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CSG SYSTEMS INTERNATIONAL INC

FORM 10-K
(Annual Report)

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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

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 1999

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 [X] No [_]

Indicate by a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K. [_]

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the last sales price of such stock, as of the close of trading on January 31, 2000 was $1,747,664,105.

Shares of common stock outstanding at March 20, 2000: 52,077,921.

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 29, 2000, are incorporated by reference into Part III of the Form 10-K.

CSG SYSTEMS INTERNATIONAL, INC.

1999 FORM 10-K

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PART I

Item 1. Business

General

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

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

Company Overview

The Company provides customer care and billing solutions worldwide for the converging communications markets, including cable television, direct broadcast satellite ("DBS"), telephony, on-line services and others. The Company's products and services enable its clients to focus on their core businesses, improve customer service, and enter new markets and operate more efficiently. The Company offers its clients a full suite of processing and related services, and software and professional services which automate customer care and billing functions. These functions include set-up and activation of customer accounts, sales support, order processing, invoice calculation, production and mailing, management reporting, and customer analysis for target marketing. The Company's products and services combine the reliability and high volume transaction processing capabilities of a mainframe platform with the flexibility of client/server architecture. The Company generated revenue of $322.2 million in 1999 compared to $236.6 million in 1998, an increase of 36%, and revenue grew at a compound annual growth rate of 35% over the five-year period ended December 31, 1999.

The Company has established a leading presence by developing strategic relationships with major participants in the cable television and DBS industries, and derived approximately 76% and 16% of its total revenues in 1999 from the U.S. cable television and U.S. and Canadian DBS industries, respectively. The Company provides customer care and billing to one-third of the households in the U.S. During 1999, the Company derived approximately 79% of its total revenues from processing and related services. At December 31, 1999, the Company was servicing client sites having an aggregate of 33.8 million customers in the U.S., compared to 29.5 million customers serviced as of December 31, 1998, an increase of 15%. During 1999, the Company converted and processed approximately 4.5 million new customers on its systems. Total domestic revenue per customer account for 1999 was $9.88, compared to $8.71 for 1998, an increase of 13%, and revenue per customer account grew at a compound annual growth rate of 15% over the five-year period ended December 31, 1999.

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

In 1998, the Company acquired substantially all of the assets of US Telecom Advanced Technology Systems, Inc. ("USTATS") for approximately $6.0 million in cash and assumption of certain liabilities of approximately $1.3 million. USTATS, a South Carolina-based company, specializes in open systems,

client/server customer care and billing systems serving the telecommunications markets. The Company used the acquired technology and software primarily to enhance its current service-bureau telephony customer care and billing system.

In September 1997, the Company entered into a 15-year processing agreement with Tele-Communications, Inc. ("TCI") which expires in 2012. In March 1999, AT&T completed its merger with TCI and consolidated the TCI operations into AT&T Broadband ("AT&T"). The Company continues to service AT&T under the terms of the 15-year processing contract (the "AT&T Contract"). The AT&T Contract has minimum financial commitments over the 15-year life of the contract and includes exclusive rights to provide customer care and billing products and services for AT&T's offerings of wireline video, all Internet/high-speed data services, residential wireline telephony services, and print and mail services. As of December 31, 1999, the Company had successfully converted approximately 11 million AT&T cable television customers onto its system, bringing the total of AT&T customers on the Company's system to approximately 14 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussion of the AT&T Contract and the TCI and AT&T merger.

In addition, during 1997, the Company purchased certain SUMMITrak software technology assets that were in development from TCI. The Company continued the research and development ("R&D") of certain software technologies acquired from TCI. Such efforts included the completion of the R&D projects and the integration of the completed software technologies into certain of the Company's current products. The related products from these development efforts were available for general release in 1999. See Note 4 to the Company's Consolidated Financial Statements for additional discussion of the SUMMITrak asset acquisition.

Growth Strategy

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

Expand Core Processing Business. The Company will continue to leverage its investment and expertise in high-volume transaction processing to expand its processing business. The processing business provides highly predictable recurring revenues through multi-year contracts with a client base which includes leading communications service providers in growing markets. The Company increased the number of customers processed on its systems from 18.0 million as of December 31, 1995 to 33.8 million as of December 31, 1999. The Company provides a full suite of customer care and billing products and services which combine the reliability and high volume transaction processing capabilities of a mainframe platform with the flexibility of client/server architecture.

Introduce New Products and Services. The Company has a significant installed client base to which it can sell additional value-added products and services. The Company has increased its annual revenue per U.S. domestic customer from $5.60 in 1995 to $9.88 in 1999, a compound annual growth rate of 15%, due primarily to the introduction of new products and services. The Company will continue to develop software applications, which will enhance and extend the functionality of its customer care and billing solution and also provide additional revenue opportunities.

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

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

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

CSG Products and Services

CSG offers the most complete suite of flexible, scaleable products and services in the communications market, serving voice, video and data providers--handling all aspects of the customer lifecycle. CSG has invested an average of 12% of revenues in R&D in the last five years. This has allowed the Company to increase its offering from two products to more than 25. Listed below are several of the products that make up the Company's Broadband Express(TM) solution.

Customer Acquisition

Advanced Customer Service Representative(R) (ACSR(R)) is a Windows-based software program that provides CSRs (customer service representatives) with a complete view of a customer's account, easily showing all the customer's services. Add-on modules include Customer Interaction Tracking(R)--which tracks customers by type and subject, and features a planner for scheduling follow-ups and reminders; Customer Based Training--a tutorial system; and Application Object Interface--which develops customized applications and requests special status updates from the ACSR system.

Credit Verification Service allows clients to determine whether an individual qualifies for service based on their credit history and risk.

Risk Management System helps clients determine the credit-worthiness of applicants and assists in collection efforts through online access to credit histories and previous unpaid accounts.

Provisioning and Usage

Real-Time Usage Handling System provides real-time rating and aggregation of convergence usage-based services such as Internet and telephony. The robust and easy-to-use graphical user interface (GUI) enables clients to set up and modify complex service plans in real-time.

Service Delivery System takes manual and automated tasks and configures them into a logical workflow system, to perform certain functions such as notifying external providers and activating telephony and high-speed Internet services.

Product Pricing and Discounting

CSG Vantage(R) allows clients to collect and leverage marketing and consumer behavior information to offer specific package pricing and discounts to their customers.

CSG Convergent Express allows clients to seamlessly offer multiple lines of business and cross product discount for these services. Using this product, clients can create special package and pricing models based on types of services to which their customers subscribe.

CCS Discount Module automates the process of establishing package pricing and special discount programs within the customer care and billing system. This module allows CSG clients to monitor their customer's buying patterns as well as competitive trends, and to build and automatically apply frequent buyer programs, loyalty discounts and other enhanced discounting packages.

Customer Maintenance

Communications Control System (CCS(R)) lets CSRs enroll new customers, modify services for current customers, schedule installation and repairs, and process billing.

Call Center ExpressSM is a suite of products that promotes customer self- care and improves CSR efficiency. Over the phone, without the assistance of a CSR, customers can check account balances and order a pay-per-view event. In addition, when a call comes into the call center, a customer's account information automatically appears on the CSR's computer screen.

CSG WorkForce ExpressSM is a suite of products that efficiently dispatches field technicians, provides automatic and manual routing of work orders, and workforce management functions. It connects each technician with the customer care and billing system through a hand-held device (CSG TechNet(R)), which presents information including the route to the next job and background on the customer.

CSG Care Express(TM) is a web-based application providing end-user customers with the ability to sign up for new services, add or modify existing services, and manage their convergent account.

Billing and Invoicing

CSG Enhanced Statement Presentation(R) lets clients tailor logos, graphics, and messages on customer invoices--turning a monthly bill into an easy-to-read communications and marketing tool.

Internet Bill Presentment and Payment (IBPP) allows end-user customers to view and pay bills via the Internet. This product maintains the previous month's statements online and notifies customers of new statements via e- mail. In addition, IBPP allows customers to view unbilled usage in real- time.

CSG Statement Express(R) allows CSRs to use their computers to call up the actual invoice a customer receives, so that it can be discussed with the customer.

Collection and Delinquency

Paybill Advantage(R) lets customers have their bills automatically debited from their checking accounts or placed on their credit cards.

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

Electronic Lockbox Service(R) (ELS(R)) automates the process of posting electronic payments, dramatically reducing the possibility of an error in payment.

Collections Service automates the accounts receivable and collections systems for clients, increasing recovery rates and reducing costs.

Year 2000

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

Clients

The majority of the Company's largest clients (listed in alphabetic order) are cable television and DBS providers located in the United States and Canada, and are as follows:

```
AT&T Broadband (formerly TCI)          Echostar Communications Corporation
Adelphia Communications Corp           Media One Group, Inc.
Ameritech New Media                    Primestar by DIRECTV
Bell ExpressVu                         Prodigy Communications Corp
Charter Communications                 Time Warner
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During the years ended December 31, 1999, 1998, and 1997, revenues from AT&T represented approximately 50.5%, 37.4%, and 32.9% of total revenues, and revenues from Time Warner Cable and its affiliated companies ("Time Warner") represented approximately 10.2%, 14.1%, and 20.1% of total revenues, respectively. The increase in the AT&T percentage between 1999 and 1998 relates primarily to the additional AT&T customers converted to the Company's systems as a result of the 15-year AT&T Contract executed in September 1997. The Company has separate processing agreements with multiple affiliates of Time Warner and provides products and services to them under separately negotiated and executed contracts.

Client and Product Support

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

Sales and Marketing

The Company has assembled a direct sales and sales support organization. The 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 development efforts for 1999 were focused primarily on the development of products to (i) increase the efficiencies and productivity of its clients' operations, (ii) address the systems needed to support the convergence of the communications markets, (iii) support a web-enabled, customer self-care and electronic bill presentment/payment application, and (iv) allow clients to effectively rollout new products and services to new and existing markets, such as residential telephony, High-Speed Data/ISP and IP markets. The Company expects its development efforts to focus on similar tasks in 2000 and expects to spend a similar percentage of its total revenues on R&D in the future.

The Company's total R&D expense, excluding purchased R&D, was $34.4 million, $27.5 million, and $22.6 million for the years ended December 31, 1999, 1998, and 1997, or 10.7%, 11.6%, 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 DST Systems, Inc., Convergys Corporation, Portal Software, Inc., Kenan Systems (a division of Lucent Technologies, Inc.), 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, 1999, the Company had a total of 1,522 employees, an increase of 194 from December 31, 1998. 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 159,000 square feet in Denver, Colorado and surrounding communities. The Company utilizes these facilities primarily for (i) corporate headquarters, (ii) sales and marketing activities, (iii) product and operations support, and (iv) certain R&D activities. The leases for these facilities expire in the years 2000 through 2010.

The Company leases six facilities, totaling approximately 280,000 square feet in Omaha, Nebraska. The Company utilizes these facilities primarily for
(i) client services, training and product support, (ii) systems and programming activities, (iii) R&D activities, (iv) statement production and mailing, and (v) general and administrative functions. The leases for these facilities expire in the years 2000 through 2007.

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

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

The Company believes that its facilities are adequate for its current needs and that additional suitable space will be available as required. The Company also believes that it will be able to extend leases as they terminate. See Note 9 to the Company's Consolidated Financial Statements for information regarding the Company's obligations under its facilities leases.

Item 3. Legal Proceedings

From time to time, the Company is involved in litigation relating to claims arising out of its operations in the normal course of business. In the opinion of the Company's management, after consultation with legal counsel, the Company is not presently a party to any material pending or threatened legal proceedings.

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

None

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Executive Officers of the Registrant

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

Mr. Hansen, 59, is a co-founder of the Company and has been the Chairman of the Board and Chief Executive Officer and a director of the Company since its inception in 1994. From 1991 until founding the Company, Mr. Hansen served as a consultant to several software companies, including FDC. From 1989 to 1991, Mr. Hansen was a General Partner of Hansen, Haddix and Associates, a partnership which provided advisory management services to suppliers of software products and services. From 1983 to 1989, Mr. Hansen was Chairman and Chief Executive Officer of US WEST Applied Communications, Inc., and President of US WEST Data Systems Group.

Mr. Pogge, 46, 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, 41, joined the Company in July 1995 and has served as Vice President and Chief Financial Officer since April 1997. Prior to that time, Mr. Parker was Vice President, Finance. Previously, Mr. Parker was with Banc One for thirteen years and was Chief Financial Officer for Banc One in Houston and San Antonio. Mr. Parker received a BBA in Accounting and Economics from the University of Iowa in 1980. Mr. Pogge and Mr. Parker are brothers-in-law.

Mr. Nafus, 59, joined the Company in August 1998 as Executive Vice President. From 1992 to 1998, Mr. Nafus served as Executive Vice President of First Data Corporation and President of First Data International. Mr. Nafus was President of First Data Resources from 1989 to 1992, Executive Vice President of First Data Resources from 1984 to 1989 and held various other management positions with that company since 1984. Mr. Nafus holds a B.S. degree in Mathematics from Jamestown College.

PART II

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

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

	High	Low
1999		
First quarter	$41.63	$31.75
Second quarter	45.00	23.44
Third quarter	29.94	20.31
Fourth quarter	44.75	23.94
	High	Low
1998		
First quarter	$22.63	$18.44
Second quarter	24.50	18.91
Third quarter	24.63	18.38
Fourth quarter	39.50	19.13

On March 20, 2000, the last sale price of the Company's Common Stock as reported by NASDAQ/NMS was $65.88 per share. On January 31, 2000, the number of holders of record of Common Stock was 273.

Dividends

The Company has not declared or paid cash dividends on its Common Stock since its incorporation. The Company's debt agreement contains certain restrictions on the payment of dividends. See 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. 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 Consolidated Financial Statements. The information below is not necessarily indicative of the results of future operations.

	Company(1)(2)				
	Year ended December 31,				
	1999	1998	1997	1996	1995
	(in thousands, except per share amounts)				
Statements of Operations Data:					
Revenues:					
Processing and related services..................	$255,167	$191,802	$ 131,399	$113,422	$ 96,343
Software and professional services..................	66,995	44,838	40,405	18,875	61
Total revenues...........	322,162	236,640	171,804	132,297	96,404
Expenses:					
Cost of processing and related services:					
Direct costs...............	88,475	77,155	58,259	52,027	46,670
Amortization of acquired software(1)...............	--	--	10,596	11,003	11,000
Amortization of client contracts and related intangibles(1)...........	7,231	5,043	4,293	4,092	4,092
Total cost of processing and related services.....	95,706	82,198	73,148	67,122	61,762
Cost of software and professional services.....	36,415	25,048	16,834	7,123	--
Total cost of revenues....	132,121	107,246	89,982	74,245	61,762
Gross margin (exclusive of depreciation).............	190,041	129,394	81,822	58,052	34,642
Operating expenses:					
Research and development:					
Research and development...	34,388	27,485	22,586	20,206	14,278
Charge for purchased research and development(5)...........	--	--	105,484	--	--
Impairment of capitalized software development costs(6).................	--	--	11,737	--	--
Selling and marketing......	14,361	11,810	10,198	8,213	3,770
General and administrative:					
General and administrative.	25,781	22,959	19,385	13,702	11,406
Amortization of noncompete agreements and goodwill(1)..............	4,889	5,381	6,927	6,392	5,680
Impairment of intangible assets(7)................	--	--	4,707	--	--
Stock-based employee compensation(1)..........	280	297	449	3,570	841
Depreciation..............	10,190	8,159	6,884	5,121	5,687
Total operating expenses..	89,889	76,091	188,357	57,204	41,662
Operating income (loss).....	100,152	53,303	(106,535)	848	(7,020)
Other income (expense):					
Interest expense...........	(7,214)	(9,771)	(5,324)	(4,168)	(9,070)
Interest income...........	2,981	2,484	1,294	844	663
Other......................	10	(21)	349	--	--
Total other..............	(4,223)	(7,308)	(3,681)	(3,324)	(8,407)
Income (loss) before income taxes, extraordinary item and discontinued operations................	95,929	45,995	(110,216)	(2,476)	(15,427)

Income tax (provision) benefit(8)	(36,055)	39,643	--	--	--
Income (loss) before extraordinary item and discontinued operations	59,874	85,638	(110,216)	(2,476)	(15,427)
Extraordinary loss from early extinguishment of debt(3)(5)	--	--	(577)	(1,260)	--
Income (loss) from continuing operations	59,874	85,638	(110,793)	(3,736)	(15,427)
Discontinued operations(4):					
Loss from operations	--	--	--	--	(3,093)
Gain (loss) from disposition	--	--	7,922	--	(660)
Total gain (loss) from discontinued operations	--	--	7,922	--	(3,753)
Net income (loss)	$ 59,874	$ 85,638	$(102,871)	$ (3,736)	$(19,180)
Diluted net income (loss) per common share(9):					
Income (loss) attributable to common stockholders	$ 1.10	$ 1.62	$ (2.16)	$ (.07)	$ (2.76)
Extraordinary loss from early extinguishment of debt	--	--	(.01)	(.03)	--
Gain (loss) from discontinued operations	--	--	.15	--	(.54)
Net income (loss) attributable to common stockholders	$ 1.10	$ 1.62	$ (2.02)	$ (.10)	$ (3.30)
Weighted average diluted common shares	54,660	52,991	50,994	43,746	6,901

	Company(1)(2)				
	Year ended December 31,				
	1999	1998	1997	1996	1995
	(in thousands)				
Other Data (at Period End):					
Number of clients' customers processed......................	33,753	29,461	21,146	19,212	17,975
Balance Sheet Data (at Period End):					
Cash and cash equivalents.......	$ 48,676	$ 39,593	$ 20,417	$ 6,134	$ 3,603
Working capital.................	32,092	7,050	3,518	4,430	2,359
Total assets(5).................	274,968	271,496	179,793	114,910	105,553
Total debt(3)(5)................	81,000	128,250	135,000	32,500	85,068
Redeemable convertible preferred stock(3).......................	--	--	--	--	62,985
Stockholders' equity (deficit)(1)(3)(5)(6)..........	116,862	60,998	(33,086)	41,964	(61,988)

(1) The Company was formed in October 1994 and acquired all of the outstanding shares of CSG Systems, Inc., formerly Cable Services Group, Inc., from First Data Corporation ("FDC") on November 30, 1994 (the "CSG Acquisition"). The Company did not have any substantive operations prior to the CSG Acquisition. The CSG Acquisition was accounted for as a purchase and the Company's Consolidated Financial Statements (the "Consolidated Financial Statements") since the date of the acquisition are presented on the new basis of accounting established for the purchased assets and liabilities. The Company incurred certain acquisition-related charges as a result of the CSG Acquisition. These acquisition-related charges include periodic amortization of acquired software, client contracts and related intangibles, noncompete agreement and goodwill, and stock-based employee compensation.
(2) On June 28, 1996, the Company acquired all of the outstanding shares of Bytel Limited. Bytel Limited changed its name to CSG International Limited ("CSGI") in 1998. The acquisition was accounted for using the purchase method of accounting.
(3) The Company completed an initial public offering ("IPO") of its Common Stock in March 1996. The Company sold 6,670,000 shares of Common Stock resulting in net proceeds to the Company of $44.8 million. Such proceeds were used to repay long-term debt of $40.3 million and to pay accrued dividends of $4.5 million on Redeemable Convertible Preferred Stock ("Preferred Stock"). As of the closing of the IPO, all of the Preferred Stock was automatically converted into 35,999,996 shares of Common Stock. The Company incurred an extraordinary loss of $1.3 million for the write- off of deferred financing costs attributable to the portion of the long- term debt repaid.
(4) Contemporaneously with the CSG Acquisition, the Company purchased from FDC all of the outstanding capital stock of Anasazi Inc. ("Anasazi"). On August 31, 1995, the Company completed a substantial divestiture of Anasazi, resulting in the Company owning less than 20% of Anasazi. In September 1997, the Company sold its remaining ownership interest in Anasazi for $8.6 million in cash and recognized a gain of $7.9 million. The Company accounted for its ownership in Anasazi as discontinued operations after its acquisition in 1994.
(5) During 1997, the Company purchased certain SUMMITrak technology assets from Tele-Communications, Inc. ("TCI") and entered into a 15-year processing contract with TCI. In March 1999, AT&T completed its merger with TCI and has consolidated the TCI operations into AT&T Broadband ("AT&T"). The Company continues to service AT&T under the terms of the 15-year processing contract (the "AT&T Contract"). The total purchase price was approximately $159 million, with approximately $105 million charged to purchased research and development and the remaining amount allocated primarily to the AT&T Contract. The Company financed the asset acquisition with a $150.0 million term credit facility (the "Term Credit Facility"), of which $27.5 million was used to retire the Company's previously outstanding debt, resulting in an extraordinary loss of $0.6 million for the write-off of deferred financing costs attributable to such debt. See Note 4 to the Consolidated Financial Statements for additional discussion.
(6) During 1997, the Company recorded a non-recurring charge of $11.7 million to reduce certain CSG Phoenix assets to their net realizable value as of December 31, 1997.
(7) During 1997, the Company recorded a non-recurring charge of $4.7 million for the impairment of certain intangible assets related to software systems which the Company decided to no longer market and support.
(8) During 1998, the Company recorded an income tax benefit of $39.6 million related primarily to the elimination of its valuation allowance against its deferred tax assets. See Note 7 to the Consolidated Financial Statements for further discussion.
(9) On March 5, 1999, the Company completed a two-for-one stock split for shareholders of record on February 8, 1999. In January 1996, the Company also completed a two-for-one stock split. Both splits were effected as a stock dividend. Share and per share data for all periods presented herein have been adjusted to give effect to both splits. Diluted net income
(loss) per common share and the shares used in the per share computation have been computed on the basis described in Note 2 to the Consolidated Financial Statements.

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

General

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

The Company provides customer care and billing solutions worldwide for the converging communications markets, including cable television, direct broadcast satellite, telephony, on-line services and others. The Company offers its clients a full range of processing services, software and support services that automate customer management functions, including billing, sales support and order processing, invoice calculation and production, management reporting and customer analysis for target marketing. The Company'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 provides its services to more than one-third of the households in the United States.

Forward-Looking Statements. This report contains a number of forward-looking statements relative to future plans of the Company and its expectations concerning the customer care and billing industry, as well as the converging telecommunications industry it serves, and similar matters. Such forward- looking statements are based on assumptions about a number of important factors, and involve risks and uncertainties that could cause actual results to differ materially from estimates contained in the forward-looking statements. Some of the risks that are foreseen by management are contained in Exhibit 99.01 of this report. Exhibit 99.01 constitutes an integral part of this report, and readers are strongly encouraged to read that section closely in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations.

AT&T Contract and Merger. In September 1997, the Company entered into a 15- year processing contract with Tele-Communications, Inc. ("TCI"). In March 1999, AT&T completed its merger with TCI and has consolidated the TCI operations into AT&T Broadband ("AT&T"). The Company continues to service AT&T under the terms of the 15-year processing contract (the "AT&T Contract").

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

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

Acquisitions

USTATS Asset Acquisition. On July 30, 1998, the Company acquired substantially all of the assets of US Telecom Advanced Technology Systems, Inc. ("USTATS") for approximately $6.0 million in cash and assumption of certain liabilities of approximately $1.3 million. USTATS, a South Carolina- based company, specializes in open systems, client/server customer care and billing systems serving the telecommunications markets. The Company used the acquired technology and software primarily to enhance its current service- bureau telephony customer care and billing system. The total purchase price of $7.3 million has been allocated to the technology and software acquired and is being amortized over its expected useful life of five years.

Acquisition of SUMMITrak Assets. In September 1997, the Company purchased certain SUMMITrak software technology assets that were in development from TCI. The Company continued the research and development ("R&D") of certain software technologies that were acquired from TCI. Such efforts included the completion of the R&D projects and the integration of the completed software technologies into certain of its

current products. The related products from these development efforts were available for general release in 1999. See Note 4 to the Company's Consolidated Financial Statements for additional discussion of the SUMMITrak asset acquisition.

Acquisition-Related Charges

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

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

Non-Recurring Items

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

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

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

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

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

income tax benefit of $39.6 million during the fourth quarter. This conclusion was based primarily upon the Company's expected profitable operations in future periods. See below for additional discussion.

Adjusted Results of Operations

Impact of Acquisition Charges and Non-recurring Charges on Earnings. As discussed above, the Company has incurred Acquisition Charges and non- recurring charges in each of the last three years. The total of these charges was $7.5 million, $8.2 million, and $135.3 million for the years ended December 31, 1999, 1998 and 1997, respectively. The Company's adjusted results of operations excluding these items are shown in the following table. In addition to the exclusion of these expenses from the calculation, the adjusted results of operations were computed using an effective income tax rate of 38.0%, and outstanding shares on a diluted basis.

	For the year ended December 31,		
	1999	1998	1997
	(in thousands, except per share amounts)		
Adjusted Results of Operations:			
Operating income	$107,613	$61,512	$36,131
Operating income margin	33.4%	26.0%	21.0%
Income before income taxes	103,390	54,204	32,450
Net income	64,102	33,606	20,119
Earnings per diluted common share	1.17	.63	.39
Weighted average diluted common shares	54,660	52,991	52,138

Results of Operations

The following table sets forth certain financial data and the percentage of total revenues of the Company for the periods indicated.

	Year Ended December 31,					
	1999		1998		1997	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands)					
Revenues:						
Processing and related services	$255,167	79.2%	$191,802	81.1%	$ 131,399	76.5%
Software and professional services	66,995	20.8	44,838	18.9	40,405	23.5
Total revenues	322,162	100.00	236,640	100.0	171,804	100.0
Expenses:						
Cost of processing and related services:						
Direct costs	88,475	27.5	77,155	32.6	58,259	33.9
Amortization of acquired software	--	--	--	--	10,596	6.2
Amortization of client contracts and related intangibles	7,231	2.2	5,043	2.1	4,293	2.5
Total cost of processing and related services	95,706	29.7	82,198	34.7	73,148	42.6
Cost of software and professional services	36,415	11.3	25,048	10.6	16,834	9.8
Total cost of revenues	132,121	41.0	107,246	45.3	89,982	52.4
Gross margin (exclusive of depreciation)	190,041	59.0	129,394	54.7	81,822	47.6
Operating expenses:						
Research and development:						
Research and development	34,388	10.7	27,485	11.6	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	14,361	4.4	11,810	5.0	10,198	5.9
General and administrative:						
General and administrative	25,781	8.0	22,959	9.7	19,385	11.3
Amortization of noncompete agreements and goodwill	4,889	1.5	5,381	2.3	6,927	4.0
Impairment of intangible assets	--	--	--	--	4,707	2.7
Stock-based employee compensation	280	.1	297	.1	449	.3
Depreciation	10,190	3.2	8,159	3.4	6,884	4.0
Total operating expenses	89,889	27.9	76,091	32.1	188,357	109.6
Operating income (loss)	100,152	31.1	53,303	22.6	(106,535)	(62.0)
Other income (expense):						
Interest expense	(7,214)	(2.2)	(9,771)	(4.1)	(5,324)	(3.1)
Interest income	2,981	.9	2,484	1.0	1,294	.7
Other	10	--	(21)	--	349	.2
Total other	(4,223)	(1.3)	(7,308)	(3.1)	(3,681)	(2.2)
Income (loss) before income taxes,						

extraordinary item and discontinued operations.............	95,929	29.8	45,995	19.5	(110,216)	(64.2)
Income tax (provision) benefit...............	(36,055)	(11.2)	39,643	16.7	--	--
Income (loss) before extraordinary item and discontinued operations.............	59,874	18.6	85,638	36.2	(110,216)	(64.2)
Extraordinary loss from early extinguishment of debt...............	--	--	--	--	(577)	(.3)
Income (loss) from continuing operations..	59,874	18.6	85,638	36.2	(110,793)	(64.5)
Gain from disposition of discontinued operations............	--	--	--	--	7,922	4.6
Net income (loss).......	$ 59,874	18.6%	$ 85,638	36.2%	$(102,871)	(59.9)%

Twelve Months Ended December 31, 1999 Compared to Twelve Months Ended December 31, 1998

Revenues. Total revenues increased $85.5 million, or 36.1%, to $322.2 million in 1999, from $236.6 million in 1998.

Revenues from processing and related services increased $63.4 million, or 33.0%, to $255.2 million in 1999, from $191.8 million in 1998. Of the total increase in revenue, approximately 68% resulted from the Company serving a higher number of customers for its clients and approximately 32% was due to increased revenue per customer. Customers serviced as of December 31, 1999 and 1998 were 33.8 million and 29.5 million, respectively, an increase of 14.6%. The increase in the number of customers serviced was due to the conversion of additional customers by new and existing clients to the Company's systems, and internal customer growth experienced by existing clients. During 1999, the Company converted and processed approximately 4.5 million new customers on its systems, with approximately 3.4 million of these new customers coming from AT&T.

Revenues from software and professional services increased $22.1 million, or 49.4%, to $67.0 million in 1999, from $44.8 million in 1998. The Company sells its software products principally to its existing client base to (i) enhance the core functionality of its service bureau processing application, (ii) increase the efficiency and productivity of its clients' operations, and (iii) allow clients to effectively rollout new products and services to new and existing markets. The increase in revenue between years relates to the continued strong demand for the Company's existing software products, principally ACSR, and the rollout of additional new products to meet the changing needs of the Company's client base.

Total domestic revenue per customer account for 1999 was $9.88, compared to $8.71 for 1998, an increase of 13.4%. Revenue per customer increased due primarily to (i) a greater percentage of processing revenues in 1999 being generated under the AT&T Contract, (ii) price increases included in client contracts, and (iii) increased software sales to new and existing clients.

Cost of Processing and Related Services. Direct processing costs as a percentage of related revenues were 34.7% for 1999, compared to 40.2% for 1998. The improvement between years relates primarily to better overall leveraging of the direct processing costs as a result of the continued growth of the customer base processed on the Company's system. Amortization of client contracts and related intangibles increased $2.2 million, or 43.4%, to $7.2 million in 1999, from $5.0 million in 1998. The increase in expense is due primarily to the amortization of the value assigned to the AT&T Contract. The value assigned to the AT&T Contract is being amortized over the life of the contract in proportion to the financial minimums included in the contract. Amortization related to the AT&T Contract was $3.3 million in 1999, compared to $1.9 million in 1998. For 2000, the scheduled amortization for the AT&T Contract is $3.4 million.

Cost of Software and Professional Services. The cost of software and professional services as a percentage of related revenues was 54.4% in 1999, compared to 55.9% in 1998. The slight decrease in this percentage is due primarily to the timing of the sales cycle for new products introduced both in 1999 and 1998.

Gross Margin. Gross margin increased $60.6 million, or 46.9%, to $190.0 million in 1999, from $129.4 million in 1998, due primarily to revenue growth. The gross margin as a percentage of total revenues increased to 59.0% in 1999, compared to 54.7% in 1998. The overall increase in the gross margin percentage is due primarily to the improvement in the gross margin percentage for processing and related services, due primarily to the increase in revenue per customer while controlling the cost of delivering such services.

Research and Development Expense. R&D expense increased $6.9 million, or 25.1%, to $34.4 million in 1999, from $27.5 million in 1998. As a percentage of total revenues, R&D expense decreased to 10.7% in 1999, from 11.6% in 1998. The Company did not capitalize any software development costs during 1999. The Company capitalized third party, contracted programming costs of approximately $1.4 million during 1998, related primarily to enhancements to existing products. As a result, total R&D development expenditures (i.e., the total R&D costs expensed, plus the capitalized development costs) for 1999 and 1998, were $34.4 million, or 10.7% of total revenues, and $28.9 million, or 12.2% of total revenues, respectively.

The overall increase in the R&D expenditures between periods is due primarily to increased efforts on several products which are in development and enhancements of the Company's existing products. The Company's development efforts for 1999 were focused primarily on the development of products to (i) increase the efficiencies and productivity of its clients' operations, (ii) address the systems needed to support the convergence of the communications markets, (iii) support a web-enabled, customer self-care and electronic bill presentment/payment application, and (iv) allow clients to effectively rollout new products and services to new and existing markets, such as residential telephony, High-Speed Data/ISP and IP markets. The Company expects its development efforts to focus on similar tasks in 2000 and expects to spend a similar percentage of its total revenues on R&D in the future.

Selling and Marketing Expense. Selling and marketing ("S&M") expense increased $2.6 million, or 21.6%, to $14.4 million in 1999, from $11.8 million in 1998. As a percentage of total revenues, S&M expense decreased to 4.4% in 1999, from 5.0% in 1998. The decrease in S&M expenses as a percentage of total revenues is due primarily to increased revenues, while controlling S&M costs.

General and Administrative Expense. General and administrative ("G&A") expense increased $2.8 million, or 12.3%, to $25.8 million in 1999, from $23.0 million in 1998. As a percentage of total revenues, G&A expense decreased to 8.0% in 1999, from 9.7% in 1998. The increase in G&A expenses relates primarily to the continued expansion of the Company's management and administrative staff and other administrative costs to support the Company's overall growth. The decrease in G&A expenses as a percentage of total revenues is due primarily to increased revenue, while controlling G&A costs.

Amortization of Noncompete Agreements and Goodwill. Amortization of noncompete agreements and goodwill decreased $0.5 million, or 9.1%, to $4.9 million in 1999, from $5.4 million in 1998. The decrease in amortization expense is due primarily to the noncompete agreement from the CSG Acquisition becoming fully amortized as of November 30, 1999.

Depreciation Expense. Depreciation expense increased $2.0 million, or 24.9%, to $10.2 million in 1999, from $8.2 million in 1998. The increase in expense relates to capital expenditures made throughout 1999 and 1998 in support of the overall growth of the Company, consisting principally of computer hardware and related equipment and statement processing equipment and related facilities. Depreciation expense for all property and equipment is reflected separately in the aggregate and is not included in the cost of revenues or the other components of operating expenses.

Operating Income. Operating income was $100.2 million for 1999, compared to $53.3 million in 1998, with the increase attributable to the factors discussed above. The Company's operating income margin, excluding the Acquisition Charges discussed above, was 33.4% for 1999, compared to 26.0% for 1998.

Interest Expense. Interest expense decreased $2.6 million, or 26.2%, to $7.2 million in 1999, from $9.8 million in 1998, with the decrease attributable primarily to (i) scheduled principal payments on the Company's long-term debt,
(ii) optional prepayments on long-term debt made during 1999, and (iii) a decrease in interest rates between periods. The balance of the Company's long- term debt as of December 31, 1999, was $81.0 million, compared to $128.3 million as of December 31, 1998, a decrease of $47.3 million.

Interest Income. Interest income increased $0.5 million, or 20.0%, to $3.0 million in 1999, from $2.5 million in 1998, with the increase attributable primarily to an increase in operating funds available for investment.

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

For the year ended December 31, 1999, the Company recorded an income tax provision of $36.1 million, or an effective income tax rate of approximately 38%. As of December 31, 1999, management continues to believe that sufficient taxable income will be generated to realize the entire benefit of its deferred tax assets. The Company's assumptions of future profitable operations are supported by its strong operating performances in 1999 and 1998, and the conversion of a significant number of new customers onto its processing system during these periods.

Twelve Months Ended December 31, 1998 Compared to Twelve Months Ended December 31, 1997

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

Revenues from processing and related services increased $60.4 million, or 46.0%, to $191.8 million in 1998, from $131.4 million in 1997. Of the total increase in revenue, approximately 61% resulted from the Company serving a higher number of customers for its clients and approximately 39% was due to increased revenue per customer. Customers serviced as of December 31, 1998 and 1997 were 29.5 million and 21.1 million, respectively, an increase of 39.3%. The increase in the number of customers serviced was due to the conversion of additional customers by new and existing clients to the Company's systems, and internal customer growth experienced by existing clients. During 1998, the Company converted and processed approximately 9.0 million new customers on its systems, with approximately 7.7 million of these new customers coming from AT&T.

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

Total domestic revenue per customer account for 1998 was $8.71, compared to $7.73 for 1997, an increase of 12.7%. Revenue per customer increased due primarily to (i) the AT&T Contract, which was executed in September 1997, (ii) increased usage of ancillary services by clients, and (iii) price increases included in client contracts.

Cost of Processing and Related Services. Direct processing costs as a percentage of related revenues were 40.2% for 1998, compared to 44.3% for 1997. The improvement between years relates primarily to better overall leveraging of the direct processing costs as a result of the continued growth of the customer base processed on the Company's system. Amortization of acquired software decreased to zero in 1998, from $10.6 million in 1997, due to acquired software from the CSG Acquisition becoming fully amortized as of November 30, 1997. Amortization of client contracts and related intangibles increased $0.7 million, or 17.5%, to $5.0 million in 1998, from $4.3 million in 1997. The increase in expense is due to amortization of the value assigned to the AT&T Contract, offset by a decrease in the amortization of certain intangible assets from the CSG Acquisition becoming fully amortized as of November 30, 1997. Amortization related to the AT&T Contract was $1.9 million in 1998, compared to $0.3 million in 1997.

Cost of Software and Professional Services. The cost of software and professional services as a percentage of related revenues was 55.9% in 1998, compared to 41.7% in 1997. The increase in this percentage between years relates primarily to the timing of the sales cycle for new products introduced in 1998.

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

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

During 1997, the Company capitalized software development costs of approximately $9.7 million, which consisted of $8.4 million of internal development costs and $1.3 million of purchased software. The Company capitalized third party, contracted programming costs of approximately $1.4 million during 1998, related primarily to enhancements to existing products. As a result, total R&D development expenditures (i.e., the total R&D costs expensed, plus the capitalized development costs) for 1998 and 1997, were $28.9 million, or 12.2% of total revenues, and $31.0 million, or 18.0% of total revenues, respectively. The overall decrease in the R&D expenditures between periods is due primarily to effective control of development costs, primarily the reduction of third party, contracted programming services.

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

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

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

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

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

Interest Expense. Interest expense increased $4.5 million, or 83.5%, to $9.8 million in 1998, from $5.3 million in 1997, with the increase attributable primarily to the financing of the Company's acquisition of the SUMMITrak assets in September 1997. The balance of the Company's long-term debt as of December 31, 1998 was $128.3 million, compared to $135.0 million as of December 31, 1997, a decrease of $6.7 million.

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

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

Financial Condition, Liquidity and Capital Resources

As of December 31, 1999, the Company's principal sources of liquidity included cash and cash equivalents of $48.7 million and a revolving credit facility with a bank in the amount of $40 million, of which there were no borrowings outstanding as of December 31, 1999. The Company's ability to borrow under the revolving credit facility is subject to maintenance of certain levels of eligible receivables. At December 31, 1999, all of the $40.0 million revolving credit facility was available to the Company. The revolving credit facility expires in September 2002. The Company's working capital as of December 31, 1999 and 1998 was $32.1 million and $7.1 million, respectively.

As of December 31, 1999 and 1998, the Company had $67.5 million and $60.5 million, respectively, in net billed trade accounts receivable, an increase of $7.0 million, with the increase primarily a result of the Company's revenue growth. The Company's trade accounts receivable balance includes billings for several non-revenue items, such as postage, communication lines, travel and entertainment reimbursements, sales tax, and deferred items. As a result, the Company evaluates its performance in collecting its accounts receivable through its calculation of days billings outstanding (DBO) rather than a typical days sales outstanding (DSO) calculation. DBO is calculated based on the billing for the period (including non-revenue items) divided by the average net trade accounts receivable balance for the period. The Company's DBO calculations for the years ended December 31, 1999 and 1998 were 55 and 56 days, respectively.

The Company's net cash flows from operating activities for the years ended December 31, 1999, 1998 and 1997 were $102.1 million, $47.3 million and $31.4 million, respectively. The increase of $54.7 million, or 115.7% in 1999 over 1998 relates to a $37.8 million increase in net cash flows from operations, in addition to an increase in the net change in operating assets and liabilities of $16.9 million. The increase of $15.9 million, or 50.6%, in 1998 over 1997 relates to an $18.0 million increase in net cash flows from operations, offset by a decrease in the net change in operating assets and liabilities of $2.1 million.

The Company's net cash flows used in investing activities totaled $36.7 million in 1999, compared to $27.1 million in 1998, an increase of $9.6 million. The increase between years relates primarily to conversion incentive payments of $24.7 million (principally to AT&T) in 1999, compared to $4.0 million in 1998. This increase is offset by (i) a cash payment of $6.0 million for the acquisition of assets of USTATS in 1998, (ii) software additions of $1.4 million in 1998, and (iii) a decrease in property and equipment purchases of $3.7 million. The Company's net cash flows used in investing activities totaled $117.4 million in 1997. The decrease of $90.3 million between 1998 and 1997 relates primarily to the cash payments of $106.5 million for the SUMMITrak assets acquired in September 1997 and a decrease of $8.7 million in capitalized software development costs between years, with these decreases offset by (i) proceeds of $8.6 million from the final disposition of Anasazi in 1997, (ii) a cash payment of $6.0 million for the acquisition of assets of USTATS in 1998, (iii) conversion incentive payments of $4.0 million made in 1998, and (iv) an increase in purchases of net property and equipment of $6.3 million.

The Company's net cash flows used in financing activities was $56.1 million in 1999, compared to $1.1 million in 1998, an increase of $55.0 million. The significant increase between years relates to (i) an increase in scheduled principal payments on long-term debt of $8.9 million, (ii) optional long-term debt prepayments of $31.6 million made in 1999, and (iii) repurchase of 655,500 shares of common stock for $20.2 million in 1999, as discussed below. This increase is offset by an increase in proceeds received from the issuance of common stock of $5.4 million, related primarily to the exercise of stock options by employees. The Company's net cash flows used in financing activities was $100.7 million in 1997. The decrease of $101.8 million from 1997 to 1998 relates primarily to the net change in the Company's long-term debt between years. In 1997, the Company generated $150.0 million from a new debt agreement entered into primarily to fund the SUMMITrak asset acquisition, and repaid long-term debt of $47.5 million, which included (i) $5.0 million of scheduled payments on the previous debt agreement, (ii) $27.5 million of existing debt which was refinanced as part of the new debt agreement, and
(iii) an optional prepayment of $15.0 million on the new debt. The scheduled principal payments made in 1998 were $6.8 million.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") for 1999 was $124.6 million or 38.7% of total revenues, compared to $73.5 million or 31.0% of total revenues for 1998. EBITDA is presented here as a measure of the Company's debt service ability and is not intended to represent cash flows for the periods.

Interest rates for the Term Credit Facility and revolving credit facility are chosen at the option of the Company and are based on the LIBOR rate or the prime rate, plus an additional percentage spread, with the spread dependent upon the Company's leverage ratio. As of December 31, 1999, the spread on the LIBOR rate and prime rate was 0.50% and 0%, respectively. See Note 6 to the Consolidated Financial Statements for additional discussion of the Term Credit Facility.

The Company was required to make certain monetary conversion payments under the AT&T Contract. AT&T surpassed the milestone of 13 million customers processed on the Company's systems during the third quarter of 1999. Upon reaching this significant milestone, AT&T was paid its final monetary conversion incentive by the Company. The total monetary conversion incentives paid during 1999 to AT&T were $22.0 million.

Effective August 4, 1999, the Company's Board of Directors approved a stock repurchase plan which authorized the Company at its discretion to purchase up to a total of 5.0 million shares of its Common Stock from time to time as market and business conditions warrant. As of December 31, 1999, the Company had repurchased 655,500 shares of Common Stock for $20.2 million (a weighted average price of $30.88 per share). The repurchased shares are held as treasury shares.

For income tax purposes, the amortization of the intangible assets from acquisitions (including the intangible assets related to the CSG Acquisition and the charge for purchased R&D related to the SUMMITrak asset acquisition) are principally deductible over 15 years on a straight-line basis. The Company has paid U.S. income taxes since its inception in 1994. Based on its current projections, the Company expects to pay U.S. income taxes for 2000, and its effective book income tax rate for 2000 is expected to be approximately 38%.

The Company continues to make significant investments in capital equipment, facilities, research and development, and at its discretion, may continue to make stock repurchases. The Company had no significant capital commitments as of December 31, 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, income taxes, debt service, capital expenditures, and stock repurchases for both its short- and long-term purposes. The Company also believes it has significant unused borrowing capacity and could obtain additional cash resources by amending its current credit facility and/or establishing a new credit facility.

Market Risk

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

Interest Rate Risk. The Company had long-term debt (including current maturities) of $81.0 million as of December 31, 1999. Interest rates for the debt are chosen at the option of the Company and are based on the LIBOR rate or the prime rate, plus an additional percentage spread, with the spread dependent upon the Company's leverage ratio. As of December 31, 1999, the spread on the LIBOR rate and prime rate was 0.50% and 0%, respectively. As of December 31, 1999, the entire amount of the debt was under either a three- or six-month LIBOR contract, with an overall weighted average interest rate of 6.55% (i.e., LIBOR at 6.05% plus spread of 0.50%). The carrying amount of the Company's long-term debt approximates fair value due to its

variable interest rate features. See Note 6 to the Consolidated Financial Statements for additional description of the long-term debt and scheduled principal payments.

As required by the debt agreement with its bank, the Company entered into a three-year interest rate collar in December 1997 with a major bank to manage its risk from its variable rate long-term debt. The underlying notional amount covered by the collar agreement is $60.6 million as of December 31, 1999, and decreases over the three-year term in relation to the scheduled principal payments on the long-term debt. Any payment on the 4.9% (LIBOR) interest rate floor, or receipt on the 7.5% (LIBOR) interest rate cap component of the collar, would be recognized as an adjustment to interest expense in the period incurred. There are no amounts due or receivable under this agreement as of December 31, 1999, and the agreement had no effect on the Company's interest expense for 1999, 1998 or 1997. The fair value of the collar agreement is not recognized in the Company's financial statements. The fair value of the collar agreement at December 31, 1999, based on a quoted market price, was not significant.

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

AT&T Contract and Merger

AT&T completed its merger with TCI in March 1999 and has consolidated the TCI operations into AT&T Broadband. During the years ended December 31, 1999, 1998 and 1997, revenues from AT&T and affiliated companies generated under the AT&T Contract represented approximately 50.5%, 37.4%, and 32.9% of total revenues, respectively. The AT&T Contract has a 15-year term and expires in 2012. The AT&T Contract has minimum financial commitments over the term of the contract and includes exclusive rights to provide customer care and billing products and services for AT&T's offerings of wireline video, all Internet/high-speed data services, residential wireline telephony services, and print and mail services. The AT&T Contract provides certain performance criteria and other obligations to be met by the Company. The Company is required to perform certain remedial efforts and is subject to certain penalties if it fails to meet the performance criteria or other obligations. The Company is also subject to an annual technical audit to determine whether the Company's products and services include innovations in features and functions that have become standard in the wireline video industry. To date, the Company believes it has complied with the terms of the contract. Since execution of the AT&T Contract in September 1997 through December 31, 1999, the Company has successfully converted approximately 11 million AT&T cable television customers onto its system.

AT&T began its efforts to provide convergent communications services in several United States cities during 1999 and expects to continue these efforts in 2000. The Company is working closely with AT&T to provide customer care and billing services to customers in those cities.

The Company expects to continue performing successfully under the AT&T Contract, and is hopeful that it can continue to sell products and services to the combined entity that are in excess of the minimum financial commitments and exclusive rights included in the contract.

See Note 4 to the Consolidated Financial Statements for discussion regarding the Company's Common Stock Warrants held by AT&T.

Year 2000

Results of Computer Systems Rollover Into Year 2000. The Company's year 2000 ("Y2K") program was described in the Company's most recent Form 10-Q dated November 15, 1999. This program was substantially

completed prior to January 1, 2000, and included rigorous compliance criteria and testing of the Company's various computer systems that could be affected by Y2K. As of the date of this filing, the Company has not experienced any significant disruptions in its operations as a result of its computer systems rollover to, and processing of dates within, the year 2000. This included the Company's information technology ("IT") systems (including products and services), non-IT systems with embedded technology, and software and hardware from significant vendors. Any Y2K-related disruptions within the Company's systems occurred primarily during the first week of January 2000, and consisted of minor items only (e.g., screen and/or report displays), all of which were timely resolved without significant cost to or effort by the Company, and had minimal impact to the Company's or its clients' operations. Although the Company has not experienced any significant disruptions to date, there is no assurance that the Company will not experience any future Y2K- related disruptions.

Costs to Address the Company's Year 2000 Issues. Since inception of its program in 1995 through December 31, 1999, the Company has incurred and expensed costs of approximately $4.2 million related to its Y2K compliance efforts, with approximately $1.4 million of this amount incurred in 1999. The total estimated costs to be incurred in the future related to this matter are not expected to be significant. However, there can be no assurance that these estimates will be achieved and actual results could differ materially from those anticipated.

Continuing Y2K Compliance Efforts and Remaining Risks. The Company believes that the year 2000 dates with the most significant risk of disruptions (January 1, 2000 and February 29, 2000) have passed without significant disruptions to the Company and/or its clients. The Company believes if any Y2k disruptions are experienced in the future, such disruptions would be of a similar nature as those items already reported to the Company's Product Support Center ("PSC"), and therefore, could be timely and adequately identified and resolved using existing problem reporting, remediation and recovery procedures. The Company continues to maintain its Y2K corporate program as a means to monitor continued Y2K compliance and whether any reported events to the PSC resulted from Y2K-related issues.

Although the Company believes the risk of any significant Y2K-related disruptions in the future is low, there can be no assurances that (i) the Company's systems and products (including software and hardware from significant vendors) contain all the necessary date code changes to avoid any significant disruptions related to processing of dates into and beyond the Year 2000, or (ii) if such disruptions are experienced, that the Company can timely identify and resolve any disruptions without significant impact to the Company's and/or its clients' operations. Furthermore, it has been widely reported that a significant amount of litigation surrounding business interruptions may arise out of Y2K issues. Although the Company is currently not aware of any such litigation that might affect the Company, the unprecedented nature of potential litigation regarding Y2K compliance issues makes it uncertain whether, or to what extent, the Company may be affected by such litigation in the future.

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

Item 8. Financial Statements and Supplementary Data

CSG SYSTEMS INTERNATIONAL, INC.

CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of CSG Systems International, Inc. (a Delaware corporation) and Subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1999. 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 auditing standards generally accepted in the United States. 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, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen llp

Omaha, Nebraska
January 17, 2000

CSG SYSTEMS INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	December 31, 1999	December 31, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 48,676	$ 39,593
Accounts receivable--		
Trade--		
Billed, net of allowance of $2,975 and $2,051	67,477	60,529
Unbilled	8,311	2,828
Other	909	1,179
Deferred income taxes	1,972	1,803
Other current assets	2,850	2,275
Total current assets	130,195	108,207
Property and equipment, net	26,507	24,711
Software, net	6,145	9,422
Noncompete agreements and goodwill, net	2,652	7,596
Client contracts and related intangibles, net	55,343	59,791
Deferred income taxes	52,845	59,389
Other assets	1,281	2,380
Total assets	$274,968	$271,496
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 21,711	$ 19,125
Customer deposits	10,549	10,018
Trade accounts payable	9,450	10,471
Accrued employee compensation	16,386	12,276
Deferred revenue	16,746	13,470
Conversion incentive payments	--	22,032
Accrued income taxes	11,710	6,756
Other current liabilities	11,551	7,009
Total current liabilities	98,103	101,157
Non-current liabilities:		
Long-term debt, net of current maturities	59,289	109,125
Deferred revenue	714	216
Total non-current liabilities	60,003	109,341
Commitments and contingencies (Note 9)		
Stockholders' equity:		
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; 13,591,947 and 11,421,416 shares reserved for common stock warrants, employee stock purchase plan and stock incentive plans; 51,638,629 and 51,465,646 shares outstanding	523	515
Common stock warrants; 3,000,000 warrants issued and outstanding	26,145	26,145
Additional paid-in capital	136,373	120,599
Deferred employee compensation	(48)	(328)
Notes receivable from employee stockholders	(115)	(478)
Other comprehensive income-cumulative translation adjustments	(120)	38
Treasury stock, at cost, 722,486 shares and 66,000 shares	(20,374)	(97)
Accumulated deficit	(25,522)	(85,396)
Total stockholders' equity	116,862	60,998
Total liabilities and stockholders' equity	$274,968	$271,496

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

CSG SYSTEMS INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Year Ended December 31,		
	1999	1998	1997
Revenues:			
Processing and related services	$255,167	$191,802	$ 131,399
Software and professional services	66,995	44,838	40,405
Total revenues	322,162	236,640	171,804
Expenses:			
Cost of processing and related services:			
Direct costs	88,475	77,155	58,259
Amortization of acquired software	--	--	10,596
Amortization of client contracts and related intangibles	7,231	5,043	4,293
Total cost of processing and related services	95,706	82,198	73,148
Cost of software and professional services	36,415	25,048	16,834
Total cost of revenues	132,121	107,246	89,982
Gross margin (exclusive of depreciation)	190,041	129,394	81,822
Operating expenses:			
Research and development:			
Research and development	34,388	27,485	22,586
Charge for purchased research and development	--	--	105,484
Impairment of capitalized software development costs	--	--	11,737
Selling and marketing	14,361	11,810	10,198
General and administrative:			
General and administrative	25,781	22,959	19,385
Amortization of noncompete agreements and goodwill	4,889	5,381	6,927
Impairment of intangible assets	--	--	4,707
Stock-based employee compensation	280	297	449
Depreciation	10,190	8,159	6,884
Total operating expenses	89,889	76,091	188,357
Operating income (loss)	100,152	53,303	(106,535)
Other income (expense):			
Interest expense	(7,214)	(9,771)	(5,324)
Interest income	2,981	2,484	1,294
Other	10	(21)	349
Total other	(4,223)	(7,308)	(3,681)
Income (loss) before income taxes, extraordinary item and discontinued operations	95,929	45,995	(110,216)
Income tax (provision) benefit	(36,055)	39,643	--
Income (loss) before extraordinary item and discontinued operations	59,874	85,638	(110,216)
Extraordinary loss from early extinguishment of debt	--	--	(577)
Income (loss) from continuing operations	59,874	85,638	(110,793)
Gain from disposition of discontinued operations	--	--	7,922
Net income (loss)	$ 59,874	$ 85,638	$(102,871)
Basic net income (loss) per common share:			
Income (loss) before extraordinary item and discontinued operations	$ 1.16	$ 1.67	$ (2.16)
Extraordinary loss from early extinguishment of debt	--	--	(.01)
Gain from disposition of discontinued operations	--	--	.15
Net income (loss) attributable to common			

stockholders	$ 1.16	$ 1.67	$ (2.02)
Weighted average common shares	51,675	51,198	50,994
Diluted net income (loss) per common share:			
Income (loss) before extraordinary item and discontinued operations	$ 1.10	$ 1.62	$ (2.16)
Extraordinary loss from early extinguishment of debt	--	--	(.01)
Gain from disposition of discontinued operations	--	--	.15
Net income (loss) attributable to common stockholders	$ 1.10	$ 1.62	$ (2.02)
Weighted average diluted common shares	54,660	52,991	50,994

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

CSG SYSTEMS INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997
(IN THOUSANDS)

	COMMON STOCK OUTSTANDING	COMMON STOCK	COMMON STOCK WARRANTS	ADDITIONAL PAID-IN CAPITAL	DEFERRED EMPLOYEE COMPENSATION	NOTES RECEIVABLE FROM EMPLOYEE STOCKHOLDERS	CUMULATIVE TRANSLATION ADJUSTMENTS	TREASURY STOCK	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY (DEFICIT)
BALANCE, December 31, 1996..........	50,978	$510	$ --	$111,112	$(1,207)	$(861)	$ 573	$ --	$(68,163)	$ 41,964
Comprehensive loss:										
Net loss........	--	--	--	--	--	--	--	--	(102,871)	--
Foreign currency translation adjustments....	--	--	--	--	--	--	(574)	--	--	--
Comprehensive loss..........	--	--	--	--	--	--	--	--	--	(103,445)
Issuance of common stock for purchase of assets.........	3	--	--	75	--	--	--	--	--	75
Issuance of common stock warrants, granted as part of the SUMMITrak asset acquisition....	--	--	26,145	--	--	--	--	--	--	26,145
Amortization of deferred stock-based employee compensation expense........	--	--	--	--	449	--	--	--	--	449
Repurchase of common stock...	(209)	(2)	--	(342)	122	176	--	--	--	(46)
Exercise of stock options for common stock.........	149	2	--	1,016	--	--	--	--	--	1,018
Purchase of common stock pursuant to employee stock purchase plan..	39	--	--	439	--	--	--	--	--	439
Tax benefit of stock options exercised......	--	--	--	315	--	--	--	--	--	315
BALANCE, December 31, 1997..........	50,960	510	26,145	112,615	(636)	(685)	(1)	--	(171,034)	(33,086)
Comprehensive income:										
Net income......	--	--	--	--	--	--	--	--	85,638	--
Foreign currency translation adjustments....	--	--	--	--	--	--	39	--	--	--
Comprehensive income.........	--	--	--	--	--	--	--	--	--	85,677
Amortization of deferred stock-based employee compensation expense........	--	--	--	--	297	--	--	--	--	297
Repurchase of common stock...	(66)	--	--	(12)	11	146	--	(97)	--	48
Exercise of stock options for common stock.........	540	5	--	4,957	--	--	--	--	--	4,962
Payments on notes receivable from stockholders...	--	--	--	--	--	61	--	--	--	61
Purchase of common stock pursuant to employee stock purchase plan..	32	--	--	622	--	--	--	--	--	622
Tax benefit of stock options exercised......	--	--	--	2,417	--	--	--	--	--	2,417

BALANCE, December 31, 1998...........	51,466	515	26,145	120,599	(328)	(478)	38	(97)	(85,396)	60,998
Comprehensive income:										
Net income......	--	--	--	--	--	--	--	--	59,874	--
Foreign currency translation adjustments....	--	--	--	--	--	--	(158)	--	--	--
Comprehensive income.........	--	--	--	--	--	--	--	--	--	59,716
Amortization of deferred stock-based employee compensation expense........	--	--	--	--	280	--	--	--	--	280
Repurchase of common stock...	(656)	--	--	--	--	--	--	(20,277)	--	(20,277)
Common stock swap for option exercise.......	--	--	--	35	--	--	--	--	--	35
Exercise of stock options for common stock..........	795	8	--	10,000	--	--	--	--	--	10,008
Payments on notes receivable from stockholders...	--	--	--	--	--	363	--	--	--	363
Purchase of common stock pursuant to employee stock purchase plan..	34	--	--	926	--	--	--	--	--	926
Tax benefit of stock options exercised......	--	--	--	4,813	--	--	--	--	--	4,813
BALANCE, December 31, 1999...........	51,639	$523	$26,145	$136,373	$ (48)	$(115)	$(120)	$(20,374)	$(25,522)	$116,862

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

CSG SYSTEMS INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	1999	1998	1997
Cash flows from operating activities:			
Net income (loss)	$ 59,874	$ 85,638	$(102,871)
Adjustments to reconcile net income (loss) to net cash provided by operating activities--			
Depreciation	10,190	8,159	6,884
Amortization	15,026	12,684	23,035
Deferred income taxes	6,373	(52,880)	(6,206)
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	280	297	449
Extraordinary loss from early extinguishment of debt	--	--	577
Gain from discontinued operations	--	--	(7,922)
Changes in operating assets and liabilities:			
Trade accounts and other receivables, net	(12,255)	(16,320)	(9,511)
Other current and noncurrent assets	(633)	(75)	11
Trade accounts payable and other liabilities	23,196	9,811	5,038
Net cash provided by operating activities	102,051	47,314	31,412
Cash flows from investing activities:			
Purchases of property and equipment, net	(12,003)	(15,706)	(9,389)
Acquisition of assets	--	(5,974)	(106,500)
Additions to software	--	(1,410)	(10,185)
Proceeds from disposition of discontinued operations	--	--	8,654
Payments of conversion incentive payments	(24,692)	(3,968)	--
Net cash used in investing activities	(36,695)	(27,058)	(117,420)
Cash flows from financing activities:			
Proceeds from issuance of common stock	10,934	5,584	1,457
Payment of note receivable from employee stockholders	454	64	--
Repurchase of common stock	(20,242)	(2)	(46)
Proceeds from long-term debt	--	--	150,000
Payments on long-term debt	(47,250)	(6,750)	(47,500)
Payment of deferred financing costs	--	--	(3,181)
Net cash provided by (used in) financing activities	(56,104)	(1,104)	100,730
Effect of exchange rate fluctuations on cash	(169)	24	(439)
Net increase in cash and cash equivalents	9,083	19,176	14,283
Cash and cash equivalents, beginning of period	39,593	20,417	6,134
Cash and cash equivalents, end of period	$ 48,676	$ 39,593	$ 20,417
Supplemental disclosures of cash flow information:			
Cash paid during the period for--			
Interest	$ 6,386	$ 8,151	$ 4,767
Income taxes	$ 19,905	$ 7,259	$ 3,357

Supplemental disclosure of non-cash investing and financing activities:

During 1998, the Company assumed liabilities of $1.3 million as part of the purchase price for the USTATS asset acquisition.

During 1997, the Company granted 3.0 million common stock warrants, valued at $26.1 million, and recorded a liability for $26.0 million for conversion incentive payments as part of the purchase price for the SUMMITrak asset acquisition.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General

CSG Systems International, Inc. (the "Company" or "CSG"), a Delaware corporation, was formed in October 1994 and acquired all of the outstanding shares of CSG Systems, Inc. ("CSG Systems") from First Data Corporation ("FDC") in November 1994 (the "CSG Acquisition"). CSG Systems had been a subsidiary or division of FDC from 1982 until the acquisition. The Company did not have any substantive operations prior to the acquisition of CSG Systems.

Based in Denver, Colorado, the Company provides customer care and billing solutions worldwide for the converging communications markets, including cable television, direct broadcast satellite, telephony, on-line services and others. The Company offers its clients a full range of processing services, software and support services that automate customer management functions, including billing, sales support and order processing, invoice calculation and production, management reporting and customer analysis for target marketing.

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

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

2. Summary of Significant Accounting Policies

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany accounts and transactions have been eliminated.

Use of Estimates in Preparation of Consolidated Financial Statements. The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition. The Company classifies its revenues into two main categories: processing and related services, and software and professional services. Processing and related services revenues consist primarily of monthly processing fees generated from the Company's core service bureau customer care and billing application called Communication Control System ("CCS"), and services ancillary to CCS. Software and professional services revenues consist primarily of software license and maintenance fees, and professional services related to the delivery of such products, such as installation and training services.

Processing and related services are recognized as the services are performed. Processing fees are typically billed monthly 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.

The Company follows the guidelines of Statement of Position ("SOP") 97-2, "Software Revenue Recognition", as amended, in accounting for its software transactions. For sales transactions which have multiple elements, such as software and services, the Company allocates the contract value to the respective elements based on their relative fair values. Arrangements for software license fees consist of both one-time perpetual licenses and term licenses. Perpetual license fees are typically recognized upon delivery, depending upon the

nature and extent of the installation and/or customization services, if any, to be provided by the Company. Term license fees and maintenance fees are recognized ratably over the contract term. Professional services are recognized as the related services are performed.

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

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

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

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

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 expense for all property and equipment is reflected separately in the aggregate and is not included in the cost of revenues or the other components of operating expenses. Depreciation for income tax purposes is computed using accelerated methods.

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

	1999	1998
Computer equipment	$ 29,212	$ 24,515
Leasehold improvements	3,515	3,676
Operating equipment	19,529	14,445
Furniture and equipment	5,162	4,639
Construction in process	931	1,179
Other	22	22
	58,371	48,476
Less--accumulated depreciation	(31,864)	(23,765)
Property and equipment, net	$ 26,507	$ 24,711

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

	1999	1998
Acquired software	$ 40,849	$ 40,849
Internally developed software	2,547	3,964
	43,396	44,813
Less--accumulated amortization	(37,251)	(35,391)
Software, net	$ 6,145	$ 9,422

Acquired software resulted from acquisitions and is stated at cost. Amortization expense related to acquired software for the years ended December 31, 1999, 1998, and 1997 was $1.5 million, $0.6 million, and $10.6 million, respectively.

The Company's research and development ("R&D") efforts consist of development of new products and services as well as enhancements to existing products and services. 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 did not capitalize any costs in 1999, and capitalized costs of $1.4 million and $9.7 million for the years ended December 31, 1998, and 1997, respectively.

Amortization of internally developed software and acquired software costs begins when the products are available for general release to clients and is computed separately for each product as the greater of (i) the ratio of current gross revenue for a product to the total of current and anticipated gross revenue for the product, or (ii) the straight-line method over the remaining estimated economic life of the product. 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, 1999, 1998, and 1997 was $0.4 million, $0.7 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 1997, the Company recorded a charge of $11.7 million related to certain CSG Phoenix capitalized costs. After the consideration of multiple factors and events, consisting primarily of an increase in demand for the Company's outsourced processing services and previously announced delays on the delivery of CSG Phoenix, such assets were reduced to their estimated net realizable value as of December 31, 1997. The charge primarily included previously capitalized internal development costs and purchased software incorporated into the product.

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

	1999	1998
Noncompete agreements	$ 25,340	$ 25,340
Goodwill	7,039	7,134
	32,379	32,474
Less--accumulated amortization	(29,727)	(24,878)
Noncompete agreements and goodwill, net	$ 2,652	$ 7,596

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

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

Client Contracts and Related Intangibles. Client contracts and related intangibles which resulted from the CSG Acquisition were amortized over their estimated lives of five and three years, respectively. The value

assigned to all other client contracts is being amortized over the lives of the respective contracts. As of December 31, 1999 and 1998, accumulated amortization for client contracts and related intangibles was $24.8 million and $17.7 million, respectively.

Financial Instruments with Market Risk and Concentrations of Credit Risk. In the normal course of business, the Company is exposed to credit risk resulting from the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. The Company regularly monitors credit risk exposures and takes steps to mitigate the likelihood of these exposures resulting in a loss. The primary counterparties to the Company's accounts receivable and sources of the Company's revenues consist of cable television providers throughout the United States. The Company generally does not require collateral or other security to support accounts receivable. The activity in the Company's allowance for uncollectible accounts receivable for the years ended December 31 is as follows (in thousands);

	1999	1998	1997
Balance, beginning of period	$ 2,051	$ 1,394	$ 819
Additions	2,021	1,724	875
Reductions	(1,097)	(1,067)	(300)
Balance, end of period	$ 2,975	$ 2,051	$1,394

Financial Instruments. The Company's balance sheet financial instruments as of December 31, 1999 and 1998 include cash and cash equivalents, accounts receivable, accounts payable, conversion incentive payments, and long-term debt. Because of their short maturities, the carrying amounts of cash equivalents, accounts receivable, accounts payable, and conversion incentive payments approximate their fair value. The carrying amount of the Company's long-term debt (including current maturities) approximates fair value due to its variable interest rates.

In December 1997, the Company entered into a three-year interest rate collar with a major bank to manage its risk from its variable rate long-term debt. The underlying notional amount covered by the collar agreement was $60.6 million as of December 31, 1999, and decreases over the three-year term in relation to the scheduled principal payments on the long-term debt. Any payment on the 4.9% (LIBOR) interest rate floor, or receipt on the 7.5% (LIBOR) interest rate cap component of the collar, would be recognized as an adjustment to interest expense in the period incurred. There are no amounts due or receivable under this agreement as of December 31, 1999, and the agreement had no effect on the Company's interest expense for 1999, 1998, or 1997. The fair value of the collar agreement is not recognized in the Company's financial statements. The fair value of the collar agreement at December 31, 1999, based on a quoted market price, was not significant.

Translation of Foreign Currency. The Company's foreign subsidiaries use as their functional currency the local currency of the countries in which they operate. Their assets and liabilities are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the average rates of exchange prevailing during the period. Translation gains and losses are included in total comprehensive income in the Company's Consolidated Statements of Stockholders' Equity. Transaction gains and losses related to intercompany accounts are not material and are included in the determination of net income or loss.

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

	Year Ended December 31		
	1999	1998	1997
Basic weighted average common shares	51,675	51,198	50,994
Dilutive shares from common stock warrants	838	--	--
Dilutive shares from common stock options	2,147	1,793	--
Weighted average diluted common shares	54,660	52,991	50,994

Common Stock options of 4.2 million shares were excluded from the computation of diluted EPS for 1997 because their inclusion would have had an antidilutive effect on EPS as a result of the Company's loss from continuing operations for the year. Common Stock options of 0.6 million shares and 1.7 million shares for 1999 and 1998, respectively, were excluded from the computation of diluted EPS because the exercise prices of these options were greater than the average market price of the common shares for the respective periods.

The diluted potential common shares related to the warrants were excluded from the computation of diluted EPS for all quarters the warrants were not considered exercisable. As of December 31, 1999, all of the 3.0 million warrants were considered exercisable (Note 4).

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

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

Reclassification. Certain December 31, 1998 and 1997 amounts have been reclassified to conform to the December 31, 1999 presentation.

3. Segment Reporting

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

Products and Services. The Company provides customer care and billing solutions worldwide for the converging communications markets, including cable television, direct broadcast satellite, telephony, on-line services and others. The Company generates a significant portion of its revenues from its core service bureau processing product, CCS. The Company sells its software products and professional services principally to its existing client base of processing customers to (i) enhance the core functionality of its service bureau processing application, (ii) increase the efficiency and productivity of the clients' operations, and (iii) allow clients to effectively rollout new products and services to new and existing markets, such as residential telephony, High-Speed Data/ISP and IP markets.

The Company derived approximately 78.3%, 78.0%, and 76.7% of its total revenues in the years ended December 31, 1999, 1998 and 1997, respectively, from CCS and related products and ancillary services. The Company generated 75.8%, 77.7%, and 73.1% of its total revenues from the U.S. cable television industry, and

15.5%, 13.0%, and 10.5% of its total revenues from the U.S. and Canadian direct broadcast satellite ("DBS") industry during the years ended December 31, 1999, 1998 and 1997, respectively.

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

	Year Ended December 31,		
	1999	1998	1997
Total Revenue:			
United States	$308,266	$221,778	$155,243
United Kingdom	9,569	11,740	15,756
Other	4,327	3,122	805
	$322,162	$236,640	$171,804

	As of December 31,		
	1999	1998	1997
Long-Lived Assets (excludes intangible assets):			
United States	$25,903	$23,398	$15,780
United Kingdom	604	1,313	1,377
	$26,507	$24,711	$17,157

Significant Clients. During the years ended December 31, 1999, 1998, and 1997, revenues from AT&T represented approximately 50.5%, 37.4%, and 32.9% of total revenues, and revenues from Time Warner Cable and its affiliated companies ("Time Warner") represented approximately 10.2%, 14.1%, and 20.1% of total revenues, respectively. See Note 4 for discussion of the Company's contract with AT&T. The Company has separate processing agreements with multiple affiliates of Time Warner and provides products and services to them under separately negotiated and executed contracts.

4. Acquisitions

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

SUMMITrak Asset Acquisition. In September 1997, the Company purchased certain SUMMITrak software technology assets (the "SUMMITrak Acquisition") that were in development from Tele-Communications, Inc. ("TCI") and entered into a 15-year exclusive contract with a TCI affiliate to consolidate 13.0 million TCI customers onto the Company's customer care and billing system. In March 1999, AT&T completed its merger with TCI and has consolidated the TCI operations into AT&T Broadband ("AT&T"). The Company continues to service AT&T under the terms of the 15-year processing contract (the "AT&T Contract").

The purchase price for the SUMMITrak Acquisition was determined as follows (in thousands):

Cash paid at closing	$106,000
Transaction-related costs	500
Conversion incentive payments	26,000
Common Stock warrants granted	26,145
Total purchase price	$158,645

The purchase price included certain conversion incentive payments, with the amounts and the timing of the payments based principally upon the number of AT&T customers converted to and processed on the Company's customer care and billing system. AT&T surpassed the final milestone of 13 million customers processed on the Company's systems during the third quarter of 1999. Upon reaching this significant milestone, AT&T was paid its final monetary conversion incentive by the Company. The total monetary conversion incentives paid during 1999 and 1998 to AT&T were $22.0 million and $4.0 million, respectively. The amounts paid were reflected in the Company's Consolidated Balance Sheets as "conversion incentive payments".

The Company also granted 3.0 million Common Stock warrants to AT&T as part of the overall purchase price. The warrants have a five-year life with a $12 per share exercise price. The fair value of the warrants included in the purchase price was estimated as of the date of the grant using the Black- Scholes pricing model.

The 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
AT&T Contract	51,575
Other assets	2,070
Total allocated purchase price	$158,645

Purchased research and development 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 research and development was charged to operations in 1997. The Company continued the R&D of certain software technologies acquired from AT&T. Such efforts included the completion of the R&D projects and the integration of the completed software technologies into certain of its current products. The related products from these development efforts were available for general release in 1999.

The value assigned to the AT&T Contract is being amortized over the life of the contract in proportion to the financial minimums included in the contract. The amortization expense for the AT&T Contract was $3.3 million, $1.9 million, and $0.3 million for the years ended December 31, 1999, 1998 and 1997, respectively. The other assets are being depreciated over their estimated useful lives of three years.

5. Stock Repurchase Program

On August 4, 1999, the Company's Board of Directors approved a stock repurchase plan which authorized the Company to purchase up to a total of 5.0 million shares of its Common Stock from time to time as market and business conditions warrant. This program represents approximately 10% of the Company's outstanding shares. During 1999, the Company repurchased a total of 655,500 shares for approximately $20.2 million (a weighted average price of $30.88 per share). The repurchased shares are held as treasury shares.

6. Debt

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 previous bank 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 addition to the scheduled quarterly principal payments, the Company also made optional principal payments on the Term Credit Facility of $31.6 million and $15.0 million in 1999 and 1997, respectively.

Interest rates for the 1997 Debt, including the term and revolving credit facilities, are chosen at the option of the Company and are based on the LIBOR rate or the prime rate, plus an additional percentage spread, with the spread dependent upon the Company's leverage ratio. As of December 31, 1999, the spread on the LIBOR rate and prime rate was 0.50% and 0%, respectively. The Company entered into an interest rate collar agreement in December 1997 to manage its risk from the variable rate features of the 1997 Debt agreement (Note 2). The 1997 Debt agreement is collateralized by all of the Company's assets and the stock of its subsidiaries.

The 1997 Debt agreement requires maintenance of certain financial ratios and contains other restrictive covenants, including restrictions on payment of dividends, a fixed charge coverage ratio, a leverage ratio, and restrictions on capital expenditures. As of December 31, 1999, the Company was in compliance with all covenants. The payment of cash dividends or other types of distributions on any class of the Company's stock is restricted unless the Company's leverage ratio, as defined in the 1997 Debt agreement, is under 1.50. As of December 31, 1999, the leverage ratio was 0.62.

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

	1999	1998
Term Credit Facility, due September 2002, quarterly payments beginning June 30, 1998, ranging from $2.3 million to $13.4 million, interest at adjusted LIBOR plus 0.50% (weighted average rate of 6.55% at December 31,1999)	$ 81,000	$128,250
Revolving credit facility, due September 2002, interest at adjusted LIBOR plus 0.50%	--	--
	81,000	128,250
Less-current portion	(21,711)	(19,125)
Long-term debt, net of current maturities	$ 59,289	$109,125

There were no borrowings made on the revolving credit facilities during the years ended December 31, 1999, 1998, and 1997. Under the 1997 Debt agreement, the Company pays an annual commitment fee on the unused portion of the revolving credit facility, based upon the Company's leverage ratio. As of December 31, 1999, the fee was 0.25%. The Company's ability to borrow under the current revolving credit facility is subject to maintenance of certain levels of eligible receivables. At December 31, 1999, all of the $40.0 million revolving credit facility was available to the Company.

As of December 31, 1999 and 1998, unamortized deferred financing costs were $1.1 million and $2.0 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, 1999, 1998 and 1997 includes amortization of deferred financing costs of approximately $0.9 million, $0.9 million, and $0.5 million, respectively.

As of December 31, 1999, scheduled maturities of the Company's long-term debt for each of the years ending December 31 are: 2000--$21.7 million, 2001-- $25.9 million, and 2002--$33.4 million.

7. Income Taxes

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

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

	Year Ended December 31,		
	1999	1998	1997
Current:			
Federal	$25,442	$ 11,574	$ 4,466
State	3,029	1,594	615
Foreign	1,160	(36)	810
	29,631	13,132	5,891
Deferred:			
Federal	5,792	6,592	(38,298)
State	690	908	(5,276)
Foreign	(58)	1,048	393
	6,424	8,548	(43,181)
Change in valuation allowance	--	(61,323)	37,290
Net income tax provision (benefit)	$36,055	$(39,643)	$ --

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

	Year Ended December 31,		
	1999	1998	1997
Provision (benefit) at federal rate of 35%	$33,575	$ 16,099	$(36,005)
Change in valuation allowance	--	(59,224)	37,290
Effective state income taxes	2,415	1,625	(3,030)
Amortization of nondeductible goodwill	235	781	1,582
Stock-based employee compensation	42	362	157
Other	(212)	714	6
	$36,055	$(39,643)	$ --

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

	1999	1998
Current deferred tax assets (liabilities):		
Accrued expenses and reserves	$ 1,794	$ 1,598
Deferred revenue	129	205
Other	49	--
	$ 1,972	$ 1,803
Noncurrent deferred tax assets (liabilities):		
Purchased research and development	$42,981	$47,086
Software	7,052	7,942
Client contracts and related intangibles	(2,645)	(370)
Noncompete agreements	6,034	5,104
Property and equipment	125	705
Other	(702)	(1,078)
	$52,845	$59,389

As part of an acquisition accounted for as a purchase in 1996, the Company acquired certain net deferred tax assets (principally related to net operating loss carryforwards) and established a valuation allowance of approximately $1.0 million against those net deferred tax assets as of the acquisition date. Upon the realization of these deferred tax assets, the Company eliminated the valuation allowance and reduced goodwill by a corresponding amount of $0.9 million in 1998.

As of December 31, 1997, the Company had a valuation allowance of $61.3 million against certain of its deferred tax assets due to the uncertainty that it would realize the income tax benefit from these assets. During 1998, the Company concluded that it was more likely than not that it would realize the entire tax benefit from its deferred tax assets based on its evaluation of the Company's anticipated profitability over the period of years that the temporary differences were expected to become deductions. As a result, the Company eliminated the entire valuation allowance as of December 31, 1998, which resulted in the Company reflecting a net income tax benefit of $39.6 million for 1998. As of December 31, 1999, management continues to believe that sufficient taxable income will be generated to realize the entire benefit of these deferred tax assets. The Company's assumptions of future profitable operations are supported by its strong operating performances in 1999 and 1998, and the conversion of a significant number of new customers onto its processing system during these periods.

8. Employee Retirement Benefit Plans

Incentive Savings Plan. The Company sponsors a defined contribution plan covering substantially all employees of the Company. Participants may contribute up to 15% of their annual wages, subject to certain limitations, as pretax, salary deferral contributions. The Company makes certain matching and service-related contributions to the plan. The Company's matching and service- related contributions for the years ended December 31, 1999, 1998 and 1997, were approximately $3.4 million, $2.9 million, and $2.0 million, respectively.

Deferred Compensation Plan. The Company maintains a non-qualified deferred compensation plan for certain Company executives which allows the participants to defer a portion of their annual compensation. The Company provides a 25% matching contribution of the participant's deferral, up to a maximum of $6,250 per year. The Company also credits the participant's deferred account with a specified rate of return on an annual basis. The Company records the actuarially determined present value of the obligations expected to be paid under the plan. As of December 31, 1999 and 1998, the Company has recorded a liability for this obligation of $1.1

million and $1.0 million, respectively. The Company's expense for this plan for the years ended December 31, 1999, 1998 and 1997, which includes Company contributions and interest expense, was $0.4 million, $0.4 million, and $0.5 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 2010. Future aggregate minimum lease payments under these agreements for the years ending December 31 are as follows: 2000--$6.1 million, 2001--$6.8 million, 2002--$6.3 million, 2003--$5.8 million, 2004--$4.5 million, thereafter--$16.9 million.

Total rent expense for the years ended December 31, 1999, 1998, and 1997, was approximately $5.2 million, $3.9 million, and $3.4 million, respectively.

Service Agreements. The Company has service agreements with FDC and its 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.

Effective January 1, 1997, the Company renegotiated its services agreement with FDC and its subsidiaries. The new agreement expires December 31, 2001, and is cancelable at the Company's option with (i) notice of six months any time after January 1, 2000, and (ii) payment of a termination fee equal to 20% of the fees paid in the twelve months preceding the notification of termination. Under the 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, 1999, 1998 and 1997, was approximately $27.1 million, $22.1 million, and $19.2 million, respectively. The Company believes it could obtain data processing services from alternative sources, if necessary.

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

10. Discontinued Operations

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

11. Restricted Common Stock

During 1995 and 1994, the Company sold Common Stock to executive officers and key employees pursuant to restricted stock agreements. Certain of these shares vest over the individual's service period with the Company. The Company has the option upon termination of employment to repurchase unvested shares of restricted stock at either the original purchase price (ranging from $0.11 to $2.13 per share) or the net book value per share, depending upon the specific terms of the agreements. During the years ended December 31, 1998, and 1997, the Company repurchased unvested shares of 66,000, and 209,100, respectively, from terminated employees. The 66,000 shares repurchased in 1998 are held as treasury shares. The shares repurchased in 1997 were cancelled. There were no shares repurchased during 1999. As of December 31, 1999, 171,400 shares were still subject to the repurchase option. In January 2000, the Company repurchased 18,500 shares from a terminated

employee. The remainder of the 152,900 shares are scheduled to vest in 2000. Deferred compensation of $0.05 million and $0.3 million as of December 31, 1999 and 1998, respectively, relates to the unvested shares and is reflected as a component of stockholders' equity. Stock-based compensation expense related to these shares for 1999, 1998 and 1997 was $0.3 million, $0.3 million, and $0.4 million, respectively.

Certain employees financed a portion of their stock purchases with full recourse promissory notes. The notes accrue interest at 7% annually and have terms of approximately five years. As of December 31, 1999 and 1998, the outstanding balance of the promissory notes was approximately $0.1 million and $0.5 million, respectively, and is reflected as a component of stockholders' equity.

12. Stock-Based Compensation Plans

Stock Incentive Plans. During 1995, the Company adopted the Incentive Stock Plan (the "1995 Plan") whereby 514,000 shares of the Company's Common Stock have been reserved for issuance to eligible employees of the Company in the form of stock options. The 190,100 options outstanding under the 1995 Plan at December 31, 1999, vest annually over five years.

During 1996, the Company adopted the 1996 Stock Incentive Plan (the "1996 Plan") whereby 4,800,000 shares of the Company's Common Stock have been reserved for issuance to eligible employees of the Company in the form of stock options, stock appreciation rights, performance unit awards, restricted stock awards, or stock bonus awards. In December 1997, upon shareholder approval, the number of shares authorized for issuance under the 1996 Plan was increased to 8,000,000. In May 1999, upon shareholder approval, the number of shares authorized for issuance under the 1996 Plan was increased to 11,000,000. The 5,278,722 options outstanding under the 1996 Plan as of December 31, 1999, vest over four to five years. Certain options become fully vested upon a change in control of the Company.

During 1997, the Company adopted the Stock Option Plan for Non-Employee Directors (the "Director Plan") whereby 200,000 shares of the Company's Common Stock have been reserved for issuance to non-employee Directors of the Company in the form of stock options. The 136,000 options outstanding under the Director Plan at December 31, 1999, vest annually over three years.

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

	Year Ended December 31,					
	1999		1998		1997	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	6,229,464	$17.23	4,152,220	$ 10.43	2,869,460	$ 9.31
Granted	731,050	33.85	3,276,000	23.86	2,223,400	11.61
Exercised	(795,117)	12.63	(540,336)	9.20	(148,600)	6.80
Forfeited	(560,575)	17.23	(658,420)	13.89	(792,040)	10.35
Outstanding, end of year	5,604,822	$20.05	6,229,464	$ 17.23	4,152,220	$10.43
Options exercisable at year end	1,297,072		913,774		530,152	
Weighted average fair value of options granted during the year		$13.04		$ 10.39		$ 4.60
Options available for grant	4,603,675		1,774,150		4,391,730	

The following table summarizes information about the Company's stock options as of December 31, 1999:

	Options Outstanding			Options Exercisable	
Range Of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 0.63 - $ 1.88	190,100	5.6	$ 0.67	122,900	$ 0.68
$ 7.50 - $11.06	1,269,066	6.9	9.13	547,716	9.09
$11.75 - $14.88	581,210	6.9	14.53	309,010	14.54
$16.78 - $23.44	1,362,521	8.3	20.87	291,196	20.76
$23.59 - $27.97	1,623,875	8.9	26.48	25,000	24.05
$30.25 - $39.50	578,050	8.9	35.98	1,250	32.71
$ 0.63 - $39.50	5,604,822	8.0	$20.05	1,297,072	$12.52

In January 2000, the Company granted 919,800 options at prices that range from $38.44 per share to $47.63 per share under the 1996 Plan, with such options vesting over four years. These options are not reflected in the above tables as they were granted subsequent to December 31, 1999.

1996 Employee Stock Purchase Plan. During 1996, the Company adopted the 1996 Employee Stock Purchase Plan whereby 500,000 shares of the Company's Common Stock have been reserved for sale to employees of the Company and its subsidiaries through payroll deductions. The price for shares purchased under the plan is 85% of market value on the last day of the purchase period. Purchases are made at the end of each month. During 1999, 1998, and 1997, respectively, 34,352 shares, 31,374 shares, and 39,318 shares have been purchased under the plan for $0.9 million ($18.91 to $37.08 per share) $0.6 million ($15.62 to $33.58 per share), and $0.4 million ($7.17 to $17.00 per share).

Stock-Based Compensation Plans. At December 31, 1999, 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 1999, 1998 or 1997.

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 methodology of SFAS 123, the Company's net income
(loss) and net income (loss) per share attributable to common stockholders for 1999, 1998 and 1997 would approximate the pro forma amounts as follows (in thousands, except per share amounts):

	Year Ended December 31,		
	1999	1998	1997
Net income (loss):			
As reported	$59,874	$85,638	$(102,871)
Pro forma	52,498	80,710	(104,776)
Diluted net income (loss) per common share:			
As reported	1.10	1.62	(2.02)
Pro forma	0.96	1.52	(2.06)

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 1999, 1998 and 1997, respectively: risk- free interest rates of 5.0%, 4.9%, and 6.3%; dividend yield of zero percent for all years; expected lives of 4.1 years, 4.4 years, and 3.9 years; and volatility of 40.0% for all years. Consistent with SFAS 123, the Company assumed zero volatility for all options granted prior to the date the Company qualified as a public entity.

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future amounts. SFAS 123 applies only to 1999, 1998 and 1997, and additional awards in future years are anticipated.

13. Unaudited Quarterly Financial Data

	Quarter Ended			
	March 31	June 30	September 30	December 31
	(in thousands, except per share amounts)			
1999:				
Total revenues	$71,087	$76,510	$84,034	$90,531
Gross margin (exclusive of depreciation)	41,202	44,800	49,493	54,546
Operating income	20,227	22,716	26,627	30,582
Income before income taxes	18,623	21,727	25,752	29,827
Income tax provision	(7,041)	(8,234)	(9,691)	(11,089)
Net income attributable to common stockholders	11,582	13,493	16,061	18,738
Net income attributable to common stockholders per share:				
Basic	.22	.26	.31	.36
Diluted	.21	.25	.29	.34
1998:				
Total revenues	$49,308	$54,244	$63,461	$69,627
Gross margin (exclusive of depreciation)	26,158	29,152	34,757	39,327
Operating income	8,377	10,707	15,456	18,763
Income before income taxes	6,484	8,651	13,576	17,284
Income tax benefit(1)	--	--	--	39,643
Net income attributable to common stockholders	6,484	8,651	13,576	56,927
Net income attributable to common stockholders per share:				
Basic	.13	.17	.26	1.11
Diluted	.12	.16	.26	1.06

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

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 25.

(2) Financial Statement Schedules:

None. Any information required in the financial statement schedules is provided in sufficient detail in the Consolidated Financial Statements and notes thereto.

(3) Exhibits

Exhibits are listed in the Exhibit Index on page 47.

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

(b) Reports on Form 8-K

None

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CSG Systems International, Inc.

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

Date: March 24, 2000

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

Signature	Title	Date
/s/ Neal C. Hansen Neal C. Hansen	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	March 24, 2000
/s/ John P. Pogge John P. Pogge	President, Chief Operating Officer and Director	March 24, 2000
/s/ Greg A. Parker Greg A. Parker	Vice President and Chief Financial Officer (Principal Financial Officer)	March 24, 2000
/s/ Randy R. Wiese Randy R. Wiese	Vice President and Controller (Principal Accounting Officer)	March 24, 2000
/s/ George F. Haddix George F. Haddix	Director	March 24, 2000
/s/ Royce J. Holland Royce J. Holland	Director	March 24, 2000
/s/ Janice Obuchowski Janice Obuchowski	Director	March 24, 2000
/s/ Bernard W. Reznicek Bernard W. Reznicek	Director	March 24, 2000
/s/ Rockwell A. Schnabel Rockwell A. Schnabel	Director	March 24, 2000
/s/ Frank V. Sica Frank V. Sica	Director	March 24, 2000

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
	(2.13-2.18 intentionally omitted)
2.19(4)*	Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation dated August 10, 1997
2.19A(6)*	Second Amendment to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation, dated January 9, 1998.
2.19B(7)*	First Amendment to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation, dated June 29, 1998.
2.19C(8)	Sixth Amendment to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation, dated July 22, 1998.
2.19D(8)*	Seventh Amendment to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation, dated September 8, 1998.
2.19E(8)	Eighth Amendment to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation, dated September 25, 1998.
2.19F(8)*	Eleventh Amendment to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation, dated September 30, 1998.
2.19G(9)*	Fifth, Ninth, Tenth, Thirteenth, Fourteenth, Seventeenth and Nineteenth Amendments to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation.

Exhibit Number	Description
2.19H(10)*	Fourth and Twenty-Second Amendments and Schedule L to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation.
2.19I(11)*	Twenty-Third, Twenty-Fourth, Twenty-Fifth, Twenty-Seventh, Twenty-Eighth, Thirtieth, Thirty-Fourth Amendments and Schedule Q to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation.
2.19J(12)*	Thirty-Sixth and Thirty-Eighth Amendments to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation.
2.19K*	Fifteenth, Twenty-Ninth, Forty-First and Forty-Third Amendments and Schedules I and X to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation.
2.20(4)	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(4)	Contingent Warrant to Purchase Common Stock between CSG Systems International, Inc. and TCI Technology Ventures, Inc., dated September 19, 1997
2.22(4)	Royalty Warrant to Purchase Common Stock between CSG Systems International, Inc. and TCI Technology Ventures, Inc., dated September 19, 1997
2.23(4)	Registration Rights Agreement between CSG Systems International, Inc. and TCI Technology Ventures, Inc., dated September 19, 1997
2.24(4)	Loan Agreement among CSG Systems, Inc. and CSG Systems International, Inc. as co-borrowers, and certain lenders and Banque Paribas, as Agent, dated September 18, 1997
2.25(5)	First Amendment to Loan Agreement among CSG Systems, Inc. and CSG Systems International, Inc. as co-borrowers, and certain lenders and Banque Paribas, as Agent, dated November 21, 1997
2.26(9)	Second Amendment to Loan Agreement among CSG Systems, Inc. and CSG Systems International, Inc. as co-borrowers, and certain lenders and Banque Paribas, as Agent, dated November 16, 1998.
3.01(1)	Restated Certificate of Incorporation of the Company
3.02(3)	Restated Bylaws of CSG Systems International, Inc.
3.03(3)	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(11)	CSG Systems International, Inc. 1996 Stock Incentive Plan
10.04(1)	Employee Performance Stock Purchase Agreement between CSG Systems International, Inc. and George Haddix, dated August 17, 1995, and first amendment thereto
10.04A(6)	Second Amendment of Employee Performance Stock Purchase Agreement dated March 18, 1998.
10.05(1)	Employee Restricted Stock Purchase Agreement between CSG Systems International, Inc. and John P. Pogge, dated March 6, 1995

Exhibit Number	Description
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
	(10.12-10.13 intentionally omitted)
10.14(9)	Employment Agreement with Neal C. Hansen, dated November 17, 1998
10.15(5)	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
	(10.17-10.38 intentionally omitted)
10.39	CSG Systems, Inc. Wealth Accumulation Plan, as amended November 16, 1999
10.40(2)*	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(2)	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)(2)	Schedules 1.21 and 1.47 and Exhibit A to Schedule 5.6 to Amended and Restated Services Agreement between First Data Technologies, Inc. and CSG Systems, Inc., formerly known as Cable Services Group, Inc., dated December 31, 1996
10.40C(8)*	First Amendment to Amended and Restated Services Agreement between CSG Systems, Inc. and First Data Technologies, Inc., dated July 8, 1998.
	(10.41-10.43 intentionally omitted)
10.44(3)	CSG Systems International, Inc. Stock Option Plan for Non-Employee Directors
10.45(9)	Employment Agreement with John P. Pogge, dated November 17, 1998.
10.46(9)	Employment Agreement with Edward Nafus, dated November 17, 1998.
10.47(9)	Employment Agreement with Greg Parker, dated November 17, 1998;
21.01	Subsidiaries of the Company
23.01	Consent of Arthur Andersen LLP
27.01	Financial Data Schedule (EDGAR Version Only)
99.01	Safe Harbor for Forward-Looking Statements Under the Private Securities Litigation Reform Act of 1995--Certain Cautionary Statements and Risk Factors

(1) Incorporated by reference to the exhibit of the same number to the Registration Statement No. 333-244 on Form S-1.
(2) Incorporated by reference to the exhibit of the same number to the Registrant's Annual Report on Form 10-K, as amended, for the year ended December 31, 1996.
(3) 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.
(4) Incorporated by reference to the exhibit of the same number to the Registrant's Current Report on Form 8-K dated October 6, 1997.

(5) Incorporated by reference to the exhibit of the same number to the Registrant's Annual Report on Form 10-K, as amended for the year ended December 31, 1997.
(6) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 1998.
(7) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 1998.
(8) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 1998.
(9) 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, 1998.
(10) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 1999.
(11) 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, 1999.
(12) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 1999.
* 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 2.19K

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

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

This Fifteenth Amendment (the "Amendment") is executed this 19th day of November, 1999, and is made by and between CSG Systems, Inc., a Delaware corporation ("CSG") and TCI Cable Management Corporation ("Customer"). CSG and Customer entered into a certain Restated and Amended CSG Master Subscriber Management System Agreement dated August 10, 1997, which has subsequently been amended pursuant to separately executed amendments (collectively, the "Agreement"), and now desire to amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment, shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

CSG and Customer agree as follows:

1. For the fees set forth in paragraph 2 below, Customer will receive the @Home implementation services set forth below. Such services are the only implementation services that Customer will receive in connection with house loads for @Home. As a result, any implementation services set forth in Exhibit A-2 as of the date of execution of this Amendment shall not apply with respect to AT&T @Home house loads. For conversion of AT&T @Home subscribers to CCS, the services outlined in Exhibit A-2 shall be provided. Accordingly, Exhibit A-2 of the Agreement shall be amended to include the following:

__Technical Services For House Loads__

. Analyze the house load specifications
. Copy mapping tables and enter site-specific from/to values.
. Upload test house data from PC to mainframe
. Run tests and verify output.
. Make changes received from test output as necessary and re-test.
. Upload live house data from PC to mainframe.
. Run live house conversion process.
. Verify live output.
. Make any changes requested and rerun, reverify
. Merge houses into production system
. Balance house load and produce balancing forms (sent only to site),
. Send house load sign-off to site for final verification.

__Non-Technical Services For House Loads__

. System Set-Up - Includes the UDF/Service Codes, RMS, Sys/Prin/Agents, UDF transfers and code table configuration
. Specification Definition - Receive from site. Review with CSG programming
. Review/Verify Output - Verify Address reports (also sent to site), field-to- field review, verify Exception Reports (also sent to site)

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

. Environment set-up, LU pools, Sys/Prin access, destinations, push code table to server, build passwords and profiles, establish ".ini" settings
. Test Connectivity (occurs only when @Home sites precedes video implementation)
. Printers - build print queue on server(s), verify configuration, test printers

On-Site Launch Services

. Data Base verification
. Converter Data
. House Info
. Account accessing by all appropriate customer information
. Printer testing with RMS - Work Orders and Reports
. RMS training and review
. WPT setup and training
. Work Order Auto Tech Assignment setup and training
. UDF and CTD review and approval
. Password and profiles reviewed and setup for production
. Scheduling and Dispatch CTD review
. Exception & production reports reviewed and worked
. Review and verification of all tax code tables

2. Schedule D of the Agreement shall be amended to include the following fees to be paid by Customer for the services set forth in Paragraph 1 above.

```
A.  Fees for Full Initial Houseload:
    1.  On-site Services are provided*
        a.  CCS/ACSR in production at System Site        $(***)
        b.  CCS/ACSR not in production at System Site    $(***)

    2.  On-site Services are not provided*
        a.  CCS/ACSR in production at System Site        $(***)
        b.  CCS/ACSR not in production at System Site    $(***)
```

*Includes up to sixteen (16) hours of on-site support. Any additional hours required by Customer shall be at CSG's then current rates. Excludes Reimbursable Expenses which will be billed separately.

B. Other Ancillary Fees:
. Full Agent Addition $(***) per System Site
. Partial Agent Refresh $ (***) per System Site
. Data Clean-up $(***) per System Site
. Develop Houseload Time and Materials specifications

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

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

("Customer")

CSG	Customer
By: /s/ Joseph T. Ruble	By: /s/ Ann Montgomery
Name: Joseph T. Ruble	Name: Ann Montgomery
Title: V.P. & General Counsel	Title: EVP, Fulfillment Services & Operations

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EXHIBIT 2.19K

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has been separately filed with the Commission,"
and places where information has been redacted
have been marked with (***).

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

This Twenty-Ninth Amendment (the "Amendment") is executed this 19/th/ day of November, 1999, and is made by and between CSG Systems, Inc., a Delaware corporation ("CSG") and TCI Cable Management Corporation ("Customer"). CSG and Customer entered into a certain Restated and Amended CSG Master Subscriber Management System Agreement dated August 10, 1997, which has subsequently been amended pursuant to separately executed amendments (collectively, the "Agreement"), and now desire to amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment, shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

CSG and Customer agree as follows:

1. As of the date of execution of this Amendment, Customer receives CSG's Electronic Bill Payment Services pursuant to the Electronic Bill Payment Services Agreement executed by CSG and TCI Communications Inc. ("TCIC") on March 29, 1996 (the "Paybill Agreement"). Upon Customer's final conversion from the services provided by CSG under the Paybill Agreement to the services provided by CSG under the terms and conditions set forth in Schedule I of the Agreement, the Paybill Agreement shall be terminated and of no further force or effect.

2. Until such time that Customer fully converts from the services provided by CSG under the Paybill Agreement to the services provided by CSG under the terms and conditions set forth in Schedule I of the Agreement, Customer shall continue to pay the fees set forth in the Paybill Agreement.

3. Customer agrees to purchase CSG's Electronic Bill Payment Services (Paybill Advantage(R)) as set forth in Schedule I of the Agreement. The fees for such services are set forth below and shall become effective when Customer fully converts from the services provided by CSG under the Paybill Agreement to the services provided by CSG under the terms and conditions set forth in Schedule I of the Agreement. Accordingly, Schedule D shall be amended to include the following fees:

ITEM/DESCRIPTION	PRICE
Initial Fees:	
1. One-time start-up fee (Note 1)	$(***) per system principle
2. Communication interface installation	$(***)
Monthly Fees:	
1. Monthly fee per ACH debit and prenote transaction:	
Monthly Volume per system principle (Note 2)	Amount per ACH debit and prenote transaction
1 to 1,000 transactions	$(***)
1,001 to 2,000 transactions	$(***)
2,001 to 3,000 transactions	$(***)
3,001 to 4,000 transactions	$(***)
4,001 to 5,000 transactions	$(***)
5,001 and above transactions	
2. Monthly fee for insufficient funds returns	$(***) per item
3. Monthly fee for notification of change	$(***) per item
4. Monthly fee for redeposit	$(***) per item
5. Monthly maintenance fee	$(***) per system principle
6. Monthly communication interface fees	Responsibility of Customer or their ACH bank
Other Fees:	
1. ACH bank set-up and testing (Note 3)	$(***) per hour

Note 1: The one-time start-up fee does not apply to the system principles converting from the services provided by CSG under the Paybill Agreement.

Note 2: For clarification purposes, the volume discounts are cumulative and not incremental (e.g., if a system principle has 2,000 transactions during the month, all 2,000 transactions would be charged at $(***) per transaction.)

Note 3: Customer's ACH bank must be able to process CSG's format which is the NACHA standard file format. CSG requires ninety (90) days for set-up of new ACH bank.

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

CSG SYSTEMS, INC. ("CSG")	*TCI CABLE MANAGEMENT CORPORATION ("Customer")*
By:/s/ Joseph T. Ruble	*By:/s/ Ann Montgomery*
Name: Joseph T. Ruble	*Name: Ann Montgomery*
Title: V.P. & General Counsel	*Title: EVP Fulfillment Services & Operations*

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

This Forty-First Amendment (the "Amendment") is executed this 23/rd/ day of December, 1999, and is made by and between CSG Systems, Inc., a Delaware corporation ("CSG") and TCI Cable Management Corporation ("Customer"). CSG and Customer entered into a certain Restated and Amended CSG Master Subscriber Management System Agreement dated August 10, 1997, which has subsequently been amended pursuant to separately executed amendments (collectively, the "Agreement"), and now desire to amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment, shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

CSG and Customer agree as follows:

1. For the fees set forth in paragraph 3 below and in accordance with the terms and conditions of the Agreement, CSG hereby grants to Customer a site license pursuant to which Customer may use ACSR on an additional ************************ ((***)) workstations.

2. CSG shall provide Customer one (1) master copy of ACSR for the purpose of installing ACSR on the ************************ ((***)) workstations referenced above.

3. The fees to be paid by Customer for the additional site license of ************************ ((***)) workstations of ACSR are as follows:

ACSR Perpetual License Fees
(***) workstations $(***)

($(***) per workstation)

ACSR Annual Maintenance Fees

(***) percent (***%) of License Fees

Note: The ACSR Annual Maintenance period on the ************************ ((***)) workstations licensed under this Amendment shall begin on January 1, 2000 and shall continue on each January 1 thereafter throughout the term of the Agreement.

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

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

("Customer")

By: /s/ Joseph T. Ruble	By: /s/ Ann Montgomery
Name: Joseph T. Ruble	Name: Ann Montgomery
Title: V.P. & General Counsel	Title: EVP, Fulfillment Services and

EXHIBIT 2.19K

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FORTY-THIRD AMENDMENT TO RESTATED AND AMENDED CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT BETWEEN CSG SYSTEMS, INC. AND TCI CABLE MANAGEMENT CORPORATION

This Forty-Third Amendment (the "Amendment") is executed this 29th day of December, 1999, and is made by and between CSG Systems, Inc., a Delaware corporation ("CSG") and TCI Cable Management Corporation ("Customer"). CSG and Customer entered into a certain Restated and Amended CSG Master Subscriber Management System Agreement dated August 10, 1997, which has subsequently been amended pursuant to separately executed amendments (collectively, the "Agreement"), and now desire to amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment, shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

CSG and Customer agree as follows:

1. Schedule D is amended to include the following fees for CSG Aggregator Express(TM):

```
A. Installation Services:
-------------------------

   Initial Installation Services Fee                 $(***)
   (Includes the installation services set forth
   in Exhibit X-1, for the System Sites set
   forth in Exhibit X-1 as of the date of execution
   of this Amendment)


B. Aggregation Account Fee:
----------------------------

   Monthly Aggregation Account Fee (per aggregated
   account on CCS)                                   $(***)

          Note: The definition of an Aggregation
          Account shall be any account set up on CCS
          for the sole purpose of storing summary
          information from non-CCS billing sources
          resident on CSG Aggregator Express.
```

"Confidential Treatment Requested and the Redacted Material has been separately filed with the Commission." C. Aggregation Processing Fee:

Monthly Transaction Fee (per account, per LOB on CSG Aggregator Express) $(***)

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

CSG SYSTEMS, INC. ("CSG")	TCI CABLE MANAGEMENT CORPORATION ("Customer")
By: /s/ Joseph T. Ruble	By: /s/ Ann Montgomery
Name: Joseph T. Ruble	Name: Ann Montgomery
Title: V.P. & General Counsel	Title: EVP, Fulfillment Services & Operations

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EXHIBIT 2.19K

SCHEDULE I

Electronic Payment Services (Paybill Advantage(R))

This Schedule I is made as of this 19/th/ day of November, 1999, between CSG Systems, Inc. ("CSG"), and TCI Cable Management Corporation ("Customer"), pursuant to the CSG Systems Master Subscriber Management Agreement executed as of August 10, 1997 (the "Master Agreement"), and of which this Schedule I forms an integral part.

1. Electronic Payment Services. Subject to the terms and conditions of the Master Agreement, for the term set forth in Section 11 below and for the fees set forth in Schedule D, CSG will provide to Customer, and Customer will purchase from CSG all of Customer's requirements for the data processing services, including reasonable backup security for Customer's data, to support electronic bill paying services as set forth in Section 2 below (the "Basic Services") for all of Customer's subscriber accounts that elect to utilize Customer's electronic bill payment services (the "Subscribers").

2. Basic Services

(a) Consumer Debits. Each Subscriber will have the option to preauthorize a debit to either their checking account or savings account each month for a predetermined date of Customer's choosing. Customer's third party ACH Originator will be responsible for the disbursement, remittance and settlement of all funds. CSG will create and submit a preauthorized payment disbursement file according to bank industry standards (National Automated Clearing House Association, "NACHA", or Electronic Data Interface, "EDI") containing a debit record for Subscribers who have preauthorized monthly debits to be made from checking or savings accounts on a day designated by Customer each month. The ACH Originator will submit to an automated clearing house data in the required form for the collection of the monthly payments from Subscribers bank accounts, which will be effected on the collection date, or if that date is not a banking day, the first banking day after such date. Each Debit will be submitted so as to effect the payment on the designated date.

(b) Credit of Remittances. CSG will post to Subscriber's CCS account a payment transaction for each processing Subscriber on the Subscriber's collection day.

(c) Enrollment Process. Customer is responsible for obtaining Subscriber enrollment information that authorizes his respective bank to post debit transactions to his respective bank checking account or savings account as required by NACHA. Customer will input Subscriber type of account, bank account number, payment method, and bank routing information into the CCS system. CSG will initiate an ACH prenote the day the form is processed or the day after the form is processed if the form is entered after the daily cutoff time. A daily report will be generated for the Customer each business day for which input is processed showing that a prenote has been initiated. If the prenote process produces an error, the CCS system will automatically update the Subscribers' payment status to reflect an error and add the error to a daily report. If the error was correctable by the receiving depository financial institution, the CCS system will automatically update the information on the CCS system. The first debit will be initiated on the appropriate date to effect the debit on the Customer's predetermined date.

(d) Automatic Preauthorized Payments. Customer's ACH Originator shall provide automatic payment deduction which will occur monthly on a date predetermined by Customer. CSG will submit a file to Customer's the ACH Originator two days prior to the date the deduction is scheduled to take place. The Subscriber payment amount submitted to the ACH Originator will be the statement balance if the statement balance is less than the current balance or if the statement balance is greater than the current balance, then the current balance will be used. If the designated date for deduction falls on a weekend and/or holiday, the deduction will not occur until the next scheduled banking day.

(e) Settlement. Customer's The ACH Originator will be responsible for crediting Customer's bank account for the gross ACH collection. on the same day as the Debit to Subscriber's checking or savings account.

(f) Settlement of Returns. Customer's The ACH Originator will be responsible for settling daily returns against Customer's bank account. Settlement with Customer will be done daily. Each day for which there are returns, the ACH Originator will initiate a Debit to the Customer's specified account for the total amount of Debits received by ACH Originator that day. First time NSF returns that will be re-deposited by ACH Originator will not be debited to the Customer's specified account.

(g) Record Keeping. Customer is responsible for maintaining Subscriber authorization forms for a period of at least seven (7) years in accordance with the CSG Systems Master Master Subscriber Management Agreement dated August 10, 1997.Agreement

3. Additional Services. If Customer desires CSG to provide other services in addition to the Basic Services, the parties agree to negotiate in good faith with respect to the terms and conditions (including without limitation, pricing) on which such services shall be provided. Such services include, but are not limited to (i) special computer runs or reports, special accounting and information applications; and (ii) data processing and related forms and supplies and equipment other than those provided as standard pursuant to this Agreement (the "Additional Services"). The description of any such additional services, and any other terms and conditions related thereto, shall be set forth in an amendment to this Agreement signed and dated by both parties. Unless otherwise agreed in writing by the parties in such amendment any such additional services shall be subject to the terms of this Schedule I.

4. Subscriber Authorization. Customer shall obtain from each Subscriber the proper documents authorizing automatic transfers to and from such Subscriber's savings account or checking account. Customer will enter only valid authorizations for processing.

5. Collection Data. Customer shall update Subscriber account balance information to provide necessary data for the Basic Services and Additional Services and shall ensure through periodic checks and updates that the data is current and accurate at all times.

6. Settlement of Returns. Customer is ultimately responsible to cover on a daily basis all return debits incurred by ACH originator and in the event collections have ceased.

7. Reserved.

8. Subscriber Reports. If Customer requests that CSG provide Customer with a tape containing information regarding Customer's Subscribers and related banking information and payment data, then Customer shall pay CSG's then current rates for such tape.

9. Compliance with Laws. Customer will comply in all material respects with all federal, state or local laws and regulations pertaining to electronic payment processing. In the event of clear evidence of significant fraudulent activity by Customer, the Basic Services and any Additional Services will be discontinued immediately and any funds on the way to Customer will be impounded immediately.

10. Reliance on Information. CSG shall be entitled to rely upon and act in accordance with any instructions, guidelines or information provided to CSG by Customer, which are given by such persons as have actual or apparent authority to provide such instructions, guidelines or information and shall incur no liability in doing so.

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11. Term. The term of this Schedule shall be coterminous with the term set forth in Section 15 of the Master Agreement.

Agreed and accepted this 19th day of November, 1999, by:

CSG SYSTEMS, INC. ("CSG")	*TCI CABLE MANAGEMENT CORPORATION ("Customer")*
By: /s/ Joseph T. Ruble	*By: /s/ Ann Montgomery*

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EXHIBIT 2.19K

SCHEDULE X

CSG Aggregator Express(TM)

This Schedule X is made as of this 29/th/ day of December, 1999, between CSG Systems, Inc. ("CSG"), and TCI Cable Management Corporation ("Customer"), pursuant and in accordance with the Restated and Amended CSG Master Subscriber Management System Agreement, executed as of August 10, 1997 (the "Agreement").

1. License. CSG hereby grants Customer, and Customer hereby accepts from CSG, a non-exclusive and non-transferable perpetual right to use the software products known as CSG Aggregator Express (the "Aggregator Express Product"), which, when used in the designated environment described in Section 3, accepts data from external customer care and billing systems and enables Customer to create consolidated billing statements. Customer will be licensed to use the Aggregator Express Product at the System Sites set forth in Exhibit X-1, for the fees set forth in Schedule D and subject to the terms and conditions of the Master Agreement, including, but not limited to, those specified below.

2. Required Products and Services. Customer acknowledges that CCS, Statement Express and ESP (the "Required Products and Services") are required in order for Customer to use the Aggregator Express Product, and Customer shall comply with all of the terms set forth in the Master Agreement for each of those Products and Services in accordance with the terms thereof.

3. Designated Environment. In addition to the Designated Environment for each of the Required Products as set forth in the respective Schedules, Customer is required to use the hardware and software set forth in Exhibit X-2 (the "Aggregator Designated Environment"). Customer may use the Aggregator Express Product only in the Aggregator Designated Environment and will be solely responsible for upgrading the Aggregator Designated Environment to the specifications that CSG may provide from time to time. In the event that the Aggregator Designated Environment is inadequate to permit the required products to operate in accordance with their express performance warranties on the date of delivery hereunder, CSG agrees that it shall be responsible for the hardware costs associated with upgrading the Aggregator Designated Environment such that it complies with this representation .

4. Installation Services. Customer will receive the installation services set forth in Exhibit X-1 in connection with its license to use the Aggregator Express Product.

5. Term. This Schedule X shall be effective upon the date set forth above and shall continue in effect until June 30, June 30, 2000 unless terminated earlier in accordance with the terms and conditions of the Agreement. Any extension of this Schedule X shall be pursuant to the parties' mutual written consent.

Agreed and accepted this 29th day of December, 1999, by:

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

By: /s/ Joseph T. Ruble            By: /s/ Ann Montgomery
   ------------------------------     --------------------------------------

Name:  Joseph T. Ruble             Name: Ann Montgomery
     ----------------------------        -----------------------------------

Title: V.P. & General Counsel      Title: EVP Fulfillment Svcs & Operations
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Exhibit X-1.........Installation Services and System Sites Exhibit X-2.........Designated Environment

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EXHIBIT X-1

INSTALLATION SERVICES AND SYSTEM SITES

1. For the fees set forth in Schedule D, CSG will provide the following Installation Services in connection with Aggregator Express, for the System Sites set forth below as of the date of execution of this Amendment:

. on-site product integration review
. documentation
. statement translator development
. ESP statement format development for Iowa and California and Texas projects
. circuit sizing recommendations (via phone) for non-CSG rendered services
. UNIX/mainframe parameter setup
. pre-implementation support of operational concerns
. on-site ESP requirements gathering and training (at CSG facility)
. guide interface development
. CCS account creation
. development of auto registration
. up to fifty (50) hours of process consulting

2. System Sites:

Select System Sites in Iowa, Texas and California:*

Iowa

. Cedar Rapids
. Waterloo

Texas and California

. Subscribers enrolled in the AT&T BIS Bottom of the Bill Promotion

* Other mutually agreed upon System Sites.

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EXHIBIT X-2

CSG Aggregator Express (TM) Designated Environment

Effective 11/99 Page 1 of 1

CSG Aggregator Express - ACSR Integrated Environment /(1)/

Platform

See current Designated Environment hardware and software requirements for ACSR for Windows NT, Windows 95 workstation, and Statement Express

(1) Requires CSG:
. CCS or ACSR;
. ESP; and
. Statement Express products

CSG Aggregator Express - Stand Alone Environment

Client Hardware

Processors

Compaq, IBM and Dell Business Class computers with Intel Pentium, Pentium II and Celeron processors designated as Microsoft Windows NT certified and Year 2000 compliant.

Random Access Memory (RAM)

64 MB

Minimum Hard Drive Space

1.2 GB

Minimum Video Requirements

1024 x 768 x 256 colors, small font

SVGA 15" Monitor

Printer

Any printer compatible with the client workstation/network environment
CD-ROM

Client Software

Operating System

Microsoft Windows NT v4.0 w/ Service Pack 3 and Year 2000 fixes; or w/ Service Pack 4 and Year 2000 fixes.

Microsoft Windows 95 with OSR 2.5, 4.00.1111 with Y2K fixes, and WIN95Y2K.EXE applied

Communications

Internet Explorer 4.x minimum or greater, or Netscape Navigator 4.x minimum or greater

Other

Open Windows

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EXHIBIT 10.39

[As Amended on
November 16, 1999]

CSG SYSTEMS, INC.

WEALTH ACCUMULATION PLAN

ARTICLE I

PURPOSE

The purpose of the CSG Systems, Inc. Wealth Accumulation Plan (the "Plan") is to enable CSG Systems, Inc. to attract and retain a select group of executive employees with exceptional ability by offering such executive employees a means of enhancing their compensation, building their net worth, and supplementing their retirement funds through the deferral of a portion of their compensation.

ARTICLE II

DEFINITIONS

For purposes of the Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

2.1 Base Salary. "Base Salary" means all regular cash compensation for services, other than Incentive Compensation, payable by Systems to a Participant during a Plan Year (before taking into account any deferral pursuant to the Plan and without taking into account any other compensation or benefit program of Systems).

2.2 Beneficiary. "Beneficiary" or "Beneficiaries" means the person, persons, entity, or entities designated by a Participant pursuant to Article VIII, or otherwise provided in Article VIII, to receive any benefits payable under the Plan in the event of such Participant's death.

2.3 Board. "Board" means the Board of Directors of Systems.

2.4 Change of Control of Systems. "Change of Control of Systems" means the occurrence of any of the following events:

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

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

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

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

(d) Systems dissolves (unless the business of Systems will be continued by International) or sells or otherwise disposes of all or substantially all of its property and assets (other than to an entity or group of entities which is then under common ownership (directly or indirectly) with Systems),

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

(f) International dissolves or sells or otherwise disposes of all or substantially all of its property and assets (other than to an entity or group of entities which is then under common ownership (directly or indirectly) with International), or

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

2.5 Committee. "Committee" means the Wealth Accumulation Plan Committee appointed by or at the direction of the Board to perform the duties set forth in Article III.

2.6 Deemed Investment. "Deemed Investment" means a bookkeeping device which (a) corresponds to a Fund that is a permitted investment under the CSG Incentive Savings Plan (a 401(k) plan of Systems) and (b) is used by Systems to determine the balance in a Participant's Deferral Account.

2.7 Deferral Account. "Deferral Account" means an account established and maintained for a Participant on the books of Systems pursuant to Section 5.1. Whenever the context requires, "Deferral Account" shall mean and separately refer to the Deferral Credits Sub-Account and the Employer Credits Sub-Account of a Deferral Account.

2.8 Deferral Agreement. "Deferral Agreement" means an agreement signed and filed with the Committee by a Participant pursuant to Article IV.

2.9 Deferral Benefit. "Deferral Benefit" means the benefit payable under the Plan to a Participant or a Participant's Beneficiary, as provided in Article
VII.

2.10 Deferral Credits. "Deferral Credits" means the credits to a Participant's Deferral Account made pursuant to Section 5.2.

2.11 Deferral Credits Sub-Account. "Deferral Credits Sub-Account" means a sub-account of a Participant's Deferral Account to which such Participant's Deferral Credits are credited.

2.12 Disability. "Disability" means a physical or mental illness or incapacity of a Participant which has resulted in a determination that such Participant is entitled to receive benefits (i) under a long-term disability insurance policy maintained by Systems for such Participant or (ii) if no such insurance policy is then in existence, under the federal social security disability insurance program.

2.13 Eligible Executive. "Eligible Executive" means an executive employee of Systems who is a Vice President, Senior Vice President, or more senior executive employee of Systems or who is a National Sales Director of Systems.

2.14 Employer Credits. "Employer Credits" means the credits to a Participant's Deferral Account made pursuant to Section 5.3.

2.15 Employer Credits Sub-Account. "Employer Credits Sub-Account" means a sub-account of a Participant's Deferral Account to which such Participant's Employer Credits are credited.

2.16 Fund. "Fund" means an open-end management investment company or an

individual series thereof (a mutual fund) whose shares or units are available for purchase by the public.

2.17 Incentive Compensation. "Incentive Compensation" means any cash bonus or commission payable by Systems to a Participant for a Plan Year in addition to such Participant's Base Salary payable during such Plan Year (before taking into account any deferral pursuant to the Plan and without taking into account any other compensation or benefit program of Systems).

2.18 International. "International" means CSG Systems International, Inc., a Delaware corporation.

2.19 Normal Retirement Age. "Normal Retirement Age" means age 65.

2.20 Participant. "Participant" means an Eligible Executive who has elected to participate in the Plan by entering into a Deferral Agreement for any Plan Year or portion thereof.

2.21 Plan Year. "Plan Year" means the calendar year, except that the first **Plan Year began on September 1, 1996, and ended on December 31, 1996.**

2.22 Systems. "Systems" means CSG Systems, Inc., a Delaware corporation.

ARTICLE III

ADMINISTRATION OF PLAN

3.1 Administration. The Plan shall be administered by the Committee or its delegate. The Committee or its delegate shall have the authority to interpret the Plan, to make, amend, interpret, apply, and enforce all appropriate rules and regulations for the administration and operation of the Plan, to prescribe forms for use in connection with the Plan, and to decide any and all questions which may arise in connection with the Plan. Any delegate of the Committee for purposes of administration of the Plan shall not make any discretionary decision on behalf of the Committee which pertains directly to such delegate as a Participant.

3.2 Binding Effect of Decisions. The decision or action of the Committee or its delegate with respect to any question arising out of or in connection with the administration, operation, or interpretation of the Plan and the rules and regulations promulgated under the Plan shall be final, conclusive, and binding upon all persons having any interest in the Plan, unless a written appeal from the affected Participant or Beneficiary is received by the Committee or its delegate within thirty (30) days after the disputed decision or action of the Committee or its delegate has been made or taken. Upon timely receipt of such appeal, the Committee shall reconsider the disputed decision or action; and the decision of the Committee with respect to such appeal shall be final, conclusive, and binding on the person lodging such appeal and all persons claiming by, through, or under such person.

3.3 Expenses of Administration. Systems shall pay all expenses of administering the Plan, and the Participants shall not bear any of such expenses.

ARTICLE IV

ELECTIVE DEFERRALS

4.1 Election to Participate in Plan. Except as otherwise provided in Section 4.2, an Eligible Executive may elect to participate in the Plan by signing and filing with the Committee or its delegate a Deferral Agreement in the form prescribed by the Committee or its delegate. To be effective, a Deferral Agreement must be filed with the Committee or its delegate not later than December 15 of the calendar year immediately preceding the Plan Year in which the Eligible Executive will commence participation in the Plan; and, if timely filed, such Deferral Agreement will become effective as of the first day of such Plan Year and remain in effect in accordance with Section 4.4. An Eligible Executive may enter into a new Deferral Agreement covering a period subsequent to the period covered by a Deferral Agreement which will expire or terminate pursuant to Section 4.4.

4.2 Initial Deferral Agreement. An employee who becomes an Eligible Executive during a Plan Year may sign a Deferral Agreement and file it with the Committee or its delegate not later than 30 days after such employee becomes an Eligible Executive for the purpose of deferring a portion of the Eligible Executive's Base Salary earned during such Plan Year after the filing of such Deferral Agreement and for the purpose of deferring a portion of the Eligible Executive's Incentive Compensation for such Plan Year which either is payable at the discretion of Systems or is earned by the Eligible Executive after the filing of such Deferral Agreement.

4.3 Compensation Which May Be Deferred. A Deferral Agreement signed and filed with the Committee by an Eligible Executive may provide for the deferral of not less than five percent (5%) and not more than twenty-five percent (25%) of the Eligible Executive's Base Salary payable during the Plan Years to which such Deferral Agreement pertains and not less than five percent (5%) and not more than one hundred percent (100%) of the Eligible Executive's Incentive Compensation for the Plan Years to which such Deferral Agreement pertains. Notwithstanding the provisions of the first sentence of this Section 4.3, in the case of Eligible Executives other than the Chairman of the Board, the Chief Executive Officer, the President, an Executive Vice President, and the Chief Financial Officer of Systems, the maximum aggregate amount of Base Salary and Incentive Compensation which an Eligible Executive may defer for any Plan Year is $50,000; and if any Deferral Agreement would result in the deferral of an aggregate amount greater than $50,000 for any Plan Year, then the actual deferral for such Plan Year shall be limited to $50,000. Notwithstanding the provisions of the first sentence of this Section 4.3, in the case of an Eligible Executive who is the Chairman of the Board, the Chief Executive Officer, the President, an Executive Vice President, or the Chief Financial Officer of Systems, the maximum aggregate amount of Base Salary and Incentive Compensation which such Eligible Executive may defer for any Plan Year is $700,000; and if any Deferral Agreement would result in the deferral of an aggregate amount greater than $700,000 for any Plan Year, then the actual deferral for such Plan Year shall be limited to $700,000. Subject to the provisions of Sections 4.1 and 4.2, the Compensation Committee of the Board of Directors of International, in its absolute discretion, may increase the maximum permitted deferral amount for any Plan Year for any one or more Eligible Executives. A deferral percentage provided for in a Participant's

Deferral Agreement pursuant to this Section 4.3 may be expressed either as a percentage (in which case the deferred amount will change as the Participant's Base Salary or Incentive Compensation, as the case may be, changes) or as a fixed amount falling within the permitted percentage range (in which case the deferred amount will not change as the Participant's Base Salary or Incentive Compensation, as the case may be, changes). Except as otherwise provided in the Plan, a signed Deferral Agreement shall become irrevocable upon its timely filing with the Committee or its delegate.

4.4 Period Covered by Deferral Agreement. Except as otherwise provided in the Plan and except to the extent that a Deferral Agreement is amended pursuant to Section 4.5, a Deferral Agreement shall remain in effect for the first Plan Year (or portion thereof) to which it applies and to the following six Plan Years. However, a Deferral Agreement automatically shall terminate prospectively if a Participant ceases to be an Eligible Executive or upon the termination of a Participant's employment by Systems for any reason, including but not limited to death, Disability, or retirement. If, pursuant to Section 7.3, a Participant makes an election to receive his or her Deferral Benefit prior to the last day of the period to which a Deferral Agreement pertains, then such Deferral Agreement shall remain in effect only for the Plan Years ending on or prior to the date so elected; however, such Participant may enter into a new Deferral Agreement covering later Plan Years pursuant to Section 4.1.

4.5 Amendment of Deferral Agreement. Except as otherwise provided in Section 10.15, a Participant may amend a Deferral Agreement previously filed by such Participant with the Committee or its delegate solely for the purpose of changing the amounts or percentages of Base Salary or Incentive Compensation (or both) to be deferred by such Participant for the remaining Plan Years covered by the Deferral Agreement being amended. Any amended Deferral Agreement must be signed and delivered to the Committee or its delegate at least 15 days prior to the commencement of the first Plan Year to which such amended Deferral Agreement applies. The most recently dated Deferral Agreement signed and delivered to the Committee or its delegate by a Participant on a timely basis shall govern as to that Participant, but an amended Deferral Agreement shall have no effect on such Participant's deferral amounts or percentages for Plan Years prior to the first Plan Year to which such amended Deferral Agreement applies.

4.6 Effect on Other Plans. Systems shall not make a supplemental payment to any Participant to offset any reduction in benefits under any other employee benefit plan of Systems which results from the deferral of Base Salary or Incentive Compensation pursuant to the Plan. However, Systems shall compute life insurance and disability benefits for any Participant payable under any employee benefit plan of Systems which is based on compensation without reduction for the amount of any Base Salary or Incentive Compensation deferred pursuant to the Plan.

4.7 Suspension of Elective Deferral. The Committee or its delegate, in its sole and absolute discretion, may prospectively suspend the effectiveness of a Participant's Deferral Agreement upon the written request of such Participant based upon the occurrence of an unforeseeable emergency. For purposes of this
Section 4.7, "unforeseeable emergency" means an unanticipated emergency that is caused by an event beyond the control of the Participant and

that would result in severe financial hardship to the Participant if suspension of the effectiveness of such Participant's Deferral Agreement were not permitted.

ARTICLE V

DEFERRAL ACCOUNT AND CREDITS

5.1 Establishment of Deferral Account. Systems shall establish and maintain on its books a separate Deferral Account for each Participant, and each Deferral Account shall have a Deferral Credits Sub-Account and an Employer Credits Sub-Account. A Participant who has entered into more than one Deferral Agreement shall have a separate Deferral Account for each Deferral Agreement. A Participant's Deferral Account and its Sub-Accounts shall be used solely as a bookkeeping device for purposes of the Plan and shall not constitute or be treated as a trust fund or reserve of any kind or require the segregation or investment of any assets of Systems. Each Deferral Account established for a Participant shall be administered separately in accordance with the provisions of this agreement.

5.2 Deferral Credits. At the end of each payroll period, Systems shall credit to the Deferral Credits Sub-Account of each Participant who has entered into a Deferral Agreement applicable to Base Salary or Incentive Compensation payable during such payroll period an amount equal to the Base Salary and Incentive Compensation of such Participant deferred for such payroll period pursuant to the Plan and such Deferral Agreement. To the extent that Systems is required pursuant to any state, federal, or local law to withhold any taxes or other amounts in respect of such deferred Base Salary or Incentive Compensation, such taxes or other amounts shall be withheld from the Participant's other compensation which is not deferred under the Plan or shall be paid to Systems in cash by the Participant.

5.3 Employer Credits. Concurrently with the crediting of deferred Base Salary or Incentive Compensation amounts pursuant to Section 5.2, Systems also shall credit to the Employer Credits Sub-Account of each Participant an amount equal to twenty-five percent (25%) of the deferred Base Salary or Incentive Compensation of such Participant then being credited to such Participant's Deferral Credits Sub-Account; provided, that the aggregate amount credited to any Participant's Employer Credits Sub-Account pursuant to this Section 5.3 shall not exceed $6,250 for any one Plan Year. In its absolute discretion, Systems may make a supplemental credit to the Employer Credits Sub-Accounts of Participants for any Plan Year in addition to the credit required by the first sentence of this Section 5.3; but the making of any such supplemental credit for any Plan Year shall not entitle any Participant to a supplemental credit for any other Plan Year. Any supplemental credit made by Systems pursuant to the preceding sentence of this Section 5.3 may be made on a uniform or non-uniform basis among all Participants or among only some Participants and may be made to the Employer Credits Sub-Accounts of any one or more Participants to the exclusion of the Employer Credits Sub-Accounts of any one or more other Participants. To the extent that Systems is required pursuant to any state, federal, or local law to withhold any taxes or other amounts in respect of the amounts credited pursuant to this Section 5.3, such taxes or other amounts shall be withheld from that portion of the Participant's

compensation which is not deferred under the Plan or shall be paid to Systems in cash by the Participant.

5.4 Deemed Investments. As a bookkeeping device and solely for the purpose of determining the balance in a Participant's Deferral Account at any particular time, the amounts credited to a Participant's Deferral Account from time to time pursuant to Sections 5.2 and 5.3 shall be allocated on the books of Systems to the Deemed Investments selected from time to time by the Participant from among the then permitted Deemed Investments. A Participant shall make and may change such selections in accordance with such procedures as the Committee or its delegate may establish from time to time. If a Participant fails to select a Deemed Investment for all or any portion of such Participant's Deferral Account, then the Committee or its delegate shall make such selection on behalf of the Participant. The allocation to the Deemed Investments selected by a Participant shall be made on the books of Systems by crediting the Deferral Account of such Participant with that number of units of each such Deemed Investment which results from dividing (a) the dollar amount of (i) that portion of the Participant's Deferral Account or (ii) that portion of the amount currently being credited which has been allotted by the Participant to such Deemed Investment by (b) the net asset value of the Fund corresponding to such Deemed Investment as of the close of business on the date of such crediting (or, if such date is not a business day, on the most recently preceding business day). The number of units of each Deemed Investment of a Participant shall be increased or decreased as appropriate from time to time to reflect (a) dividends or distributions paid by the Fund which corresponds to the particular Deemed Investment, (b) distributions pursuant to Article VII, (c) changes in the Deemed Investments selected by such Participant, and (d) forfeitures pursuant to
Section 6.3. A Participant's selection of a Deemed Investment shall not obligate Systems to acquire shares or units of the Fund corresponding to such Deemed Investment; and no Participant shall have any rights with respect to or any interest in the shares or units of any Fund which Systems, in its absolute discretion, may elect to acquire.

5.5 Participant's Account Balance. The balance in a Participant's Deferral Account as of any date shall be determined by (a) multiplying (i) the number of units of each Deemed Investment then credited to such Deferral Account by (ii) the net asset value of the Fund corresponding to such Deemed Investment as of the close of business on such date (or, if such date is not a business day, on the most recently preceding business day) and (b) adding the products of such multiplications. A Participant's Deferral Account balance shall be determined, whenever necessary, after the making of all credits to and deductions from such Deferral Account which are to be made pursuant to the Plan prior to or as of the date as of which such Deferral Account balance is being determined, including but not limited to the forfeiture provided for in Section 6.3 if applicable.

5.6 Statement of Account. Systems shall provide to each Participant, within 60 days after the end of each calendar quarter, a statement in such form as Systems deems appropriate setting forth the balance in such Participant's Deferral Account (by Deemed Investment and in total) as of the last day of such calendar quarter.

5.7 Proportionate Decreases in Deemed Investments. Unless otherwise provided by the Committee or its delegate, distributions pursuant to Article VII and deductions pursuant to

Section 6.3 shall proportionately decrease all of the Deemed Investments then credited to a Participant's Deferral Account.

ARTICLE VI

VESTING

6.1 Vesting of Deferral Credits Sub-Account Balance. At all times a Participant shall be fully vested in his or her Deferral Credits Sub-Account balance, and no portion of such Deferral Credits Sub-Account balance shall be subject to forfeiture by such Participant.

6.2 Vesting of Employer Credits Sub-Account Balance. A Participant's Employer Credits Sub-Account balance shall fully vest in such Participant and become entirely nonforfeitable by such Participant on the first to occur of (i) three years after the effective date of such Participant's initial participation in the Plan, (ii) the death of such Participant, (iii) the termination of such Participant's employment with Systems after such Participant has reached Normal Retirement Age, (iv) the termination of such Participant's employment with Systems solely by reason of such Participant's Disability, (v) the completion by such Participant of five years of continuous employment with Systems, (vi) the acceleration of such vesting by action of the Board pursuant to Section 6.4, or
(vii) a Change of Control of Systems.

6.3 Forfeiture of Non-Vested Employer Credits Sub-Account Balance. If the Employer Credits Sub-Account balance of a Participant has not become fully vested and entirely nonforfeitable pursuant to Section 6.2 at the time or as a result of the termination of such Participant's employment with Systems, then upon the termination of such Participant's employment with Systems the entire balance in such Employer Credits Sub-Account automatically shall be forfeited; and neither such Participant nor his or her Beneficiary shall have any further rights with respect to such Employer Credits Sub-Account balance or any amount that previously had been credited to such Employer Credits Sub-Account.

6.4 Accelerated Vesting. The Board reserves the right in its sole and absolute discretion at any time to accelerate the time of vesting of all or any portion of a Participant's Employer Credits Sub-Account balance that has not yet vested.

ARTICLE VII

PAY-OUT OF DEFERRAL BENEFITS

7.1 Termination of Employment Other Than by Death. Upon the termination of a Participant's employment with Systems for any reason other than such Participant's death, such Participant shall be entitled to receive a Deferral Benefit equal to 100% of the balance in such Participant's Deferral Account (determined in accordance with Section 5.5) as of the last day of the calendar month during which such termination of employment occurs. A Deferral Benefit under this Section 7.1 shall be payable to such Participant in accordance with
Section 7.5.

7.2 Death. Upon the death of a Participant while he or she is employed by Systems, such Participant's Beneficiary or Beneficiaries shall be entitled to receive a Deferral Benefit equal to 100% of the balance in such Participant's Deferral Account (determined in accordance with Section 5.5) as of the last day of the calendar month during which such death occurs. A Deferral Benefit under this Section 7.2 shall be payable to such Beneficiary or Beneficiaries in accordance with Section 7.5. The Deferral Benefit provided for in this Section 7.2 shall be in lieu of all other benefits under the Plan in the event of a Participant's death. Any Deferral Benefit which becomes payable under this Section 7.2 to a person who is a minor for purposes of the Nebraska Uniform Transfers to Minors Act may instead be paid by Systems to a custodian for such person under such Act.

7.3 Pre-Termination Distribution. At the time that he or she signs a Deferral Agreement pursuant to Section 4.1 or 4.2, a Participant may elect to receive his or her Deferral Benefit at the end of the second, third, fourth, fifth, sixth, or seventh Plan Year to which such Deferral Agreement pertains rather than upon the termination of his or her employment with Systems; provided, however, that if the employment of such Participant with Systems terminates prior to the pre-termination distribution date elected by such Participant pursuant to this Section 7.3, then the provisions of Section 7.1 or 7.2, as the case may be, shall supersede such election and shall govern the distribution of such Participant's Deferral Benefit. If a Participant makes an election pursuant to this Section 7.3, then such Participant shall be entitled to receive a Deferral Benefit equal to 100% of the vested balance in such Participant's Deferral Account (determined in accordance with Section 5.5) as of the last day of the Plan Year elected by such Participant pursuant to this Section 7.3. If a Participant makes an election pursuant to this Section 7.3, then, not later than one year prior to the last day of the Plan Year originally elected by such Participant, he or she may make one further election to defer the payment of his or her Deferral Benefit either for an additional number of Plan Years from one to seven or until the termination of his or her employment with Systems. A Deferral Benefit under this Section 7.3 shall be payable to the Participant in accordance with Section 7.5. Any portion of a Participant's Deferral Account which is not paid pursuant to an election made under this Section 7.3 because it is not fully vested as of the elected payment date shall remain as a credit to such Deferral Account and shall be paid to such Participant at the time it becomes fully vested (either as a lump-sum or as part of the monthly payments, depending upon the method of Deferral Benefit payment elected by such Participant).

7.4 Accelerated Distributions. The Committee or its delegate, in its sole and absolute discretion, may accelerate the time of payment to a Participant of all or a portion of the then vested balance of such Participant's Deferral Account upon the written request of a Participant based upon the occurrence of an unforeseeable emergency; however, the amount of such accelerated payment shall not exceed the amount necessary to meet the particular emergency. For purposes of this Section 7.4, "unforeseeable emergency" shall mean an unanticipated emergency that is caused by an event beyond the control of the Participant and that would result in severe financial hardship to the Participant if such accelerated payment were not permitted.

7.5 Method of Benefit Payment. At such time as a Deferral Benefit becomes payable pursuant to Section 7.1, 7.2, or 7.3, Systems shall pay the Deferral Benefit to the Participant

involved (or to such Participant's Beneficiary in the case of such Participant's death) in whichever of the following methods was selected by such Participant in the applicable Deferral Agreement:

(a) A lump-sum payment; or

(b) Monthly payments over a period of from 2 to 180 months, as specified by such Participant in the applicable Deferral Agreement.

If a Participant did not select a method of payment in the applicable Deferral Agreement, then the method of payment of such Participant's applicable Deferral Benefit shall be determined by the Committee or its delegate from the alternative methods set forth above in this Section 7.5. Payments pursuant to this Article VII shall begin as soon as practicable after the amount thereof has been determined. The Committee or its delegate shall determine the methodology to be used to compute the amounts of monthly payments under this Section 7.5.

ARTICLE VIII

BENEFICIARY DESIGNATION

8.1 Beneficiary Designation. Each Participant shall have the right at any time during his or her lifetime to designate in writing on a form prescribed by the Committee or its delegate any person, persons, entity, or entities as the Beneficiary or Beneficiaries (primary or contingent) to whom benefits under the Plan shall be paid in the event of the Participant's death prior to full payment of the benefits due the Participant under the Plan. Such form shall be filed with the Committee or its delegate during the Participant's lifetime and shall become effective when so filed.

8.2 Change of Beneficiary. Any Beneficiary designation made by a Participant may be changed by such Participant at any time during such Participant's lifetime by the filing of such change in writing on a form prescribed by the Committee or its delegate. Effective upon its filing with the Committee or its delegate prior to a Participant's death, the most recently filed Beneficiary designation will cancel all Beneficiary designations previously filed by such Participant.

8.3 No Beneficiary Designation. If a Participant fails to designate a Beneficiary pursuant to this Article VIII, or if all designated Beneficiaries predecease the Participant, then the Participant's designated Beneficiary shall be deemed to be the person or persons surviving the Participant in the first of the following classes in which there is a survivor, in equal shares by representation:

(a) The Participant's surviving spouse;

(b) The Participant's descendants; or

(c) The personal representative of the Participant's estate.

ARTICLE IX

AMENDMENT AND TERMINATION OF PLAN

9.1 Amendment. The Board may amend the Plan at any time in whole or in part without terminating the Plan; however, no amendment of the Plan shall decrease any amount already credited to a Deferral Account then in existence without the written consent of the affected Participant.

9.2 Termination. The Board may terminate the Plan at any time. Upon such termination, Systems shall make the Deferral Account credits required under Article V as of the effective date of the Plan termination, and all Participants thereupon shall be fully vested in their respective Deferral Accounts and promptly shall be paid the then balance in their respective Deferral Accounts in a lump sum.

ARTICLE X

MISCELLANEOUS

10.1 Creditor Status. Participants and their Beneficiaries shall have no legal or equitable rights, interests, or claims in or to any particular property or assets of Systems, nor shall they be beneficiaries of, or have any rights, claims, or interests in or to, any life insurance policies or annuity contracts (or the proceeds therefrom) now owned or which hereafter may be acquired by Systems ("Policies"). The assets of Systems and such Policies (if any) shall be, and remain, the general and unrestricted assets of Systems. Participants and their Beneficiaries are and have the status of general unsecured creditors of Systems, and the Plan constitutes a mere unfunded and unsecured promise of Systems to make benefit payments in the future. Any trust created by Systems and any assets held in such trust to assist Systems in meeting its obligations under the Plan shall conform to the terms of the model trust described in Revenue Procedure 92-64 of the Internal Revenue Service.

10.2 Nonassignability. Neither a Participant nor a Beneficiary nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, alienate, hypothecate, or convey in advance of actual receipt any amounts payable under the Plan, or any part thereof, all of which are, and all rights to which are, nonassignable and nontransferable. No part of any amounts payable under the Plan shall, prior to actual payment, be subject to attachment, garnishment, or seizure for the payment of any debts, judgments, alimony, child support, or separate maintenance owed by a Participant or any other person nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

10.3 Not a Contract of Employment. The terms and conditions of the Plan and of any Deferral Agreement entered into pursuant to the Plan shall not be deemed to constitute a contract of employment between Systems and a Participant, and a Participant (or a Participant's Beneficiary) shall have no rights against Systems under the Plan except as may be specifically provided in the Plan. Moreover, nothing in the Plan shall be deemed to give a Participant any right
(i) to be retained in the employ or other service of Systems for any specific length of time, (ii) to interfere with the right of Systems to discipline or discharge the Participant at any time, (iii) to hold any particular position or responsibility with Systems, or (iv) to receive any particular compensation from Systems.

10.4 Withholding; Payroll Taxes. To the extent required by applicable laws in effect at the time payments are made under the Plan, Systems shall withhold from such payments any taxes or other obligations required to be withheld from such payments by federal, state, or local laws.

10.5 Participant Cooperation. Each Participant shall cooperate with Systems by furnishing any and all information requested by Systems to facilitate the payment of benefits under the Plan, by taking such physical examinations as Systems may deem necessary for insurance or other purposes, and by taking such other actions as reasonably may be requested by Systems.

10.6 Incompetency. If the Committee or its delegate reasonably determines that any Participant or Beneficiary to whom a benefit is payable under the Plan is unable to manage his or her own affairs because of illness or accident, then any payment due such Participant or Beneficiary (unless prior claim therefor shall have been made by a duly authorized guardian or other legal representative) may be paid, upon appropriate indemnification of Systems, to the person deemed by the Committee or its delegate to have current responsibility for the handling of the affairs of such Participant or Beneficiary. Any such payment shall be a payment for the account of the Participant or Beneficiary and shall be a complete discharge of any liability of Systems therefor.

10.7 Governing Law. The provisions of the Plan shall be governed by and construed according to the laws of the State of Nebraska.

10.8 Number and Gender. Unless the context otherwise requires, for all purposes of the Plan, words in the singular number include their plural, words in the plural include their singular, and words of one gender include the other genders.

10.9 Section Titles. The titles of the various sections of the Plan are for convenient reference only and shall not be considered in the interpretation of the Plan.

10.10 Severability. If any provision of the Plan is determined by any court to be invalid, then such invalidity shall not affect any other provision of the Plan to which effect reasonably can be given without such invalid provision; and for such purpose the provisions of the Plan shall be severable from one another.

10.11 Successors. The provisions of the Plan shall be binding upon and inure to the benefit of Systems, each Participant, and each Beneficiary and their respective heirs, personal representatives, successors, and permitted assigns (if any).

10.12 Unfunded Plan. The Plan is and shall be unfunded within the meaning of the Employee Retirement Income Security Act of 1974 ("ERISA") for purposes of Title I of ERISA and for income tax purposes.

10.13 Credit for Prior Service. In the sole discretion of the Committee, a Participant may receive credit for purposes of Section 6.2 for his or her prior employment with an employer whose business is acquired by Systems.

10.14 Effective Date. The Plan became effective on July 17, 1996, upon its approval by the Board.

10.15 Transition Provisions. The amendments of the Plan approved by the Board on November 16, 1999, will apply to Plan Years beginning after December 31, 1999, and to Deferral Agreements entered into after November 16, 1999. Except as otherwise provided in this Section 10.15, Deferral Agreements in effect on November 16, 1999, will remain in effect in accordance with their terms; however, no deferrals of Base Salary or Incentive Compensation shall be made under such Deferral Agreements for Plan Years after 1999, and as of the first business day of 2000, the balance in a Participant's Deferral Account as of the close of business on December 31, 1999, shall be transferred to the Deemed Investments selected by such Participant on or before December 31, 1999. The Committee or its delegate shall provide to each Participant who is expected to have a Deferral Account balance on December 31, 1999, a form for making such Deemed Investment selection; if a Participant fails to make such selection by December 31, 1999, then, as of the first business day of 2000, such Participant's Deferral Account balance shall be transferred to a Deemed Investment selected by the Committee, subject to such Participant's right to subsequently select other Deemed Investments in accordance with the Plan. For purposes of making the transfer referred to in this Section 10.15, the balance in a Participant's Deferral Account shall mean the balance in such Participant's Termination Event Sub-Account (as defined in the Plan prior to the amendment of the Plan on November 16, 1999). Prior to December 31, 1999, each Participant who has entered into a Deferral Agreement in effect for Plan Years prior to 2000 may elect, pursuant to Section 7.3 and on a form provided by the Committee or its delegate, to receive his or her Deferral Benefit under such Deferral Agreement at the end of any Plan Year after 1999 to which such Deferral Agreement originally pertained. A Participant who has entered into a Deferral Agreement which is in effect on November 16, 1999, may enter into a new Deferral Agreement for Plan Years after 1999.

Exhibit 21.01

CSG SYSTEMS INTERNATIONAL, INC.
SUBSIDIARIES OF THE REGISTRANT
AS OF DECEMBER 31, 1999

SUBSIDIARY	STATE OR COUNTRY OF INCORPORATION
CSG Systems, Inc.	Delaware
CSG International 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, 333-48451 and 333- 83715.

Omaha, Nebraska,

March 24, 2000

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 [1]

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 31 1999
PERIOD START	JAN 01 1999
PERIOD END	DEC 31 1999
CASH	48,676
SECURITIES	0
RECEIVABLES	79,672
ALLOWANCES	2,975
INVENTORY	0
CURRENT ASSETS	130,195
PP&E	58,371
DEPRECIATION	31,864
TOTAL ASSETS	274,968
CURRENT LIABILITIES	98,103
BONDS	59,289
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	523
OTHER SE	116,339
TOTAL LIABILITY AND EQUITY	274,968
SALES	322,162
TOTAL REVENUES	322,162
CGS	132,121
TOTAL COSTS	132,121
OTHER EXPENSES	34,388
LOSS PROVISION	0
INTEREST EXPENSE	7,214
INCOME PRETAX	95,929
INCOME TAX	36,055
INCOME CONTINUING	59,874
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	59,874
EPS BASIC	1.16
EPS DILUTED	1.10

[1] In thousands except per share amounts

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.

RELIANCE ON CCS

The Company derived approximately 78.3% and 78.0% of its total revenues from its primary product, Communications Control System, and related products and services (collectively, "CCS") in the years ended December 31, 1999 and 1998, respectively. CCS is expected to provide the substantial majority of the Company's total revenues in the foreseeable future.

The Company continues to develop new products and services to address the evolving needs of its new and existing clients as they roll out new product offerings and enter new markets. A substantial portion of the Company's new products and services require enhancements to the core functionality of CCS. There is an inherent risk of technical problems in maintaining and operating CCS as its complexity is increased. The Company's results will depend upon continued market acceptance of CCS, as well as the Company's ability to continue to adapt, modify, maintain, and operate CCS to meet the changing needs of its clients without sacrificing the reliability or quality of service. Any reduction in demand for CCS would have a material adverse effect on the financial condition and results of operations of the Company.

AT&T RELATIONSHIP

Contract Rights and Obligations

The AT&T Contract includes minimum financial commitments by AT&T over the 15-year life of the contract, and includes exclusive rights for the Company to provide customer care and billing products and services for

AT&T's offerings of wireline video, all Internet/high speed data services, residential wireline telephony services, and print and mail services. Since execution of the AT&T Contract in September 1997 through December 31, 1999, the Company has successfully converted approximately 11 million AT&T cable television customers onto its system, bringing the total of AT&T customers on the Company's system to approximately 14 million.

The AT&T Contract provides certain performance criteria and other obligations to be met by the Company. The Company is subject to various remedies and penalties if it fails to meet the performance criteria or other obligations. The Company is also subject to an annual technical audit to determine whether the Company's products and services include innovations in features and functions that have become standard in the wireline video industry. If an audit determines the Company is not providing such an innovation and it fails to do so in the manner and time period dictated by the contract, then AT&T would be released from its exclusivity obligation to the extent necessary to obtain the innovation from a third party.

To fulfill the AT&T Contract and to remain competitive, the Company believes it will be required to develop new and advanced features to existing products and services, as well as new products and services, all of which will require substantial research and development and implementation and operational aptitude. AT&T has the right to terminate the AT&T Contract in the event of certain defaults by the Company. To date, the Company believes it has complied with the terms of the contract. The termination of the AT&T Contract or of any of AT&T's commitments under the contract would have a material adverse effect on the financial condition and results of operations of the Company.

Business Activities and Dependence On AT&T

AT&T completed its merger with TCI in March 1999 and has consolidated the TCI operations into AT&T Broadband. During the year ended December 31, 1999 and 1998, revenues from AT&T and affiliated companies represented approximately 50.5% and 37.4% of total revenues, respectively. The Company expects a similar percentage of its total revenues to be generated from AT&T in 2000.

AT&T began its efforts to provide convergent communications services in several United States cities during 1999 and expects to continue these efforts in 2000. The Company is working closely with AT&T to provide customer care and billing services to customers in those cities. The convergence of video, telephony and Internet services in the residential market is still in its infancy. As a result, the degree to which converged, broadband services meet with consumer acceptance and capture significant market share is speculative. Further, there may be customer care and billing needs of the broadband consumer that are not foreseen by the Company, or the Company's technological solutions may prove unable to meet the new and unique needs of the converging communications markets. The Company expects to continue performing successfully under the AT&T Contract, but its failure to do so would have a material adverse effect on the financial condition and results of operations of the Company.

Historically, a substantial portion of the Company's revenue growth resulted from the sale of software and professional services to AT&T, both of which are in excess of the minimum financial commitments included in the contract. There can be no assurance that the Company will continue to sell products and services to AT&T in excess of the minimum financial commitments included in the contract.

AT&T's Planned Merger with MediaOne

AT&T and MediaOne have agreed to merge, with AT&T being the surviving entity. MediaOne has approximately 5.2 million cable television customers, and approximately 1.0 million of these customers are currently being processed on the Company's system. The Company is hopeful that it will have the opportunity to convert the remaining MediaOne customers onto its system soon after the acquisition is complete. There are a number of uncertainties concerning the transaction, however, including its timing and any structure, operational or other limitations that may be imposed by governmental authorities. Should the transaction not be consummated, should it be significantly delayed or its structure or operational authority be altered materially, it may have a material adverse impact upon the company's ability to sustain its growth in the wireline video customer care and billing market.

RENEWAL OF TIME WARNER CONTRACTS

During the years ended December 31, 1999 and 1998, revenues from Time Warner represented approximately 10.2% and 14.1% of total revenues, respectively. The Company provides services to Time Warner under multiple, separate contracts with various Time Warner affiliates. These contracts are scheduled to expire on various dates. The failure of Time Warner to renew contracts representing a significant part of its business with the Company would have a material adverse effect on the financial condition and results of operations of the Company. America Online, Inc. ("AOL") and Time Warner have announced their intention to merge their companies. It would be premature to predict the impact, if any, the successful consummation of this transaction would have on the financial condition or 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.

INDUSTRY CONSOLIDATION AND DEPENDENCE ON CABLE TELEVISION AND DBS INDUSTRIES

The Company's business is concentrated in the cable television and Direct Broadcast Satellite ("DBS") industries, making the Company susceptible to a downturn in those industries. During the years ended December 31, 1999 and 1998, the Company derived 75.8% and 77.7%, and 15.5% and 13.0% of its total revenues from companies in the U.S. cable television and U.S. and Canadian DBS industries, respectively. A decrease in the number of customers served by the Company's clients, loss of business due to non-renewal of client contracts, industry consolidation, and/or changing consumer demand for services would adversely effect the results of operations of the Company.

There can be no assurance that new entrants into the cable television market will become clients of the Company. Also, there can be no assurance that cable television providers will be successful in expanding into other segments of the converging communications markets. Even if major forays into new markets are successful, the Company may be unable to meet the special billing and customer care needs of that market. The cable television industry is undergoing significant ownership changes at an accelerated pace. One facet of these changes is that cable television providers are consolidating, decreasing the potential number of buyers for the Company's products and services. Currently, seven providers account for 85% of the U.S. cable television market and two providers account for almost the entire U.S. DBS market. The Company processes at least a portion of the customers for five of the seven cable television providers, and for both of the DBS providers. For the year ended December 31, 1999, approximately 83% of the Company's total revenues were generated from companies either under the control of, or expected to come under the control of, these seven providers. Consolidation in the industry may put at risk the Company's ability to leverage its existing relationships. Should this consolidation result in a concentration of cable television customer accounts being owned by companies with whom the Company does not have a relationship, or with whom competitors are entrenched, it could negatively effect the Company's ability to maintain or expand its market share, thereby adversely effecting the results of operations.

NEW PRODUCTS AND RAPID TECHNOLOGICAL CHANGE

The market for customer care and billing systems is characterized by rapid changes in technology and is highly competitive with respect to the need for timely product innovations and new product introductions. The Company believes that its future success in sustaining and growing the annual revenue per customer account depends upon continued market acceptance of its current products, including CCS, and its ability to enhance its current products and develop new products that address the increasingly complex and evolving needs of its clients. Substantial research and development will be required to maintain the competitiveness of the Company's products and services

in the market. Development projects can be lengthy and costly, and are subject to changing requirements, programming difficulties, a shortage of qualified personnel, and unforeseen factors which can result in delays. In addition, the Company is typically responsible for the implementation of new products, and depending upon the specific product, may also be responsible for operations of the product. There is an inherent risk in the successful implementation and operations of these products as the technological complexity increases. There can be no assurance (i) of continued market acceptance of the Company's current products, (ii) 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, or (iii) that the Company will be successful in supporting the implementation and/or operations of product enhancements or new products.

CONVERGING COMMUNICATIONS MARKETS

The Company's growth strategy is based in large part on the continuing convergence and growth of the cable television, DBS, telecommunications, and on- line services markets. If these markets fail to converge, grow more slowly than anticipated, or if providers in the converging markets do not accept the Company's solution for combining multiple communications services for a customer, 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. In addition, some independent providers are entering into strategic alliances with other independent providers, resulting in either a new competitor, or a competitor(s) with greater resources. Many of the Company's current and potential competitors have significantly greater financial, marketing, technical, and other competitive resources than the Company, and many already have significant international operations. There can be no assurance that the Company will be able to compete successfully with its existing competitors or with new competitors.

ATTRACTION AND RETENTION OF PERSONNEL

The Company's future success depends in large part on the continued service of its key management, sales, product development, and operational personnel. The Company is particularly dependent on its executive officers. The Company believes that its future success also depends on its ability to attract and retain highly skilled technical, managerial, operational, and marketing personnel, including, in particular, additional personnel in the areas of research and development and technical support. Competition for qualified personnel is intense, particularly in the areas of research and development and technical support. The Company may not be successful in attracting and retaining the personnel it requires, which would adversely effect the Company's ability to meet its commitments and new product delivery objectives.

VARIABILITY OF QUARTERLY RESULTS

The Company's quarterly revenues and results, particularly relating to software and professional services, may fluctuate depending on various factors, including the timing of executed contracts and the delivery of contracted services or products, the cancellation of the Company's services and products by existing or new clients, the hiring of additional staff, new product development and other expenses, and changes in sales commission policies. No assurance can be given that results will not vary due to these factors. As the Company's overall revenue grows, so too does the risk associated with meeting financial expectations for revenue derived from its software and services offerings. As a result, there is a proportionately increased likelihood that the Company may fail to meet revenue and earnings expectations of the analyst community. With the current volatility of the stock market, should the Company fail to meet analyst expectations by even a relatively small amount it would most likely have a disproportionately negative impact upon the market price for the Company's common stock.

DEPENDENCE ON PROPRIETARY TECHNOLOGY

The Company relies on a combination of trade secret and copyright laws, nondisclosure agreements, and other contractual and technical measures to protect its proprietary rights in its products. The Company also holds a limited number of patents on some of its newer products, and does not rely upon patents as a primary means of protecting its rights in its intellectual property. There can be no assurance that these provisions will be adequate to protect its proprietary rights. Although the Company believes that its intellectual property rights do not infringe upon the proprietary rights of third parties, there can be no assurance that third parties will not assert infringement claims against the Company or the Company's clients.

INTERNATIONAL OPERATIONS

The Company's business strategy includes a commitment to the marketing of its products and services internationally, and the Company has acquired and established operations outside of the U.S. The Company is subject to certain inherent risks associated with operating internationally. Risks include product development to meet local requirements such as the conversion to EURO currency, difficulties in staffing and management, reliance on independent distributors or strategic alliance partners, fluctuations in foreign currency exchange rates, compliance with foreign regulatory requirements, variability of foreign economic conditions, changing restrictions imposed by U.S. export laws, and competition from U.S.-based companies which have firmly established significant international operations. There can be no assurance that the Company will be able to manage successfully the risks related to selling its products and services in international markets.

INTEGRATION OF ACQUISITIONS

As part of its growth strategy, the Company seeks to acquire assets, technology, and businesses which would provide the technology and technical personnel to expedite the Company's product development efforts, provide complementary products or services or provide access to new markets and clients. Acquisitions involve a number of risks and difficulties, including expansion into new geographic markets and business areas, the requirement to understand local business practices, the diversion of management's attention to the assimilation of acquired operations and personnel, potential adverse short-term effects on the Company's operating results, and the amortization of acquired intangible assets.

SYSTEM SECURITY

The end users of the Company systems are continuously connected to the Company's products through a variety of public and private telecommunications networks. The Company has plans to integrate the Internet more closely into its product offerings thereby permitting, for example, a customer to use the Internet to review account balances, order a pay per view event or execute similar account management functions. The Company also operates an extensive internal network of computers and systems used to manage internal communications, financial information, development data and the like. The Company's product and internal communications networks and systems carry an inherent risk of failure as a result of human error, acts of nature and intentional, unauthorized attacks from computer "hackers." Opening up these networks and systems to permit access via the Internet increases their vulnerability to unauthorized access and corruption, as well as increasing the dependency of the systems' reliability on the availability and performance of the Internet's infrastructure. Certain system security and other controls for CCS are reviewed annually by an independent party. The Company has recently undergone a security review of its internal systems by an independent party, and is currently implementing a plan intended to minimize the risk of an unauthorized access to the networks and systems.

The method, manner, cause and timing of an extended interruption or outage in the Company's networks or systems is impossible to predict. As a result, there can be no assurances that the networks and systems will not fail, nor that the Company's business recovery plans will adequately mitigate any damages incurred as a consequence. In addition, should the Company's networks or systems be significantly compromised, it would most likely have a

material adverse effect on the operations of the Company, including its ability to meet product delivery obligations or client expectations. Likewise, should the Company's networks or systems experience an extended interruption or outage, have their security compromised or data lost or corrupted, it would most likely result in an immediate loss of revenue, as well as damaging the reputation of the Company. Any of these events could have both an immediate, negative impact upon the Company's short term revenue and profit expectations, as well as its long term ability to attract and retain new clients.

PRODUCT OPERATIONS AND SYSTEM AVAILABILITY

The Company's product operations are run in both mainframe and distributed system computing environments, as follows:

Mainframe Environment

CCS operates in a mainframe data processing center managed by FDC (the "FDC Data Center"), with end users dispersed throughout the United States and Canada. These services are provided under an agreement with FDC that is scheduled to expire in December 2001. The Company believes it could obtain mainframe data processing services from alternative sources, if necessary. The Company has a business recovery plan as part of its agreement with FDC should the FDC Data Center suffer an extended business interruption or outage. This plan is tested on an annual basis.

Distributed Systems Environment

The Company also operates certain of its new product applications in its own distributed systems data processing center (the "CSG Data Center") for the benefit of certain clients. Typically, these distributed product applications interface to and operate in conjunction with CCS via telecommunication networks. The Company is currently implementing its business recovery plan for the CSG Data Center. The Company has extensive experience in running applications within the mainframe computing platform, and only within the last few years, began running applications within the CSG Data Center. In addition, the mainframe computing environment and related technology is mature and has proven to be a highly reliable and scaleable computing platform. The distributed systems computing platform is not at the same level of maturity as the mainframe computing platform.

The end users of the Company systems are continuously connected to the Company's products through a variety of public and private telecommunications networks, and are highly dependent upon the continued availability of the Company's systems to conduct their business operations. Should the FDC Data Center or CSG Data Center, or any particular product application or internal system which is operated within the data centers, as well as the connecting telecommunications networks, experience an extended business interruption or outage, it could have an immediate impact to the business operations of the Company's clients, which could have a material adverse effect on the financial condition and results of operations of the Company.

YEAR 2000

The Company's business is dependent upon various computer software programs and operating systems that utilize dates and process data beyond the year 2000. If the actions taken by the Company to mitigate its risks associated with the year 2000 are inadequate, there could be a material adverse effect on the financial condition and results of operations of the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for

additional discussion of the Company's efforts to address the year 2000 risks.

End of Filing

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