Company accounted for its ownership in Anasazi as discontinued operations after its acquisition in 1994.

(5) During 1997, the Company purchased certain SUMMITrak technology assets from Tele-Communications, Inc. ("TCI") and entered into a 15-year processing contract (the "TCI Contract"). The total purchase price was approximately \$159 million, with approximately \$105 million charged to purchased research and development and the remaining amount allocated primarily to the TCI Contract. The Company financed the asset acquisition with a \$150.0 million term credit facility (the "Term Credit Facility"), of which \$27.5 million was used to retire the Company's previously outstanding debt, resulting in an extraordinary loss of \$0.6 million for the write-off of deferred financing costs attributable to such debt. See Note 4 to the Consolidated Financial Statements for additional discussion.

(6) During 1997, the Company recorded a non-recurring charge of \$11.7 million to reduce certain CSG Phoenix assets to their net realizable value as of December 31, 1997.

(7) During 1997, the Company recorded a non-recurring charge of \$4.7 million for the impairment of certain intangible assets related to software systems which the Company decided to no longer market and support.

(8) During 1998, the Company recorded an income tax benefit of \$39.6 million related primarily to the elimination of its valuation allowance against its deferred tax assets. See Note 7 to the Consolidated Financial Statements for further discussion.

(9) On March 5, 1999, the Company completed a two-for-one stock split for shareholders of record on February 8, 1999. In January 1996, the Company also completed a two-for-one stock split. Both splits were effected as a stock dividend. Share and per share data for all periods presented herein have been adjusted to give effect to both splits. Diluted net income (loss) per common share and the shares used in the per share computation have been computed on the basis described in Note 2 to the Consolidated Financial Statements.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The Company. The Company was formed in October 1994 and acquired all of the outstanding stock of CSG Systems, Inc. from First Data Corporation ("FDC") in November 1994 (the "CSG Acquisition"). CSG Systems, Inc. had been a subsidiary or division of FDC from 1982 until the acquisition.

The Company is a leading provider of customer care and billing solutions for cable television and direct broadcast satellite providers, and also serves on-line services and telecommunications providers. The Company's products and services enable its clients to focus on their core businesses, improve customer service, and enter new markets and operate more efficiently. The Company offers its clients a full suite of processing and related services, and software and professional services which automate customer care and billing functions. These functions include set-up and activation of customer accounts, sales support, order processing, invoice calculation, production and mailing, management reporting, and customer analysis for target marketing. The Company's products and services combine the reliability and high volume transaction processing capabilities of a mainframe platform with the flexibility of client/server architecture.

Stock Splits. On March 5, 1999, the Company completed a two-for-one stock split for shareholders of record on February 8, 1999. In January 1996, the Company also completed a two-for-one stock split. Both splits were effected as a stock dividend. Share and per share data for all periods presented herein have been adjusted to give effect to both splits.

Stock Offerings. The Company completed the initial public offering ("IPO") of its common stock in March 1996. The Company sold 6,670,000 shares of Common Stock, resulting in net proceeds to the Company, after deducting the underwriting discount and offering expenses, of approximately \$44.8 million. The net proceeds from the IPO were used to repay long-term debt of \$40.3 million and to pay accrued dividends of \$4.5 million on Preferred Stock. As of the closing of the IPO, all of the 8,999,999 outstanding shares of Preferred Stock were automatically converted into 35,999,996 shares of Common Stock and all accrued dividends were paid. See Notes 5 and 6 to the Consolidated Financial Statements for additional information regarding the Company's Preferred Stock and long-term debt.

In April 1998, the Company completed a secondary public stock offering of approximately 7.0 million shares of Common Stock. The primary shareholders in the offering included Morgan Stanley affiliated entities and General Motors employee benefit plan trusts. The Company received none of the proceeds from the offering, nor incurred any expense.

Acquisitions

USTATS Asset Acquisition. On July 30, 1998, the Company acquired substantially all of the assets of US Telecom Advanced Technology Systems, Inc. ("USTATS") for approximately \$6.0 million in cash and assumption of certain liabilities of approximately \$1.3 million. USTATS, a South Carolina-based company, specializes in open systems, client/server customer care and billing systems serving the telecommunications markets. The Company intends to use the acquired technology and software to (i) enhance its current service-bureau telephony customer care and billing system, and (ii) provide a customer care and billing system for the domestic and international competitive local exchange carrier ("CLEC") and incumbent local exchange carrier ("ILEC") markets. The cash portion of the purchase price was paid out of corporate funds. The total purchase price of \$7.3 million has been allocated to the technology and software acquired and is being amortized over its expected useful life of five years.

Acquisition of SUMMITrak Assets. In September 1997, the Company purchased certain SUMMITrak software technology assets that were in development from Tele-Communications, Inc. ("TCI"). The development efforts are on schedule and the resource requirements for completion of the development efforts are consistent with the original expectations. The related products from these development efforts are expected to be available for general release in 1999. See Note 4 to the Company's Consolidated Financial Statements for additional discussion of the SUMMITrak asset acquisition.

Acquisition of CSG International Limited. On June 28, 1996, the Company acquired all of the outstanding shares of Bytel Limited for \$3.1 million in cash and assumption of certain liabilities of \$1.6 million. During 1998, Bytel Limited changed its name to CSG International Limited ("CSGI"). The acquisition was accounted for using the purchase method. The cost in excess of the fair value of the net tangible assets acquired of \$4.2 million was allocated to goodwill and is being amortized over seven years on a straight-line basis. The Consolidated Financial Statements include CSGI's results of operations since the acquisition date. CSGI, established in 1992, is one of the leading providers of customer care and billing solutions in the United Kingdom to providers of converged cable television and telephony services.

Acquisition-Related Charges

Acquisition Charges. The CSG Acquisition was accounted for using the purchase method. As a result, the Company has recorded recurring, periodic amortization of acquired software, client contracts and related intangibles, noncompete agreement, goodwill and stock-based employee compensation (collectively, the "Acquisition Charges"). The Acquisition Charges totaled \$8.2 million, \$20.7 million, and \$24.4 million for the years ended December 31, 1998, 1997 and 1996, respectively. The Acquisition Charges will be approximately \$7.5 million for 1999, and thereafter, the amounts will be approximately \$0.2 million per year until fully amortized in 2004.

Discontinued Operations. Contemporaneously with the CSG Acquisition, the Company purchased from FDC all of the outstanding shares of Anasazi Inc. ("Anasazi") for \$6.0 million cash. Anasazi provides central reservation systems and services for the hospitality and travel industries. The Company accounted for its ownership in Anasazi as discontinued operations after its acquisition in 1994. On August 31, 1995, the Company completed a substantial divestiture of Anasazi, resulting in the Company owning less than 20% of Anasazi. As a result, Anasazi's results of operations subsequent to August 31, 1995 are not included in the Company's results of operations as the Company accounted for its investment in Anasazi under the cost method subsequent to August 31, 1995. In September 1997, the Company sold its remaining interest in Anasazi for \$8.6 million in cash and recognized a gain of \$7.9 million.

Non-Recurring Items

Charge for Purchased Research and Development. During 1997, the Company recorded a charge of \$105.5 million related primarily to the portion of the SUMMITrak asset acquisition purchase price allocated to purchased research and development related to software technologies which had not reached technological feasibility and had no other alternative future use as of the acquisition.

Impairment of Capitalized Software Development Costs. During 1997, the Company recorded a charge of \$11.7 million related to certain CSG Phoenix assets. After the consideration of multiple factors and events, consisting primarily of an increase in demand for the Company's outsourced processing services and previously announced delays in the delivery of CSG Phoenix, such assets were reduced to their estimated net realizable value as of December 31, 1997. The charge primarily included previously capitalized internal development costs and purchased software incorporated into the product.

Impairment of Intangible Assets. During 1997, the Company recorded a charge of \$4.7 million for the impairment of certain intangible assets related to software systems which the Company decided to no longer market and support. This impairment charge related principally to the Company's CableMAX product. CableMAX was a personal computer-based customer management system targeted at smaller cable systems of 2,500 customers or less. During 1997, the Company decided not to invest the resources necessary to make the software year 2000 compliant, resulting in the impairment of the CableMAX intangible assets.

Extraordinary Loss From Early Extinguishment Of Debt. In September 1997, the Company retired its outstanding bank indebtedness of \$27.5 million in conjunction with obtaining financing for the SUMMITrak asset acquisition. Upon repayment of the outstanding debt, the Company recorded an extraordinary loss of \$0.6

million for the write-off of deferred financing costs. In March 1996, the Company recorded an extraordinary charge of \$1.3 million for the write-off of deferred financing costs related to repayment of \$40.3 million of long-term debt with proceeds from the IPO.

Income Tax Benefit. As of September 30, 1998, the Company had a valuation allowance of \$48.5 million against certain of its deferred tax assets due to the uncertainty that it would realize the income tax benefit from these assets. During the fourth quarter of 1998, the Company concluded that it was more likely than not that it would realize the entire tax benefit from its deferred tax assets. As a result, the Company eliminated the entire valuation allowance of \$48.5 million as of December 31, 1998, which resulted in the Company recording a net income tax benefit of \$39.6 million during the fourth quarter. This conclusion was based primarily upon the Company's expected profitable operations in future periods. See below for additional discussion.

Adjusted Results of Operations

Impact of Acquisition Charges and Non-recurring Charges on Earnings. As discussed above, the Company has incurred Acquisition Charges and non-recurring charges in each of the last three years. The total of these charges was \$8.2 million, \$135.3 million, and \$25.6 million for the years ended December 31, 1998, 1997 and 1996, respectively. The Company's adjusted results of operations excluding these items are shown in the following table. In addition to the exclusion of these expenses from the calculation, the adjusted results of operations were computed using an effective income tax rate of 38.0%, and outstanding shares on a diluted basis.

	For the year ended December 31,		
	1998	1997	1996
	(in thousands, except per share amounts)		
Adjusted Results of Operations:			
Operating income.....	\$ 61,512	\$ 36,131	\$ 25,194
Operating income margin....	26.0%	21.0%	19.0%
Income before income taxes.	54,204	32,450	21,870
Net income.....	33,606	20,119	13,559
Earnings per diluted common share.....	.63	.39	.27
Weighted average diluted common shares.....	52,991	52,138	50,588

Results of Operations

The following table sets forth certain financial data and the percentage of total revenues of the Company for the periods indicated. The results of CSGI's operations since its acquisition on June 28, 1996 are included in the following table and considered in the discussion of the Company's operations that follows.

	Year Ended December 31,					
	1998		1997		1996	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands)					
Revenues:						
Processing and related services.....	\$191,802	81.1%	\$ 131,399	76.5%	\$113,422	85.8%
Software license and maintenance fees.....	31,021	13.1	26,880	15.6	14,736	11.1
Professional services..	13,817	5.8	13,525	7.9	4,139	3.1
Total revenues.....	236,640	100.0	171,804	100.0	132,297	100.0
Expenses:						
Cost of processing and related services:						
Direct costs.....	77,155	32.6	58,259	33.9	52,027	39.3
Amortization of acquired software.....	--	--	10,596	6.2	11,003	8.3
Amortization of client contracts and related intangibles.....	5,043	2.1	4,293	2.5	4,092	3.1
Total cost of processing and related services.....	82,198	34.7	73,148	42.6	67,122	50.7
Cost of software license and maintenance fees.....	17,907	7.6	9,787	5.7	5,040	3.8
Cost of professional services.....	7,141	3.0	7,047	4.1	2,083	1.6
Total cost of revenues.....	107,246	45.3	89,982	52.4	74,245	56.1
Gross margin (exclusive of depreciation).....	129,394	54.7	81,822	47.6	58,052	43.9
Operating expenses:						
Research and development:						
Research and development.....	27,485	11.6	22,586	13.2	20,206	15.3
Charge for purchased research and development.....	--	--	105,484	61.4	--	--
Impairment of capitalized software development costs.....	--	--	11,737	6.8	--	--
Selling and marketing..	11,810	5.0	10,198	5.9	8,213	6.2
General and administrative:						
General and administrative.....	22,959	9.7	19,385	11.3	13,702	10.4
Amortization of noncompete agreements and goodwill.....	5,381	2.3	6,927	4.0	6,392	4.8
Impairment of intangible assets.....	--	--	4,707	2.7	--	--
Stock-based employee compensation.....	297	0.1	449	3	3,570	2.7
Depreciation.....	8,159	3.4	6,884	4.0	5,121	3.9
Total operating expenses.....	76,091	32.1	188,357	109.6	57,204	43.3
Operating income (loss).	53,303	22.6	(106,535)	(62.0)	848	.6
Other income (expense):						
Interest expense.....	(9,771)	(4.1)	(5,324)	(3.1)	(4,168)	(3.1)
Interest income.....	2,484	1.0	1,294	.7	844	.6

Other.....	(21)	--	349	.2	--	--
	-----	-----	-----	-----	-----	-----
Total other.....	(7,308)	(3.1)	(3,681)	(2.2)	(3,324)	(2.5)
	-----	-----	-----	-----	-----	-----
Income (loss) before income taxes, extraordinary item and discontinued operations.....	45,995	19.5	(110,216)	(64.2)	(2,476)	(1.9)
Income tax benefit.....	39,643	16.7	--	--	--	--
	-----	-----	-----	-----	-----	-----
Income (loss) before extraordinary item and discontinued operations.....	85,638	36.2	(110,216)	(64.2)	(2,476)	(1.9)
Extraordinary loss from early extinguishment of debt.....	--	--	(577)	(.3)	(1,260)	(.9)
	-----	-----	-----	-----	-----	-----
Income (loss) from continuing operations..	85,638	36.2	(110,793)	(64.5)	(3,736)	(2.8)
Gain from disposition of discontinued operations.....	--	--	7,922	4.6	--	--
	-----	-----	-----	-----	-----	-----
Net income (loss).....	\$ 85,638	36.2%	\$(102,871)	(59.9)%	\$ (3,736)	(2.8)%
	=====	=====	=====	=====	=====	=====

Revenues. Total revenues increased \$64.8 million, or 37.7%, to \$236.6 million in 1998, from \$171.8 million in 1997.

Revenues from processing and related services increased \$60.4 million, or 46.0%, to \$191.8 million in 1998, from \$131.4 million in 1997. Of the total increase in revenue, approximately 61% resulted from the Company serving a higher number of customers for its clients and approximately 39% was due to increased revenue per customer. Customers serviced as of December 31, 1998 and 1997 were 29.5 million and 21.1 million, respectively, an increase of 39.3%. The increase in the number of customers serviced was due to the conversion of additional customers by new and existing clients to the Company's systems, and internal customer growth experienced by existing clients. During 1998, the Company converted and processed approximately 9.0 million new customers on its systems, with approximately 7.7 million of these new customers coming from TCI. Total domestic revenue per customer account for 1998 was \$8.71, compared to \$7.73 for 1997, an increase of 12.7%. Revenue per customer increased due primarily to (i) the 15-year processing contract with TCI (the "TCI Contract"), which was executed in September 1997, (ii) increased usage of ancillary services by clients, and (iii) price increases included in client contracts.

Revenues from software and related product sales and professional consulting services increased \$4.4 million, or 11.0%, to \$44.8 million in 1998, from \$40.4 million in 1997. This increase relates to the continued growth of the Company's software products and related product sales and professional consulting services.

Cost of Processing and Related Services. Direct processing costs as a percentage of related revenues were 40.2% for 1998, compared to 44.3% for 1997. The improvement between years relates primarily to better overall leveraging of the direct processing costs as a result of the continued growth of the customer base processed on the Company's system. Amortization of acquired software decreased to zero in 1998, from \$10.6 million in 1997, due to acquired software from the CSG Acquisition becoming fully amortized as of November 30, 1997. Amortization of client contracts and related intangibles increased \$0.7 million, or 17.5%, to \$5.0 million in 1998, from \$4.3 million in 1997. The increase in expense is due to amortization of the value assigned to the TCI Contract, offset by a decrease in the amortization of certain intangible assets from the CSG Acquisition becoming fully amortized as of November 30, 1997. The value assigned to the TCI Contract is being amortized over the life of the contract in proportion to the financial minimums included in the contract. Amortization related to the TCI Contract was \$1.9 million in 1998, compared to \$0.3 million in 1997. For 1999, the scheduled amortization for the TCI Contract is \$3.3 million.

Cost of Software License and Maintenance Fees. The cost of software license and maintenance fees as a percentage of related revenues was 57.7% in 1998, compared to 36.4% in 1997. The increase in this percentage between years relates primarily to the timing of the sales cycle for new products introduced in 1998. For 1999, the cost of software license and maintenance fees as a percentage of related revenues is expected to be comparable to the 1997 percentage.

Gross Margin. Gross margin increased \$47.6 million, or 58.1%, to \$129.4 million in 1998, from \$81.8 million in 1997, due primarily to revenue growth. The gross margin as a percentage of total revenues increased to 54.7% in 1998, compared to 47.6% in 1997. The overall increase in the gross margin percentage is due primarily to the increase in revenues while the amount of amortization of acquired software decreased, and to a lesser degree, the improvement in the gross margin percentage for processing and related services, due primarily to the increase in revenue per customer while controlling the cost of delivering such services.

Research and Development Expense. Research and development ("R&D") expense increased \$4.9 million, or 21.7%, to \$27.5 million in 1998, from \$22.6 million in 1997. As a percentage of total revenues, R&D expense decreased to 11.6% in 1998, from 13.2% in 1997.

During 1997, the Company capitalized software development costs of approximately \$9.7 million, which consisted of \$8.4 million of internal development costs and \$1.3 million of purchased software. The Company

capitalized third party, contracted programming costs of approximately \$1.4 million during 1998, related primarily to enhancements to existing products. As a result, total R&D development expenditures (i.e., the total R&D costs expensed, plus the capitalized development costs) for 1998 and 1997, were \$28.9 million, or 12.2% of total revenues, and \$31.0 million, or 18.0% of total revenues, respectively. The overall decrease in the R&D expenditures between periods is due primarily to effective control of development costs, primarily the reduction of third party, contracted programming services.

Selling and Marketing Expense. Selling and marketing ("S&M") expense increased \$1.6 million, or 15.8%, to \$11.8 million in 1998, from \$10.2 million in 1997. As a percentage of total revenues, S&M expense decreased to 5.0% in 1998, from 5.9% in 1997. The overall decrease in S&M expenses as a percentage of total revenues is due primarily to increased revenues, while controlling S&M costs.

General and Administrative Expense. General and administrative ("G&A") expense increased \$3.6 million, or 18.4%, to \$23.0 million in 1998, from \$19.4 million in 1997. As a percentage of total revenues, G&A expense decreased to 9.7% in 1998, from 11.3% in 1997. The increase in G&A expenses relates primarily to the continued expansion of the Company's administrative staff and other administrative costs to support the Company's overall growth. The decrease in G&A expenses as a percentage of total revenues is due primarily to increased revenue, while controlling G&A costs.

Amortization of Noncompete Agreements and Goodwill. Amortization of noncompete agreements and goodwill decreased \$1.5 million, or 22.3%, to \$5.4 million in 1998, from \$6.9 million in 1997. The decrease in amortization expense is due primarily to a write-down of certain intangible assets in 1997. See Note 2 to the Consolidated Financial Statements for additional discussion.

Depreciation Expense. Depreciation expense increased \$1.3 million, or 18.5%, to \$8.2 million in 1998, from \$6.9 million in 1997. The increase in expense relates to capital expenditures made throughout 1998 and 1997 in support of the overall growth of the Company, consisting principally of computer hardware and related equipment and statement processing equipment and related facilities. Depreciation expense for all property and equipment is reflected separately in the aggregate and is not included in the other components of operating expenses.

Operating Income (Loss). Operating income was \$53.3 million for 1998, compared to an operating loss of \$106.5 million in 1997. The change between years relates primarily to the non-recurring charges recorded in 1997, as discussed above. The Company's operating income margin, excluding the Acquisition Charges and non-recurring charges discussed above, was 26.0% for 1998, compared to 21.0% for 1997.

Interest Expense. Interest expense increased \$4.5 million, or 83.5%, to \$9.8 million in 1998, from \$5.3 million in 1997, with the increase attributable primarily to the financing of the Company's acquisition of the SUMMITrak assets in September 1997.

Interest Income. Interest income increased \$1.2 million, or 92.0%, to \$2.5 million in 1998, from \$1.3 million in 1997, with the increase attributable primarily to an increase in operating funds available for investment and an increase in interest charges on aged client accounts.

Income Tax Benefit. As of September 30, 1998, the Company had a valuation allowance of \$48.5 million against certain of its deferred tax assets due to the uncertainty that it would realize the income tax benefit from these assets. During the fourth quarter of 1998, the Company concluded that it was more likely than not that it would realize the entire tax benefit from its deferred tax assets. As a result, the Company eliminated the entire valuation allowance of \$48.5 million as of December 31, 1998, which resulted in the Company reflecting a net income tax benefit of \$39.6 million for 1998.

Management believes the Company will obtain the full benefit of the deferred tax assets on the basis of its evaluation of the Company's anticipated profitability over the period of years that the temporary differences are

expected to become deductions. The Company believes that sufficient book and taxable income will be generated to realize the entire benefit of these deferred tax assets. The Company's assumptions of future profitable operations are supported by (i) the Company's strong financial performance in 1998, (ii) the successful conversion of approximately 9.0 million new customers onto the Company's processing system in 1998, with approximately 7.7 million of these customers coming from TCI, and (iii) continued strong demand from the converging communications markets for the Company's service bureau customer care and billing solutions and related software and services products, evidenced by the signing of several significant clients (both renewal and new contracts) to long-term processing contracts during 1998.

Twelve Months Ended December 31, 1997 Compared to the Twelve Months Ended December 31, 1996

Revenues. Total revenues increased \$39.5 million, or 29.9%, to \$171.8 million in 1997, from \$132.3 million in 1996.

Revenues from processing and related services increased \$18.0 million, or 15.8%, to \$131.4 million in 1997, from \$113.4 million in 1996. Of the total increase in revenue, approximately 59% resulted from the Company serving a higher number of customers for its clients and approximately 41% was due to increased revenue per customer. Customers serviced as of December 31, 1997 and 1996 were 21.1 million and 19.2 million, respectively, an increase of 10.1%. The increase in the number of customers serviced was due primarily to internal customer growth experienced by existing clients and the addition of new clients. Total domestic revenue per customer account for 1997 was \$7.73, compared to \$6.67 for 1996, an increase of 15.9%. Revenue per customer increased due to price increases included in client contracts and increased usage of ancillary services by existing clients.

Revenues from software and related product sales and professional consulting services increased \$21.5 million, or 114.1%, to \$40.4 million in 1997, from \$18.9 million in 1996. This increase relates to the introduction of the Company's new software products and professional consulting services in early 1996 with continued expansion throughout 1996 and 1997, and the inclusion of revenues from CSGI's operations for all of 1997, whereas six months of revenues for CSGI were included for 1996.

Cost of Processing and Related Services. Direct processing costs as a percentage of related revenues were 44.3% for 1997, compared to 45.8% for 1996. The improvement between years relates primarily to better overall leveraging of the direct processing costs as a result of the continued growth of the customer base processed on the Company's system, and a reduction in data processing costs resulting from the Company's renegotiated contract with FDC effective January 1, 1997. Amortization of acquired software decreased \$0.4 million, or 3.7%, to \$10.6 million in 1997, from \$11.0 million in 1996, due primarily to acquired software from the CSG Acquisition becoming fully amortized as of November 30, 1997. Amortization of client contracts and related intangibles increased \$0.2 million, or 4.9%, to \$4.3 million in 1997, from \$4.1 million in 1996 due primarily to amortization from the TCI Contract executed in September 1997.

Gross Margin. Gross margin increased \$23.7 million, or 40.9%, to \$81.8 million in 1997, from \$58.1 million in 1996, due primarily to revenue growth. The gross margin as a percentage of total revenues increased to 47.6% in 1997, compared to 43.9% in 1996. The increase in the gross margin as a percentage of total revenues is due primarily to (i) a favorable change in revenue mix which included more higher-margined software products, (ii) the increase in revenues while the overall amount of amortization of acquired software and the amortization of client contracts and related intangibles remained relatively constant, and (iii) the improvement in the gross margin percentage for processing and related services, due primarily to the increase in revenue per customer while controlling the cost of delivering such services.

Research and Development Expense. R&D expense increased \$2.4 million, or 11.8%, to \$22.6 million in 1997, from \$20.2 million in 1996. As a percentage of total revenues, R&D expense decreased to 13.2% in 1997 from 15.3% in 1996. The Company capitalized software development costs, related primarily to CSG Phoenix, of approximately \$9.7 million during 1997, which consisted of \$8.4 million of internal development costs and

\$1.3 million of purchased software. The Company capitalized software development costs, related primarily to CSG Phoenix, ACSR Telephony and CSG VantagePoint, of approximately \$3.1 million in 1996, which consisted of \$2.5 million of internal development costs and \$0.6 million of purchased software. As a result, total R&D expenditures (i.e., the total R&D costs expensed, plus the capitalized internal development costs) for 1997 and 1996 were \$31.0 million, or 18.0% of total revenues, and \$22.7 million, or 17.2% of total revenues, respectively. The overall increase in R&D expenditures is due primarily to continued efforts on several products which are in development and enhancements of the Company's existing products. The increased R&D expenditures consist primarily of increases in salaries, benefits, contracted programming services, and other programming-related expenses.

Selling and Marketing Expense. S&M expense increased \$2.0 million, or 24.2%, to \$10.2 million in 1997, from \$8.2 million in 1996. As a percentage of total revenues, S&M expense decreased to 5.9% in 1997, compared to 6.2% in 1996. The increase in expense is due primarily to continued growth of the Company's direct sales force throughout 1996 and most of 1997. The Company began building a new direct sales force in mid-1995 and continued to expand its sales force through the end of 1997.

General and Administrative Expense. G&A expense increased \$5.7 million, or 41.5%, to \$19.4 million in 1997, from \$13.7 million in 1996. As a percentage of total revenues, G&A expense increased to 11.3% in 1997, from 10.4% in 1996. The increase in expense relates primarily to (i) the continued expansion of the Company's management team and related administrative staff, added throughout 1996 and 1997, to support the Company's overall growth, (ii) an increase in facility costs to support employee growth, including the cost of relocating the Company's corporate headquarters, (iii) expenses of \$0.7 million related to the closing of the TCI Contract and the SUMMITrak asset purchase agreement, and (iv) the inclusion of G&A expenses from CSGI's operations for all of 1997, whereas six months of G&A expenses for CSGI were included for 1996.

Amortization of Noncompete Agreements and Goodwill. Amortization of noncompete agreements and goodwill increased \$0.5 million, or 8.4%, to \$6.9 million in 1997, from \$6.4 million in 1996. The increase in expense relates to amortization of goodwill from the CSGI acquisition and amortization of an additional noncompete agreement executed in April 1996.

Stock-Based Employee Compensation. During 1995 and 1994, the Company sold Common Stock to executive officers and key employees pursuant to performance stock agreements and recorded deferred compensation of \$5.8 million related to these purchases. Prior to the completion of the IPO, the deferred compensation was being recognized as stock-based employee compensation expense on a straight-line basis from the time the shares were purchased through November 30, 2001, as the shares became vested as of this date. Upon completion of the IPO, shares owned by certain executive officers of the Company became fully vested. In addition, the vesting for the remaining performance stock shares decreased to 20.0% annually over a five-year period. As a result, approximately \$3.2 million of stock-based employee compensation expense was recorded when the IPO was completed in March 1996. See Note 11 to the Consolidated Financial Statements for additional discussion.

Depreciation Expense. Depreciation expense increased \$1.8 million, or 34.4%, to \$6.9 million in 1997, from \$5.1 million in 1996, with the increase attributed to capital expenditures throughout 1996 and 1997 in support of the overall growth of the Company. Depreciation expense for all property and equipment is reflected separately in the aggregate and is not included in the other components of operating expenses.

Operating Income (Loss). Operating loss was \$106.5 million for 1997, compared to operating income of \$0.8 million for 1996. The change between years relates primarily to the non-recurring charges recorded in the fourth quarter of 1997, as discussed above. The Company's operating income margin, excluding the Acquisition Charges and non-recurring charges discussed above, was 21.0% for 1997, compared to 19.0% for 1996.

Interest Expense. Interest expense increased \$1.1 million, or 27.7%, to \$5.3 million in 1997, from \$4.2 million in 1996, with the increase attributable primarily to new debt incurred under the Term Credit Facility.

This increase was partially offset by the effects of (i) scheduled principal payments on the Company's long-term debt, (ii) the retirement of \$40.3 million of long-term debt with the proceeds from the IPO in March 1996, and (iii) a decrease in the Company's interest rate spread on LIBOR, as a result of the Company favorably amending its long-term credit facility in April 1996.

Liquidity and Capital Resources

As of December 31, 1998, the Company's principal sources of liquidity included cash and cash equivalents of \$39.6 million and a revolving credit facility with a bank in the amount of \$40.0 million, of which there were no borrowings outstanding as of December 31, 1998. The Company's ability to borrow under the revolving credit facility is subject to maintenance of certain levels of eligible receivables. At December 31, 1998, all of the \$40.0 million revolving credit facility was available to the Company. The revolving credit facility expires in September 2002. The Company's working capital as of December 31, 1998 and 1997 was \$7.1 million and \$3.5 million, respectively.

As of December 31, 1998 and 1997, respectively, the Company had \$60.5 million and \$44.7 million in net billed trade accounts receivable, an increase of \$15.8 million, with the increase primarily a result of the Company's revenue growth. The Company's trade accounts receivable balance includes billings for several non-revenue items, such as postage, communication lines, travel and entertainment reimbursements, sales tax, and deferred items. As a result, the Company evaluates its performance in collecting its accounts receivable through its calculation of days billings outstanding ("DBO") rather than a typical days sales outstanding ("DSO") calculation. DBO is calculated based on the billing for the period (including non-revenue items) divided by the average net trade accounts receivable balance for the period. The Company's DBO calculations for the years ended December 31, 1998 and 1997 were 56 days and 54 days, respectively.

The Company's net cash flows from operating activities for the years ended December 31, 1998, 1997 and 1996 were \$47.3 million, \$31.4 million and \$29.1 million, respectively. The increase of \$15.9 million, or 50.6%, in 1998 over 1997 relates to a \$20.1 million increase in net cash flows from operations, offset by a decrease in the net change in operating assets and liabilities of \$4.2 million. The increase of \$2.3 million, or 7.8%, in 1997 over 1996 relates to a \$9.2 million increase in net cash flows from operations, offset by a decrease in the net change in operating assets and liabilities of \$6.9 million.

The Company's net cash flows used in investing activities totaled \$27.1 million in 1998, compared to \$117.4 million in 1997, a decrease of \$90.3 million. The decrease between years relates primarily to the cash payments of \$106.5 million for the SUMMITrak assets acquired in September 1997 and a decrease of \$8.7 million in capitalized software development costs between years, with these decreases offset by (i) proceeds of \$8.6 million from the final disposition of Anasazi in 1997, (ii) cash payment of \$6.0 million for the acquisition of assets of USTATS, (iii) conversion incentive payments of \$4.0 million made in 1998, and (iv) an increase in purchases of net property and equipment of \$6.3 million (with the increase related to computer hardware and related equipment and statement processing equipment and related facilities). The Company's net cash flow used in investing activities totaled \$14.7 million in 1996. The increase of \$102.7 million between 1996 and 1997 relates primarily to the cash payments of \$106.5 million for the SUMMITrak assets acquired in September 1997 and a increase of \$6.6 million in capitalized software development costs between years, with these increases offset by proceeds of \$8.6 million from the final disposition of Anasazi in 1997.

The Company's net cash flows used in financing activities was \$1.1 million in 1998, compared to net cash flows provided by financing activities of \$100.7 million in 1997, a decrease of \$101.8 million. The significant decrease between years relates primarily to the net change in the Company's long-term debt between years. In 1997, the Company generated \$150.0 million from a new debt agreement entered into primarily to fund the SUMMITrak asset acquisition, and repaid long-term debt of \$47.5 million, which included (i) \$5.0 million of scheduled payments on the previous debt agreement, (ii) \$27.5 million of existing debt which was refinanced as part of the new debt agreement, and (iii) an optional prepayment of \$15.0 million on the new debt. The scheduled

principal payments made in 1998 were \$6.8 million. The net cash flows used in financing activities totaled \$12.1 million for 1996. The increase of \$112.8 million between 1996 and 1997 relates primarily to the net change in the Company's long-term debt between years. In addition, during 1996, the Company sold 6,670,000 shares of Common Stock in its IPO, resulting in net proceeds to the Company of approximately \$44.8 million. The net proceeds from the IPO were used to repay long-term debt of \$40.3 million and to pay accrued dividends of \$4.5 million on Preferred Stock. As of the closing of the IPO in March 1996, all of the 8,999,999 outstanding shares of the Preferred Stock were automatically converted into 35,999,996 shares of Common Stock, at which time the accrued dividends became payable.

Earnings from continuing operations (before extraordinary item and non-recurring charges) before interest, taxes, depreciation and amortization ("EBITDA") for 1998 was \$73.5 million or 31.0% of total revenues, compared to \$45.5 million or 26.5% of total revenues for 1997. EBITDA is presented here as a measure of the Company's debt service ability and is not intended to represent cash flows for the periods.

Interest rates for the Term Credit Facility and revolving credit facility are chosen at the option of the Company and are based on the LIBOR rate or the prime rate, plus an additional percentage spread, with the spread dependent upon the Company's leverage ratio. As of December 31, 1998, the spread on the LIBOR rate and prime rate was 0.75% and 0%, respectively. The Term Credit Facility restricts, among other things, the payment of cash dividends or other types of distributions on any class of the Company's stock unless the Company's leverage ratio, as defined in the loan agreement, is under 1.50. As of December 31, 1998, the leverage ratio was 1.63. See Note 6 to the Consolidated Financial Statements for additional discussion of the Term Credit Facility.

The purchase price for the SUMMITrak assets acquired in September 1997 included up to \$26.0 million in conversion incentive payments. The timing of the conversion incentive payments is based upon the achievement of certain milestones by TCI and the Company, as specified in the SUMMITrak asset acquisition agreement. The milestones are based principally upon the number of TCI customers converted to, and the total number of TCI customers processed on, the Company's customer care and billing system. Total payments as of December 31, 1998 have been approximately \$4.0 million. Based on the conversions performed to date and the additional conversions scheduled as of December 31, 1998, the Company expects to pay the remaining \$22.0 million to TCI in 1999. See Note 4 to the Consolidated Financial Statements for additional discussion.

For income tax purposes, the amortization of the intangible assets from acquisitions (including the intangible assets related to the CSG Acquisition and the charge for purchased R&D related to the SUMMITrak asset acquisition) are principally deductible over 15 years on a straight-line basis. The Company has paid U.S. income taxes since its inception in 1994. Based on its current projections, the Company expects to pay U.S. income taxes for 1999, and its effective book income tax rate for 1999 is expected to be approximately 38%.

The Company continues to make significant investments in capital equipment, facilities, and research and development. The Company had no significant capital commitments as of December 31, 1998. The Company believes that cash generated from operations, together with the current cash and cash equivalents and the amount available under the revolving credit facility, will be sufficient to meet its anticipated cash requirements for operations, income taxes, debt service, conversion incentive payments and capital expenditures for both its short and long-term purposes.

Market Risk

The Company is exposed to various market risks, including changes in interest rates and foreign currency exchange rates. Market risk is the potential loss arising from adverse changes in market rates and prices. The Company has entered into an interest rate collar agreement to manage its interest rate risk from the variable rate features of its long-term debt. The Company does not utilize any derivative financial instruments for purposes of managing its foreign currency exchange rate risk. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes.

Interest Rate Risk. The Company had long-term debt (including current maturities) of \$128.3 million as of December 31, 1998. Interest rates for the debt are chosen at the option of the Company and are based on the LIBOR rate or the prime rate, plus an additional percentage spread, with the spread dependent upon the Company's leverage ratio. As of December 31, 1998, the spread on the LIBOR rate and prime rate was 0.75% and 0%, respectively. As of December 31, 1998, the entire amount of the debt was under either one or six-month LIBOR contracts with an overall weighted average interest rate of 5.89% (i.e., LIBOR at 5.14% plus spread of 0.75%). The carrying amount of the Company's long-term debt approximates fair value due to its variable interest rate features. See Note 6 to the Consolidated Financial Statements for additional description of the long-term debt and scheduled principal payments.

As required by the debt agreement with its bank, the Company entered into a three-year interest rate collar in December 1997 with a major bank to manage its risk from its variable rate long-term debt. The underlying notional amount covered by the collar agreement is \$71.3 million as of December 31, 1998, and decreases over the three-year term in relation to the scheduled principal payments on the long-term debt. Any payment on the 4.9% (LIBOR) interest rate floor, or receipt on the 7.5% (LIBOR) interest rate cap component of the collar, would be recognized as an adjustment to interest expense in the period incurred. There are no amounts due or receivable under this agreement as of December 31, 1998, and the agreement had no effect on the Company's interest expense for 1998 or 1997. The fair value of the collar agreement is not recognized in the Company's financial statements. The fair value of the collar agreement at December 31, 1998, based on a quoted market price, was not significant.

Foreign Exchange Rate Risk. The Company's foreign currency transactions relate almost entirely to the operations conducted through its United Kingdom ("UK") subsidiary, CSGI. CSGI's transactions are executed primarily within the UK and generally are denominated in British pounds. The Company does not utilize any derivative financial instruments for purposes of managing its foreign currency exchange rate risk. Exposure to variability in currency exchange rates is mitigated by the fact that purchases and sales are typically in the same currency with similar maturity dates and amounts. A hypothetical adverse change of 10% in year-end exchange rates would not have a material effect upon the Company's financial condition or results of operations.

TCI Contract and AT&T Merger

During the years ended December 31, 1998, 1997, and 1996, revenues from TCI and affiliated companies represented approximately 37.4%, 32.9%, and 25.9% of the Company's total revenues. The TCI Contract has a 15-year term and expires in 2012. The TCI Contract has minimum financial commitments over the 15-year life of the contract and includes exclusive rights to provide customer care and billing products and services for TCI's offerings of wireline video, all Internet/high-speed data services, residential wireline telephony services, and print and mail services. The TCI Contract provides certain performance criteria and other obligations to be met by the Company. The Company is required to perform certain remedial efforts and is subject to certain penalties if it fails to meet the performance criteria or other obligations. The Company is also subject to an annual technical audit to determine whether the Company's products and services include innovations in features and functions that have become standard in the wireline video industry. To date, the Company believes it has complied with the terms of the contract, and has converted onto its processing system approximately 8 million of the over 9 million TCI customers originally scheduled to be converted under the TCI Contract. The remaining customers are scheduled to be converted to the Company's processing system by the second quarter of 1999.

AT&T completed its merger with TCI in March 1999. At this time, it is too early to determine the near- and long-term impact, if any, the merger will have on the Company's relationship with the combined entity. However, the Company expects to continue performing successfully under the TCI Contract, and is hopeful that it can continue to sell products and services to the combined entity that are in excess of the minimum financial commitments included in the contract.

Year 2000

The Company's business is dependent upon various computer software programs and operating systems that utilize dates and process data beyond the year 2000. The Company's actions to address the risks associated with the year 2000 are as follows:

The Company's State of Readiness. The Company has established a corporate program to coordinate its year 2000 ("Y2K") compliance efforts across all business functions and geographic areas. The scope of the program includes addressing the risks associated with the Company's (i) information technology ("IT") systems (including the Company's products and services), (ii) non-IT systems that include embedded technology, and (iii) significant vendors and their Y2K readiness. The Company is utilizing the following steps in executing its Y2K compliance program: (1) awareness, (2) assessment, (3) renovation (including upgrades and enhancements to the Company's products), (4) validation and testing, and (5) implementation. The Company has completed the awareness and assessment steps for all areas.

Products and Services. The renovation step has been substantially completed for all significant products and services, and the Company now is focusing its efforts on validation and testing. The Company's most significant renovation effort involved its core product, Communications Control System ("CCS"). CCS utilizes one subroutine for calculating dates, with the various computer programs within CCS with date dependent calculations accessing this subroutine. As a result, all date calculations are performed in one location. The renovation of this subroutine and the related interfaces to the various date dependent programs has been completed. The Company is now testing CCS using its standard testing methodologies, while adding date simulation to specifically address the Y2K risk. Such date simulation considers pre-2000, cross over, and post-2000 time frames, including year 2000 leap year considerations. As of February 28, 1999, approximately 90-95% of the testing for CCS was completed, with the remaining testing consisting primarily of third party interfaces to CCS. The Company is dependent upon the third parties for such testing, which is expected to be completed in its entirety by the end of the second quarter of 1999. The interfaces are not complex and are considered low risk by the Company. Implementation into the production environment is expected to occur shortly after testing is completed.

For the Company's software products, no significant renovation is believed necessary as the products are relatively new and were designed to be Y2K compliant. The Company plans to test these products with similar date simulation techniques discussed above to ensure they are Y2K compliant. Such testing is expected to be substantially completed by the end of the first quarter of 1999, with the remaining testing expected to be done by the end of the second quarter of 1999.

The Company is currently developing a process to manage further updates or enhancements to any product related software code which has been tested and internally certified as Y2K compliant, and is considering a plan to "freeze" all changes to mission critical product related software after November 1999. The Company also plans to retest CCS (through an initial program load of the CCS system) in the fourth quarter of 1999 to ensure continued Y2K compliance. Several CSG clients are conducting tests of the Company's products in conjunction with their own operating environments. Several test phases have been completed (beginning in December 1998), with additional phases continuing into the second quarter of 1999, including participation by TCI in such testing.

Internal Systems. Renovation and/or testing of the Company's significant internal use IT Systems (e.g., payroll systems, accounting systems, etc.) is underway and is expected to be substantially completed by the end of the first quarter of 1999, with all systems expected to be tested and implemented by the end of the second quarter of 1999. The Company has a substantial number of non-IT systems that include embedded technology (e.g., buildings, plant, equipment and other infrastructure) that are owned and managed by the lessors of the buildings in which the Company is located. The Company has sent letters to its lessors requesting certifications of the Y2K compliance of the embedded systems. The Company has received some of the certifications from lessors and expects to receive the remaining certifications by the end of the second quarter of 1999. Letters have also been sent to third parties providing other internal non-IT systems with embedded technology (e.g., statement insertion machines, copy machines, etc.). Y2K certifications and/or upgrades are expected to be substantially complete by the end of the first quarter of 1999, with all systems

completed by the end of the second quarter of 1999. The Company is currently assessing whether any testing of significant non-IT systems will be required.

Significant Vendors. As part of the Company's Y2K compliance program, the Company has contacted its significant vendors to assess their Y2K readiness. For substantially all mission critical third party software embedded in or specified for use in conjunction with the Company's IT systems and products, the Company's communications with the vendors indicates that the vendors believe they are fully Y2K compliant as of December 31, 1998. The remaining vendors indicate that they are substantially Y2K compliant as of December 31, 1998. The Company expects to receive further enhancements from these vendors as they become available throughout 1999 to bring the products into full Y2K compliance. Such third party software has been or is being tested in conjunction with the testing of the IT systems and products discussed above. All other significant vendors (including the Company's vendor who provides data processing services for CCS) have indicated they are substantially Y2K compliant as of December 31, 1998, except for one of the Company's vendors which provides data lines access for CCS. This vendor indicates that it expects to be Y2K compliant by the end of the first quarter of 1999. There can be no assurance that (i) the Company's significant vendors will succeed in their Y2K compliance efforts, or (ii) the failure of vendors to address Y2K compliance will not have a material adverse effect on the Company's business or results of operations.

The Costs to Address the Company's Year 2000 Issues. Since inception of its program in 1995 through December 31, 1998, the Company has incurred and expensed costs of approximately \$2.8 million related to Y2K compliance efforts. The total estimated costs to complete the Company's Y2K compliance effort are approximately \$1.5 million. The estimated costs to complete, which does not include any costs which may be incurred by the Company if its significant vendors fail to timely address Y2K compliance, is based on currently known circumstances and various assumptions regarding future events. However, there can be no assurance that these estimates will be achieved and actual results could differ materially from those anticipated.

The Risks of the Company's Year 2000 Issues. The Company's failure to timely resolve the Y2K risks could result in system failures, the generation of erroneous information, and other significant disruptions of business activities, including among others, access to CCS and the use of related software products, and timely printing and delivery of clients' customers' statements. Although the Company believes it will be successful in its Y2K compliance efforts, there can be no assurance that the Company's systems and products contain all necessary date code changes. In addition, the Company's operations may be at risk if its vendors and other third parties (including public and private infrastructure services, such as electricity, water, gas, transportation, and communications) fail to adequately address the Y2K issue or if software conversions result in system incompatibilities with these third parties. To the extent that either the Company or a third party vendor or service provider on which the Company relies does not achieve Y2K compliance, the Company's results of operations could be materially adversely affected. Furthermore, it has been widely reported that a significant amount of litigation surrounding business interruption will arise out of Y2K issues. It is uncertain whether, or to what extent, the Company may be affected by such litigation.

As is the case with many software companies and service providers, if the Company's current or future clients experience significant business interruptions due to their failure to achieve Y2K compliance, the Company's results of operations could be materially adversely affected. There can be no assurance that the Company's current or future clients will adequately and successfully address their Y2K risk and not experience any business interruptions.

The Company's Contingency Plan. The Company intends to address the need for any Y2K specific contingency plan as part of its overall business continuity planning, with modifications to the plan where Y2K specific exposures are identified as the Company continues to execute its Y2K compliance project during 1999. The Company is establishing a Y2K task force for all mission critical operations of the Company which will provide dedicated personnel to escalate the resolution of any Y2K specific matters that may occur. The Company is also implementing a restricted vacation policy for December 1999 and January 2000 to ensure all mission critical personnel are available if any Y2K specific matters occur.

The (i) inability to timely implement a contingency plan, if deemed necessary, and (ii) the cost to develop and implement such a plan, may have a material adverse effect on the Company's results of operations.

Certain Factors That May Affect Future Results of Operations. Except for statements of existing or historical facts, the foregoing discussion of Y2K consists of forward-looking statements and assumptions relating to forward-looking statements, including without limitation the statements relating to future costs, the timetable for completion of Y2K compliance efforts, potential problems relating to Y2K, the Company's state of readiness, third party representations, and the Company's plans and objectives for addressing Y2K problems. Certain factors could cause actual results to differ materially from the Company's expectations, including without limitation (i) the failure of vendors and service providers (such as the vendors of data processing services and data lines access for CCS and providers of third party software) to timely achieve Y2K compliance, (ii) system incompatibilities with third parties resulting from software conversions, (iii) the Company's systems and products not containing all necessary date code changes, (iv) the failure of existing or future clients to achieve Y2K compliance, (v) potential litigation arising out of Y2K issues, the risk of which may be greater for information technology based service providers such as the Company, (vi) the failure of the Company's validation and testing phase to detect operational problems internal to the Company, in the Company's products or services or in the Company's interface with service providers, vendors or clients, whether such failure results from the technical inadequacy of the Company's validation and testing efforts, the technological infeasibility of testing certain non-IT systems, the perceived cost-benefit constraints against conducting all available testing, or the unavailability of third parties to participate in testing, or (vii) the failure to timely implement a contingency plan to the extent Y2K compliance is not achieved.

Item 8. Financial Statements and Supplementary Data

CSG SYSTEMS INTERNATIONAL, INC.

CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
CSG Systems International, Inc.:

We have audited the accompanying consolidated balance sheets of CSG Systems International, Inc. (a Delaware corporation) and Subsidiaries 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, the financial statements referred to above present fairly, in all material respects, the financial position of CSG Systems International, Inc. 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.

Arthur Andersen LLP

Omaha, Nebraska
January 20, 1999

CSG SYSTEMS INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31,	
	1998	1997
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 39,593	\$ 20,417
Accounts receivable--		
Trade--		
Billed, net of allowance of \$2,051 and \$1,394.....	60,529	44,678
Unbilled.....	2,828	2,080
Other.....	1,179	1,400
Deferred income taxes.....	1,803	443
Other current assets.....	2,275	2,664
	-----	-----
Total current assets.....	108,207	71,682
	-----	-----
Property and equipment, net.....	24,711	17,157
Software, net.....	9,422	1,959
Noncompete agreements and goodwill, net.....	7,596	13,938
Client contracts and related intangibles, net.....	59,791	64,640
Deferred income taxes.....	59,389	6,909
Other assets.....	2,380	3,064
	-----	-----
Total assets.....	\$271,496	\$179,349
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt.....	\$ 19,125	\$ 6,750
Customer deposits.....	10,018	7,002
Trade accounts payable.....	10,471	11,795
Accrued employee compensation.....	12,276	5,719
Deferred revenue.....	13,470	10,619
Conversion incentive payments.....	22,032	17,768
Accrued income taxes.....	6,756	3,207
Other current liabilities.....	7,009	5,304
	-----	-----
Total current liabilities.....	101,157	68,164
	-----	-----
Non-current liabilities:		
Long-term debt, net of current maturities.....	109,125	128,250
Deferred revenue.....	216	7,789
Conversion incentive payments.....	--	8,232
	-----	-----
Total non-current liabilities.....	109,341	144,271
	-----	-----
Commitments and contingencies (Note 9)		
Stockholders' equity (deficit):		
Preferred stock, par value \$.01 per share; 10,000,000 shares authorized; zero shares issued and outstanding...	--	--
Common stock, par value \$.01 per share; 100,000,000 shares authorized; 11,421,416 and 11,993,126 shares reserved for common stock warrants, employee stock purchase plan and stock incentive plans; 51,465,646 and 50,959,936 shares outstanding (Note 2).....	515	510
Common stock warrants; 3,000,000 warrants issued and outstanding.....	26,145	26,145
Additional paid-in capital.....	120,599	112,615
Deferred employee compensation.....	(328)	(636)
Notes receivable from employee stockholders.....	(478)	(685)
Cumulative translation adjustments.....	38	(1)
Treasury stock, at cost, 66,000 shares and zero shares...	(97)	--
Accumulated deficit.....	(85,396)	(171,034)
	-----	-----
Total stockholders' equity (deficit).....	60,998	(33,086)
	-----	-----
Total liabilities and stockholders' equity.....	\$271,496	\$179,349
	=====	=====

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

CSG SYSTEMS INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Year Ended December 31,		
	1998	1997	1996
Revenues:			
Processing and related services.....	\$191,802	\$ 131,399	\$113,422
Software license and maintenance fees.....	31,021	26,880	14,736
Professional services.....	13,817	13,525	4,139
	-----	-----	-----
Total revenues.....	236,640	171,804	132,297
	-----	-----	-----
Expenses:			
Cost of processing and related services:			
Direct costs.....	77,155	58,259	52,027
Amortization of acquired software.....	--	10,596	11,003
Amortization of client contracts and related intangibles.....	5,043	4,293	4,092
	-----	-----	-----
Total cost of processing and related services.....	82,198	73,148	67,122
Cost of software license and maintenance fees.....	17,907	9,787	5,040
Cost of professional services.....	7,141	7,047	2,083
	-----	-----	-----
Total cost of revenues.....	107,246	89,982	74,245
	-----	-----	-----
Gross margin (exclusive of depreciation).....	129,394	81,822	58,052
	-----	-----	-----
Operating expenses:			
Research and development:			
Research and development.....	27,485	22,586	20,206
Charge for purchased research and development.....	--	105,484	--
Impairment of capitalized software development costs.....	--	11,737	--
Selling and marketing.....	11,810	10,198	8,213
General and administrative:			
General and administrative.....	22,959	19,385	13,702
Amortization of noncompete agreements and goodwill.....	5,381	6,927	6,392
Impairment of intangible assets.....	--	4,707	--
Stock-based employee compensation.....	297	449	3,570
Depreciation.....	8,159	6,884	5,121
	-----	-----	-----
Total operating expenses.....	76,091	188,357	57,204
	-----	-----	-----
Operating income (loss).....	53,303	(106,535)	848
	-----	-----	-----
Other income (expense):			
Interest expense.....	(9,771)	(5,324)	(4,168)
Interest income.....	2,484	1,294	844
Other.....	(21)	349	--
	-----	-----	-----
Total other.....	(7,308)	(3,681)	(3,324)
	-----	-----	-----
Income (loss) before income taxes, extraordinary item and discontinued operations.....	45,995	(110,216)	(2,476)
Income tax benefit.....	39,643	--	--
	-----	-----	-----
Income (loss) before extraordinary item and discontinued operations.....	85,638	(110,216)	(2,476)
Extraordinary loss from early extinguishment of debt.....	--	(577)	(1,260)
	-----	-----	-----
Income (loss) from continuing operations.....	85,638	(110,793)	(3,736)
Gain from disposition of discontinued operations.....	--	7,922	--
Net income (loss).....	\$ 85,638	\$ (102,871)	\$ (3,736)
	=====	=====	=====
Basic net income (loss) per common share:			
Income (loss) before extraordinary item and discontinued operations.....	\$ 1.67	\$ (2.16)	\$ (.07)
Extraordinary loss from early extinguishment of debt.....	--	(.01)	(.03)
Gain from disposition of discontinued operations.....	--	.15	--
Net income (loss) attributable to common			

stockholders.....	\$ 1.67	\$ (2.02)	\$ (.10)
	-----	-----	-----
Weighted average common shares.....	51,198	50,994	43,746
	=====	=====	=====
Diluted net income (loss) per common share:			
Income (loss) before extraordinary item and discontinued operations.....	\$ 1.62	\$ (2.16)	\$ (.07)
Extraordinary loss from early extinguishment of debt.....	--	(.01)	(.03)
Gain from disposition of discontinued operations.....	--	.15	--
	-----	-----	-----
Net income (loss) attributable to common stockholders.....	\$ 1.62	\$ (2.02)	\$ (.10)
	-----	-----	-----
Weighted average diluted common shares.....	52,991	50,994	43,746
	=====	=====	=====

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

common stock for purchase of assets.....	3	--	--	75	--	--	--	--	--
Issuance of common stock warrants, granted as part of the SUMMITrak asset acquisition....	--	--	26,145	--	--	--	--	--	--
Amortization of deferred stock-based employee compensation expense.....	--	--	--	--	449	--	--	--	--
Purchase and cancellation of common stock....	(209)	(2)	--	(342)	122	176	--	--	--
Exercise of stock options for common stock.....	149	2	--	1,016	--	--	--	--	--
Purchase of common stock pursuant to employee stock purchase plan...	39	--	--	439	--	--	--	--	--
Tax benefit of stock options exercised.....	--	--	--	315	--	--	--	--	--
	-----	-----	-----	-----	-----	-----	-----	-----	-----
BALANCE, December 31, 1997.....	50,960	510	26,145	112,615	(636)	(685)	(1)	--	(171,034)
Comprehensive income:									
Net income.....	--	--	--	--	--	--	--	--	85,638
Foreign currency translation adjustments....	--	--	--	--	--	--	39	--	--
Comprehensive income.....	--	--	--	--	--	--	--	--	--
Amortization of deferred stock-based employee compensation expense.....	--	--	--	--	297	--	--	--	--
Repurchase of common stock....	(66)	--	--	(12)	11	146	--	(97)	--
Exercise of stock options for common stock.....	540	5	--	4,957	--	--	--	--	--
Payments on notes receivable from stockholders....	--	--	--	--	--	61	--	--	--
Purchase of common stock pursuant to employee stock purchase plan...	32	--	--	622	--	--	--	--	--
Tax benefit of stock options exercised.....	--	--	--	2,417	--	--	--	--	--
	-----	-----	-----	-----	-----	-----	-----	-----	-----
BALANCE, December 31, 1998.....	51,466	\$515	\$26,145	\$120,599	\$ (328)	\$(478)	\$ 38	\$(97)	\$(85,396)
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Total Stockholders' Equity (Deficit)	-----								
BALANCE, December 31, 1995.....	\$(61,988)								
Comprehensive income (loss):									
Net loss.....	--								
Foreign currency									

translation adjustments.....	--
Comprehensive loss.....	(3,163)
Issuance of common stock for cash pursuant to initial public offering.....	44,794
Accrued dividends on redeemable convertible preferred stock.	(614)
Conversion of redeemable convertible preferred stock into common stock.....	59,109
Amortization of deferred stock-based employee compensation expense.....	3,570
Purchase and cancellation of common stock....	(25)
Issuance of common stock as compensation....	89
Exercise of stock options for common stock.....	6
Purchase of common stock pursuant to employee stock purchase plan...	83
Accretion of redeemable convertible preferred stock.	(7)
Payment of note receivable from employee stockholder.....	110

BALANCE, December 31, 1996.....	41,964
Comprehensive loss:	
Net loss.....	--
Foreign currency translation adjustments.....	--
Comprehensive loss.....	(103,445)
Issuance of common stock for purchase of assets.....	75
Issuance of common stock warrants, granted as part of the SUMMITrak asset acquisition.....	26,145
Amortization of deferred stock-based employee compensation expense.....	449
Purchase and cancellation of common stock....	(46)
Exercise of stock options for common	

stock.....	1,018
Purchase of common stock pursuant to employee stock purchase plan...	439
Tax benefit of stock options exercised.....	315

BALANCE, December 31, 1997.....	(33,086)
Comprehensive income:	
Net income.....	--
Foreign currency translation adjustments.....	--
Comprehensive income.....	85,677
Amortization of deferred stock- based employee compensation expense.....	297
Repurchase of common stock....	48
Exercise of stock options for common stock.....	4,962
Payments on notes receivable from stockholders....	61
Purchase of common stock pursuant to employee stock purchase plan...	622
Tax benefit of stock options exercised.....	2,417

BALANCE, December 31, 1998.....	\$ 60,998
	=====

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

CSG SYSTEMS INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands, except share amounts)

	Year Ended December 31,		
	1998	1997	1996
Cash flows from operating activities:			
Net income (loss).....	\$ 85,638	\$(102,871)	\$ (3,736)
Adjustments to reconcile net income (loss) to net cash provided by operating activities--			
Depreciation.....	8,159	6,884	5,121
Amortization.....	12,684	23,035	22,180
Deferred income taxes.....	(50,463)	(5,891)	(1,455)
Charge for purchased research and development..	--	105,484	--
Impairment of capitalized software development costs.....	--	11,737	--
Impairment of intangible assets.....	--	4,707	--
Stock-based employee compensation.....	297	449	3,570
Extraordinary loss from early extinguishment of debt.....	--	577	1,260
Gain from discontinued operations.....	--	(7,922)	--
Changes in operating assets and liabilities:			
Trade accounts and other receivables, net.....	(16,320)	(9,511)	(12,090)
Other current and noncurrent assets.....	(75)	11	(2,914)
Trade accounts payable and other liabilities...	7,394	4,723	17,194
Net cash provided by operating activities....	47,314	31,412	29,130
Cash flows from investing activities:			
Purchases of property and equipment, net.....	(15,706)	(9,389)	(8,181)
Acquisition of assets.....	(5,974)	(106,500)	--
Acquisition of businesses, net of cash acquired.....	--	--	(4,918)
Additions to software.....	(1,410)	(10,185)	(3,553)
Proceeds from disposition of discontinued operations.....	--	8,654	2,000
Payments of conversion incentive payments.....	(3,968)	--	--
Net cash used in investing activities.....	(27,058)	(117,420)	(14,652)
Cash flows from financing activities:			
Proceeds from issuance of common stock.....	5,584	1,457	44,883
Payment of note receivable from employee stockholder.....	64	--	110
Purchase and cancellation of common stock.....	(2)	(46)	(25)
Payment of dividends for redeemable convertible preferred stock.....	--	--	(4,497)
Proceeds from long-term debt.....	--	150,000	--
Payments on long-term debt.....	(6,750)	(47,500)	(52,568)
Payment of deferred financing costs.....	--	(3,181)	--
Net cash provided by (used in) financing activities.....	(1,104)	100,730	(12,097)
Effect of exchange rate fluctuations on cash....	24	(439)	150
Net increase in cash and cash equivalents.....	19,176	14,283	2,531
Cash and cash equivalents, beginning of period..	20,417	6,134	3,603
Cash and cash equivalents, end of period.....	\$ 39,593	\$ 20,417	\$ 6,134
Supplemental disclosures of cash flow information:			
Cash paid (received) during the period for--			
Interest.....	\$ 8,151	\$ 4,767	\$ 4,000
Income taxes.....	\$ 7,259	\$ 3,357	\$ (655)

Supplemental disclosures of non-cash investing and financing activities:

During 1998, the Company assumed liabilities of \$1.3 million as part of the purchase price for the USTATS asset acquisition. During 1997, the Company granted 3.0 million common stock warrants, valued at \$26.1 million, and recorded a liability for \$26.0 million for conversion incentive payments as part of the purchase price for the SUMMITrak asset acquisition. During 1996, the Company converted 8,999,999 shares of redeemable convertible preferred stock into 35,999,996 shares of common stock. During 1996, the Company assumed liabilities of \$1.6 million as part of the purchase price for CSGI.

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

CSG SYSTEMS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General

CSG Systems International, Inc. (the "Company" or "CSG"), a Delaware corporation, was formed in October 1994 and acquired all of the outstanding shares of CSG Systems, Inc. ("CSG Systems") from First Data Corporation ("FDC") in November 1994 (the "CSG Acquisition"). CSG Systems had been a subsidiary or division of FDC from 1982 until the acquisition. The Company did not have any substantive operations prior to the acquisition of CSG Systems. Based in Denver, Colorado, the Company provides customer care and billing solutions worldwide for the converging communications markets.

On June 28, 1996, the Company purchased all of the outstanding shares of Bytel Limited. During 1998, Bytel Limited changed its name to CSG International Limited ("CSGI").

On March 5, 1999, the Company completed a two-for-one stock split for shareholders of record on February 8, 1999. In January 1996, the Company also completed a two-for-one stock split. Both splits were effected as a stock dividend. Share and per share data for all periods presented herein have been adjusted to give effect to both splits. In March 1996, the Company amended its Certificate of Incorporation to increase the number of authorized shares of Common Stock to 100,000,000 and to authorize 10,000,000 shares of preferred stock.

In April 1998, the Company completed a secondary public stock offering of approximately 7.0 million shares of Common Stock. The primary shareholders in the offering included Morgan Stanley affiliated entities and General Motors employee benefit plan trusts. The Company received none of the proceeds from the offering, nor incurred any expense.

The Company completed an initial public offering ("IPO") of its Common Stock in March 1996. The Company sold 6,670,000 shares of Common Stock at an initial public offering price of \$7.50 per share, resulting in net proceeds to the Company, after deducting underwriting discounts and offering expenses, of approximately \$44.8 million. As of the closing of the IPO, all of the 8,999,999 outstanding shares of Redeemable Convertible Series A Preferred Stock ("Preferred Stock") were automatically converted into 35,999,996 shares of Common Stock. The Company used the IPO proceeds to repay \$40.3 million of outstanding bank indebtedness (Note 6) and to pay \$4.5 million of accrued dividends on the Preferred Stock (Note 5).

2. Summary of Significant Accounting Policies

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of the Company and CSG Systems for all periods presented and the accounts of CSGI since June 28, 1996. All material intercompany accounts and transactions have been eliminated.

Use of Estimates in Preparation of Consolidated Financial Statements. The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Revenue Recognition. During 1998, the Company adopted Statement of Position ("SOP") 97-2, "Software Revenue Recognition", as amended. SOP 97-2 provides guidance in recognizing revenue on software transactions. There was no impact on the Company's results of operations or financial condition upon adoption of SOP 97-2.

Processing and related services are recognized as the services are performed. Processing fees are typically billed based on the number of client's customers serviced, ancillary services are typically billed on a per transaction basis, and certain customized print and mail services are billed on a usage basis. Software license fees consist of both one-time perpetual licenses and term licenses. Perpetual license fees are typically recognized upon delivery, depending upon the nature and extent of the installation and/or customization services, if any, to be provided by the Company. Term license fees and maintenance fees are recognized ratably over the contract term. Professional services are recognized as the related services are performed.

Payments received for revenues not yet recognized are reflected as deferred revenue in the accompanying consolidated balance sheets. Revenue recognized prior to the scheduled billing date of an item is reflected as unbilled accounts receivable.

Postage and Communications Lines. The Company passes through to its clients the cost of postage and the cost of communication lines between client sites and the mainframe data processing facility. Such reimbursements of costs are netted against the expense and are not included in total revenues. The Company requires postage and communications lines deposits from its clients based on contractual arrangements. These amounts are reflected as current liabilities regardless of the contract period.

Realizability of Long-Lived and Intangible Assets. The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived and intangible assets may warrant revision or that the remaining balance of these assets may not be recoverable. The Company evaluates the recoverability of its long-lived and intangible assets by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. At the time such evaluations indicate that the future undiscounted cash flows of certain long-lived and intangibles assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their estimated fair values.

Property and Equipment. Property and equipment are recorded at cost and are depreciated over their estimated useful lives ranging from two to ten years. Depreciation is computed using the straight-line method for financial reporting purposes. Depreciation for income tax purposes is computed using accelerated methods.

Property and equipment at December 31 consists of the following (in thousands):

	1998	1997
Computer equipment.....	\$ 24,515	\$ 21,734
Leasehold improvements.....	3,676	2,347
Operating equipment.....	14,445	5,205
Furniture and equipment.....	4,639	3,834
Construction in process.....	1,179	358
Other.....	22	22
	-----	-----
	48,476	33,500
Less--accumulated depreciation.....	(23,765)	(16,343)
	-----	-----
Property and equipment, net.....	\$ 24,711	\$ 17,157
	=====	=====

Software. Software at December 31 consists of the following (in thousands):

	1998	1997
Acquired software.....	\$ 40,849	\$ 33,516
Internally developed software.....	3,964	2,547
	-----	-----
	44,813	36,063
Less--accumulated amortization.....	(35,391)	(34,104)
	-----	-----
Software, net.....	\$ 9,422	\$ 1,959
	=====	=====

Acquired software resulted from acquisitions and is stated at cost. Amortization expense related to acquired software for the years ended December 31, 1998, 1997, and 1996 was \$0.6 million, \$10.6 million, and \$11.0 million, respectively.

The Company capitalizes certain software development costs when the resulting products reach technological feasibility and begins amortization of such costs upon the general availability of the products for licensing. The Company capitalized costs of \$1.4 million, \$9.7 million and \$3.1 million for the years ended December 31, 1998, 1997, and 1996, respectively.

Amortization of internally developed software and acquired software costs begins when the products are available for general release to clients and is computed separately for each product as the greater of (i) the ratio of current gross revenue for a product to the total of current and anticipated gross revenue for the product, or (ii) the straight-line method over the remaining estimated economic life of the product. Currently, estimated lives of two to five years are used in the calculation of amortization. Amortization expense related to capitalized software development costs for the years ended December 31, 1998, 1997, and 1996 was \$0.7 million, \$0.6 million, and \$0.01 million, respectively.

The Company continually evaluates the carrying value of its unamortized capitalized software development costs. The amount by which the unamortized capitalized costs exceed the net realizable value of the asset is expensed. During 1997, the Company recorded a charge of \$11.7 million related to certain CSG Phoenix capitalized costs. After the consideration of multiple factors and events, consisting primarily of an increase in demand for the Company's outsourced processing services and previously announced delays on the delivery of CSG Phoenix, such assets were reduced to their estimated net realizable value as of December 31, 1997. The charge primarily included previously capitalized internal development costs and purchased software incorporated into the product.

Noncompete Agreements and Goodwill. Noncompete agreements and goodwill as of December 31 are as follows (in thousands):

	1998	1997
Noncompete agreements.....	\$ 25,340	\$ 25,340
Goodwill.....	7,134	8,088
	-----	-----
	32,474	33,428
Less--accumulated amortization.....	(24,878)	(19,490)
	-----	-----
Noncompete agreements and goodwill, net.....	\$ 7,596	\$ 13,938
	=====	=====

The noncompete agreements resulted from acquisitions and are being amortized on a straight-line basis over the terms of the agreements, ranging from three to five years. Goodwill resulted from acquisitions and is being amortized over seven to ten years on a straight-line basis.

During 1997, the Company recorded a charge of \$4.7 million for the impairment of certain intangible assets related to software systems which the Company decided to no longer market and support. This impairment charge related principally to the Company's CableMAX product. CableMAX was a personal computer based customer management system that was targeted at smaller cable systems of 2,500 customers or less. During 1997, the Company decided not to invest the resources necessary to make the software year 2000 compliant, resulting in the impairment to the CableMAX intangible assets. The estimated fair value of the CableMAX intangible assets was based upon an analysis of expected future cash flows and a quoted purchase price from an independent buyer.

Client Contracts and Related Intangibles. Client contracts and related intangibles which resulted from the CSG Acquisition are being amortized over their estimated lives of five and three years, respectively. The value assigned to the Tele-Communications, Inc. ("TCI") processing contract (Note 4) is being amortized over the

15-year life of the contract in proportion to the financial minimums included in the contract. As of December 31, 1998 and 1997, accumulated amortization for client contracts and related intangibles was \$17.7 million and \$12.8 million, respectively.

Financial Instruments with Market Risk and Concentrations of Credit Risk. In the normal course of business, the Company is exposed to credit risk resulting from the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. The Company regularly monitors credit risk exposures and takes steps to mitigate the likelihood of these exposures resulting in a loss. The primary counterparties to the Company's accounts receivable and sources of the Company's revenues consist of cable television providers throughout the United States. The Company generally does not require collateral or other security to support accounts receivable.

Financial Instruments. The Company's balance sheet financial instruments as of December 31, 1998 and 1997 include cash and cash equivalents, accounts receivable, accounts payable, conversion incentive payments, and long-term debt. Because of their short maturities, the carrying amounts of cash equivalents, accounts receivable, accounts payable, and conversion incentive payments approximate their fair value. The carrying amount of the Company's long-term debt (including current maturities) approximates fair value due to its variable interest rates.

In December 1997, the Company entered into a three-year interest rate collar with a major bank to manage its risk from its variable rate long-term debt. The underlying notional amount covered by the collar agreement is \$71.3 million as of December 31, 1998, and decreases over the three-year term in relation to the scheduled principal payments on the long-term debt. Any payment on the 4.9% (LIBOR) interest rate floor, or receipt on the 7.5% (LIBOR) interest rate cap component of the collar, would be recognized as an adjustment to interest expense in the period incurred. There are no amounts due or receivable under this agreement as of December 31, 1998, and the agreement had no effect on the Company's interest expense for 1998 or 1997. The fair value of the collar agreement is not recognized in the Company's financial statements. The fair value of the collar agreement at December 31, 1998, based on a quoted market price, was not significant.

Translation of Foreign Currency. The Company's foreign subsidiary, CSGI, uses the British pound as its functional currency. CSGI's assets and liabilities are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the average rates of exchange prevailing during the period. Translation gains and losses are included in total comprehensive income in the Company's Consolidated Statements of Stockholders' Equity. Transaction gains and losses related to intercompany accounts are not material and are included in the determination of net income or loss.

Earnings Per Common Share. The Company follows Statement of Financial Accounting Standards ("SFAS") No. 128 in calculating earnings per share ("EPS"). Basic EPS is computed by dividing income attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS is consistent with the calculation of basic EPS while giving effect to any dilutive potential common shares outstanding during the period. Basic and diluted EPS are presented on the face of the Company's Consolidated Statements of Operations. The reconciliation of the numerators and denominators for the EPS calculation is as follows (dollars and shares in thousands):

	Year Ended December 31,		
	1998	1997	1996
Net income (loss) attributable to common stockholders:			
Income (loss) before extraordinary item and discontinued operations.....	\$85,638	\$(110,216)	\$(2,476)
Preferred stock dividends.....	--	--	(614)
Income (loss) attributable to common stockholders.....	85,638	(110,216)	(3,090)
Extraordinary item.....	--	(577)	(1,260)
Gain from discontinued operations.....	--	7,922	--
Net income (loss) attributable to common stockholders (basic and diluted).....	\$85,638	\$(102,871)	\$(4,350)
Shares Outstanding:			
Basic weighted average common shares.....	51,198	50,994	43,746
Dilutive shares from common stock options.....	1,793	--	--
Weighted average diluted common shares.....	52,991	50,994	43,746

The following weighted average dilutive potential common shares are excluded from the diluted EPS calculation (in thousands):

	Year Ended December 31,		
	1998	1997	1996
Redeemable convertible preferred stock.....	--	--	6,231
Common stock options.....	--	1,144	612
Common stock warrants.....	1,414	305	--
Total dilutive potential common shares.....	1,414	1,449	6,843

The dilutive potential common shares related to redeemable convertible preferred stock and common stock options were excluded for 1997 and 1996 because their inclusion would have had an antidilutive effect on EPS. Dilutive potential common shares related to common stock warrants are excluded as the events necessary to allow the exercise of the warrants have not been satisfied as of December 31, 1998. It is expected that 2.0 million of the warrants will become exercisable in the third quarter of 1999 (Note 4).

Stock-Based Compensation. The Company accounts for its stock-based compensation plans under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations, and follows the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). See Note 12 for the required disclosures under SFAS 123.

Comprehensive Income. During 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income" ("SFAS 130"), which establishes standards for reporting and display of comprehensive income and its components in a financial statement for the period in which they are recognized. The components of comprehensive income are reflected in the Company's Consolidated Statements of Stockholders' Equity.

New Accounting Pronouncements Not Yet Effective. In June 1998, SFAS No. 133, "Accounting for Derivative Instruments and for Hedging Activities" ("SFAS 133") was issued. The Statement establishes accounting and reporting standards requiring every derivative instrument, as defined, to be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The Company expects to adopt SFAS 133 no later than fiscal year 2000, and does not expect the adoption of this statement to have a significant effect on the Company's Consolidated Financial Statements.

Reclassification. Certain December 31, 1997 amounts have been reclassified to conform to the December 31, 1998 presentation.

3. Segment Reporting

During 1998, the Company adopted SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 requires selected information about operating segments and related disclosures about products and services, geographic areas, and major customers. SFAS 131 requires operating segments to be determined based on the way management organizes a company for purposes of making operating decisions and assessing performance. Based on the guidelines of SFAS 131, the Company has determined it has only one reportable segment: customer care and billing solutions for the worldwide converging communications markets.

Products and Services. The Company provides customer care and billing solutions worldwide for the converging communications markets, including cable television, direct broadcast satellite, telephony, on-line services and others. The Company offers its clients a full range of processing services, software and support services that automate customer management functions, including billing, sales support and order processing, invoice calculation and production, management reporting and customer analysis for target marketing. The Company derived approximately 78.0%, 76.7%, and 77.3% of its total revenues in the years ended December 31, 1998, 1997 and 1996, respectively, from its core service bureau product, Communications Control System ("CCS") and related products and ancillary services. The Company generated 77.7%, 73.1%, and 76.6% of its total revenues from U.S. cable television providers, and 13.0%, 10.5%, and 9.3% of its total revenues from U.S. direct broadcast satellite ("DBS") providers during the years ended December 31, 1998, 1997 and 1996, respectively.

Geographic Regions. Revenues are generated from external customers only. The Company uses the location of the customer as the basis of attributing revenues to individual countries. Financial information relating to the Company's operations by geographic areas is as follows (in thousands):

	Year Ended December 31,		
	1998	1997	1996
Total Revenue:			
United States.....	\$221,778	\$155,243	\$121,584
United Kingdom.....	11,740	15,756	8,982
Other.....	3,122	805	1,731
	\$236,640	\$171,804	\$132,297
	=====	=====	=====
	As of December 31,		
	1998	1997	1996
Long-Lived Assets (excludes intangible assets):			
United States.....	\$23,398	\$15,780	\$12,931
United Kingdom.....	1,313	1,377	162
	\$24,711	\$17,157	\$13,093
	=====	=====	=====

Significant Clients. During the years ended December 31, 1998, 1997, and 1996, revenues from TCI and affiliated companies represented approximately 37.4%, 32.9%, and 25.9% of total revenues, and revenues from Time Warner Cable and its affiliated companies ("Time Warner") represented approximately 14.1%, 20.1%, and 22.9% of total revenues, respectively. The Company has separate processing agreements with multiple affiliates of Time Warner and provides products and services to them under separately negotiated and executed contracts.

4. Acquisitions

USTATS Asset Acquisition. On July 30, 1998, the Company acquired substantially all of the assets of US Telecom Advanced Technology Systems, Inc. ("USTATS") for approximately \$6.0 million in cash and assumption of certain liabilities of approximately \$1.3 million. USTATS, a South Carolina-based company, specializes in open systems, client/server customer care and billing systems serving the telecommunications markets. The Company intends to use the acquired technology and software to (i) enhance its current service-bureau telephony customer care and billing system, and (ii) provide a customer care and billing system for the domestic and international competitive local exchange carrier ("CLEC") and incumbent local exchange carrier ("ILEC") markets. The cash portion of the purchase price was paid out of corporate funds. The total purchase price of \$7.3 million has been allocated to the technology and software acquired and will be amortized over its expected useful life of five years.

SUMMITrak Asset Acquisition. In September 1997, the Company purchased certain SUMMITrak software technology assets that were in development from TCI (the "SUMMITrak Acquisition") and entered into a 15-year exclusive contract with a TCI affiliate to consolidate 13.0 million TCI customers onto the Company's customer care and billing system (the "TCI Contract"). The purchase price for the SUMMITrak Acquisition was determined as follows (in thousands):

Cash paid at closing.....	\$106,000
Transaction-related costs.....	500
Conversion incentive payments.....	26,000
Common Stock warrants granted.....	26,145

Total purchase price.....	\$158,645
	=====

The conversion incentive payments represent payments to incent TCI to timely convert its customers to the Company's system, and reimburse TCI for the cost of converting to the Company's system. The conversion incentive payments consist of two separate pieces as follows: (i) TCI receives a monthly payment of \$0.15 per customer for the first 24 months after the customer is converted to the Company's system (total of \$3.60 per customer), up to a total of \$14.0 million. As of December 31, 1998, the Company had converted approximately 8 million of the 9 million TCI customer backlog onto its system. During 1998, the Company paid approximately \$4.0 million of this amount to TCI, with the remaining \$10.0 million expected to be paid in 1999, and (ii) TCI will be paid an additional \$12.0 million when the Company processes a total of 13.0 million TCI customers on its system. Based on the current customer levels on the Company's system and additional conversions scheduled as of December 31, 1998, the Company also expects to pay TCI the \$12.0 million in 1999.

The Company granted 3.0 million Common Stock warrants to TCI as part of the overall purchase price. The warrants have a five-year life with a \$12 per share exercise price. The fair value of the warrants included in the purchase price was estimated as of the date of the grant using the Black-Scholes pricing model. The exercisability of the warrants is as follows: (i) TCI will be able to exercise 2.0 million of the warrants when the Company processes a total of 13.0 million TCI customers on its system. Based on the current customer levels on the Company's system and additional conversions scheduled as of December 31, 1998, the 2.0 million warrants are expected to become exercisable in 1999, and (ii) the remaining 1.0 million warrants are exercisable at various increments as additional qualifying TCI customers are converted to the Company's system in excess of the 13.0 million customers (the "Excess Customers"). Dependent upon the source of the Excess Customers, the 1.0 million warrants may be exercisable with a minimum of 1.25 million Excess Customers, but require no more than 2.5 million Excess Customers to become fully exercisable.

The Company engaged an independent party to assist in the allocation of the purchase price to the assets acquired. The Company allocated the purchase price as follows (in thousands):

Purchased research and development.....	\$105,000
TCI Contract.....	51,575
Other assets.....	2,070

Total allocated purchase price.....	\$158,645
	=====

Purchased research and development represents research and development ("R&D") of software technologies which had not reached technological feasibility as of the acquisition date, and had no other alternative future use. Purchased research and development was charged to operations in 1997. The Company has continued the R&D of certain software technologies acquired from TCI, with such efforts including the completion of the R&D projects and the integration of the completed software technologies into certain of its current products. The development efforts are on schedule and the resource requirements for completion of the development efforts are consistent with the original expectations. The related products from these development efforts are expected to be available for general release in 1999.

The value assigned to the TCI Contract is being amortized over the life of the contract in proportion to the financial minimums included in the contract. The amortization expense for the TCI Contract was \$1.9 million and \$0.3 million for the years ended December 31, 1998 and 1997, respectively. The other assets are being depreciated over their estimated useful lives of three years.

CSG International Limited. On June 28, 1996, the Company acquired all of the outstanding shares of CSGI for approximately \$3.1 million in cash and assumption of certain liabilities of \$1.6 million (the "CSGI Acquisition"). The CSGI Acquisition was recorded using the purchase method of accounting. The cost in excess of the fair value of the net tangible assets acquired of \$4.2 million was allocated to goodwill. CSGI is a United Kingdom company which provides customer care and billing solutions to the cable and telecommunications industries in the United Kingdom.

The following represents the unaudited pro forma results of operations as if the CSGI Acquisition had occurred on January 1 (in thousands, except per share amounts):

	Year Ended December 31, 1996

Total revenues.....	\$136,536
Loss attributable to common stockholders.....	(4,464)
Pro forma loss per share attributable to common stockholders (basic and diluted).....	(.10)

The pro forma financial information shown above does not purport to be indicative of results of operations that would have occurred had the acquisition taken place at the beginning of the period presented or of the future results of operations.

5. Redeemable Convertible Preferred Stock

In conjunction with the formation of the Company and the CSG Acquisition in 1994, the Company sold for cash 8,999,999 shares of Preferred Stock with a par value of \$0.01 per share. Total proceeds, net of issuance costs of \$0.4 million, were \$59.1 million. The holders of Preferred Stock were entitled to vote on all matters and were entitled to the number of votes equivalent to the number of shares of Common Stock into which such shares of Preferred Stock were converted. All Preferred Stock converted into 35,999,996 shares of the Company's Common Stock upon completion of the IPO in March 1996.

Prior to completion of the IPO, the holders of the outstanding shares of Preferred Stock were entitled to receive cumulative annual dividends of \$0.3967 per share, prior to any dividends being paid on the Company's Common Stock. Upon completion of the IPO and the resulting conversion into Common Stock, the Company paid dividends on the Preferred Stock of \$4.5 million, of which \$3.9 million was accrued as of December 31, 1995.

6. Debt

The CSG Acquisition was partially funded with a \$95.0 million term facility in 1994 (the "1994 Debt"). In conjunction with the IPO, the Company refinanced this debt with its bank in April 1996. The Company repaid approximately \$40.6 million of the outstanding 1994 Debt, principally with IPO proceeds. The remaining balance of the 1994 Debt was refinanced with a single \$40.0 million term note with the bank (the "1996 Debt"). In conjunction with this refinancing, the Company recorded an extraordinary loss of \$1.3 million for the write-off of deferred financing costs. The Company did not recognize any income tax benefit related to the extraordinary loss.

In conjunction with the SUMMITrak Acquisition, the Company entered into a \$190.0 million debt agreement with a bank in September 1997 (the "1997 Debt"), which consists of a \$150.0 million term facility (the "Term Credit Facility") and a \$40.0 million revolving credit facility. The proceeds from the Term Credit Facility were used to pay the \$106.0 million cash purchase price for the SUMMITrak assets, retire the Company's existing 1996 Debt of \$27.5 million, and pay transaction costs of \$3.4 million. The remaining proceeds were used for general corporate purposes. In conjunction with this refinancing, the Company recorded an extraordinary loss of \$0.6 million for the write-off of deferred financing costs. The Company did not recognize any income tax benefit related to the extraordinary loss. In December 1997, the Company made an optional principal payment on the Term Credit Facility of \$15.0 million.

Interest rates for the 1997 Debt, including the term and revolving credit facilities, are chosen at the option of the Company and are based on the LIBOR rate or the prime rate, plus an additional percentage spread, with the spread dependent upon the Company's leverage ratio. As of December 31, 1998, the spread on the LIBOR rate and prime rate was 0.75% and 0%, respectively. The Company entered into an interest rate collar agreement in December 1997 to manage its risk from the variable rate features of the 1997 Debt agreement (Note 2). The 1997 Debt agreement is collateralized by all of the Company's assets and the stock of its subsidiaries.

The 1997 Debt agreement requires maintenance of certain financial ratios and contains other restrictive covenants, including restrictions on payment of dividends, a fixed charge coverage ratio, a leverage ratio, and restrictions on capital expenditures. As of December 31, 1998, the Company was in compliance with all covenants. The payment of cash dividends or other types of distributions on any class of the Company's stock is restricted unless the Company's leverage ratio, as defined in the 1997 Debt agreement, is under 1.50. As of December 31, 1998, the leverage ratio was 1.63.

Long-term debt as of December 31 consists of the following (in thousands):

	1998	1997
	-----	-----
Term Credit Facility, due September 2002, quarterly payments beginning June 30, 1998, ranging from \$2.3 million to \$18.0 million, interest at adjusted LIBOR plus 0.75% (weighted average rate of 5.89% at December 31, 1998).....	\$128,250	\$135,000
Revolving credit facility, due September 2002, interest at adjusted LIBOR plus 0.75%.....	--	--
	-----	-----
	128,250	135,000
Less-current portion.....	(19,125)	(6,750)
	-----	-----
Long-term debt, net of current maturities.....	\$109,125	\$128,250
	=====	=====

There were no borrowings made on the revolving credit facilities during the years ended December 31, 1998, 1997, and 1996. Under the 1997 Debt agreement, the Company pays an annual commitment fee on the unused portion of the revolving credit facility, based upon the Company's leverage ratio. As of December 31, 1998, the fee was 0.25%. The Company's ability to borrow under the current revolving credit facility is subject to maintenance of certain levels of eligible receivables. At December 31, 1998, all of the \$40.0 million revolving credit facility was available to the Company.

As of December 31, 1998 and 1997, unamortized deferred financing costs were \$2.0 million and \$2.9 million, respectively. Deferred financing costs are amortized to interest expense over the related term of the debt agreement using a method which approximates the effective interest rate method. Interest expense for the years ended December 31, 1998, 1997 and 1996 includes amortization of deferred financing costs of approximately \$0.9 million, \$0.5 million, and \$0.6 million, respectively.

As of December 31, 1998, scheduled maturities of the Company's long-term debt for each of the years ending December 31 are: 1999--\$19.1 million, 2000--\$29.3 million, 2001--\$34.9 million, and 2002--\$45.0 million.

7. Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 is an asset and liability approach which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events which have been recognized in the Company's Consolidated Financial Statements or tax returns. In estimating future tax consequences, SFAS 109 generally considers all expected future events other than enactment of or changes in the tax law or rates.

Income tax provision (benefit) consists of the following (in thousands):

	Year Ended December 31,		
	1998	1997	1996
Current:			
Federal.....	\$ 11,574	\$ 4,466	\$ 1,225
State.....	1,594	615	230
Foreign.....	(36)	810	--
	-----	-----	-----
	13,132	5,891	1,455
	-----	-----	-----
Deferred:			
Federal.....	6,592	(38,298)	(2,305)
State.....	908	(5,276)	(433)
Foreign.....	1,048	393	503
	-----	-----	-----
	8,548	(43,181)	(2,235)
	-----	-----	-----
Change in valuation allowance.....	(61,323)	37,290	780
	-----	-----	-----
Net income tax provision (benefit).....	\$(39,643)	\$ --	\$ --
	=====	=====	=====

The difference between the income tax provision (benefit) computed at the statutory federal income tax rate and the financial statement provision (benefit) for income taxes is summarized as follows (in thousands):

	Year Ended December 31,		
	1998	1997	1996
Provision (benefit) at federal rate of 35% in 1998 and 1997, and 34% in 1996.....	\$ 16,099	\$(36,005)	\$(1,270)
Change in valuation allowance.....	(59,224)	37,290	1,283
Effective state income taxes.....	1,625	(3,030)	(134)
Basis differences from acquisition.....	--	--	(1,346)
Amortization of nondeductible goodwill.....	781	1,582	231
Stock-based employee compensation.....	362	157	1,214
Other.....	714	6	22
	-----	-----	-----
	\$ (39,643)	\$ --	\$ --
	=====	=====	=====

The deferred tax assets and liabilities result from differences in the timing of the recognition of certain income and expense items for tax and financial reporting purposes. The sources of these differences at December 31 are as follows (in thousands):

	1998	1997
Current deferred tax assets (liabilities):		
Accrued expenses and reserves.....	\$ 1,598	\$ 1,325
Deferred revenue.....	205	3,033
	-----	-----
	1,803	4,358
Valuation allowance.....	--	(3,915)
	-----	-----
	\$ 1,803	\$ 443
	=====	=====
Noncurrent deferred tax assets (liabilities):		
Purchased research and development.....	\$47,086	\$ 51,224
Software.....	7,942	8,345
Client contracts and related intangibles.....	(370)	1,508
Noncompete agreements.....	5,104	3,965
Property and equipment.....	705	443
Other.....	(1,078)	(1,168)
	-----	-----
	59,389	64,317
Valuation allowance.....	--	(57,408)
	-----	-----
	\$59,389	\$ 6,909
	=====	=====

As part of the CSGI acquisition, the Company acquired certain net deferred tax assets (principally related to net operating loss carryforwards) and established a valuation allowance of approximately \$1.0 million against those net deferred tax assets as of the acquisition date. Upon the realization of these deferred tax assets, the Company eliminated the valuation allowance and reduced goodwill for CSGI by a corresponding amount of \$0.9 million in 1998.

As of December 31, 1997, the Company had a valuation allowance of \$61.3 million against certain of its deferred tax assets due to the uncertainty that it would realize the income tax benefit from these assets. During 1998, the Company concluded that it was more likely than not that it would realize the entire tax benefit from its deferred tax assets. As a result, the Company eliminated the entire valuation allowance as of December 31, 1998, which resulted in the Company reflecting a net income tax benefit of \$39.6 million for 1998.

Management believes the Company will obtain the full benefit of the deferred tax assets on the basis of its evaluation of the Company's anticipated profitability over the period of years that the temporary differences are expected to become deductions. The Company believes that sufficient book and taxable income will be generated to realize the entire benefit of these deferred tax assets. The Company's assumptions of future profitable operations are supported by (i) the Company's strong financial performance in 1998, (ii) the successful conversion of approximately 9.0 million new customers onto the Company's processing system in 1998, with approximately 7.7 million of these customers coming from TCI, and (iii) continued strong demand from the converging communications markets for the Company's service bureau customer care and billing solutions and related software and services products, evidenced by the signing of several significant clients (both renewal and new contracts) to long-term processing contracts during 1998.

8. Employee Retirement Benefit Plans

Incentive Savings Plan. The Company sponsors a defined contribution plan covering substantially all employees of the Company. Participants may contribute up to 15% of their annual wages, subject to certain limitations, as pretax, salary deferral contributions. The Company makes certain matching and service related contributions to the plan. The Company's matching and service related contributions for the years ended December 31, 1998, 1997 and 1996, were approximately \$2.9 million, \$2.0 million, and \$1.5 million, respectively.

Deferred Compensation Plan. The Company established a non-qualified deferred compensation plan during 1996 for certain Company executives which allows the participants to defer a portion of their annual compensation. The Company provides a 25% matching contribution of the participant's deferral, up to a maximum of \$6,250 per year. The Company also credits the participant's deferred account with a specified rate of return on an annual basis. The Company records the actuarially-determined present value of the obligations expected to be paid under the plan. As of December 31, 1998 and 1997, the Company has recorded a liability for this obligation of \$1.0 million and \$0.6 million, respectively. The Company's expense for this plan for the years ended December 31, 1998, 1997 and 1996, which includes Company contributions and interest expense, was \$0.4 million, \$0.5 million, and \$0.1 million, respectively. The plan is unfunded.

9. Commitments and Contingencies

Operating Leases. The Company leases certain office and production facilities under operating leases which run through 2009. Future aggregate minimum lease payments under these agreements for the years ending December 31 are as follows: 1999--\$4.5 million, 2000--\$3.9 million, 2001--\$3.4 million, 2002--\$3.1 million, 2003--2.8 million, thereafter--\$9.1 million.

Total rent expense for the years ended December 31, 1998, 1997, and 1996, was approximately \$3.9 million, \$3.4 million, and \$1.9 million, respectively.

Service Agreements. The Company has service agreements with FDC and subsidiaries for data processing services, communication charges and other related services. FDC provides data processing and related services required for the operation of the Company's CCS system.

Prior to 1997, the Company was charged a usage-base fee per customer for data processing and related services. The other services were charged based on usage and/or actual costs. Effective January 1, 1997, the Company renegotiated its services agreement with FDC and its subsidiaries. The new agreement expires December 31, 2001, and is cancelable at the Company's option with (i) notice of six months any time after January 1, 2000, and (ii) payment of a termination fee equal to 20% of the fees paid in the twelve months preceding the notification of termination. Under the new agreement, the Company is charged based on usage and/or actual costs, and is subject to certain limitations as to the amount of increases or decreases in usage between years. The total amount paid under the service agreements for the years ended December 31, 1998, 1997 and 1996, was approximately \$22.1 million, \$19.2 million, and \$19.6 million, respectively. The Company believes it could obtain data processing services from alternative sources, if necessary.

Legal Proceedings. From time to time, the Company is involved in litigation relating to claims arising out of its operations in the normal course of business. In the opinion of the Company's management, after consultation with outside legal counsel, the ultimate dispositions of such matters will not have a materially adverse effect on the Company's consolidated financial position or results of operations.

10. Discontinued Operations

Contemporaneously with the CSG Acquisition, the Company purchased from FDC all of the outstanding shares of Anasazi Inc. ("Anasazi") for \$6.0 million cash. Anasazi provides central reservation systems and services for the hospitality and travel industries. The Company accounted for its ownership in Anasazi as discontinued operations after its acquisition in 1994. On August 31, 1995, the Company completed a substantial divestiture of Anasazi as part of a tax-free reorganization, resulting in the Company owning less than 20% of Anasazi. As a result, Anasazi's results of operations subsequent to August 31, 1995 are not included in the Company's results of operations as the Company accounted for its investment in Anasazi under the cost method subsequent to this date. In September 1997, the Company sold its remaining interest in Anasazi for \$8.6 million in cash and recognized a gain of \$7.9 million.

11. Restricted Common Stock

Stock-Based Employee Compensation Expense. During 1995 and 1994, the Company sold Common Stock to executive officers and key employees pursuant to restricted stock agreements and recorded deferred compensation of \$5.8 million related to these purchases. Prior to the completion of the IPO, the deferred compensation was being recognized as stock-based employee compensation expense on a straight-line basis from the time the shares were purchased through November 30, 2001, as the shares became vested as of this date. Upon completion of the IPO, shares owned by certain key officers of the Company became fully vested. In addition, the vesting for the remaining performance stock shares decreased to 20% annually over a five-year period. As a result, approximately \$3.2 million of stock-based employee compensation expense was recorded when the IPO was completed in March 1996. Stock-based employee compensation expense for the years ended December 31, 1998, 1997 and 1996, was \$0.3 million, \$0.4 million, and \$3.6 million, respectively. Deferred compensation of \$0.3 million and \$0.6 million as of December 31, 1998 and 1997, respectively, relates to the shares that continue to vest on an annual basis of 20% and is reflected as a component of stockholders' equity.

Repurchase Option. The Company has the option upon termination of employment to repurchase certain shares of unvested restricted stock at either the original purchase price (ranging from \$0.11 to \$2.13 per share) or the net book value per share, depending upon the specific terms of the agreements. As of December 31, 1998, 583,200 shares were still subject to the repurchase option. During the years ended December 31, 1998, 1997, and 1996, the Company repurchased unvested shares of 66,000, 209,100, and 211,200, respectively, from terminated employees. The 66,000 shares repurchased in 1998 are held as treasury shares. The shares repurchased in 1997 and 1996 were cancelled.

Notes Receivable From Employee Stockholders. Certain employees financed a portion of their stock purchases with full recourse promissory notes. The notes accrue interest at 7% annually and have terms of approximately five years. As of December 31, 1998 and 1997, the outstanding balance of the promissory notes was approximately \$0.5 million and \$0.7 million, respectively, and is reflected as a component of stockholders' equity.

12. Stock-Based Compensation Plans

Stock Incentive Plans. During 1995, the Company adopted the Incentive Stock Plan (the "1995 Plan") whereby 514,000 shares of the Company's Common Stock have been reserved for issuance to eligible employees of the Company in the form of stock options. The 256,550 options outstanding under the 1995 Plan at December 31, 1998, vest annually over five years.

During 1996, the Company adopted the 1996 Stock Incentive Plan (the "1996 Plan") whereby 4,800,000 shares of the Company's Common Stock have been reserved for issuance to eligible employees of the Company in the form of stock options, stock appreciation rights, performance unit awards, restricted stock awards, or stock bonus awards. In December 1997, upon shareholder approval, the number of shares authorized for issuance under the 1996 Plan was increased to 8,000,000. The 5,852,914 options outstanding under the 1996 Plan at December 31, 1998, vest over two to five years. Certain options become fully vested upon a change in control of the Company.

During 1997, the Company adopted the Stock Option Plan for Non-Employee Directors (the "Director Plan") whereby 200,000 shares of the Company's Common Stock have been reserved for issuance to non-employee Directors of the Company in the form of stock options. The 120,000 options outstanding under the Director Plan at December 31, 1998, vest annually over three years.

Stock options are granted with an exercise price equal to the fair market value of the Company's Common Stock as of the date of the grant. All outstanding options have a 10-year term. A summary of the stock options issued under the 1996 Plan, the Director Plan, and 1995 Plan and changes during the years ending December 31 are as follows:

	Year Ended December 31,					
	1998		1997		1996	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year.....	4,152,220	\$10.43	2,869,460	\$ 9.31	503,500	\$ 0.68
Granted.....	3,276,000	23.86	2,223,400	11.61	2,446,760	10.89
Exercised.....	(540,336)	9.20	(148,600)	6.80	(9,600)	0.67
Forfeited.....	(658,420)	13.89	(792,040)	10.35	(71,200)	3.68
Outstanding, end of year.....	6,229,464	\$17.23	4,152,220	\$10.43	2,869,460	\$ 9.31
Options exercisable at year end.....	913,774		530,152		84,300	
Weighted average fair value of options granted during the year.....	\$ 10.39		\$ 4.60		\$ 4.89	
Options available for grant.....	1,774,150		4,391,730		2,423,090	

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

Range Of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$0.63--\$1.88..	256,550	6.65	\$ 0.69	112,750	\$ 0.70
\$7.50--\$11.06.	1,842,250	7.89	9.26	447,576	9.31
\$11.75--\$14.94.	886,650	7.85	14.62	329,084	14.71
\$16.78--\$23.38.	1,562,314	9.22	20.81	24,364	19.16
\$23.59--\$33.81.	1,681,700	9.85	26.55	--	--
\$0.63--\$33.81.	6,229,464	8.70	\$17.23	913,774	\$10.46

In January 1999, the Company granted 496,150 options at a price per share of \$35.88 under the 1996 Plan, with 80,000 shares and 416,150 shares vesting over five and four years, respectively. These options are not reflected in the above tables as they were granted subsequent to December 31, 1998.

1996 Employee Stock Purchase Plan. During 1996, the Company adopted the 1996 Employee Stock Purchase Plan whereby 500,000 shares of the Company's Common Stock have been reserved for sale to employees of the Company and its subsidiaries through payroll deductions. The price for shares purchased under the plan is 85% of market value on the last day of the purchase period. Purchases are made at the end of each month. During 1998, 1997, and 1996, respectively, 31,374 shares, 39,318 shares, and 11,506 shares have been purchased under the plan for \$0.6 million (\$15.62 to \$33.58 per share), \$0.4 million (\$7.17 to \$17.00 per share), and \$0.08 million (\$6.54 to \$8.61 per share).

Stock-Based Compensation Plans. At December 31, 1998, the Company had four stock-based compensation plans, as described above. The Company accounts for these plans under APB Opinion No. 25, under which no compensation expense has been recognized in 1998, 1997 or 1996, except for \$89,000 recognized in 1996 for 11,850 shares granted as stock bonus awards under the 1996 Plan.

Had compensation expense for the Company's four stock-based compensation plans been based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS 123, the Company's net income (loss) and net income (loss) per share attributable to common stockholders for 1998, 1997 and 1996 would approximate the pro forma amounts as follows (in thousands, except per share amounts):

	Year Ended December 31,		
	1998	1997	1996
Net income (loss):			
As reported.....	\$85,638	\$(102,871)	\$(4,350)
Pro forma.....	80,710	(104,776)	(5,263)
Diluted net income (loss) per common share:			
As reported.....	1.62	(2.02)	(.10)
Pro forma.....	1.52	(2.06)	(.12)

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions for options granted in 1998, 1997 and 1996, respectively: risk-free interest rates of 4.9%, 6.3% and 6.1%; dividend yield of zero percent for all years; expected lives of 4.4 years, 3.9 years, and 5.0 years; and volatility of 40.0% for all years. Consistent with SFAS 123, the Company assumed zero volatility for all options granted prior to the date the Company qualified as a public entity.

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future amounts. SFAS 123 applies only to 1998, 1997 and 1996, and additional awards in future years are anticipated.

13. UNAUDITED QUARTERLY FINANCIAL DATA

	QUARTER ENDED			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
1998:				
Total revenues.....	\$49,308	\$54,244	\$63,461	\$ 69,627
Gross margin.....	26,158	29,152	34,757	39,327
Operating income.....	8,377	10,707	15,456	18,763
Income before income taxes.....	6,484	8,651	13,576	17,284
Income tax benefit(1).....	--	--	--	39,643
Net income attributable to common stockholders.....	6,484	8,651	13,576	56,927
Net income attributable to common stockholders per share:				
Basic.....	.13	.17	.26	1.11
Diluted.....	.12	.16	.26	1.06
1997:				
Total revenues.....	\$38,582	\$41,030	\$43,278	\$ 48,914
Gross margin.....	16,094	18,862	21,235	25,631
Operating income (loss)(3).....	1,327	2,117	3,740	(113,719)
Income (loss) attributable to common stockholders.....	1,164	1,731	3,113	(116,224)
Extraordinary item(2).....	--	--	(577)	--
Discontinued operations(2).....	--	--	7,922	--
Net income (loss) attributable to common stockholders.....	1,164	1,731	10,458	(116,224)
Net income (loss) per share (basic and diluted):				
Income (loss) attributable to common stockholders.....	.02	.03	.06	(2.28)
Extraordinary item.....	--	--	(.01)	--
Discontinued operations.....	--	--	.15	--
Net income (loss) attributable to common stockholders.....	.02	.03	.20	(2.28)

(1) The fourth quarter of 1998 includes an income tax benefit of \$39.6 million, or \$0.74 per diluted share, related primarily to the elimination of its valuation allowance against its deferred tax assets (Note 7).

(2) The third quarter of 1997 includes a \$0.6 million extraordinary charge for early extinguishment of debt (Note 6) and a \$7.9 million gain on disposition of discontinued operations (Note 10).

(3) The fourth quarter of 1997 includes the following non-recurring items:

a) The Company recorded a \$105.5 million charge, or \$2.07 per share, for purchased research and development related primarily to the SUMMITrak asset acquisition (Note 4).

b) The Company recorded a \$11.7 million charge, or \$0.23 per share, for impairment of certain capitalized software development costs (Note 2). This charge includes internal software development costs of \$8.4 million which were previously capitalized over the first three quarters of 1997 at \$2.8 million per quarter.

c) The Company recorded a \$4.7 million charge, or \$0.09 per share, for impairment of certain intangible assets (Note 2).

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

None.

Item 10. Directors and Executive Officers of the Registrant

See the Proxy Statement for the Company's Annual Meeting of Stockholders, which information regarding directors is incorporated herein by reference. Information regarding the Company's executive officers will be omitted from such proxy statement and is furnished in a separate item captioned "Executive Officers of the Registrant" included in Part I of this Form 10-K.

Item 11. Executive Compensation

See the Proxy Statement for the Company's Annual Meeting of Stockholders, which information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

See the Proxy Statement for the Company's Annual Meeting of Stockholders, which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

See the Proxy Statement for the Company's Annual Meeting of Stockholders, which information is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Financial Statements, Financial Statement Schedules, and Exhibits:

(1) Financial Statements

The financial statements filed as part of this report are listed on the Index to Consolidated Financial Statements on page 27.

(2) Financial Statement Schedules:

Index to Consolidated Financial Statement Schedules:

	Page

Report of Independent Public Accountants.....	52
Schedule II--Valuation and Qualifying Accounts.....	53

(3) Exhibits

Exhibits are listed in the Exhibit Index on page 54.

The Exhibits include management contracts, compensatory plans and arrangements required to be filed as exhibits to the Form 10-K by Item 601(10)(iii) of Regulation S-K.

(b) Reports on Form 8-K

None

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.

CSG Systems International, Inc.

/s/ Neal C. Hansen
By: _____
Neal C. Hansen
Chief Executive Officer
(Principal Executive Officer)

Date: March 29, 1999

POWER OF ATTORNEY

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 capacities and on the dates indicated.

Signature -----	Title -----	Date -----
<i>/s/ Neal C. Hansen</i> _____ Neal C. Hansen	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	March 29, 1999
<i>/s/ John P. Pogge</i> _____ John P. Pogge	President, Chief Operating Officer and Director	March 29, 1999
<i>/s/ Greg A. Parker</i> _____ Greg A. Parker	Vice President and Chief Financial Officer (Principal Financial Officer)	March 29, 1999
<i>/s/ Randy R. Wiese</i> _____ Randy R. Wiese	Controller (Principal Accounting Officer)	March 29, 1999
<i>/s/ George F. Haddix</i> _____ George F. Haddix	Director	March 29, 1999
<i>/s/ Royce J. Holland</i> _____ Royce J. Holland	Director	March 29, 1999
<i>/s/ Janice Obuchowski</i> _____ Janice Obuchowski	Director	March 29, 1999

Signature -----	Title -----	Date -----
/s/ Bernard W. Reznicek ----- Bernard W. Reznicek	Director	March 29, 1999
/s/ Rockwell A. Schnabel ----- Rockwell A. Schnabel	Director	March 29, 1999
/s/ Frank V. Sica ----- Frank V. Sica	Director	March 29, 1999

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE OF
CSG SYSTEMS INTERNATIONAL, INC.**

To the Board of Directors of
CSG Systems International, Inc.:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of CSG Systems International, Inc. and Subsidiaries included in this Form 10-K and have issued our report thereon dated January 20, 1999. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of CSG Systems International, Inc. listed in Item 14(a)(2) of Part IV of this Form 10-K is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Omaha, Nebraska
January 20, 1999

CSG SYSTEMS INTERNATIONAL, INC.

**SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
ALLOWANCE FOR DOUBTFUL ACCOUNTS**

	For the Year Ended December 31,		
	1998	1997	1996

	(in thousands)		
Balance, beginning of period.....	\$ 1,394	\$ 819	\$ 521
Acquisition of businesses.....	--	--	101
Additions charged to expense.....	1,724	875	319
Reductions.....	(1,067)	(300)	(122)
	-----	-----	-----
Balance, end of period.....	\$ 2,051	\$1,394	\$ 819
	=====	=====	=====

EXHIBIT INDEX

Exhibit Number -----	Description -----
2.01(1)	Agreement of Merger among CSG Holdings, Inc., CSG Acquisition Corporation, Cable Services Group, Inc. and First Data Resources Inc., dated October 26, 1994 (2.02 intentionally omitted)
2.03(1)	Amendment Agreement between First Data Corporation, First Data Resources Inc., CSG Holdings, Inc., CSG Systems, Inc. and Anasazi Inc., dated April 27, 1995 (2.04-2.06 intentionally omitted)
2.07(1)	Founder Stock Purchase Agreement between CSG Holdings, Inc. and Neal C. Hansen, dated November 30, 1994
2.08(1)	Founder Stock Purchase Agreement between CSG Holdings, Inc. and George Haddix, dated November 30, 1994
2.09(1)	Founder Performance Stock Purchase Agreement between CSG Holdings, Inc. and Neal C. Hansen, dated November 30, 1994, and first and second amendments thereto
2.10(1)	Founder Performance Stock Purchase Agreement between CSG Holdings, Inc. and George Haddix, dated November 30, 1994, and first and second amendments thereto
2.11(1)	Series A Preferred Stock Purchase Agreement among CSG Holdings, Inc. and the purchasers listed on the Schedule of Purchasers attached thereto, dated November 30, 1994
2.12(1)	Stockholders Agreement among CSG Holdings, Inc. and each of the investors listed on the Schedule of Investors attached thereto, dated November 30, 1994 (2.13-2.15 intentionally omitted)
2.16(2)	Share Purchase Agreement among Cray Systems Ltd., Digital Equipment Company Ltd. and CSG Systems International, Inc. dated June 28, 1996
2.17(2)	Administration and Development Services Agreement between Cray Systems Ltd. and CSG International Limited dated June 28, 1996 (2.18 intentionally omitted)
2.19(5)*	Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation dated August 10, 1997
2.19A(7)*	Second Amendment to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation, dated January 9, 1998.
2.19B(8)*	First Amendment to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation, dated June 29, 1998.
2.19C(9)	Sixth Amendment to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation, dated July 22, 1998.
2.19D(9)*	Seventh Amendment to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation, dated September 8, 1998.
2.19E(9)	Eighth Amendment to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation, dated September 25, 1998.

Exhibit Number -----	Description -----
2.19F(9)*	Eleventh Amendment to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation, dated September 30, 1998.
2.19G*	Fifth, Ninth, Tenth, Thirteenth, Fourteenth, Seventeenth and Nineteenth Amendments to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation.
2.20(5)	Asset Purchase Agreement between CSG Systems International, Inc. and TCI SUMMITrak of Texas, Inc., TCI SUMMITrak, L.L.C., and TCI Technology Ventures, Inc., dated August 10, 1997
2.21(5)	Contingent Warrant to Purchase Common Stock between CSG Systems International, Inc. and TCI Technology Ventures, Inc., dated September 19, 1997
2.22(5)	Royalty Warrant to Purchase Common Stock between CSG Systems International, Inc. and TCI Technology Ventures, Inc., dated September 19, 1997
2.23(5)	Registration Rights Agreement between CSG Systems International, Inc. and TCI Technology Ventures, Inc., dated September 19, 1997
2.24(5)	Loan Agreement among CSG Systems, Inc. and CSG Systems International, Inc. as co-borrowers, and certain lenders and Banque Paribas, as Agent, dated September 18, 1997
2.25(6)	First Amendment to Loan Agreement among CSG Systems, Inc. and CSG Systems International, Inc. as co-borrowers, and certain lenders and Banque Paribas, as Agent, dated November 21, 1997
2.26	Second Amendment to Loan Agreement among CSG Systems, Inc. and CSG Systems International, Inc. as co-borrowers, and certain lenders and Banque Paribas, as Agent, dated November 16, 1998.
3.01(1)	Restated Certificate of Incorporation of the Company
3.02(4)	Restated Bylaws of CSG Systems International, Inc.
3.03(4)	Certificate of Amendment of Restated Certificate of Incorporation of CSG Systems International, Inc.
4.01(1)	Form of Common Stock Certificate
10.01(1)	CSG Systems International, Inc. 1995 Incentive Stock Plan
10.02(1)	CSG Employee Stock Purchase Plan
10.03(1)	CSG Systems International, Inc. 1996 Stock Incentive Plan
10.04(1)	Employee Performance Stock Purchase Agreement between CSG Systems International, Inc. and George Haddix, dated August 17, 1995, and first amendment thereto
10.04A(7)	Second Amendment of Employee Performance Stock Purchase Agreement dated March 18, 1998.
10.05(1)	Employee Restricted Stock Purchase Agreement between CSG Systems International, Inc. and John P. Pogge, dated March 6, 1995
10.06(1)	Employee Performance Stock Purchase Agreement between CSG Systems International, Inc. and John P. Pogge, dated March 6, 1995, and first and second amendments thereto
10.07(1)	Employee Performance Stock Purchase Agreement between CSG Systems International, Inc. and John P. Pogge, dated May 16, 1995, and first and second amendments thereto
	(10.08-10.10 intentionally omitted)
10.11(1)	Registration Rights Agreement among CSG Systems International, Inc. and the purchasers listed on the Schedule of Purchasers attached thereto, dated November 30, 1994
10.12(6)	Separation Agreement and Releases with George F. Haddix
10.13(6)	Independent Consulting Agreement with George F. Haddix, dated December 23, 1997

- 10.14 Employment Agreement with Neal C. Hansen, dated November 17, 1998
- 10.15(6) Indemnification Agreements between CSG Systems International, Inc.
and certain directors

Exhibit Number -----	Description -----
10.16(1)	Indemnification Agreements between CSG Systems International, Inc. and its directors and certain officers
10.17(1)	Lease, Assignment and Acceptance of Lease, Assignment and Assumption of Lease, and First Amendment to Lease respecting facility at 2525 North 117th Avenue, Omaha, Nebraska
10.18(1)	Lease, Assignment and Assumption of Leases, and Lease Amendment respecting facility at 14301 Chandler Road, Omaha, Nebraska
10.19(1)	Lease and Sublease respecting facility at 4949 Pearl East Circle, Boulder, Colorado (10.20-10.36 intentionally omitted)
10.37(1)*	Printing and Mailing Services Agreement between CSG Systems, Inc. and PageMart, Inc., dated August 29, 1995 (10.38 intentionally omitted)
10.39	CSG Systems, Inc. Wealth Accumulation Plan, as amended November 14, 1996 (previously filed as and incorporated by reference to Exhibit 10.38 Registrant's Quarterly Report on Form 10-Q for the period to the ended September 30, 1996)
10.40(3)*	Amended and Restated Services Agreement between First Data Technologies, Inc. and CSG Systems, Inc., formerly known as Cable Services Group, Inc., dated December 31, 1996
10.40A(3)	Schedules 2.11, 2.14, 5.3 and 6.4 and Exhibit 9(a) to Schedule 5.6 to Amended and Restated Services Agreement between First Data Technologies, Inc. and CSG Systems, Inc., formerly known as Cable Services Group, Inc., dated December 31, 1996
10.40B(P)(3)	Schedules 1.21 and 1.47 and Exhibit A to Schedule 5.6 to Amended and Restated Services Agreement between First Data Technologies, Inc. and CSG Systems, Inc., formerly known as Cable Services Group, Inc., dated December 31, 1996
10.40C(9)*	First Amendment to Amended and Restated Services Agreement between CSG Systems, Inc. and First Data Technologies, Inc., dated July 8, 1998. (10.41-10.43 intentionally omitted)
10.44(4)	CSG Systems International, Inc. Stock Option Plan for Non-Employee Directors
10.45	Employment Agreement with John P. Pogge, dated November 17, 1998.
10.46	Employment Agreement with Edward Nafus, dated November 17, 1998.
10.47	Employment Agreement with Greg Parker, dated November 17, 1998.
21.01	Subsidiaries of the Company
23.01	Consent of Arthur Andersen LLP
27.01	Financial Data Schedule (EDGAR Version Only)
99.01	Safe Harbor for Forward-Looking Statements Under the Private Securities Litigation Reform Act of 1995--Certain Cautionary Statements and Risk Factors

(1) Incorporated by reference to the exhibit of the same number to the Registration Statement No. 333-244 on Form S-1.

(2) Incorporated by reference to the exhibit of the same number to the Registrant's Current Report on Form 8-K dated July 9, 1996.

(3) Incorporated by reference to the exhibit of the same number to the Registrant's Annual Report on Form 10-K, as amended, for the year ended December 31, 1996.

(4) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 1997.

- (5) Incorporated by reference to the exhibit of the same number to the Registrant's Current Report on Form 8-K dated October 6, 1997.
- (6) Incorporated by reference to the exhibit of the same number to the Registrant's Annual Report on Form 10-K, as amended for the year ended December 31, 1997.
- (7) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 1998.
- (8) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 1998.
- (9) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 1998.

* Portions of the exhibit have been omitted pursuant to an application for confidential treatment, and the omitted portions have been filed separately with the Commission.

EXHIBIT 2.19G

**FIFTH AMENDMENT
TO
RESTATED AND AMENDED CSG MASTER
SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT
BETWEEN
CSG SYSTEMS, INC. AND
TCI CABLE MANAGEMENT CORPORATION**

This Fifth Amendment (the "Amendment") is executed this 30th day of December, 1998, and is made by and between CSG Systems, Inc., a Delaware corporation ("CSG") and TCI Cable Management Corporation ("Customer"). CSG and Customer entered into a certain Restated and Amended CSG Master Subscriber Management System Agreement dated August 10, 1997, which has subsequently been amended pursuant to separately executed amendments (collectively, the "Agreement"), and now desire to amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment, shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

CSG AND CUSTOMER AGREE AS FOLLOWS:

1. FOR THE FEES SET FORTH IN SECTION 2 BELOW, CUSTOMER DESIRES TO LICENSE ACSR AOI WHICH IS AN APPLICATION OBJECT INTERFACE THAT ALLOWS THIRD PARTY APPLICATIONS TO BE USED IN CONJUNCTION WITH ACSR. AS A RESULT THE DEFINITION OF CCS PRODUCTS IS HEREBY AMENDED TO INCLUDE ACSR AOI.
2. THE FEES FOR ACSR AOI ARE SET FORTH IN SCHEDULE D OF THE AGREEMENT.
3. CUSTOMER WILL BE LICENSED TO USE ACSR AOI AT THE FOLLOWING SYSTEM SITES AND FOR THE APPLICATIONS SET FORTH BELOW:

SYSTEM SITE -----	SYS/PRIN -----	APPLICATION -----
HARTFORD, CT	8493-1800	OUTBOUND COLLECTION SCREEN POP
DALLAS, TX	8493-1300	EMPOWER CREDIT VERIFICATION
CHICAGO, IL COLLECTION	8493-2300	DAVOX OUTBOUND PREDICTIVE DIALER FOR COLLECTION
BEAVERTON, OR	8494-5600	SATELLITE OUTBOUND PREDICTIVE SCREEN POP
EVERETT, WA	8498-0000	EIS OUTBOUND COLLECTION SCREEN POP
DENVER, CO	8497-0000	MALITA OUTBOUND COLLECTION SCREEN POP

THIS AMENDMENT IS EXECUTED ON THE DAY AND YEAR FIRST SHOWN ABOVE.

**CSG SYSTEMS, INC. ("CSG") TCI CABLE MANAGEMENT
CORPORATION ("CUSTOMER")**

1.

BY: /S/ JOSEPH T. RUBLE

BY: /S/ JERRY KULIN

NAME: JOSEPH T. RUBLE

NAME: JERRY KULIN

TITLE: V. P. & GENERAL COUNSEL

TITLE: EXEC. DIR. BILLING. SYST.

Pages where confidential treatment has been requested are stamped "Confidential Treatment Requested and the Redacted Material has been separately filed with the Commission," and places where information has been redacted have been marked with (***)

**NINTH AMENDMENT
TO
RESTATED AND AMENDED CSG MASTER
SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT
BETWEEN
CSG SYSTEMS, INC.
AND
TCI CABLE MANAGEMENT CORPORATION**

This Ninth Amendment (the "Amendment") is executed this 26th day of October, 1998, and is made by and between CSG Systems, Inc., a Delaware corporation ("CSG") and TCI Cable Management Corporation ("Customer"). CSG and Customer entered into a certain Restated and Amended CSG Master Subscriber Management System Agreement dated August 10, 1997, which has subsequently been amended pursuant to separately executed amendments (collectively, the "Agreement"), and now desire to amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment, shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

CSG AND CUSTOMER AGREE AS FOLLOWS:

1. The terms of this Amendment shall apply only with respect to CIT(R).
2. Schedule C and all references to the CCS Products in the Agreement are hereby amended to include CSG's Customer Interaction Tracking (CIT) licensed software, which is a module offered with ACSR that provides enhanced methods for tracking the interaction with the customer base. It provides note taking functionality as well as an interaction history feature that allows specific actions to be recorded in a transaction history log. CIT also allows for the scheduling of customer call backs. These call backs can be reviewed by management as well as moved between CSRs.
3. Customer shall be licensed to use CIT on one hundred fifty (150) workstations at its System Site at 5450 N. Cumberland, Suite 300, Chicago, IL 60656.
4. The term of this Amendment and Customer's license to use CIT shall terminate on January 31, 1999. Upon the parties' mutual consent, the term of Customer's license to use CIT in the manner set forth herein or in any other manner (e.g., in a service bureau capacity) may be extended pursuant to a separately executed document.
5. Schedule D is hereby amended to include the following fees for CIT:
 - . Number of Customer's users of CIT during this trial period shall be a maximum of one-hundred fifty (150) located at Customer's Chicago System Site.

- . CIT usage fee for this trial period shall be (***) (\$***) dollars.
- . Fees for any extension of the total period beyond January 31, 1999 will be negotiated.
- . CIT fees do not include any user workstation hardware.
- . CIT fees do not include network communication charges.
- . CIT fees include third party software, server hardware, system operation, project management, installation, computer based training, reporting software for two (2) users.

6. Exhibit C-2 of the Agreement shall be amended to include the Designated Environment set forth below for CIT, and Customer shall receive CSG's standard CIT installation, training and support services.

DESIGNATED ENVIRONMENT

DESIGNATED ACSR FAMILY OF PRODUCTS ENVIRONMENT

1. ACSR.
2. Customer Interaction Tracking (CIT).
3. ACSR Telephony.
4. Computer Based Training (CBT).
5. Application Object Interface (AOI).
6. Additional Data Facility (ADF) [NOT AVAILABLE AT THIS TIME].

IMPORTANT NOTES:

1. The following applies only in regards to the CCS Products actually licensed by Customers under SCHEDULE C of their contracts and may be subject to change as the specific hardware configuration cannot be completely identified and certified until after the business requirements of Customer are determined during the pre-installation visit
2. The Support Services do not include support of the CCS Products if used outside the Certified Designated Environment (i.e. other hardware, software, or other modifications have been introduced by Customer that are outside the certified Designated Environment). In such a case, CSG may agree to provide customized technical support for CSG's then-current fees for such services.

PRODUCT COMPATIBILITY MATRIX - (Yes indicates the product is available on the indicated client workstation platform; date indicates the estimated date available).

Product	Windows NT	Apple Macintosh	SUN Solaris	Windows
95				
ACSR	Yes	(3)	Yes	Yes
CIT	Yes (1)	(3)	(4)	Yes
Telephony	Yes	No	No	No
ADF	(2)	(2)	(2)	(2)
ACSR CBT	Yes	No	Yes	Yes
CIT CBT	Yes	No	Yes	Yes
Telephony CBT	Yes	N/A	N/A	N/A
AOI w/DDE	Yes	N/A	N/A	Yes

1. CIT coexistence with Telephony (no Telephony specific functionality).
2. Not Available at this point in time.
3. Available under existing contracts only.
4. Availability subject to Statement of Work (SOW) to convert application to SUN Solaris.

Client Workstation Hardware, Memory, and Video Section:

A. HARDWARE:

WINDOWS NT & 95 PLATFORM HARDWARE: Compaq, and IBM Business Class computers designated as Microsoft Windows NT certified are supported for the Windows 95 and NT ACSR platforms. Four examples are shown below:

- 1) Compaq Deskpro 2000 Pentium (133 MHz minimum).
- 2) IBM PC350 Pentium (133 MHz minimum).
- 3) IBM PC300PL Pentium (200 MHz) - Replacement for discontinued model PC350.
- 4) Compaq Deskpro 4000N Pentium 233 MHz [Windows NT Version 4.0 platform only].

UNIX PLATFORM HARDWARE:

- 1) Sun Ultra 5 11/97 and 8/97 MHz, Solaris Version 2.5.1.
- 2) Ultra Sparc 1, model 170, Solaris 2.5.1.

MACINTOSH PLATFORM HARDWARE:

1. Apple 7600 Power Macintosh.

Client Workstation Hardware Notes:

- 1) CD ROM recommended for all workstations except Compaq Deskpro 4000N.
- 2) Personal Computers with 100 MHz bus speeds must be provided to CSG for approval.

B. WORKSTATION MINIMUM MEMORY (RAM)

1. 32MB (with Windows 95 and UNIX SUN Solaris) - Assumes ACSR is the only application running on the desktop. Clients running additional desktop applications are recommended to have 64 MB.
2. 64MB (with Windows NT Version 4.0 and Apple Macintosh).

C. WORKSTATION MINIMUM HARD DRIVE SPACE

1. 1.2 Gigabyte of Hard Drive space available for ACSR.

D. WORKSTATION MINIMUM VIDEO REQUIREMENTS

1. Minimum video resolution supported 1024 x 768 x 256 colors, small font.
2. Minimum 15" SVGA monitor (17" for Apple MAC).

Workstation Software Section:

WINDOWS NT AND 95 WORKSTATIONS:

1. Microsoft Windows NT Version 4.0 w/ Service Pack 3 applied (note: Telephony workstations running Applications Administration Screens require 16 bit drivers).
2. NetManage Chameleon Hostlink Version 7.0.2 (with Windows NT or 95).
3. Microsoft Windows 95 w/ Service Pack 1 and the Kernel32 update applied.

UNIX SUN SOLARIS WORKSTATIONS:

1. Solaris Version 2.5.1 (see workstations above).
2. Brixton 3270 client for Solaris Version 3.0.1.9 in the HLLAPI environment.
3. Open Windows.

6.

APPLE MACINTOSH WORKSTATIONS:

1. Macintosh Operating System Version 7.6.1.
2. Macintosh Irma Version 5.11.

ADDITIONAL WORKSTATION SOFTWARE TO SUPPORT TELEPHONY:

(Note: Telephony workstations running Applications Administration Screens require 16 bit drivers)

1. Oracle SQL*NET V2.1.4.1.4 for NT runtime (with Windows NT).
2. Oracle SQL Forms V4.5.6.5.5 for NT runtime (with Windows NT).
3. Forest & Trees 4.1 (with Windows NT) (Optional reporting tool for PCs doing reporting queries).

ADDITIONAL WORKSTATION SOFTWARE TO SUPPORT CIT:

1. Oracle SQL*NET V2.1.4.1.4 runtime (with NT or 95) (For PCs with Forest & Trees).
2. Forest & Trees 4.1 (with Windows NT or 95) (Optional reporting tool for PCs doing reporting queries).

ACSR Server(s) Section:

1. SUN Sparc 20.
2. SUN Sparc 1000E.
3. Ultra Sparc 1 - model 170 only.
4. Ultra Sparc 2.
5. Ultra Sparc 3000. (Server model, number of CPUs, memory, and disk storage are based on individual customer requirements.) (CDROM required for all servers)

Note: The SUN Sparc 20 and SUN Sparc 1000E are no longer sold by SUN but are supported by CSG.

ACSR/CIT Server(s) Array Section:

1. Software - Veritas Volume Manager (a.k.a. Sun Enterprise Volume Manager) bundled with Sun SSA Models 112, 114, and 214.
2. Hardware - Sun SSA Models 112, 114, and 214.

Server Software Section:

1. Solaris V2.5.1
2. Samba V1.9.15 p8 (with NT or 95).
3. Brixton Server PU2.1 for Solaris (Release 4.0) running in 2.3.2 mode (both core and session components required).
4. Brixton 3270 Client for Solaris (Version 3.0.1.9) (1 copy required for trouble shooting and 1 copy required for each mainframe printer if printing through TCP/IP).
5. Hewlett Packard Solaris Jet Admin software Rev. D.03.15.

ADDITIONAL SERVER SOFTWARE TO SUPPORT CIT OR ADF:

1. Oracle V7.3.3 runtime.
2. Platinum EPM Agent V3.1.0
3. Tuxedo V6.1

ADDITIONAL SERVER SOFTWARE TO SUPPORT TELEPHONY (WINDOWS NT 4.0 ONLY):

1. Oracle V7.3.2.1 runtime.
2. Tuxedo V 6.1.(With NT or 95)
3. Platinum EPM Agent V3.1.0
4. Platinum Autosys agent V3.3 release 5
5. Postalsoft V 5.00

Distribution Server and Software Section:

1. SPARCstation 5/170Mhz, 64M RAM, 2.1G hard drive, Solaris V2.5.1
2. A CD ROM drive is required for all distribution servers.

Note: The SPARCstation 5/170Mhz is no longer sold by SUN, but is still supported by CSG.

CONCENTRATORS:

1. BayNetworks (Synoptics) 2813-04 (managed 16-port Ethernet hub).
2. BayNetworks (Synoptics) 2803 (passive 16-port Ethernet hub).
3. BayNetworks (Synoptics) 800 (passive 8-port Ethernet hub).
4. BayNetworks (Synoptics) 2712B-04 (managed 16-port token ring hub).
5. BayNetworks (Synoptics) 2702B-C (passive 16-port token ring hub).

NETWORK CARDS/DEVICES:

1. 3Com Etherlink cards.
2. SUN Fast Ethernet 10/100M.
3. SUN Token Ring 4/16M.
4. SUN Single Ring FDDI Interface.
5. SUN Dual Ring FDDI Interface.
6. Hewlett Packard Jet Direct EX [Printer Interface].

PRINTERS:

1. IBM 4226 - 533 characters per second [Work Order printer] (cps).
2. Lexmark 4227- 533 cps. [Work Order printer]
3. IBM 6400 model 005. [Work Order printer]
4. IBM 6400 models 008 and 012. [Reports printer]
5. Hewlett Packard LaserJet5. [Screen Print printer]
6. Okidata ML 320. [Cash Register Receipts printer]

ROUTERS:

1. Cisco 2501, 2509, 2511, 2514, 4500.

THIS AMENDMENT IS EXECUTED ON THE DAY AND YEAR FIRST SHOWN ABOVE.

CSG SYSTEMS, INC. ("CSG") TCI CABLE MANAGEMENT CORPORATION

("CUSTOMER")

BY: /S/ JOHN P. POGGE

BY: /S/ SCOTT D. BESSELIEVRE

NAME: JOHN P. POGGE

NAME: SCOTT D. BESSELIEVRE

TITLE: PRESIDENT

TITLE: EXECUTIVE DIRECTOR, CUSTOMER OPERATIONS

**TENTH AMENDMENT
TO
RESTATED AND AMENDED CSG MASTER
SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT
BETWEEN
CSG SYSTEMS, INC.
AND
TCI CABLE MANAGEMENT CORPORATION**

This Tenth Amendment (the "Amendment") is executed this 30th day of October, 1998, and is made by and between CSG Systems, Inc., a Delaware corporation ("CSG") and TCI Cable Management Corporation ("Customer"). CSG and Customer entered into a certain Restated and Amended CSG Master Subscriber Management System Agreement dated August 10, 1997, which has subsequently been amended pursuant to separately executed amendments (collectively, the "Agreement"), and now desire to amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment, shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

CSG AND CUSTOMER AGREE AS FOLLOWS:

1. EXHIBIT S-1 OF THE AGREEMENT SHALL BE AMENDED TO INCLUDE THE FOLLOWING FOUR
(4) SYSTEM LOCATIONS AT WHICH CUSTOMER IS LICENSED TO USE THE CSG INFOEXPRESS SOFTWARE PURSUANT TO THE TERMS AND CONDITIONS OF THE AGREEMENT, INCLUDING, BUT NOT LIMITED TO, SCHEDULE S THERETO:

CHICAGO, IL
DALLAS, TX
FIFE, WA
BALTIMORE, MD

THIS AMENDMENT IS EXECUTED ON THE DAY AND YEAR FIRST SHOWN ABOVE.

**CSG SYSTEMS, INC. ("CSG") TCI CABLE MANAGEMENT CORPORATION
("CUSTOMER")**

BY: /s/ JOSEPH T. RUBLE

NAME: JOSEPH T. RUBLE

TITLE: V.P. & GENERAL COUNSEL

BY: /s/ SCOTT D. BESSELIEVRE

NAME: SCOTT D. BESSELIEVRE

TITLE: EXEC. DIRECTOR, CUSTOMER OPERATIONS

Pages where confidential treatment has been requested are stamped "Confidential Treatment Requested and the Redacted Material has been separately filed with the Commission," and places where information has been redacted have been marked with (***)

**THIRTEENTH AMENDMENT
TO
RESTATED AND AMENDED CSG MASTER
SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT
BETWEEN
CSG SYSTEMS, INC.
AND
TCI CABLE MANAGEMENT CORPORATION**

This Thirteenth Amendment ("Amendment") is executed this 31st day of December, 1998, and is made by and between CSG Systems, Inc., a Delaware corporation ("CSG") and TCI Cable Management Corporation ("Customer"). CSG and Customer entered into a certain Restated and Amended CSG master Subscriber Management System Agreement dated August 10, 1997, which has subsequently been amended pursuant to separately executed amendments (collectively, the "Agreement"), and now desire to amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment, shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

CSG and Customer agree as follows:

1. Schedule D of the Agreement shall be amended to include the fees set forth below for CSG's Statement Express/TM/ software which Customer is licensed to use pursuant to Schedule T of the Agreement.

CSG Statement Express/TM/ (Note 1)	

Perpetual License Fees--For CSR Use	
0 to 100 workstations	\$(***) per CSR workstation
101 to 500 workstations	\$(***) per CSR workstation
501 to 1500 workstations	\$(***) per CSR workstation
1500 and greater workstations	\$(***) per CSR workstation
Annual Software Maintenance	20% of License Fees
Monthly Statement Archive Fee (includes semi-annual archival CD-ROM)	\$(***) per data frame (Note 2)

(Note 1): CSG shall not increase any of the fees set forth herein prior to January 1, 2000. Thereafter, the fees set forth herein shall be subject to increases in accordance with Section 4 of the Agreement.

#4024
3/17/99

1
**CONFIDENTIAL AND PROPRIETARY INFORMATION--FOR USE BY AUTHORIZED EMPLOYEES
OF THE PARTIES HERETO ONLY AND IS NOT FOR GENERAL DISTRIBUTION WITHIN
OR OUTSIDE THEIR RESPECTIVE COMPANIES.**

"Confidential Treatment Requested and the Redacted Material has been separately filed with the Commission."

- . Remote installation services support set forth in Exhibit T-3 shall be provided on a time and material basis at CSG's then current rates.
- . If additional on-site support is requested by Customer, it may be provided on a time and materials basis at CSG's then current rates.

Pilot System Site:

The following terms shall apply with respect to one (1) System Site, which is referred to herein as the "Pilot System Site", during the periods described below. At all times thereafter, the terms and conditions of the Agreement, including, but not limited to Schedule T, shall govern Customer's use of the Statement Express Product:

- a. Customer shall select the Pilot System Site, and notify CSG of such selection in writing, no later than January 31, 1999.
- b. The Pilot System Site shall have no more than six hundred thousand (600,000) basic subscribers.
- c. Customer shall purchase a minimum of one hundred sixty (0) licenses of CSG Statement Express at a price of \$(***) per CSR workstation. CSG shall invoice Customer for such licenses on the "Commencement Date".
- d. CSG shall waive the annual software maintenance on the one hundred sixty (160) licenses through December 31, 1999. Annual software maintenance on the one hundred sixty (160) licenses shall commence being billed on January 1, 2000.
- e. CSG will lower the monthly statement archive fee to \$(***) for the period of January 1, 1999 through December 31, 1999.

For purposes of this Thirteenth Amendment, "the term "Commencement Date" shall be deemed to be the date upon which CSG Statement Express and other >Products and Services contemplated by this Thirteenth Amendment are fully installed and operational. CSG shall invoice Customer for such licenses on the "Commencement Date".

THIS AMENDMENT is executed on the day and year first shown above.

CSG SYSTEMS, INC. ("CSG")

*TCI CABLE MANAGEMENT CORPORATION
("Customer")*

By: /s/ Joseph T. Ruble

By: /s/ Jerry Kulin

Name: Joseph T. Ruble

Name: Jerry Kulin

Title: V.P. & General Counsel

Title: Exec. Dir. Billing Syst.

#4024
3/17/99

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**FOURTEENTH AMENDMENT
TO
RESTATED AND AMENDED CSG MASTER
SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT
BETWEEN
CSG SYSTEMS, INC.
AND
TCI CABLE MANAGEMENT CORPORATION**

This Fourteenth Amendment (the "Amendment") is executed this 8th day of December, 1998, and is made by and between CSG Systems, Inc., a Delaware corporation ("CSG") and TCI Cable Management Corporation ("Customer"). CSG and Customer entered into a certain Restated and Amended CSG Master Subscriber Management System Agreement dated August 10, 1997, which has subsequently been amended pursuant to separately executed amendments (collectively, the "Agreement"), and now desire to amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment, shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

CSG and Customer agree as follows:

1. Customer desires to receive CSG's CSG Ticket Express(TM) service, which automates Pay-Per-View movie and event ordering functionality by enabling subscribers' orders to be placed through a toll-free number which is processed through CSG's billing system without live agent intervention. Therefore, the definition of "Services" in the Agreement shall be amended to include CSG Ticket Express, and Schedule D of the Agreement shall be amended to include the fees for CSG Ticket Express that are set forth in Paragraph 3 below.

2. Customer shall receive the CSG Ticket Express service for a term commencing on the date of execution of this Amendment and ending on December 31, 2006. Although the term set forth in this paragraph 2 is different from the term set forth in Section 15 of the Agreement, the rest of the terms and conditions of the Agreement, including, but not limited to, Section 17(d), shall apply with respect to Customer's use of CSG's Ticket Express.

3. Schedule D of the Agreement shall be amended to include the following fees for CSG Ticket Express(TM)

A. Monthly Transaction Fees:

a. Volume of: 0 to 1,000,000 completed Pay-Per-View (PPV) transactions:

. Base Service Fee \$(***) per completed PPV transaction

(Note 1)

. PIN Usage Fee (optional) \$(***) per call using a PIN (Note 2)

b. Volume of: 1,000,001 and greater completed Pay-Per-View (PPV) transactions:

. Base Service Fee \$(***) per completed PPV transaction

(Note 1)

. PIN Usage Fee (optional) \$(***) per call using a PIN (Note 2)

(Note 1):

Base Service Fee includes the following:

- Data Link/Host Connection
- Custom Greeting
- Database Configuration (voice file recording/management)
- Title Insertion- Movies
- ANI performance reports/statistics
- One (1) Project Manager until March 31, 2000

(Note 2):

The PIN usage fee is an incremental charge that is in addition to the Base Service Fee. The PIN usage fee will be charged to Customer on a per call basis, regardless of whether a PPV transaction is completed or not completed.

c. Monthly Transaction Fee Minimum:

Beginning January 1, 2000 and continuing until December 31, 2006, Customer shall be responsible for paying a minimum of \$(***) per calendar quarter in Monthly Transaction Fees for CSG Ticket Express.

d. If, subsequent to the date of this Amendment, Customer executes additional amendment(s) pursuant to which CSG provides additional capability related to CSG Ticket Express, any Monthly Transaction Fees paid by Customer for such additional capability shall apply towards the quarterly minimum set forth in Paragraph 3(A)(c) above.

B. Other Fees:

- . Call Re-Direct Fee \$ (***) per re-directed call Set-up
- . Fee for Promotions \$ (***) per promotion
- . Promotion/Special Messages \$ (***) per message Title
- . Insertion-Special Events \$ (***) per event

C. Installation Fees: (***)

4. Customer shall not be responsible for paying the fees set forth in paragraph 3.A and 3.B above until CSG's CSG Ticket Express service is initiated.

5. The \$(***) minimum monthly fee commitment for Summitrak Pay-Per-View Service that is set forth in Section 17 of Schedule D shall be deleted upon execution of this Amendment.

6. With respect to CSG Ticket Express only, the first sentence of Section 4 of the Agreement shall be deleted in its entirety and replaced with the following:

CSG shall not adjust any of the fees specified in Schedule D or otherwise specified in the schedule prior to January 1,1999.

THIS AMENDMENT is executed on the day and year first shown above.

CSG SYSTEMS, INC. ("CSG") TCI CABLE MANAGEMENT CORPORATION

("Customer")

By: /s/ Joseph T. Ruble

By: /s/ Ann Montgomery

Name: *Joseph T. Ruble*

Name: *Ann Montgomery*

Title: *V.P & General Counsel*

Title: *SVP Fulfillment Svcs.*

TCI Communications, Inc.

Pages where confidential treatment has been requested are stamped "Confidential Treatment Requested and the Redacted Material has been separately filed with the Commission," and places where information has been redacted have been marked with (***)

**SEVENTEENTH AMENDMENT
TO
RESTATED AND AMENDED CSG MASTER
BETWEEN
CSG SYSTEMS, INC.
AND
TCI CABLE MANAGEMENT CORPORATION**

This Seventeenth Amendment (the "Amendment") is executed this 31st day of December, 1998, and is made by and between CSG Systems, Inc., a Delaware corporation ("CSG") and TCI Cable Management Corporation ("Customer"). CSG and Customer entered into a certain Restated and Amended CSG Master Subscriber Management System Agreement dated August 10, 1997, which has subsequently been amended pursuant to separately executed amendments (collectively, the "Agreement"), and now desire to amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment, shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

1. For the fees set forth in paragraph 4 below and in accordance with the terms and conditions of the Agreement, CSG hereby grants to Customer a site license pursuant to which Customer may use ACSR on two hundred and twenty five (225) workstations. Therefore, as of the date of execution of this Amendment, Customer is, pursuant to the multiple site licenses granted prior to the date of execution of this Amendment, entitled to use ACSR on a total of six thousand three hundred twenty five (6,325) workstations.
2. CSG shall provide Customer one (1) master copy of ACSR for the purpose of installing ACSR on the two hundred twenty five (225) workstations referenced above.
3. The System Sites at which Customer will be licensed to use ACSR pursuant to paragraph 1 above will be:

System Site -----	Workstations -----
Tulsa, Oklahoma	20
Lee's Summit, Missouri	45
Mesa, AZ	90
Atlanta, GA	10
San Antonio	60

separately filed with the Commission."

4. The fees to be paid by Customer for the additional site license of 225 workstations of ACSR are as follows:

ACSR Perpetual License Fees

225 workstations \$(***)

\$(***) per workstation)

ACSR Annual Maintenance Fees

Twenty percent (20%) of License Fees

Agreed and accepted this 31/st/ day of December, 1998 by:

CSG SYSTEMS, INC. ("CSG")

*TCI CABLE MANAGEMENT CORPORATION
("Customer")*

By: /s/ Joseph T. Ruble

By: /s/ Ann Montgomery

#4160
12/31/98

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**NINETEENTH AMENDMENT
TO
RESTATED AND AMENDED CSG MASTER
BETWEEN
CSG SYSTEMS, INC.
AND
TCI CABLE MANAGEMENT CORPORATION**

This Nineteenth Amendment (the "Amendment") is executed this 31st day of December, 1998, and is made by and between CSG Systems, Inc., a Delaware corporation ("CSG") and TCI Cable Management Corporation ("Customer"). CSG and Customer entered into a certain Restated and Amended CSG Master Subscriber Management System Agreement dated August 10, 1997, which has subsequently been amended pursuant to separately executed amendments (collectively, the "Agreement"), and now desire to amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment, shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

CSG and Customer agree as follows:

1. For the fees set forth in paragraph 3 below and in accordance with the terms and conditions of the Agreement, CSG hereby grants to Customer a site license pursuant to which Customer may use ACSR on one thousand five hundred (1,500) workstations. Therefore, as of the date of execution of this Amendment, Customer is, pursuant to the multiple site licenses granted prior to the date of execution of this Amendment, entitled to use ACSR on a total of seven thousand eight hundred twenty five (7,825) workstations.
2. CSG shall provide Customer one (1) master copy of ACSR for the purpose of installing ACSR on the one thousand five hundred (1,500) workstations referenced above.
3. The fees to be paid by Customer for the additional site license of 1,500 workstations of ACSR are as follows:

ACSR Perpetual License Fees

1,500 workstations 5(***)

(\$(***) per workstation)

ACSR Annual Maintenance Fees

Twenty percent (20%) of License Fees

THIS AMENDMENT is executed on the day and year first shown above.

#4199
12/31/98

CSG SYSTEMS, INC. ("CSG")

TCI CABLE MANAGEMENT CORPORATION
("Customer")

By: /s/ Joseph T. Ruble

By: /s/ Ann Montgomery

Name: Joseph T. Ruble

Name: Ann Montgomery

Title: V.P. & General Counsel

Title: SVP Fulfillment Svcs.

#4199
12/31/98

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OF THE PARTIES HERETO ONLY AND IS NOT FOR GENERAL DISTRIBUTION WITHIN
OR OUTSIDE THEIR RESPECTIVE COMPANIES.**

EXHIBIT 2.26

SECOND AMENDMENT TO LOAN AGREEMENT

THIS SECOND AMENDMENT TO LOAN AGREEMENT (this "Amendment") is made and entered into as of November 16, 1998, by and among CSG SYSTEMS, INC., a Delaware corporation ("CSG"), and CSG SYSTEMS INTERNATIONAL, INC., a Delaware corporation ("Holdings"), as co-borrowers on a joint and several basis (each individually being from time to time referred to herein as a "Borrower" and collectively as the "Borrowers"), the Lenders named in the Loan Agreement (as defined below), and PARIBAS (formerly known as Banque Paribas), not in its individual capacity but solely in its capacity as the agent on behalf of the Lenders (in such capacity, the "Agent").

RECITALS

A. The Borrowers, the Lenders and the Agent have entered into that certain Loan Agreement dated as of September 18, 1997 (as amended by that certain First Amendment to Loan Agreement dated as of November 21, 1997, and as such may be further amended, modified, supplemented or restated from time to time, the "Loan Agreement"), by and among the Borrowers, the Lenders and the Agent, pursuant to which the Lenders have extended and have agreed to extend and make available to the Borrowers certain advances of credit in accordance with their respective Commitments and upon the terms and conditions set forth in the Loan Agreement and the other Loan Documents.

B. The Borrowers have requested that the Lenders amend the Loan Agreement as provided below.

C. The Lenders and the Agent are willing to accommodate the Borrowers' requests, but only on the terms and subject to the conditions specified herein. Capitalized terms not otherwise defined herein shall have the same meanings given to such terms in the Loan Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants herein set forth, and intending to be legally bound, the parties hereto agree as follows:

1. AMENDMENTS TO LOAN AGREEMENT.

(A) AMENDMENTS TO SECTION 1.1 (DEFINED TERMS).

(I) A new defined term "Data Center Capex" is added to Section 1.1 of the Loan Agreement immediately following the defined term "Customer Services Client," to read as follows:

" Data Center Capex" shall have the meaning set forth in SUBSECTION 8.8(B).

(II) The definition of the term "Excess Cash Flow Percentage" is amended to delete the term "1.50:1.00" and to replace such term with "1.75:1.00."

(III) The definition of the term "Fixed Charge Coverage Ratio" is deleted in its entirety and replaced with the following:

"Fixed Charge Coverage Ratio" means, as calculated quarterly as of the last day of each Fiscal Quarter on a rolling four (4) quarter basis, the ratio of (a) an amount equal to (i) Operating Cash Flow plus (ii) the SUMMITrak/Phoenix Capex Adjustment plus (iii) the SUMMITrak/Phoenix Expense Adjustment plus (iv) Data Center Capex made during such period to (b) Fixed Charges.

(IV) The definition of the term "Interest Coverage Ratio" is deleted in its entirety and replaced with the following:

"Interest Coverage Ratio" means, as calculated quarterly as of the last day of each Fiscal Quarter on a rolling four (4) quarter basis, the ratio of (a) an amount equal to (i) Operating Cash Flow plus (ii) the SUMMITrak/Phoenix Capex Adjustment plus (iii) the SUMMITrak/Phoenix Expense Adjustment plus (iv) Data Center Capex made during such period to (b) Net Interest Expense.

(B) AMENDMENT TO SECTION 8.3 (LOANS AND INVESTMENTS). The words "equal to \$25,000,000" set forth in Subsection 8.3(d) of the Loan Agreement are deleted and replaced with the words "up to \$35,000,000."

(C) AMENDMENT TO SECTION 8.8 (CAPITAL EXPENDITURES). Section 8.8 of the Loan Agreement is deleted in its entirety and replaced with the following:

SECTION 8.8 CAPITAL EXPENDITURES. (A) Except as otherwise provided in Section 8.8(b), the Borrowers shall not, and shall not permit any of their respective Subsidiaries to, make or commit to make Capital Expenditures during any of the following Fiscal Years in excess of the following amounts:

FISCAL YEAR	CAPITAL EXPENDITURES
1998	\$20,000,000
1999	\$25,000,000
2000	\$30,000,000
2001 and thereafter	\$35,000,000

plus any unutilized portion of the immediately preceding Fiscal Year's permitted Capital Expenditures provided that any such unutilized portion carried forward shall not for any Fiscal Year exceed \$5,000,000. For purposes of this SECTION 8.8 only, the term "Capital Expenditures" shall mean an amount equal to "Capital Expenditures," as defined in SECTION 1.1 of this Agreement, exclusive of the amount of the SUMMITrak/Phoenix Capex Adjustment.

(B) In addition to and without limiting the Capital Expenditures permitted to be made pursuant to SUBSECTION 8.8(A), the Borrowers may make Capital

Expenditures up to an aggregate amount of \$20,000,000 in the aggregate for both of Fiscal Years 1999 and 2000 for the sole purpose of constructing (including site acquisition and preparation) and equipping (including capitalized software) a new data center for the Borrowers (the additional Capital Expenditures permitted pursuant to this subsection (b) being referred to herein as the "Data Center Capex").

(D) AMENDMENT TO SECTION 8.9 (RESTRICTED PAYMENTS). Section 8.9 of the Loan Agreement is deleted in its entirety and replaced with the following:

SECTION 8.9 RESTRICTED PAYMENTS. Unless the Borrowers shall have delivered to the Agent in accordance with SUBSECTION 7.1(D) a Compliance Certificate certifying that (a) the Leverage Ratio as calculated as of the last day of the immediately preceding Fiscal Quarter is less than 1.50 and

(b) no Default or Event of Default shall have occurred and be continuing, Holdings shall not, and shall not suffer or permit any of its Subsidiaries (other than a wholly-owned Subsidiary) to, declare or make any dividend payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any shares of any class of its Stock (provided that Holdings may declare and pay a dividend payable solely in shares of common stock of Holdings and cash in lieu of any fractional shares resulting from such dividend payment), or purchase, redeem or otherwise acquire for value any shares of its Stock or any warrants, rights or options to acquire such shares, now or hereafter outstanding; provided, however, that Holdings from time to time (i) may repurchase its Stock from the public at fair market value in an aggregate amount for all such transactions not to exceed \$20,000,000 and (ii) may re-purchase shares of "Restricted Stock" and "Performance Stock" sold pursuant to the CSG Employee Stock Purchase Plan from a holder of such Stock whose employment with Holdings and its Subsidiaries has terminated; provided that the repurchase price paid for any such Restricted Stock or Performance Stock shall not exceed, in the case of Performance Stock, the purchase price initially paid by such Person for such Performance Stock or, in the case of Restricted Stock, the higher of the purchase price initially paid by such Person for such Restricted Stock or the Book Value (as defined in the applicable purchase agreement) of such Restricted Stock.

2. **LIMITED AMENDMENT; FULL FORCE AND EFFECT.** Each of the amendments set forth in this Amendment shall be limited precisely as written and shall not be deemed (a) to be an amendment, consent or waiver of any other term or condition of the Loan Agreement or the other Loan Documents, to prejudice any right or remedy which the Agent or the Lenders may now have or may have in the future under or in connection with the Loan Agreement or the other Loan Documents or

(b) to be a consent to any future amendment, consent or waiver or departure from the terms and conditions of the Loan Agreement or the other Loan Documents. This Amendment shall be construed in connection with and as part of the Loan Documents, and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein waived or amended, are hereby ratified and confirmed and shall remain in full force and effect.

3. REPRESENTATIONS AND WARRANTIES. In order to induce the Agent and the Lenders to enter into this Amendment, each of the Borrowers hereby jointly and severally represents and warrants to each Lender and the Agent as follows:

(A) CORPORATE POWER AND AUTHORITY. Each of the Borrowers has all requisite corporate power and authority to enter into this Amendment and to carry out the transactions contemplated hereby. The certificates of incorporation and bylaws of each of the Borrowers have not been amended since September 18, 1997.

(B) AUTHORIZATION OF AGREEMENTS. The execution and delivery of this Amendment and the performance hereof have been duly authorized by all necessary corporate action on the part of the Borrowers.

(C) NO CONFLICT. The execution and delivery by the Borrowers of this Amendment and the performance by the Borrowers of the Loan Agreement as amended hereby do not and will not contravene (i) any law or regulation binding on or affecting either Borrower or any of its Subsidiaries, (ii) the certificate of incorporation or by-laws of either Borrower or its Subsidiaries, (iii) any order, judgment or decree of any court or other agency of government binding on either Borrower or its Subsidiaries or (iv) any contractual restriction binding on or affecting either Borrower or its Subsidiaries.

(D) GOVERNMENTAL CONSENTS, FILINGS. The execution, delivery and performance by the Borrowers of this Amendment and the performance by the Borrowers of the Loan Agreement as amended hereby do not and will not require any authorization or approval of, or other action by, or notice to or filing with any Governmental Authority or regulatory body or the consent of any third party which has not yet been obtained.

(E) BINDING OBLIGATION. This Amendment has been duly executed and delivered by each of the Borrowers and is the binding obligation of each of the Borrowers, enforceable against each of them in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights generally.

(F) ABSENCE OF DEFAULT AND MODIFICATION OF AGREEMENTS WITH OTHER CREDITORS. After giving effect to this Amendment, no event has occurred and is continuing or will result from the consummation of the transactions contemplated by this Amendment that would constitute an Event of Default as defined in the Loan Agreement. Neither Borrower has modified any agreement with any creditor of such Person other than (i) by this Amendment and (ii) modifications of agreements with trade creditors made in the ordinary course of business.

(G) RESTATEMENT OF REPRESENTATIONS AND WARRANTIES IN LOAN AGREEMENT. Each Borrower, with respect to the representations and warranties set forth in ARTICLE 5 of the Loan Agreement, represents and warrants that each of such representations and warranties is true, correct and complete as of the date of this Amendment (except to the extent such representations and warranties expressly relate to another date or as specifically described therein).

4. REAFFIRMATION. Each Borrower hereby reaffirms its obligations under each Loan Document to which it is a party.

5. EFFECTIVENESS. This Amendment shall be effective upon the execution and delivery to the Agent of a copy of this Amendment by each Borrower, the Agent and by Lenders representing Required Lenders.

6. MISCELLANEOUS.

(A) REFERENCE TO AND EFFECT ON THE LOAN AGREEMENT AND THE OTHER LOAN DOCUMENTS. On and after the date on which this Amendment is effective in accordance with SECTION 5 hereof, each reference in the Loan Agreement or the other Loan Documents to "this Agreement," "hereunder," "hereof," "herein" or words of like import shall mean and be a reference to such agreement after giving effect hereto.

(B) HEADINGS. Section and subsection headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

(C) APPLICABLE LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

(D) COUNTERPARTS. This Amendment may be executed in counterparts, each of which when so executed shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[INTENTIONALLY BLANK]

WITNESS the due execution hereof by the respective duly authorized officers of the undersigned as of the date first written above.

BORROWERS:

CSG SYSTEMS, INC., a Delaware corporation

By: /s/ G. A. Parker

Name: Greg A. Parker
Title: CFO

CSG SYSTEMS INTERNATIONAL, INC., a Delaware
corporation

By: /s/ G. A. Parker

Name: Greg A. Parker
Title: CFO

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THE PARTIES HERETO ONLY AND IS NOT FOR GENERAL DISTRIBUTION WITHIN OR OUTSIDE
THEIR RESPECTIVE COMPANIES**

AGENT:

PARIBAS

By: /s/ Robert N. Pinkerton

Printed Name: Robert N. Pinkerton

Title: Director

By: _____

Printed Name: _____

Title: _____

LENDERS:

PARIBAS

By: /s/ Robert N. Pinkerton

Printed Name: Robert N. Pinkerton

Title: Director

By: _____

Printed Name: _____

Title: _____

NORWEST BANK COLORADO, N.A.

By: /s/ Darlene A. Evans for Kertin Punt

Printed Name: Darlene A. Evans

Title: Vice President

BANK OF MONTREAL

By: _____ Printed Name: _____

Title: _____

THE FUJI BANK LIMITED, LOS ANGELES AGENCY

By: /s/ Masahito Fukuda

Printed Name: Masahito Fukuda

Title: Joint General Manager

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UNION BANK OF CALIFORNIA, N.A.

By: /s/ Stender E. Sweeney

Printed Name: Stender E. Sweeney

Title: Assistant Vice President

NATIONAL CITY BANK

By: /s/ Wilmer J. Jacobs

Printed Name: Wilmer J. Jacobs

Title: Officer

CREDITANSTALT CORPORATE FINANCE, INC.

By: _____ Printed Name: _____
Title: _____

BANK OF HAWAII

By: /s/ Bernadine M. Havertine

Printed Name: Bernadine M. Havertine

Title: Corporate Banking Officer

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ Robert Ivosevich

Printed Name: Robert Ivosevich

Title: Senior Vice President

THE LONG-TERM CREDIT BANK OF JAPAN, LTD. LOS ANGELES AGENCY

By: /s/ Noboru Akahane

Printed Name: Noboru Akahane

Title: Deputy General Manager

BANQUE NATIONALE DE PARIS

By: /s/ Clive Bettles

Printed Name: Clive Bettles

Title: SVP & Manager

By: /s/ Janice S. H. Ho

Printed Name: Janice S. H. Ho

Title: Vice President

BBL (USA) CAPITAL CORP.

By: _____ Printed Name: _____
Title: _____

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THEIR RESPECTIVE COMPANIES

EXHIBIT 10.14

EMPLOYMENT AGREEMENT

This Employment Agreement is made and entered into on the 17th day of November, 1998, among CSG SYSTEMS INTERNATIONAL, INC. ("CSGS"), a Delaware corporation, CSG SYSTEMS, INC. ("Systems"), a Delaware corporation, and NEAL C. HANSEN (the "Executive"). CSGS and Systems collectively are referred to in this Employment Agreement as the "Companies".

* * *

WHEREAS, Systems is a wholly-owned subsidiary of CSGS; and

WHEREAS, the Executive currently is employed by the Companies pursuant to an Employment Agreement whose term extends through November 30, 1999, and serves as the Chairman of the Board and Chief Executive Officer of both of the Companies; and

WHEREAS, the Companies desire to provide for the continued employment of the Executive as their Chairman of the Board and Chief Executive Officer and to replace the Executive's present Employment Agreement with this agreement; and

WHEREAS, the Executive desires to accept such continued employment upon the terms set forth in this agreement;

NOW, THEREFORE, in consideration of the foregoing recitals and the respective covenants and agreements of the parties contained in this document, the Companies and the Executive agree as follows:

1. **Employment and Duties.** Each of the Companies hereby employs the Executive as its Chairman of the Board and Chief Executive Officer throughout the term of this agreement and agrees to cause the Executive from time to time to be elected or appointed to such corporate offices or positions. The duties and responsibilities of the Executive shall include the duties and responsibilities of the Executive's corporate offices and positions referred to in the preceding sentence which are set forth in the respective bylaws of the Companies from time to time, overall responsibility for the development and implementation of the business plans and strategies of the Companies, and such other duties and responsibilities consistent with the Executive's corporate offices and positions referred to in the preceding sentence and this agreement which the Board of Directors of CSGS (the "Board") from time to time may assign to the Executive. If the Executive is elected or appointed as a director of CSGS or Systems or as an officer or director of any of the respective subsidiaries of the Companies during the term of this agreement, then he also shall serve in such capacity or capacities but without additional compensation.

2. **Term.** The term of this agreement shall begin on the date of this

_____ agreement and shall continue thereafter through December 31, 2001, unless the Executive's employment under this agreement is sooner terminated in accordance with this agreement. On December 31 of each year during the term of this agreement, as extended from time to time pursuant to this sentence, beginning December 31, 1999, the term of this agreement automatically and without further action being required shall be extended by one (1) year unless, not later than one (1) year prior to a particular December 31, either CSGS notifies the Executive and Systems in writing or the Executive notifies the Companies in writing that such extension shall not occur on such December 31, in which latter case this agreement shall terminate upon the expiration of its then current term, unless the Executive's employment under this agreement is sooner terminated in accordance with this agreement. References in this agreement to the "current term" of this agreement shall include both the original term of this agreement and any automatic extensions of such term which actually have occurred pursuant to this Paragraph 2.

3. **Place of Employment.** Regardless of the location of the executive offices of the Companies during the term of this agreement, the Companies shall maintain a suitably staffed office for the Executive in the Denver,

Colorado, metropolitan area during the term of this agreement; and the Executive will not be required without his consent to relocate or transfer his executive office or principal residence from the immediate vicinity of the Denver, Colorado, metropolitan area.

4. Base Salary. For all services to be rendered by the Executive pursuant to this agreement, the Companies agree to pay the Executive during the term of this agreement a base salary (the "Base Salary") at an annual rate of \$350,000 through December 31, 1998, and at an annual rate of not less than \$400,000 after December 31, 1998; provided, that the Base Salary as then in effect shall be increased as of January 1 of each calendar year after 1999 during the term of this agreement by at least the same percentage that the United States Department of Labor Consumer Price Index (All Items) for All Urban Consumers, 1982-84=100 ("CPI-U") for the November immediately preceding such January 1 increased over the CPI-U for the November one year earlier. The Board shall review the Base Salary at least annually for the purpose of determining whether a Base Salary increase greater than such CPI-U increase should be granted to the Executive for a particular 12-month period. The Executive's annual incentive bonus provided for in Paragraph 5 and all other compensation and benefits to which the Executive is or may become entitled pursuant to this agreement or under any plans or programs of the Companies shall be in addition to the Base Salary.

5. Annual Incentive Bonus. As soon as practicable after the execution of this agreement, the Board and the Executive in good faith shall agree upon an incentive bonus program for the Executive for 1999. Such incentive bonus program shall be reflected either in a written supplement to this agreement signed by the Companies and the Executive or in such other form as the Companies and the Executive may agree upon. The same procedure shall be followed for subsequent calendar years during the term of this agreement, so that an annual incentive bonus program for the Executive will be in effect throughout the term of this agreement. The Executive and the Companies understand and acknowledge that, among other things, such incentive bonus program will involve achievement by the Companies of various financial objectives, which may include but are not limited to revenues and earnings, and also may include achievement by the Companies of various non-financial objectives. Such incentive bonus program for each calendar year shall provide the opportunity for the Executive to earn an incentive bonus of not less than sixty-five percent (65%) of his Base Salary for such calendar year if the agreed upon objectives are fully achieved. The Board from time to time also may establish incentive compensation programs for the Executive covering periods of more than one (1) year, and any such programs shall be in addition to the annual incentive bonus program required by this Paragraph 5. For 1998 the annual incentive bonus program previously established by the Companies for the Executive shall remain in effect.

6. Expenses. During the term of this agreement, the Executive shall be entitled to prompt reimbursement by the Companies of all reasonable ordinary and necessary travel, entertainment, and other expenses incurred by the Executive (in accordance with the policies and procedures established by the Companies for their respective senior executive officers) in the performance of his duties and responsibilities under this agreement; provided, that the Executive shall properly account for such expenses in accordance with the policies and procedures of the Companies, which may include but are not limited to itemized accountings.

7. Other Benefits. During the term of this agreement, the Companies shall provide to the Executive and his eligible dependents at the expense of the Companies individual or group medical, hospital, dental, and long-term disability insurance coverages and group life insurance coverage, in each case at least as favorable as those coverages which are provided to the other senior executive officers of the Companies. During the term of this agreement, the Executive shall be entitled to receive a monthly automobile allowance from the Companies in the amount of \$1,000.00 and also shall be entitled to participate in such other benefit plans or programs which the Companies from time to time may make available to their employees generally or to some or all of their other senior executive officers (except such programs, such as the 1996 Employee Stock Purchase Plan of CSGS, in which executive officers of CSGS are not eligible to participate because of securities law reasons). During the term of this agreement, the Companies shall pay an initiation fee and the monthly dues and assessments necessary to provide and maintain for the Executive a social membership in a country club or social club in the Denver, Colorado, metropolitan area selected by the Executive; usage charges (such as but not limited to charges for meals) imposed by such club shall be paid or reimbursed to the Executive to the extent they fall within the scope of Paragraph 6 and shall be paid by the Executive without right of reimbursement to the extent they are personal in nature.

8. Vacations and Holidays. During the term of this agreement, the Executive shall be entitled to paid

vacations and holidays in accordance with the policies of the Companies in effect from time to time for their respective senior executive officers, but in no event shall the Executive be entitled to less than five (5) weeks of vacation during each calendar year.

9. Full-Time Efforts and Other Activities. During the term of this agreement, to the best of his ability and using all of his skills, the Executive shall devote substantially all of his working time and efforts during the normal business hours of the Companies to the business and affairs of the Companies and to the diligent and faithful performance of the duties and responsibilities assigned to him pursuant to this agreement, except for vacations, holidays, and sick days. However, the Executive may devote a reasonable amount of his time to civic, community, or charitable activities, to service on the governing bodies or committees of trade associations or similar organizations of which either or both of the Companies are members, and, with the prior approval of the Board, to service as a director of other corporations and to other types of activities not expressly mentioned in this paragraph, so long as the activities referred to in this sentence do not materially interfere with the proper performance of the Executive's duties and responsibilities under this agreement. The Executive also shall be free to manage and invest his assets in such manner as will not require any substantial services by the Executive in the conduct of the businesses or affairs of the entities or in the management of the properties in which such investments are made, so long as such activities do not materially interfere with the proper performance of the Executive's duties and responsibilities under this agreement.

10. Termination of Employment.

(a) Termination Because of Death. The Executive's employment by the Companies under this agreement shall terminate upon his death. If the Executive's employment under this agreement terminates because of his death, then the Executive's estate or his beneficiaries (as the case may be) shall be entitled to receive the following compensation and benefits from the Companies:

(i) The Base Salary through the date of the Executive's death;

(ii) A pro rata portion of the Executive's annual incentive bonus for the calendar year in which his death occurs (computed as if the Executive were employed by the Companies throughout such calendar year), based upon the number of days in such calendar year elapsed through the date of the Executive's death as a proportion of 365, to be paid at the same time that such incentive bonus would have been paid had the Executive's death not occurred;

(iii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the date of the Executive's death; and

(iv) Any other benefits payable by reason of the Executive's death, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the date of the Executive's death.

(b) Termination Because of Disability. If the Executive becomes incapable by reason of physical injury, disease, or mental illness of substantially performing his duties and responsibilities under this agreement for a continuous period of six (6) months or more or for more than one hundred eighty (180) days in the aggregate (whether or not consecutive) during any 12-month period, then at any time after the elapse of such six-month period or such 180 days, as the case may be, the Board may terminate the Executive's employment by the Companies under this agreement. If the Executive's employment under this agreement is terminated by the Board because of such disability on the part of the Executive, then the Executive shall be entitled to receive the following compensation and benefits from the Companies:

(i) The Base Salary through the effective date of such termination;

(ii) A pro rata portion of the Executive's annual incentive bonus for the calendar year in which such termination occurs (computed as if the Executive were

employed by the Companies throughout such calendar year), based upon the number of days in such calendar year elapsed through the effective date of such termination as a proportion of 365, to be paid at the same time that such incentive bonus would have been paid if such termination had not occurred;

(iii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the effective date of such termination;

(iv) Continued participation in the following benefit plans or programs of the Companies which may be in effect from time to time and in which the Executive was participating as of the effective date of such termination, to the extent that such continued participation by the Executive is permitted under the terms and conditions of such plans (unless such continued participation is restricted or prohibited by applicable governmental regulations governing such plans), until the first to occur of the cessation of such disability, the Executive's death, the Executive's attainment of age sixty-five (65), or (separately with respect to the termination of each benefit) the provision of a substantially equivalent benefit to the Executive by another employer of the Executive:

- (1) Group medical and hospital insurance,
- (2) Group dental insurance,
- (3) Group life insurance, and
- (4) Group long-term disability insurance;

and

(v) Any other benefits payable by reason of the Executive's disability, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the effective date of such termination.

For purposes of this subparagraph (b), decisions with respect to the Executive's disability shall be made by the Board, using its reasonable good faith judgment; and, in making any such decision, the Board shall be entitled to rely upon the opinion of a duly licensed and qualified physician selected by a majority of the members of the Board who are not employees of either of the Companies or any of their respective subsidiaries.

(c) Termination for Cause. The Board may terminate the Executive's employment by the Companies under this agreement for cause; however, for purposes of this agreement "cause" shall mean only (i) the Executive's confession or conviction of theft, fraud, embezzlement, or other crime involving dishonesty, (ii) the Executive's excessive absenteeism (other than by reason of physical injury, disease, or mental illness) without a reasonable justification, (iii) material violation by the Executive of the provisions of Paragraph 11, (iv) habitual and material negligence by the Executive in the performance of his duties and responsibilities under or pursuant to this agreement and failure on the part of the Executive to cure such negligence within twenty (20) days after his receipt of a written notice from the Board setting forth in reasonable detail the particulars of such negligence, (v) material non-compliance by the Executive with his obligations under Paragraph 9 and failure to correct such non-compliance within twenty (20) days after his receipt of a written notice from the Board setting forth in reasonable detail the particulars of such non-compliance, (vi) material failure by the Executive to comply with a lawful directive of the Board and failure to cure such non-compliance within twenty (20) days after his receipt of a written notice from the Board setting forth in reasonable detail the particulars of such non-compliance, (vii) a material breach by the Executive of any of his fiduciary duties to the Companies and, if such breach is curable, the Executive's failure to cure such breach within ten (10) days after his receipt of a written notice from the Board setting forth in reasonable detail the particulars of such breach, or (viii) willful misconduct or fraud on the part of the Executive in the performance of his duties under this agreement. In no event shall the results of operations of the Companies or any business judgment made in good faith by the Executive constitute an independent basis for termination for cause of the Executive's employment under this agreement. Any termination of the Executive's employment for cause must be authorized by a majority vote of the Board taken not later

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than nine (9) months after a majority of the members of the Board (other than the Executive) have actual knowledge of the occurrence of the event or conduct constituting the cause for such termination. If the Executive's employment under this agreement is terminated by the Board for cause, then the Executive shall be entitled to receive the following compensation and benefits from the Companies:

(i) The Base Salary through the effective date of such termination;

(ii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the effective date of such termination; and

(iii) Any other benefits payable to the Executive upon his termination for cause, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the effective date of such termination.

(d) Termination Without Cause Prior to a Change of Control. If, prior to the occurrence of a Change of Control, the Companies terminate the Executive's employment under this agreement for any reason other than cause or the Executive's death or disability, then the Executive shall be entitled to receive the following compensation, benefits, and other payments from the Companies:

(i) The Base Salary through the last day of the then current term of this agreement (the "Ending Date"), to be paid at the same times that the Base Salary would have been paid if such termination had not occurred; provided, that if the Executive commences employment with another employer, whether as an employee or as a consultant, prior to the Ending Date (for purposes of this Paragraph 10, the "Other Employment"), then such payments of the Base Salary shall be reduced from time to time by the aggregate amount of salary, cash bonus, and consulting fees received or receivable by the Executive from the Other Employment for services performed by him during the period from the commencement of the Other Employment through the Ending Date;

(ii) The Executive's annual incentive bonus for the calendar year in which such termination occurs (computed as if the Executive were employed by the Companies throughout such calendar year), to be paid at the same time that such incentive bonus would have been paid if such termination had not occurred and to be no less than the Executive's annual incentive bonus for the calendar year immediately preceding the calendar year in which such termination occurs;

(iii) An amount equal to one hundred ninety-five percent (195%) of the Base Salary in effect on the effective date of such termination, such amount to be paid, without interest, to the extent of fifty percent (50%) one year after the effective date of such termination and to the extent of the remaining fifty percent (50%) two years after the effective date of such termination.

(iv) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the effective date of such termination;

(v) Continued participation in the following benefit plans or programs of the Companies which may be in effect from time to time and in which the Executive was participating as of the effective date of such termination, to the extent that such continued participation by the Executive is permitted under the terms and conditions of such plans (unless such continued participation is restricted or prohibited by applicable governmental regulations governing such plans), until the first to occur of the Ending Date or (separately with respect to the termination of each benefit) the provision of a substantially equivalent

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benefit to the Executive by another employer of the Executive:

- (1) Group medical and hospital insurance,
- (2) Group dental insurance,
- (3) Group life insurance, and
- (4) Group long-term disability insurance;

and

(vi) Any other benefits payable to the Executive upon his termination without cause, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the effective date of such termination.

(e) Termination Without Cause After a Change of Control. If, after the occurrence of a Change of Control, the Companies or any Permitted Assignee terminates the Executive's employment under this agreement for any reason other than cause or the Executive's death or disability, then the Executive shall be entitled to receive from the Companies and the Permitted Assignee, if any (all of whom shall be jointly and severally liable therefor), all of the compensation, benefits, and other payments from the Companies which are described and provided for in subparagraph (d) of this Paragraph 10; provided, however, that (i) the aggregate Base Salary payable under subparagraph (d)(i) for all periods through the Ending Date shall be paid to the Executive in a lump sum without regard to Other Employment not later than thirty (30) days after the effective date of such termination, (ii) the minimum annual incentive bonus payable under subparagraph (d)(ii) shall be paid to the Executive not later than thirty (30) days after the effective date of such termination (with any balance of such annual incentive bonus being payable as provided in such subparagraph (d)(ii)), and (iii) the amount payable under subparagraph (d)(iii) shall be paid to the Executive in a lump sum not later than thirty (30) days after the effective date of such termination.

(f) Constructive Termination. If at any time during the term of this agreement the Board or a Permitted Assignee materially alters the duties and responsibilities of the Executive provided for in Paragraph 1 or assigns to the Executive duties and responsibilities inappropriate to the chief executive officer of the Companies without the Executive's written consent, then, at the election of the Executive (such election to be made by written notice from the Executive to the Board or the Permitted Assignee, as may be appropriate in the circumstances), (i) such action by the Board or such Permitted Assignee shall constitute a constructive termination of the Executive's employment by the Companies for a reason other than cause, (ii) the Executive thereupon may resign from his offices and positions with the Companies and shall not be obligated to perform any further services of any kind to or for the Companies, and (iii) the Executive shall be entitled to receive from the Companies (and the Permitted Assignee, if applicable) at the applicable times all of the compensation, benefits, and other payments described in subparagraph (d) or subparagraph (e) of this Paragraph 10 (whichever may be applicable), as if the effective date of the Executive's resignation were the effective date of his termination of employment for purposes of determining such compensation, benefits, and other payments.

(g) Voluntary Resignation. If the Executive voluntarily resigns as an employee of the Companies and thereby voluntarily terminates his employment under this agreement and if none of subparagraphs (a) through (f) of this Paragraph 10 is applicable to such termination, then the Executive shall be entitled to receive only the following compensation, benefits, and other payments from the Companies:

(i) The Base Salary through the effective date of such voluntary resignation;

(ii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the effective date of such voluntary resignation;

(iii) If (and only if) the Executive's voluntary resignation is effective on December 31 of a particular calendar year, the Executive's annual incentive bonus (if any) for such calendar year, to be paid in accordance with the regular schedule for its payment; and

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(iv) Any other benefits payable to the Executive upon his voluntary resignation, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the effective date of such voluntary resignation.

The Executive understands and agrees that if this subparagraph (g) is applicable to the termination of the Executive's employment with the Companies, then, unless his voluntary resignation is effective on December 31 of a particular calendar year, the Executive will not be entitled to any annual incentive bonus for the calendar year in which his voluntary resignation becomes effective.

(h) Liquidated Damages. The Executive agrees to accept the compensation, benefits, and other payments provided for in subparagraph (d), subparagraph (e), or subparagraph (f) of this Paragraph 10, as the case may be, as full and complete liquidated damages for any breach of this agreement resulting from the actual or constructive termination of the Executive's employment under this agreement for a reason other than cause or the Executive's death or disability; and the Executive shall not have and hereby waives and relinquishes any other rights or claims in respect of such breach.

(i) Notice of Other Employment and of Benefits. The Executive promptly shall notify the Companies in writing of (i) his acceptance of the Other Employment referred to in subparagraph (d) of this Paragraph 10, (ii) the effective date of such Other Employment, and (iii) the amount of salary, cash bonus, and consulting fees which the Executive receives or is entitled to receive from the Other Employment for services performed by him during the period from the commencement of the Other Employment through the Ending Date. Whenever relevant for purposes of this Paragraph 10, the Executive also promptly shall notify the Companies of his receipt from another employer of any benefits of the types referred to in subparagraphs (b)(iv) and (d)(v) of this Paragraph

10. Such information shall be updated by the Executive whenever necessary to keep the Companies informed on a current basis.

(j) Modification of Benefit Plans or Programs. Nothing contained in this Paragraph 10 shall obligate the Companies to institute, maintain, or refrain from changing, amending, or discontinuing any benefit plan or program referred to in subparagraph (b)(iv) or (d)(v) of this Paragraph 10 so long as such actions are similarly applicable to senior executives of the Companies generally.

(k) Rights of Estate. If the Executive dies prior to his receipt of all of the cash payments to which he may be entitled pursuant to subparagraph (b),

(c), (d), (e), (f), or (g) of this Paragraph 10 if any such subparagraph becomes applicable, then the unpaid portion of such cash payments shall be paid by the Companies to the personal representative of the Executive's estate at the same time or times that the payments would have been made to the Executive if he still were living.

(l) Excess Parachute Payments. If any of the payments required to be made to the Executive pursuant to subparagraph (d), (e), or (f) of this Paragraph 10 constitute "excess parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended, and any regulations thereunder, and the Executive becomes liable for any excise tax on such "excess parachute payments" and any interest or penalties thereon (such excise tax, interest, and penalties, collectively, the "Tax Penalties"), then the Companies (and the Permitted Assignee, if applicable) promptly shall make a cash payment (the "Additional Payment") to the Executive in an amount equal to the Tax Penalties. The Companies also promptly shall make an additional cash payment to the Executive in an amount rounded to the nearest \$100.00 which is equal to any additional income, excise, and other taxes (using the individual tax rates applicable to the Executive for the year for which such Tax Penalties are owed) for which the Executive will be liable as a result of the Executive's receipt of the Additional Payment (the additional cash payment provided for in this sentence being referred to as a "Gross-Up Payment"). In addition, the Executive shall be entitled to promptly receive from the Companies (and the Permitted Assignee, if applicable) a further Gross-Up Payment in respect of each prior Gross-Up Payment until the amount of the last Gross-Up Payment is less than \$100.00.

11. Nondisclosure. During the term of this agreement and thereafter, the Executive shall not, without the prior written consent of the Board or a person (other than the Executive) so authorized by the Board, disclose or use for

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any purpose (except in the course of his employment under this agreement and in furtherance of the business of the Companies or any of their respective subsidiaries) any confidential information, trade secrets, or proprietary data of the Companies or any of their respective subsidiaries (collectively, for purposes of this agreement, "Confidential Information"); provided, however, that Confidential Information shall not include any information then known generally to the public or ascertainable from public or published information (other than as a result of unauthorized disclosure by the Executive) or any information of a type not otherwise considered confidential by persons engaged in the same business or a business similar to that conducted by the Companies or their respective subsidiaries, as the case may be.

12. Successors and Assigns. This agreement and all rights under this agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties hereto and their respective personal or legal representatives, executors, administrators, heirs, distributees, devisees, legatees, successors, and assigns. This agreement is personal in nature, and none of the parties to this agreement shall, without the written consent of the others, assign or transfer this agreement or any right or obligation under this agreement to any other person or entity, except as permitted by Paragraph 14.

13. Notices. For purposes of this agreement, notices and other communications provided for in this agreement shall be deemed to be properly given if delivered personally or sent either by next-business-day prepaid express delivery by a recognized national express delivery service or by United States certified mail, return receipt requested, postage prepaid, in either case addressed as follows:

If to the Executive: Neal C. Hansen
 c/o CSG Systems, Inc.
 7887 East Belleview Avenue, Suite 1000
 Englewood, Colorado 80111

If to the Companies: CSG Systems International, Inc.
 and CSG Systems, Inc.
 7887 East Belleview Avenue, Suite 1000
 Englewood, Colorado 80111,

or to such other address as either party may have furnished to the other party in writing in accordance with this paragraph. Such notices or other communications shall be effective only upon receipt.

14. Merger, Consolidation, Sale of Assets. In the event of (a) a merger of Systems with another corporation (other than CSGS) in a transaction in which Systems is not the surviving corporation, (b) the consolidation of Systems into a new corporation resulting from such consolidation, (c) the sale or other disposition of all or substantially all of the assets of Systems, the Companies may assign this agreement and all of the rights and obligations of the Companies under this agreement to the surviving, resulting, or acquiring entity (for purposes of this agreement, a "Permitted Assignee"); provided, that such surviving, resulting, or acquiring entity shall in writing assume and agree to perform all of the obligations of the Companies under this agreement; and provided further, that the Companies shall remain jointly and severally liable for the performance of the obligations of the Companies under this agreement in the event of a failure of the Permitted Assignee to perform its obligations under this agreement.

15. Change of Control. For purposes of this agreement, a "Change of Control" shall be deemed to have occurred upon the happening of any of the following events:

(a) CSGS is merged or consolidated into another corporation, and immediately after such merger or consolidation becomes effective the holders of a majority of the outstanding shares of voting capital stock of CSGS immediately prior to the effectiveness of such merger or consolidation do not own (directly or indirectly) a majority of the outstanding shares of voting capital stock of the surviving or resulting corporation in such merger or consolidation,

(b) CSGS ceases to own (directly or indirectly) a majority of the outstanding shares of voting

capital stock of Systems (unless such event results from the merger of Systems into CSGS, with no change in the ownership of the voting capital stock of CSGS, or from the dissolution of Systems and the continuation of its business by CSGS),

(c) Systems is merged or consolidated into a corporation other than CSGS, and at any time after such merger or consolidation becomes effective CSGS does not own (directly or indirectly) a majority of the outstanding shares of voting capital stock of the surviving or resulting corporation in such merger or consolidation,

(d) the stockholders of Systems vote (or act by written consent) to dissolve Systems (unless the business of Systems will be continued by CSGS) or to sell or otherwise dispose of all or substantially all of the property and assets of Systems (other than to an entity or group of entities which is then under common ownership (directly or indirectly) with Systems),

(e) any person, entity, or group of persons within the meaning of Sections 13(d) or 14(d) of the Securities Exchange Act of 1934 (the "1934 Act") and the rules promulgated thereunder becomes the beneficial owner (within the meaning of Rule 13d-3 under the 1934 Act) of thirty percent (30%) or more of the outstanding voting capital stock of CSGS, or

(f) during any period of two consecutive years (or less, individuals who at the beginning of such period constituted the Board of Directors of CSGS cease, for any reason, to constitute at least a majority of the Board of Directors of CSGS, unless the election or nomination for election of each new director of CSGS who took office during such period was approved by a vote of at least seventy-five percent (75%) of the directors of CSGS still in office at the time of such election or nomination for election who were directors of CSGS at the beginning of such period.

16. Miscellaneous. No provision of this agreement may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in writing and is signed by the Executive and an officer of CSGS (other than the Executive) so authorized by the Board. No waiver by any party to this agreement at any time of any breach by any other party of, or compliance by any other party with, any condition or provision of this agreement to be performed by such other party shall be deemed to be a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this agreement have been made by any party that are not expressly set forth in this agreement.

17. Representations of Companies. The Companies severally represent and warrant to the Executive that they have full legal power and authority to enter into this agreement, that the execution and delivery of this agreement by the Companies have been duly authorized by their respective boards of directors, and that the performance of their respective obligations under this agreement will not violate any agreement between the Companies, or either of them, and any other person, firm, or organization.

18. Non-Solicitation of Employees. For a period of one (1) year after the effective date of the termination of the Executive's employment under this agreement for any reason, whether voluntarily or involuntarily and with or without cause, without the prior written consent of CSGS the Executive agrees

(i) not to directly or indirectly employ, solicit for employment, assist any other person in employing or soliciting for employment, or advise or recommend to any other person that such other person employ or solicit for employment any person who then is an employee of the Companies (or either of them) or any of the respective subsidiaries of the Companies and (ii) not to recommend to any then employee of the Companies (or either of them) or any of the respective subsidiaries of the Companies that such employee leave the employ of such employer.

19. Post-Termination Noncompetition. Because the Confidential Information known to or developed by the Executive during his employment by the Companies encompasses at the highest level information concerning the plans, strategies, products, operations, and existing and prospective customers of the Companies and could not practically be disregarded by the Executive, the Executive acknowledges that his provision of executive services to a competitor of

the Companies or either of them soon after the termination of the Executive's employment by the Companies would inevitably result in the use of the Confidential Information by the Executive in his performance of such executive services, even if the Executive were to use his best efforts to avoid such use of the Confidential Information. To prevent such use of the Confidential Information and the resulting unfair competition and wrongful appropriation of the goodwill and other valuable proprietary interests of the Companies, the Executive agrees that for a period of one (1) year after the termination of his employment by the Companies for any reason, whether voluntarily or involuntarily and with or without cause, the Executive will not, directly or indirectly:

(a) engage, whether as an employee, agent, consultant, independent contractor, owner, partner, member, or otherwise, in a business activity which then competes in a material way with a business activity then being actively engaged in by the Companies or either of them;

(b) solicit or recommend to any other person that such person solicit any then customer of the Companies or either of them, which customer also was a customer of the Companies or either of them at any time during the one (1) year period prior to the termination of the Executive's employment by the Companies, for the purpose of obtaining the business of such customer in competition with the Companies or either of them; or

(c) induce or attempt to induce any then customer or prospective customer of the Companies or either of them to terminate or not commence a business relationship with the Companies or either of them.

The Companies and the Executive acknowledge and agree that the restrictions contained in this Paragraph 19 are both reasonable and necessary in view of the Executive's positions with the Companies and that the Executive's compensation and benefits under this agreement are sufficient consideration for the Executive's acceptance of such restrictions. Nevertheless, if any of the restrictions contained in this Paragraph 19 are found by a court having jurisdiction to be unreasonable, or excessively broad as to geographic area or time, or otherwise unenforceable, then the parties intend that the restrictions contained in this Paragraph 19 be modified by such court so as to be reasonable and enforceable and, as so modified by the court, be fully enforced. Nothing contained in this paragraph shall be construed to preclude the investment by the Executive of any of his assets in any publicly owned entity so long as the Executive has no direct or indirect involvement in the business of such entity and owns less than 2% of the voting equity securities of such entity. Nothing contained in this paragraph shall be construed to preclude the Executive from becoming employed by or serving as a consultant to or having dealings with a publicly owned entity one of whose businesses is a competitor of the Companies or either of them so long as such employment, consultation, or dealings do not directly or indirectly involve or relate to the business of such entity which is a competitor of the Companies or either of them.

20. Joint and Several Obligations. All of the obligations of the Companies under this agreement are joint and several; and neither the bankruptcy, insolvency, dissolution, merger, consolidation, or reorganization nor the cessation of business or corporate existence of one of the Companies shall affect, impair, or diminish the obligations under this agreement of the other of the Companies. The compensation and benefits to which the Executive is entitled under this agreement are aggregate compensation and benefits, and the payment of such compensation or the provision of such benefits by one of the Companies shall to the extent of such payment or provision satisfy the obligations of the other of the Companies. The Companies may agree between themselves as to which of them will be responsible for some or all of the Executive's compensation and benefits under this agreement, but any such agreement between the Companies shall not diminish to any extent the joint and several liability of the Companies to the Executive for all of such compensation and benefits.

21. Injunctive Relief. The Executive acknowledges that his violation of the provisions and restrictions contained in Paragraphs 11, 18, and 19 could cause significant injury to the Companies for which the Companies would have no adequate remedy at law. Accordingly, the Executive agrees that the Companies will be entitled, in addition to any other rights and remedies that then may be available to the Companies, to seek and obtain injunctive relief to prevent any breach or potential breach of any of the provisions and restrictions contained in Paragraph 11, 18, or 19.

22. Dispute Resolution. Subject to the provisions of Paragraph 21, any claim by the Executive or the Companies

arising from or in connection with this agreement, whether based on contract, tort, common law, equity, statute, regulation, order, or otherwise (a "Dispute"), shall be resolved as follows:

(a) Such Dispute shall be submitted to mandatory and binding arbitration at the election of either the Executive or the particular Company involved (the "Disputing Party"). Except as otherwise provided in this Paragraph 22, the arbitration shall be pursuant to the Commercial Arbitration Rules of the American Arbitration Association (the "AAA").

(b) To initiate the arbitration, the Disputing Party shall notify the other party in writing within 30 days after the occurrence of the event or events which give rise to the Dispute (the "Arbitration Demand"), which notice shall (i) describe in reasonable detail the nature of the Dispute, (ii) state the amount of any claim, (iii) specify the requested relief, and (iv) name an arbitrator who (A) has been licensed to practice law in the U.S. for at least ten years, (B) has no past or present relationship with either the Executive or the Companies, and (C) is experienced in representing clients in connection with employment related disputes (the "Basic Qualifications"). Within fifteen (15) days after the other party's receipt of the Arbitration Demand, such other party shall serve on the Disputing Party a written statement (i) answering the claims set forth in the Arbitration Demand and including any affirmative defenses of such party, (ii) asserting any counterclaim, which statement shall (A) describe in reasonable detail the nature of the Dispute relating to the counterclaim, (B) state the amount of the counterclaim, and (C) specify the requested relief, and (iii) naming a second arbitrator satisfying the Basic Qualifications. Promptly, but in any event within five (5) days thereafter, the two arbitrators so named shall select a third neutral arbitrator from a list provided by the AAA of potential arbitrators who satisfy the Basic Qualifications and who have no past or present relationship with the parties' counsel, except as otherwise disclosed in writing to and approved by the parties. The arbitration will be heard by a panel of the three arbitrators so chosen (the "Arbitration Panel"), with the third arbitrator so chosen serving as the chairperson of the Arbitration Panel. Decisions of a majority of the members of the Arbitration Panel shall be determinative.

(c) The arbitration hearing shall be held in Denver, Colorado. The Arbitration Panel is specifically authorized to render partial or full summary judgment as provided for in the Federal Rules of Civil Procedure. The Arbitration Panel will have no power or authority, under the Commercial Arbitration Rules of the AAA or otherwise, to relieve the parties from their agreement hereunder to arbitrate or otherwise to amend or disregard any provision of this agreement, including, without limitation, the provisions of this Paragraph 22.

(d) If an arbitrator refuses or is unable to proceed with arbitration proceedings as called for by this Paragraph 22, such arbitrator shall be replaced by the party who selected such arbitrator or, if such arbitrator was selected by the two party-appointed arbitrators, by such two party-appointed arbitrators' selecting a new third arbitrator in accordance with Paragraph 22(b), in either case within five (5) days after such declining or withdrawing arbitrator's giving notice of refusal or inability to proceed. Each such replacement arbitrator shall satisfy the Basic Qualifications. If an arbitrator is replaced pursuant to this Paragraph 22(d) after the arbitration hearing has commenced, then a rehearing shall take place in accordance with the provisions of this Paragraph 22(d) and the Commercial Arbitration Rules of the AAA.

(e) Within ten (10) days after the closing of the arbitration hearing, the Arbitration Panel shall prepare and distribute to the parties a writing setting forth the Arbitration Panel's finding of facts and conclusions of law relating to the Dispute, including the reason for the giving or denial of any award. The findings and conclusions and the award, if any, shall be deemed to be confidential information.

(f) The Arbitration Panel is instructed to schedule promptly all discovery and other procedural steps and otherwise to assume case management initiative and control to effect an efficient and

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expeditious resolution of the Dispute. The Arbitration Panel is authorized to issue monetary sanctions against either party if, upon a showing of good cause, such party is unreasonably delaying the proceeding.

(g) Any award rendered by the Arbitration Panel will be final, conclusive, and binding upon the parties, and any judgment on such award may be entered and enforced in any court of competent jurisdiction.

(h) Each party will bear a pro rata share of all fees, costs, and expenses of the arbitrators; and, notwithstanding any law to the contrary, each party will bear all of the fees, costs, and expenses of his or its own attorneys, experts, and witnesses. However, in connection with any judicial proceeding to compel arbitration pursuant to this agreement or to enforce any award rendered by the Arbitration Panel, the prevailing party in such a proceeding will be entitled to recover reasonable attorneys' fees and expenses incurred in connection with such proceedings, in addition to any other relief to which such party may be entitled.

(i) Nothing contained in the preceding provisions of this Paragraph 22 shall be construed to prevent either party from seeking from a court a temporary restraining order or other injunctive relief pending final resolution of a Dispute pursuant to this Paragraph 22.

23. No Duty to Seek Employment. The Executive shall not be under any duty or obligation to seek or accept other employment following the termination of his employment by the Companies; and, except as expressly provided in subparagraphs (b)(iv), (d)(i), and (d)(v) of Paragraph 10, no amount, payment, or benefit due the Executive under this agreement shall be reduced, suspended, or discontinued if the Executive accepts such other employment.

24. Withholding of Taxes. The Companies may withhold from any amounts payable to the Executive under this agreement all federal, state, and local taxes which are required to be so withheld by any applicable law or governmental regulation or ruling.

25. Termination of Prior Agreement. The Employment Agreement dated November 30, 1994, between the Executive and the Companies (the "Prior Agreement"), hereby is terminated, effective as of the date of this agreement; provided, however, that the Companies shall remain liable to the Executive for the payment of any compensation, benefits, or other amounts due the Executive under the Prior Agreement through the date of this agreement which have not been paid as of the date of this agreement.

26. Validity. The invalidity or unenforceability of any provision or provisions of this agreement shall not affect the validity or enforceability of any other provision of this agreement, which other provision shall remain in full force and effect; nor shall the invalidity or unenforceability of a portion of any provision of this agreement affect the validity or enforceability of the balance of such provision.

27. Counterparts. This document may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which together shall constitute a single agreement.

28. Headings. The headings of the paragraphs contained in this document are for reference purposes only and shall not in any way affect the meaning or interpretation of any provision of this agreement.

29. Applicable Law. This agreement shall be governed by and construed in accordance with the internal substantive laws, and not the choice of law rules, of the State of Colorado.

IN WITNESS WHEREOF, the Companies and the Executive have executed this agreement on the day and year first above written.

CSG SYSTEMS INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ John P. Pogge

John P. Pogge, President

CSG SYSTEMS, INC., a Delaware corporation

By: /s/ John P. Pogge

John P. Pogge, President

/s/ Neal C. Hansen

Neal C. Hansen

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EXHIBIT 10.45

EMPLOYMENT AGREEMENT

This Employment Agreement is made and entered into on the 17th day of

November, 1998, among CSG SYSTEMS INTERNATIONAL, INC. ("CSGS"), a Delaware corporation, CSG SYSTEMS, INC. ("Systems"), a Delaware corporation, and JOHN P. POGGE (the "Executive"). CSGS and Systems collectively are referred to in this Employment Agreement as the "Companies".

* * *

WHEREAS, Systems is a wholly-owned subsidiary of CSGS; and

WHEREAS, the Executive currently is employed by Systems and serves as the President and Chief Operating Officer of both of the Companies; and

WHEREAS, the Companies desire to provide for the continued employment of the Executive as their President and Chief Operating Officer; and

WHEREAS, the Executive desires to accept such continued employment upon the terms set forth in this agreement;

NOW, THEREFORE, in consideration of the foregoing recitals and the respective covenants and agreements of the parties contained in this document, the Companies and the Executive agree as follows:

1. Employment and Duties. Each of the Companies hereby employs the Executive as its President and Chief Operating Officer throughout the term of this agreement and agrees to cause the Executive from time to time to be elected or appointed to such corporate offices or positions. The duties and responsibilities of the Executive shall include the duties and responsibilities of the Executive's corporate offices and positions referred to in the preceding sentence which are set forth in the respective bylaws of the Companies from time to time, overall responsibility for the day-to-day operations of the Companies, and such other duties and responsibilities consistent with the Executive's corporate offices and positions referred to in the preceding sentence and this agreement which the Board of Directors of CSGS (the "Board") or the Chief Executive Officer of CSGS from time to time may assign to the Executive. If the Executive is elected or appointed as a director of CSGS or Systems or as an officer or director of any of the respective subsidiaries of the Companies during the term of this agreement, then he also shall serve in such capacity or capacities but without additional compensation.

2. Term. The term of this agreement shall begin on the date of this

agreement and shall continue thereafter through December 31, 2001, unless the Executive's employment under this agreement is sooner terminated in accordance with this agreement. On December 31 of each year during the term of this agreement, as extended from time to time pursuant to this sentence, beginning December 31, 1999, the term of this agreement automatically and without further action being required shall be extended by one (1) year unless, not later than one (1) year prior to a particular December 31, either CSGS notifies the Executive and Systems in writing or the Executive notifies the Companies in writing that such extension shall not occur on such December 31, in which latter case this agreement shall terminate upon the expiration of its then current term, unless the Executive's employment under this agreement is sooner terminated in accordance with this agreement. References in this agreement to the "current term" of this agreement shall include both the original term of this agreement and any automatic extensions of such term which actually have occurred pursuant to this Paragraph 2.

3. Place of Employment. Regardless of the location of the executive offices of the Companies during the term of this agreement, the Companies shall maintain a suitably staffed office for the Executive in the Denver, Colorado, metropolitan area during the term of this agreement; and the Executive will not be required without his consent to relocate or transfer his executive office or principal residence from the immediate vicinity of the Denver,

Colorado, metropolitan area.

4. Base Salary. For all services to be rendered by the Executive pursuant to this agreement, the Companies agree to pay the Executive during the term of this agreement a base salary (the "Base Salary") at an annual rate of \$265,000 through December 31, 1998, and at an annual rate of not less than \$290,000 after December 31, 1998; provided, that the Base Salary as then in effect shall be increased as of January 1 of each calendar year after 1999 during the term of this agreement by at least the same percentage that the United States Department of Labor Consumer Price Index (All Items) for All Urban Consumers, 1982-84=100 ("CPI-U") for the November immediately preceding such January 1 increased over the CPI-U for the November one year earlier. The Board shall review the Base Salary at least annually for the purpose of determining whether a Base Salary increase greater than such CPI-U increase should be granted to the Executive for a particular 12-month period. The Executive's annual incentive bonus provided for in Paragraph 5 and all other compensation and benefits to which the Executive is or may become entitled pursuant to this agreement or under any plans or programs of the Companies shall be in addition to the Base Salary.

5. Annual Incentive Bonus. As soon as practicable after the execution of this agreement, the Board and the Executive in good faith shall agree upon an incentive bonus program for the Executive for 1999. Such incentive bonus program shall be reflected either in a written supplement to this agreement signed by the Companies and the Executive or in such other form as the Companies and the Executive may agree upon. The same procedure shall be followed for subsequent calendar years during the term of this agreement, so that an annual incentive bonus program for the Executive will be in effect throughout the term of this agreement. The Executive and the Companies understand and acknowledge that, among other things, such incentive bonus program will involve achievement by the Companies of various financial objectives, which may include but are not limited to revenues and earnings, and also may include achievement by the Companies of various non-financial objectives. Such incentive bonus program for each calendar year shall provide the opportunity for the Executive to earn an incentive bonus of not less than sixty percent (60%) of his Base Salary for such calendar year if the agreed upon objectives are fully achieved. The Board from time to time also may establish incentive compensation programs for the Executive covering periods of more than one (1) year, and any such programs shall be in addition to the annual incentive bonus program required by this Paragraph 5. For 1998 the annual incentive bonus program previously established by the Companies for the Executive shall remain in effect.

6. Expenses. During the term of this agreement, the Executive shall be entitled to prompt reimbursement by the Companies of all reasonable ordinary and necessary travel, entertainment, and other expenses incurred by the Executive (in accordance with the policies and procedures established by the Companies for their respective senior executive officers) in the performance of his duties and responsibilities under this agreement; provided, that the Executive shall properly account for such expenses in accordance with the policies and procedures of the Companies, which may include but are not limited to itemized accountings.

7. Other Benefits. During the term of this agreement, the Companies shall provide to the Executive and his eligible dependents at the expense of the Companies individual or group medical, hospital, dental, and long-term disability insurance coverages and group life insurance coverage, in each case at least as favorable as those coverages which are provided to the other senior executive officers of the Companies. During the term of this agreement, the Executive shall be entitled to receive a monthly automobile allowance from the Companies in the amount of \$1,000.00 and also shall be entitled to participate in such other benefit plans or programs which the Companies from time to time may make available to their employees generally or to some or all of their other senior executive officers (except such programs, such as the 1996 Employee Stock Purchase Plan of CSGS, in which executive officers of CSGS are not eligible to participate because of securities law reasons). During the term of this agreement, the Companies shall pay an initiation fee and the monthly dues and assessments necessary to provide and maintain for the Executive a social membership in a country club or social club in the Denver, Colorado, metropolitan area selected by the Executive; usage charges (such as but not limited to charges for meals) imposed by such club shall be paid or reimbursed to the Executive to the extent they fall within the scope of Paragraph 6 and shall be paid by the Executive without right of reimbursement to the extent they are personal in nature.

8. Vacations and Holidays. During the term of this agreement, the Executive shall be entitled to paid vacations and holidays in accordance with the policies of the Companies in effect from time to time for their respective senior executive officers, but in no event shall the Executive be entitled to less than four (4) weeks of vacation during

each calendar year.

9. Full-Time Efforts and Other Activities. During the term of this agreement, to the best of his ability and using all of his skills, the Executive shall devote substantially all of his working time and efforts during the normal business hours of the Companies to the business and affairs of the Companies and to the diligent and faithful performance of the duties and responsibilities assigned to him pursuant to this agreement, except for vacations, holidays, and sick days. However, the Executive may devote a reasonable amount of his time to civic, community, or charitable activities, to service on the governing bodies or committees of trade associations or similar organizations of which either or both of the Companies are members, and, with the prior approval of the Board or the Chief Executive Officer of CSGS, to service as a director of other corporations and to other types of activities not expressly mentioned in this paragraph, so long as the activities referred to in this sentence do not materially interfere with the proper performance of the Executive's duties and responsibilities under this agreement. The Executive also shall be free to manage and invest his assets in such manner as will not require any substantial services by the Executive in the conduct of the businesses or affairs of the entities or in the management of the properties in which such investments are made, so long as such activities do not materially interfere with the proper performance of the Executive's duties and responsibilities under this agreement.

10. Termination of Employment.

(a) Termination Because of Death. The Executive's employment by the Companies under this agreement shall terminate upon his death. If the Executive's employment under this agreement terminates because of his death, then the Executive's estate or his beneficiaries (as the case may be) shall be entitled to receive the following compensation and benefits from the Companies:

(i) The Base Salary through the date of the Executive's death;

(ii) A pro rata portion of the Executive's annual incentive bonus for the calendar year in which his death occurs (computed as if the Executive were employed by the Companies throughout such calendar year), based upon the number of days in such calendar year elapsed through the date of the Executive's death as a proportion of 365, to be paid at the same time that such incentive bonus would have been paid had the Executive's death not occurred;

(iii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the date of the Executive's death; and

(iv) Any other benefits payable by reason of the Executive's death, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the date of the Executive's death.

(b) Termination Because of Disability. If the Executive becomes incapable by reason of physical injury, disease, or mental illness of substantially performing his duties and responsibilities under this agreement for a continuous period of six (6) months or more or for more than one hundred eighty (180) days in the aggregate (whether or not consecutive) during any 12-month period, then at any time after the elapse of such six-month period or such 180 days, as the case may be, the Board may terminate the Executive's employment by the Companies under this agreement. If the Executive's employment under this agreement is terminated by the Board because of such disability on the part of the Executive, then the Executive shall be entitled to receive the following compensation and benefits from the Companies:

(i) The Base Salary through the effective date of such termination;

(ii) A pro rata portion of the Executive's annual incentive bonus for the calendar year in which such termination occurs (computed as if the Executive were employed by the Companies throughout such calendar year), based upon the

number of days in such calendar year elapsed through the effective date of such termination as a proportion of 365, to be paid at the same time that such incentive bonus would have been paid if such termination had not occurred;

(iii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the effective date of such termination;

(iv) Continued participation in the following benefit plans or programs of the Companies which may be in effect from time to time and in which the Executive was participating as of the effective date of such termination, to the extent that such continued participation by the Executive is permitted under the terms and conditions of such plans (unless such continued participation is restricted or prohibited by applicable governmental regulations governing such plans), until the first to occur of the cessation of such disability, the Executive's death, the Executive's attainment of age sixty-five (65), or (separately with respect to the termination of each benefit) the provision of a substantially equivalent benefit to the Executive by another employer of the Executive:

- (1) Group medical and hospital insurance,
- (2) Group dental insurance,
- (3) Group life insurance, and
- (4) Group long-term disability insurance;

and

(v) Any other benefits payable by reason of the Executive's disability, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the effective date of such termination.

For purposes of this subparagraph (b), decisions with respect to the Executive's disability shall be made by the Board, using its reasonable good faith judgment; and, in making any such decision, the Board shall be entitled to rely upon the opinion of a duly licensed and qualified physician selected by a majority of the members of the Board who are not employees of either of the Companies or any of their respective subsidiaries.

(c) Termination for Cause. The Board may terminate the Executive's employment by the Companies under this agreement for cause; however, for purposes of this agreement "cause" shall mean only (i) the Executive's confession or conviction of theft, fraud, embezzlement, or other crime involving dishonesty, (ii) the Executive's excessive absenteeism (other than by reason of physical injury, disease, or mental illness) without a reasonable justification,

(iii) material violation by the Executive of the provisions of Paragraph 11,

(iv) habitual and material negligence by the Executive in the performance of his duties and responsibilities under or pursuant to this agreement and failure on the part of the Executive to cure such negligence within twenty (20) days after his receipt of a written notice from the Board or the Chief Executive Officer of CSGS setting forth in reasonable detail the particulars of such negligence, (v) material non-compliance by the Executive with his obligations under Paragraph 9 and failure to correct such non-compliance within twenty (20) days after his receipt of a written notice from the Board or the Chief Executive Officer of CSGS setting forth in reasonable detail the particulars of such non-compliance, (vi) material failure by the Executive to comply with a lawful directive of the Board or the Chief Executive Officer of CSGS and failure to cure such non-compliance within twenty (20) days after his receipt of a written notice from the Board or the Chief Executive Officer of CSGS setting forth in reasonable detail the particulars of such non-compliance, (vii) a material breach by the Executive of any of his fiduciary duties to the Companies and, if such breach is curable, the Executive's failure to cure such breach within ten (10) days after his receipt of a written notice from the Board or the Chief Executive Officer of CSGS setting forth in reasonable detail the particulars of such breach, or (viii) willful misconduct or fraud on the part of the Executive in the performance of his duties under this agreement. In no event shall the results of operations of the Companies or any business judgment made in good faith by the Executive constitute an independent basis for termination for cause of the Executive's employment under this agreement. Any termination of the Executive's

employment for cause must be authorized by a majority vote of the Board taken not later than nine (9) months after a majority of the members of the Board (other than the Executive) have actual knowledge of the occurrence of the event or conduct constituting the cause for such termination. If the Executive's employment under this agreement is terminated by the Board for cause, then the Executive shall be entitled to receive the following compensation and benefits from the Companies:

(i) The Base Salary through the effective date of such termination;

(ii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the effective date of such termination; and

(iii) Any other benefits payable to the Executive upon his termination for cause, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the effective date of such termination.

(d) Termination Without Cause Prior to a Change of Control. If, prior to the occurrence of a Change of Control, the Companies terminate the Executive's employment under this agreement for any reason other than cause or the Executive's death or disability, then the Executive shall be entitled to receive the following compensation, benefits, and other payments from the Companies:

(i) The Base Salary through the last day of the then current term of this agreement (the "Ending Date"), to be paid at the same times that the Base Salary would have been paid if such termination had not occurred; provided, that if the Executive commences employment with another employer, whether as an employee or as a consultant, prior to the Ending Date (for purposes of this Paragraph 10, the "Other Employment"), then such payments of the Base Salary shall be reduced from time to time by the aggregate amount of salary, cash bonus, and consulting fees received or receivable by the Executive from the Other Employment for services performed by him during the period from the commencement of the Other Employment through the Ending Date;

(ii) The Executive's annual incentive bonus for the calendar year in which such termination occurs (computed as if the Executive were employed by the Companies throughout such calendar year), to be paid at the same time that such incentive bonus would have been paid if such termination had not occurred and to be no less than the Executive's annual incentive bonus for the calendar year immediately preceding the calendar year in which such termination occurs;

(iii) An amount equal to one hundred eighty percent (180%) of the Base Salary in effect on the effective date of such termination, such amount to be paid, without interest, to the extent of fifty percent (50%) one year after the effective date of such termination and to the extent of the remaining fifty percent (50%) two years after the effective date of such termination.

(iv) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the effective date of such termination;

(v) Continued participation in the following benefit plans or programs of the Companies which may be in effect from time to time and in which the Executive was participating as of the effective date of such termination, to the extent that such continued participation by the Executive is permitted under the terms and conditions of such plans (unless such continued participation is restricted or prohibited by applicable governmental regulations governing such plans), until the first to occur of the Ending Date or (separately with respect to

the termination of each benefit) the provision of a substantially equivalent benefit to the Executive by another employer of the Executive:

- (1) Group medical and hospital insurance,
- (2) Group dental insurance,
- (3) Group life insurance, and
- (4) Group long-term disability insurance;

and

(vi) Any other benefits payable to the Executive upon his termination without cause, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the effective date of such termination.

(e) Termination Without Cause After a Change of Control. If, after the occurrence of a Change of Control, the Companies or any Permitted Assignee terminates the Executive's employment under this agreement for any reason other than cause or the Executive's death or disability, then the Executive shall be entitled to receive from the Companies and the Permitted Assignee, if any (all of whom shall be jointly and severally liable therefor), all of the compensation, benefits, and other payments from the Companies which are described and provided for in subparagraph (d) of this Paragraph 10; provided, however, that (i) the aggregate Base Salary payable under subparagraph (d)(i) for all periods through the Ending Date shall be paid to the Executive in a lump sum without regard to Other Employment not later than thirty (30) days after the effective date of such termination, (ii) the minimum annual incentive bonus payable under subparagraph (d)(ii) shall be paid to the Executive not later than thirty (30) days after the effective date of such termination (with any balance of such annual incentive bonus being payable as provided in such subparagraph (d)(ii)), and (iii) the amount payable under subparagraph (d)(iii) shall be paid to the Executive in a lump sum not later than thirty (30) days after the effective date of such termination.

(f) Constructive Termination. If at any time during the term of this agreement the Board, the Chief Executive Officer of CSGS, or a Permitted Assignee materially alters the duties and responsibilities of the Executive provided for in Paragraph 1 or assigns to the Executive duties and responsibilities inappropriate to the chief operating officer of the Companies without the Executive's written consent, then, at the election of the Executive (such election to be made by written notice from the Executive to the Board or the Permitted Assignee, as may be appropriate in the circumstances), (i) such action by the Board, the Chief Executive Officer of CSGS, or such Permitted Assignee shall constitute a constructive termination of the Executive's employment by the Companies for a reason other than cause, (ii) the Executive thereupon may resign from his offices and positions with the Companies and shall not be obligated to perform any further services of any kind to or for the Companies, and (iii) the Executive shall be entitled to receive from the Companies (and the Permitted Assignee, if applicable) at the applicable times all of the compensation, benefits, and other payments described in subparagraph (d) or subparagraph (e) of this Paragraph 10 (whichever may be applicable), as if the effective date of the Executive's resignation were the effective date of his termination of employment for purposes of determining such compensation, benefits, and other payments.

(g) Voluntary Resignation. If the Executive voluntarily resigns as an employee of the Companies and thereby voluntarily terminates his employment under this agreement and if none of subparagraphs (a) through (f) of this Paragraph 10 is applicable to such termination, then the Executive shall be entitled to receive only the following compensation, benefits, and other payments from the Companies:

(i) The Base Salary through the effective date of such voluntary resignation;

(ii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the effective date of such voluntary resignation;

(iii) If (and only if) the Executive's voluntary resignation is effective on December 31 of a particular calendar year, the Executive's annual incentive bonus (if any) for such calendar year, to be paid in accordance with the regular schedule for its

payment; and

(iv) Any other benefits payable to the Executive upon his voluntary resignation, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the effective date of such voluntary resignation.

The Executive understands and agrees that if this subparagraph (g) is applicable to the termination of the Executive's employment with the Companies, then, unless his voluntary resignation is effective on December 31 of a particular calendar year, the Executive will not be entitled to any annual incentive bonus for the calendar year in which his voluntary resignation becomes effective.

(h) Liquidated Damages. The Executive agrees to accept the compensation, benefits, and other payments provided for in subparagraph (d), subparagraph (e), or subparagraph (f) of this Paragraph 10, as the case may be, as full and complete liquidated damages for any breach of this agreement resulting from the actual or constructive termination of the Executive's employment under this agreement for a reason other than cause or the Executive's death or disability; and the Executive shall not have and hereby waives and relinquishes any other rights or claims in respect of such breach.

(i) Notice of Other Employment and of Benefits. The Executive promptly shall notify the Companies in writing of (i) his acceptance of the Other Employment referred to in subparagraph (d) of this Paragraph 10, (ii) the effective date of such Other Employment, and (iii) the amount of salary, cash bonus, and consulting fees which the Executive receives or is entitled to receive from the Other Employment for services performed by him during the period from the commencement of the Other Employment through the Ending Date. Whenever relevant for purposes of this Paragraph 10, the Executive also promptly shall notify the Companies of his receipt from another employer of any benefits of the types referred to in subparagraphs (b)(iv) and (d)(v) of this Paragraph 10. Such information shall be updated by the Executive whenever necessary to keep the Companies informed on a current basis.

(j) Modification of Benefit Plans or Programs. Nothing contained in this Paragraph 10 shall obligate the Companies to institute, maintain, or refrain from changing, amending, or discontinuing any benefit plan or program referred to in subparagraph (b)(iv) or (d)(v) of this Paragraph 10 so long as such actions are similarly applicable to senior executives of the Companies generally.

(k) Rights of Estate. If the Executive dies prior to his receipt of all of the cash payments to which he may be entitled pursuant to subparagraph (b), (c), (d), (e), (f), or (g) of this Paragraph 10 if any such subparagraph becomes applicable, then the unpaid portion of such cash payments shall be paid by the Companies to the personal representative of the Executive's estate at the same time or times that the payments would have been made to the Executive if he still were living.

(l) Excess Parachute Payments. If any of the payments required to be made to the Executive pursuant to subparagraph (d), (e), or (f) of this Paragraph 10 constitute "excess parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended, and any regulations thereunder, and the Executive becomes liable for any excise tax on such "excess parachute payments" and any interest or penalties thereon (such excise tax, interest, and penalties, collectively, the "Tax Penalties"), then the Companies (and the Permitted Assignee, if applicable) promptly shall make a cash payment (the "Additional Payment") to the Executive in an amount equal to the Tax Penalties. The Companies also promptly shall make an additional cash payment to the Executive in an amount rounded to the nearest \$100.00 which is equal to any additional income, excise, and other taxes (using the individual tax rates applicable to the Executive for the year for which such Tax Penalties are owed) for which the Executive will be liable as a result of the Executive's receipt of the Additional Payment (the additional cash payment provided for in this sentence being referred to as a "Gross-Up Payment"). In addition, the Executive shall be entitled to promptly receive from the Companies (and the Permitted Assignee, if applicable) a further Gross-Up Payment in respect of each prior Gross-Up Payment until the amount of the last Gross-Up Payment is less than \$100.00.

11. Nondisclosure. During the term of this agreement and thereafter, the Executive shall not, without the

prior written consent of the Board or a person (other than the Executive) so authorized by the Board, disclose or use for any purpose (except in the course of his employment under this agreement and in furtherance of the business of the Companies or any of their respective subsidiaries) any confidential information, trade secrets, or proprietary data of the Companies or any of their respective subsidiaries (collectively, for purposes of this agreement, "Confidential Information"); provided, however, that Confidential Information shall not include any information then known generally to the public or ascertainable from public or published information (other than as a result of unauthorized disclosure by the Executive) or any information of a type not otherwise considered confidential by persons engaged in the same business or a business similar to that conducted by the Companies or their respective subsidiaries, as the case may be.

12. Successors and Assigns. This agreement and all rights under this agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties hereto and their respective personal or legal representatives, executors, administrators, heirs, distributees, devisees, legatees, successors, and assigns. This agreement is personal in nature, and none of the parties to this agreement shall, without the written consent of the others, assign or transfer this agreement or any right or obligation under this agreement to any other person or entity, except as permitted by Paragraph 14.

13. Notices. For purposes of this agreement, notices and other communications provided for in this agreement shall be deemed to be properly given if delivered personally or sent either by next-business-day prepaid express delivery by a recognized national express delivery service or by United States certified mail, return receipt requested, postage prepaid, in either case addressed as follows:

If to the Executive:	John P. Pogge c/o CSG Systems, Inc. 7887 East Belleview Avenue, Suite 1000 Englewood, Colorado 80111
If to the Companies:	CSG Systems International, Inc. and CSG Systems, Inc. 7887 East Belleview Avenue, Suite 1000 Englewood, Colorado 80111,

or to such other address as either party may have furnished to the other party in writing in accordance with this paragraph. Such notices or other communications shall be effective only upon receipt.

14. Merger, Consolidation, Sale of Assets. In the event of (a) a merger of Systems with another corporation (other than CSGS) in a transaction in which Systems is not the surviving corporation, (b) the consolidation of Systems into a new corporation resulting from such consolidation, (c) the sale or other disposition of all or substantially all of the assets of Systems, the Companies may assign this agreement and all of the rights and obligations of the Companies under this agreement to the surviving, resulting, or acquiring entity (for purposes of this agreement, a "Permitted Assignee"); provided, that such surviving, resulting, or acquiring entity shall in writing assume and agree to perform all of the obligations of the Companies under this agreement; and provided further, that the Companies shall remain jointly and severally liable for the performance of the obligations of the Companies under this agreement in the event of a failure of the Permitted Assignee to perform its obligations under this agreement.

15. Change of Control. For purposes of this agreement, a "Change of Control" shall be deemed to have occurred upon the happening of any of the following events:

(a) CSGS is merged or consolidated into another corporation, and immediately after such merger or consolidation becomes effective the holders of a majority of the outstanding shares of voting capital stock of CSGS immediately prior to the effectiveness of such merger or consolidation do not own (directly or indirectly) a majority of the outstanding shares of voting capital stock of the surviving or resulting corporation in such merger or consolidation,

(b) CSGS ceases to own (directly or indirectly) a majority of the outstanding shares of voting capital stock of Systems (unless such event results from the merger of Systems into CSGS, with no change in the ownership of the voting capital stock of CSGS, or from the dissolution of Systems and the continuation of its business by CSGS),

(c) Systems is merged or consolidated into a corporation other than CSGS, and at any time after such merger or consolidation becomes effective CSGS does not own (directly or indirectly) a majority of the outstanding shares of voting capital stock of the surviving or resulting corporation in such merger or consolidation,

(d) the stockholders of Systems vote (or act by written consent) to dissolve Systems (unless the business of Systems will be continued by CSGS) or to sell or otherwise dispose of all or substantially all of the property and assets of Systems (other than to an entity or group of entities which is then under common ownership (directly or indirectly) with Systems),

(e) any person, entity, or group of persons within the meaning of Sections 13(d) or 14(d) of the Securities Exchange Act of 1934 (the "1934 Act") and the rules promulgated thereunder becomes the beneficial owner (within the meaning of Rule 13d-3 under the 1934 Act) of thirty percent (30%) or more of the outstanding voting capital stock of CSGS, or

(f) during any period of two consecutive years or less, individuals who at the beginning of such period constituted the Board of Directors of CSGS cease, for any reason, to constitute at least a majority of the Board of Directors of CSGS, unless the election or nomination for election of each new director of CSGS who took office during such period was approved by a vote of at least seventy-five percent (75%) of the directors of CSGS still in office at the time of such election or nomination for election who were directors of CSGS at the beginning of such period.

16. Miscellaneous. No provision of this agreement may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in writing and is signed by the Executive and an officer of CSGS (other than the Executive) so authorized by the Board. No waiver by any party to this agreement at any time of any breach by any other party of, or compliance by any other party with, any condition or provision of this agreement to be performed by such other party shall be deemed to be a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this agreement have been made by any party that are not expressly set forth in this agreement.

17. Representations of Companies. The Companies severally represent and warrant to the Executive that they have full legal power and authority to enter into this agreement, that the execution and delivery of this agreement by the Companies have been duly authorized by their respective boards of directors, and that the performance of their respective obligations under this agreement will not violate any agreement between the Companies, or either of them, and any other person, firm, or organization.

18. Non-Solicitation of Employees. For a period of one (1) year after the effective date of the termination of the Executive's employment under this agreement for any reason, whether voluntarily or involuntarily and with or without cause, without the prior written consent of CSGS the Executive agrees

(i) not to directly or indirectly employ, solicit for employment, assist any other person in employing or soliciting for employment, or advise or recommend to any other person that such other person employ or solicit for employment any person who then is an employee of the Companies (or either of them) or any of the respective subsidiaries of the Companies and (ii) not to recommend to any then employee of the Companies (or either of them) or any of the respective subsidiaries of the Companies that such employee leave the employ of such employer.

19. Post-Termination Noncompetition. Because the Confidential Information known to or developed by the Executive during his employment by the Companies encompasses at the highest level information concerning the plans, strategies, products, operations, and existing and prospective customers of the Companies and could not practically be

disregarded by the Executive, the Executive acknowledges that his provision of executive services to a competitor of the Companies or either of them soon after the termination of the Executive's employment by the Companies would inevitably result in the use of the Confidential Information by the Executive in his performance of such executive services, even if the Executive were to use his best efforts to avoid such use of the Confidential Information. To prevent such use of the Confidential Information and the resulting unfair competition and wrongful appropriation of the goodwill and other valuable proprietary interests of the Companies, the Executive agrees that for a period of one (1) year after the termination of his employment by the Companies for any reason, whether voluntarily or involuntarily and with or without cause, the Executive will not, directly or indirectly:

(a) engage, whether as an employee, agent, consultant, independent contractor, owner, partner, member, or otherwise, in a business activity which then competes in a material way with a business activity then being actively engaged in by the Companies or either of them;

(b) solicit or recommend to any other person that such person solicit any then customer of the Companies or either of them, which customer also was a customer of the Companies or either of them at any time during the one (1) year period prior to the termination of the Executive's employment by the Companies, for the purpose of obtaining the business of such customer in competition with the Companies or either of them; or

(c) induce or attempt to induce any then customer or prospective customer of the Companies or either of them to terminate or not commence a business relationship with the Companies or either of them.

The Companies and the Executive acknowledge and agree that the restrictions contained in this Paragraph 19 are both reasonable and necessary in view of the Executive's positions with the Companies and that the Executive's compensation and benefits under this agreement are sufficient consideration for the Executive's acceptance of such restrictions. Nevertheless, if any of the restrictions contained in this Paragraph 19 are found by a court having jurisdiction to be unreasonable, or excessively broad as to geographic area or time, or otherwise unenforceable, then the parties intend that the restrictions contained in this Paragraph 19 be modified by such court so as to be reasonable and enforceable and, as so modified by the court, be fully enforced. Nothing contained in this paragraph shall be construed to preclude the investment by the Executive of any of his assets in any publicly owned entity so long as the Executive has no direct or indirect involvement in the business of such entity and owns less than 2% of the voting equity securities of such entity. Nothing contained in this paragraph shall be construed to preclude the Executive from becoming employed by or serving as a consultant to or having dealings with a publicly owned entity one of whose businesses is a competitor of the Companies or either of them so long as such employment, consultation, or dealings do not directly or indirectly involve or relate to the business of such entity which is a competitor of the Companies or either of them.

20. Joint and Several Obligations. All of the obligations of the Companies under this agreement are joint and several; and neither the bankruptcy, insolvency, dissolution, merger, consolidation, or reorganization nor the cessation of business or corporate existence of one of the Companies shall affect, impair, or diminish the obligations under this agreement of the other of the Companies. The compensation and benefits to which the Executive is entitled under this agreement are aggregate compensation and benefits, and the payment of such compensation or the provision of such benefits by one of the Companies shall to the extent of such payment or provision satisfy the obligations of the other of the Companies. The Companies may agree between themselves as to which of them will be responsible for some or all of the Executive's compensation and benefits under this agreement, but any such agreement between the Companies shall not diminish to any extent the joint and several liability of the Companies to the Executive for all of such compensation and benefits.

21. Injunctive Relief. The Executive acknowledges that his violation of the provisions and restrictions contained in Paragraphs 11, 18, and 19 could cause significant injury to the Companies for which the Companies would have no adequate remedy at law. Accordingly, the Executive agrees that the Companies will be entitled, in addition to any other rights and remedies that then may be available to the Companies, to seek and obtain injunctive relief to prevent any breach or potential breach of any of the provisions and restrictions contained in Paragraph 11, 18, or 19.

22. Dispute Resolution. Subject to the provisions of Paragraph 21, any claim by the Executive or the Companies arising from or in connection with this agreement, whether based on contract, tort, common law, equity, statute, regulation, order, or otherwise (a "Dispute"), shall be resolved as follows:

(a) Such Dispute shall be submitted to mandatory and binding arbitration at the election of either the Executive or the particular Company involved (the "Disputing Party"). Except as otherwise provided in this Paragraph 22, the arbitration shall be pursuant to the Commercial Arbitration Rules of the American Arbitration Association (the "AAA").

(b) To initiate the arbitration, the Disputing Party shall notify the other party in writing within 30 days after the occurrence of the event or events which give rise to the Dispute (the "Arbitration Demand"), which notice shall (i) describe in reasonable detail the nature of the Dispute, (ii) state the amount of any claim, (iii) specify the requested relief, and (iv) name an arbitrator who (A) has been licensed to practice law in the U.S. for at least ten years, (B) has no past or present relationship with either the Executive or the Companies, and (C) is experienced in representing clients in connection with employment related disputes (the "Basic Qualifications"). Within fifteen (15) days after the other party's receipt of the Arbitration Demand, such other party shall serve on the Disputing Party a written statement (i) answering the claims set forth in the Arbitration Demand and including any affirmative defenses of such party, (ii) asserting any counterclaim, which statement shall (A) describe in reasonable detail the nature of the Dispute relating to the counterclaim, (B) state the amount of the counterclaim, and (C) specify the requested relief, and (iii) naming a second arbitrator satisfying the Basic Qualifications. Promptly, but in any event within five (5) days thereafter, the two arbitrators so named shall select a third neutral arbitrator from a list provided by the AAA of potential arbitrators who satisfy the Basic Qualifications and who have no past or present relationship with the parties' counsel, except as otherwise disclosed in writing to and approved by the parties. The arbitration will be heard by a panel of the three arbitrators so chosen (the "Arbitration Panel"), with the third arbitrator so chosen serving as the chairperson of the Arbitration Panel. Decisions of a majority of the members of the Arbitration Panel shall be determinative.

(c) The arbitration hearing shall be held in Denver, Colorado. The Arbitration Panel is specifically authorized to render partial or full summary judgment as provided for in the Federal Rules of Civil Procedure. The Arbitration Panel will have no power or authority, under the Commercial Arbitration Rules of the AAA or otherwise, to relieve the parties from their agreement hereunder to arbitrate or otherwise to amend or disregard any provision of this agreement, including, without limitation, the provisions of this Paragraph 22.

(d) If an arbitrator refuses or is unable to proceed with arbitration proceedings as called for by this Paragraph 22, such arbitrator shall be replaced by the party who selected such arbitrator or, if such arbitrator was selected by the two party-appointed arbitrators, by such two party-appointed arbitrators' selecting a new third arbitrator in accordance with Paragraph 22(b), in either case within five (5) days after such declining or withdrawing arbitrator's giving notice of refusal or inability to proceed. Each such replacement arbitrator shall satisfy the Basic Qualifications. If an arbitrator is replaced pursuant to this Paragraph 22(d) after the arbitration hearing has commenced, then a rehearing shall take place in accordance with the provisions of this Paragraph 22(d) and the Commercial Arbitration Rules of the AAA.

(e) Within ten (10) days after the closing of the arbitration hearing, the Arbitration Panel shall prepare and distribute to the parties a writing setting forth the Arbitration Panel's finding of facts and conclusions of law relating to the Dispute, including the reason for the giving or denial of any award. The findings and conclusions and the award, if any, shall be deemed to be confidential information.

(f) The Arbitration Panel is instructed to schedule promptly all discovery and other procedural

steps and otherwise to assume case management initiative and control to effect an efficient and expeditious resolution of the Dispute. The Arbitration Panel is authorized to issue monetary sanctions against either party if, upon a showing of good cause, such party is unreasonably delaying the proceeding.

(g) Any award rendered by the Arbitration Panel will be final, conclusive, and binding upon the parties, and any judgment on such award may be entered and enforced in any court of competent jurisdiction.

(h) Each party will bear a pro rata share of all fees, costs, and expenses of the arbitrators; and, notwithstanding any law to the contrary, each party will bear all of the fees, costs, and expenses of his or its own attorneys, experts, and witnesses. However, in connection with any judicial proceeding to compel arbitration pursuant to this agreement or to enforce any award rendered by the Arbitration Panel, the prevailing party in such a proceeding will be entitled to recover reasonable attorneys' fees and expenses incurred in connection with such proceedings, in addition to any other relief to which such party may be entitled.

(i) Nothing contained in the preceding provisions of this Paragraph 22 shall be construed to prevent either party from seeking from a court a temporary restraining order or other injunctive relief pending final resolution of a Dispute pursuant to this Paragraph 22.

23. No Duty to Seek Employment. The Executive shall not be under any duty or obligation to seek or accept other employment following the termination of his employment by the Companies; and, except as expressly provided in subparagraphs (b)(iv), (d)(i), and (d)(v) of Paragraph 10, no amount, payment, or benefit due the Executive under this agreement shall be reduced, suspended, or discontinued if the Executive accepts such other employment.

24. Withholding of Taxes. The Companies may withhold from any amounts payable to the Executive under this agreement all federal, state, and local taxes which are required to be so withheld by any applicable law or governmental regulation or ruling.

25. Validity. The invalidity or unenforceability of any provision or provisions of this agreement shall not affect the validity or enforceability of any other provision of this agreement, which other provision shall remain in full force and effect; nor shall the invalidity or unenforceability of a portion of any provision of this agreement affect the validity or enforceability of the balance of such provision.

26. Counterparts. This document may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which together shall constitute a single agreement.

27. Headings. The headings of the paragraphs contained in this document are for reference purposes only and shall not in any way affect the meaning or interpretation of any provision of this agreement.

28. Applicable Law. This agreement shall be governed by and construed in accordance with the internal substantive laws, and not the choice of law rules, of the State of Colorado.

IN WITNESS WHEREOF, the Companies and the Executive have executed this agreement on the day and year first above written.

CSG SYSTEMS INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ Neal C. Hansen

Neal C. Hansen, Chairman of the
Board and Chief Executive Officer

By: /s/ Neal C. Hansen

Neal C. Hansen, Chairman of the
Board and Chief Executive Officer

/s/ John P. Pogge

John P. Pogge

EMPLOYMENT AGREEMENT

This Employment Agreement is made and entered into on the 17th day of

November, 1998, among CSG SYSTEMS INTERNATIONAL, INC. ("CSGS"), a Delaware corporation, CSG SYSTEMS, INC. ("Systems"), a Delaware corporation, and EDWARD NAFUS (the "Executive"). CSGS and Systems collectively are referred to in this Employment Agreement as the "Companies".

* * *

WHEREAS, Systems is a wholly-owned subsidiary of CSGS; and

WHEREAS, the Executive currently is employed by Systems and serves as an Executive Vice President of both of the Companies; and

WHEREAS, the Companies desire to provide for the continued employment of the Executive as an Executive Vice President; and

WHEREAS, the Executive desires to accept such continued employment upon the terms set forth in this agreement;

NOW, THEREFORE, in consideration of the foregoing recitals and the respective covenants and agreements of the parties contained in this document, the Companies and the Executive agree as follows:

1. **Employment and Duties.** Each of the Companies hereby employs the Executive as an Executive Vice President throughout the term of this agreement and agrees to cause the Executive from time to time to be elected or appointed to such corporate office or position. The duties and responsibilities of the Executive shall include the duties and responsibilities of the Executive's corporate office and position referred to in the preceding sentence which are set forth in the respective bylaws of the Companies from time to time and such other duties and responsibilities consistent with the Executive's corporate office and position referred to in the preceding sentence and this agreement which the Board of Directors of CSGS (the "Board"), the Chief Executive Officer of CSGS, or the Chief Operating Officer of CSGS from time to time may assign to the Executive. If the Executive is elected or appointed as a director of CSGS or Systems or as an officer or director of any of the respective subsidiaries of the Companies during the term of this agreement, then he also shall serve in such capacity or capacities but without additional compensation.

2. **Term.** The term of this agreement shall begin on the date of this

agreement and shall continue thereafter through December 31, 1999, unless the Executive's employment under this agreement is sooner terminated in accordance with this agreement. On December 31 of each year during the term of this agreement, as extended from time to time pursuant to this sentence, beginning December 31, 1998, the term of this agreement automatically and without further action being required shall be extended by one (1) year unless, not later than one (1) year prior to a particular December 31, either CSGS notifies the Executive and Systems in writing or the Executive notifies the Companies in writing that such extension shall not occur on such December 31, in which latter case this agreement shall terminate upon the expiration of its then current term, unless the Executive's employment under this agreement is sooner terminated in accordance with this agreement. References in this agreement to the "current term" of this agreement shall include both the original term of this agreement and any automatic extensions of such term which actually have occurred pursuant to this Paragraph 2.

3. **Place of Employment.** Regardless of the location of the executive offices of the Companies during the term of this agreement, the Companies shall maintain a suitably staffed office for the Executive in the Denver, Colorado, metropolitan area during the term of this agreement; and the Executive will not be required without his consent to relocate or transfer his executive office or principal residence from the immediate vicinity of the Denver, Colorado, metropolitan area.

4. Base Salary. For all services to be rendered by the Executive pursuant to this agreement, the Companies agree to pay the Executive during the term of this agreement a base salary (the "Base Salary") at an annual rate of \$250,000 through December 31, 1998, and at an annual rate of not less than \$262,500 after December 31, 1998; provided, that the Base Salary as then in effect shall be increased as of January 1 of each calendar year after 1999 during the term of this agreement by at least the same percentage that the United States Department of Labor Consumer Price Index (All Items) for All Urban Consumers, 1982-84=100 ("CPI-U") for the November immediately preceding such January 1 increased over the CPI-U for the November one year earlier. The Board shall review the Base Salary at least annually for the purpose of determining whether a Base Salary increase greater than such CPI-U increase should be granted to the Executive for a particular 12-month period. The Executive's annual incentive bonus provided for in Paragraph 5 and all other compensation and benefits to which the Executive is or may become entitled pursuant to this agreement or under any plans or programs of the Companies shall be in addition to the Base Salary.

5. Annual Incentive Bonus. As soon as practicable after the execution of this agreement, the Board shall establish an incentive bonus program for the Executive for 1999. Such incentive bonus program shall be reflected either in a written supplement to this agreement signed by the Companies and the Executive or in such other form as the Companies and the Executive may agree upon. The same procedure shall be followed for subsequent calendar years during the term of this agreement, so that an annual incentive bonus program for the Executive will be in effect throughout the term of this agreement. The Executive and the Companies understand and acknowledge that, among other things, such incentive bonus program will involve achievement by the Companies of various financial objectives, which may include but are not limited to revenues and earnings, and also may include achievement by the Companies of various non-financial objectives. Such incentive bonus program for each calendar year shall provide the opportunity for the Executive to earn an incentive bonus of not less than fifty-five percent (55%) of his Base Salary for such calendar year if the agreed upon objectives are fully achieved. The Board from time to time also may establish incentive compensation programs for the Executive covering periods of more than one (1) year, and any such programs shall be in addition to the annual incentive bonus program required by this Paragraph 5. For 1998 the annual incentive bonus program previously established by the Companies for the Executive shall remain in effect.

6. Expenses. During the term of this agreement, the Executive shall be entitled to prompt reimbursement by the Companies of all reasonable ordinary and necessary travel, entertainment, and other expenses incurred by the Executive (in accordance with the policies and procedures established by the Companies for their respective senior executive officers) in the performance of his duties and responsibilities under this agreement; provided, that the Executive shall properly account for such expenses in accordance with the policies and procedures of the Companies, which may include but are not limited to itemized accountings.

7. Other Benefits. During the term of this agreement, the Companies shall provide to the Executive and his eligible dependents at the expense of the Companies individual or group medical, hospital, dental, and long-term disability insurance coverages and group life insurance coverage, in each case at least as favorable as those coverages which are provided to other vice presidents of the Companies. During the term of this agreement, the Executive also shall be entitled to participate in such other benefit plans or programs which the Companies from time to time may make available to their employees generally (except such programs, such as the 1996 Employee Stock Purchase Plan of CSGS, in which executive officers of CSGS are not eligible to participate because of securities law reasons).

8. Vacations and Holidays. During the term of this agreement, the Executive shall be entitled to paid vacations and holidays in accordance with the policies of the Companies in effect from time to time for their respective senior executive officers, but in no event shall the Executive be entitled to less than four (4) weeks of vacation during each calendar year.

9. Full-Time Efforts and Other Activities. During the term of this agreement, to the best of his ability and using all of his skills, the Executive shall devote substantially all of his working time and efforts during the normal business hours of the Companies to the business and affairs of the Companies and to the diligent and faithful performance of the duties and responsibilities assigned to him pursuant to this agreement, except for vacations, holidays, and sick days. However, the Executive may devote a reasonable amount of his time to civic, community, or charitable activities, to service on the governing bodies or committees of trade associations or similar organizations of

which either or both of the Companies are members, and, with the prior approval of the Board or the Chief Executive Officer of CSGS, to service as a director of other corporations and to other types of activities not expressly mentioned in this paragraph, so long as the activities referred to in this sentence do not materially interfere with the proper performance of the Executive's duties and responsibilities under this agreement. The Executive also shall be free to manage and invest his assets in such manner as will not require any substantial services by the Executive in the conduct of the businesses or affairs of the entities or in the management of the properties in which such investments are made, so long as such activities do not materially interfere with the proper performance of the Executive's duties and responsibilities under this agreement.

10. Termination of Employment.

(a) Termination Because of Death. The Executive's employment by the Companies under this agreement shall terminate upon his death. If the Executive's employment under this agreement terminates because of his death, then the Executive's estate or his beneficiaries (as the case may be) shall be entitled to receive the following compensation and benefits from the Companies:

(i) The Base Salary through the date of the Executive's death;

(ii) A pro rata portion of the Executive's annual incentive bonus for the calendar year in which his death occurs (computed as if the Executive were employed by the Companies throughout such calendar year), based upon the number of days in such calendar year elapsed through the date of the Executive's death as a proportion of 365, to be paid at the same time that such incentive bonus would have been paid had the Executive's death not occurred;

(iii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the date of the Executive's death; and

(iv) Any other benefits payable by reason of the Executive's death, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the date of the Executive's death.

(b) Termination Because of Disability. If the Executive becomes incapable by reason of physical injury, disease, or mental illness of substantially performing his duties and responsibilities under this agreement for a continuous period of six (6) months or more or for more than one hundred eighty (180) days in the aggregate (whether or not consecutive) during any 12-month period, then at any time after the elapse of such six-month period or such 180 days, as the case may be, the Board may terminate the Executive's employment by the Companies under this agreement. If the Executive's employment under this agreement is terminated by the Board because of such disability on the part of the Executive, then the Executive shall be entitled to receive the following compensation and benefits from the Companies:

(i) The Base Salary through the effective date of such termination;

(ii) A pro rata portion of the Executive's annual incentive bonus for the calendar year in which such termination occurs (computed as if the Executive were employed by the Companies throughout such calendar year), based upon the number of days in such calendar year elapsed through the effective date of such termination as a proportion of 365, to be paid at the same time that such incentive bonus would have been paid if such termination had not occurred;

(iii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the effective date of such termination;

(iv) Continued participation in the following benefit plans or programs of the Companies which may be in effect from time to time and in which the Executive was participating as of the effective date of such termination, to the extent that such continued participation by the Executive is permitted under the terms and conditions of such plans (unless such continued participation is restricted or prohibited by applicable governmental regulations governing such plans), until the first to occur of the cessation of such disability, the Executive's death, the Executive's attainment of age sixty-five (65), or (separately with respect to the termination of each benefit) the provision of a substantially equivalent benefit to the Executive by another employer of the Executive:

- (1) Group medical and hospital insurance,
- (2) Group dental insurance,
- (3) Group life insurance, and
- (4) Group long-term disability insurance;

and

(v) Any other benefits payable by reason of the Executive's disability, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the effective date of such termination.

For purposes of this subparagraph (b), decisions with respect to the Executive's disability shall be made by the Board, using its reasonable good faith judgment; and, in making any such decision, the Board shall be entitled to rely upon the opinion of a duly licensed and qualified physician selected by a majority of the members of the Board who are not employees of either of the Companies or any of their respective subsidiaries.

(c) Termination for Cause. The Board may terminate the Executive's employment by the Companies under this agreement for cause; however, for purposes of this agreement "cause" shall mean only (i) the Executive's confession or conviction of theft, fraud, embezzlement, or other crime involving dishonesty, (ii) the Executive's excessive absenteeism (other than by reason of physical injury, disease, or mental illness) without a reasonable justification, (iii) material violation by the Executive of the provisions of Paragraph 11, (iv) habitual and material negligence by the Executive in the performance of his duties and responsibilities under or pursuant to this agreement and failure on the part of the Executive to cure such negligence within twenty (20) days after his receipt of a written notice from the Board or the Chief Executive Officer of CSGS setting forth in reasonable detail the particulars of such negligence, (v) material non-compliance by the Executive with his obligations under Paragraph 9 and failure to correct such non-compliance within twenty (20) days after his receipt of a written notice from the Board or the Chief Executive Officer of CSGS setting forth in reasonable detail the particulars of such non-compliance, (vi) material failure by the Executive to comply with a lawful directive of the Board or the Chief Executive Officer of CSGS and failure to cure such non-compliance within twenty (20) days after his receipt of a written notice from the Board or the Chief Executive Officer of CSGS setting forth in reasonable detail the particulars of such non-compliance, (vii) a material breach by the Executive of any of his fiduciary duties to the Companies and, if such breach is curable, the Executive's failure to cure such breach within ten (10) days after his receipt of a written notice from the Board or the Chief Executive Officer of CSGS setting forth in reasonable detail the particulars of such breach, or (viii) willful misconduct or fraud on the part of the Executive in the performance of his duties under this agreement. In no event shall the results of operations of the Companies or any business judgment made in good faith by the Executive constitute an independent basis for termination for cause of the Executive's employment under this agreement. Any termination of the Executive's employment for cause must be authorized by a majority vote of the Board taken not later than nine (9) months after a majority of the members of the Board (other than the Executive) have actual knowledge of the occurrence of the event or conduct constituting the cause for such termination. If the Executive's employment under this agreement is terminated by the Board for cause, then the Executive shall be entitled to receive the following compensation and benefits from the Companies:

- (i) The Base Salary through the effective date of such termination;

(ii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the effective date of such termination; and

(iii) Any other benefits payable to the Executive upon his termination for cause, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the effective date of such termination.

(d) Termination Without Cause Prior to a Change of Control. If, prior to the occurrence of a Change of Control, the Companies terminate the Executive's employment under this agreement for any reason other than cause or the Executive's death or disability, then the Executive shall be entitled to receive the following compensation, benefits, and other payments from the Companies:

(i) The Base Salary through that date which is one (1) year after the effective date of such termination (the "Ending Date"), to be paid at the same times that the Base Salary would have been paid if such termination had not occurred; provided, that if the Executive commences employment with another employer, whether as an employee or as a consultant, prior to the Ending Date (for purposes of this Paragraph 10, the "Other Employment"), then such payments of the Base Salary shall be reduced from time to time by the aggregate amount of salary, cash bonus, and consulting fees received or receivable by the Executive from the Other Employment for services performed by him during the period from the commencement of the Other Employment through the Ending Date;

(ii) The Executive's annual incentive bonus for the calendar year in which such termination occurs (computed as if the Executive were employed by the Companies throughout such calendar year), to be paid at the same time that such incentive bonus would have been paid if such termination had not occurred and to be no less than the Executive's annual incentive bonus for the calendar year immediately preceding the calendar year in which such termination occurs;

(iii) An amount equal to fifty-five percent (55%) of the Base Salary in effect on the effective date of such termination, such amount to be paid, without interest, one year after the effective date of such termination.

(iv) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the effective date of such termination;

(v) Continued participation in the following benefit plans or programs of the Companies which may be in effect from time to time and in which the Executive was participating as of the effective date of such termination, to the extent that such continued participation by the Executive is permitted under the terms and conditions of such plans (unless such continued participation is restricted or prohibited by applicable governmental regulations governing such plans), until the first to occur of the Ending Date or (separately with respect to the termination of each benefit) the provision of a substantially equivalent benefit to the Executive by another employer of the Executive:

- (1) Group medical and hospital insurance,
- (2) Group dental insurance,
- (3) Group life insurance, and
- (4) Group long-term disability insurance;

and

(vi) Any other benefits payable to the Executive upon his termination without cause, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the effective date of such termination.

(e) Termination Without Cause After a Change of Control. If, after the occurrence of a Change of Control, the Companies or any Permitted Assignee terminates the Executive's employment under this agreement for any reason other than cause or the Executive's death or disability, then the Executive shall be entitled to receive from the Companies and the Permitted Assignee, if any (all of whom shall be jointly and severally liable therefor), all of the compensation, benefits, and other payments from the Companies which are described and provided for in subparagraph (d) of this Paragraph 10 (as modified by this subparagraph (e)); provided, however, that (i) for purposes of this subparagraph (e) the Ending Date shall be two (2) years after the effective date of such termination, and the aggregate Base Salary payable under subparagraph (d)(i) (as modified by this subparagraph (e)) for all periods through the Ending Date shall be paid to the Executive in a lump sum without regard to Other Employment not later than thirty (30) days after the effective date of such termination, (ii) the minimum annual incentive bonus payable under subparagraph (d)(ii) shall be paid to the Executive not later than thirty (30) days after the effective date of such termination (with any balance of such annual incentive bonus being payable as provided in such subparagraph (d)(ii)), and (iii) the amount payable under subparagraph (d)(iii) (as modified by this subparagraph (e)) shall be one hundred ten percent (110%) of the Base Salary in effect on the effective date of such termination and shall be paid to the Executive in a lump sum not later than thirty (30) days after the effective date of such termination.

(f) Constructive Termination. If at any time during the term of this agreement the Board, the Chief Executive Officer of CSGS, the Chief Operating Officer of CSGS, or a Permitted Assignee materially alters the duties and responsibilities of the Executive provided for in Paragraph 1 or assigns to the Executive duties and responsibilities materially inappropriate to an executive vice president of the Companies without the Executive's written consent, then, at the election of the Executive (such election to be made by written notice from the Executive to the Board or the Permitted Assignee, as may be appropriate in the circumstances), (i) such action by the Board, the Chief Executive Officer of CSGS, the Chief Operating Officer of CSGS, or such Permitted Assignee shall constitute a constructive termination of the Executive's employment by the Companies for a reason other than cause (the "Constructive Termination"), (ii) the Executive thereupon may resign from his offices and positions with the Companies and shall not be obligated to perform any further services of any kind to or for the Companies, and (iii) the Executive shall be entitled to receive from the Companies (and the Permitted Assignee, if applicable) at the applicable times all of the compensation, benefits, and other payments described in subparagraph (d) or subparagraph (e) of this Paragraph 10 (whichever may be applicable), as if the effective date of the Executive's resignation were the effective date of his termination of employment for purposes of determining such compensation, benefits, and other payments. Notwithstanding the foregoing provisions of this subparagraph (f), before exercising any of his rights pursuant to the preceding sentence, the Executive shall give written notice to the Chief Executive Officer of CSGS setting forth the Executive's intent to exercise such rights and specifying the Constructive Termination which the Executive claims to be the basis for such intended exercise; and the Companies shall have twenty (20) days after the Chief Executive Officer has received such notice to take such actions, if any, as the Companies may deem appropriate to eliminate such claimed Constructive Termination (without thereby admitting that a Constructive Termination had occurred). If the Companies so act to eliminate such claimed Constructive Termination, then the Executive shall not have any rights under this subparagraph (f) with respect to such claimed Constructive Termination.

(g) Voluntary Resignation. If the Executive voluntarily resigns as an employee of the Companies and thereby voluntarily terminates his employment under this agreement and if none of subparagraphs (a) through (f) of this Paragraph 10 is applicable to such termination, then the Executive shall be entitled to receive only the following compensation, benefits, and other payments from the Companies:

(i) The Base Salary through the effective date of such voluntary resignation;

(ii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the effective date of such voluntary resignation;

(iii) If (and only if) the Executive's voluntary resignation is effective on December 31 of a particular calendar year, the Executive's annual incentive bonus (if any) for such calendar year, to be paid in accordance with the regular schedule for its payment; and

(iv) Any other benefits payable to the Executive upon his voluntary resignation, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the effective date of such voluntary resignation.

The Executive understands and agrees that if this subparagraph (g) is applicable to the termination of the Executive's employment with the Companies, then, unless his voluntary resignation is effective on December 31 of a particular calendar year, the Executive will not be entitled to any annual incentive bonus for the calendar year in which his voluntary resignation becomes effective.

(h) Liquidated Damages. The Executive agrees to accept the compensation, benefits, and other payments provided for in subparagraph (d), subparagraph (e), or subparagraph (f) of this Paragraph 10, as the case may be, as full and complete liquidated damages for any breach of this agreement resulting from the actual or constructive termination of the Executive's employment under this agreement for a reason other than cause or the Executive's death or disability; and the Executive shall not have and hereby waives and relinquishes any other rights or claims in respect of such breach.

(i) Notice of Other Employment and of Benefits. The Executive promptly shall notify the Companies in writing of (i) his acceptance of the Other Employment referred to in subparagraph (d) of this Paragraph 10, (ii) the effective date of such Other Employment, and (iii) the amount of salary, cash bonus, and consulting fees which the Executive receives or is entitled to receive from the Other Employment for services performed by him during the period from the commencement of the Other Employment through the Ending Date. Whenever relevant for purposes of this Paragraph 10, the Executive also promptly shall notify the Companies of his receipt from another employer of any benefits of the types referred to in subparagraphs (b)(iv) and (d)(v) of this Paragraph

10. Such information shall be updated by the Executive whenever necessary to keep the Companies informed on a current basis.

(j) Modification of Benefit Plans or Programs. Nothing contained in this Paragraph 10 shall obligate the Companies to institute, maintain, or refrain from changing, amending, or discontinuing any benefit plan or program referred to in subparagraph (b)(iv) or (d)(v) of this Paragraph 10 so long as such actions are similarly applicable to senior executives of the Companies generally.

(k) Rights of Estate. If the Executive dies prior to his receipt of all of the cash payments to which he may be entitled pursuant to subparagraph (b),

(c), (d), (e), (f), or (g) of this Paragraph 10 if any such subparagraph becomes applicable, then the unpaid portion of such cash payments shall be paid by the Companies to the personal representative of the Executive's estate at the same time or times that the payments would have been made to the Executive if he still were living.

(l) Excess Parachute Payments. If any of the payments required to be made to the Executive pursuant to subparagraph (d), (e), or (f) of this Paragraph 10 constitute "excess parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended, and any regulations thereunder, and the Executive becomes liable for any excise tax on such "excess parachute payments" and any interest or penalties thereon (such excise tax, interest, and penalties, collectively, the "Tax Penalties"), then the Companies (and the Permitted Assignee, if applicable) promptly shall make a cash payment (the "Additional Payment") to the Executive in an amount equal to the Tax Penalties. The Companies also promptly shall make an additional cash payment to the Executive in an amount rounded to the nearest \$100.00 which is equal to any additional income, excise, and other taxes (using the individual tax rates applicable to the Executive for the year for which such Tax Penalties are owed) for which the Executive will be liable as a result of the Executive's receipt of the Additional Payment (the additional cash payment provided for in this sentence being referred to as a "Gross-Up Payment"). In addition, the Executive shall be entitled to promptly receive from the Companies (and the Permitted Assignee, if applicable) a further Gross-Up Payment in respect of each

prior Gross-Up Payment until the amount of the last Gross-Up Payment is less than \$100.00.

11. Nondisclosure. During the term of this agreement and thereafter, the Executive shall not, without the prior written consent of the Board or a person (other than the Executive) so authorized by the Board, disclose or use for any purpose (except in the course of his employment under this agreement and in furtherance of the business of the Companies or any of their respective subsidiaries) any confidential information, trade secrets, or proprietary data of the Companies or any of their respective subsidiaries (collectively, for purposes of this agreement, "Confidential Information"); provided, however, that Confidential Information shall not include any information then known generally to the public or ascertainable from public or published information (other than as a result of unauthorized disclosure by the Executive) or any information of a type not otherwise considered confidential by persons engaged in the same business or a business similar to that conducted by the Companies or their respective subsidiaries, as the case may be.

12. Successors and Assigns. This agreement and all rights under this agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties hereto and their respective personal or legal representatives, executors, administrators, heirs, distributees, devisees, legatees, successors, and assigns. This agreement is personal in nature, and none of the parties to this agreement shall, without the written consent of the others, assign or transfer this agreement or any right or obligation under this agreement to any other person or entity, except as permitted by Paragraph 14.

13. Notices. For purposes of this agreement, notices and other communications provided for in this agreement shall be deemed to be properly given if delivered personally or sent either by next-business-day prepaid express delivery by a recognized national express delivery service or by United States certified mail, return receipt requested, postage prepaid, in either case addressed as follows:

If to the Executive:	Edward Nafus c/o CSG Systems, Inc. 7887 East Belleview Avenue, Suite 1000 Englewood, Colorado 80111
If to the Companies:	CSG Systems International, Inc. and CSG Systems, Inc. 7887 East Belleview Avenue, Suite 1000 Englewood, Colorado 80111,

or to such other address as either party may have furnished to the other party in writing in accordance with this paragraph. Such notices or other communications shall be effective only upon receipt.

14. Merger, Consolidation, Sale of Assets. In the event of (a) a merger of Systems with another corporation (other than CSGS) in a transaction in which Systems is not the surviving corporation, (b) the consolidation of Systems into a new corporation resulting from such consolidation, (c) the sale or other disposition of all or substantially all of the assets of Systems, the Companies may assign this agreement and all of the rights and obligations of the Companies under this agreement to the surviving, resulting, or acquiring entity (for purposes of this agreement, a "Permitted Assignee"); provided, that such surviving, resulting, or acquiring entity shall in writing assume and agree to perform all of the obligations of the Companies under this agreement; and provided further, that the Companies shall remain jointly and severally liable for the performance of the obligations of the Companies under this agreement in the event of a failure of the Permitted Assignee to perform its obligations under this agreement.

15. Change of Control. For purposes of this agreement, a "Change of Control" shall be deemed to have occurred upon the happening of any of the following events:

(a) CSGS is merged or consolidated into another corporation, and immediately after such merger or consolidation becomes effective the holders of a majority of the outstanding shares of voting capital stock of CSGS immediately prior to the effectiveness of such merger

or consolidation do not own (directly or indirectly) a majority of the outstanding shares of voting capital stock of the surviving or resulting corporation in such merger or consolidation,

(b) CSGS ceases to own (directly or indirectly) a majority of the outstanding shares of voting capital stock of Systems (unless such event results from the merger of Systems into CSGS, with no change in the ownership of the voting capital stock of CSGS, or from the dissolution of Systems and the continuation of its business by CSGS),

(c) Systems is merged or consolidated into a corporation other than CSGS, and at any time after such merger or consolidation becomes effective CSGS does not own (directly or indirectly) a majority of the outstanding shares of voting capital stock of the surviving or resulting corporation in such merger or consolidation,

(d) the stockholders of Systems vote (or act by written consent) to dissolve Systems (unless the business of Systems will be continued by CSGS) or to sell or otherwise dispose of all or substantially all of the property and assets of Systems (other than to an entity or group of entities which is then under common ownership (directly or indirectly) with Systems),

(e) any person, entity, or group of persons within the meaning of Sections 13(d) or 14(d) of the Securities Exchange Act of 1934 (the "1934 Act") and the rules promulgated thereunder becomes the beneficial owner (within the meaning of Rule 13d-3 under the 1934 Act) of thirty percent (30%) or more of the outstanding voting capital stock of CSGS, or

(f) during any period of two consecutive years or less, individuals who at the beginning of such period constituted the Board of Directors of CSGS cease, for any reason, to constitute at least a majority of the Board of Directors of CSGS, unless the election or nomination for election of each new director of CSGS who took office during such period was approved by a vote of at least seventy-five percent (75%) of the directors of CSGS still in office at the time of such election or nomination for election who were directors of CSGS at the beginning of such period.

16. Miscellaneous. No provision of this agreement may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in writing and is signed by the Executive and an officer of CSGS (other than the Executive) so authorized by the Board. No waiver by any party to this agreement at any time of any breach by any other party of, or compliance by any other party with, any condition or provision of this agreement to be performed by such other party shall be deemed to be a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this agreement have been made by any party that are not expressly set forth in this agreement.

17. Representations of Companies. The Companies severally represent and warrant to the Executive that they have full legal power and authority to enter into this agreement, that the execution and delivery of this agreement by the Companies have been duly authorized by their respective boards of directors, and that the performance of their respective obligations under this agreement will not violate any agreement between the Companies, or either of them, and any other person, firm, or organization.

18. Non-Solicitation of Employees. For a period of one (1) year after the effective date of the termination of the Executive's employment under this agreement for any reason, whether voluntarily or involuntarily and with or without cause, without the prior written consent of CSGS the Executive agrees

(i) not to directly or indirectly employ, solicit for employment, assist any other person in employing or soliciting for employment, or advise or recommend to any other person that such other person employ or solicit for employment any person who then is an employee of the Companies (or either of them) or any of the respective subsidiaries of the Companies and (ii) not to recommend to any then employee of the Companies (or either of them) or any of the respective subsidiaries of the Companies that such employee leave the employ of such employer.

19. Post-Termination Noncompetition. Because the Confidential Information known to or developed by the Executive during his employment by the Companies encompasses at the highest level information concerning the plans, strategies, products, operations, and existing and prospective customers of the Companies and could not practically be disregarded by the Executive, the Executive acknowledges that his provision of executive services to a competitor of the Companies or either of them soon after the termination of the Executive's employment by the Companies would inevitably result in the use of the Confidential Information by the Executive in his performance of such executive services, even if the Executive were to use his best efforts to avoid such use of the Confidential Information. To prevent such use of the Confidential Information and the resulting unfair competition and wrongful appropriation of the goodwill and other valuable proprietary interests of the Companies, the Executive agrees that for a period of one (1) year after the termination of his employment by the Companies for any reason, whether voluntarily or involuntarily and with or without cause, the Executive will not, directly or indirectly:

(a) engage, whether as an employee, agent, consultant, independent contractor, owner, partner, member, or otherwise, in a business activity which then competes in a material way with a business activity then being actively engaged in by the Companies or either of them;

(b) solicit or recommend to any other person that such person solicit any then customer of the Companies or either of them, which customer also was a customer of the Companies or either of them at any time during the one (1) year period prior to the termination of the Executive's employment by the Companies, for the purpose of obtaining the business of such customer in competition with the Companies or either of them; or

(c) induce or attempt to induce any then customer or prospective customer of the Companies or either of them to terminate or not commence a business relationship with the Companies or either of them.

The Companies and the Executive acknowledge and agree that the restrictions contained in this Paragraph 19 are both reasonable and necessary in view of the Executive's positions with the Companies and that the Executive's compensation and benefits under this agreement are sufficient consideration for the Executive's acceptance of such restrictions. Nevertheless, if any of the restrictions contained in this Paragraph 19 are found by a court having jurisdiction to be unreasonable, or excessively broad as to geographic area or time, or otherwise unenforceable, then the parties intend that the restrictions contained in this Paragraph 19 be modified by such court so as to be reasonable and enforceable and, as so modified by the court, be fully enforced. Nothing contained in this paragraph shall be construed to preclude the investment by the Executive of any of his assets in any publicly owned entity so long as the Executive has no direct or indirect involvement in the business of such entity and owns less than 2% of the voting equity securities of such entity. Nothing contained in this paragraph shall be construed to preclude the Executive from becoming employed by or serving as a consultant to or having dealings with a publicly owned entity one of whose businesses is a competitor of the Companies or either of them so long as such employment, consultation, or dealings do not directly or indirectly involve or relate to the business of such entity which is a competitor of the Companies or either of them.

20. Joint and Several Obligations. All of the obligations of the Companies under this agreement are joint and several; and neither the bankruptcy, insolvency, dissolution, merger, consolidation, or reorganization nor the cessation of business or corporate existence of one of the Companies shall affect, impair, or diminish the obligations under this agreement of the other of the Companies. The compensation and benefits to which the Executive is entitled under this agreement are aggregate compensation and benefits, and the payment of such compensation or the provision of such benefits by one of the Companies shall to the extent of such payment or provision satisfy the obligations of the other of the Companies. The Companies may agree between themselves as to which of them will be responsible for some or all of the Executive's compensation and benefits under this agreement, but any such agreement between the Companies shall not diminish to any extent the joint and several liability of the Companies to the Executive for all of such compensation and benefits.

21. Injunctive Relief. The Executive acknowledges that his violation of the provisions and restrictions contained in Paragraphs 11, 18, and 19 could cause significant injury to the Companies for which the Companies would have no adequate remedy at law. Accordingly, the Executive agrees that the Companies will be entitled, in addition to any other

rights and remedies that then may be available to the Companies, to seek and obtain injunctive relief to prevent any breach or potential breach of any of the provisions and restrictions contained in Paragraph 11, 18, or 19.

22. Dispute Resolution. Subject to the provisions of Paragraph 21, any claim by the Executive or the Companies arising from or in connection with this agreement, whether based on contract, tort, common law, equity, statute, regulation, order, or otherwise (a "Dispute"), shall be resolved as follows:

(a) Such Dispute shall be submitted to mandatory and binding arbitration at the election of either the Executive or the particular Company involved (the "Disputing Party"). Except as otherwise provided in this Paragraph 22, the arbitration shall be pursuant to the Commercial Arbitration Rules of the American Arbitration Association (the "AAA").

(b) To initiate the arbitration, the Disputing Party shall notify the other party in writing within 30 days after the occurrence of the event or events which give rise to the Dispute (the "Arbitration Demand"), which notice shall (i) describe in reasonable detail the nature of the Dispute, (ii) state the amount of any claim, (iii) specify the requested relief, and (iv) name an arbitrator who (A) has been licensed to practice law in the U.S. for at least ten years, (B) has no past or present relationship with either the Executive or the Companies, and (C) is experienced in representing clients in connection with employment related disputes (the "Basic Qualifications"). Within fifteen (15) days after the other party's receipt of the Arbitration Demand, such other party shall serve on the Disputing Party a written statement (i) answering the claims set forth in the Arbitration Demand and including any affirmative defenses of such party, (ii) asserting any counterclaim, which statement shall (A) describe in reasonable detail the nature of the Dispute relating to the counterclaim, (B) state the amount of the counterclaim, and (C) specify the requested relief, and (iii) naming a second arbitrator satisfying the Basic Qualifications. Promptly, but in any event within five (5) days thereafter, the two arbitrators so named shall select a third neutral arbitrator from a list provided by the AAA of potential arbitrators who satisfy the Basic Qualifications and who have no past or present relationship with the parties' counsel, except as otherwise disclosed in writing to and approved by the parties. The arbitration will be heard by a panel of the three arbitrators so chosen (the "Arbitration Panel"), with the third arbitrator so chosen serving as the chairperson of the Arbitration Panel. Decisions of a majority of the members of the Arbitration Panel shall be determinative.

(c) The arbitration hearing shall be held in Denver, Colorado. The Arbitration Panel is specifically authorized to render partial or full summary judgment as provided for in the Federal Rules of Civil Procedure. The Arbitration Panel will have no power or authority, under the Commercial Arbitration Rules of the AAA or otherwise, to relieve the parties from their agreement hereunder to arbitrate or otherwise to amend or disregard any provision of this agreement, including, without limitation, the provisions of this Paragraph 22.

(d) If an arbitrator refuses or is unable to proceed with arbitration proceedings as called for by this Paragraph 22, such arbitrator shall be replaced by the party who selected such arbitrator or, if such arbitrator was selected by the two party-appointed arbitrators, by such two party-appointed arbitrators' selecting a new third arbitrator in accordance with Paragraph 22(b), in either case within five (5) days after such declining or withdrawing arbitrator's giving notice of refusal or inability to proceed. Each such replacement arbitrator shall satisfy the Basic Qualifications. If an arbitrator is replaced pursuant to this Paragraph 22(d) after the arbitration hearing has commenced, then a rehearing shall take place in accordance with the provisions of this Paragraph 22(d) and the Commercial Arbitration Rules of the AAA.

(e) Within ten (10) days after the closing of the arbitration hearing, the Arbitration Panel shall prepare and distribute to the parties a writing setting forth the Arbitration Panel's finding of facts and conclusions of law relating to the Dispute, including the reason for the giving or denial of any award. The findings and conclusions and the award, if any, shall be deemed to be

confidential information.

(f) The Arbitration Panel is instructed to schedule promptly all discovery and other procedural steps and otherwise to assume case management initiative and control to effect an efficient and expeditious resolution of the Dispute. The Arbitration Panel is authorized to issue monetary sanctions against either party if, upon a showing of good cause, such party is unreasonably delaying the proceeding.

(g) Any award rendered by the Arbitration Panel will be final, conclusive, and binding upon the parties, and any judgment on such award may be entered and enforced in any court of competent jurisdiction.

(h) Each party will bear a pro rata share of all fees, costs, and expenses of the arbitrators; and, notwithstanding any law to the contrary, each party will bear all of the fees, costs, and expenses of his or its own attorneys, experts, and witnesses. However, in connection with any judicial proceeding to compel arbitration pursuant to this agreement or to enforce any award rendered by the Arbitration Panel, the prevailing party in such a proceeding will be entitled to recover reasonable attorneys' fees and expenses incurred in connection with such proceedings, in addition to any other relief to which such party may be entitled.

(i) Nothing contained in the preceding provisions of this Paragraph 22 shall be construed to prevent either party from seeking from a court a temporary restraining order or other injunctive relief pending final resolution of a Dispute pursuant to this Paragraph 22.

23. No Duty to Seek Employment. The Executive shall not be under any duty or obligation to seek or accept other employment following the termination of his employment by the Companies; and, except as expressly provided in subparagraphs (b)(iv), (d)(i), and (d)(v) of Paragraph 10, no amount, payment, or benefit due the Executive under this agreement shall be reduced, suspended, or discontinued if the Executive accepts such other employment.

24. Withholding of Taxes. The Companies may withhold from any amounts payable to the Executive under this agreement all federal, state, and local taxes which are required to be so withheld by any applicable law or governmental regulation or ruling.

25. Validity. The invalidity or unenforceability of any provision or provisions of this agreement shall not affect the validity or enforceability of any other provision of this agreement, which other provision shall remain in full force and effect; nor shall the invalidity or unenforceability of a portion of any provision of this agreement affect the validity or enforceability of the balance of such provision.

26. Counterparts. This document may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which together shall constitute a single agreement.

27. Headings. The headings of the paragraphs contained in this document are for reference purposes only and shall not in any way affect the meaning or interpretation of any provision of this agreement.

28. Applicable Law. This agreement shall be governed by and construed in accordance with the internal substantive laws, and not the choice of law rules, of the State of Colorado.

IN WITNESS WHEREOF, the Companies and the Executive have executed this agreement on the day and year first above written.

CSG SYSTEMS INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ Neal C. Hansen

*Neal C. Hansen, Chairman of the
Board and Chief Executive Officer*

CSG SYSTEMS, INC., a Delaware corporation

By: /s/ Neal C. Hansen

*Neal C. Hansen, Chairman of the
Board and Chief Executive Officer*

/s/ Edward C. Nafus

Edward Nafus

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**CONFIDENTIAL AND PROPRIETARY INFORMATION - FOR USE BY AUTHORIZED EMPLOYEES TO
THE PARTIES HERETO ONLY AND IS NOT FOR GENERAL DISTRIBUTION WITHIN OR OUTSIDE**

THEIR RESPECTIVE COMPANIES

EMPLOYMENT AGREEMENT

This Employment Agreement is made and entered into on the 17th day of

November, 1998, among CSG SYSTEMS INTERNATIONAL, INC. ("CSGS"), a Delaware corporation, CSG SYSTEMS, INC. ("Systems"), a Delaware corporation, and GREG PARKER (the "Executive"). CSGS and Systems collectively are referred to in this Employment Agreement as the "Companies".

* * *

WHEREAS, Systems is a wholly-owned subsidiary of CSGS; and

WHEREAS, the Executive currently is employed by Systems and serves as a Vice President and the Chief Financial Officer of both of the Companies; and

WHEREAS, the Companies desire to provide for the continued employment of the Executive as a Vice President and their Chief Financial Officer; and

WHEREAS, the Executive desires to accept such continued employment upon the terms set forth in this agreement;

NOW, THEREFORE, in consideration of the foregoing recitals and the respective covenants and agreements of the parties contained in this document, the Companies and the Executive agree as follows:

1. Employment and Duties. Each of the Companies hereby employs the Executive as a Vice President and their Chief Financial Officer throughout the term of this agreement and agrees to cause the Executive from time to time to be elected or appointed to such corporate offices or positions. The duties and responsibilities of the Executive shall include the duties and responsibilities of the Executive's corporate offices and positions referred to in the preceding sentence which are set forth in the respective bylaws of the Companies from time to time, general supervision of the financial affairs of the Companies, and such other duties and responsibilities consistent with the Executive's corporate offices and positions referred to in the preceding sentence and this agreement which the Board of Directors of CSGS (the "Board") or the Chief Executive Officer of CSGS from time to time may assign to the Executive. If the Executive is elected or appointed as a director of CSGS or Systems or as an officer or director of any of the respective subsidiaries of the Companies during the term of this agreement, then he also shall serve in such capacity or capacities but without additional compensation.

2. Term. The term of this agreement shall begin on the date of this

agreement and shall continue thereafter through December 31, 1999, unless the Executive's employment under this agreement is sooner terminated in accordance with this agreement. On December 31 of each year during the term of this agreement, as extended from time to time pursuant to this sentence, beginning December 31, 1998, the term of this agreement automatically and without further action being required shall be extended by one (1) year unless, not later than one (1) year prior to a particular December 31, either CSGS notifies the Executive and Systems in writing or the Executive notifies the Companies in writing that such extension shall not occur on such December 31, in which latter case this agreement shall terminate upon the expiration of its then current term, unless the Executive's employment under this agreement is sooner terminated in accordance with this agreement. References in this agreement to the "current term" of this agreement shall include both the original term of this agreement and any automatic extensions of such term which actually have occurred pursuant to this Paragraph 2.

3. Place of Employment. Regardless of the location of the executive offices of the Companies during the term of this agreement, the Companies shall maintain a suitably staffed office for the Executive in the Denver, Colorado, metropolitan area during the term of this agreement; and the Executive will not be required without his consent to relocate or transfer his executive office or principal residence from the immediate vicinity of the Denver,

Colorado, metropolitan area.

4. Base Salary. For all services to be rendered by the Executive pursuant to this agreement, the Companies agree to pay the Executive during the term of this agreement a base salary (the "Base Salary") at an annual rate of \$170,000 through December 31, 1998, and at an annual rate of not less than \$205,000 after December 31, 1998; provided, that the Base Salary as then in effect shall be increased as of January 1 of each calendar year after 1999 during the term of this agreement by at least the same percentage that the United States Department of Labor Consumer Price Index (All Items) for All Urban Consumers, 1982-84=100 ("CPI-U") for the November immediately preceding such January 1 increased over the CPI-U for the November one year earlier. The Board shall review the Base Salary at least annually for the purpose of determining whether a Base Salary increase greater than such CPI-U increase should be granted to the Executive for a particular 12-month period. The Executive's annual incentive bonus provided for in Paragraph 5 and all other compensation and benefits to which the Executive is or may become entitled pursuant to this agreement or under any plans or programs of the Companies shall be in addition to the Base Salary.

5. Annual Incentive Bonus. As soon as practicable after the execution of this agreement, the Board shall establish an incentive bonus program for the Executive for 1999. Such incentive bonus program shall be reflected either in a written supplement to this agreement signed by the Companies and the Executive or in such other form as the Companies and the Executive may agree upon. The same procedure shall be followed for subsequent calendar years during the term of this agreement, so that an annual incentive bonus program for the Executive will be in effect throughout the term of this agreement. The Executive and the Companies understand and acknowledge that, among other things, such incentive bonus program will involve achievement by the Companies of various financial objectives, which may include but are not limited to revenues and earnings, and also may include achievement by the Companies of various non-financial objectives. Such incentive bonus program for each calendar year shall provide the opportunity for the Executive to earn an incentive bonus of not less than fifty percent (50%) of his Base Salary for such calendar year if the agreed upon objectives are fully achieved. The Board from time to time also may establish incentive compensation programs for the Executive covering periods of more than one (1) year, and any such programs shall be in addition to the annual incentive bonus program required by this Paragraph 5. For 1998 the annual incentive bonus program previously established by the Companies for the Executive shall remain in effect.

6. Expenses. During the term of this agreement, the Executive shall be entitled to prompt reimbursement by the Companies of all reasonable ordinary and necessary travel, entertainment, and other expenses incurred by the Executive (in accordance with the policies and procedures established by the Companies for their respective senior executive officers) in the performance of his duties and responsibilities under this agreement; provided, that the Executive shall properly account for such expenses in accordance with the policies and procedures of the Companies, which may include but are not limited to itemized accountings.

7. Other Benefits. During the term of this agreement, the Companies shall provide to the Executive and his eligible dependents at the expense of the Companies individual or group medical, hospital, dental, and long-term disability insurance coverages and group life insurance coverage, in each case at least as favorable as those coverages which are provided to other vice presidents of the Companies. During the term of this agreement, the Executive also shall be entitled to participate in such other benefit plans or programs which the Companies from time to time may make available to their employees generally (except such programs, such as the 1996 Employee Stock Purchase Plan of CSGS, in which executive officers of CSGS are not eligible to participate because of securities law reasons).

8. Vacations and Holidays. During the term of this agreement, the Executive shall be entitled to paid vacations and holidays in accordance with the policies of the Companies in effect from time to time for their respective senior executive officers, but in no event shall the Executive be entitled to less than four (4) weeks of vacation during each calendar year.

9. Full-Time Efforts and Other Activities. During the term of this agreement, to the best of his ability and using all of his skills, the Executive shall devote substantially all of his working time and efforts during the normal business hours of the Companies to the business and affairs of the Companies and to the diligent and faithful performance of the duties and responsibilities assigned to him pursuant to this agreement, except for vacations, holidays, and sick days. However, the Executive may devote a reasonable amount of his time to civic, community, or

charitable activities, to service on the governing bodies or committees of trade associations or similar organizations of which either or both of the Companies are members, and, with the prior approval of the Board or the Chief Executive Officer of CSGS, to service as a director of other corporations and to other types of activities not expressly mentioned in this paragraph, so long as the activities referred to in this sentence do not materially interfere with the proper performance of the Executive's duties and responsibilities under this agreement. The Executive also shall be free to manage and invest his assets in such manner as will not require any substantial services by the Executive in the conduct of the businesses or affairs of the entities or in the management of the properties in which such investments are made, so long as such activities do not materially interfere with the proper performance of the Executive's duties and responsibilities under this agreement.

10. Termination of Employment.

(a) Termination Because of Death. The Executive's employment by the Companies under this agreement shall terminate upon his death. If the Executive's employment under this agreement terminates because of his death, then the Executive's estate or his beneficiaries (as the case may be) shall be entitled to receive the following compensation and benefits from the Companies:

(i) The Base Salary through the date of the Executive's death;

(ii) A pro rata portion of the Executive's annual incentive bonus for the calendar year in which his death occurs (computed as if the Executive were employed by the Companies throughout such calendar year), based upon the number of days in such calendar year elapsed through the date of the Executive's death as a proportion of 365, to be paid at the same time that such incentive bonus would have been paid had the Executive's death not occurred;

(iii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the date of the Executive's death; and

(iv) Any other benefits payable by reason of the Executive's death, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the date of the Executive's death.

(b) Termination Because of Disability. If the Executive becomes incapable by reason of physical injury, disease, or mental illness of substantially performing his duties and responsibilities under this agreement for a continuous period of six (6) months or more or for more than one hundred eighty (180) days in the aggregate (whether or not consecutive) during any 12-month period, then at any time after the elapse of such six-month period or such 180 days, as the case may be, the Board may terminate the Executive's employment by the Companies under this agreement. If the Executive's employment under this agreement is terminated by the Board because of such disability on the part of the Executive, then the Executive shall be entitled to receive the following compensation and benefits from the Companies:

(i) The Base Salary through the effective date of such termination;

(ii) A pro rata portion of the Executive's annual incentive bonus for the calendar year in which such termination occurs (computed as if the Executive were employed by the Companies throughout such calendar year), based upon the number of days in such calendar year elapsed through the effective date of such termination as a proportion of 365, to be paid at the same time that such incentive bonus would have been paid if such termination had not occurred;

(iii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the effective date of such termination;

(iv) Continued participation in the following benefit plans or programs of the Companies which may be in effect from time to time and in which the Executive was participating as of the effective date of such termination, to the extent that such continued participation by the Executive is permitted under the terms and conditions of such plans (unless such continued participation is restricted or prohibited by applicable governmental regulations governing such plans), until the first to occur of the cessation of such disability, the Executive's death, the Executive's attainment of age sixty-five (65), or (separately with respect to the termination of each benefit) the provision of a substantially equivalent benefit to the Executive by another employer of the Executive:

- (1) Group medical and hospital insurance,
- (2) Group dental insurance,
- (3) Group life insurance, and
- (4) Group long-term disability insurance;

and

(v) Any other benefits payable by reason of the Executive's disability, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the effective date of such termination.

For purposes of this subparagraph (b), decisions with respect to the Executive's disability shall be made by the Board, using its reasonable good faith judgment; and, in making any such decision, the Board shall be entitled to rely upon the opinion of a duly licensed and qualified physician selected by a majority of the members of the Board who are not employees of either of the Companies or any of their respective subsidiaries.

(c) Termination for Cause. The Board may terminate the Executive's employment by the Companies under this agreement for cause; however, for purposes of this agreement "cause" shall mean only (i) the Executive's confession or conviction of theft, fraud, embezzlement, or other crime involving dishonesty, (ii) the Executive's excessive absenteeism (other than by reason of physical injury, disease, or mental illness) without a reasonable justification, (iii) material violation by the Executive of the provisions of Paragraph 11, (iv) habitual and material negligence by the Executive in the performance of his duties and responsibilities under or pursuant to this agreement and failure on the part of the Executive to cure such negligence within twenty (20) days after his receipt of a written notice from the Board or the Chief Executive Officer of CSGS setting forth in reasonable detail the particulars of such negligence, (v) material non-compliance by the Executive with his obligations under Paragraph 9 and failure to correct such non-compliance within twenty (20) days after his receipt of a written notice from the Board or the Chief Executive Officer of CSGS setting forth in reasonable detail the particulars of such non-compliance, (vi) material failure by the Executive to comply with a lawful directive of the Board or the Chief Executive Officer of CSGS and failure to cure such non-compliance within twenty (20) days after his receipt of a written notice from the Board or the Chief Executive Officer of CSGS setting forth in reasonable detail the particulars of such non-compliance, (vii) a material breach by the Executive of any of his fiduciary duties to the Companies and, if such breach is curable, the Executive's failure to cure such breach within ten (10) days after his receipt of a written notice from the Board or the Chief Executive Officer of CSGS setting forth in reasonable detail the particulars of such breach, or (viii) willful misconduct or fraud on the part of the Executive in the performance of his duties under this agreement. In no event shall the results of operations of the Companies or any business judgment made in good faith by the Executive constitute an independent basis for termination for cause of the Executive's employment under this agreement. Any termination of the Executive's employment for cause must be authorized by a majority vote of the Board taken not later than nine (9) months after a majority of the members of the Board (other than the Executive) have actual knowledge of the occurrence of the event or conduct constituting the cause for such termination. If the Executive's employment under this agreement is terminated by the Board for cause, then the Executive shall be entitled to receive the following compensation and benefits from the Companies:

(i) The Base Salary through the effective date of such termination;

(ii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the effective date of such termination; and

(iii) Any other benefits payable to the Executive upon his termination for cause, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the effective date of such termination.

(d) Termination Without Cause Prior to a Change of Control. If, prior to the occurrence of a Change of Control, the Companies terminate the Executive's employment under this agreement for any reason other than cause or the Executive's death or disability, then the Executive shall be entitled to receive the following compensation, benefits, and other payments from the Companies:

(i) The Base Salary through that date which is one (1) year after the effective date of such termination (the "Ending Date"), to be paid at the same times that the Base Salary would have been paid if such termination had not occurred; provided, that if the Executive commences employment with another employer, whether as an employee or as a consultant, prior to the Ending Date (for purposes of this Paragraph 10, the "Other Employment"), then such payments of the Base Salary shall be reduced from time to time by the aggregate amount of salary, cash bonus, and consulting fees received or receivable by the Executive from the Other Employment for services performed by him during the period from the commencement of the Other Employment through the Ending Date;

(ii) The Executive's annual incentive bonus for the calendar year in which such termination occurs (computed as if the Executive were employed by the Companies throughout such calendar year), to be paid at the same time that such incentive bonus would have been paid if such termination had not occurred and to be no less than the Executive's annual incentive bonus for the calendar year immediately preceding the calendar year in which such termination occurs;

(iii) An amount equal to fifty percent (50%) of the Base Salary in effect on the effective date of such termination, such amount to be paid, without interest, one year after the effective date of such termination.

(iv) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the effective date of such termination;

(v) Continued participation in the following benefit plans or programs of the Companies which may be in effect from time to time and in which the Executive was participating as of the effective date of such termination, to the extent that such continued participation by the Executive is permitted under the terms and conditions of such plans (unless such continued participation is restricted or prohibited by applicable governmental regulations governing such plans), until the first to occur of the Ending Date or (separately with respect to the termination of each benefit) the provision of a substantially equivalent benefit to the Executive by another employer of the Executive:

- (1) Group medical and hospital insurance,
- (2) Group dental insurance,
- (3) Group life insurance, and
- (4) Group long-term disability insurance;

and

(vi) Any other benefits payable to the Executive upon his termination without cause, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the effective date of such termination.

(e) Termination Without Cause After a Change of Control. If, after the occurrence of a Change of Control, the Companies or any Permitted Assignee terminates the Executive's employment under this agreement for any reason other than cause or the Executive's death or disability, then the Executive shall be entitled to receive from the Companies and the Permitted Assignee, if any (all of whom shall be jointly and severally liable therefor), all of the compensation, benefits, and other payments from the Companies which are described and provided for in subparagraph (d) of this Paragraph 10 (as modified by this subparagraph (e)); provided, however, that (i) for purposes of this subparagraph (e) the Ending Date shall be two (2) years after the effective date of such termination, and the aggregate Base Salary payable under subparagraph (d)(i) (as modified by this subparagraph (e)) for all periods through the Ending Date shall be paid to the Executive in a lump sum without regard to Other Employment not later than thirty (30) days after the effective date of such termination, (ii) the minimum annual incentive bonus payable under subparagraph

(d)(ii) shall be paid to the Executive not later than thirty (30) days after the effective date of such termination (with any balance of such annual incentive bonus being payable as provided in such subparagraph (d)(ii)), and (iii) the amount payable under subparagraph (d)(iii) (as modified by this subparagraph

(e)) shall be one hundred percent (100%) of the Base Salary in effect on the effective date of such termination and shall be paid to the Executive in a lump sum not later than thirty (30) days after the effective date of such termination.

(f) Constructive Termination. If at any time during the term of this agreement the Board, the Chief Executive Officer of CSGS, or a Permitted Assignee materially alters the duties and responsibilities of the Executive provided for in Paragraph 1 or assigns to the Executive duties and responsibilities materially inappropriate to the chief financial officer of the Companies without the Executive's written consent, then, at the election of the Executive (such election to be made by written notice from the Executive to the Board or the Permitted Assignee, as may be appropriate in the circumstances),

(i) such action by the Board, the Chief Executive Officer of CSGS, or such Permitted Assignee shall constitute a constructive termination of the Executive's employment by the Companies for a reason other than cause (the "Constructive Termination"), (ii) the Executive thereupon may resign from his offices and positions with the Companies and shall not be obligated to perform any further services of any kind to or for the Companies, and (iii) the Executive shall be entitled to receive from the Companies (and the Permitted Assignee, if applicable) at the applicable times all of the compensation, benefits, and other payments described in subparagraph (d) or subparagraph (e) of this Paragraph 10 (whichever may be applicable), as if the effective date of the Executive's resignation were the effective date of his termination of employment for purposes of determining such compensation, benefits, and other payments. Notwithstanding the foregoing provisions of this subparagraph (f), before exercising any of his rights pursuant to the preceding sentence, the Executive shall give written notice to the Chief Executive Officer of CSGS setting forth the Executive's intent to exercise such rights and specifying the Constructive Termination which the Executive claims to be the basis for such intended exercise; and the Companies shall have twenty (20) days after the Chief Executive Officer has received such notice to take such actions, if any, as the Companies may deem appropriate to eliminate such claimed Constructive Termination (without thereby admitting that a Constructive Termination had occurred). If the Companies so act to eliminate such claimed Constructive Termination, then the Executive shall not have any rights under this subparagraph (f) with respect to such claimed Constructive Termination.

(g) Voluntary Resignation. If the Executive voluntarily resigns as an employee of the Companies and thereby voluntarily terminates his employment under this agreement and if none of subparagraphs (a) through (f) of this Paragraph 10 is applicable to such termination, then the Executive shall be entitled to receive only the following compensation, benefits, and other payments from the Companies:

(i) The Base Salary through the effective date of such voluntary resignation;

(ii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the effective date of such voluntary resignation;

(iii) If (and only if) the Executive's voluntary resignation is effective on December 31 of a particular calendar year, the Executive's annual incentive bonus (if any) for such calendar year, to be paid in accordance with the regular schedule for its payment; and

(iv) Any other benefits payable to the Executive upon his voluntary resignation, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the effective date of such voluntary resignation.

The Executive understands and agrees that if this subparagraph (g) is applicable to the termination of the Executive's employment with the Companies, then, unless his voluntary resignation is effective on December 31 of a particular calendar year, the Executive will not be entitled to any annual incentive bonus for the calendar year in which his voluntary resignation becomes effective.

(h) Liquidated Damages. The Executive agrees to accept the compensation, benefits, and other payments provided for in subparagraph (d), subparagraph (e), or subparagraph (f) of this Paragraph 10, as the case may be, as full and complete liquidated damages for any breach of this agreement resulting from the actual or constructive termination of the Executive's employment under this agreement for a reason other than cause or the Executive's death or disability; and the Executive shall not have and hereby waives and relinquishes any other rights or claims in respect of such breach.

(i) Notice of Other Employment and of Benefits. The Executive promptly shall notify the Companies in writing of (i) his acceptance of the Other Employment referred to in subparagraph (d) of this Paragraph 10, (ii) the effective date of such Other Employment, and (iii) the amount of salary, cash bonus, and consulting fees which the Executive receives or is entitled to receive from the Other Employment for services performed by him during the period from the commencement of the Other Employment through the Ending Date. Whenever relevant for purposes of this Paragraph 10, the Executive also promptly shall notify the Companies of his receipt from another employer of any benefits of the types referred to in subparagraphs (b)(iv) and (d)(v) of this Paragraph

10. Such information shall be updated by the Executive whenever necessary to keep the Companies informed on a current basis.

(j) Modification of Benefit Plans or Programs. Nothing contained in this Paragraph 10 shall obligate the Companies to institute, maintain, or refrain from changing, amending, or discontinuing any benefit plan or program referred to in subparagraph (b)(iv) or (d)(v) of this Paragraph 10 so long as such actions are similarly applicable to senior executives of the Companies generally.

(k) Rights of Estate. If the Executive dies prior to his receipt of all of the cash payments to which he may be entitled pursuant to subparagraph (b),

(c), (d), (e), (f), or (g) of this Paragraph 10 if any such subparagraph becomes applicable, then the unpaid portion of such cash payments shall be paid by the Companies to the personal representative of the Executive's estate at the same time or times that the payments would have been made to the Executive if he still were living.

(l) Excess Parachute Payments. If any of the payments required to be made to the Executive pursuant to subparagraph (d), (e), or (f) of this Paragraph 10 constitute "excess parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended, and any regulations thereunder, and the Executive becomes liable for any excise tax on such "excess parachute payments" and any interest or penalties thereon (such excise tax, interest, and penalties, collectively, the "Tax Penalties"), then the Companies (and the Permitted Assignee, if applicable) promptly shall make a cash payment (the "Additional Payment") to the Executive in an amount equal to the Tax Penalties. The Companies also promptly shall make an additional cash payment to the Executive in an amount rounded to the nearest \$100.00 which is equal to any additional income, excise, and other taxes (using the individual tax rates applicable to the Executive for the year for which such Tax Penalties are owed) for which the Executive will be liable as a result of the Executive's receipt of the Additional Payment (the additional cash payment provided for in this sentence being referred to as a "Gross-Up Payment"). In addition, the Executive shall be entitled to promptly receive from the Companies (and the Permitted Assignee, if applicable) a further Gross-Up Payment in respect of each

prior Gross-Up Payment until the amount of the last Gross-Up Payment is less than \$100.00.

11. Nondisclosure. During the term of this agreement and thereafter, the Executive shall not, without the prior written consent of the Board or a person (other than the Executive) so authorized by the Board, disclose or use for any purpose (except in the course of his employment under this agreement and in furtherance of the business of the Companies or any of their respective subsidiaries) any confidential information, trade secrets, or proprietary data of the Companies or any of their respective subsidiaries (collectively, for purposes of this agreement, "Confidential Information"); provided, however, that Confidential Information shall not include any information then known generally to the public or ascertainable from public or published information (other than as a result of unauthorized disclosure by the Executive) or any information of a type not otherwise considered confidential by persons engaged in the same business or a business similar to that conducted by the Companies or their respective subsidiaries, as the case may be.

12. Successors and Assigns. This agreement and all rights under this agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties hereto and their respective personal or legal representatives, executors, administrators, heirs, distributees, devisees, legatees, successors, and assigns. This agreement is personal in nature, and none of the parties to this agreement shall, without the written consent of the others, assign or transfer this agreement or any right or obligation under this agreement to any other person or entity, except as permitted by Paragraph 14.

13. Notices. For purposes of this agreement, notices and other communications provided for in this agreement shall be deemed to be properly given if delivered personally or sent either by next-business-day prepaid express delivery by a recognized national express delivery service or by United States certified mail, return receipt requested, postage prepaid, in either case addressed as follows:

If to the Executive:	Greg Parker c/o CSG Systems, Inc. 7887 East Belleview Avenue, Suite 1000 Englewood, Colorado 80111
If to the Companies:	CSG Systems International, Inc. and CSG Systems, Inc. 7887 East Belleview Avenue, Suite 1000 Englewood, Colorado 80111,

or to such other address as either party may have furnished to the other party in writing in accordance with this paragraph. Such notices or other communications shall be effective only upon receipt.

14. Merger, Consolidation, Sale of Assets. In the event of (a) a merger of Systems with another corporation (other than CSGS) in a transaction in which Systems is not the surviving corporation, (b) the consolidation of Systems into a new corporation resulting from such consolidation, (c) the sale or other disposition of all or substantially all of the assets of Systems, the Companies may assign this agreement and all of the rights and obligations of the Companies under this agreement to the surviving, resulting, or acquiring entity (for purposes of this agreement, a "Permitted Assignee"); provided, that such surviving, resulting, or acquiring entity shall in writing assume and agree to perform all of the obligations of the Companies under this agreement; and provided further, that the Companies shall remain jointly and severally liable for the performance of the obligations of the Companies under this agreement in the event of a failure of the Permitted Assignee to perform its obligations under this agreement.

15. Change of Control. For purposes of this agreement, a "Change of Control" shall be deemed to have occurred upon the happening of any of the following events:

(a) CSGS is merged or consolidated into another corporation, and immediately after such merger or consolidation becomes effective the holders of a majority of the outstanding shares of voting capital stock of CSGS immediately prior to the effectiveness of such merger

or consolidation do not own (directly or indirectly) a majority of the outstanding shares of voting capital stock of the surviving or resulting corporation in such merger or consolidation,

(b) CSGS ceases to own (directly or indirectly) a majority of the outstanding shares of voting capital stock of Systems (unless such event results from the merger of Systems into CSGS, with no change in the ownership of the voting capital stock of CSGS, or from the dissolution of Systems and the continuation of its business by CSGS),

(c) Systems is merged or consolidated into a corporation other than CSGS, and at any time after such merger or consolidation becomes effective CSGS does not own (directly or indirectly) a majority of the outstanding shares of voting capital stock of the surviving or resulting corporation in such merger or consolidation,

(d) the stockholders of Systems vote (or act by written consent) to dissolve Systems (unless the business of Systems will be continued by CSGS) or to sell or otherwise dispose of all or substantially all of the property and assets of Systems (other than to an entity or group of entities which is then under common ownership (directly or indirectly) with Systems),

(e) any person, entity, or group of persons within the meaning of Sections 13(d) or 14(d) of the Securities Exchange Act of 1934 (the "1934 Act") and the rules promulgated thereunder becomes the beneficial owner (within the meaning of Rule 13d-3 under the 1934 Act) of thirty percent (30%) or more of the outstanding voting capital stock of CSGS, or

(f) during any period of two consecutive years or less, individuals who at the beginning of such period constituted the Board of Directors of CSGS cease, for any reason, to constitute at least a majority of the Board of Directors of CSGS, unless the election or nomination for election of each new director of CSGS who took office during such period was approved by a vote of at least seventy-five percent (75%) of the directors of CSGS still in office at the time of such election or nomination for election who were directors of CSGS at the beginning of such period.

16. Miscellaneous. No provision of this agreement may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in writing and is signed by the Executive and an officer of CSGS (other than the Executive) so authorized by the Board. No waiver by any party to this agreement at any time of any breach by any other party of, or compliance by any other party with, any condition or provision of this agreement to be performed by such other party shall be deemed to be a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this agreement have been made by any party that are not expressly set forth in this agreement.

17. Representations of Companies. The Companies severally represent and warrant to the Executive that they have full legal power and authority to enter into this agreement, that the execution and delivery of this agreement by the Companies have been duly authorized by their respective boards of directors, and that the performance of their respective obligations under this agreement will not violate any agreement between the Companies, or either of them, and any other person, firm, or organization.

18. Non-Solicitation of Employees. For a period of one (1) year after the effective date of the termination of the Executive's employment under this agreement for any reason, whether voluntarily or involuntarily and with or without cause, without the prior written consent of CSGS the Executive agrees

(i) not to directly or indirectly employ, solicit for employment, assist any other person in employing or soliciting for employment, or advise or recommend to any other person that such other person employ or solicit for employment any person who then is an employee of the Companies (or either of them) or any of the respective subsidiaries of the Companies and (ii) not to recommend to any then employee of the Companies (or either of them) or any of the respective subsidiaries of the Companies that such employee leave the employ of such employer.

19. Post-Termination Noncompetition. Because the Confidential Information known to or developed by the Executive during his employment by the Companies encompasses at the highest level information concerning the plans, strategies, products, operations, and existing and prospective customers of the Companies and could not practically be disregarded by the Executive, the Executive acknowledges that his provision of executive services to a competitor of the Companies or either of them soon after the termination of the Executive's employment by the Companies would inevitably result in the use of the Confidential Information by the Executive in his performance of such executive services, even if the Executive were to use his best efforts to avoid such use of the Confidential Information. To prevent such use of the Confidential Information and the resulting unfair competition and wrongful appropriation of the goodwill and other valuable proprietary interests of the Companies, the Executive agrees that for a period of one (1) year after the termination of his employment by the Companies for any reason, whether voluntarily or involuntarily and with or without cause, the Executive will not, directly or indirectly:

(a) engage, whether as an employee, agent, consultant, independent contractor, owner, partner, member, or otherwise, in a business activity which then competes in a material way with a business activity then being actively engaged in by the Companies or either of them;

(b) solicit or recommend to any other person that such person solicit any then customer of the Companies or either of them, which customer also was a customer of the Companies or either of them at any time during the one (1) year period prior to the termination of the Executive's employment by the Companies, for the purpose of obtaining the business of such customer in competition with the Companies or either of them; or

(c) induce or attempt to induce any then customer or prospective customer of the Companies or either of them to terminate or not commence a business relationship with the Companies or either of them.

The Companies and the Executive acknowledge and agree that the restrictions contained in this Paragraph 19 are both reasonable and necessary in view of the Executive's positions with the Companies and that the Executive's compensation and benefits under this agreement are sufficient consideration for the Executive's acceptance of such restrictions. Nevertheless, if any of the restrictions contained in this Paragraph 19 are found by a court having jurisdiction to be unreasonable, or excessively broad as to geographic area or time, or otherwise unenforceable, then the parties intend that the restrictions contained in this Paragraph 19 be modified by such court so as to be reasonable and enforceable and, as so modified by the court, be fully enforced. Nothing contained in this paragraph shall be construed to preclude the investment by the Executive of any of his assets in any publicly owned entity so long as the Executive has no direct or indirect involvement in the business of such entity and owns less than 2% of the voting equity securities of such entity. Nothing contained in this paragraph shall be construed to preclude the Executive from becoming employed by or serving as a consultant to or having dealings with a publicly owned entity one of whose businesses is a competitor of the Companies or either of them so long as such employment, consultation, or dealings do not directly or indirectly involve or relate to the business of such entity which is a competitor of the Companies or either of them.

20. Joint and Several Obligations. All of the obligations of the Companies under this agreement are joint and several; and neither the bankruptcy, insolvency, dissolution, merger, consolidation, or reorganization nor the cessation of business or corporate existence of one of the Companies shall affect, impair, or diminish the obligations under this agreement of the other of the Companies. The compensation and benefits to which the Executive is entitled under this agreement are aggregate compensation and benefits, and the payment of such compensation or the provision of such benefits by one of the Companies shall to the extent of such payment or provision satisfy the obligations of the other of the Companies. The Companies may agree between themselves as to which of them will be responsible for some or all of the Executive's compensation and benefits under this agreement, but any such agreement between the Companies shall not diminish to any extent the joint and several liability of the Companies to the Executive for all of such compensation and benefits.

21. Injunctive Relief. The Executive acknowledges that his violation of the provisions and restrictions contained in Paragraphs 11, 18, and 19 could cause significant injury to the Companies for which the Companies would have no adequate remedy at law. Accordingly, the Executive agrees that the Companies will be entitled, in addition to any other

rights and remedies that then may be available to the Companies, to seek and obtain injunctive relief to prevent any breach or potential breach of any of the provisions and restrictions contained in Paragraph 11, 18, or 19.

22. Dispute Resolution. Subject to the provisions of Paragraph 21, any claim by the Executive or the Companies arising from or in connection with this agreement, whether based on contract, tort, common law, equity, statute, regulation, order, or otherwise (a "Dispute"), shall be resolved as follows:

(a) Such Dispute shall be submitted to mandatory and binding arbitration at the election of either the Executive or the particular Company involved (the "Disputing Party"). Except as otherwise provided in this Paragraph 22, the arbitration shall be pursuant to the Commercial Arbitration Rules of the American Arbitration Association (the "AAA").

(b) To initiate the arbitration, the Disputing Party shall notify the other party in writing within 30 days after the occurrence of the event or events which give rise to the Dispute (the "Arbitration Demand"), which notice shall (i) describe in reasonable detail the nature of the Dispute, (ii) state the amount of any claim, (iii) specify the requested relief, and (iv) name an arbitrator who (A) has been licensed to practice law in the U.S. for at least ten years, (B) has no past or present relationship with either the Executive or the Companies, and (C) is experienced in representing clients in connection with employment related disputes (the "Basic Qualifications"). Within fifteen (15) days after the other party's receipt of the Arbitration Demand, such other party shall serve on the Disputing Party a written statement (i) answering the claims set forth in the Arbitration Demand and including any affirmative defenses of such party, (ii) asserting any counterclaim, which statement shall (A) describe in reasonable detail the nature of the Dispute relating to the counterclaim, (B) state the amount of the counterclaim, and (C) specify the requested relief, and (iii) naming a second arbitrator satisfying the Basic Qualifications. Promptly, but in any event within five (5) days thereafter, the two arbitrators so named shall select a third neutral arbitrator from a list provided by the AAA of potential arbitrators who satisfy the Basic Qualifications and who have no past or present relationship with the parties' counsel, except as otherwise disclosed in writing to and approved by the parties. The arbitration will be heard by a panel of the three arbitrators so chosen (the "Arbitration Panel"), with the third arbitrator so chosen serving as the chairperson of the Arbitration Panel. Decisions of a majority of the members of the Arbitration Panel shall be determinative.

(c) The arbitration hearing shall be held in Denver, Colorado. The Arbitration Panel is specifically authorized to render partial or full summary judgment as provided for in the Federal Rules of Civil Procedure. The Arbitration Panel will have no power or authority, under the Commercial Arbitration Rules of the AAA or otherwise, to relieve the parties from their agreement hereunder to arbitrate or otherwise to amend or disregard any provision of this agreement, including, without limitation, the provisions of this Paragraph 22.

(d) If an arbitrator refuses or is unable to proceed with arbitration proceedings as called for by this Paragraph 22, such arbitrator shall be replaced by the party who selected such arbitrator or, if such arbitrator was selected by the two party-appointed arbitrators, by such two party-appointed arbitrators' selecting a new third arbitrator in accordance with Paragraph 22(b), in either case within five (5) days after such declining or withdrawing arbitrator's giving notice of refusal or inability to proceed. Each such replacement arbitrator shall satisfy the Basic Qualifications. If an arbitrator is replaced pursuant to this Paragraph 22(d) after the arbitration hearing has commenced, then a rehearing shall take place in accordance with the provisions of this Paragraph 22(d) and the Commercial Arbitration Rules of the AAA.

(e) Within ten (10) days after the closing of the arbitration hearing, the Arbitration Panel shall prepare and distribute to the parties a writing setting forth the Arbitration Panel's finding of facts and conclusions of law relating to the Dispute, including the reason for the giving or denial of any award. The findings and conclusions and the award, if any, shall be deemed to be

confidential information.

(f) The Arbitration Panel is instructed to schedule promptly all discovery and other procedural steps and otherwise to assume case management initiative and control to effect an efficient and expeditious resolution of the Dispute. The Arbitration Panel is authorized to issue monetary sanctions against either party if, upon a showing of good cause, such party is unreasonably delaying the proceeding.

(g) Any award rendered by the Arbitration Panel will be final, conclusive, and binding upon the parties, and any judgment on such award may be entered and enforced in any court of competent jurisdiction.

(h) Each party will bear a pro rata share of all fees, costs, and expenses of the arbitrators; and, notwithstanding any law to the contrary, each party will bear all of the fees, costs, and expenses of his or its own attorneys, experts, and witnesses. However, in connection with any judicial proceeding to compel arbitration pursuant to this agreement or to enforce any award rendered by the Arbitration Panel, the prevailing party in such a proceeding will be entitled to recover reasonable attorneys' fees and expenses incurred in connection with such proceedings, in addition to any other relief to which such party may be entitled.

(i) Nothing contained in the preceding provisions of this Paragraph 22 shall be construed to prevent either party from seeking from a court a temporary restraining order or other injunctive relief pending final resolution of a Dispute pursuant to this Paragraph 22.

23. No Duty to Seek Employment. The Executive shall not be under any duty or obligation to seek or accept other employment following the termination of his employment by the Companies; and, except as expressly provided in subparagraphs (b)(iv), (d)(i), and (d)(v) of Paragraph 10, no amount, payment, or benefit due the Executive under this agreement shall be reduced, suspended, or discontinued if the Executive accepts such other employment.

24. Withholding of Taxes. The Companies may withhold from any amounts payable to the Executive under this agreement all federal, state, and local taxes which are required to be so withheld by any applicable law or governmental regulation or ruling.

25. Validity. The invalidity or unenforceability of any provision or provisions of this agreement shall not affect the validity or enforceability of any other provision of this agreement, which other provision shall remain in full force and effect; nor shall the invalidity or unenforceability of a portion of any provision of this agreement affect the validity or enforceability of the balance of such provision.

26. Counterparts. This document may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which together shall constitute a single agreement.

27. Headings. The headings of the paragraphs contained in this document are for reference purposes only and shall not in any way affect the meaning or interpretation of any provision of this agreement.

28. Applicable Law. This agreement shall be governed by and construed in accordance with the internal substantive laws, and not the choice of law rules, of the State of Colorado.

IN WITNESS WHEREOF, the Companies and the Executive have executed this agreement on the day and year first above written.

CSG SYSTEMS INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ Neal C. Hansen

*Neal C. Hansen, Chairman of the
Board and Chief Executive Officer*

CSG SYSTEMS, INC., a Delaware corporation

By: /s/ Neal C. Hansen

*Neal C. Hansen, Chairman of the
Board and Chief Executive Officer*

/s/ G. A. Parker

Greg Parker

**CONFIDENTIAL AND PROPRIETARY INFORMATION - FOR USE BY AUTHORIZED EMPLOYEES OF
THE PARTIES HERETO ONLY AND IS NOT FOR GENERAL DISTRIBUTION WITHIN OR OUTSIDE
THEIR RESPECTIVE COMPANIES**

CSG SYSTEMS INTERNATIONAL, INC.
SUBSIDIARIES OF THE REGISTRANT
AS OF DECEMBER 31, 1998

SUBSIDIARY

CSG Systems, Inc.

CSG International Limited (formerly Bytel Limited)

STATE OR COUNTRY
OF INCORPORATION

Delaware

United Kingdom

EXHIBIT 23.01

CONSENT OF INDEPENDENT PUBLIC ACCOUNTS

As independent public accounts, we hereby consent to the incorporation of our reports included in this Annual Report on Form 10-K into the Company's previously filed Registration Statement File No.'s 333-10315, 333-32951 and 333-04286.

ARTHUR ANDERSEN LLP

Omaha, Nebraska
March 26, 1999

ARTICLE 5

This schedule contains summary financial information extracted from Annual Report on Form 10-K and is qualified in its entirety by reference to such financial statements.

MULTIPLIER: 1,000

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	DEC 31 1998
CASH	39,593
SECURITIES	0
RECEIVABLES	66,587
ALLOWANCES	2,051
INVENTORY	0
CURRENT ASSETS	108,207
PP&E	48,476
DEPRECIATION	23,765
TOTAL ASSETS	271,496
CURRENT LIABILITIES	101,157
BONDS	109,125
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	515
OTHER SE	60,483
TOTAL LIABILITY AND EQUITY	271,496
SALES	0
TOTAL REVENUES	236,640
CGS	0
TOTAL COSTS	107,246
OTHER EXPENSES	27,485
LOSS PROVISION	0
INTEREST EXPENSE	9,771
INCOME PRETAX	45,995
INCOME TAX	39,643
INCOME CONTINUING	85,638
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	85,638
EPS PRIMARY	1.67 ¹
EPS DILUTED	1.62 ¹

¹ Adjusted to give effect to a two for one stock split, effected as a stock dividend, completed on March 5, 1999 for shareholders of record on February 8, 1999.

**SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS UNDER THE PRIVATE SECURITIES
LITIGATION REFORM ACT OF 1995**

**CERTAIN CAUTIONARY STATEMENTS AND
RISK FACTORS**

CSG Systems International, Inc. and its subsidiaries (collectively, the Company) or their representatives from time to time may make or may have made certain forward-looking statements, whether orally or in writing, including without limitation, any such statements made or to be made in the Management's Discussion and Analysis of Financial Condition and Results of Operations contained in its various SEC filings or orally in conferences or teleconferences. The Company wishes to ensure that such statements are accompanied by meaningful cautionary statements, so as to ensure to the fullest extent possible the protections of the safe harbor established in the Private Securities Litigation Reform Act of 1995.

ACCORDINGLY, THE FORWARD-LOOKING STATEMENTS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO AND ARE ACCOMPANIED BY THE FOLLOWING MEANINGFUL CAUTIONARY STATEMENTS IDENTIFYING CERTAIN IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE IN SUCH FORWARD-LOOKING STATEMENTS.

This list of factors is likely not exhaustive. The Company operates in a rapidly changing and evolving business involving the converging communications markets, and new risk factors will likely emerge. Management cannot predict all of the important risk factors, nor can it assess the impact, if any, of such risk factors on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those in any forward-looking statements.

ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT FORWARD-LOOKING STATEMENTS WILL BE ACCURATE INDICATORS OF FUTURE ACTUAL RESULTS, AND IT IS LIKELY THAT ACTUAL RESULTS WILL DIFFER FROM RESULTS PROJECTED IN FORWARD-LOOKING STATEMENTS AND THAT SUCH DIFFERENCES MAY BE MATERIAL.

NET LOSSES

For 1998, the Company recorded net income of \$85.6 million. For the years since inception (October 17, 1994) through December 31, 1997, the Company recorded annual net losses. These net losses have resulted from several factors, including: (i) amortization of intangible assets (acquired software, client contracts and related intangibles, and noncompete agreements and goodwill); (ii) charge for purchased research and development; (iii) charge for impairment of software development costs; (iv) charge for impairment of intangible assets; (v) interest expense; (vi) stock-based employee compensation expense; (vii) extraordinary losses from early extinguishment of debt; and (viii) discontinued operations. There can be no assurance that the Company will sustain profitability in the future.

RELIANCE ON CCS

The Company derived approximately 78% and 77% of its total revenues from its primary product, Communications Control System ("CCS"), and related products and services in the years ended December 31, 1998 and 1997, respectively. CCS and related products and services are expected to provide the substantial majority of the Company's total revenues in the foreseeable future. The Company's results will depend upon continued market acceptance of CCS and related products and services, as well as the Company's ability to continue to adapt and modify them to meet the changing needs of its clients. Any reduction in demand for CCS would have a material adverse effect on the financial condition and results of operations of the Company.

DEPENDENCE ON MAJOR CLIENTS

During the years ended December 31, 1998 and 1997, revenues from TCI represented approximately 37.4% and 32.9% of total revenues, respectively, and revenues from Time Warner represented approximately 14.1% and 20.1% of total revenues, respectively. The loss of all or a significant part of the business of either TCI or Time Warner would have a material adverse effect on the financial condition and results of operations of the Company.

REQUIREMENTS OF THE TCI CONTRACT

The TCI Contract requires the conversion of additional TCI customers onto the Company's customer care and billing system. The TCI Contract provides certain performance criteria and other obligations to be met by the Company. The Company is subject to various remedies and penalties if it fails to meet the performance criteria or other obligations. The Company is also subject to an annual technical audit to determine whether the Company's products and services include innovations in features and functions that have become standard in the wireline video industry. If an audit determines the Company is not providing such an innovation and it fails to do so in the manner and time period dictated by the contract, then TCI would be released from its exclusivity obligation to the extent necessary to obtain the innovation from a third party. To fulfill the TCI Contract and to remain competitive, the Company believes it will be required to develop new and advanced features to existing products and services, as well as new products and services, all of which will require substantial research and development. TCI also would have the right to terminate the TCI Contract in the event of certain defaults by the Company. The termination of the TCI Contract or of any of TCI's commitments under the contract would have a material adverse effect on the financial condition and results of operations of the Company.

TCI AND AT&T MERGER

The TCI Contract has minimum financial commitments over the 15-year life of the contract and includes exclusive rights to provide customer care and billing products and services for TCI's offerings of wireline video, all Internet/high speed data services, residential wireline telephony services, and print and mail services. As discussed above, the TCI Contract provides certain performance criteria and other obligations to be met by the Company. To date, the Company believes it has complied with the terms of the contract, and has converted onto its processing system approximately 8 million of the over 9 million TCI customers originally scheduled to be converted under the TCI Contract. The remaining customers are scheduled to be converted to the Company's processing system by the second quarter of 1999.

AT&T completed its merger with TCI in March 1999. At this time, it is too early to determine the near- and long-term impact, if any, the merger will have on the Company's relationship with the combined entity. However, the Company expects to continue performing successfully under the TCI Contract, and is hopeful that it can continue to sell products and services to the combined entity that are in excess of the minimum financial commitments included in the contract.

RENEWAL OF TIME WARNER CONTRACTS

The Company provides services to Time Warner under multiple, separate contracts with various Time Warner affiliates. These contracts are scheduled to expire on various dates. The failure of Time Warner to renew contracts representing a significant part of its business with the Company would have a material adverse effect on the financial condition and results of operations of the Company.

CONVERSION TO THE COMPANY'S SYSTEMS

The Company's ability to convert new client sites to its customer care and billing systems on a timely and accurate basis is necessary to meet the Company's contractual commitments and to achieve its business objectives. Converting multiple sites under the schedules required by contracts or business requirements is a difficult and complex process. One of the difficulties in the conversion process is that competition for the

necessary qualified personnel is intense and the Company may not be successful in attracting and retaining the personnel necessary to complete conversions on a timely and accurate basis. The inability of the Company to perform the conversion process timely and accurately would have a material adverse effect on the results of operations of the Company.

DEPENDENCE ON CABLE TELEVISION AND DBS INDUSTRIES

The Company's business is concentrated in the cable television and Direct Broadcast Satellite ("DBS") industries, making the Company susceptible to a downturn in those industries. During the years ended December 31, 1998 and 1997, the Company derived 78% and 73%, and 13% and 11% of its total revenues from companies in the U.S. cable television and U.S. DBS industries, respectively. A decrease in the number of customers served by the Company's clients, loss of business due to non-renewal of client contracts, industry consolidation, and/or changing consumer demand for services would adversely effect the results of operations of the Company.

There can be no assurance that new entrants into the cable television market will become clients of the Company. Also, there can be no assurance that cable television providers will be successful in expanding into other segments of the converging communications markets. Even if major forays into new markets are successful, the Company may be unable to meet the special billing and customer care needs of that market. The cable television industry is undergoing significant ownership changes at an accelerated pace. In addition, cable television providers are consolidating, decreasing the potential number of buyers for the Company's products and services. Consolidation in the industry may put at risk the Company's ability to leverage its existing relationships. Should this consolidation result in a concentration of cable television customer accounts being owned by companies with whom the Company does not have a relationship, or with whom competitors are entrenched, it could negatively effect the Company's ability to maintain or expand its market share, thereby adversely effecting the results of operations.

NEW PRODUCTS AND RAPID TECHNOLOGICAL CHANGE

The market for customer care and billing systems is characterized by rapid changes in technology and is highly competitive with respect to the need for timely product innovations and new product introductions. The Company believes that its future success in sustaining and growing the annual revenue per customer account depends upon continued market acceptance of its current products, including CCS and related products and services, and its ability to enhance its current products and develop new products that address the increasingly complex and evolving needs of its clients. Substantial research and development will be required to maintain the competitiveness of the Company's products and services in the market. Development projects can be lengthy and costly, and are subject to changing requirements, programming difficulties, a shortage of qualified personnel, and unforeseen factors which can result in delays. There can be no assurance of continued market acceptance of the Company's current products or that the Company will be successful in the timely development of product enhancements or new products that respond to technological advances or changing client needs. Also, the introduction and consumer acceptance of billing statements that are presented and paid electronically over the Internet may happen more rapidly than the Company anticipates. If electronic bill presentation and payment proliferates and the Company is unable to respond with a solution quickly, such failure could have a material adverse effect on the Company's results of operations.

CONVERGING COMMUNICATIONS MARKETS

The Company's growth strategy is based in large part on the continuing convergence and growth of the cable television, DBS, telecommunications, and on-line services markets. If these markets fail to converge, grow more slowly than anticipated, or if providers in the converging markets do not accept the Company's solution for presenting multiple communications services on a single bill, there could be a material adverse effect on the Company's growth.

COMPETITION

The market for the Company's products and services is highly competitive. The Company directly competes with both independent providers of products and services and in-house systems developed by existing and

potential clients. Many of the Company's current and potential competitors have significantly greater financial, marketing, technical, and other competitive resources than the Company, and many already have significant international operations. There can be no assurance that the Company will be able to compete successfully with its existing competitors or with new competitors.

ATTRACTION AND RETENTION OF PERSONNEL

The Company's future success depends in large part on the continued service of its key management, sales, product development, and operational personnel. The Company is particularly dependent on its executive officers. The Company believes that its future success also depends on its ability to attract and retain highly skilled technical, managerial, and marketing personnel, including, in particular, additional personnel in the areas of research and development and technical support. Competition for qualified personnel is intense, particularly in the areas of research and development and technical support. The Company may not be successful in attracting and retaining the personnel it requires, which would adversely effect the Company's ability to meet its commitments and new product delivery objectives.

VARIABILITY OF QUARTERLY RESULTS

The Company's quarterly revenues and results, particularly relating to software and professional services, may fluctuate depending on various factors, including the timing of executed contracts and the delivery of contracted services or products, the cancellation of the Company's services and products by existing or new clients, the hiring of additional staff, new product development and other expenses, and changes in sales commission policies. No assurance can be given that results will not vary due to these factors. Fluctuations in quarterly results may result in volatility in the market price of the Company's Common Stock.

DEPENDENCE ON PROPRIETARY TECHNOLOGY

The Company relies on a combination of trade secret and copyright laws, nondisclosure agreements, and other contractual and technical measures to protect its proprietary rights in its products. The Company also holds a limited number of patents on some of its newer products, and does not rely upon patents as a primary means of protecting its rights in its intellectual property. There can be no assurance that these provisions will be adequate to protect its proprietary rights. 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 or the Company's clients.

INTERNATIONAL OPERATIONS

The Company's business strategy includes a commitment to the marketing of its products and services internationally, and the Company has acquired and established operations outside of the U.S. The Company is subject to certain inherent risks associated with operating internationally. Risks include product development to meet local requirements such as the conversion to EURO currency, difficulties in staffing and management, reliance on independent distributors or strategic alliance partners, fluctuations in foreign currency exchange rates, compliance with foreign regulatory requirements, variability of foreign economic conditions, changing restrictions imposed by U.S. export laws, and competition from U.S.-based companies which have firmly established significant international operations. There can be no assurance that the Company will be able to manage successfully the risks related to selling its products and services in international markets.

INTEGRATION OF ACQUISITIONS

As part of its growth strategy, the Company seeks to acquire assets, technology, and businesses which would provide the technology and technical personnel to expedite the Company's product development efforts, provide complementary products or services or provide access to new markets and clients. Acquisitions involve a number of risks and difficulties, including expansion into new geographic markets and business areas, the requirement to

understand local business practices, the diversion of management's attention to the assimilation of acquired operations and personnel, potential adverse short-term effects on the Company's operating results, and the amortization of acquired intangible assets.

YEAR 2000

The Company's business is dependent upon various computer software programs and operating systems that utilize dates and process data beyond the year 2000. If the actions taken by the Company to mitigate its risks associated with the year 2000 are inadequate, there could be a material adverse effect on the financial condition and results of operations of the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussion of the Company's efforts to address the year 2000 risks.

RELATIONSHIP WITH FIRST DATA CORPORATION

The Company has entered into a data processing services agreement with FDC. The Company is dependent upon FDC to perform these services for the operation of CCS. The inability of FDC to perform these services satisfactorily could have a material adverse effect on the financial condition and results of operations of the Company. The existing agreement is scheduled to expire in December 2001.

End of Filing

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