

CSG SYSTEMS INTERNATIONAL INC

FORM 10-K405

(Annual Report (Regulation S-K, item 405))

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Telephone 3037962850
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Symbol CSGS
SIC Code 7374 - Computer Processing and Data Preparation and Processing Services
Industry Computer Services
Sector Technology
Fiscal Year 12/31

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, 1997

OR

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

For the transition period from _____ to _____

Commission file number 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 February 28, 1998 was \$757,002,330.

Shares of Common Stock outstanding at February 28, 1998: 25,543,284.

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, 1998, ARE INCORPORATED BY REFERENCE INTO PART III OF THE FORM 10-K.

CSG SYSTEMS INTERNATIONAL, INC.
1997 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 "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 is a leading provider of customer care and billing solutions for cable television and direct broadcast satellite ("DBS") 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. The Company generated revenue of \$171.8 million in 1997 compared to \$132.3 million in 1996, an increase of 29.9%, and revenue grew at a compound annual growth rate of 27.0% over the three year period ended December 31, 1997.

The Company has established a leading presence by developing strategic relationships with major participants in the cable television and DBS industries, and derived approximately three-quarters of its revenues in 1997 from the U.S. cable television industry. The Company's U.S. clients include six of the ten largest cable television service providers, four Regional Bell Operating Companies ("RBOCs") for video services, two DBS service providers, and an on-line services company. During 1997, the Company derived approximately 77% of its total revenues from processing and related services. At December 31, 1997, the Company was servicing client sites having an aggregate of 21.1 million customers in the U.S., compared to 19.2 million customers serviced as of December 31, 1996. The Company has contracts to convert a significant number of additional customers to its customer care and billing systems. From January 1, 1998 through February 28, 1998, the Company converted and processed approximately 1.6 million additional customers on its systems.

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.

The Company entered into a 15-year contract (the "TCI Contract") with a Tele- Communications, Inc. ("TCI") affiliate during the third quarter of 1997. Subject to performance of the Company's obligations, the contract provides for:

(i) the Company to be TCI's exclusive provider of customer care and billing solutions for analog and digital cable television, on-line services, wireline residential telephony, and print and mail services; and (ii) minimum financial commitments by TCI based on a minimum of 13.0 million TCI cable television customers, of which approximately 4 million were on the Company's system prior to the execution of the TCI Contract.

The Company expanded its operations internationally through the acquisition of Bytel Limited ("Bytel") in June 1996. Bytel, established in 1992, is the leading provider of customer care and billing solutions in the United Kingdom to providers of combined cable television and telephony (business and residential) services. Bytel serves a total of approximately 1 million customers, approximately 75% of whom receive multiple services. During 1997, the Company derived 9.6% of its total revenues from international sources.

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 16.4 million as of December 31, 1994 to 21.1 million as of December 31, 1997, with approximately 11 million additional customers under contract to be converted. 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. Through the introduction of new client/server software applications, including Advanced Customer Service Representative(TM) ("ACSR"(TM)), Enhanced Statement Presentation(TM) ("ESP"(TM)) and CSG VantagePoint(TM), the Company has increased its annual revenue per customer from \$5.30 in 1994 to \$7.73 in 1997. 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 utilities, that with 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 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, Bytel is the leading provider of customer care and billing solutions to providers of combined cable television and telephony (business and residential) services. The Company expects to complete major project enhancements to Bytel's customer care and billing system in 1998, including UNIX/Oracle platform conversion and internationalization to accommodate various currencies, postal codes, and tax requirements. The Company intends to market the product in European and other international markets.

CSG SERVICES AND PRODUCTS

The Company serves the converging communications markets through processing and related services (offered in a service bureau environment) and software products and professional services.

Processing and Related Services

The Company's primary processing and related services products are as follows:

Communications Control System and Related Products. Communications Control System(TM) ("CCS" (TM)) is a customer care and billing system used primarily by clients in the cable television and DBS industries. The primary purpose of CCS is to provide the Company's clients with a complete set of customer management and information services, including enrollment of new customers, event ordering, scheduling of on-site installations and repairs, customer service support, and billing. Designed for high volume transaction processing, CCS is offered as a service bureau application, with clients accessing it through a telecommunications network via terminals or personal computers at the clients' location. The Company maintains all records and files for its clients and performs statement processing and invoice mailing in conjunction with the other services. The Company provides a wide variety of ancillary services to its clients, such as service activation, pay-per-view, and archival of data. The CCS system offers flexible reporting capabilities and interfaces with all major vendors so clients can utilize pay-per-view, automated number identification and audio response units. For the years ended December 31, 1995, 1996, and 1997, the Company generated 84.7%, 77.3%, and 76.7%, respectively, of its total revenues from CCS and related services and software products.

Financial Services. The Company offers a comprehensive set of processing-related financial services (e.g., credit card processing, electronic funds transfer, automated refund check processing, and electronic lockbox service) designed to improve operational efficiencies by saving employee time and improving a client's cash flow.

Statement Printing and Mailing. The Company provides statement printing and mailing services for all of its CCS clients. The Company also provides specialized printing and mailing for clients not on the Company's customer care and billing systems. The Company's statement processing center handles multiple billing cycles for all clients and, during the year ended December 31, 1997 printed and mailed in excess of 21 million pieces per month on average. The Company offers its clients a number of marketing services based on information contained in the client's CCS customer database, including insert design and printing, direct mailing, and data downloads used to support market research.

Enhanced Statement Presentation. ESP enables clients to customize all aspects of their billing statements, create a unique identity, and build a stronger relationship with the customer. ESP enables clients to send specialized messages or coupons on monthly bills, depending on buying patterns, payment histories, and other customer specific information.

Software Products and Professional Services

The Company's currently available software products include the following:

Advanced Customer Service Representative and related modules. ACSR is a client/server, front end to the CCS product that employs a graphical user interface. ACSR features include a customizable reference library, e-mail, a news bulletin board, and pull-down items and an icon toolbar that makes navigation easy. ACSR runs on a local area network at the client's service center, which is connected to the CCS mainframe. Customer Interaction Tracking (TM) ("CIT"(TM)) is an add-on module to ACSR which allows customer service representatives, using a relational database management system, to track and recall automatically all interaction and activity with customers. ACSR provides clients with an integrated solution for billing and servicing telephony and on-line services customers independently or in conjunction with other business lines.

CSG Vantage. CSG Vantage(TM) is a software product used in conjunction with CCS. Data is maintained by the Company in a specially designed database which is updated daily from CCS. Clients are provided with an ad hoc query and reporting tool that runs on local personal computers to access detailed information stored in the database allowing clients to analyze operations, identify trends, and target markets.

CSG VantagePoint. CSG VantagePoint is the Company's data marketing and management warehouse product which can be licensed for use at the client's own facility. The database structure facilitates the analysis and identifications of the demographic, psychographic and transactional parameters of the client data. The

product offers a modular approach, enabling a provider to select the applications most appropriate for its individual situation.

CSG.web. CSG.web(TM) provides clients with a secure World Wide Web ("WWW") interactive interface for their customers. CSG.web enables customers to upgrade their services, order pay-per-view events, view information regarding available services, and view and pay their statements on-line via the WWW. CSG.web is incorporated into the client's web site, running on its web server, which is connected to the CCS mainframe.

SMS. Bytel's SMS product provides a full range of business support software solutions for the cable television and telecommunications industries, primarily in the United Kingdom. The product's functionality includes customer care, tariffing, provisioning and activation, cable service activation, collections, equipment inventory, call record processing, rating, dispatch, trouble tickets, call record mediation, billing, fault management, sales and marketing, and management reporting. Bytel expects to complete major project enhancements to its SMS system in 1998, including year 2000 compliance, UNIX/Oracle platform conversion, internationalization to accommodate various currencies, postal codes, and tax requirements.

Professional Services. The Company offers professional services to address the needs of clients through specialized services such as technical consulting, custom application development, business process definition, project management, decision support systems, training, and software and systems integration. The Company supports clients in implementing the Company's solutions and enables clients to take advantage of the full range of functionality offered by the Company's products and services.

SOFTWARE MAINTENANCE AND SUPPORT

The Company provides maintenance services on all of its software products. Maintenance fees are typically based upon a percentage of the software license fee paid by the customer. Virtually all new software customers purchase maintenance services. Maintenance services are typically sold for multi-year periods in conjunction with the software license. Maintenance services typically consist of enhancements and updates to the software products, as well as telephone support concerning the operation of the programs.

SOFTWARE PRODUCTS IN DEVELOPMENT

The following software products are in development and not currently available:

Acquisition of SUMMITrak Assets. In September 1997, and contemporaneously with the effectiveness of the TCI Contract, the Company acquired certain SUMMITrak (TM) assets, a client/server, open systems, in-house customer care and billing system in development. The assets purchased consisted primarily of software, hardware, assembled workforce and intellectual property. The total purchase price was approximately \$159 million, with approximately \$105 million allocated to purchased research and development ("R&D") and the remaining amount allocated to long-lived assets. Purchased R&D represents R&D of software technologies which had not reached technological feasibility as of the acquisition date, and had no other alternative future use. Purchased R&D was charged to operations in the fourth quarter of 1997.

The Company intends to continue the development of certain software technologies acquired from TCI and integrate such technologies into its current products. The Company is currently developing several additional products using the SUMMITrak next-generation, open system technologies to increase the functionality of CCS. These products use a modern architecture with relational databases, UNIX servers, object-oriented logic, and graphical user interfaces, and are expected to be sold as optional add-on software components to CCS, and include CSG Dispatch(TM), CSG TechNet(TM), Interactive Voice Response Services ("IVR"(TM)), and Closed Loop Inventory. CSG Dispatch provides automated work order routing and technician assignment and provides the dispatcher with a geographic information system (GIS)-based method for monitoring and reassigning work orders throughout the day. CSG

TechNet is an optional add-on component to CSG Dispatch that provides two-way data communications to the technician in the field, allowing the technician to close work orders, send and receive messages, and perform other functions. IVR Services allows customers to make pay-per-view orders and perform other transactions over the telephone by interacting with an IVR. Closed Loop Inventory provides a method for tracking client equipment in the field, primarily the set top boxes that are used in the field for communication services. The Company expects to complete these products by the end of 1998 and early 1999.

Usage Handling System. The Usage Handling System ("UHS"(TM)) is a highly scalable, highly configurable rating component that allows usage events such as telephone calls and data connection events to be rated and billed via CCS.

CSG Phoenix. The Company is developing CSG Phoenix(TM), a customer care and billing system which uses a three-tier client/server architecture, composed of the graphical user interface, the business logic, and the database. CSG Phoenix uses an open systems approach including a UNIX operating system, C and C++ programming languages, APIs, and object-oriented design, analysis, and implementation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Non-Recurring Charges."

CLIENTS

The Company's business is concentrated in the U.S. within the cable television, DBS and on-line services industries. Based on 1997 revenues, all of the Company's largest clients are cable television providers except Echostar (DBS) and Prodigy Services Company (on-line services), and all of such clients are in the U.S. except Telewest and Bell Cable Media. The Company's largest clients based on 1997 revenues are listed below in alphabetical order:

Bell Cable Media	Prodigy Services Company
Century Communications Corporation	TCI and TCI Satellite Entertainment,
Comcast Corporation	Inc.
Echostar	Telewest
Falcon Cable TV	Time Warner
	US West Media Group

During the years ended December 31, 1995, 1996, and 1997, revenues from TCI represented approximately 25.2%, 25.9% and 32.9% of total revenues, and revenues from Time Warner Cable and its affiliated companies ("Time Warner") represented approximately 27.9%, 22.9% and 20.1% 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.

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 representative who can answer their question. 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 facility located in 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 \$14.3 million, \$20.2 million, and \$22.6 million for the years ended December 31, 1995, 1996, and 1997, or 14.8%, 15.3%, and 13.2% 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 USCS International, Inc. ("USCS"), Cincinnati Bell Information Systems ("CBIS"), 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, 1997, the Company had a total of 1,141 employees, an increase of 249 from December 31, 1996. 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 five facilities, totaling approximately 123,000 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 1998 through 2004.

The Company leases four facilities, totaling approximately 191,000 square feet in Omaha, Nebraska, including a lease entered into subsequent to December 31, 1997. 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 1998 through 2007.

The Company leases office space totaling 12,800 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

In October 1996, a former senior vice president of CSG Systems filed a lawsuit against the Company and certain of its officers in the District Court of Arapahoe County, Colorado. The suit claims that certain amendments to stock agreements between the plaintiff and the Company are unenforceable, and that the plaintiff's rights were otherwise violated in connection with those amendments. The plaintiff is seeking damages of approximately \$1.8 million, and in addition, seeks to have such damages trebled under certain Colorado statutes that the plaintiff claims are applicable. The Company denies the allegations and intends to vigorously defend the lawsuit at all stages. The trial is currently scheduled to commence in July 1998.

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 counsel, the Company is not presently a party to any material pending or threatened legal proceedings except as further described above.

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

A special meeting of the stockholders of the Company was held on December 16, 1997. At that meeting, the stockholders were asked to approve an amendment to the Company's Stock Incentive Plan (the "1996 Plan"), as adopted by the Board on September 3, 1997, which would increase the number of shares of Common Stock available under the 1996 Plan from 2,400,000 shares to 4,000,000 shares. 17,950,626 votes were cast for the amendment, 3,291,713 were cast against it, and there were 74,486 abstentions.

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 Larry G. Fendley (Executive Vice President, Product Delivery Services). Information concerning such executive officers appears in the following paragraphs:

Mr. Hansen, 57, 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 1985 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, 44, 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, 39, assumed his current position on April 1, 1997, upon the retirement of David I. Brenner, the Company's former Executive Vice President and Chief Financial Officer. Mr. Parker joined the Company in July 1995 as 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 Business Administration from the University of Iowa in 1980. Mr. Pogge and Mr. Parker are brothers-in-law.

Mr. Fendley, 56, was named Executive Vice President of Product Delivery Services in December 1996. Mr. Fendley joined the Company in April 1996 as Executive Vice President of Systems Operations. From 1985 to 1996 Mr. Fendley held various domestic and international executive positions with Citibank. Mr. Fendley earned his Ph.D. and MSE degrees in Industrial Engineering at Arizona State University, and his Bachelor of Science in Industrial Engineering at Texas Technological University.

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.

1996	HIGH	LOW
----	----	---
First quarter.....	\$25-1/2	\$20-1/2
Second quarter.....	37-1/4	32-3/8
Third quarter.....	26-1/4	19-1/2
Fourth quarter.....	21-3/8	14-3/8
1997	HIGH	LOW
----	----	---
First quarter.....	\$20-1/4	\$15-
Second quarter.....	31-	14-3/4
Third quarter.....	40-1/4	22-
Fourth quarter.....	49-3/4	30-5/8

On March 16, 1998, the last sale price of the Company's Common Stock as reported by NASDAQ/NMS was \$39.75 per share. On January 31, 1998, the number of holders of record of Common Stock was 253.

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.

	PREDECESSOR (1)			COMPANY (1) (2)		
	YEAR ENDED	11 MONTHS ENDED	ONE MONTH ENDED	YEAR ENDED DECEMBER 31,		
	DECEMBER 31, 1993	NOVEMBER 30, 1994	DECEMBER 31, 1994	1995	1996	1997
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)						
STATEMENTS OF OPERATIONS DATA:						
Revenues:						
Processing and related services.....	\$75,578	\$76,081	\$ 7,757	\$ 96,343	\$113,422	\$ 131,399
Software license and maintenance fees.....	--	--	--	57	14,736	26,880
Professional services..	--	--	--	4	4,139	13,525
Total revenues.....	75,578	76,081	7,757	96,404	132,297	171,804
Expenses:						
Cost of revenues:						
Cost of processing and related services:						
Direct costs.....	34,503	34,977	3,647	46,670	52,027	58,259
Amortization of acquired software (1).....	2	--	917	11,000	11,003	10,596
Amortization of client contracts and related intangibles (1).....	1,518	1,594	341	4,092	4,092	4,293
Total cost of processing and related services....	36,023	36,571	4,905	61,762	67,122	73,148
Cost of software license and maintenance fees.....	--	--	--	--	5,040	9,787
Cost of professional services.....	--	--	--	--	2,083	7,047
Total cost of revenues.....	36,023	36,571	4,905	61,762	74,245	89,982
Gross margin.....	39,555	39,510	2,852	34,642	58,052	81,822
Operating expenses:						
Research and development:						
Research and development.....	5,591	7,680	1,044	14,278	20,206	22,586
Charge for purchased research and development (1) (5)...	--	--	40,953	--	--	105,484
Impairment of capitalized software development costs (6).....	--	--	--	--	--	11,737
Selling and marketing..	2,012	3,054	293	3,770	8,213	10,198
General and administrative:						
General and administrative.....	11,431	9,461	3,073	11,406	13,702	19,385
Amortization of goodwill and other intangibles (1).....	1,052	826	547	5,680	6,392	6,927
Impairment of intangible assets (7).....	--	--	--	--	--	4,707
Stock-based employee compensation (1).....	--	--	--	841	3,570	449
Depreciation.....	3,847	3,520	433	5,687	5,121	6,884

Total operating expenses.....	23,933	24,541	46,343	41,662	57,204	188,357
Operating income (loss).....	15,622	14,969	(43,491)	(7,020)	848	(106,535)
Other income (expense):						
Interest expense.....	(1,941)	(1,067)	(769)	(9,070)	(4,168)	(5,324)
Interest income.....	205	227	39	663	844	1,294
Other.....	--	--	--	--	--	349
Total other.....	(1,736)	(840)	(730)	(8,407)	(3,324)	(3,681)
Income (loss) before income taxes, extraordinary item and discontinued operations.....	13,886	14,129	(44,221)	(15,427)	(2,476)	(110,216)
Income tax (provision) benefit.....	(5,539)	(5,519)	3,757	--	--	--
Income (loss) before extraordinary item and discontinued operations.....	8,347	8,610	(40,464)	(15,427)	(2,476)	(110,216)
Extraordinary loss from early extinguishment of debt (3) (5).....	--	--	--	--	(1,260)	(577)
Income (loss) from continuing operations..	8,347	8,610	(40,464)	(15,427)	(3,736)	(110,793)
Discontinued operations (4):						
Loss from operations...	--	--	(239)	(3,093)	--	--
Gain (loss) from disposition.....	--	--	--	(660)	--	7,922
Total gain (loss) from discontinued operations.....	--	--	(239)	(3,753)	--	7,922
Net income (loss).....	\$ 8,347	\$ 8,610	\$ (40,703)	\$ (19,180)	\$ (3,736)	\$ (102,871)
Net loss per common share (basic and diluted) (8):						
Loss attributable to common stockholders.....			\$ (15.75)	\$ (5.51)	\$ (.14)	\$ (4.32)
Extraordinary loss from early extinguishment of debt.....			--	--	(.06)	(.02)
Gain (loss) from discontinued operations.....			(.09)	(1.09)	--	.31
Net loss attributable to common stockholders.....			\$ (15.84)	\$ (6.60)	\$ (.20)	\$ (4.03)
Weighted average common shares (basic and diluted) (8).....			2,587,500	3,450,415	21,872,860	25,497,033

(footnotes appear on the following page)

	PREDECESSOR (1)		COMPANY (1) (2)			
	11 MONTHS ENDED		ONE MONTH ENDED	YEAR ENDED DECEMBER 31,		
	DECEMBER 31, 1993	NOVEMBER 30, 1994	DECEMBER 31, 1994	1995	1996	1997
	(IN THOUSANDS)					
OTHER DATA (AT PERIOD END):						
Number of clients' customers processed...	15,410	16,347	16,435	17,975	19,212	21,146
BALANCE SHEET DATA (AT PERIOD END):						
Cash and cash equivalents.....	\$ 61	\$ 22	\$ 6,650	\$ 3,603	\$ 6,134	\$ 20,417
Working capital.....	7,570	8,356	4,681	2,359	4,430	3,518
Total assets (5).....	64,298	65,695	130,160	105,553	114,910	179,793
Long-term obligations (3) (5).....	16,375	10,438	95,000	85,068	32,500	135,000
Redeemable convertible preferred stock (3).....	--	--	59,363	62,985	--	--
Stockholders' equity (deficit) (1) (3) (5) (6).....	35,980	43,031	(40,429)	(61,988)	41,964	(33,086)

(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 FDC on November 30, 1994 (the "Acquisition"). The Company did not have any substantive operations prior to the Acquisition. The 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 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. 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 3,335,000 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 17,999,998 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. The Company accounted for its ownership in Anasazi as discontinued operations after its acquisition in 1994.

(5) In September 1997, the Company purchased certain SUMMITrak assets from TCI and entered into the TCI Contract. The total purchase price for the assets was approximately \$159 million, \$106.0 million of which was paid in cash at closing, with approximately \$105 million allocated to purchased research and development with the remaining amount allocated to long-lived assets. See Note 4 to the Consolidated Financial Statements for a description of the balance of the purchase price. The purchased research and development was charged to operations in the fourth quarter of 1997. 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.

(6) During the fourth quarter of 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 the fourth quarter of 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) Net 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

Acquisition of CSG Systems, Inc. The Company was formed in October 1994 and acquired all of the outstanding stock of CSG Systems, Inc. (formerly Cable Services Group, Inc.) from FDC in November 1994 (the "Acquisition"). CSG Systems, Inc. had been a subsidiary or division of FDC from 1982 until the Acquisition. The Company acquired CSG Systems, Inc. for approximately \$137 million in cash and accounted for the Acquisition using the purchase method of accounting. See Note 3 to the Consolidated Financial Statements for additional discussion.

Public Offering. The Company completed the IPO in March 1996. The Company sold 3,335,000 shares of Common Stock at a price of \$15 per share, 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 17,999,998 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.

Acquisition of Bytel Limited. On June 28, 1996, the Company acquired all of the outstanding shares of Bytel for \$3.1 million in cash and assumption of certain liabilities of \$1.6 million. The acquisition was accounted for 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 and is being amortized over seven years on a straight-line basis. The Consolidated Financial Statements include Bytel's results of operations since the acquisition date. Bytel, established in 1992, is the leading provider of customer care and billing solutions in the United Kingdom to providers of combined cable television and telephony (business and residential) services.

Acquisition of SUMMITrak Assets and TCI Contract. In September 1997, the Company purchased certain SUMMITrak assets from TCI and entered into the TCI Contract. The Company completed the accounting for these transactions in the fourth quarter of 1997. The total purchase price was approximately \$159 million, with approximately \$105 million allocated to purchased research and development ("R&D") and the remaining amount allocated to long-lived assets. Purchased R&D represents R&D of software technologies which had not reached technological feasibility as of the acquisition date, and had no other alternative future use. Purchased R&D was charged to operations in the fourth quarter of 1997. The Company financed the SUMMITrak asset acquisition with the Term Credit Facility, of which \$27.5 million was used to retire the Company's previously outstanding debt. See Notes 4 and 6 to the Consolidated Financial Statements for additional information regarding the SUMMITrak asset acquisition and the related financing.

The Company intends to continue the development of certain software technologies acquired from TCI and integrate such technologies into its current products. The Company is currently developing several additional products using the SUMMITrak next-generation, open system technologies to increase the functionality of CCS. These products use a modern architecture with relational databases, UNIX servers, object-oriented logic, and graphical user interfaces, and are expected to be sold as optional add-on software components to CCS, and include CSG Dispatch, CSG TechNet, IVR Services, and Closed Loop Inventory. CSG Dispatch provides automated work order routing and technician assignment and provides the dispatcher with a geographic information system (GIS)-based method for monitoring and reassigning work orders throughout the day. CSG TechNet is an optional add-on component to CSG Dispatch that provides two-way data communications to the technician in the field, allowing the technician to close work orders, send and receive messages, and perform other functions. IVR Services allows customers to make pay-per-view orders and perform other transactions over the telephone by interacting with an IVR. Closed Loop Inventory provides a method for tracking client equipment in the field, primarily the set top boxes that are used in the field for communication services. The Company expects to complete these products by the end of 1998 and early 1999.

OVERVIEW

The Company. 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.

Revenues. The Company's revenues are derived principally from processing and related services, which represented 99.9%, 85.8% and 76.5% of the Company's total revenues for the years ended December 31, 1995, 1996 and 1997, respectively. As a result of the expected conversions in 1998 of TCI's and other clients' customers onto the Company's customer care and billing system, the Company expects processing and related services as a percentage of total revenues in 1998 to increase when compared to 1997. Processing and related services consist of processing fees, ancillary services and certain customized print and mail services. Processing fees are typically billed based on the number of a client's customers serviced, ancillary services are typically billed on a per transaction basis, and customized print and mail services are billed on a usage basis. Typically, the Company signs multi-year processing contracts with its clients which include provisions for annual price increases, and many of which include financial minimums. The Company's processing and related services are derived principally from its CCS product and services ancillary to CCS.

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 cost are netted against the expense and are not included in total revenues.

Although the Company believes that the majority of its revenues will continue to come from processing and related services over the next several years, the Company has developed new software products and professional services. The software products include, among others, ACSR, ACSR Telephony, CSG Vantage, and CSG VantagePoint. Revenue from these software products and professional services, including revenue from the acquired software products and related services of Bytel, were \$.1 million, \$18.9 million, and \$40.4 million, or .1%, 14.2% and 23.5% of total revenues, for the years ended December 31, 1995, 1996 and 1997, respectively. Software products and professional services as a percentage of total revenues in 1998 are expected to decrease when compared to 1997, due to the increased percentage of revenues expected to be generated from processing and related services in 1998, as discussed above. The Company licenses its software products under both perpetual and multi-year term licenses. See "Business" for additional discussion of the Company's products and services.

Cost of Revenues. Direct costs for processing and related services consist primarily of: (i) the salaries and benefits of employees involved in certain systems and programming, client and product support, and statement production; (ii) the cost of data processing; and (iii) statement and envelope costs. The Company's data processing services for CCS are provided by FDC under a five- year agreement which expires December 31, 2001. The cost of such services provided by FDC are based on usage and/or actual costs and were \$16.9 million, \$19.6 million and \$19.2 million for the years ended December 31, 1995, 1996 and 1997, respectively. The amortization of acquired software, client contracts and related intangibles relates primarily to amortization of assets acquired in the Acquisition. The acquired software was fully amortized in November 1997.

The cost of software license and maintenance fees consists primarily of the salaries and benefits of the systems and programming employees supporting the Company's software products. The cost of professional services consists primarily of the salaries and benefits of the employees performing such services.

Operating Expenses. R&D expense consists primarily of the salaries and benefits of the employees involved in internal software and product development. Software and product development costs have increased significantly as resources have been added to develop new software products and enhance existing products.

Selling and marketing expense consists primarily of the salaries, commissions, and benefits of those employees involved in sales and marketing activities, as well as travel, convention, and advertising expenses.

General and administrative expense consists primarily of the salaries and benefits of management and administrative personnel and general office administration expense. Amortization of noncompete agreements and goodwill consists primarily of amortization of assets acquired in the Acquisition. Stock-based employee compensation expense relates to purchases of the Company's Common Stock by executive officers and key employees in 1994 and 1995, prior to the Company's IPO. See Notes 3 and 11 of the Consolidated Financial Statements for additional discussion of these items.

Income Taxes. Although the Company has incurred net losses for the years ended 1995, 1996, and 1997, the Company has paid U.S. income taxes for each of these years and expects to pay United Kingdom income taxes for 1997, due primarily to differences in the timing of recognition of the amortization of intangible assets for financial reporting and tax purposes. For income tax purposes, the amortization of the intangible assets related to the Acquisition and the charge for purchased research and development related to the SUMMITrak asset acquisition, are principally deductible over 15 years on a straight-line basis. Based on its current projections, the Company expects to pay U.S. income taxes for 1998.

At December 31, 1997, the Company concluded that it was more likely than not that certain of the Company's deferred tax assets would be realized. Accordingly, the Company has recognized a net deferred tax asset of \$7.4 million. The Company has recorded a valuation allowance of approximately \$61.3 million against the remaining net deferred tax assets since realization of these future benefits is not sufficiently assured as of December 31, 1997. The Company intends to analyze the realizability of the net deferred tax assets at each future quarterly reporting period. The current quarterly results of operations, as well as the Company's projected results of operations, will determine the required valuation allowance at the end of each quarter. Based on its current projections of operating results for 1998, the Company expects to realize additional deferred tax assets in 1998. As a result, the Company does not expect income tax expense for 1998 to be significant.

ACQUISITION CHARGES

Acquisition Charges. As a result of the Acquisition, 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 \$21.6 million, \$24.4 million, and \$20.7 million, for the years ended December 31, 1995, 1996 and 1997, respectively. See Notes 3 and 11 to the Consolidated Financial Statements for additional information regarding the Acquisition and the Acquisition Charges.

Discontinued Operations. Contemporaneously with the Acquisition, the Company purchased from FDC all of the outstanding shares of 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, the \$3.1 million loss from discontinued operations included in the Company's 1995 financial statements consists of the net losses of Anasazi from January 1 to August 31, 1995. 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. The loss of \$.7 million in August 1995 and the gain of \$7.9 million in September 1997 relate to the Company's substantial and then final disposition of its ownership interest in Anasazi. See Note 10 to the Consolidated Financial Statements for additional information regarding Anasazi.

NON-RECURRING CHARGES

Charge for Purchased Research and Development. During the fourth quarter of 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 date. See Note 4 to the Consolidated Financial Statements for additional discussion.

Impairment of Capitalized Software Development Costs. During the fourth quarter of 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 includes previously capitalized internal development costs and purchased software incorporated into the product. The Company intends to continue its development of CSG Phoenix. See Notes 2 and 13 to the Consolidated Financial Statements for additional discussion.

Impairment of Intangible Assets. During the fourth quarter of 1997, the Company recorded a charge of \$4.7 million for the impairment of certain intangible assets related to software systems which the Company has decided to no longer market and support. This impairment charge relates principally to the Company's CableMAX product. CableMAX is a personal computer-based customer management system targeted at smaller cable systems of 2,500 customers or less. During the fourth quarter of 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. See Note 2 to the Consolidated Financial Statements for additional discussion.

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 \$.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. See Note 6 to the Consolidated Financial Statements 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 \$25.4 million, \$25.7 million and \$135.3 million for the years ended December 31, 1995, 1996 and 1997, respectively. The Company's adjusted results of operations excluding these items is 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,		
	1995	1996	1997
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Adjusted Results of Operations:			
Operating income.....	\$14,593	\$25,194	\$36,131
Income before income taxes.....	6,186	21,870	32,450
Net income.....	3,835	13,559	20,119
Earnings per diluted common share.....	.18	.54	.77
Weighted average diluted common shares.....	21,533	25,294	26,069

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 Bytel'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:

	TWELVE MONTHS ENDED DECEMBER 31,					
	1995		1996		1997	
	AMOUNT	% OF REVENUE	AMOUNT	% OF REVENUE	AMOUNT	% OF REVENUE
	(DOLLARS IN THOUSANDS)					
Revenues:						
Processing and related services.....	\$ 96,343	99.9%	\$113,422	85.8%	\$ 131,399	76.5%
Software license and maintenance fees.....	57	.1	14,736	11.1	26,880	15.6
Professional services..	4	--	4,139	3.1	13,525	7.9
Total revenues.....	96,404	100.0	132,297	100.0	171,804	100.0
Expenses:						
Cost of revenues:						
Cost of processing and related services:						
Direct costs.....	46,670	48.4	52,027	39.3	58,259	33.9
Amortization of acquired software....	11,000	11.4	11,003	8.3	10,596	6.2
Amortization of client contracts and related intangibles.....	4,092	4.2	4,092	3.1	4,293	2.5
Total cost of processing and related services....	61,762	64.0	67,122	50.7	73,148	42.6
Cost of software license and maintenance fees.....	--	--	5,040	3.8	9,787	5.7
Cost of professional services.....	--	--	2,083	1.6	7,047	4.1
Total cost of revenues.....	61,762	64.0	74,245	56.1	89,982	52.4
Gross margin.....	34,642	36.0	58,052	43.9	81,822	47.6
Operating expenses:						
Research and development:						
Research and development.....	14,278	14.8	20,206	15.3	22,586	13.2
Charge for purchased research and development.....	--	--	--	--	105,484	61.4
Impairment of capitalized software development costs....	--	--	--	--	11,737	6.8
Selling and marketing..	3,770	3.9	8,213	6.2	10,198	5.9
General and administrative:						
General and administrative.....	11,406	11.8	13,702	10.4	19,385	11.3
Amortization of noncompete agreements and goodwill.....	5,680	5.9	6,392	4.8	6,927	4.0
Impairment of intangible assets.....	--	--	--	--	4,707	2.7
Stock-based employee compensation.....	841	.9	3,570	2.7	449	.3
Depreciation.....	5,687	5.9	5,121	3.9	6,884	4.0
Total operating expenses.....	41,662	43.2	57,204	43.3	188,357	109.6
Operating income (loss).....	(7,020)	(7.2)	848	.6	(106,535)	(62.0)

Other income (expense):						
Interest expense.....	(9,070)	(9.4)	(4,168)	(3.1)	(5,324)	(3.1)
Interest income.....	663	.7	844	.6	1,294	.7
Other.....	--	--	--	--	349	.2
	-----	-----	-----	-----	-----	-----
Total other.....	(8,407)	(8.7)	(3,324)	(2.5)	(3,681)	(2.2)
	-----	-----	-----	-----	-----	-----
Loss before income taxes, extraordinary item and discontinued operations.....	(15,427)	(15.9)	(2,476)	(1.9)	(110,216)	(64.2)
Income tax provision...	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
Loss before extraordinary item and discontinued operations.....	(15,427)	(15.9)	(2,476)	(1.9)	(110,216)	(64.2)
Extraordinary loss from early extinguishment of debt.....	--	--	(1,260)	(.9)	(577)	(.3)
	-----	-----	-----	-----	-----	-----
Loss from continuing operations.....	(15,427)	(15.9)	(3,736)	(2.8)	(110,793)	(64.5)
	-----	-----	-----	-----	-----	-----
Discontinued operations:						
Loss from operations...	(3,093)	(3.2)	--	--	--	--
Gain (loss) from disposition.....	(660)	(.7)	--	--	7,922	4.6
	-----	-----	-----	-----	-----	-----
Total gain (loss) from discontinued operations.....	(3,753)	(3.9)	--	--	7,922	4.6
	-----	-----	-----	-----	-----	-----
Net loss.....	\$(19,180)	(19.8)%	\$ (3,736)	(2.8)%	\$(102,871)	(59.9)%
	=====	=====	=====	=====	=====	=====

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, due primarily to increased revenues from the Company's processing and related services, as well as increased revenues from software and related product sales and professional consulting services.

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, due primarily to an increase in the number of customers of the Company's clients which were serviced by the Company and 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. 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, primarily ACSR and CSG VantagePoint, and professional consulting services in early 1996 with continued expansion throughout 1996 and 1997, and the inclusion of revenues from Bytel's operations for all of 1997, whereas six months of revenues for Bytel were included for 1996.

Amortization of Acquired Software. Amortization of acquired software decreased \$4 million, or 3.7%, to \$10.6 million in 1997, from \$11.0 million in 1996, due primarily to acquired software from the Acquisition becoming fully amortized as of November 30, 1997. See Note 3 to the Consolidated Financial Statements for additional discussion of the Acquisition and its impact on operations.

Amortization of Client Contracts and Related Intangibles. Amortization of client contracts and related intangibles increased \$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 increase in processing and related services revenue per customer while controlling the cost of delivering such services.

Research and Development Expense. Research and development 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 and other programming-related expenses.

Selling and Marketing Expense. Selling and marketing 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, selling and marketing 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 until reaching its present level as of the end of 1997.

General and Administrative Expense. General and administrative ("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 \$.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 Bytel's operations for all of 1997, whereas six months of G&A expenses for Bytel were included for 1996.

Amortization of Noncompete Agreements and Goodwill. Amortization of noncompete agreements and goodwill increased \$.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 Bytel 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. Amortization of the stock-based deferred compensation subsequent to 1997 will be approximately \$.3 million per year. 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.

Operating income (loss). Operating loss was \$106.5 million for 1997, compared to operating income of \$.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.

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.

TWELVE MONTHS ENDED DECEMBER 31, 1996 COMPARED TO THE TWELVE MONTHS ENDED DECEMBER 31, 1995

Revenues. Total revenues increased \$35.9 million, or 37.2%, to \$132.3 million in 1996, from \$96.4 million in 1995, due primarily to increased revenues from the Company's processing and related services, as well as increased revenues from software and related product sales and professional consulting services.

Revenues from processing and related services increased \$17.1 million, or 17.7%, to \$113.4 million in 1996, from \$96.3 million in 1995, due primarily to an increase in the number of customers of the Company's clients

which were serviced by the Company and increased revenue per customer. Customers serviced as of December 31, 1996 and 1995 were 19.2 million and 18.0 million, respectively, an increase of 6.9%. 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. Revenue per customer increased due to annual price increases included in client contracts and increased usage of ancillary services by existing clients.

Revenue from the Company's new software products introduced in early 1996, primarily ACSR and CSG VantagePoint, and professional services, as well as revenue from the software products and related services of Bytel for six months in 1996, were \$18.9 million in 1996 compared to \$.1 million in 1995.

Gross Margin. Gross margin increased \$23.5 million, or 67.6%, to \$58.1 million in 1996, from \$34.6 million in 1995, due primarily to revenue growth. The gross margin as a percentage of total revenues increased to 43.9% in 1996, compared to 36.0% in 1995. 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 increase in processing and related services revenue per customer while controlling the cost of delivering such services.

Research and Development Expense. Research and development expense increased \$5.9 million, or 41.5%, to \$20.2 million in 1996, from \$14.3 million in 1995. As a percentage of total revenues, R&D expense increased to 15.3% in 1996 from 14.8% in 1995. 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 \$.6 million of purchased software. No software development costs were capitalized during 1995. As a result, total R&D expenditures (i.e., the total R&D costs expensed, plus the capitalized internal development costs) for 1996 were \$22.7 million, or 17.2% of total revenues. 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, and other programming-related expenses.

Selling and Marketing Expense. Selling and marketing expense increased \$4.4 million, or 117.9%, to \$8.2 million in 1996, from \$3.8 million in 1995. As a percentage of total revenues, selling and marketing expense increased to 6.2% in 1996, from 3.9% in 1995. The increase in expense is due primarily to a realignment of the Company's sales force. Subsequent to the Acquisition, a substantial portion of the previous sales force was terminated during the three months ended March 31, 1995, and senior management focused on sales responsibilities in 1995. The Company began building a new direct sales force in mid-1995 and continued to expand its sales force throughout 1996.

General and Administrative Expense. G&A expense increased \$2.3 million, or 20.1%, to \$13.7 million in 1996, from \$11.4 million in 1995. The increase in expense relates primarily to the development of the Company's management team and to related administrative staff added during 1996 and 1995 to support the Company's growth. As a percentage of total revenues, G&A expense decreased to 10.4% in 1996, from 11.8% in 1995.

Amortization of Noncompete Agreements and Goodwill. Amortization of noncompete agreements and goodwill increased \$.7 million, or 12.5%, to \$6.4 million in 1996, from \$5.7 million in 1995. The increase in expense relates to amortization of goodwill from the Bytel acquisition and amortization of an additional noncompete agreement acquired in April 1996.

Stock-Based Employee Compensation. Stock-based employee compensation expense for the years ended December 31, 1996 and 1995, of \$3.6 million and \$.8 million, respectively, relates to purchases of the Company's Common Stock by executive officers and key employees. The increase between years relates to the accelerated vesting for certain employees effective as of the closing of the IPO in March 1996, as discussed above.

Depreciation Expense. Depreciation expense decreased \$6 million, or 10.0%, to \$5.1 million in 1996, from \$5.7 million in 1995, with the decrease attributed to certain fixed assets becoming fully depreciated in 1995.

Operating income (loss). Operating income was \$.8 million for 1996, compared to an operating loss of \$7.0 million for 1995. The change between years relates to the factors discussed above.

Interest Expense. Interest expense decreased \$4.9 million, or 54.0%, to \$4.2 million in 1996, from \$9.1 million in 1995. The decrease was attributable to:

(i) scheduled principal payments on the Company's long-term debt; (ii) the retirement of \$40.3 million of long-term debt with 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, 1997, the Company's principal sources of liquidity included cash and cash equivalents of \$20.4 million. The Company's working capital as of December 31, 1996 and 1997 was \$4.4 million and \$3.5 million, respectively. The Company also has 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, 1997. The Company's ability to borrow under the revolving credit facility is subject to maintenance of certain levels of eligible receivables. At December 31, 1997, \$30.6 million of the \$40.0 million revolving credit facility was available to the Company based on the current level of eligible receivables. The revolving credit facility expires in September 2002.

The Company's net cash flows from operating activities for the years ended December 31, 1995, 1996 and 1997 were \$11.8 million, \$29.1 million and \$31.4 million, respectively. 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 an increase in the net change in operating assets and liabilities of \$6.9 million. The increase of \$17.3 million, or 147.3%, in 1996 over 1995 relates to a \$14.4 million increase in net cash flows from operations and a decrease in the net change in operating assets and liabilities of \$2.9 million.

The Company's net cash flows used in investing activities totaled \$117.4 million in 1997, compared to \$14.7 million in 1996, an increase in \$102.7 million. The increase between years relates primarily to the cash payments of \$106.5 million for the SUMMITrak assets acquired in September 1997 and an 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. The Company's net cash flow used in investing activities totaled \$5.3 million in 1995. The increase of \$9.4 million between 1995 and 1996 relates primarily to: (i) an increase of \$3.0 million in 1996 for capital expenditures to support Company growth; (ii) acquisitions of business in 1996 of \$4.9 million, which relates primarily to Bytel; and (iii) \$3.5 million in capitalized software development costs in 1996. These increases were offset by \$2.0 million of cash received from Anasazi for a note receivable in January 1996.

The Company's net cash flows from financing activities was \$100.7 million in 1997, compared to a use of net cash flows of \$12.1 million in 1996, an increase of \$112.8 million. The significant increase 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, which was made in December 1997. The net cash flows used in financing activities totaled \$9.5 million for 1995. The increase of \$2.6 million between 1995 and 1996 relates primarily to an increase in scheduled debt payments in 1995 over 1996. In addition, the Company sold 3,335,000 shares of Common Stock at an initial public offering price of \$15 per share, resulting in net proceeds to the Company, after deducting underwriting discounts 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 in March

1996, all of the 8,999,999 outstanding shares of the Preferred Stock were automatically converted into 17,999,998 shares of Common Stock, at which time the accrued dividends became payable.

The Company financed the SUMMITrak asset acquisition in September 1997 with the \$150.0 million Term Credit Facility, of which \$27.5 million was used to retire the Company's previously outstanding debt. Interest rates under the new agreement 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. For the period from September 1997 through December 31, 1997, the spread on the LIBOR rate and prime rate was 1.75% and .5%, respectively. Based on the Company's leverage ratio as of December 31, 1997, the spread on the LIBOR rate and prime rate was reduced to 1.0% and 0%, respectively, effective January 1, 1998. As a result of this additional debt, the Company expects interest expense to increase in 1998 when compared to 1997. See Note 6 to the Consolidated Financial Statements for additional discussion of the Term Credit Facility.

The Term Credit Facility 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, 1997, the Company was in compliance with all covenants. The payment of 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 Term Credit Facility, is less than 1.50. As of December 31, 1997, the leverage ratio was 2.80.

The purchase price for the SUMMITrak assets acquired in September 1997 includes 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's customers converted to, and the total number of TCI customers processed on, the Company's customer care and billing system. Based on the conversions scheduled as of December 31, 1997, the Company expects to pay \$17.8 million to TCI in 1998 and \$8.2 million in 1999.

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 (including research and development expenditures), income taxes, debt service, conversion incentive payments and capital expenditures for both its short and long-term purposes.

YEAR 2000

In 1995, the Company began efforts to identify and assess any issues associated with its software's ability to properly utilize dates and process data beyond the year 2000. The Company recognizes that the failure to properly and timely address issues surrounding the year 2000 could have a material impact on its operations, and as a result it appointed a project team to undertake a Company-wide study to determine the full scope and related costs to the Company of ensuring that its systems can continue to meet the Company's internal needs, as well as those of its customers. The Company's year 2000 project team is communicating with vendors and customers to coordinate year 2000 conversion and will provide the Company's management with a report that includes an estimate of costs to be incurred by the Company in properly addressing this issue. The Company currently believes that it will be able to effectively mitigate risks associated with the year 2000 and that its Company-wide year 2000 project will be substantially complete by the end of the fourth quarter of 1998. The Company does not expect the costs to make its systems year 2000 compliant to be material to its financial condition or results of operations.

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, 1996 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, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, 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, 1996 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Omaha, Nebraska
January 26, 1998

CSG SYSTEMS INTERNATIONAL, INC.

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

	DECEMBER 31,	
	1996	1997
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 6,134	\$ 20,417
Accounts receivable--		
Trade--		
Billed, net of allowance of \$819 and \$1,394.....	33,141	45,122
Unbilled.....	5,220	2,080
Other.....	1,342	1,400
Deferred income taxes.....	45	443
Other current assets.....	2,574	2,664
	-----	-----
Total current assets.....	48,456	72,126
	-----	-----
Property and equipment, net.....	13,093	17,157
Investment in discontinued operations.....	732	--
Software, net.....	13,629	1,959
Noncompete agreements and goodwill, net.....	25,730	13,938
Client contracts and related intangibles, net.....	9,752	64,640
Deferred income taxes.....	1,356	6,909
Other assets.....	2,162	3,064
	-----	-----
Total assets.....	\$114,910	\$ 179,793
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt.....	\$ 10,000	\$ 6,750
Customer deposits.....	6,450	7,002
Trade accounts payable.....	12,620	11,795
Accrued liabilities.....	8,627	11,023
Deferred revenue.....	5,384	11,063
Conversion incentive payments.....	--	17,768
Accrued income taxes.....	945	3,207
	-----	-----
Total current liabilities.....	44,026	68,608
	-----	-----
Non-current liabilities:		
Long-term debt, net of current maturities.....	22,500	128,250
Deferred revenue.....	6,420	7,789
Conversion incentive payments.....	--	8,232
	-----	-----
Total non-current liabilities.....	28,920	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; 2,890,522 and 5,996,563 shares reserved for common stock warrants, employee stock purchase plan and stock incentive plans; 25,488,876 shares and 25,479,968 shares issued and outstanding....	255	255
Common stock warrants; 1,500,000 warrants outstanding.....	--	26,145
Additional paid-in capital.....	111,367	112,870
Deferred employee compensation.....	(1,207)	(636)
Notes receivable from employee stockholders.....	(861)	(685)
Cumulative translation adjustments.....	573	(1)
Accumulated deficit.....	(68,163)	(171,034)
	-----	-----
Total stockholders' equity (deficit).....	41,964	(33,086)
	-----	-----
Total liabilities and stockholders' equity.....	\$114,910	\$ 179,793
	=====	=====

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

CSG SYSTEMS INTERNATIONAL, INC.

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

	YEAR ENDED DECEMBER 31,		
	1995	1996	1997
Revenues:			
Processing and related services.....	\$ 96,343	\$ 113,422	\$ 131,399
Software license and maintenance fees.....	57	14,736	26,880
Professional services.....	4	4,139	13,525
Total revenues.....	96,404	132,297	171,804
Expenses:			
Cost of revenues:			
Cost of processing and related services:			
Direct costs.....	46,670	52,027	58,259
Amortization of acquired software.....	11,000	11,003	10,596
Amortization of client contracts and related intangibles.....	4,092	4,092	4,293
Total cost of processing and related services.....	61,762	67,122	73,148
Cost of software license and maintenance fees.....	--	5,040	9,787
Cost of professional services.....	--	2,083	7,047
Total cost of revenues.....	61,762	74,245	89,982
Gross margin.....	34,642	58,052	81,822
Operating expenses:			
Research and development:			
Research and development.....	14,278	20,206	22,586
Charge for purchased research and development.....	--	--	105,484
Impairment of capitalized software development costs.....	--	--	11,737
Selling and marketing.....	3,770	8,213	10,198
General and administrative:			
General and administrative.....	11,406	13,702	19,385
Amortization of noncompete agreements and goodwill.....	5,680	6,392	6,927
Impairment of intangible assets.....	--	--	4,707
Stock-based employee compensation.....	841	3,570	449
Depreciation.....	5,687	5,121	6,884
Total operating expenses.....	41,662	57,204	188,357
Operating income (loss).....	(7,020)	848	(106,535)
Other income (expense):			
Interest expense.....	(9,070)	(4,168)	(5,324)
Interest income.....	663	844	1,294
Other.....	--	--	349
Total other.....	(8,407)	(3,324)	(3,681)
Loss before income taxes, extraordinary item and discontinued operations.....	(15,427)	(2,476)	(110,216)
Income tax (provision) benefit.....	--	--	--
Loss before extraordinary item and discontinued operations.....	(15,427)	(2,476)	(110,216)
Extraordinary loss from early extinguishment of debt.....	--	(1,260)	(577)
Loss from continuing operations.....	(15,427)	(3,736)	(110,793)
Discontinued operations:			
Loss from operations.....	(3,093)	--	--
Gain (loss) from disposition.....	(660)	--	7,922
Total gain (loss) from discontinued operations.....	(3,753)	--	7,922
Net loss.....	\$ (19,180)	\$ (3,736)	\$ (102,871)

Net loss per common share (basic and diluted):			
Loss attributable to common stockholders..	\$ (5.51)	\$ (.14)	\$ (4.32)
Extraordinary loss from early extinguishment of debt.....	--	(.06)	(.02)
Gain (loss) from discontinued operations..	(1.09)	--	.31
	-----	-----	-----
Net loss attributable to common stockholders.....	\$ (6.60)	\$ (.20)	\$ (4.03)
	=====	=====	=====
Weighted average common shares (basic and diluted).....	3,450,415	21,872,860	25,497,033
	=====	=====	=====

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

per share).....	--	--	--	6	--	--	--	--	6
Purchase of 5,753 shares of common stock pursuant to employee stock purchase plan (ranging from \$13.07 per share to \$17.21 per share).....	--	--	--	83	--	--	--	--	83
Accretion of redeemable convertible preferred stock..	--	--	--	--	--	--	--	(7)	(7)
Payment of note receivable from employee stockholder.....	--	--	--	--	--	110	--	--	110
Translation adjustments.....	--	--	--	--	--	--	573	--	573
Net loss.....	--	--	--	--	--	--	--	(3,736)	(3,736)

BALANCE, DECEMBER 31, 1996.....	--	255	--	111,367	(1,207)	(861)	573	(68,163)	41,964
Issuance of 1,683 shares of common stock for purchase of assets (\$44.56 per share).....	--	--	--	75	--	--	--	--	75
Issuance of 1,500,000 common stock warrants, granted as part of the SUMMITrak asset acquisition (exercise price of \$24 per share).....	--	--	26,145	--	--	--	--	--	26,145
Amortization of deferred stock-based employee compensation expense.....	--	--	--	--	449	--	--	--	449
Purchase and cancellation of 104,550 shares of common stock (ranging from \$.22 per share to \$4.25 per share).....	--	--	--	(344)	122	176	--	--	(46)
Exercise of stock options for 74,300 shares of common stock (ranging from \$1.25 per share to \$29.75 per share).....	--	--	--	1,018	--	--	--	--	1,018
Purchase of 19,659 shares of common stock pursuant to employee stock purchase plan (ranging from \$14.34 per share to \$34.00 per share).....	--	--	--	439	--	--	--	--	439
Translation adjustments.....	--	--	--	--	--	--	(574)	--	(574)
Tax benefit of stock options exercised.....	--	--	--	315	--	--	--	--	315
Net loss.....	--	--	--	--	--	--	--	(102,871)	(102,871)

BALANCE, DECEMBER 31, 1997.....	\$ --	\$255	\$26,145	\$112,870	\$ (636)	\$(685)	\$ (1)	\$(171,034)	\$(33,086)
	=====	=====	=====	=====	=====	=====	=====	=====	=====

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,		
	1995	1996	1997
Cash flows from operating activities:			
Net loss.....	\$(19,180)	\$ (3,736)	\$(102,871)
Adjustments to reconcile net loss to net cash provided by operating activities--			
Depreciation.....	5,687	5,121	6,884
Amortization.....	21,686	22,180	23,035
Deferred income taxes.....	(296)	(1,455)	(5,891)
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.....	841	3,570	449
Extraordinary loss from early extinguishment of debt.....	--	1,260	577
Loss (gain) from discontinued operations.....	3,753	--	(7,922)
Changes in operating assets and liabilities:			
Trade accounts and other receivables, net....	(3,108)	(12,090)	(9,511)
Other current and noncurrent assets.....	179	(2,914)	11
Trade accounts payable and other liabilities.....	2,215	17,194	4,723
Net cash provided by operating activities..	11,777	29,130	31,412
Cash flows from investing activities:			
Purchases of property and equipment, net.....	(5,202)	(8,181)	(9,389)
Acquisition of TCI related assets.....	--	--	(106,500)
Acquisition of businesses, net of cash acquired.....	--	(4,918)	--
Additions to software.....	--	(3,553)	(10,185)
Proceeds from disposition of discontinued operations.....	(92)	2,000	8,654
Net cash used in investing activities.....	(5,294)	(14,652)	(117,420)
Cash flows from financing activities:			
Proceeds from issuance of common stock.....	402	44,883	1,457
Payment of note receivable from employee stockholder.....	--	110	--
Purchase and cancellation of common stock.....	--	(25)	(46)
Payment of dividends for redeemable convertible preferred stock.....	--	(4,497)	--
Proceeds from long-term debt.....	--	--	150,000
Payments on long-term debt.....	(9,932)	(52,568)	(47,500)
Payment of deferred financing costs.....	--	--	(3,181)
Net cash provided by (used in) financing activities.....	(9,530)	(12,097)	100,730
Effect of exchange rate fluctuations on cash....	--	150	(439)
Net increase (decrease) in cash and cash equivalents.....	(3,047)	2,531	14,283
Cash and cash equivalents, beginning of period..	6,650	3,603	6,134
Cash and cash equivalents, end of period.....	\$ 3,603	\$ 6,134	\$ 20,417
Supplemental disclosures of cash flow information:			
Cash paid (received) during the period for--			
Interest.....	\$ 8,463	\$ 4,000	\$ 4,767
Income taxes.....	\$ 1,176	\$ (655)	\$ 3,357

Supplemental disclosure of noncash investing and financing activities:

During 1995, the Company issued common stock in connection with an employee stock purchase plan and received full recourse promissory notes from employees totaling \$1.0 million.

During 1996, the Company converted 8,999,999 shares of redeemable convertible preferred stock into 17,999,998 shares of common stock.

During 1997, the Company granted 1.5 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.

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 on October 17, 1994, for the purpose of acquiring all of the outstanding shares of Cable Services Group, Inc. from First Data Corporation ("FDC"). The Company acquired all of the outstanding shares of Cable Services Group, Inc. on November 30, 1994 (the "Acquisition") (Note 3). Subsequent to the Acquisition, Cable Services Group, Inc.'s name was changed to CSG Systems, Inc. ("CSG Systems"). The Company did not have any substantive operations prior to the acquisition of Cable Services Group, Inc. Contemporaneously with the Acquisition, the Company purchased all of the outstanding shares of Anasazi Inc. ("Anasazi") (Note 10). On June 28, 1996, the Company purchased all of the outstanding shares of Bytel Limited ("Bytel") (Note 3).

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.

The Company operates in one business segment, generating 88.8 percent, 76.6 percent, and 73.1 percent of its total revenues from U.S. cable television providers during the years ended December 31, 1995, 1996 and 1997, respectively. The Company generated zero percent, 8.1 percent, and 9.6 percent of its total revenues from sources outside the U.S., primarily in Europe, during the years ended December 31, 1995, 1996 and 1997, respectively.

The Company derived approximately 84.8 percent, 77.3 percent and 76.7 percent of its total revenues in the years ended December 31, 1995, 1996 and 1997, respectively, from its core product, Communications Control System ("CCS") and related products and ancillary services.

The Company has two significant clients which, in the aggregate, represented approximately 53.1 percent, 48.8 percent, and 53.0 percent of total revenues for the years ended December 31, 1995, 1996 and 1997, respectively. The largest single client contributed approximately 27.9 percent, 25.9 percent and 32.9 percent of total revenues for the years ended December 31, 1995, 1996 and 1997, respectively.

The Company completed an initial public offering ("IPO") of its Common Stock in March 1996. The Company sold 3,335,000 shares of Common Stock at an initial public offering price of \$15 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 17,999,998 shares of Common Stock. The Company used 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).

In September 1997, the Company acquired certain SUMMITrak assets from Tele-Communications, Inc. ("TCI") and entered into a 15-year processing contract with TCI (Note 4).

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 Bytel since June 28, 1996. All material intercompany accounts and transactions have been eliminated.

CSG SYSTEMS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

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

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.

In October 1997, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 97-2, "Software Revenue Recognition" ("SOP 97-2"). SOP 97-2 provides guidance on applying generally accepted accounting principles in recognizing revenue on software transactions. SOP 97-2 is effective for software transactions entered into by the Company beginning in fiscal year 1998. The Company believes that its current revenue recognition accounting policies are in compliance with SOP 97-2.

Payments received for revenues not yet recognized are reflected as deferred revenue in the accompanying consolidated balance sheets.

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):

	1996	1997
Computer equipment.....	\$ 15,546	\$ 21,734
Leasehold improvements.....	1,205	2,347
Operating equipment.....	4,156	5,205
Furniture and equipment.....	1,971	3,834
Construction in process.....	857	358
Other.....	22	22
	-----	-----
	23,757	33,500
Less-accumulated depreciation.....	(10,664)	(16,343)
	-----	-----
Property and equipment, net.....	\$ 13,093	\$ 17,157
	=====	=====

CSG SYSTEMS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

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.

Software

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

	1996	1997
Acquired software.....	\$ 33,422	\$ 33,516
Internally developed software.....	3,131	2,547
	36,553	36,063
Less-accumulated amortization.....	(22,924)	(34,104)
Software, net.....	\$ 13,629	\$ 1,959

Acquired software resulted from the Acquisition and is stated at cost. Amortization expense related to acquired software for the years ended December 31, 1995, 1996 and 1997 was \$11.0 million, \$11.0 million and \$10.6 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 \$3.1 million and \$9.7 million for 1996 and 1997, which included \$2.5 million and \$8.4 million of internal development costs and \$0.6 million and \$1.3 million of purchased software, 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 a) the ratio of current gross revenue for a product to the total of current and anticipated gross revenue for the product or b) 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, 1995, 1996 and 1997 was zero, \$0.01 million and \$0.6 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 the fourth quarter of 1997, the Company recorded a charge of \$11.7 million related to certain CSG Phoenix(TM) 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 on the delivery of CSG Phoenix, such assets were reduced to their estimated net realizable value as of December 31, 1997. The charge primarily includes previously capitalized internal development costs and purchased software incorporated into the product.

CSG SYSTEMS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Noncompete Agreements and Goodwill

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

	1996	1997
Noncompete agreements.....	\$ 26,812	\$ 25,340
Goodwill.....	11,490	8,088
	38,302	33,428
Less-accumulated amortization.....	(12,572)	(19,490)
Noncompete agreements and goodwill, net.....	\$ 25,730	\$ 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 (Note 3).

During the fourth quarter of 1997, the Company recorded a charge of \$4.7 million for the impairment of certain intangible assets related to software systems which the Company has decided to no longer market and support. This impairment charge relates principally to the Company's CableMAX product. CableMAX is a personal computer based customer management system that is targeted at smaller cable systems of 2,500 customers or less. During the fourth quarter of 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 client conversion methodologies from the Acquisition are being amortized over their estimated lives of five and three years, respectively. The value assigned to the TCI processing contract (Note 4) is being amortized over the 15-year life of the contract in proportion to the guaranteed processing revenues under the contract. As of December 31, 1996 and 1997, accumulated amortization for client contracts and related intangibles was \$8.5 million and \$12.8 million, respectively.

Customer Deposits

The Company requires postage and communications deposits from its clients based on contractual arrangements. These amounts are reflected as current liabilities regardless of the contract period.

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, 1996 and 1997 include cash and cash equivalents, accounts receivable, accounts payable, conversion incentive payments, and long-term debt.

CSG SYSTEMS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Because of their short maturities, the carrying amounts of cash equivalents, accounts receivable, accounts payable, and conversion incentive payments approximate 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 \$75.0 million as of December 31, 1997, 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 percent (LIBOR) interest rate floor, or receipt on the 7.5 percent (LIBOR) interest rate cap component of the collar, would be recognized as additional interest expense or as a reduction to interest expense, respectively, in the period incurred. There are no amounts due or receivable under this agreement as of December 31, 1997, and the agreement had no effect on the Company's interest expense for 1997. The fair value of the collar agreement at December 31, 1997, based on a quoted market price, was not significant.

Translation of Foreign Currency

The Company's foreign subsidiary, Bytel, uses the British pound as its functional currency. Bytel'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 as a component of stockholders' equity. Transaction gains and losses related to intercompany accounts are not material and are included in the determination of net loss.

Net Loss Per Common Share

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128"), which specifies the computation, presentation and disclosure requirements for earnings per share ("EPS"). SFAS 128 is effective for periods ending after December 15, 1997, and requires retroactive restatement of EPS for all prior periods presented. The statement replaces the previous "primary earnings per share" computation with a "basic earnings per share" and redefines the "diluted earnings per share" computation. 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.

A reconciliation of the net loss attributable to common stockholders in total dollars (in thousands) and on a per share basis is as follows:

	YEAR ENDED DECEMBER 31		
	1995	1996	1997
Loss before extraordinary item and discontinued operations.....	\$ (15,427)	\$ (2,476)	\$ (110,216)
Preferred stock dividends.....	(3,586)	(614)	--
Loss attributable to common stockholders.....	(19,013)	(3,090)	(110,216)
Extraordinary item.....	--	(1,260)	(577)
Gain (loss) from discontinued operations.....	(3,753)	--	7,922
Net loss attributable to common stockholders.....	\$ (22,766)	\$ (4,350)	\$ (102,871)
Loss before extraordinary item and discontinued operations.....	\$ (4.47)	\$ (.11)	\$ (4.32)
Preferred stock dividends.....	(1.04)	(.03)	--
Loss attributable to common stockholders.....	(5.51)	(.14)	(4.32)
Extraordinary item.....	--	(.06)	(.02)
Gain (loss) from discontinued operations.....	(1.09)	--	.31
Net loss attributable to common stockholders.....	\$ (6.60)	\$ (.20)	\$ (4.03)
Weighted average common shares.....	3,450,415	21,872,860	25,497,033

CSG SYSTEMS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The following weighted average dilutive potential common shares are excluded from the diluted EPS calculation as their effect was antidilutive.

	YEAR ENDED DECEMBER 31		
	1995	1996	1997
Redeemable convertible preferred stock.....	17,999,998	3,115,384	--
Common stock options.....	82,465	305,818	571,967
Common stock warrants.....	--	--	152,718
Total dilutive potential common shares.....	18,082,463	3,421,202	724,685

In previously reported periods, the Company followed Staff Accounting Bulletin ("SAB") No. 83 in calculating EPS for the periods prior to the Company's IPO. Pursuant to SAB No. 83, all preferred and common stock and options outstanding for periods prior to the IPO had been treated as if they were outstanding for all periods presented, including periods in which the effect was antidilutive. SAB No. 98, released in February 1998, requires that SFAS 128 now be followed in determining the outstanding shares for purposes of calculating EPS for all periods. As a result, the Company has restated its EPS (and all other per share computations) for the periods prior to and including the IPO following the guidelines of SFAS 128. The changes in the weighted average common shares and the EPS are as follows:

	YEAR ENDED DECEMBER 31	
	1995	1996
Previously reported weighted average common shares.....	22,494,748	24,988,244
Restated weighted average common shares.....	3,450,415	21,872,860
Previously reported net loss per share attributable to common stockholders.....	\$ (.86)	\$ (.15)
Restated net loss per share attributable to common stockholders.....	\$ (6.60)	\$ (.20)

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 Statement of Financial Accounting Standards No. 123, "Accounting for Stock- Based Compensation" ("SFAS 123"). See Note 12 for the required disclosures under SFAS 123.

Increase in Authorized Shares and Stock Split

In January 1996, the Company completed a two-for-one stock split of its Common Stock effected as a stock dividend. Accordingly, all share and per share amounts have been retroactively adjusted. 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.

Reclassification

Certain December 31, 1995 and 1996 amounts have been reclassified to conform to the December 31, 1997 presentation.

3. BUSINESS ACQUISITIONS

CSG Systems

On November 30, 1994, the Company acquired all of the outstanding shares of CSG Systems for approximately \$137 million in cash. The Acquisition was funded primarily from proceeds from the issuance of common and Preferred Stock (Note 5) and long-term debt (Note 6).

CSG SYSTEMS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The Acquisition was recorded using the purchase method of accounting. Of the \$137 million purchase price, \$13 million was allocated to net tangible assets, with property and equipment of \$10.2 million being the primary component. The cost in excess of the fair value of the net tangible assets was allocated to the following intangible assets (in thousands):

	AMOUNT	ASSET LIFE (YEARS)
	-----	-----
Purchased research and development.....	\$ 40,953	--
Acquired software.....	33,000	3
Noncompete agreement and goodwill:		
Noncompete agreement.....	25,000	5
Goodwill.....	6,812	10
Client contracts and related intangibles:		
Client contracts.....	15,000	5
Client conversion methodologies.....	3,280	3

	\$124,045	
	=====	

Purchased research and development represents research and development 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 as of the Acquisition date.

Acquired software represents the value assigned to existing software products, the noncompete agreement is with FDC and has a five-year term, client contracts represent the value assigned to existing client contracts as of the Acquisition date, and client conversion methodologies represent the value assigned to documented conversion methods, systems, materials and procedures that enable the Company to efficiently convert clients to the Company's systems.

Bytel Limited

On June 28, 1996, the Company acquired all of the outstanding shares of Bytel for approximately \$3.1 million in cash and assumption of certain liabilities of \$1.6 million (the "Bytel Acquisition"). The Bytel 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. Bytel is a United Kingdom company which provides customer management software to the cable and telecommunications industries in the United Kingdom.

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

	YEAR ENDED DECEMBER 31,	
	1995	1996
Total revenues.....	\$ 105,275	\$ 136,536
Loss attributable to common stockholders.....	(21,246)	(4,464)
Pro forma loss per share attributable to common stockholders (basic and diluted).....	(6.16)	(.20)

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 periods presented or of the future results of operations.

CSG SYSTEMS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

4. SUMMITRAK ASSET ACQUISITION

On August 10, 1997, the Company signed 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"). On August 10, 1997, the Company also entered into an agreement with TCI affiliates to acquire certain SUMMITrak assets, a client/server, open systems, in-house customer care and billing system in development (the "SUMMITrak Acquisition"). The SUMMITrak assets purchased consisted primarily of software, hardware, assembled workforce and intellectual property. Both the SUMMITrak Acquisition and the TCI Contract closed and became effective September 19, 1997. The purchase price for the SUMMITrak Acquisition was determined as follows (in thousands):

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

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

The conversion incentive payments represent payments to TCI to i) incent TCI to timely convert its customers to the Company's system, and ii) reimburse TCI for the cost of converting to the Company's system. TCI will receive a monthly payment \$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. A total of 3.89 million TCI customers converted to the Company's systems equates to the \$14.0 million. 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 conversions scheduled as of December 31, 1997, the Company expects to pay TCI \$17.8 million and \$8.2 million in 1998 and 1999, respectively.

The Company granted 1.5 million warrants to TCI as part of the overall purchase price. The warrants have a five-year life with a \$24 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. TCI will be able to exercise 1.0 million of the warrants when the Company processes a total of 13.0 million TCI customers on its customer care and billing system. The remaining 0.5 million warrants are exercisable at various increments as additional TCI customers are converted to the Company's systems. The total 1.5 million warrants are exercisable when the total number of TCI customers processed on the Company's systems reaches 14.25 million.

The Company has included the conversion incentive payments and the estimated fair value of the warrants in the overall purchase price as the Company believes that such consideration is assured beyond a reasonable doubt as i) TCI currently has the necessary customers under its control to meet the milestones described above, ii) the Company believes it has the means to timely convert the necessary customers to its systems to meet the milestones described above, iii) both the Company and TCI are financially incented to timely convert the necessary customers to the Company's system to meet the milestones described above, and iv) TCI's minimum financial commitments are based on a minimum of 13.0 million customers.

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
15-Year Contract.....	51,575
Other assets.....	2,070

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

CSG SYSTEMS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Purchased research and development represents research and development 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 the fourth quarter of 1997. The value assigned to the 15-Year Contract will be amortized over the life of the contract in proportion to the guaranteed processing revenues under the contract. The other assets will be depreciated over their estimated useful lives of three years.

5. REDEEMABLE CONVERTIBLE PREFERRED STOCK

The following table represents the Preferred Stock activity (in thousands, except share and per share amounts):

Balance, at inception (October 17, 1994).....	\$	--
Issuance of 8,999,999 shares for cash (\$6.56 per share).....		59,062
Accretion.....		4
Accrued dividends.....		297

Balance, December 31, 1994.....		59,363
Accretion.....		36
Accrued dividends.....		3,586

Balance, December 31, 1995.....		62,985
Accretion.....		7
Accrued dividends.....		614
Payment of accrued dividends.....		(4,497)
Conversion into 17,999,998 shares of Common Stock.....		(59,109)

Balance, December 31, 1996.....	\$	--
		=====

In conjunction with the Acquisition (Note 3), the Company sold for cash 8,999,999 shares of Preferred Stock with a par value of \$.01 per share. Total proceeds, net of issuance costs of \$0.4 million, were \$59.1 million (\$6.56 per share). 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 17,999,998 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 \$.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.

Prior to completion of the IPO, the Company was required to redeem Preferred Stock on November 30, 2005. The redemption price was payable in cash and was equal to \$6.61 per share plus any accrued and unpaid dividends. The excess of the redemption value over the carrying value was being accreted through periodic charges to accumulated deficit over the life of the issue.

6. DEBT

The Acquisition discussed in Note 3 was partially funded with debt placed through a \$100.0 million debt agreement with a bank (the "1994 Debt"). The 1994 Debt consisted of term loans of \$95.0 million, and a revolving credit facility in the amount of \$5.0 million. The Company made early payments on the 1994 Debt of \$2.4 million and \$2.0 million in 1995 and 1996, respectively. In conjunction with the IPO, the Company

CSG SYSTEMS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

refinanced its 1994 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. Under the 1996 Debt agreement, the Company retained its \$5.0 million revolving credit facility. The Company paid an annual commitment fee of .375 percent on its unused portion of the revolving credit facility. Interest rates for the 1994 and 1996 Debt were based on an adjusted LIBOR rate or the bank's prime rate and were chosen at the option of the Company.

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. For the period from September 1997 through December 31, 1997, the spread on the LIBOR rate and prime rate was 1.75% and 0.5%, respectively. Based on the Company's leverage ratio as of December 31, 1997, the spread on the LIBOR rate and prime rate was reduced to 1.0% and 0%, respectively, effective January 1, 1998. As required by the 1997 Debt agreement, 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, 1997, the Company was in compliance with all covenants. The payment of 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, 1997, the leverage ratio was 2.80.

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

	1996	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 1.75 percent (7.4375 percent at December 31, 1997).....	\$ --	\$135,000
1996 Debt, due December 2000, quarterly principal payments ranging from \$1.6 million to \$2.5 million, interest at adjusted LIBOR plus 1.0 percent (6.375 percent at December 31, 1996).....	32,500	--
Revolving credit facilities, due September 2002, interest at adjusted LIBOR plus 1.75 percent (7.4375 percent at December 31, 1997).....	--	--
	-----	-----
	32,500	135,000
Less-current portion.....	(10,000)	(6,750)
	-----	-----
Long-term debt, net of current maturities.....	\$ 22,500	\$128,250
	=====	=====

CSG SYSTEMS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

There were no borrowings made on the revolving credit facilities during the years ended December 31, 1995, 1996 and 1997. Under the 1997 Debt agreement, the Company pays an annual commitment fee on the used portion of the revolving credit facility, based upon the Company's leverage ratio. For the period from September 1997 through December 31, 1997, the fee was .375 percent. 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, 1997, \$30.6 million of the \$40.0 million revolving credit facility was available to the Company based on the level of eligible receivables.

As of December 31, 1996 and 1997, unamortized deferred financing costs were \$0.9 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, 1995, 1996 and 1997, includes amortization of deferred financing costs of approximately \$0.9 million, \$0.6 million, and \$0.5 million, respectively.

As of December 31, 1997, scheduled maturities of the Company's long-term debt for each of the years ending December 31 are (in thousands):

1998.....	\$ 6,750
1999.....	19,125
2000.....	29,250
2001.....	34,875
2002.....	45,000

	\$135,000
	=====

7. INCOME TAXES

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes." 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,		
	1995	1996	1997
	-----	-----	-----
Current:			
Federal.....	\$ 249	\$ 1,225	\$ 4,466
State.....	47	230	615
Foreign.....	--	--	810
	-----	-----	-----
	296	1,455	5,891
	-----	-----	-----
Deferred:			
Federal.....	(6,329)	(2,305)	(38,298)
State.....	(1,188)	(433)	(5,276)
Foreign.....	--	503	393
	-----	-----	-----
	(7,517)	(2,235)	(43,181)
	-----	-----	-----
Change in valuation allowance.....	7,221	780	37,290
	-----	-----	-----
Net income tax provision (benefit).....	\$ --	\$ --	\$ --
	=====	=====	=====

CSG SYSTEMS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The difference between the income tax 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,		
	1995	1996	1997
Benefit at federal rate of 34 percent in 1995 and 1996, and 35 percent in 1997.....	\$(6,521)	\$(1,270)	\$(36,005)
Change in valuation allowance.....	6,656	1,283	37,290
Effective state income taxes.....	(694)	(134)	(3,030)
Basis differences from acquisition.....	--	(1,346)	--
Amortization of nondeductible goodwill.....	227	231	1,582
Stock-based employee compensation.....	286	1,214	157
Other.....	46	22	6
	-----	-----	-----
	\$ --	\$ --	\$ --
	=====	=====	=====

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):

	1996	1997
Current deferred tax assets (liabilities):		
Accrued expenses and reserves.....	\$ 744	\$ 1,325
Deferred revenue.....	--	3,033
	-----	-----
	744	4,358
Valuation allowance.....	(699)	(3,915)
	-----	-----
	\$ 45	\$ 443
	=====	=====
Noncurrent deferred tax assets (liabilities):		
Purchased research and development.....	\$ 13,040	\$ 51,224
Software.....	4,743	8,345
Investment in discontinued operations.....	2,053	--
Client contracts and related intangibles.....	1,766	1,508
Noncompete agreements.....	2,467	3,965
Property and equipment.....	(262)	443
Other.....	883	(1,168)
	-----	-----
	24,690	64,317
Valuation allowance.....	(23,334)	(57,408)
	-----	-----
	\$ 1,356	\$ 6,909
	=====	=====

As part of the Bytel Acquisition, the Company acquired certain net deferred tax assets and established a valuation allowance of approximately \$1.0 million against those net deferred tax assets as of the acquisition date.

At December 31, 1997, management evaluated its recent operating results, as well as projections for 1998 and concluded that it was more likely than not that certain of the deferred tax assets would be realized. Accordingly, the Company has recognized a deferred tax asset of \$7.4 million. The Company has recorded a valuation allowance against the remaining deferred tax assets since realization of these future benefits is not sufficiently assured as of December 31, 1997.

CSG SYSTEMS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

8. EMPLOYEE RETIREMENT BENEFIT PLANS

Defined Benefit Retirement Plan

Effective December 1, 1994, as part of the Acquisition, the Company established a replacement plan for certain former employees of FDC which transferred their service credit to CSG. No new participants were allowed to enter this plan after December 1, 1994. Benefits under the plan are based on years of service and the employees' compensation during employment. Contributions to the plan are determined by an independent actuary on the basis of periodic valuations using the projected unit cost method. The Company's general funding policy is to contribute annually the maximum amount that can be deducted for income tax purposes. The periodic pension expense for the years ended December 31, 1995, 1996 and 1997, was \$0.2 million each year. The net pension liability recognized in the accompanying consolidated balance sheets as of December 31, 1996 and 1997 is \$0.2 million and \$0.3 million, respectively.

Incentive Savings Plan

The Company sponsors a defined contribution plan covering substantially all employees of the Company. Participants may contribute up to 15 percent 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, 1995, 1996 and 1997, were approximately \$1.3 million, \$1.5 million and \$2.0 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 percent 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, 1996 and 1997, the Company has recorded a liability for this obligation of \$0.1 million and \$0.6 million, respectively. The Company's expense for this plan for the years ended December 31, 1996 and 1997, which includes Company contributions and interest expense, was \$0.02 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 2007. Future aggregate minimum lease payments under these agreements for the years ending December 31, including a lease entered into subsequent to December 31, 1997, are as follows (in thousands):

1998.....	\$ 3,949
1999.....	3,884
2000.....	3,191
2001.....	2,653
2002.....	2,320
Thereafter.....	6,516

	\$22,513
	=====

CSG SYSTEMS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Total rent expense for the years ended December 31, 1995, 1996 and 1997, was approximately \$1.8 million, \$1.9 million and \$3.4 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 a) notice of six months any time after January 1, 2000, and b) payment of a termination fee equal to 20 percent 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, 1995, 1996 and 1997, was approximately \$16.9 million, \$19.6 million and \$19.2 million, respectively. The Company believes it could obtain data processing services from alternative sources, if necessary.

Legal Proceedings

In December 1996, CSG settled claims for indemnification against FDC arising from CSG's acquisition from FDC of CSG Systems. The claims related to certain patents held by Ronald A. Katz Technology Licensing Partnership L.P. ("RAKTL") which allegedly were infringed by the use of certain CSG products. The terms of the settlement were not material to CSG. In connection with the settlement, CSG entered into a non-exclusive patent license agreement with RAKTL, the terms of which are not expected by CSG to have a material effect on its business or future results of operations.

In October 1996, a former senior vice president of CSG Systems filed a lawsuit against the Company and certain of its officers in the District Court of Arapahoe County, Colorado. The suit claims that certain amendments to stock agreements between the plaintiff and the Company are unenforceable, and that the plaintiff's rights were otherwise violated in connection with those amendments. The plaintiff is seeking damages of approximately \$1.8 million, and in addition, seeks to have such damages trebled under certain Colorado statutes that the plaintiff claims are applicable. The Company denies the allegations and intends to vigorously defend the lawsuit at all stages. The trial is currently scheduled to commence in July 1998.

In addition, from time to time, the Company is involved in other 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 Acquisition, the Company purchased all of the outstanding shares of Anasazi on November 30, 1994, for \$6 million in cash. Anasazi provides central reservation systems and services for the hospitality and travel industry. On August 31, 1995, the company completed a tax-free reorganization of Anasazi. Stockholders of the Company purchased a controlling interest in Anasazi as part of the reorganization. As part of the reorganization, the Company received \$2.0 million cash, surrendered all of its ownership rights in Anasazi's Common Stock and forgave a portion of a note receivable from Anasazi. In return for such

CSG SYSTEMS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

consideration, the Company received a \$2.7 million note receivable and shares of convertible preferred stock representing less than a 20 percent ownership interest in Anasazi. In January 1996, the Company received a \$2.0 million principal payment on this note, reducing the principal balance of the note to \$0.7 million. In June 1996, the Company converted the remaining \$0.7 million note balance into convertible preferred stock and stock warrants of Anasazi. In September 1997, the Company sold its remaining interest in Anasazi for \$8.6 million cash.

The Company accounted for its ownership in Anasazi as discontinued operations after its acquisition in 1994. As a result, the loss from discontinued operations included in the Company's Consolidated Financial Statements consists of the net losses of Anasazi prior to September 1, 1995. The loss of \$0.7 million in August 1995, and the gain of \$7.9 million in September 1997 relates to the Company's partial and then final disposition of its ownership interest in Anasazi. Revenues from Anasazi's operations for the eight months ended August 31, 1995 were \$5.8 million. The Company did not recognize any income tax benefit or provision related to the loss or gain from discontinued operations.

11. COMMON STOCK

In connection with its formation, the Company reserved 4,500,000 shares of Common Stock for sale to executive officers and other employees of the Company. At the time of the Acquisition, the Company sold 2,587,500 shares of Common Stock to executive officers for \$575,000 in cash (\$.22 per share):

1,150,000 shares under stock purchase agreements and 1,437,500 shares under performance stock purchase agreements. Of the remaining reserved shares, 1,655,500 shares were reserved for sale under the Company's Employee Stock Purchase Plan, and 257,000 shares were reserved for issuance under the Company's 1995 Incentive Stock Plan (Note 12).

The following table represents the activity for Common Stock of the Company acquired under employee stock purchase agreements since inception (October 17, 1994) through December 31, 1997:

	STOCK PURCHASE AGREEMENT	RESTRICTED STOCK	PERFORMANCE STOCK	TOTAL SHARES
	SHARES	SHARES	SHARES	SHARES
Shares outstanding, inception (October 17, 1994).....	--	--	--	--
Shares issued during the period.....	1,150,000	--	1,437,500	2,587,500
Shares outstanding, December 31, 1994.....	1,150,000	--	1,437,500	2,587,500
Shares issued during the year.....	--	593,000	1,062,500	1,655,500
Shares outstanding, December 31, 1995.....	1,150,000	593,000	2,500,000	4,243,000
Shares repurchased and canceled in 1996.....	--	(25,600)	(80,000)	(105,600)
Shares outstanding, December 31, 1996.....	1,150,000	567,400	2,420,000	4,137,400
Shares repurchased and canceled in 1997.....	--	(44,400)	(60,150)	(104,550)
Shares outstanding, December 31, 1997.....	1,150,000	523,000	2,359,850	4,032,850
Shares subject to repurchase, December 31, 1997.....	--	165,640	369,360	535,000

The 1,437,500 shares purchased under the performance stock purchase agreements for the period from inception (October 17, 1994) through December 31, 1994, were subject to a repurchase option of the Company at \$.005 per share, exercisable upon termination of employment with the Company. These shares were originally scheduled to be released from the repurchase option not later than November 30, 2001. Upon completion of the IPO, these shares were no longer subject to the repurchase option.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Employee Stock Purchase Plan

The Company reserved 1,655,500 shares of Common Stock for sale to certain employees pursuant to the Employee Stock Purchase Plan (the "Plan"). During the year ended December 31, 1995, the Company sold 1,655,500 shares of Common Stock under the Plan for \$1,378,000 (ranging from \$.22 to \$4.25 per share), consisting of \$402,000 cash and \$976,000 in full recourse promissory notes. Of the shares sold, 593,000 shares were sold under restricted stock agreements ("Restricted Stock") and 1,062,500 shares were sold under performance stock agreements.

Restricted Stock. The Restricted Stock shares are subject to certain conditions and restrictions as prescribed by the Restricted Stock agreements. The Company has the option to repurchase the shares upon termination of employment, for the greater of the original purchase price or book value, as defined, depending upon the termination circumstances. These shares were originally scheduled to be released from the repurchase option not later than November 30, 2001. Upon completion of the IPO, 160,000 shares owned by certain executive officers were no longer subject to the repurchase option. In addition, the repurchase option for the remaining number of shares decreased to 20 percent annually over a five- year period, commencing on the later of an employee's hire date or November 30, 1994. During 1996 and 1997, the Company repurchased 25,600 unvested shares and 44,400 unvested shares, respectively, from terminated employees.

Performance Stock. The shares sold under performance stock agreements are subject to certain conditions and restrictions as prescribed by the agreements. The Company has the option to repurchase the shares for the original purchase price upon termination of employment. These shares were originally scheduled to be released from the repurchase option not later than November 30, 2001. Upon completion of the IPO, the repurchase option for these shares decreased to 20 percent annually over a five-year period, commencing on the later of an employee's hire date or November 30, 1994. During 1996 and 1997, the Company repurchased 80,000 unvested shares and 60,150 unvested shares, respectively, from terminated employees.

Certain Company employees financed a portion of their Common Stock purchases under the Plan with full recourse promissory notes. The notes accrue interest at seven percent annually and have terms of approximately five years. As of December 31, 1996 and 1997, the outstanding balance of the promissory notes is approximately \$861,000 and \$685,000, respectively, and is reflected as a component of stockholders' equity.

Stock-Based Employee Compensation Expense

The structure of the performance stock agreements required "variable" accounting for the related shares until the performance conditions were removed on October 19, 1995, thereby establishing a measurement date. At that date, the Company recognized total deferred compensation of \$5.8 million which represents the difference between the price paid by the employees and the estimated fair value of the stock at October 19, 1995. The fair value of the stock was estimated by the Company to be \$2.75 per share at that date. 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. Upon completion of the IPO, 1,437,500 of performance stock shares owned by certain executive officers of the Company were no longer subject to the repurchase option. In addition, the repurchase option for the remaining performance stock shares decreased to 20 percent annually over a five-year period, commencing on the later of an employee's hire date or November 30, 1994. As a result, approximately \$3.2 million of stock-based employee compensation expense was recorded in the month the IPO was completed. Stock-based employee compensation expense for the years ended December 31, 1995, 1996 and 1997, was \$0.8 million, \$3.6 million and \$0.4 million, respectively. Deferred compensation of \$1.2 million and \$0.6 million, respectively, as of December 31, 1996 and 1997, is reflected as a component of stockholders' equity. Amortization of the stock-based deferred compensation subsequent to 1997 will be approximately \$0.3 million per year.

CSG SYSTEMS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

For discussion of outstanding rights to acquire additional Common Stock, see Notes 4 and 12.

12. STOCK-BASED COMPENSATION PLANS

Stock Incentive Plans

During 1995, the Company adopted the Incentive Stock Plan (the "1995 Plan") whereby 257,000 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 stock options are granted at prices set by the Board of Directors or a Committee of the Board (the "Board"), provided the minimum exercise price is no less than the fair market value of the Company's Common Stock at the date of the grant. The term of the outstanding options is 10 years. The 170,400 options outstanding under the 1995 Plan at December 31, 1997, vest annually over 5 years.

During 1996, the Company adopted the 1996 Stock Incentive Plan (the "1996 Plan") whereby 2,400,000 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 4,000,000. As of December 31, 1997, 100,000, 947,150 and 810,560 options outstanding under the 1996 Plan vest annually over 3, 4 and 5 years, respectively.

During 1997, the Company adopted the Stock Option Plan for Non-Employee Directors (the "Director Plan") whereby 100,000 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. Stock options under the Director Plan are granted at prices set by the Board, provided the minimum exercise price is no less than the fair market value of the Company's Common Stock at the date of the grant. The term of the outstanding options is 10 years. The vesting periods of the options are determined under the discretion of the Board. The 48,000 options outstanding under the Director Plan at December 31, 1997, vest annually over 3 years.

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,					
	1995		1996		1997	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, beginning of year.....	--	\$ --	251,750	\$ 1.35	1,434,730	\$ 18.62
Granted.....	251,750	1.35	1,223,380	21.78	1,111,700	23.21
Exercised.....	--	--	(4,800)	1.33	(74,300)	13.59
Forfeited.....	--	--	(35,600)	7.36	(396,020)	20.70
Outstanding, end of year.....	251,750	\$ 1.35	1,434,730	\$ 18.62	2,076,110	\$ 20.86
Options exercisable at year-end.....	--		42,150		265,076	
Weighted average fair value of options granted during the year.....	\$.30		\$ 9.77		\$ 9.20	
Options available for grant.....	5,250		1,211,545		2,195,865	

CSG SYSTEMS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

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

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
\$ 1.25-\$ 3.75.....	170,400	7.65	\$ 1.37	58,350	\$ 1.40
\$15.00-\$22.125.....	1,254,450	8.83	18.17	111,500	17.33
\$23.50-\$29.875.....	514,760	8.81	29.17	95,226	29.27
\$33.56-\$46.75.....	136,500	9.82	38.62	--	--
\$ 1.25-\$46.75.....	2,076,110	8.79	\$ 20.86	265,076	\$ 18.11

In January 1998, the Company granted 489,300 options at a weighted average price per share of \$42.22 under the 1996 Plan, with 468,000 shares and 21,300 shares vesting over four and two years, respectively. These options are not reflected in the above tables as they were granted subsequent to December 31, 1997.

1996 Employee Stock Purchase Plan

During 1996, the Company adopted the 1996 Employee Stock Purchase Plan whereby 250,000 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 1996 and 1997, respectively, 5,753 shares and 19,659 shares have been purchased under the plan for \$83,000 (\$13.07 to \$17.21 per share) and \$439,000 (\$14.34 to \$34.00 per share).

Stock-Based Compensation Plans

At December 31, 1997, 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 1995, 1996 or 1997, except for \$89,000 recognized in 1996 for 5,925 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 loss and net loss per share attributable to common stockholders for 1995, 1996 and 1997 would approximate the pro forma amounts as follows (in thousands, except per share amounts):

	YEAR ENDED DECEMBER 31,		
	1995	1996	1997
Net loss:			
As reported.....	\$(22,766)	\$(4,350)	\$(102,871)
Pro forma.....	(22,770)	(5,263)	(104,776)
Net loss per common share (basic and diluted):			
As reported.....	(6.60)	(.20)	(4.03)
Pro forma.....	(6.60)	(.24)	(4.11)

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 1995, 1996 and 1997, respectively: risk-free interest rates of 6.3 percent, 6.1 percent and 6.3 percent; dividend yield of zero percent for

CSG SYSTEMS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

all years; expected lives of 4.0, 5.0, and 3.9 years; and volatility of zero percent, 40.0 percent, and 40.0 percent. 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 1995, 1996 and 1997, and additional awards in future years are anticipated.

13. UNAUDITED QUARTERLY FINANCIAL DATA (IN THOUSANDS, EXCEPT PER SHARE DATA):

	QUARTER ENDED			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
1996:				
Total revenues.....	\$26,757	\$30,431	\$35,320	\$ 39,789
Gross margin.....	10,153	12,288	15,722	19,889
Operating income (loss)(1)(2).....	(4,992)	(82)	1,541	4,381
Income (loss) attributable to common stockholders.....	(7,117)	(696)	948	3,775
Extraordinary item(1).....	(1,260)	--	--	--
Net income (loss) attributable to common stockholders.....	(8,377)	(696)	948	3,775
Net income (loss) per share (basic and diluted):				
Income (loss) attributable to common stockholders.....	(.65)	(.03)	.04	.15
Extraordinary item.....	(.11)	--	--	--
Net income (loss) attributable to common stockholders.....	(.76)	(.03)	.04	.15
1997:				
Total revenues.....	\$38,582	\$41,030	\$43,278	\$ 48,914
Gross margin.....	16,094	18,862	21,235	25,631
Operating income (loss)(4).....	1,327	2,117	3,740	(113,719)
Income (loss) attributable to common stockholders.....	1,164	1,731	3,113	(116,224)
Extraordinary item(3).....	--	--	(577)	--
Discontinued operations(3).....	--	--	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.....	.05	.07	.12	(4.56)
Extraordinary item.....	--	--	(.02)	--
Discontinued operations.....	--	--	.30	--
Net income (loss) attributable to common stockholders.....	.05	.07	.40	(4.56)

(1) The first quarter of 1996 includes a \$3.2 million non-recurring charge, or \$0.29 per share, to record stock-based compensation expense for certain employees vesting in their performance stock purchase agreements effective with the closing of the IPO (Note 11). In addition, the first quarter of 1996 includes a \$1.3 million extraordinary charge for early extinguishment of debt (Note 6).

(2) During the fourth quarter of 1996, the Company recorded a reduction in operating expenses of approximately \$1.4 million, or \$0.05 per share, related to favorable pricing adjustments for processing services previously recorded as expense ratably over the first three quarters of 1996.

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

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

(a) The Company recorded a \$105.5 million charge, or \$4.14 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 \$0.46 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 \$0.18 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 23.

(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

Form 8-K dated October 6, 1997, as amended by Form 8-K(A) filed on December 5, 1997, under Item 2, Acquisition or Disposition of Assets, was filed with the Securities and Exchange Commission reporting (i) the execution of a 15-year processing contract with a Tele-Communications, Inc. (TCI) affiliate and (ii) the acquisition of certain SUMMITrak assets from TCI affiliates. The pro forma financial information included in the Form 8-K(A) was as follows:

Pro forma condensed consolidated balance sheet as of September 30, 1997

Pro forma condensed consolidated statements of operations for the year and nine months ended December 31, 1996, and September 30, 1997, respectively.

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.

By: /s/ Neal C. Hansen

Neal C. Hansen
Chief Executive Officer
(Principal Executive Officer)

Date: March 17, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in capacities and on the dates indicated.

/s/ Neal C. Hansen ----- Neal C. Hansen	Chairman of the Board of Directors and Chief	March 17, 1998
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Executive Officer (Principal Executive Officer)

/s/ John P. Pogge ----- John P. Pogge	President, Chief Operating Officer and Director	March 17, 1998
/s/ Greg A. Parker ----- Greg A. Parker	Vice President and Chief Financial Officer (Principal Financial Officer)	March 17, 1998
/s/ Randy R. Wiese ----- Randy R. Wiese	Controller (Principal Accounting Officer)	March 17, 1998
/s/ George F. Haddix ----- George F. Haddix	Director	March 17, 1998
/s/ Royce J. Holland ----- Royce J. Holland	Director	March 17, 1998
/s/ Janice Obuchowski ----- Janice Obuchowski	Director	March 17, 1998
/s/ Bernard W. Reznicek ----- Bernard W. Reznicek	Director	March 17, 1998
/s/ Rockwell A. Schnabel ----- Rockwell A. Schnabel	Director	March 17, 1998
/s/ Frank V. Sica ----- Frank V. Sica	Director	March 17, 1998

**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 26, 1998. 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 26, 1998

CSG SYSTEMS INTERNATIONAL, INC.

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

	FOR THE YEAR ENDED DECEMBER 31,		
	1995	1996	1997
	----	----	----
	(IN THOUSANDS)		
Balance, beginning of period.....	\$457	\$521	\$819
Acquisition of businesses.....	-	101	-
Additions charged to expense.....	310	319	875
Reductions.....	(246)	(122)	(300)
	----	----	----
Balance, end of period.....	\$521	\$819	\$1,394
	====	====	====

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 Bytel 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
2.20(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

EXHIBIT NUMBER -----	DESCRIPTION -----
2.25	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
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
10.05(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	Separation Agreement and Releases with George F. Haddix
10.13	Independent Consulting Agreement with George F. Haddix, dated December 23, 1997
10.14(1)	Employment Agreement with Neal C. Hansen
10.15	Indemnification Agreements between CSG Systems International, Inc. and certain directors
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)

EXHIBIT NUMBER -----	DESCRIPTION -----
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
	(10.41-10.43 intentionally omitted)
10.44(4)	CSG Systems International, Inc. Stock Option Plan for Non-Employee Directors
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.

* 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 2.25
FIRST AMENDMENT TO LOAN AGREEMENT

THIS FIRST AMENDMENT TO LOAN AGREEMENT, dated as of November 21, 1997 ("Amendment"), is entered into 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 party to the Loan Agreement (as defined below), and 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 Loan Agreement dated as of September 18, 1997 (the "Loan Agreement"), 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 other Loan Documents.

B. The parties desire to amend the Loan Agreement as set forth below, and the Lenders are willing to so amend the Loan Agreement, but only on the terms, subject to the conditions and in reliance on the representations and warranties of the Borrowers set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals and intending to be legally bound, the parties hereto represent, warrant and agree as follows:

1. DEFINITIONS. Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Loan Agreement.
2. CLOSING DATE. The Borrowers, the Lenders and the Agent each agree that the Closing occurred on September 19, 1997, which date for purposes of the Loan Agreement and the other Loan Documents, shall be deemed to be the Closing Date.
3. AMENDMENTS TO THE LOAN AGREEMENT.
 - 1 The definition of "Business Day" set forth in Section 1.1 is amended by deleting the word "means" from the final line thereof and inserting the words "also include" in its place.
 - 2 The definition of "Eligible Assignee" set forth in Section 1.1 is amended by inserting the parenthetical "(provided that if an Event of Default shall have occurred and be

continuing the consent of the Borrowers shall not be required)" in the penultimate line following the words "not to be unreasonably withheld".

3 A definition of "Total Indebtedness" is added to Section 1.1 to read as follows:

"Total Indebtedness" means, as calculated on a consolidated basis for Holdings and its Subsidiaries as of any date of determination, the total Indebtedness of Holdings and its Subsidiaries.

4 Section 2.12 is amended by inserting the words "unless otherwise provided herein" in the third line thereof following the words "which is not a business day,".

5 Section 3.2(c) is amended by deleting the words "Lender is" from the first line thereof and inserting in their place the words "Borrowers are".

6 Section 7.1(e) is amended by deleting the words "each month" from the second line thereof and inserting in their place the words "such Fiscal Quarter".

7 Section 9.1 is amended by deleting the word "Consolidated" from the second line thereof.

8 Section 11.3 is amended by inserting the word "Unless and except to the extent expressly provided in this Agreement," at the beginning of the final sentence thereof and changing the word "No" that appears following such clause to lower case.

9 Section 11.4(b) is amended by inserting the words "as to any Borrowing" in the second line thereof following the words "specified in ARTICLE IV" and by deleting the word "initial" in the ninth line thereof and inserting the word "such" in its place.

4. LIMITATIONS ON AMENDMENTS.

(a) Each of the amendments set forth in SECTIONS 2 and 3, above, is effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (i) be a consent to any other amendment, waiver or modification of any other term or condition of any Loan Document, or
(ii) otherwise prejudice any right or remedy which the Lenders or the Agent may now have or may have in the future under or in connection with any Loan Document.

(b) 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.

5. REPRESENTATIONS AND WARRANTIES. In order to induce the Lenders and the Agent 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) After giving effect to this Amendment, (i) the representations and warranties contained in the Loan Documents (other than those which expressly speak as of a different date) are true, accurate and complete in all material respects as of the date hereof and (ii) no Default or Event of Default has occurred and is continuing;

(b) Each Borrower has the corporate power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Documents to which it is a party;

(c) The certificate of incorporation and bylaws of each Borrower delivered to the Lenders on the Closing Date have not been amended, modified, supplemented or restated and continue to be in full force and effect;

(d) The execution and delivery by each Borrower of this Amendment and the performance by each Borrower of its obligations under the Loan Agreement and each of the other Loan Documents to which it is a party have been duly authorized by all necessary corporate action on the part of such Borrower;

(e) The execution and delivery by each Borrower of this Amendment and the performance by each Borrower of its obligations under the Loan Documents to which it is a party will not contravene any provision of either of the Borrowers' Organizational Documents and will not (i) to the best of the Borrowers' knowledge, after Due Inquiry, contravene, conflict with or violate any Requirement of Law, (ii) contravene, conflict or violate any applicable order, writ, judgment, injunction, decree, determination or award of any Governmental Authority or (iii) violate or result in the breach of, or constitute a default under any loan or credit agreement, indenture or other document (which documents are, in the aggregate, material) to which either of the Borrowers is a party or by which either of the Borrowers or their respective Property and assets may be bound or affected.

(f) The execution and delivery by each Borrower of this Amendment and the performance by each Borrower of its obligations under each of the Loan Documents to which it is a party do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on such Borrower, except as already has been obtained or made; and

(g) This Amendment has been duly executed and delivered by each Borrower and is the binding obligation of each Borrower, enforceable against it 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.

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

7. EFFECTIVENESS. This Amendment shall be deemed to be effective as of November 21, 1997 upon the execution and delivery to the Agent of a copy of this Amendment by each Borrower and by Banque Paribas as the sole Lender as of such date.

8. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

9. COUNTERPARTS. This Amendment may be signed in any number of counterparts, and by different parties hereto in separate counterparts, with the same effect as if the signatures to each such counterpart were upon a single instrument. All counterparts shall be deemed an original of this Amendment.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first written above.

THE BORROWERS

CSG SYSTEMS, INC.

By: /s/ Greg A. Parker

Printed Name: Greg A. Parker

Title: Vice President & Chief Financial Officer

CSG SYSTEMS INTERNATIONAL, INC.

By: /s/ Greg A. Parker

Printed Name: Greg A. Parker

Title: Vice President & Chief Financial Officer

THE LENDERS

BANQUE PARIBAS

By: /s/ Lee S. Buckner

Printed Name: Lee S. Buckner

Title: Managing Director

By: /s/ Robert N. Pinkerton

Printed Name: Robert N. Pinkerton

Title: Director

THE AGENT

BANQUE PARIBAS, as Agent

By: /s/ Lee S. Buckner

Printed Name: Lee S. Buckner

Title: Managing Director

By: /s/ Robert N. Pinkerton

Printed Name: Robert N. Pinkerton

Title: Director

EXHIBIT 10.12
John P. Pogge
President &
Chief Operating Officer

March 13, 1998

Mr. George F. Haddix
7411 Madison Street
Ralston, NE 68127

Re: Separation Agreement and Releases

Dear Mr. Haddix:

This is to confirm our understanding about the termination of your employment with CSG Systems, Inc. (the "Company"). This letter (hereafter referred to as this "Agreement") outlines the benefits you will receive, and the legal rights you will waive, upon execution of this Agreement, and will constitute a binding contract when executed. You are encouraged to consult an attorney, and to review this Agreement carefully.

1. DEPARTURE FROM EMPLOYMENT; FINAL PAY AND BENEFITS. Effective on December 31, 1997, you will cease performing your responsibilities for the Company as President and Chief Technology Officer and will relinquish all titles and authorities you may have with respect to the Company. You will no longer be authorized to incur any expenses, obligations or liabilities on behalf of the Company, and will return all Company property within your possession, including customer lists, information, forms, formulas, plans, documents and other written and computer materials, and copies of the same, belonging to the Company or any of its customers. You will receive on December 26, 1997, a payroll check for your salary through your last day of work, plus payment for your accrued but unused vacation hours, if not already received.

The Company will withhold from these amounts the standard state and federal income taxes and payroll taxes, and all other deductions authorized by law or by you. You will also receive separate notices describing your right to continue insurance coverage under COBRA, as applicable.

2. SEPARATION BENEFITS. In consideration for the promises, waivers and releases made by you in this Agreement (each of which constitutes essential consideration for the benefits you receive), you will receive separation benefits as described below. By signing this Agreement, you agree that (i) these benefits are in addition to the pay and benefits to which you would otherwise be entitled, which are described in paragraph 1 above, and (ii) you are not entitled to receive, and the

CSG SYSTEMS, INC.

Mr. George F. Haddix
March 13, 1998

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Company is not obligated to pay you, any salary, bonus, commission or other compensation or benefits except as expressly described in this Agreement. All payments to you will be subject to standard withholding for state and federal income taxes and payroll taxes, and other deductions authorized by law or by you. The separation benefits you will receive are as follows:

a) Cash Bonus. You will receive the gross sum of \$150,000.00 which sum represents your 1997 salary bonus.

b) Vesting of Options. 9,800 Incentive Stock Options, which were granted to you on February 22, 1996, will fully vest as of December 30, 1997.

3. YOUR RELEASE OF THE COMPANY. In consideration for the benefits to you under this Agreement, you hereby fully and forever release and discharge CSG Systems, Inc., any parent, subsidiary, affiliate or related corporations, and all of their respective officers, directors, shareholders, employees, agents, predecessors, successors and assigns (collectively, "Releasees") from and against any and all claims, causes of action, liabilities or demands of any kind whatsoever, whether presently known or unknown, asserted or unasserted, that you may now have or in the future have against Releasees which arose on or before the date that you sign this Agreement, and which arise out of or relate to your employment with, or separation from employment with, the Company. These claims include, but are not limited to, all claims of discrimination on the basis of race, color, religion, sex, age, national origin, disability, or any other improper factor; breach of contract; impairment of economic opportunity; interference with contractual or employment relations; infliction of emotional distress; fraud; misrepresentation; defamation; or invasion of privacy, and specifically including but not limited to claims under the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Family and Medical Leave Act, 42 U.S.C. (S)(S) 1981, Title VII of the Civil Rights Act of 1964, and any other federal or state constitution, statute, ordinance or regulation, or common law. This release includes all claims for compensatory, punitive and liquidated damages, attorney fees and costs, is intended to fully and forever eliminate all employment-related claims you may have against Releasees or any of them, and shall be broadly interpreted to achieve that goal. This release is not intended to waive any rights or claims of yours that may arise after the date you sign this Agreement, or that arise under this Agreement itself.

4. CONFIDENTIAL INFORMATION. During your employment with the Company you had access to the Company's confidential and proprietary information and trade secrets, as well as those of the Company's parent, affiliates, subsidiaries and related corporations (collectively hereafter "the Company"). This includes information and data concerning research, development, strategic planning, trade secrets, customer accounts, customer lists and preferences (including preferred/best customer lists), marketing activities and procedures, pricing policies and practices, salaries,

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HERETO ONLY AND IS NOT FOR GENERAL DISTRIBUTION WITHIN OR OUTSIDE**

THEIR RESPECTIVE COMPANIES

Mr. George F. Haddix
March 13, 1998

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accounting practices and procedures, financial data, arrangements and practices, pro formas, sales methods, personnel files, data processing and other record keeping systems, software, and other information relating to the operations of the Company. As further and essential consideration for the benefits to you under this Agreement, you agree that you will not disclose or impart to any other person, directly or indirectly, any of this information, nor will you remove any of this information from the Company's premises; you will immediately return to the Company any confidential information that you may have in your possession, including any copies, regardless of the form or media of such information; and you will not retain any copies of such information and will not assist another in the use, disclosure or copying of such confidential information. In the event that you violate any of the terms of this paragraph, the Company may withhold and/or recover any of the severance benefits paid or agreed to be paid to you pursuant to paragraph 2, without waiving its right to pursue any other legal or equitable remedies, and your entitlement to such benefits shall cease and be forfeited.

5. RESTRICTIVE COVENANTS. As further and essential consideration for the benefits to you under this Agreement, you agree that for a period of eighteen (18) months following your execution of this Agreement, you will not, for any reason whatsoever, directly or indirectly, whether as an employee, agent, consultant, independent contractor, owner, partner or otherwise, alone or in association with others:

- a) solicit, contract with, be employed by or otherwise serve any customer or prospective customer of the Company with whom you actually did business and had personal contact during the last thirty-six (36) months of your employment with the Company, for the purpose of obtaining or serving the business of such customer;
- b) advise or recommend to any other person that such person solicit, contract with, be employed by or otherwise serve any customer or prospective customer of the Company with whom you actually did business and had personal contact during the last thirty-six (36) months of your employment with the Company, for the purpose of obtaining or serving the business of such customer;
- c) utilize confidential information as described in paragraph 4, while working for yourself or a competitor of the Company in competition with the Company in the business of cable billing or other services provided by the Company; or
- d) employ, solicit for employment, or advise or recommend to any other person that such person employ or solicit for employment, any person employed by the Company.

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THEIR RESPECTIVE COMPANIES

Mr. George F. Haddix
March 13, 1998

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You agree that the Company's area of business is international, and that it is reasonable to restrict your competition as described above in order to protect the Company's legitimate business needs. In the event that you violate any of the terms of this paragraph, the Company may withhold and/or recover any of the severance benefits paid or agreed to be paid to you pursuant to paragraph 2, without waiving its right to pursue any other legal or equitable remedies, and your entitlement to such benefits shall cease and be forfeited. The restrictions contained herein are in addition to those restrictions contained within any separate nondisclosure, trade secrets or non-solicitation agreements which you have signed. You agree that the provisions of any such agreements shall remain in full force and effect, and are not merged into this document.

6. **VALIDITY AND SEVERABILITY.** Both you and the Company agree that we will not seek to defeat, or seek to have declared invalid, any provision of this Agreement. In the event that any part of the covenants set forth in paragraph 5 shall be held to be invalid or unenforceable, the remaining parts thereof shall nevertheless continue to be valid and enforceable as though the invalid and unenforceable part had not been included herein. If any provision of such covenants shall be declared by a court of competent jurisdiction to exceed the maximum provisions which the court deems reasonable and enforceable, such provisions shall be deemed to be reformed to that which such court deems reasonable and enforceable. If the court determines that no parts of the covenants are enforceable, then you shall immediately repay to the Company all of the payments you received pursuant to paragraph 2 of this Agreement, and the Company's obligation to make any further payments to you pursuant to such paragraph shall cease.

In the event that any benefits are forfeited or must be repaid under this Agreement, no interest shall be due on such amounts prior to demand, and the temporary use of such funds shall be deemed to be adequate consideration for all of your remaining obligations under this Agreement, including your waivers and releases.

If a court finds that any provision of this Agreement is unenforceable, that provision will be severed and the balance of the Agreement will be enforceable; except that if paragraphs 3, 4 or 5 are found to be unenforceable, then this entire Agreement may, at the Company's option, be declared to be null and void, in which case you shall immediately return the severance benefits to the Company.

7. **NON-DISCLOSURE.** You agree not to disclose the existence or contents of this Agreement, or the benefits provided to you hereunder, unless required by law. This restriction will not apply to disclosure by you to members of your immediate family or to your legal, tax, or financial advisors, provided that you advise them of this provision, and you agree to use your best efforts to protect against any further disclosure by those persons.

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THEIR RESPECTIVE COMPANIES

Mr. George F. Haddix
March 13, 1998

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8. NO REINSTATEMENT. You agree that by signing this Agreement and accepting the severance benefits, you are giving up any right that you have or may have to reapply for or be reinstated to employment with the Company; that you will not hereafter seek permanent employment by the Company; and that if you do, the Company's refusal to hire you or its termination of such employment shall be conclusively presumed to be based solely on this Agreement.

9. TIME TO CONSIDER AND RIGHT TO REVOKE. You may, at your option, before signing this Agreement, consider it for a period of ten (10) days from the day it is presented to you. During that period you should review and discuss it with your attorney. After you sign this Agreement you will have a period of seven (7) days to revoke it by notifying the Company in writing delivered to the Director of Human Resources, in Omaha, Nebraska. This Agreement will not become effective or enforceable until the seven (7) day revocation period expires, and no payments under paragraph 2 shall be required until such period has expired without revocation.

10. REFERENCES. The Company agrees to provide neutral reference responses to inquiries about you from prospective employers. The response will include a verification of past employment, dates of employment and job titles.

11. NO ADMISSION. Neither the payment of any sum of money nor the execution of this Agreement by the Company shall in any way be construed as an admission of any wrongful or unlawful act whatsoever, and the Company specifically disclaims any liability to you, or wrongful or unlawful act against you.

12. GOVERNING LAW. This Agreement will be interpreted and enforced under the laws of the State of Nebraska.

If this Agreement is acceptable to you, please sign and date the enclosed copy of this Agreement in the space indicated and return it to me.

Sincerely yours,

/s/ John P. Pogge

John P. Pogge

**CONFIDENTIAL AND PROPRIETARY INFORMATION - FOR USE BY AUTHORIZED EMPLOYEES FOR THE PARTIES
HERETO ONLY AND IS NOT FOR GENERAL DISTRIBUTION WITHIN OR OUTSIDE**

THEIR RESPECTIVE COMPANIES

CSG SYSTEMS, INC.

Mr. George F. Haddix
March 13, 1998

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By signing below, I accept this Agreement in its entirety. I acknowledge that I have been encouraged to consult an attorney, have been allowed ten (10) days to consider this Agreement, understand every provision of this Agreement, and execute this Agreement voluntarily and without duress or coercion.

/s/ George F. Haddix

George F. Haddix

Date: December 31, 1997

**CONFIDENTIAL AND PROPRIETARY INFORMATION - FOR USE BY AUTHORIZED EMPLOYEES FOR THE PARTIES
HERETO ONLY AND IS NOT FOR GENERAL DISTRIBUTION WITHIN OR OUTSIDE**

THEIR RESPECTIVE COMPANIES

Exhibit 10.13

INDEPENDENT CONSULTING AGREEMENT

This AGREEMENT dated this 23rd day of December, 1997 and made effective January 1, 1998, is between CSG Systems, Inc., a Delaware corporation with its principal place of business at 7887 East Belleview Avenue, Suite 1000, Englewood, Colorado 80111 (hereinafter referred to as "CSG") and George F. Haddix, whose residence is located at 7411 Madison Street, Ralston, Nebraska 68127 (hereinafter referred to as "Haddix").

WITNESSETH:

WHEREAS, CSG is engaged in the development, marketing and support of computer programs and related systems associated with providing billing systems and services for the communications industry;

WHEREAS, Haddix is engaged in the business of providing certain services to businesses such as that of CSG and customers of CSG;

WHEREAS, Haddix has retired from his position as President and Chief Technology Officer of the Company, and pursuant to his understanding with the Board of Directors of CSG, as more fully described in his Separation Agreement and Releases dated December 31, 1997 ("Separation Agreement"), Haddix has agreed to provide to CSG consultation services at significantly reduced rates in exchange for the consideration contained in the Separation Agreement; and

WHEREAS, Haddix desires to be retained as an advisor and consultant to CSG and CSG desires to retain Haddix on all of the terms and conditions hereof.

NOW, THEREFORE, in consideration of the promises, covenants and agreements hereinafter contained, the parties hereto agree as follows:

1. APPOINTMENT

CSG hereby retains Haddix, and Haddix hereby agrees to serve, as an advisor and consultant to CSG during the term of this Agreement in accordance with its terms.

2. TERM AND TERMINATION

(A) The term of this Agreement shall be that term specified on Schedule A attached hereto, unless sooner terminated as hereinafter provided or unless extended in writing by mutual consent of the parties.

(B) Notwithstanding any other provision hereof:

1) Haddix may terminate this Agreement for cause, immediately upon written notice to CSG, if Haddix shall have determined that: (i) CSG has committed a material breach of any provision of this Agreement; or (ii) there shall have occurred the insolvency, bankruptcy or dissolution of CSG.

2) CSG may terminate this Agreement for cause, immediately upon written notice to Haddix if: (i) Haddix is convicted of, or enters a plea of guilty or no contest to a charge of theft, fraud or embezzlement involving a loss of money or other property of CSG, or of any customer or client of CSG; or (ii) Haddix is convicted of committing a crime involving moral turpitude.

(C) Termination of this Agreement in accordance with any of the provisions of this Section 2 shall be without prejudice to any other remedy to which either party may be entitled either at law, in equity or under this Agreement; provided, however, that CSG's exclusive liability to Haddix shall be the payment of fees earned by Haddix through the effective date of termination.

3. DUTIES OF HADDIX; EXCLUSIVITY

(A) Haddix shall provide such consultation, advisory services and assistance regarding the technical management, operations and administration of CSG, and such other services not inconsistent with the position of an advisor and consultant as directed by an authorized representative of CSG from time to time. Those duties are described generally on Schedule A.

(B) During the term of this Agreement, Haddix shall not provide any consulting or other services to any competitor of CSG.

4. COMPENSATION

For all services provided by Haddix under the terms of this Agreement, CSG shall pay Haddix a consulting fee as specified on Schedule A. Haddix shall invoice CSG monthly, in arrears, for services rendered hereunder.

5. BUSINESS EXPENSES

Haddix shall be reimbursed by CSG for all reasonable expenses incurred by Haddix associated with his performance under this Agreement, including, but not limited to, costs of transportation, meals and lodging. Haddix shall maintain receipts and other documentary evidence which establish the date, place, amount and other character of the

expenditure to be reimbursed by CSG, and shall not, in performing his duties hereunder, make any expenditure which would violate any statute, be against public policy or subject either CSG or Haddix to civil or criminal liability.

6. OWNERSHIP OF WORK PRODUCT

All Work Product created or developed by Haddix during the term of this Agreement is and shall be the exclusive property of CSG, and all title and interest therein shall vest in CSG and shall be deemed to be a work made for hire and made in the course of the services rendered hereunder. To the extent that title to any such Work Product may not, by operation of law, vest in CSG or such Work Product may not be considered works made for hire, all rights, title and interest therein are hereby irrevocably assigned to CSG for the purposes of the United States copyright laws and the laws of any other country in which the work is to be performed. Additionally, to the extent permitted by law, Haddix waives any moral rights he may have in the Work Product. All such materials shall belong exclusively to CSG, with CSG having the right to obtain and to hold in its own name, copyrights, patents, registrations or such other protection as may be appropriate to the subject matter, and any extensions and renewals thereof. During the term of this Agreement and thereafter, Haddix agrees to provide CSG and any person designated by CSG, such assistance as CSG, in its sole discretion, deems necessary to perfect the rights defined in this paragraph. CSG will pay Haddix for such assistance at double the daily rate of compensation that is set forth on Exhibit A attached hereto. "Work Product" includes, but is not limited to, all information, reports, studies, object or source code, flow charts, diagrams and other tangible or intangible material of any nature whatsoever produced as a result of the performance of this Agreement, as well as all copies thereof.

Haddix agrees to sign all papers, take all rightful oaths and perform all acts necessary to make this Agreement effective as to any particular ideas or applications for letters, patents covering same, domestic or foreign, and including any extensions, division or reissues thereof, and Haddix agrees to do all lawful acts to protect CSG's rights and interests and those of any parent or affiliated companies, including the giving of testimony. Haddix will be compensated for time spent fulfilling these obligations at double the rate as for performing his services hereunder.

Unless otherwise requested by CSG, upon the completion of the services to be performed under each Schedule of this Agreement or upon the earlier termination of each such Schedule, Haddix shall immediately turn over to CSG all materials and deliverables developed pursuant to such Schedule.

7. INDEMNIFICATION

If Haddix becomes a party to or other participant in, or is threatened to be made a party to or witness or other participant, in a suit, proceeding or alternative dispute resolution mechanism, whether civil, criminal, administrative, investigative or other (a "Claim") by reason of Haddix's position as an advisor or consultant to CSG or by reason of any action or inaction on the part of Haddix at the request of CSG, CSG shall indemnify Haddix for any expenses (including attorneys' fees) incurred in defending such Claim(s). This Section shall not apply with respect to acts or omissions from which Haddix may not be relieved of liability under applicable law, or any Claim(s) initiated or brought voluntarily by Haddix and not by way of defense.

8. CONFIDENTIALITY

Haddix shall not, upon termination of this Agreement, publish or disclose, without the prior written consent of CSG, any business record, memorandum, paper or document, any correspondence, product specification or code, cost data, customer list, estimate, market survey or any other document containing any information or trade secret relating to CSG's business, or that of its customers, subsidiaries, parents or affiliates.

9. RELATIONSHIP AND TAXES

Each party to this Agreement shall be and act as an independent contractor and not as an agent or partner of, or joint venturer with, the other party for any purpose, and neither party by virtue of this Agreement shall have any right, power or authority to act or create any obligation, expressed or implied, on behalf of the other party. Haddix acknowledges and agrees that, under no circumstances, shall he be considered an employee of CSG within the meaning or application of any national or state unemployment insurance law, old age benefit law, workmen's compensation or industrial accident law, or other industrial or labor law, any tax law, or any CSG employee benefit plan. Haddix shall be solely responsible for the payment of any and all taxes associated with his performance under this Agreement.

10. HADDIX'S REPRESENTATIONS, COVENANTS AND WARRANTIES

Haddix hereby represents, covenants and warrants to CSG that Haddix has full power and authority to enter into this Agreement and to render the services contemplated hereby. Haddix represents, covenants and warrants that his entering into this Agreement and performance hereunder shall not, for any reason whatsoever, constitute a breach by Haddix of any duty owed to a third party, including, but not limited to, a former employer. Haddix further represents, covenants and warrants that he shall not,

throughout the term of this Agreement, utilize any proprietary information not belonging to Haddix which would result in a breach of any such duty.

11. DESIGNATED REPRESENTATIVE

CSG's representative who shall serve as the CSG contact with Haddix is designated on Schedule A. All work produced by Haddix, whether of a tangible or intangible form, shall be submitted to this individual for review and consideration.

12. ENTIRE AGREEMENT

This Agreement and any schedules or agreements referred to or incorporated herein constitutes and expresses the entire agreement and understanding between the parties hereto with respect to all matters herein contained and supersedes all prior agreements between the parties. There is no statement, promise, agreement or obligation in existence which conflicts with the terms of this Agreement or may modify, enlarge or invalidate this Agreement or any provisions hereof.

13. SUCCESSORS AND ASSIGNS

All covenants, stipulations and promises in this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, representatives, successors and permitted assigns. Neither party shall have the right to assign or otherwise transfer any right or obligation under this Agreement except with the written consent of the other party; provided, however, that a successor in interest by merger, operation of law, assignment, purchase or otherwise of the entire business of CSG shall acquire the entire interest of CSG hereunder without Haddix's prior written consent; and further provided that CSG may assign its rights and obligations hereunder or any portion thereof without Haddix's prior written consent to any subsidiary, agent, licensor or other affiliated party of CSG.

14. WAIVERS

No failure on the part of either party to exercise, and no delay in the exercising of, any right or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right or remedy hereunder preclude any other or future exercise thereof or the exercise of any other right or remedy granted hereby or by any related document or by law.

15. AMENDMENTS

This Agreement may not be and shall not be deemed or construed to have been modified, amended, rescinded, canceled or waived in whole or in part, except by written instrument signed by the parties hereto.

16. GOVERNING LAW

This Agreement shall be deemed to be a contract made under the laws of the United States, State of Nebraska and any dispute or controversy which may arise out of or in connection with this Agreement shall be construed in accordance with and governed by the laws of such State, without regard to any conflict of laws rules.

17. CONSTRUCTION

Throughout this Agreement the use of the singular number shall be construed to include the plural; the plural the singular; and the use of any gender shall include all genders whenever required by the context.

18. FURTHER ASSURANCES

Each party will give its full cooperation to the other in achieving and fulfilling the terms of this Agreement, and to that end each party shall give all consents and information and execute all such documents as may be reasonably required to fulfill and achieve these purposes, including such as may be required by governmental laws or regulations.

19. SEVERABILITY

Whenever possible, each provision of this Agreement is to be effective and valid under applicable law. If any provision of this Agreement or any related document shall be prohibited by or deemed invalid or enforceable under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remaining provisions of this Agreement or such related document.

20. NOTICES AND WRITTEN CONSENTS

All notices, requests, demands and written consents given to or made upon the parties hereto shall, except as otherwise specified herein, be in writing and be delivered by hand or by registered mail to the parties at the addresses appearing above.

Any party may, by written notice hereunder to all parties, designate a changed address for such party. Notice shall be considered communicated and consent shall be considered given as of the date it is received.

21. SURVIVING SECTIONS

The following Sections shall survive the termination of this Agreement:
Sections 6, 7 and 8.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

CSG SYSTEMS, INC.

GEORGE F. HADDIX

/s/ Neal C. Hansen

/s/ George F. Haddix

Signature

Signature

Neal C. Hansen

Print Name

Chairman & CEO

Title

SCHEDULE A
TO INDEPENDENT CONSULTING AGREEMENT
BETWEEN GEORGE F. HADDIX AND CSG SYSTEMS, INC.
DATED

SECTION 2: TERM OF AGREEMENT. This Agreement shall commence on the date of its execution and shall terminate on its second anniversary, unless terminated sooner in accordance with the terms of this Agreement.

SECTION 3: DUTIES OF HADDIX.: The Scope of Work and Statement of Work to be provided by Haddix under the Agreement shall consist of the following:

Haddix shall be chiefly responsible for advising CSG's CFO, COO, CEO and General Counsel in the technical management and administration of the Company. Special Projects shall be assigned from time to time by any and all of these individuals.

The parties agree that additional Schedules may be added to this Agreement from time to time upon the mutual written consent of the parties, which supplement or amend this initial statement describing the duties of Haddix.

SECTION 4: COMPENSATION. Haddix shall be paid a consulting fee at a rate of \$3,000 per calendar year quarter on a retainer basis, inclusive of all costs, expenses and taxes, for the provision of services provided hereunder. For this quarterly consulting fee, Haddix will be expected to work three (3) days per calendar quarter. CSG may not require Haddix to work additional days, but shall compensate Haddix at a daily rate of \$1,000 for each day worked (based on an 8 hour work day) in excess thereof. Haddix will be entitled to receive a pro-rated amount of such daily rate for any partial days worked in excess of one (1) day per month. Haddix and CSG agree and understand that the compensation paid hereunder is significantly less than the market rate Haddix may demand in the open marketplace. The parties agree that this reduced rate is in partial consideration of the benefits granted to Haddix pursuant to the Separation Agreement, which agreement is hereby incorporated into this Agreement by reference, and which benefits include, but are not limited to, the vesting of 9,800 Incentive Stock Options on December 30, 1997. Regardless of the actual amount of work expected of or performed by Haddix during the term of this Agreement, the restriction on Haddix providing consulting services to any competitor of CSG as set forth in Section 3(B) of this Agreement shall remain in full force and effect throughout the term hereof.

SECTION 11: DESIGNATED REPRESENTATIVE. The CSG Designated Representative for purposes of this Agreement, whom shall be responsible for review Haddix's Work

Product, as well as approving all reimbursable expenses, shall be Neal Hansen.

EXHIBIT 10.15

CSG SYSTEMS INTERNATIONAL, INC.

INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is made and entered into as of the 28th day of January, 1997, by and between CSG SYSTEMS INTERNATIONAL, INC., a Delaware corporation, and its wholly-owned subsidiary, CSG SYSTEMS, INC. (such two corporations being collectively referred to herein as the "Company") and ROYCE J. HOLLAND ("Indemnitee").

RECITALS:

- A. The Company and Indemnitee recognize the continued difficulty in obtaining liability insurance for its directors, officers, employees, agents, and fiduciaries, the significant increases in the cost of such insurance and the general reductions in the coverage of such insurance.
- B. The Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting directors, officers, employees, agents, and fiduciaries to extensive litigation risks at the same time as the availability and coverage of liability insurance has been severely reduced.
- C. Indemnitee does not regard the current protection available as adequate under the present circumstances, and Indemnitee and other directors, officers, employees, agents, and fiduciaries of the Company may not be willing to continue to serve in such capacities without additional protection.
- D. The Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve the Company and, in part, in order to induce Indemnitee to continue to provide services to the Company, wishes to provide for the indemnification and advancing of expenses to Indemnitee to the maximum extent permitted by law.
- E. In view of the considerations set forth above, the Company desires that Indemnitee be indemnified by the Company as set forth herein.

NOW, THEREFORE, the Company and Indemnitee hereby agree as follows:

1. Indemnification.

(a) Indemnification of Expenses. The Company shall indemnify Indemnitee to the fullest extent permitted by law if Indemnitee was or is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, any threatened, pending, or completed action, suit, proceeding, or alternative dispute resolution mechanism, or any hearing, inquiry, or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit, proceeding, or alternative dispute resolution mechanism, whether civil, criminal, administrative, investigative, or other (hereinafter a "Claim") by reason of (or arising in part out of) any event or occurrence related to the fact that Indemnitee is

or was a director, officer, employee, agent, or fiduciary of the Company, or any subsidiary of the Company, or is or was serving at the request of the Company as a director, officer, employee, agent, or fiduciary of another corporation, partnership, joint venture, trust, or other enterprise, or by reason of any action or inaction on the part of Indemnitee while serving in such capacity (hereinafter as "Indemnifiable Event") against any and all expenses (including attorneys' fees and all other costs, expenses, and obligations incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in, or participate in, any such action, suit, proceeding, alternative dispute resolution mechanism, hearing, inquiry, or investigation), judgments, fines, penalties and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) of such Claim and any federal, state, local, or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement (collectively, hereinafter "Expenses"), including all interest, assessments, and other charges paid or payable in connection with or in respect of such Expenses. Such payment of Expenses shall be made by the Company as soon as practicable but in any event no later than five days after written demand by Indemnitee therefor is presented to the Company.

(b) Reviewing Party. Notwithstanding the foregoing, (i) the obligations of the Company under Section 1(a) shall be subject to the condition that the Reviewing Party (as described in Section 10(e) hereof) shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 1(c) hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an advance payment of Expenses to Indemnitee pursuant to Section 2(a) (an "Expense Advance") shall be subject to the condition that, if, when, and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). Indemnitee's obligation to reimburse the Company for any Expense Advance shall be unsecured, and no interest shall be charged thereon. If there has not been a Change in Control (as defined in Section 10(c) hereof), then the Reviewing Party shall be selected by the Board of Directors; and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), then the Reviewing Party shall be the Independent Legal Counsel referred to in Section 1(c) hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, then Indemnitee shall have the right to commence litigation seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the

Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

(c) Change in Control. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then, with respect to all matters thereafter arising concerning the rights of Indemnitee to payments of Expenses and Expense Advances under this Agreement or any other agreement under the Company's Certificate of Incorporation or Bylaws as now or hereafter in effect, Independent Legal Counsel (as defined in Section 10(d) hereof) shall be selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent Indemnitee would be permitted to be indemnified under applicable law, and the Company agrees to abide by such opinion. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all expenses (including attorneys' fees), claims, liabilities, and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(d) Mandatory Payment of Expenses. Notwithstanding any other provision of this Agreement other than Section 9 hereof, to the extent that Indemnitee has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in defense of any action, suit, proceeding, inquiry, or investigation referred to in Section 1(a) hereof or in the defense of any claim, issue, or matter therein, Indemnitee shall be indemnified against all Expenses incurred by Indemnitee in connection therewith.

2. Expenses; Indemnification Procedure.

(a) Advancement of Expenses. The Company shall advance all Expenses incurred by Indemnitee. The advances to be made hereunder shall be paid by the Company to Indemnitee as soon as practicable but in any event no later than five days after written demand by Indemnitee therefor to the Company.

(b) Notice/Cooperation by Indemnitee. Indemnitee shall, as a condition precedent to Indemnitee's right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any Claim made against Indemnitee for which Indemnification will or could be sought under this Agreement. Notice to the Company shall be directed to the Chief Executive Officer of the Company at the address shown on the signature page of this Agreement (or such other address as the Company shall designate in writing to Indemnitee). In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

(c) No Presumptions; Burden of Proof. For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval), or conviction, or upon a plea of nolo

_____ contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither

the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law, shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

(d) Notice to Insurers. If, at the time of the receipt by the Company of a notice of a Claim pursuant to Section 2(b) hereof, the Company has liability insurance in effect which may cover such Claim, the Company shall give prompt notice of the commencement of such Claim to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such action, suit, proceeding, inquiry, or investigation in accordance with the terms of such policies.

(e) Selection of Counsel. In the event the Company shall be obligated hereunder to pay the Expenses of any Claim, the Company, if appropriate, shall be entitled to assume the defense of such Claim with counsel approved by Indemnitee, upon the delivery to Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Claim; provided that, (i) Indemnitee shall have the right to employ Indemnitee's counsel in any such Claim at Indemnitee's expense and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense, or (C) the Company shall not continue to retain such counsel to defend such Claim, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

3. Additional Indemnification Rights; Nonexclusivity.

(a) Scope. The Company hereby agrees to indemnify Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Company's Certificate of Incorporation, the Company's Bylaws, or by statute. In the event of any change after the date of this Agreement in any applicable law, statute, or rule which expands the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent, or fiduciary, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of any change in any applicable law, statute, or rule which narrows the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent, or fiduciary, such change, to the extent not otherwise required by such law, statute, or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder except as set forth in Section 8(a) hereof.

(b) Nonexclusivity. The indemnification provided by this Agreement shall be in addition to any rights to which Indemnitee may be entitled under the Company's Certificate of Incorporation, its Bylaws, any agreement, any vote of stockholders or disinterested directors, the General Corporation Law of the State of Delaware, or otherwise. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken by Indemnitee while serving in an indemnified capacity even though Indemnitee may have ceased to serve in such capacity.

4. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, Certificate of Incorporation, Bylaw, or otherwise) of the amounts otherwise indemnifiable hereunder.

5. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses incurred in connection with any Claim, but not, however, for all of the total amount thereof, then the Company nevertheless shall indemnify Indemnitee for the portion of such Expenses to which Indemnitee is entitled.

6. Mutual Acknowledgment. Both the Company and Indemnitee acknowledge that in certain instances Federal law or applicable public policy may prohibit the Company from indemnifying its directors, officers, employees, agents, or fiduciaries under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

7. Liability Insurance. To the extent the Company maintains liability insurance applicable to directors, officers, employees, agents, or fiduciaries, Indemnitee shall be covered by such policies in such a manner as to provide Indemnitee the same rights and benefits as are

accorded to the most favorably insured of the Company's directors, if Indemnitee is a director; or of the Company's officers, if Indemnitee is not a director of the Company but is an officer; or of the Company's key employees, agents, or fiduciaries, if Indemnitee is not an officer or director but is a key employee, agent, or fiduciary.

8. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Excluded Action or Omissions. To indemnify Indemnitee for acts, omissions, or transactions from which Indemnitee may not be relieved of liability under applicable law;

(b) Claims Initiated by Indemnitee. To indemnify or advance expenses to Indemnitee with respect to Claims initiated or brought voluntarily by Indemnitee and not by way of defense, except (i) with respect to actions or proceedings brought to establish or enforce a right to indemnification under this Agreement or any other agreement or insurance policy or under the Company's Certificate of Incorporation or Bylaws now or hereafter in effect relating to Claims for Indemnifiable Events, (ii) in specific cases if the Board of Directors has approved the initiation or bringing of such Claim, or (iii) as otherwise required under Section 145 of the Delaware General Corporation Law, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment, or insurance recovery, as the case may be;

(c) Lack of Good Faith. To indemnify Indemnitee for any expenses incurred by Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such proceeding was not made in good faith or was frivolous; or

(d) Claims Under Section 16(b). To indemnify Indemnitee for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute.

9. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's estate, spouse, heirs, executors, or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

10. Construction of Certain Phrases.

(a) For purposes of this Agreement, references to the "Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, agents, or

fiduciaries, so that if Indemnitee is or was a director, officer, employee, agent, or fiduciary of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee, agent, or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust, or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have stood with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee, agent, or fiduciary of the Company which imposes duties on, or involves services by, such director, officer, employee, agent, or fiduciary with respect to an employee benefit plan, its participants or its beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interests of the participants and beneficiaries of an employee benefit plan, then Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(c) For purposes of this Agreement a "Change in Control" shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, (A) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 10% or more of the combined voting power of the Company's then outstanding Voting Securities increases his beneficial ownership of such securities by 5% or more over the percentage so owned by such person, or (B) becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing more than 20% of the total voting power represented by the Company's then outstanding Voting Securities, (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company (in one transaction or a series of transactions) of all or substantially all of the Company's assets.

(d) For purposes of this Agreement, "Independent Legal Counsel" shall mean an attorney or firm of attorneys, selected in accordance with the provisions of Section 1 (c) hereof, who

shall not have otherwise performed services for the Company or Indemnitee within the last three years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(e) For purposes of this Agreement, a "Reviewing Party" shall mean any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Board of Directors who is not a party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

(f) For purposes of this Agreement, "Voting Securities" shall mean any securities of the Company that vote generally in the election of directors.

11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

12. Binding Effect; Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation, or otherwise to all or substantially all of the business and/or assets of the Company), assigns, spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation, or otherwise) to all, substantially all, or a substantial part of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as a director, officer, employee, agent, or fiduciary of the Company or of any other enterprise at the Company's request.

13. **Attorney's Fees.** In the event that any action is instituted by Indemnitee under this Agreement or under any liability insurance policies maintained by the Company to enforce or interpret any of the terms hereof or thereof, Indemnitee shall be entitled to be paid all Expenses incurred by Indemnitee with respect to such action, regardless of whether Indemnitee is ultimately successful in such action, and shall be entitled to the advancement of Expenses with respect to such action, unless, as a part of such action, a court of competent jurisdiction over such action determines that each of the material assertions made by Indemnitee as a basis for such action was not made in good faith or was frivolous. In the event of an action instituted by or in the name of the Company under this Agreement to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all Expenses incurred by Indemnitee in defense of such action (including costs and expenses incurred with respect to Indemnitee's counterclaims and cross-claims made in such action) and shall be entitled to the advancement of Expenses with respect to such action, unless, as a part of such action, a court having jurisdiction over such action determines that each of Indemnitee's material defenses to such action was made in bad faith or was frivolous.

14. **Notice.** All notices and other communications required or permitted hereunder shall be in writing, shall be effective when given, and shall in any event be deemed to be given (a) five days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by first class mail postage prepaid, (b) upon delivery, if delivered by hand, (c) one business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid, or (d) one day after the business day of delivery by facsimile transmission, if delivered by facsimile transmission, with a copy by first class mail postage prepaid, and shall be addressed if to the Indemnitee at the Indemnitee's address as set forth beneath his signature to this Agreement and if to the Company at the address of its principal corporate offices (attention: Secretary) or at such other address as such party may designate by ten days' advance written notice to the other party hereto.

15. **Consent to Jurisdiction.** The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of Delaware for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be commenced, prosecuted, and continued only in the Court of Chancery of the State of Delaware in and for New Castle County, which shall be the exclusive and only proper forum adjudicating such a claim.

16. **Severability.** The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph, or sentence) are held by a court of competent jurisdiction to be invalid, void, or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitations, each portion of this Agreement containing any provision held to be invalid, void, or otherwise unenforceable that is not itself invalid, void, or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or unenforceable.

17. **Choice of Law.** This Agreement shall be governed by and its provisions construed and enforced in accordance with the laws of the State of Delaware, as applied to contracts between Delaware residents, entered into and to be performed entirely within the State of Delaware, without regard to the conflict of laws principles thereof.

18. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

19. Amendment and Termination. No amendment, modification, termination, or cancellation of this Agreement shall be effective unless it is in writing signed by both the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

20. Integration and Entire Agreement. This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings, and agreements relating to the subject matter hereof between the parties hereto.

21. No Construction as Employment Agreement. Nothing contained in this Agreement shall be construed as giving Indemnitee any right to be retained in the employ of the Company or any of its subsidiaries or to serve on the Board of Directors of the Company or any of its subsidiaries or to hold any other position as a representative or designee of the Company or any of its subsidiaries.

CSG SYSTEMS INTERNATIONAL, INC., a
Delaware corporation

By: /s/ Neal C. Hansen

Title: Chairman of the Board
Address: 5251 DTC Parkway, Suite 625
Englewood, CO 80111

CSG SYSTEMS, INC., a Delaware corporation

By: /s/ Neal C. Hansen

Title: Chairman of the Board
Address: 5251 DTC Parkway, Suite 625
Englewood, CO 80111

AGREED TO AND ACCEPTED BY:

INDEMNITEE

/s/ Royce J. Holland

(Signature)

Royce J. Holland

(Typed or Printed Name)

15190 Prestonwood Blvd., Suite 421

Dallas, TX 75248

(Address)

CSG SYSTEMS INTERNATIONAL, INC.

INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is made and entered into as of the 28th day of January, 1997, by and between CSG SYSTEMS INTERNATIONAL, INC., a Delaware corporation, and its wholly-owned subsidiary, CSG SYSTEMS, INC. (such two corporations being collectively referred to herein as the "Company") and BERNARD W. REZNICEK ("Indemnitee").

RECITALS:

- A. The Company and Indemnitee recognize the continued difficulty in obtaining liability insurance for its directors, officers, employees, agents, and fiduciaries, the significant increases in the cost of such insurance and the general reductions in the coverage of such insurance.
- B. The Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting directors, officers, employees, agents, and fiduciaries to extensive litigation risks at the same time as the availability and coverage of liability insurance has been severely reduced.
- C. Indemnitee does not regard the current protection available as adequate under the present circumstances, and Indemnitee and other directors, officers, employees, agents, and fiduciaries of the Company may not be willing to continue to serve in such capacities without additional protection.
- D. The Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve the Company and, in part, in order to induce Indemnitee to continue to provide services to the Company, wishes to provide for the indemnification and advancing of expenses to Indemnitee to the maximum extent permitted by law.
- E. In view of the considerations set forth above, the Company desires that Indemnitee be indemnified by the Company as set forth herein.

NOW, THEREFORE, the Company and Indemnitee hereby agree as follows:

1. Indemnification.

(a) Indemnification of Expenses. The Company shall indemnify Indemnitee to the fullest extent permitted by law if Indemnitee was or is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, any threatened, pending, or completed action, suit, proceeding, or alternative dispute resolution mechanism, or any hearing, inquiry, or investigation that Indemnitee in good faith believes might

lead to the institution of any such action, suit, proceeding, or alternative dispute resolution mechanism, whether civil, criminal, administrative, investigative, or other (hereinafter a "Claim") by reason of (or arising in part out of) any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent, or fiduciary of the Company, or any subsidiary of the Company, or is or was serving at the request of the Company as a director, officer, employee, agent, or fiduciary of another corporation, partnership, joint venture, trust, or other enterprise, or by reason of any action or inaction on the part of Indemnitee while serving in such capacity (hereinafter as "Indemnifiable Event") against any and all expenses (including attorneys' fees and all other costs, expenses, and obligations incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in, or participate in, any such action, suit, proceeding, alternative dispute resolution mechanism, hearing, inquiry, or investigation), judgments, fines, penalties and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) of such Claim and any federal, state, local, or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement (collectively, hereinafter "Expenses"), including all interest, assessments, and other charges paid or payable in connection with or in respect of such Expenses. Such payment of Expenses shall be made by the Company as soon as practicable but in any event no later than five days after written demand by Indemnitee therefor is presented to the Company.

(b) Reviewing Party. Notwithstanding the foregoing, (i) the obligations of the Company under Section 1(a) shall be subject to the condition that the Reviewing Party (as described in Section 10(e) hereof) shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 1(c) hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an advance payment of Expenses to Indemnitee pursuant to Section 2(a) (an "Expense Advance") shall be subject to the condition that, if, when, and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). Indemnitee's obligation to reimburse the Company for any Expense Advance shall be unsecured, and no interest shall be charged thereon. If there has not been a Change in Control (as defined in Section 10(c) hereof), then the Reviewing Party shall be selected by the Board of Directors; and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), then the Reviewing Party shall be the Independent Legal Counsel referred to in Section 1(c) hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee

substantively would not be permitted to be indemnified in whole or in part under applicable law, then Indemnitee shall have the right to commence litigation seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

(c) Change in Control. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then, with respect to all matters thereafter arising concerning the rights of Indemnitee to payments of Expenses and Expense Advances under this Agreement or any other agreement under the Company's Certificate of Incorporation or Bylaws as now or hereafter in effect, Independent Legal Counsel (as defined in Section 10(d) hereof) shall be selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent Indemnitee would be permitted to be indemnified under applicable law, and the Company agrees to abide by such opinion. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all expenses (including attorneys' fees), claims, liabilities, and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(d) Mandatory Payment of Expenses. Notwithstanding any other provision of this Agreement other than Section 9 hereof, to the extent that Indemnitee has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in defense of any action, suit, proceeding, inquiry, or investigation referred to in Section 1(a) hereof or in the defense of any claim, issue, or matter therein, Indemnitee shall be indemnified against all Expenses incurred by Indemnitee in connection therewith.

2. Expenses; Indemnification Procedure.

(a) Advancement of Expenses. The Company shall advance all Expenses incurred by Indemnitee. The advances to be made hereunder shall be paid by the Company to Indemnitee as soon as practicable but in any event no later than five days after written demand by Indemnitee therefor to the Company.

(b) Notice/Cooperation by Indemnitee. Indemnitee shall, as a condition precedent to Indemnitee's right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any Claim made against Indemnitee for which Indemnification will or could be sought under this Agreement. Notice to the Company shall be directed to the Chief Executive Officer of the Company at the address shown on the signature page of this Agreement (or such other address as the Company shall designate in writing to Indemnitee). In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

(c) No Presumptions; Burden of Proof. For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval), or conviction, or upon a plea of nolo

contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law, shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

(d) Notice to Insurers. If, at the time of the receipt by the Company of a notice of a Claim pursuant to Section 2(b) hereof, the Company has liability insurance in effect which may cover such Claim, the Company shall give prompt notice of the commencement of such Claim to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such action, suit, proceeding, inquiry, or investigation in accordance with the terms of such policies.

(e) Selection of Counsel. In the event the Company shall be obligated hereunder to pay the Expenses of any Claim, the Company, if appropriate, shall be entitled to assume the defense of such Claim with counsel approved by Indemnitee, upon the delivery to Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Claim; provided that, (i) Indemnitee shall have the right to employ Indemnitee's counsel in any such Claim at Indemnitee's expense and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense, or (C) the Company shall not continue to retain such counsel to defend such Claim, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

3. Additional Indemnification Rights; Nonexclusivity.

(a) Scope. The Company hereby agrees to indemnify Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Company's Certificate of Incorporation, the

Company's Bylaws, or by statute. In the event of any change after the date of this Agreement in any applicable law, statute, or rule which expands the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent, or fiduciary, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of any change in any applicable law, statute, or rule which narrows the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent, or fiduciary, such change, to the extent not otherwise required by such law, statute, or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder except as set forth in Section 8(a) hereof.

(b) Nonexclusivity. The indemnification provided by this Agreement shall be in addition to any rights to which Indemnitee may be entitled under the Company's Certificate of Incorporation, its Bylaws, any agreement, any vote of stockholders or disinterested directors, the General Corporation Law of the State of Delaware, or otherwise. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken by Indemnitee while serving in an indemnified capacity even though Indemnitee may have ceased to serve in such capacity.

4. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, Certificate of Incorporation, Bylaw, or otherwise) of the amounts otherwise indemnifiable hereunder.

5. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses incurred in connection with any Claim, but not, however, for all of the total amount thereof, then the Company nevertheless shall indemnify Indemnitee for the portion of such Expenses to which Indemnitee is entitled.

6. Mutual Acknowledgment. Both the Company and Indemnitee acknowledge that in certain instances Federal law or applicable public policy may prohibit the Company from indemnifying its directors, officers, employees, agents, or fiduciaries under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

7. Liability Insurance. To the extent the Company maintains liability insurance applicable to directors, officers, employees, agents, or fiduciaries, Indemnitee shall be covered by such policies in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if Indemnitee is a director; or of the Company's officers, if Indemnitee is not a director of the Company but is an officer; or of

the Company's key employees, agents, or fiduciaries, if Indemnitee is not an officer or director but is a key employee, agent, or fiduciary.

8. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Excluded Action or Omissions. To indemnify Indemnitee for acts, omissions, or transactions from which Indemnitee may not be relieved of liability under applicable law;

(b) Claims Initiated by Indemnitee. To indemnify or advance expenses to Indemnitee with respect to Claims initiated or brought voluntarily by Indemnitee and not by way of defense, except (i) with respect to actions or proceedings brought to establish or enforce a right to indemnification under this Agreement or any other agreement or insurance policy or under the Company's Certificate of Incorporation or Bylaws now or hereafter in effect relating to Claims for Indemnifiable Events, (ii) in specific cases if the Board of Directors has approved the initiation or bringing of such Claim, or (iii) as otherwise required under Section 145 of the Delaware General Corporation Law, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment, or insurance recovery, as the case may be;

(c) Lack of Good Faith. To indemnify Indemnitee for any expenses incurred by Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such proceeding was not made in good faith or was frivolous; or

(d) Claims Under Section 16(b). To indemnify Indemnitee for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute.

9. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's estate, spouse, heirs, executors, or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

10. Construction of Certain Phrases.

(a) For purposes of this Agreement, references to the "Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, agents, or

fiduciaries, so that if Indemnitee is or was a director, officer, employee, agent, or fiduciary of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee, agent, or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust, or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have stood with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee, agent, or fiduciary of the Company which imposes duties on, or involves services by, such director, officer, employee, agent, or fiduciary with respect to an employee benefit plan, its participants or its beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interests of the participants and beneficiaries of an employee benefit plan, then Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(c) For purposes of this Agreement a "Change in Control" shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, (A) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 10% or more of the combined voting power of the Company's then outstanding Voting Securities increases his beneficial ownership of such securities by 5% or more over the percentage so owned by such person, or (B) becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing more than 20% of the total voting power represented by the Company's then outstanding Voting Securities, (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the

Company or an agreement for the sale or disposition by the Company (in one transaction or a series of transactions) of all or substantially all of the Company's assets.

(d) For purposes of this Agreement, "Independent Legal Counsel" shall mean an attorney or firm of attorneys, selected in accordance with the provisions of Section 1(c) hereof, who shall not have otherwise performed services for the Company or Indemnitee within the last three years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(e) For purposes of this Agreement, a "Reviewing Party" shall mean any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Board of Directors who is not a party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

(f) For purposes of this Agreement, "Voting Securities" shall mean any securities of the Company that vote generally in the election of directors.

11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

12. Binding Effect; Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation, or otherwise to all or substantially all of the business and/or assets of the Company), assigns, spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation, or otherwise) to all, substantially all, or a substantial part of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as a director, officer, employee, agent, or fiduciary of the Company or of any other enterprise at the Company's request.

13. Attorney's Fees. In the event that any action is instituted by Indemnitee under this Agreement or under any liability insurance policies maintained by the Company to enforce or interpret any of the terms hereof or thereof, Indemnitee shall be entitled to be paid all Expenses incurred by Indemnitee with respect to such action, regardless of whether Indemnitee is ultimately successful in such action, and shall be entitled to the advancement of Expenses with respect to such action, unless, as a part of such action, a court of competent jurisdiction over such action determines that each of the material assertions made by Indemnitee as a basis for such action was not made in good faith or was frivolous. In the event of an action instituted by or in the name of the Company under this Agreement to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all Expenses incurred by Indemnitee in

defense of such action (including costs and expenses incurred with respect to Indemnitee's counterclaims and cross-claims made in such action) and shall be entitled to the advancement of Expenses with respect to such action, unless, as a part of such action, a court having jurisdiction over such action determines that each of Indemnitee's material defenses to such action was made in bad faith or was frivolous.

14. Notice. All notices and other communications required or permitted hereunder shall be in writing, shall be effective when given, and shall in any event be deemed to be given (a) five days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by first class mail postage prepaid, (b) upon delivery, if delivered by hand, (c) one business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid, or (d) one day after the business day of delivery by facsimile transmission, if delivered by facsimile transmission, with a copy by first class mail postage prepaid, and shall be addressed if to the Indemnitee at the Indemnitee's address as set forth beneath his signature to this Agreement and if to the Company at the address of its principal corporate offices (attention: Secretary) or at such other address as such party may designate by ten days' advance written notice to the other party hereto.

15. Consent to Jurisdiction. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of Delaware for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be commenced, prosecuted, and continued only in the Court of Chancery of the State of Delaware in and for New Castle County, which shall be the exclusive and only proper forum adjudicating such a claim.

16. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph, or sentence) are held by a court of competent jurisdiction to be invalid, void, or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitations, each portion of this Agreement containing any provision held to be invalid, void, or otherwise unenforceable that is not itself invalid, void, or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or unenforceable.

17. Choice of Law. This Agreement shall be governed by and its provisions construed and enforced in accordance with the laws of the State of Delaware, as applied to contracts between Delaware residents, entered into and to be performed entirely within the State of Delaware, without regard to the conflict of laws principles thereof.

18. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

19. Amendment and Termination. No amendment, modification, termination, or cancellation of this Agreement shall be effective unless it is in writing signed by both the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

20. Integration and Entire Agreement. This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings, and agreements relating to the subject matter hereof between the parties hereto.

21. No Construction as Employment Agreement. Nothing contained in this Agreement shall be construed as giving Indemnitee any right to be retained in the employ of the Company or any of its subsidiaries or to serve on the Board of Directors of the Company or any of its subsidiaries or to hold any other position as a representative or designee of the Company or any of its subsidiaries.

CSG SYSTEMS INTERNATIONAL, INC., a
Delaware corporation

By: /s/ Neal C. Hansen

*Title: Chairman of the Board and Chief
Executive Officer*

*Address: 5251 DTC Parkway,
Suite 625
Englewood, CO 80111*

CSG SYSTEMS, INC., a Delaware corporation

By: /s/ Neal C. Hansen

*Title: Chairman of the Board and Chief
Executive Officer*

*Address: 5251 DTC Parkway,
Suite 625
Englewood, CO 80111*

INDEMNITEE

/s/ Bernard W. Reznicek

(Signature)

Bernard W. Reznicek
(Typed or Printed Name)

1212 North 96th Street
Omaha, NE 68114
(Address)

CSG SYSTEMS INTERNATIONAL, INC.

INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is made and entered into as of the 24th day of September, 1997, by and between CSG SYSTEMS INTERNATIONAL, INC., a Delaware corporation, and its wholly-owned subsidiary, CSG SYSTEMS, INC. (such two corporations being collectively referred to herein as the "Company") and JOHN P. POGGE ("Indemnitee").

RECITALS:

- A. The Company and Indemnitee recognize the continued difficulty in obtaining liability insurance for its directors, officers, employees, agents, and fiduciaries, the significant increases in the cost of such insurance and the general reductions in the coverage of such insurance.
- B. The Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting directors, officers, employees, agents, and fiduciaries to extensive litigation risks at the same time as the availability and coverage of liability insurance has been severely reduced.
- C. Indemnitee does not regard the current protection available as adequate under the present circumstances, and Indemnitee and other directors, officers, employees, agents, and fiduciaries of the Company may not be willing to continue to serve in such capacities without additional protection.
- D. The Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve the Company and, in part, in order to induce Indemnitee to continue to provide services to the Company, wishes to provide for the indemnification and advancing of expenses to Indemnitee to the maximum extent permitted by law.
- E. In view of the considerations set forth above, the Company desires that Indemnitee be indemnified by the Company as set forth herein.

NOW, THEREFORE, the Company and Indemnitee hereby agree as follows:

1. Indemnification.

(a) Indemnification of Expenses. The Company shall indemnify Indemnitee to the fullest extent permitted by law if Indemnitee was or is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, any threatened, pending, or completed action, suit, proceeding, or alternative dispute resolution mechanism, or any hearing, inquiry, or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit, proceeding, or alternative dispute resolution mechanism, whether civil, criminal, administrative, investigative, or other (hereinafter a "Claim") by reason of (or arising in part out of) any event or occurrence related to the fact that Indemnitee is

or was a director, officer, employee, agent, or fiduciary of the Company, or any subsidiary of the Company, or is or was serving at the request of the Company as a director, officer, employee, agent, or fiduciary of another corporation, partnership, joint venture, trust, or other enterprise, or by reason of any action or inaction on the part of Indemnitee while serving in such capacity (hereinafter as "Indemnifiable Event") against any and all expenses (including attorneys' fees and all other costs, expenses, and obligations incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in, or participate in, any such action, suit, proceeding, alternative dispute resolution mechanism, hearing, inquiry, or investigation), judgments, fines, penalties and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) of such Claim and any federal, state, local, or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement (collectively, hereinafter "Expenses"), including all interest, assessments, and other charges paid or payable in connection with or in respect of such Expenses. Such payment of Expenses shall be made by the Company as soon as practicable but in any event no later than five days after written demand by Indemnitee therefor is presented to the Company.

(b) Reviewing Party. Notwithstanding the foregoing, (i) the obligations of the Company under Section 1(a) shall be subject to the condition that the Reviewing Party (as described in Section 10(e) hereof) shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 1(c) hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an advance payment of Expenses to Indemnitee pursuant to Section 2(a) (an "Expense Advance") shall be subject to the condition that, if, when, and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). Indemnitee's obligation to reimburse the Company for any Expense Advance shall be unsecured, and no interest shall be charged thereon. If there has not been a Change in Control (as defined in Section 10(c) hereof), then the Reviewing Party shall be selected by the Board of Directors; and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), then the Reviewing Party shall be the Independent Legal Counsel referred to in Section 1(c) hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, then Indemnitee shall have the right to commence litigation seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the

Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

(c) Change in Control. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then, with respect to all matters thereafter arising concerning the rights of Indemnitee to payments of Expenses and Expense Advances under this Agreement or any other agreement under the Company's Certificate of Incorporation or Bylaws as now or hereafter in effect, Independent Legal Counsel (as defined in Section 10(d) hereof) shall be selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent Indemnitee would be permitted to be indemnified under applicable law, and the Company agrees to abide by such opinion. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all expenses (including attorneys' fees), claims, liabilities, and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(d) Mandatory Payment of Expenses. Notwithstanding any other provision of this Agreement other than Section 9 hereof, to the extent that Indemnitee has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in defense of any action, suit, proceeding, inquiry, or investigation referred to in Section 1(a) hereof or in the defense of any claim, issue, or matter therein, Indemnitee shall be indemnified against all Expenses incurred by Indemnitee in connection therewith.

2. Expenses; Indemnification Procedure.

(a) Advancement of Expenses. The Company shall advance all Expenses incurred by Indemnitee. The advances to be made hereunder shall be paid by the Company to Indemnitee as soon as practicable but in any event no later than five days after written demand by Indemnitee therefor to the Company.

(b) Notice/Cooperation by Indemnitee. Indemnitee shall, as a condition precedent to Indemnitee's right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any Claim made against Indemnitee for which Indemnification will or could be sought under this Agreement. Notice to the Company shall be directed to the Chief Executive Officer of the Company at the address shown on the signature page of this Agreement (or such other address as the Company shall designate in writing to Indemnitee). In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

(c) No Presumptions; Burden of Proof. For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval), or conviction, or upon a plea of nolo

_____ contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither

the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law, shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

(d) Notice to Insurers. If, at the time of the receipt by the Company of a notice of a Claim pursuant to Section 2(b) hereof, the Company has liability insurance in effect which may cover such Claim, the Company shall give prompt notice of the commencement of such Claim to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such action, suit, proceeding, inquiry, or investigation in accordance with the terms of such policies.

(e) Selection of Counsel. In the event the Company shall be obligated hereunder to pay the Expenses of any Claim, the Company, if appropriate, shall be entitled to assume the defense of such Claim with counsel approved by Indemnitee, upon the delivery to Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Claim; provided that, (i) Indemnitee shall have the right to employ Indemnitee's counsel in any such Claim at Indemnitee's expense and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense, or (C) the Company shall not continue to retain such counsel to defend such Claim, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

3. Additional Indemnification Rights; Nonexclusivity.

(a) Scope. The Company hereby agrees to indemnify Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Company's Certificate of Incorporation, the Company's Bylaws, or by statute. In the event of any change after the date of this Agreement in any applicable law, statute, or rule which expands the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent, or fiduciary, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of any change in any applicable law, statute, or rule which narrows the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent, or fiduciary, such change, to the extent not otherwise required by such law, statute, or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder except as set forth in Section 8(a) hereof.

(b) Nonexclusivity. The indemnification provided by this Agreement shall be in addition to any rights to which Indemnitee may be entitled under the Company's Certificate of Incorporation, its Bylaws, any agreement, any vote of stockholders or disinterested directors, the General Corporation Law of the State of Delaware, or otherwise. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken by Indemnitee while serving in an indemnified capacity even though Indemnitee may have ceased to serve in such capacity.

4. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, Certificate of Incorporation, Bylaw, or otherwise) of the amounts otherwise indemnifiable hereunder.

5. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses incurred in connection with any Claim, but not, however, for all of the total amount thereof, then the Company nevertheless shall indemnify Indemnitee for the portion of such Expenses to which Indemnitee is entitled.

6. Mutual Acknowledgment. Both the Company and Indemnitee acknowledge that in certain instances Federal law or applicable public policy may prohibit the Company from indemnifying its directors, officers, employees, agents, or fiduciaries under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

7. Liability Insurance. To the extent the Company maintains liability insurance applicable to directors, officers, employees, agents, or fiduciaries, Indemnitee shall be covered by such policies in such a manner as to provide Indemnitee the same rights and benefits as are

accorded to the most favorably insured of the Company's directors, if Indemnitee is a director; or of the Company's officers, if Indemnitee is not a director of the Company but is an officer; or of the Company's key employees, agents, or fiduciaries, if Indemnitee is not an officer or director but is a key employee, agent, or fiduciary.

8. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Excluded Action or Omissions. To indemnify Indemnitee for acts, omissions, or transactions from which Indemnitee may not be relieved of liability under applicable law;

(b) Claims Initiated by Indemnitee. To indemnify or advance expenses to Indemnitee with respect to Claims initiated or brought voluntarily by Indemnitee and not by way of defense, except (i) with respect to actions or proceedings brought to establish or enforce a right to indemnification under this Agreement or any other agreement or insurance policy or under the Company's Certificate of Incorporation or Bylaws now or hereafter in effect relating to Claims for Indemnifiable Events, (ii) in specific cases if the Board of Directors has approved the initiation or bringing of such Claim, or (iii) as otherwise required under Section 145 of the Delaware General Corporation Law, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment, or insurance recovery, as the case may be;

(c) Lack of Good Faith. To indemnify Indemnitee for any expenses incurred by Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such proceeding was not made in good faith or was frivolous; or

(d) Claims Under Section 16(b). To indemnify Indemnitee for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute.

9. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's estate, spouse, heirs, executors, or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

10. Construction of Certain Phrases.

(a) For purposes of this Agreement, references to the "Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, agents, or

fiduciaries, so that if Indemnitee is or was a director, officer, employee, agent, or fiduciary of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee, agent, or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust, or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have stood with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee, agent, or fiduciary of the Company which imposes duties on, or involves services by, such director, officer, employee, agent, or fiduciary with respect to an employee benefit plan, its participants or its beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interests of the participants and beneficiaries of an employee benefit plan, then Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(c) For purposes of this Agreement a "Change in Control" shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, (A) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 10% or more of the combined voting power of the Company's then outstanding Voting Securities increases his beneficial ownership of such securities by 5% or more over the percentage so owned by such person, or (B) becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing more than 20% of the total voting power represented by the Company's then outstanding Voting Securities, (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company (in one transaction or a series of transactions) of all or substantially all of the Company's assets.

(d) For purposes of this Agreement, "Independent Legal Counsel" shall mean an attorney or firm of attorneys, selected in accordance with the provisions of Section 1(c) hereof, who

shall not have otherwise performed services for the Company or Indemnitee within the last three years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(e) For purposes of this Agreement, a "Reviewing Party" shall mean any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Board of Directors who is not a party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

(f) For purposes of this Agreement, "Voting Securities" shall mean any securities of the Company that vote generally in the election of directors.

11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

12. Binding Effect; Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation, or otherwise to all or substantially all of the business and/or assets of the Company), assigns, spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation, or otherwise) to all, substantially all, or a substantial part of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as a director, officer, employee, agent, or fiduciary of the Company or of any other enterprise at the Company's request.

13. Attorney's Fees. In the event that any action is instituted by Indemnitee under this Agreement or under any liability insurance policies maintained by the Company to enforce or interpret any of the terms hereof or thereof, Indemnitee shall be entitled to be paid all Expenses incurred by Indemnitee with respect to such action, regardless of whether Indemnitee is ultimately successful in such action, and shall be entitled to the advancement of Expenses with respect to such action, unless, as a part of such action, a court of competent jurisdiction over such action determines that each of the material assertions made by Indemnitee as a basis for such action was not made in good faith or was frivolous. In the event of an action instituted by or in the name of the Company under this Agreement to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all Expenses incurred by Indemnitee in defense of such action (including costs and expenses incurred with respect to Indemnitee's counterclaims and cross-claims made in such action) and shall be entitled to the advancement of Expenses with respect to such action, unless, as a part of such action, a court having jurisdiction over such action determines that each of Indemnitee's material defenses to such action was made in bad faith or was frivolous.

14. Notice. All notices and other communications required or permitted hereunder shall be in writing, shall be effective when given, and shall in any event be deemed to be given (a) five

days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by first class mail postage prepaid, (b) upon delivery, if delivered by hand, (c) one business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid, or (d) one day after the business day of delivery by facsimile transmission, if delivered by facsimile transmission, with a copy by first class mail postage prepaid, and shall be addressed if to the Indemnitee at the Indemnitee's address as set forth beneath his signature to this Agreement and if to the Company at the address of its principal corporate offices (attention: Secretary) or at such other address as such party may designate by ten days' advance written notice to the other party hereto.

15. Consent to Jurisdiction. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of Delaware for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be commenced, prosecuted, and continued only in the Court of Chancery of the State of Delaware in and for New Castle County, which shall be the exclusive and only proper forum adjudicating such a claim.

16. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph, or sentence) are held by a court of competent jurisdiction to be invalid, void, or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitations, each portion of this Agreement containing any provision held to be invalid, void, or otherwise unenforceable that is not itself invalid, void, or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or unenforceable.

17. Choice of Law. This Agreement shall be governed by and its provisions construed and enforced in accordance with the laws of the State of Delaware, as applied to contracts between Delaware residents, entered into and to be performed entirely within the State of Delaware, without regard to the conflict of laws principles thereof.

18. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

19. Amendment and Termination. No amendment, modification, termination, or cancellation of this Agreement shall be effective unless it is in writing signed by both the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

20. Integration and Entire Agreement. This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings, and agreements relating to the subject matter hereof between the parties hereto.

21. No Construction as Employment Agreement. Nothing contained in this Agreement shall be construed as giving Indemnitee any right to be retained in the employ of the Company or any of its subsidiaries or to serve on the Board of Directors of the Company or any of its subsidiaries or to hold any other position as a representative or designee of the Company or any of its subsidiaries.

CSG SYSTEMS INTERNATIONAL, INC., a
Delaware corporation

By: /s/ Neal C. Hansen

Title: Chairman of the Board
Address: 7887 East Belleview Avenue,
Suite 1000
Englewood, CO 80111

CSG SYSTEMS, INC., a Delaware corporation

By: /s/ Neal C. Hansen

Title: Chairman of the Board
Address: 7887 East Belleview Avenue,
Suite 1000
Englewood, CO 80111

AGREED TO AND ACCEPTED BY:

INDEMNITEE

/s/ John P. Pogge

(Signature)

John P. Pogge
(Typed or Printed Name)

7887 East Belleview Avenue,
Suite 1000
Englewood, CO 80111

CSG SYSTEMS INTERNATIONAL, INC.

INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is made and entered into as of the 18th day of November, 1997, by and between CSG SYSTEMS INTERNATIONAL, INC., a Delaware corporation, and its wholly-owned subsidiary, CSG SYSTEMS, INC. (such two corporations being collectively referred to herein as the "Company") and JANICE OBUCHOWSKI ("Indemnitee").

RECITALS:

- A. The Company and Indemnitee recognize the continued difficulty in obtaining liability insurance for its directors, officers, employees, agents, and fiduciaries, the significant increases in the cost of such insurance and the general reductions in the coverage of such insurance.
- B. The Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting directors, officers, employees, agents, and fiduciaries to extensive litigation risks at the same time as the availability and coverage of liability insurance has been severely reduced.
- C. Indemnitee does not regard the current protection available as adequate under the present circumstances, and Indemnitee and other directors, officers, employees, agents, and fiduciaries of the Company may not be willing to continue to serve in such capacities without additional protection.
- D. The Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve the Company and, in part, in order to induce Indemnitee to continue to provide services to the Company, wishes to provide for the indemnification and advancing of expenses to Indemnitee to the maximum extent permitted by law.
- E. In view of the considerations set forth above, the Company desires that Indemnitee be indemnified by the Company as set forth herein.

NOW, THEREFORE, the Company and Indemnitee hereby agree as follows:

1. Indemnification.

(a) Indemnification of Expenses. The Company shall indemnify Indemnitee to the fullest extent permitted by law if Indemnitee was or is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, any threatened, pending, or completed action, suit, proceeding, or alternative dispute resolution mechanism, or any hearing, inquiry, or investigation that Indemnitee in good faith believes might

lead to the institution of any such action, suit, proceeding, or alternative dispute resolution mechanism, whether civil, criminal, administrative, investigative, or other (hereinafter a "Claim") by reason of (or arising in part out of) any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent, or fiduciary of the Company, or any subsidiary of the Company, or is or was serving at the request of the Company as a director, officer, employee, agent, or fiduciary of another corporation, partnership, joint venture, trust, or other enterprise, or by reason of any action or inaction on the part of Indemnitee while serving in such capacity (hereinafter as "Indemnifiable Event") against any and all expenses (including attorneys' fees and all other costs, expenses, and obligations incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in, or participate in, any such action, suit, proceeding, alternative dispute resolution mechanism, hearing, inquiry, or investigation), judgments, fines, penalties and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) of such Claim and any federal, state, local, or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement (collectively, hereinafter "Expenses"), including all interest, assessments, and other charges paid or payable in connection with or in respect of such Expenses. Such payment of Expenses shall be made by the Company as soon as practicable but in any event no later than five days after written demand by Indemnitee therefor is presented to the Company.

(b) Reviewing Party. Notwithstanding the foregoing, (i) the obligations of the Company under Section 1(a) shall be subject to the condition that the Reviewing Party (as described in Section 10(e) hereof) shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 1(c) hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an advance payment of Expenses to Indemnitee pursuant to Section 2(a) (an "Expense Advance") shall be subject to the condition that, if, when, and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). Indemnitee's obligation to reimburse the Company for any Expense Advance shall be unsecured, and no interest shall be charged thereon. If there has not been a Change in Control (as defined in Section 10(c) hereof), then the Reviewing Party shall be selected by the Board of Directors; and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control), then the Reviewing Party shall be the Independent Legal Counsel referred to in Section 1(c) hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee

substantively would not be permitted to be indemnified in whole or in part under applicable law, then Indemnitee shall have the right to commence litigation seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

(c) Change in Control. The Company agrees that if there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Company's Board of Directors who were directors immediately prior to such Change in Control) then, with respect to all matters thereafter arising concerning the rights of Indemnitee to payments of Expenses and Expense Advances under this Agreement or any other agreement under the Company's Certificate of Incorporation or Bylaws as now or hereafter in effect, Independent Legal Counsel (as defined in Section 10(d) hereof) shall be selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent Indemnitee would be permitted to be indemnified under applicable law, and the Company agrees to abide by such opinion. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all expenses (including attorneys' fees), claims, liabilities, and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(d) Mandatory Payment of Expenses. Notwithstanding any other provision of this Agreement other than Section 9 hereof, to the extent that Indemnitee has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in defense of any action, suit, proceeding, inquiry, or investigation referred to in Section 1(a) hereof or in the defense of any claim, issue, or matter therein, Indemnitee shall be indemnified against all Expenses incurred by Indemnitee in connection therewith.

2. Expenses; Indemnification Procedure.

(a) Advancement of Expenses. The Company shall advance all Expenses incurred by Indemnitee. The advances to be made hereunder shall be paid by the Company to Indemnitee as soon as practicable but in any event no later than five days after written demand by Indemnitee therefor to the Company.

(b) Notice/Cooperation by Indemnitee. Indemnitee shall, as a condition precedent to Indemnitee's right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any Claim made against Indemnitee for which Indemnification will or could be sought under this Agreement. Notice to the Company shall be directed to the Chief Executive Officer of the Company at the address shown on the signature page of this Agreement (or such other address as the Company shall designate in writing to Indemnitee). In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

(c) No Presumptions; Burden of Proof. For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval), or conviction, or upon a plea of nolo

contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law, shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

(d) Notice to Insurers. If, at the time of the receipt by the Company of a notice of a Claim pursuant to Section 2(b) hereof, the Company has liability insurance in effect which may cover such Claim, the Company shall give prompt notice of the commencement of such Claim to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such action, suit, proceeding, inquiry, or investigation in accordance with the terms of such policies.

(e) Selection of Counsel. In the event the Company shall be obligated hereunder to pay the Expenses of any Claim, the Company, if appropriate, shall be entitled to assume the defense of such Claim with counsel approved by Indemnitee, upon the delivery to Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Claim; provided that, (i) Indemnitee shall have the right to employ Indemnitee's counsel in any such Claim at Indemnitee's expense and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense, or (C) the Company shall not continue to retain such counsel to defend such Claim, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

3. Additional Indemnification Rights; Nonexclusivity.

(a) Scope. The Company hereby agrees to indemnify Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Company's Certificate of Incorporation, the

Company's Bylaws, or by statute. In the event of any change after the date of this Agreement in any applicable law, statute, or rule which expands the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent, or fiduciary, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of any change in any applicable law, statute, or rule which narrows the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent, or fiduciary, such change, to the extent not otherwise required by such law, statute, or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder except as set forth in Section 8(a) hereof.

(b) Nonexclusivity. The indemnification provided by this Agreement shall be in addition to any rights to which Indemnitee may be entitled under the Company's Certificate of Incorporation, its Bylaws, any agreement, any vote of stockholders or disinterested directors, the General Corporation Law of the State of Delaware, or otherwise. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken by Indemnitee while serving in an indemnified capacity even though Indemnitee may have ceased to serve in such capacity.

4. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, Certificate of Incorporation, Bylaw, or otherwise) of the amounts otherwise indemnifiable hereunder.

5. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses incurred in connection with any Claim, but not, however, for all of the total amount thereof, then the Company nevertheless shall indemnify Indemnitee for the portion of such Expenses to which Indemnitee is entitled.

6. Mutual Acknowledgment. Both the Company and Indemnitee acknowledge that in certain instances Federal law or applicable public policy may prohibit the Company from indemnifying its directors, officers, employees, agents, or fiduciaries under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

7. Liability Insurance. To the extent the Company maintains liability insurance applicable to directors, officers, employees, agents, or fiduciaries, Indemnitee shall be covered by such policies in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if Indemnitee is a director; or of the Company's officers, if Indemnitee is not a director of the Company but is an officer; or of

the Company's key employees, agents, or fiduciaries, if Indemnitee is not an officer or director but is a key employee, agent, or fiduciary.

8. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Excluded Action or Omissions. To indemnify Indemnitee for acts, omissions, or transactions from which Indemnitee may not be relieved of liability under applicable law;

(b) Claims Initiated by Indemnitee. To indemnify or advance expenses to Indemnitee with respect to Claims initiated or brought voluntarily by Indemnitee and not by way of defense, except (i) with respect to actions or proceedings brought to establish or enforce a right to indemnification under this Agreement or any other agreement or insurance policy or under the Company's Certificate of Incorporation or Bylaws now or hereafter in effect relating to Claims for Indemnifiable Events, (ii) in specific cases if the Board of Directors has approved the initiation or bringing of such Claim, or (iii) as otherwise required under Section 145 of the Delaware General Corporation Law, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment, or insurance recovery, as the case may be;

(c) Lack of Good Faith. To indemnify Indemnitee for any expenses incurred by Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such proceeding was not made in good faith or was frivolous; or

(d) Claims Under Section 16(b). To indemnify Indemnitee for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute.

9. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's estate, spouse, heirs, executors, or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

10. Construction of Certain Phrases.

(a) For purposes of this Agreement, references to the "Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, agents, or

fiduciaries, so that if Indemnitee is or was a director, officer, employee, agent, or fiduciary of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee, agent, or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust, or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have stood with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee, agent, or fiduciary of the Company which imposes duties on, or involves services by, such director, officer, employee, agent, or fiduciary with respect to an employee benefit plan, its participants or its beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interests of the participants and beneficiaries of an employee benefit plan, then Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(c) For purposes of this Agreement a "Change in Control" shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, (A) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 10% or more of the combined voting power of the Company's then outstanding Voting Securities increases his beneficial ownership of such securities by 5% or more over the percentage so owned by such person, or (B) becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing more than 20% of the total voting power represented by the Company's then outstanding Voting Securities, (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved cease for any reason to constitute a majority thereof, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation of the

Company or an agreement for the sale or disposition by the Company (in one transaction or a series of transactions) of all or substantially all of the Company's assets.

(d) For purposes of this Agreement, "Independent Legal Counsel" shall mean an attorney or firm of attorneys, selected in accordance with the provisions of Section 1(c) hereof, who shall not have otherwise performed services for the Company or Indemnitee within the last three years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(e) For purposes of this Agreement, a "Reviewing Party" shall mean any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Board of Directors who is not a party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

(f) For purposes of this Agreement, "Voting Securities" shall mean any securities of the Company that vote generally in the election of directors.

11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

12. Binding Effect; Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation, or otherwise to all or substantially all of the business and/or assets of the Company), assigns, spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation, or otherwise) to all, substantially all, or a substantial part of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as a director, officer, employee, agent, or fiduciary of the Company or of any other enterprise at the Company's request.

13. Attorney's Fees. In the event that any action is instituted by Indemnitee under this Agreement or under any liability insurance policies maintained by the Company to enforce or interpret any of the terms hereof or thereof, Indemnitee shall be entitled to be paid all Expenses incurred by Indemnitee with respect to such action, regardless of whether Indemnitee is ultimately successful in such action, and shall be entitled to the advancement of Expenses with respect to such action, unless, as a part of such action, a court of competent jurisdiction over such action determines that each of the material assertions made by Indemnitee as a basis for such action was not made in good faith or was frivolous. In the event of an action instituted by or in the name of the Company under this Agreement to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all Expenses incurred by Indemnitee in

defense of such action (including costs and expenses incurred with respect to Indemnitee's counterclaims and cross-claims made in such action) and shall be entitled to the advancement of Expenses with respect to such action, unless, as a part of such action, a court having jurisdiction over such action determines that each of Indemnitee's material defenses to such action was made in bad faith or was frivolous.

14. Notice. All notices and other communications required or permitted hereunder shall be in writing, shall be effective when given, and shall in any event be deemed to be given (a) five days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by first class mail postage prepaid, (b) upon delivery, if delivered by hand, (c) one business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid, or (d) one day after the business day of delivery by facsimile transmission, if delivered by facsimile transmission, with a copy by first class mail postage prepaid, and shall be addressed if to the Indemnitee at the Indemnitee's address as set forth beneath his signature to this Agreement and if to the Company at the address of its principal corporate offices (attention: Secretary) or at such other address as such party may designate by ten days' advance written notice to the other party hereto.

15. Consent to Jurisdiction. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of Delaware for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be commenced, prosecuted, and continued only in the Court of Chancery of the State of Delaware in and for New Castle County, which shall be the exclusive and only proper forum adjudicating such a claim.

16. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph, or sentence) are held by a court of competent jurisdiction to be invalid, void, or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitations, each portion of this Agreement containing any provision held to be invalid, void, or otherwise unenforceable that is not itself invalid, void, or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or unenforceable.

17. Choice of Law. This Agreement shall be governed by and its provisions construed and enforced in accordance with the laws of the State of Delaware, as applied to contracts between Delaware residents, entered into and to be performed entirely within the State of Delaware, without regard to the conflict of laws principles thereof.

18. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

19. Amendment and Termination. No amendment, modification, termination, or cancellation of this Agreement shall be effective unless it is in writing signed by both the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

20. Integration and Entire Agreement. This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings, and agreements relating to the subject matter hereof between the parties hereto.

21. No Construction as Employment Agreement. Nothing contained in this Agreement shall be construed as giving Indemnitee any right to be retained in the employ of the Company or any of its subsidiaries or to serve on the Board of Directors of the Company or any of its subsidiaries or to hold any other position as a representative or designee of the Company or any of its subsidiaries.

CSG SYSTEMS INTERNATIONAL, INC., a
Delaware corporation

By: /s/ Neal C. Hansen

*Title: Chairman of the Board and Chief
Executive Officer*

*Address: 7887 East Belleview Avenue
Suite 1000
Englewood, CO 80111*

CSG SYSTEMS, INC., a Delaware corporation

By: /s/ Neal C. Hansen

*Title: Chairman of the Board and Chief
Executive Officer*

*Address: 7887 East Belleview Avenue
Suite 1000
Englewood, CO 80111*

AGREED TO AND ACCEPTED BY:

INDEMNITEE

/s/ Janice Obuchowski

(Signature)

Janice Obuchowski
(Typed or Printed Name)

1101 Pennsylvania Avenue, N.W., Suite 805
Washington, D.C. 20004

(Address)

EXHIBIT 21.01

CSG SYSTEMS INTERNATIONAL, INC.
SUBSIDIARIES OF THE REGISTRANT
AS OF DECEMBER 31, 1997

SUBSIDIARY -----	STATE OR COUNTRY OF INCORPORATION -----
CSG Systems, Inc.	Delaware
Bytel Limited	United Kingdom

EXHIBIT 23.01

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, 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 16, 1998

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 1997
PERIOD START	JAN 01 1997
PERIOD END	DEC 31 1997
CASH	20,417
SECURITIES	0
RECEIVABLES	49,996
ALLOWANCES	1,394
INVENTORY	0
CURRENT ASSETS	72,126
PP&E	33,500
DEPRECIATION	16,343
TOTAL ASSETS	179,793
CURRENT LIABILITIES	68,608
BONDS	128,250
COMMON	255
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	(33,341)
TOTAL LIABILITY AND EQUITY	179,793
SALES	0
TOTAL REVENUES	171,804
CGS	0
TOTAL COSTS	89,982
OTHER EXPENSES	139,807
LOSS PROVISION	0
INTEREST EXPENSE	5,324
INCOME PRETAX	(110,216)
INCOME TAX	0
INCOME CONTINUING	(110,216)
DISCONTINUED	7,922
EXTRAORDINARY	(577)
CHANGES	0
NET INCOME	(102,871)
EPS PRIMARY	(4.03)
EPS DILUTED	(4.03)

EXHIBIT 99.01

**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

The Company has recorded annual net losses since inception (October 17, 1994) through December 31, 1997. 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 achieve or sustain profitability in the future.

RELIANCE ON CCS

The Company derived approximately 77.3% and 76.7% of its total revenues from its primary product, Communications Control System ("CCS"), and related products and services in the years ended December 31, 1996 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, 1996 and 1997, revenues from TCI represented approximately 25.9% and 32.9% of total revenues, respectively, and revenues from Time Warner represented approximately 22.9% and 20.1% of total revenues, respectively. As a result of the TCI Contract, revenues derived from TCI are expected to increase significantly as a percentage of revenue. 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 a significant number 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 industry. If an audit determines the Company is not providing such an innovation and it fails to do so within the schedule required 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, new products and services, and new technologies, 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.

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 at various times. 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 INDUSTRY

The Company's business is concentrated in the cable television industry, making the Company susceptible to a downturn in that industry. During the years ended December 31, 1996 and 1997, the Company derived 77% and 73%, respectively, of its revenues from companies in the U.S. cable television industry. A decrease in the number of customers served by the Company's clients would result in lower revenues for the Company. In addition, cable television providers are consolidating, decreasing the potential number of buyers for the Company's products and services. Furthermore, there can be no assurance that cable television providers will be successful in expanding into other segments of the converging communications markets. There can be no assurance that new entrants into the cable television market will become clients of the Company.

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 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. In particular, the Company believes that it must respond quickly to clients' needs for additional functionality and distributed architecture for data processing. 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.

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 products and services, 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.

CLIENT FAILURE TO RENEW OR UTILIZE CONTRACTS

Substantially all of the Company's revenues are derived from the sale of services or products under contracts with its clients. The Company does not have the option to extend unilaterally the contracts upon expiration of their terms. Many of the Company's contracts do not require clients to make any minimum purchases, and contracts are cancelable by clients under certain conditions.

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. Only one of those executive officers is party to an employment agreement with the Company, and such agreement is terminable upon 30 days' notice.

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.

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. 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.

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