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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, 2000

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, 2001 was $1,589,472,740.

Shares of common stock outstanding at March 23, 2001: 52,386,958.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its Annual Meeting of Stockholders to be filed on or prior to April 30, 2001, are incorporated by reference into Part III of the Form 10-K.

CSG SYSTEMS INTERNATIONAL, INC.

2000 FORM 10-K

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Item 1. Business

General

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

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

Company Overview

The Company provides customer care and billing solutions worldwide for the converging communications markets, including cable television, direct broadcast satellite ("DBS"), telephony, on-line services and others. The Company's products and services enable its clients to focus on their core businesses, improve customer service, 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 $398.9 million in 2000 compared to $322.2 million in 1999, an increase of 24%, and revenue grew at a compound annual growth rate of 32% over the five-year period ended December 31, 2000.

The Company has established a leading presence by developing strategic relationships with major participants in the cable television and DBS industries, and derived approximately 78% and 16% of its total revenues in 2000 from U.S. cable television and U.S. and Canadian DBS providers, respectively. The Company provides customer care and billing to one-third of the households in the U.S. During 2000 and 1999, the Company derived approximately 74% and 79%, respectively, of its total revenues from processing and related services. Total domestic customer accounts on the Company's processing system as of December 31, 2000 were 35.8 million, compared to 33.8 million as of December 31, 1999, an increase of 6%. The Company converted approximately 1.25 million new customer accounts onto its processing system during 2000. The Company received $8.42 in processing revenue per video account in 2000 compared to $8.03 in 1999, and $5.05 in processing revenue per Internet account in 2000 compared to $4.71 per account in the previous year.

The convergence of communications markets and growing competition are increasing the complexity and cost of managing the interaction between communications companies and their customers. Customer care and billing systems coordinate all aspects of the customer's interaction with a communication company, 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.

AT&T Contract and Asset Acquisition

In September 1997, the Company purchased certain software technology assets that were in development from Tele-Communications, Inc. ("TCI") and entered into a 15-year exclusive contract with a TCI affiliate to consolidate all TCI customers onto the Company's customer care and billing system. 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 Company generates a significant portion of its total revenues under the AT&T Contract. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussion of the AT&T Contract and the Company's business relationship with AT&T.

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 that 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 35.8 million as of December 31, 2000, a compound annual growth rate for this period of 15%. The Company provides a full suite of customer care and billing products and services that 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 received $8.42 in processing revenue per video account in 2000 compared to $7.53 in 1998, and $5.05 in processing revenue per Internet account in 2000 compared to $3.75 per account in 1998. The increase in processing revenue per account relates primarily to (i) increased usage of ancillary services by clients, (ii) the introduction of new products and services, and (iii) price increases included in client contracts. In addition, the Company continues to roll out new software applications and provide professional services to enhance and extend the functionality of its customer care and billing solution and also to support the Company's clients' initiatives for new revenue opportunities. Software and professional services revenues were $104.1 million in 2000 compared to $44.8 million in 1998. This increase relates primarily to higher demand for the Company's customer relationship management, call center, and workforce automation software applications.

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, the Company will 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 Internet protocol ("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 research and development ("R&D") is designed to position the Company to meet the growing and evolving needs of existing and potential clients.

Pursue International Opportunities. The Company'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.

CSG Products and Services

A background in high-volume transaction processing, complemented with world- class applications software, allows CSG to offer the most comprehensive, pre- integrated products and services to the communications market,

serving video, data and voice providers and handling all aspects of the customer lifecycle. Since 1995, CSG has invested an average of 12% of revenues in R&D. This has allowed the Company to increase its offering from two products to more than 20. Listed below are several of the key products offered by the Company.

Communications Control System (CCS(R)) is the Company's core customer care and billing system. CCS can handle more than 100 million customer accounts without significant capital investments by the Company. CCS lets customer service representatives ("CSRs") enroll new customers, modify services for current customers, schedule installation and repairs, and process billing.

Advanced Customer Service Representative(R) (ACSR(R)) is a Windows-based software program that provides CSRs with a complete view of a customer's account, easily showing all the customer's services. Add-on modules include: Computer Based Training--a tutorial system; and Application Object Interface--which develops customized applications and requests special status updates from the ACSR system.

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

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

Customer Interaction Tracking(R) (CIT(R)) captures customer-related interactions, tracking customers by type and subject, and featuring a planner for scheduling follow-ups and reminders.

ACSR-T, is a telephony billing solution that allows providers to offer this line of business via a single billing platform. Through a flexible platform, it integrates ordering and provisioning functions, and offers robust call rating capability.

CSG High Speed Data enables providers to offer, enroll and service customers of this line of business via a single billing platform. Its specialized functionality helps CSRs reduce average call times and improve customer service.

Financial Services is a group of financial applications that automates credit verification, certain accounts receivable functions and payment methods via the CSR's desktop. The applications include:

Credit Verification Service/Risk Management System that automates risk assessment, reducing financial risk by identifying high-risk customers.

Paybill Advantage(R) lets customers have their bills automatically debited from their checking accounts.

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

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

Cash Register Receipts allows for enhanced handling of front counter and payment center transactions.

Call Center ExpressSM is a suite of products that promotes customer self- care and improves CSR efficiency. The following are applications included in this suite:

CSG Info Express(TM) allows customers to use interactive voice response ("IVR") technology to complete certain tasks such as checking account balances or ordering a pay-per-view event. It helps to reduce staffing requirements and decrease customer wait times.

CSG Screen Express(R) helps to reduce customer call times via instant messaging directly to call center CSR's desktops. Additionally, this product delivers real-time call center performance indicators such as call hold times and number of calls in queue.

CSG Statement Express(R) presents the statement image via an online viewing system allowing the CSR to save time when assisting customers with bills. This application electronically stores, retrieves, distributes and prints a statement exactly as it appears to customers.

CSG Direct SolutionsSM allows access to CSG's state-of-the art statement presentation solutions regardless of billing system in use. It provides an attractive cost-saving advantage to in-house statement printing.

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.

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(TM)), 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 self-care options such as the ability to sign up for new services, add or modify existing services, and manage their convergent account. Additionally, the electronic bill presentment and payment feature allows end-user customers to view and pay bills via the Internet. This product also maintains the previous month's statements online and notifies customers of new statements via e-mail.

CSG.net(TM) is an end-to-end customer care and billing solution for the IP market. This highly scaleable solution offers real-time service plan creation and modification, real-time rating functionality, and robust financial and reporting capabilities.

CSG NextGen(TM) is a pre-integrated, next-generation customer care and billing solution that supports convergent services over multiple delivery networks. This software application allows communications companies to meet specific needs via a customizable platform that can accommodate multiple languages and multiple currencies.

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:

AOL Time Warner DirecTV AT&T Broadband (includes former TCI and MediaOne)

Adelphia Communications Corporation	Echostar Communications Corporation
Charter Communications	Mediacom Communications
Cox Communications	Prodigy Communications Corporation

During the years ended December 31, 2000, 1999, and 1998, revenues from AT&T represented approximately 50.4%, 50.5%, and 37.4% of total revenues, and revenues from AOL Time Warner Inc. and its affiliated companies ("AOL Time Warner") represented approximately 8.3%, 10.2%, and 14.1% of total revenues, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for discussion of the Company's contract with AT&T. The Company has separate processing agreements with multiple affiliates of AOL 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 computer services required for operation of the CCS system and other CSG products. 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. During 2000, the Company renegotiated its services agreement with FDC. The new agreement is cancelable only for cause, and expires June 30, 2005. The previous agreement was scheduled to expire December 31, 2001.

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 2000 were focused primarily on the development of products to

. increase the efficiencies and productivity of its clients' operations,

. address the systems needed to support the convergence of the communications markets,

. support a web-enabled, customer self-care and electronic bill presentment/payment application,

. allow clients to effectively roll out new products and services to new and existing markets, such as residential telephony, high-speed data/ISP and IP markets (including CSG.net, the Company's ASP offering to the ISP market), interactive services (e.g., video-on-demand), and

. address the international customer care and billing system market.

The Company expects its development efforts to focus on similar tasks in 2001. Since 1995, the Company has invested an average of 12% of its total revenues into R&D. The Company expects to spend a similar percentage of its total revenues on R&D in the future.

The Company's total R&D expense was $42.3 million, $34.4 million, and $27.5 million for the years ended December 31, 2000, 1999, and 1998, or 10.6%, 10.7%, and 11.6% of total revenues, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussion.

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.), Amdocs LTD, 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, 2000, the Company had a total of 1,823 employees, an increase of 301 from December 31, 1999. 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 164,000 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 2001 through 2010.

The Company leases five facilities, totaling approximately 277,000 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 2001 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, Berskshire, 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 7 to the Company's Consolidated Financial Statements for information regarding the Company's obligations under its facilities leases.

Item 3. Legal Proceedings

On September 27, 2000, the Company received a Demand for Arbitration from AT&T relating to the AT&T Contract the companies entered into in 1997. The arbitration demand contained three claims. First, AT&T claimed that the Company had failed to fulfill certain of its obligations under the contract with respect to telephony software and services. Second, AT&T asked for a declaratory judgment that the exclusivity clause of the AT&T Contract does not apply to customers that were acquired by AT&T after execution of the agreement with the Company. Third, AT&T claimed that the Company had breached the Most Favored Nation clause of the agreement.

On October 10, 2000, AT&T agreed to dismiss with prejudice its Demand for Arbitration with the Company. In connection with the dismissal, the companies agreed to amend the AT&T Contract. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussion of this matter.

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), Peter E. Kalan (Vice President and Chief Financial Officer), Edward C. Nafus (Executive Vice President), and J. Richard Abramson (Executive Vice President). The Company has employment agreements with each of the executive officers. Information concerning such executive officers appears in the following paragraphs:

Mr. Hansen, 60, 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, 47, 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. Kalan, 41, joined the Company in January 1997 and was named Chief Financial Officer in October 2000. Prior to joining CSG, he was Chief Financial Officer at Bank One, Chicago, and he also held various other financial management positions with Bank One in Texas and Illinois from 1985 through 1996. Mr. Kalan holds a Bachelor of Arts degree in Business Administration from the University of Texas at Arlington.

Mr. Nafus, 60, joined the Company in August 1998 as Executive Vice President. From 1992 to 1998, Mr. Nafus served as Executive Vice President of FDC 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.

Mr. Abramson, 52, joined the Company in March 2000 as Senior Vice President and was named Executive Vice President in August 2000. From 1998 to 2000, Mr. Abramson was President, Communications & Media Unit for the Englewood-based New Era of Networks, Inc. (NEON). He was President and Chief Executive Officer of Evolving Systems, Inc., a provider of software and professional services to the telecommunications industry, from 1996 to 1998 and served as Chairman, President/CEO of Prairie Systems from 1990 to 1996. From 1984 to 1990, Mr. Abramson served in various executive roles with Applied Communications, Inc. including Senior Vice President/GM and Director of Sales. Mr. Abramson is a graduate of the University of Nebraska at Lincoln.

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
2000		
First quarter	$73.69	$37.81
Second quarter	60.00	40.88
Third quarter	60.00	29.00
Fourth quarter	50.25	27.94

	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

On March 23, 2001, the last sale price of the Company's Common Stock as reported by NASDAQ/NMS was $40.63 per share. On January 31, 2001, the number of holders of record of Common Stock was 338.

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 4 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,				
	2000	1999	1998	1997	1996
	(in thousands, except per share amounts)				
Statements of Operations Data:					
Revenues:					
Processing and related services	$294,809	$255,167	$191,802	$ 131,399	$113,422
Software and professional services	104,086	66,995	44,838	40,405	18,875
Total revenues	398,895	322,162	236,640	171,804	132,297
Expenses:					
Cost of processing and related services(1)	107,022	95,706	82,198	73,148	67,122
Cost of software and professional services	44,515	36,415	25,048	16,834	7,123
Total cost of revenues	151,537	132,121	107,246	89,982	74,245
Gross margin (exclusive of depreciation)	247,358	190,041	129,394	81,822	58,052
Operating expenses:					
Research and development:					
Research and development	42,338	34,388	27,485	22,586	20,206
Charge for purchased research and development(5)	--	--	--	105,484	--
Impairment of capitalized software development costs(6)	--	--	--	11,737	--
Selling, general and administrative:					
Selling, general and administrative	46,970	40,142	34,769	29,583	21,915
Amortization of noncompete agreements and goodwill(1)	643	4,889	5,381	6,927	6,392
Impairment of intangible assets(7)	--	--	--	4,707	--
Stock-based employee compensation(1)	48	280	297	449	3,570
Depreciation	12,077	10,190	8,159	6,884	5,121
Total operating expenses	102,076	89,889	76,091	188,357	57,204
Operating income (loss)	145,282	100,152	53,303	(106,535)	848
Other income (expense):					
Interest expense	(5,808)	(7,214)	(9,771)	(5,324)	(4,168)
Interest and investment income, net	5,761	2,981	2,484	1,294	844
Other	(32)	10	(21)	349	--
Total other	(79)	(4,223)	(7,308)	(3,681)	(3,324)
Income (loss) before income taxes, extraordinary item and discontinued operations	145,203	95,929	45,995	(110,216)	(2,476)
Income tax (provision) benefit(8)	(54,734)	(36,055)	39,643	--	--
Income (loss) before extraordinary item and discontinued operations	90,469	59,874	85,638	(110,216)	(2,476)
Extraordinary loss from					

early extinguishment of debt(3)(5)................	--	--	--	(577)	(1,260)
Income (loss) from continuing operations......	90,469	59,874	85,638	(110,793)	(3,736)
Gain from disposition of discontinued operations(4)............	--	--	--	7,922	--
Net income (loss)...........	$ 90,469	$ 59,874	$ 85,638	$(102,871)	$ (3,736)
Diluted net income (loss) per common share(9):					
Income (loss) available to common stockholders.......	$ 1.60	$ 1.10	$ 1.62	$ (2.16)	$ (.07)
Extraordinary loss from early extinguishment of debt......................	--	--	--	(.01)	(.03)
Gain from discontinued operations................	--	--	--	.15	--
Net income (loss) available to common stockholders....	$ 1.60	$ 1.10	$ 1.62	$ (2.02)	$ (.10)
Weighted average diluted common shares.............	56,680	54,660	52,991	50,994	43,746

	Company(1)(2)				
	Year ended December 31,				
	2000	1999	1998	1997	1996
	(in thousands)				
Other Data (at Period End):					
Number of clients' customers processed......................	35,808	33,753	29,461	21,146	19,212
Balance Sheet Data (at Period End):					
Cash, cash equivalents and short-term investments................	$ 43,733	$ 48,676	$ 39,593	$ 20,417	$ 6,134
Working capital..................	81,317	32,092	7,050	3,518	4,430
Total assets(5)..................	332,089	274,968	271,496	179,793	114,910
Total debt(3)(5).................	58,256	81,000	128,250	135,000	32,500
Stockholders' equity (deficit)(1)(3)(5)(6)..........	191,169	116,862	60,998	(33,086)	41,964

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(1) The Company was formed in October 1994 and acquired all of the outstanding shares of CSG Systems, Inc., formerly Cable Services Group, Inc., from First Data Corporation ("FDC") on November 30, 1994 (the "CSG Acquisition"). The Company did not have any substantive operations prior to the CSG Acquisition. The CSG Acquisition was accounted for as a purchase and the Company's Consolidated Financial Statements (the "Consolidated Financial Statements") since the date of the acquisition are presented on the new basis of accounting established for the purchased assets and liabilities. The Company incurred certain acquisition-related charges as a result of the CSG Acquisition. These acquisition-related charges included periodic amortization of acquired software, client contracts and related intangibles, noncompete agreement and goodwill, and stock-based employee compensation. During 1997 and 1996, cost of processing and related services included $10.6 million and $11.0 million, respectively, of amortization expense for acquired software from the CSG Acquisition. During 1999, 1998, 1997, and 1996, cost of processing and related services included $2.8 million, $3.0 million, $4.0 million, and $4.1 million, respectively, of amortization expense for client contracts and related intangibles from the CSG Acquisition. Amortization expense related to the noncompete agreement from the CSG Acquisition was $0.4 million per month, and was fully amortized as of November 30, 1999.
(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 software technology assets that were in development 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, of which $27.5 million was used to retire the Company's previously outstanding debt, resulting in an extraordinary loss of $0.6 million for the write-off of deferred financing costs attributable to such debt.
(6) During 1997, the Company recorded a non-recurring charge of $11.7 million to reduce certain software 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 5 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. These 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 review that section closely in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations.

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.

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,					
	2000		1999		1998	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands)					
Revenues:						
Processing and related services	$294,809	73.9%	$255,167	79.2%	$191,802	81.1%
Software and professional services	104,086	26.1	66,995	20.8	44,838	18.9
Total revenues	398,895	100.0	322,162	100.0	236,640	100.0
Expenses:						
Cost of processing and related services	107,022	26.8	95,706	29.7	82,198	34.7
Cost of software and professional services	44,515	11.2	36,415	11.3	25,048	10.6
Total cost of revenues	151,537	38.0	132,121	41.0	107,246	45.3
Gross margin (exclusive of depreciation)	247,358	62.0	190,041	59.0	129,394	54.7
Operating expenses:						
Research and development	42,338	10.6	34,388	10.7	27,485	11.6
Selling, general and administrative:						
Selling, general and administrative	46,970	11.8	40,142	12.4	34,769	14.7
Amortization of noncompete agreements and goodwill	643	.2	4,889	1.5	5,381	2.3
Stock-based employee compensation	48	--	280	.1	297	.1
Depreciation	12,077	3.0	10,190	3.2	8,159	3.4
Total operating expenses	102,076	25.6	89,889	27.9	76,091	32.1
Operating income	145,282	36.4	100,152	31.1	53,303	22.6
Other income (expense):						
Interest expense	(5,808)	(1.4)	(7,214)	(2.2)	(9,771)	(4.1)
Interest and investment income, net	5,761	1.4	2,981	.9	2,484	1.0
Other	(32)	--	10	--	(21)	--
Total other	(79)	--	(4,223)	(1.3)	(7,308)	(3.1)
Income before income taxes	145,203	36.4	95,929	29.8	45,995	19.5
Income tax (provision) benefit	(54,734)	(13.7)	(36,055)	(11.2)	39,643	16.7
Net income	$ 90,469	22.7%	$ 59,874	18.6%	$ 85,638	36.2%

Twelve Months Ended December 31, 2000 Compared to Twelve Months Ended December 31, 1999

Revenues. Total revenues increased $76.7 million, or 23.8%, to $398.9 million in 2000, from $322.2 million in 1999.

Revenues from processing and related services increased $39.6 million, or 15.5%, to $294.8 million in 2000, from $255.2 million in 1999. Of the total increase in revenue, approximately 61% was due to the Company serving a higher number of customers for its clients and approximately 39% was due to increased revenue per customer. Customers served were as follows (in thousands):

	As of December 31,		
	2000	1999	Increase
Video	33,310	32,326	984
Internet	1,984	1,350	634
Telephony	514	77	437
Total	35,808	33,753	2,055

The increase in the number of customers served was due to the conversion of additional customers by new and existing clients to the Company's processing system, and internal customer growth experienced by existing clients. During 2000, the Company converted and processed approximately 1.25 million new customers on its systems. As of December 31, 2000, the Company had a total conversion backlog of approximately 5.0 million customers, which are expected to be converted to the Company's processing system during 2001.

Total processing revenue per video and Internet account was as follows:

	For the years ended December 31,		
	2000	1999	Increase
Video Account	$8.42	$8.03	4.9%
Internet Account	5.05	4.71	7.2%

The increase in processing revenue per account relates primarily to (i) increased usage of ancillary services by clients, (ii) the introduction of new products and services, and (iii) price increases included in client contracts.

Revenues from software and professional services increased $37.1 million, or 55.4% to $104.1 million in 2000, from $67.0 million in 1999. The Company sells its software products and professional services 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 roll out 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, primarily its customer relationship management and call center applications (principally ACSR), and the rollout of additional new products and services to meet the changing needs of the Company's client base.

Cost of Processing and Related Services. Processing costs as a percentage of related revenues were 36.3% for 2000, compared to 37.5% for 1999. This decrease in costs as a percentage of related revenues is due primarily to the decrease in amortization of client contracts and related intangibles by $3.1 million between years. This decrease in amortization expense is due primarily to the client contracts and related intangibles from the CSG Acquisition becoming fully amortized as of November 30, 1999 (such amortization was $2.8 million in 1999).

Cost of Software and Professional Services. The cost of software and professional services as a percentage of related revenues was 42.8% for 2000, compared to 54.4% for 1999. This decrease in costs as a percentage of

related revenues is due primarily to (i) better overall leveraging of costs as a result of higher software and professional services revenues for the year, and (ii) the timing of the sales cycle for new products and services.

Gross Margin. Overall gross margin increased $57.3 million, or 30.2%, to $247.4 million in 2000, from $190.0 million in 1999, due primarily to revenue growth. The overall gross margin as a percentage of total revenues increased to 62.0% in 2000, compared to 59.0% in 1999. The overall increase in the gross margin percentage is due primarily to the increase in gross margin for software and professional services as a result of the factors discussed above, and to a lesser degree, a decrease in the amortization of client contracts and related intangibles, as discussed above.

Research and Development Expense. R&D expense increased $8.0 million, or 23.1%, to $42.3 million in 2000, from $34.4 million in 1999. As a percentage of total revenues, R&D expense decreased to 10.6% in 2000, from 10.7% in 1999. The Company did not capitalize any software development costs during 2000 and 1999.

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 2000 were focused primarily on the development of products to:

. increase the efficiencies and productivity of its clients' operations,

. address the systems needed to support the convergence of the communications markets,

. support a web-enabled, customer self-care and electronic bill presentment/payment application,

. allow clients to effectively roll out new products and services to new and existing markets, such as residential telephony, high-speed data/ISP and IP markets (including CSG.net, the Company's ASP offering to the ISP market), interactive services (e.g., video-on-demand), and

. address the international customer care and billing system market.

The Company expects its development efforts to focus on similar tasks in 2001 and expects to spend a similar percentage of its total revenues on R&D in the future.

Selling, General and Administrative Expense. Selling, general and administrative ("SG&A") expense increased $6.8 million, or 17.0%, to $47.0 in 2000, from $40.1 million in 1999. As a percentage of total revenues, SG&A expense decreased to 11.8% in 2000, from 12.4% in 1999. The increase in SG&A expense relates primarily to the continued expansion of the Company's sales, management, and administrative staff, and increases in other sales and administrative costs to support the Company's overall growth.

Amortization of Noncompete Agreements and Goodwill. Amortization of noncompete agreements and goodwill decreased $4.2 million, or 86.8%, to $0.6 million in 2000, from $4.9 million in 1999. The decrease in amortization expense is due entirely to the noncompete agreement from the CSG Acquisition becoming fully amortized as of November 30, 1999.

Depreciation Expense. Depreciation expense increased $1.9 million, or 18.5%, to $12.1 million in 2000, from $10.2 million in 1999. The increase in expense relates to capital expenditures made throughout 2000 and 1999 in support of the overall growth of the Company. Capital expenditures for 2000 were $22.2 million, compared to $12.0 million in 1999, and consisted principally of (i) computer hardware and related equipment for both product and infrastructure needs, (ii) statement processing equipment, and (iii) facilities and internal infrastructure expansion. Depreciation expense for all property and equipment is reflected separately in the aggregate and is not included in the other components of operating expenses.

Operating Income. Operating income was $145.3 million for 2000, or 36.4% of total revenues, compared to $100.2 million for 1999, or 31.1% of total revenues. The increase between years relates to the factors discussed above.

Interest Expense. Interest expense decreased $1.4 million, or 19.5%, to $5.8 million in 2000, from $7.2 million in 1999, with the decrease attributable primarily to (i) scheduled principal payments on the Company's long-term debt, and (ii) optional prepayments on long-term debt during 1999. The balance of the Company's long-term debt as of December 31, 2000, was $58.3 million, compared to $81.0 million as of December 31, 1999, a decrease of $22.7 million.

Interest and Investment Income. Interest and investment income increased $2.8 million, or 93.3%, to $5.8 million in 2000, from $3.0 million in 1999, with the increase attributable primarily to an increase in operating funds available for investment.

Income Tax Provision. The Company recorded an income tax provision of $54.7 million in 2000, or an effective income tax rate of approximately 38%. The Company's effective income tax rate for 1999 was also approximately 38%. As of December 31, 2000, 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 over the last several years.

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% was due to the Company serving a higher number of customers for its clients and approximately 32% was due to increased revenue per customer. Customers served were as follows (in thousands):

	As of December 31,		
	1999	1998	Increase
Video	32,326	28,596	3,730
Internet	1,350	865	485
Telephony	77	--	77
Total	33,753	29,461	4,292

The increase in the number of customers served was due to the conversion of additional customers by new and existing clients to the Company's processing system, 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.

Total processing revenue per video and Internet account was as follows:

	For the years ended December 31,		
	1999	1998	Increase
Video Account	$8.03	$7.53	6.6%
Internet Account	4.71	3.75	25.6%

The increase in processing revenue per account relates primarily to a greater percentage of video processing revenues in 1999 being generated under the AT&T contract and price increases included in client contracts.

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 increase in revenue between years relates to the continued strong demand for the Company's existing software products, primarily its customer relationship management and call center applications (principally ACSR and CIT), and the rollout of additional new products (e.g., CSG Workforce Express) to meet the changing needs of the Company's client base.

Cost of Processing and Related Services. Processing costs as a percentage of related revenues were 37.5% for 1999, compared to 42.9% for 1998. This decrease in costs as a percentage of related revenues is due 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, offset by an increase of $2.2 million in amortization of client contracts and related intangibles between years. This increase in amortization expense is due primarily to the amortization of the value assigned to the AT&T Contract. Amortization related to the AT&T Contract was $3.3 million in 1999, compared to $1.9 million in 1998.

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:

. increase the efficiencies and productivity of its clients' operations,

. address the systems needed to support the convergence of the communications markets,

. support a web-enabled, customer self-care and electronic bill presentment/payment application, and

. allow clients to effectively roll out new products and services to new and existing markets, such as residential telephony, high-speed data/ISP and IP markets.

Selling, General and Administrative Expense. SG&A expense increased $5.4 million, or 15.5%, to $40.1 million in 1999, from $34.8 million in 1998. As a percentage of total revenues, SG&A expense decreased to 12.4% in 1999, from 14.7% in 1998. The increase in SG&A expense relates primarily to the continued expansion of the Company's sales, management, and administrative staff, and increases in other sales and administrative costs to support the Company's overall growth.

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, and consisted principally of (i) computer hardware and related equipment for both product and infrastructure needs, (ii) statement processing equipment, and (iii) facilities and internal infrastructure expansion. 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, or 31.1% of total revenues, compared to $53.3 million, or 22.6% of total revenues in 1998. The increase between years relates to the factors discussed above.

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 Taxes. The Company recorded an income tax provision of $36.1 million in 1999, or an effective income tax rate of approximately 38%. 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.

Financial Condition, Liquidity and Capital Resources

As of December 31, 2000, the Company's principal sources of liquidity included cash, cash equivalents, and short-term investments of $43.7 million and a revolving credit facility with a bank in the amount of $40.0 million, of which there were no borrowings outstanding as of December 31, 2000. During the third quarter of 2000, the Company began investing its excess cash balances in various short-term investments (principally commercial paper). It is the Company's intent to maintain a low-risk, liquid portfolio to take advantage of investment opportunities, while providing a means to access such funds if needed as a source of liquidity. See Note 2 to the Company's Consolidated Financial Statements for additional discussion of the short-term investments. The Company's ability to borrow under the revolving credit facility is subject to maintenance of certain levels of eligible receivables. At December 31, 2000, 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, 2000 and 1999 was $81.3 million and $32.1 million, respectively.

As of December 31, 2000 and 1999, the Company had $128.9 million and $67.5 million, respectively, in net billed trade accounts receivable, an increase of $61.4 million. The increase relates primarily to the Company's general revenue growth between years and the timing of the billing and collection of several large software transactions outstanding as of December 31, 2000. In particular, during 2000, the Company accommodated a client's request to schedule the payment terms for a large software transaction three weeks across yearend to assist the client in its capital planning. As of January 31, 2001, the Company had collected approximately $89.3 million, or 69%, of the total December 31, 2000 net billed trade accounts receivable, including the large software receivable previously mentioned. See Note 2 to the Company's Consolidated Financial Statements for additional discussion of the Company's yearend accounts receivable balance and its concentration of credit risk.

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 monthly net trade accounts receivable balance for the period. Accounts receivable reflected DBOs of 72 days and 61 days for

the fourth quarter and year ended December 31, 2000, respectively, compared to 55 days for both the quarter and year ended December 31, 1999. The increase in fourth quarter and annual DBOs between years relates primarily to the large increase in the December 31, 2000 net billed accounts receivable, for the reasons stated above.

The Company's net cash flows from operating activities for the years ended December 31, 2000, 1999 and 1998 were $66.8 million, $102.1 million and $47.3 million, respectively. The decrease of $35.3 million, or 34.6%, between 2000 and 1999 relates to a decrease in the net changes in operating assets and liabilities of $57.9 million, offset by a $22.6 million increase in net cash flows from operations. The decrease in the net changes in operating assets and liabilities relates primarily to the large increase in December 31, 2000 billed accounts receivable, for the reasons stated above. The Company's cash flows from operating activities for 2000 would have been in excess of $100 million if the payment due date on the particular software transaction mentioned above had not been scheduled into 2001. The increase of $54.8 million, or 115.7%, in 1999 over 1998 relates to a $37.9 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 Company experienced a slight degradation in certain of its financial measures of liquidity as of and for the quarter and year ended December 31, 2000, as discussed in the three previous paragraphs, primarily as a result of the payment terms on the large software transaction mentioned above. The Company does not view the increase in the December 31, 2000 billed trade accounts receivable balance and the corresponding increase in the fourth quarter DBOs as a concern for increased collectibility risk, evidenced by the large amount of the receivables collected subsequent to yearend. The Company anticipates that it will be able to return to its historical DBO levels of 55 to 60 days in the future. The decrease in cash flows from operating activities for the quarter and year ended December 31, 2000, were directly related to the increase in the billed accounts receivable as of December 31, 2000. The Company views this as a short-term consequence only, and over time, the Company believes it will continue to generate a significant amount of cash flows from operating activities in the future.

The Company's net cash flows used in investing activities totaled $34.8 million in 2000, compared to $36.7 million in 1999, a decrease of $1.9 million. The decrease between years relates primarily to a decrease of $23.6 million in acquisitions of and investments in client contracts. This decrease is offset by (i) net purchases of short-term investments of $11.5 million in 2000, and (ii) an increase in property and equipment purchases of $10.2 million. The Company's net cash flows used in investing activities totaled $27.1 million in 1998. The increase of $9.6 million between 1999 and 1998 relates primarily to an increase in acquisitions of and investments in client contracts of $20.7 million (related primarily to payments to AT&T). This increase is offset by (i) a cash payment of $6.0 million for acquisition of assets 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 financing activities was $47.4 million in 2000, compared to $56.1 million in 1999, a decrease of $8.7 million. The decrease between years relates primarily to (i) a decrease in principal payments on long-term debt of $24.5 million (the Company made several large optional debt prepayments in 1999) and (ii) an increase of $15.0 million in proceeds from the exercise of stock options and warrants, and other equity matters. This decrease is offset by an increase in stock repurchases of $30.8 million, as discussed below. The Company's net cash flows used in financing activities was $1.1 million in 1998. The significant increase of $55.0 million between 1999 and 1998 relates to (i) an increase in scheduled principal payments on long-term debt of $8.9 million, (ii) optional debt prepayments of $31.6 million made in 1999, and (iii) the repurchase of 0.65 million shares of Common Stock for $20.2 million in 1999, as discussed below. This increase is offset by an increase in proceeds from equity transactions of $5.7 million, related primarily to the exercise of stock options by employees.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") for 2000 was $164.0 million, or 41.1% of total revenues, compared to $124.6 million, or 38.7% of total revenues, for 1999. 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 in accordance with generally accepted accounting principles.

Total deferred revenues decreased by approximately $8.8 million from December 31, 1999 to December 31, 2000, due primarily to performance on several contracts during the first quarter of 2000 that had previously been signed and billed in the latter part of 1999.

The balance of the Company's long-term debt as of December 31, 2000 was $58.3 million, compared to $81.0 million as of December 31, 1999, a decrease of $22.7 million. Of the total long-term debt balance as of December 31, 2000, $25.5 million is scheduled to be paid in 2001, with the remaining amount of $32.8 million scheduled for 2002. Interest rates for the Company's long-term debt 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, 2000, the spread on the LIBOR rate and prime rate was 0.50% and 0%, respectively. See Note 4 to the Consolidated Financial Statements for additional discussion of the Company's debt agreement.

As of December 31, 1999, the Company had 3.0 million Common Stock Warrants (the "Warrants") outstanding to AT&T. On October 30, 2000, AT&T exercised its right under the Warrants to purchase 1.0 million shares of the Company's Common Stock at an exercise price of $12 per share, for a total exercise price of $12.0 million. Immediately following the exercise of the Warrants, the Company repurchased the 1.0 million shares at $47.42 per share (an average of the closing price for the five-day trading period ended October 26, 2000) for a total repurchase price of $47.4 million, pursuant to the Company's stock repurchase program. As a result, the net cash outlay paid to AT&T for this transaction was $35.4 million, which was paid by the Company with available corporate funds.

On February 28, 2001, AT&T exercised its rights under the Warrants to purchase the remaining 2.0 million shares of the Company's Common Stock at an exercise price of $12 per share, for a total exercise price of $24.0 million. Immediately following the exercise of the Warrants, the Company repurchased the 2.0 million shares at $37.00 per share (approximates the closing price on February 28, 2001) for a total repurchase price of $74.0 million, pursuant to the Company's stock repurchase program. As a result, the net cash outlay paid to AT&T for this transaction was $50.0 million, which was paid by the Company with available corporate funds on March 28, 2001. After this transaction, AT&T no longer has any warrants or other rights to purchase the Company's Common Stock.

Effective August 4, 1999, the Company's Board of Directors approved a stock repurchase program 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. During 2000 and 1999, the Company repurchased 1.1 million shares (including the shares repurchased in conjunction with the Warrant exercise discussed above) and 0.65 million shares for $51.1 million and $20.2 million, respectively. The repurchased shares are held as treasury shares. During February 2001, the Company purchased an additional 0.28 million shares of its Common Stock on the open market for $11.2 million, and repurchased the 2.0 million shares in conjunction with the AT&T Warrant exercise discussed above. As a result, the shares repurchased under the Company's stock repurchase program as of the date of this filing totaled 4.03 million shares at a total cost of $156.5 million (weighted- average price of $38.88 per share). See Notes 8 and 11 to the Company's Consolidated Financial Statements for additional discussion of the stock repurchase program.

The Company continues to make significant investments in client contracts, capital equipment, facilities, research and development, and at its discretion, may continue to make stock repurchases under its stock repurchase program. In addition, as part of its growth strategy, the Company expects to expand its international business and is continually evaluating potential business and asset acquisitions. The Company had no significant capital commitments as of December 31, 2000. The Company believes that cash generated from operating activities, together with its current cash, cash equivalents, short-term investments, and the amount available under its revolving credit facility, will be sufficient to meet its anticipated cash requirements for operations, income taxes, debt service, capital expenditures, investments in client contracts, and stock repurchases for both its short- and long-term purposes. The Company also believes it has significant additional borrowing capacity and could obtain additional cash resources by amending its current credit facility and/or establishing a new credit facility.

AT&T Contract

Dependence on AT&T. AT&T completed its merger with Tele-Communications, Inc. ("TCI") in 1999 and completed its merger with MediaOne Group, Inc. ("MediaOne") in 2000. During the years ended December 31, 2000, 1999 and 1998, revenues generated from AT&T Broadband and affiliated companies ("AT&T") represented approximately 50.4%, 50.5%, and 37.4% of total revenues, respectively. There are inherent risks whenever this large of a percentage of total revenues is concentrated with one client. One such risk is that, should AT&T's business generally decline or not grow as rapidly as anticipated, it would have a material impact on the Company's results of operations.

AT&T Demand for Arbitration. On September 27, 2000, the Company received a Demand for Arbitration from AT&T relating to the Master Subscriber Management System Agreement (the "AT&T Contract") the companies entered into in 1997. The arbitration demand contained three claims:

. AT&T claimed that the Company had failed to fulfill certain of its obligations under the contract with respect to telephony software and services,

. AT&T asked for a declaratory judgment that the exclusivity clause of the AT&T Contract does not apply to customers that were acquired by AT&T after execution of the AT&T Contract in 1997, and

. AT&T claimed that the Company had breached the Most Favored Nation clause of the agreement.

On October 10, 2000, AT&T agreed to dismiss with prejudice its Demand for Arbitration with the Company. In connection with the dismissal, the companies agreed to amend the AT&T Contract. A copy of the contract amendment is included in the exhibits to the Company's September 30, 2000 Report on Form 10-Q. The amendment includes, among other things, the following key provisions:

. AT&T agreed to use its best efforts to convert 90% of the recently acquired MediaOne video and high-speed data customers to the Company's processing system by December 31, 2001, and the remaining 10% by June 30, 2002. Excluded from this obligation are any such customers that are sold or exchanged (or under contract to do the same) by AT&T prior to December 31, 2001. The Company expects to start converting the MediaOne customers (estimated at approximately 4 million total customers) onto its systems in the first quarter of 2001. Once AT&T is processing certain incremental customers on the Company's system, AT&T shall benefit from specified, tiered processing fees. The Company does not believe this pricing change will have a material impact to its annual processing revenue per customer account.

. The Company waived certain exclusivity rights pertaining to residential wireline telephony (i.e., AT&T's cable telephony initiative). At the time the amendment was executed, the Company believed AT&T was in the process of determining its overall cable telephony architecture in support of its rollout efforts, and wanted more flexibility to determine which vendors should participate in that strategy. In January 2001, AT&T announced it had signed an agreement with another vendor to support its cable telephony initiative. CSG has agreed to provide assistance in migrating AT&T's cable telephony customers (currently processed on the Company's systems) to the customer care and billing system of AT&T's designated vendor. The Company does not believe the loss of the AT&T cable telephony processing business will have a material impact on the Company's results of operations.

. AT&T purchased expanded software licenses for the Company's call center and workforce automation applications. AT&T is expected to use the additional software licenses over the next 12 months as part of its rollout of these software products to support more markets and the conversion of the MediaOne customers to the Company's processing system.

Contract Rights and Obligations (as amended). The AT&T Contract 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, and print and mail services. The AT&T Contract contains 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 also is 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.

The Company expects to perform successfully under the AT&T Contract, and is hopeful that it can continue to sell products and services to AT&T that are in excess of the minimum financial commitments and exclusive rights included in the contract. Should the Company fail to meet its obligations under the AT&T Contract, and should AT&T be successful in any action to either terminate the AT&T Contract in whole or in part, or collect damages caused by an alleged breach, it would have a material impact on the Company's results of operations.

Market Risk

The Company is exposed to various market risks, including changes in interest rates, foreign currency exchange rates, and fluctuations and changes in the market value of its short-term investments. Market risk is the potential loss arising from adverse changes in market rates and prices. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes.

Interest Rate Risk. The Company utilizes a derivative financial instrument to manage its interest rate risk from the variable rate features of its long- term debt. The Company had long-term debt (including current maturities) of $58.3 million as of December 31, 2000. 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, 2000, the spread on the LIBOR rate and prime rate was 0.50% and 0%, respectively. As of December 31, 2000, the entire amount of the debt was under a one-month LIBOR contract, with an interest rate of 7.14% (i.e., LIBOR at 6.64% 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 4 to the Consolidated Financial Statements for additional description of the long-term debt and scheduled principal payments.

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. Upon expiration of this collar agreement in December 2000, the Company entered into an interest rate cap agreement with a major bank, which expires at the maturity date of the long-term debt in September 2002. The cost of the cap agreement was minimal. The interest rate cap is 9.0% (LIBOR) and the underlying notional amount covered by the cap agreement was $29.1 million as of December 31, 2000, and decreases over the term of the agreement in relation to the scheduled principal payments on the long-term debt. There are no amounts receivable under this cap agreement as of December 31, 2000, and the collar and the cap agreements had no effect on the Company's interest expense for 2000, 1999, or 1998. At December 31, 2000, the fair value of the cap agreement is not recognized in the Company's financial statements. The fair value of the cap agreement at December 31, 2000, based on a quoted market price, was less than $1,000.

Foreign Exchange Rate Risk. The Company does not utilize any derivative financial instruments for purposes of managing its foreign currency 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. 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 yearend exchange rates would not have a material effect upon the Company's financial condition or results of operations.

Market Risk Related To Short-term Investments. The Company does not utilize any derivative financial instruments for purposes of managing its market risks related to short-term investments. The Company generally invests its excess cash balance in low-risk, short-term investments to limit its exposure to market risks. The day-to-day management of the Company's short-term investments is done by the money management branch of one of the largest financial institutions in the United States. This financial institution manages the Company's short-term investments based upon strict and formal investment guidelines established by the Company. Under these guidelines, investments are limited to highly liquid, short-term government and corporate securities that have a credit rating of A-1 / P-1 or better.

Prior Measures of Operating Performance

In 1999 and 1998, the Company disclosed certain operating results on an "adjusted" basis as its primary measure of operating performance. Operating results on an adjusted basis were computed by (i) excluding acquisition- related charges, (ii) using an effective income tax rate of 38%, and (iii) using outstanding shares on a diluted basis. The acquisition-related charges related to the CSG Acquisition. Substantially all of the acquisition-related charges became fully amortized by November 30, 1999. As a result, in 2000, the Company began disclosing actual, reported operating results as its primary measure of operating performance for both the current and prior reporting periods, as the acquisition-related charges were not considered significant in 2000 and 1999. The Company's previous disclosure for operating income, net income, and earnings per diluted share on an adjusted basis (i) for the year ended December 31, 1999 were $107.6 million, $64.1 million, and $1.17 per diluted share, respectively, and (ii) for the year ended December 31, 1998, were $61.5 million, $33.6 million, and $0.63 per diluted share, respectively. Use of these operating measures on an adjusted basis as a basis of comparability for 1999 and 1998 instead of the actual reported amounts would result in different measures of operating improvement.

Item 8. Financial Statements and Supplementary Data

CSG SYSTEMS INTERNATIONAL, INC.

CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To 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, 2000 and 1999, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. 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, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen llp

Omaha, Nebraska,
February 28, 2001

CSG SYSTEMS INTERNATIONAL, INC.

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

	December 31, 2000	December 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 32,751	$ 48,676
Short-term investments	10,982	--
Total cash, cash equivalents and short-term investments	43,733	48,676
Accounts receivable--		
Trade--		
Billed, net of allowance of $5,001 and $2,975	128,902	67,477
Unbilled	4,306	8,311
Other	1,259	909
Deferred income taxes	3,247	1,972
Other current assets	7,507	2,850
Total current assets	188,954	130,195
Property and equipment, net	36,630	26,507
Software, net	4,284	6,145
Goodwill, net	1,894	2,652
Client contracts and related intangibles, net	52,368	55,343
Deferred income taxes	47,331	52,845
Other assets	628	1,281
Total assets	$332,089	$274,968
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 25,436	$ 21,711
Client deposits	12,391	10,549
Trade accounts payable	14,850	9,450
Accrued employee compensation	19,147	16,386
Deferred revenue	8,172	16,746
Accrued income taxes	15,633	11,710
Other current liabilities	12,008	11,551
Total current liabilities	107,637	98,103
Non-current liabilities:		
Long-term debt, net of current maturities	32,820	59,289
Deferred revenue	463	714
Total non-current liabilities	33,283	60,003
Commitments and contingencies (Note 7)		
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; 11,840,333 and 13,591,947 shares reserved for common stock warrants, employee stock purchase plan and stock incentive plans; 52,530,203 and 51,638,629 shares outstanding	543	523
Common stock warrants; 2,000,000 and 3,000,000 warrants issued and outstanding	17,430	26,145
Additional paid-in capital	180,750	136,373
Notes receivable and deferred compensation related to employees	--	(163)
Treasury stock, at cost, 1,830,986 and 722,486 shares	(71,497)	(20,374)
Accumulated other comprehensive loss:		
Foreign currency translation	(654)	(120)
Unrealized losses on short-term investments, net of tax	(350)	--
Accumulated earnings (deficit)	64,947	(25,522)
Total stockholders' equity	191,169	116,862
Total liabilities and stockholders' equity	$332,089	$274,968

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

CSG SYSTEMS INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

	Year Ended December 31,		
	2000	1999	1998
Revenues:			
Processing and related services	$294,809	$255,167	$191,802
Software and professional services	104,086	66,995	44,838
Total revenues	398,895	322,162	236,640
Expenses:			
Cost of processing and related services	107,022	95,706	82,198
Cost of software and professional services	44,515	36,415	25,048
Total cost of revenues	151,537	132,121	107,246
Gross margin (exclusive of depreciation)	247,358	190,041	129,394
Operating expenses:			
Research and development	42,338	34,388	27,485
Selling, general and administrative:			
Selling, general and administrative	46,970	40,142	34,769
Amortization of noncompete agreements and goodwill	643	4,889	5,381
Stock-based employee compensation	48	280	297
Depreciation	12,077	10,190	8,159
Total operating expenses	102,076	89,889	76,091
Operating income	145,282	100,152	53,303
Other income (expense):			
Interest expense	(5,808)	(7,214)	(9,771)
Interest and investment income, net	5,761	2,981	2,484
Other	(32)	10	(21)
Total other	(79)	(4,223)	(7,308)
Income before income taxes	145,203	95,929	45,995
Income tax (provision) benefit	(54,734)	(36,055)	39,643
Net income	$ 90,469	$ 59,874	$ 85,638
Basic net income per common share:			
Net income available to common stockholders	$ 1.73	$ 1.16	$ 1.67
Weighted average common shares	52,204	51,675	51,198
Diluted net income per common share:			
Net income available to common stockholders	$ 1.60	$ 1.10	$ 1.62
Weighted average diluted common shares	56,680	54,660	52,991

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, 2000, 1999 and 1998
(in thousands)

	Shares of Common Stock Outstanding	Common Stock	Common Stock Warrants	Additional Paid-in Capital	Notes Receivable and Deferred Compensation Related to Employees	Treasury Stock	Foreign Currency Translation	Unrealized Losses on Short- Term Investments	Accumulated Earnings (Deficit)
BALANCE, December 31, 1997...........	50,960	$510	$26,145	$112,615	$(1,321)	$ --	$ (1)	$ --	$(171,034)
Comprehensive income:									
Net income......	--	--	--	--	--	--	--	--	85,638
Foreign currency translation adjustments....	--	--	--	--	--	--	39	--	--
Comprehensive income.........	--	--	--	--	--	--	--	--	--
Amortization of deferred stock-based employee compensation expense........	--	--	--	--	297	--	--	--	--
Repurchase of common stock...	(66)	--	--	(12)	157	(97)	--	--	--
Exercise of stock options..	540	5	--	4,957	--	--	--	--	--
Payments on notes receivable from employee stockholders...	--	--	--	--	61	--	--	--	--
Purchase of common stock pursuant to employee stock purchase plan..	32	--	--	622	--	--	--	--	--
Tax benefit of stock options exercised......	--	--	--	2,417	--	--	--	--	--
BALANCE, December 31, 1998...........	51,466	515	26,145	120,599	(806)	(97)	38	--	(85,396)
Comprehensive income:									
Net income......	--	--	--	--	--	--	--	--	59,874
Foreign currency translation adjustments....	--	--	--	--	--	--	(158)	--	--
Comprehensive income.........	--	--	--	--	--	--	--	--	--
Amortization of deferred stock-based employee compensation expense........	--	--	--	--	280	--	--	--	--
Repurchase of common stock...	(656)	--	--	--	--	(20,277)	--	--	--
Common stock swap for option exercise.......	--	--	--	35	--	--	--	--	--
Exercise of stock options..	795	8	--	10,000	--	--	--	--	--
Payments on notes receivable from employee stockholders...	--	--	--	--	363	--	--	--	--
Purchase of common stock pursuant to employee stock purchase plan..	34	--	--	926	--	--	--	--	--
Tax benefit of									

stock options exercised......	--	--	--	4,813	--	--	--	--	--
BALANCE, December 31, 1999...........	51,639	523	26,145	136,373	(163)	(20,374)	(120)	--	(25,522)
Comprehensive income:									
Net income......	--	--	--	--	--	--	--	--	90,469
Unrealized losses on short-term investments (net of tax benefit of $211)..........	--	--	--	--	--	--	--	(350)	--
Foreign currency translation adjustments....	--	--	--	--	--	--	(534)	--	--
Comprehensive income.........	--	--	--	--	--	--	--	--	--
Amortization of deferred stock-based employee compensation expense........	--	--	--	--	48	--	--	--	--
Repurchase of common stock...	(1,110)	--	--	--	--	(51,123)	--	--	--
Exercise of stock options..	971	10	--	13,178	--	--	--	--	--
Exercise of stock warrants.	1,000	10	(8,715)	20,705	--	--	--	--	--
Payments on notes receivable from employee stockholders...	--	--	--	--	115	--	--	--	--
Purchase of common stock pursuant to employee stock purchase plan..	30	--	--	1,136	--	--	--	--	--
Tax benefit of stock options exercised......	--	--	--	9,358	--	--	--	--	--
BALANCE, December 31, 2000...........	52,530	$543	$17,430	$180,750	$ --	$(71,497)	$(654)	$(350)	$ 64,947

	Total Stockholders' Equity (Deficit)
BALANCE, December 31, 1997...........	$(33,086)
Comprehensive income:	
Net income......	--
Foreign currency translation adjustments....	--
Comprehensive income.........	85,677
Amortization of deferred stock-based employee compensation expense........	297
Repurchase of common stock...	48
Exercise of stock options..	4,962
Payments on notes receivable from employee stockholders...	61
Purchase of common stock	

```
 pursuant to
 employee stock
 purchase plan..          622
Tax benefit of
 stock options
 exercised......        2,417
                   -------------
BALANCE,
 December 31,
 1998...........       60,998
Comprehensive
 income:
Net income......           --
Foreign currency
 translation
 adjustments....           --
Comprehensive
 income.........       59,716
Amortization of
 deferred stock-
 based employee
 compensation
 expense........          280
Repurchase of
 common stock...      (20,277)
Common stock
 swap for option
 exercise.......           35
Exercise of
 stock options..       10,008
Payments on
 notes
 receivable from
 employee
 stockholders...          363
Purchase of
 common stock
 pursuant to
 employee stock
 purchase plan..          926
Tax benefit of
 stock options
 exercised......        4,813
                   -------------
BALANCE,
 December 31,
 1999...........      116,862
Comprehensive
 income:
Net income......           --
Unrealized
 losses on
 short-term
 investments
 (net of tax
 benefit of
 $211)..........           --
Foreign currency
 translation
 adjustments....           --
Comprehensive
 income.........       89,585
Amortization of
 deferred stock-
 based employee
 compensation
 expense........           48
Repurchase of
 common stock...      (51,123)
Exercise of
 stock options..       13,188
Exercise of
 stock warrants.       12,000
Payments on
 notes
 receivable from
 employee
 stockholders...          115
Purchase of
 common stock
 pursuant to
 employee stock
```

purchase plan..	1,136
Tax benefit of stock options exercised......	9,358
BALANCE, December 31, 2000...........	$191,169

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,		
	2000	1999	1998
Cash flows from operating activities:			
Net income	$ 90,469	$ 59,874	$ 85,638
Adjustments to reconcile net income to net cash provided by operating activities--			
Depreciation	12,077	10,190	8,159
Amortization	7,313	15,026	12,684
Deferred income taxes	4,450	6,373	(52,880)
Stock-based employee compensation	48	280	297
Changes in operating assets and liabilities:			
Trade accounts and other receivables, net	(57,809)	(12,255)	(16,320)
Other current and noncurrent assets	(4,709)	(633)	(75)
Accounts payable and accrued liabilities	14,925	23,196	9,811
Net cash provided by operating activities	66,764	102,051	47,314
Cash flows from investing activities:			
Purchases of property and equipment	(22,173)	(12,003)	(15,706)
Acquisition of assets	--	--	(5,974)
Additions to software	--	--	(1,410)
Purchase of short-term investments	(11,543)	--	--
Acquisitions of and investments in client contracts	(1,100)	(24,692)	(3,968)
Net cash used in investing activities	(34,816)	(36,695)	(27,058)
Cash flows from financing activities:			
Proceeds from issuance of common stock	14,324	10,934	5,584
Proceeds from exercise of stock warrants	12,000	--	--
Payments on notes receivable from employee stockholders	110	454	64
Repurchase of common stock	(51,081)	(20,242)	(2)
Payments on long-term debt	(22,744)	(47,250)	(6,750)
Net cash used in financing activities	(47,391)	(56,104)	(1,104)
Effect of exchange rate fluctuations on cash	(482)	(169)	24
Net increase (decrease) in cash and cash equivalents	(15,925)	9,083	19,176
Cash and cash equivalents, beginning of period	48,676	39,593	20,417
Cash and cash equivalents, end of period	$ 32,751	$ 48,676	$ 39,593
Supplemental disclosures of cash flow information:			
Cash paid during the period for--			
Interest	$ 5,608	$ 6,386	$ 8,151
Income taxes	$ 36,963	$ 19,905	$ 7,259
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 an 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. 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 over one-third of the households in the United States.

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.

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 stockholders' equity. Transaction gains and losses related to intercompany accounts are not material and are included in the determination of net income.

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. In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements". This SAB summarizes the SEC staff's views in applying generally accepted accounting principles to revenue recognition and the required disclosures in financial statements. This SAB was effective for the Company in the fourth quarter of 2000, with retroactive application to January 1, 2000. During the fourth quarter of 2000, the Company performed a review of its revenue recognition policies and determined that they are in compliance with SAB 101.

The Company generates its revenues from three primary sources: processing and related services, software transactions, 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 revenues consist primarily of software license and maintenance fees. Professional services revenues consist of a variety of consulting services, such as product installation and customization, business consulting, project management and training services. For multiple-element arrangements which include two or more of these revenue sources, the Company generally accounts for each of the individual revenue sources as a separate and discrete earnings process considering, among other things, whether any undelivered element(s) is essential to the functionality of the delivered element(s). For such multiple-element arrangements, total revenue is allocated to the various elements based upon objective and reliable evidence of the relative fair values specific to the Company's products and services.

Processing and related services revenues are recognized as the services are performed. Processing fees are typically billed monthly based on the number of client's customers served, ancillary services are typically billed on a per transaction basis, and certain customized print and mail services are billed on a usage basis.

Software-related revenues are recognized using the guidelines of Statement of Position ("SOP") 97-2, "Software Revenue Recognition", as amended. The primary revenue recognition criteria outlined in SOP 97-2 include: evidence of an arrangement; delivery; fixed or determinable fees; and collectibility. For software transactions which have multiple elements, such as software and services, the Company allocates the contract value to the respective elements based on vendor-specific objective evidence of their individual fair values, determined in accordance with SOP 97-2. Arrangements for software license fees consist principally of one-time perpetual licenses, sold on a per seat or other per unit basis. 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, and assuming all other revenue recognition criteria have been met. Term license fees with multiple payments which extend over several periods, and maintenance fees are recognized ratably over the contract term.

Professional services revenues typically 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 trade 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 that are incurred on behalf of the clients. 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 "client deposits" in the accompanying consolidated balance sheets, and are classified 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 comparing 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.

Short-term Investments and Other Financial Instruments. The Company's short- term investments at December 31, 2000 consist of commercial paper, with a market value and an original cost of approximately $10.8 million, and common stock, with a market value and original cost of approximately $0.2 million and $0.8 million, respectively.

The Company classifies all of its short-term investments as "available-for- sale" in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities". Short-term investments are stated at market value, with unrealized gains and losses on such securities included, net of the related income tax effect, in total comprehensive income in stockholders' equity. For all short-term investments, unrealized losses that are considered "other than temporary" are recognized immediately in earnings. Realized gains and losses on short-term investments are included in earnings and are derived using the specific identification method for determining the cost of the securities. There were no material realized gains or losses on these investments during 2000. It is the Company's intent to maintain a low-risk, liquid portfolio to take advantage of investment opportunities, while providing a means to access such funds if needed.

The Company's other balance sheet financial instruments as of December 31, 2000 and 1999 include cash and cash equivalents, accounts receivable, accounts payable, and long-term debt. Because of their short maturities, the carrying amounts of cash equivalents, accounts receivable, and accounts payable 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.

As of December 31, 2000, the Company's only off-balance sheet financial instrument consisted of an interest rate cap agreement that was entered into during December 2000. As of December 31, 1999, the Company's only off-balance sheet financial instrument consisted of an interest rate collar agreement that expired in December 2000. The fair value of the cap and collar agreements at December 31, 2000 and 1999, respectively, based on quoted market prices, were not significant. See Note 4 for additional discussion of the cap agreement.

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 and direct broadcast satellite providers throughout the United States and Canada. As of December 31, 2000 and 1999, 51% and 49%, respectively, of the Company's net billed accounts receivable was attributable to one of its significant clients, AT&T Broadband ("AT&T"). As of January 31, 2001, the Company had collected a significant portion of the December 31, 2000 accounts receivable from AT&T.

The Company generally does not require collateral or other security to support accounts receivable. The Company maintains an allowance for doubtful accounts receivable based upon factors surrounding the credit risk of specific clients, historical trends and other information. The activity in the Company's allowance for uncollectible accounts receivable for the years ended December 31 is as follows (in thousands):

	2000	1999	1998
Balance, beginning of period	$2,975	$ 2,051	$ 1,394
Additions charged to expense	2,791	2,021	1,724
Reductions for receivables written off	(765)	(1,097)	(1,067)
Balance, end of period	$5,001	$ 2,975	$ 2,051

Property and Equipment. Property and equipment are recorded at cost and are depreciated over their estimated useful lives ranging from three 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):

	Useful Lives (years)	2000	1999
Computer equipment	3	$ 37,798	$ 29,212
Leasehold improvements	5-10	4,740	3,515
Operating equipment	3-5	24,836	19,551
Furniture and equipment	8	8,723	5,162
Construction in process	--	2,990	931
		79,087	58,371
Less--accumulated depreciation		(42,457)	(31,864)
Property and equipment, net		$ 36,630	$ 26,507

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

	2000	1999
Acquired software	$ 40,849	$ 40,849
Internally developed software	2,547	2,547
	43,396	43,396
Less--accumulated amortization	(39,112)	(37,251)
Software, net	$ 4,284	$ 6,145

Acquired software resulted from acquisitions and is stated at cost. Amortization expense related to acquired software for the years ended December 31, 2000, 1999, and 1998 was $1.5 million, $1.5 million, and $0.6 million, respectively.

The Company's research and development ("R&D") efforts consist of developing 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. The Company did not capitalize any costs in 2000 or 1999, and capitalized costs of $1.4 million for the year ended December 31, 1998.

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 internally developed software for the years ended December 31, 2000, 1999, and 1998, was $0.4 million, $0.4 million, and $0.7 million, respectively.

Noncompete Agreements and Goodwill. Noncompete agreements resulted from acquisitions and were amortized on a straight-line basis over the terms of the agreements, ranging from three to five years. Amortization expense for noncompete agreements for 1999 and 1998 was $4.2 million and $4.6 million, respectively. The noncompete agreements were fully amortized as of November 30, 1999.

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

	2000	1999
Goodwill	$ 6,777	$ 7,039
Less--accumulated amortization	(4,883)	(4,387)
Goodwill, net	$ 1,894	$ 2,652

Goodwill resulted from acquisitions and is being amortized over seven to ten years on a straight-line basis.

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, and were fully amortized as of November 30, 1999 and 1997, respectively. The remaining client contracts represent cash payments and Common Stock Warrants issued to clients based upon the number of client customers converted to and processed on the Company's customer care and billing system. These client contracts are being amortized ratably over the lives of the respective contracts. Amortization related to client contracts and related intangibles for the years ended December 31, 2000, 1999, and 1998, was $4.1 million, $7.2 million, and $5.0 million, respectively. As of December 31, 2000 and 1999, accumulated amortization for client contracts and related intangibles was $28.9 million and $24.8 million, respectively.

Earnings Per Common Share. The Company follows SFAS No. 128 in calculating earnings per share ("EPS"). Basic EPS is computed by dividing income available 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 accompanying consolidated statements of income. No reconciliation of the EPS numerators is necessary as net income is used as the numerator for all periods presented. The reconciliation of the EPS denominators is as follows (in thousands):

	Year Ended December 31		
	2000	1999	1998
Basic weighted average common shares	52,204	51,675	51,198
Dilutive shares from common stock warrants	2,136	838	--
Dilutive shares from common stock options	2,340	2,147	1,793
Weighted average diluted common shares	56,680	54,660	52,991

Common stock options of 0.3 million, 0.6 million, and 1.7 million shares for 2000, 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, 2000, all of the warrants were considered exercisable.

Stock-Based Compensation. The Company accounts for its stock-based compensation plans in accordance with 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 9 for the required disclosures under SFAS 123.

Comprehensive Income. In 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 established standards for reporting and display of comprehensive income and its components. The adoption of this standard did not have any impact on the Company's net income or stockholders' equity. The components of comprehensive income are reflected in the accompanying consolidated statement of stockholders' equity.

Reclassification. Certain December 31, 1999 and 1998 amounts have been reclassified to conform to the December 31, 2000 presentation.

Accounting Pronouncements Issued But Not Yet Effective. SFAS No. 133, "Accounting for Derivative Instruments and for Hedging Activities", as amended ("SFAS 133"), became effective for the Company on January 1, 2001. SFAS 133 establishes accounting and reporting standards requiring every derivative instrument, as defined, to be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Adoption of SFAS 133 in 2001 did not have a significant effect on the Company's consolidated financial statements.

3. Segment Reporting and Description of Business

Segment information has been prepared in accordance with 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 base of processing clients 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 roll out new products and services to new and existing markets, such as residential telephony, high-speed data/ISP and IP markets.

The Company derived approximately 75.8%, 78.3%, 78.0%, of its total revenues in the years ended December 31, 2000, 1999, and 1998, respectively, from CCS processing and related products and services. The Company generated 77.7%, 75.8%, and 77.7%, of its total revenues from U.S. cable television providers, and 16.0%, 15.5%, and 13.0%, of its total revenues from U.S. and Canadian direct broadcast satellite providers during the years ended December 31, 2000, 1999, and 1998, 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,		
	2000	1999	1998
Total Revenue:			
United States	$391,897	$308,266	$221,778
All Other (principally, United Kingdom and Canada)	6,998	13,896	14,862
	$398,895	$322,162	$236,640

	As of December 31,		
	2000	1999	1998
Long-Lived Assets (excludes intangible assets):			
United States	$ 36,299	$ 25,903	$ 23,398
All Other	331	604	1,313
	$ 36,630	$ 26,507	$ 24,711

Significant Clients. During the years ended December 31, 2000, 1999, and 1998, revenues from AT&T represented approximately 50.4%, 50.5%, and 37.4% of total revenues, and revenues from AOL Time Warner Inc. and its affiliated companies ("AOL Time Warner") represented approximately 8.3%, 10.2%, and 14.1% of total revenues, respectively. The Company has separate processing agreements with multiple affiliates of AOL Time Warner and provides products and services to them under separately negotiated and executed contracts.

The Company generates a significant portion of its total revenues under its contract with AT&T (the "AT&T Contract"), as amended. There are inherent risks whenever this large of a percentage of total revenues is concentrated with one client. The AT&T Contract 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, and print and mail services. The AT&T Contract contains 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 also is 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.

4. Debt

The Company's debt at December 31 consists of the following (in thousands):

	2000	1999
Term credit facility, due September 2002, quarterly payments beginning June 30, 1998, ranging from $2.3 million to $13.1 million, interest at adjusted LIBOR plus 0.50% (7.14% and 6.55% at December 31, 2000 and 1999, respectively)	$ 58,256	$ 81,000
Revolving credit facility, due September 2002, interest at adjusted LIBOR plus 0.50%	--	--
	58,256	81,000
Less-current portion	(25,436)	(21,711)
Long-term debt, net of current maturities	$ 32,820	$ 59,289

The term and revolving credit facilities are included in the same debt agreement with a major bank (the "Debt Agreement"). Interest rates for both 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, 2000 and 1999, the spread on the LIBOR rate and prime rate was 0.50% and 0%, respectively. The Debt Agreement is collateralized by all of the Company's assets and the stock of its subsidiaries.

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. Upon expiration of this collar agreement in December 2000, the Company entered into an interest rate cap agreement with a major bank, which expires at the maturity date of the long-term debt in September 2002. The cost of the cap agreement was minimal. The interest rate cap is 9.0% (LIBOR) and the underlying notional amount covered by the cap agreement was $29.1 million as of December 31, 2000, and decreases over the term of the agreement in relation to the scheduled principal payments on the long-term debt. There are no amounts receivable under this cap agreement as of December 31, 2000, and the collar and the cap agreements had no effect on the Company's interest expense for 2000, 1999, or 1998.

The Debt Agreement requires maintenance of certain financial ratios and contains other restrictive covenants, including restrictions on payment of dividends, maintenance of a fixed charge coverage ratio and leverage ratio, and restrictions on capital expenditures. As of December 31, 2000, 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 Debt Agreement, is under 1.50. As of December 31, 2000, the leverage ratio was 0.34.

There were no borrowings made on the revolving credit facilities during the years ended December 31, 2000, 1999, and 1998. Under the 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, 2000, 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, 2000, all of the $40.0 million revolving credit facility was available to the Company.

As of December 31, 2000 and 1999, unamortized deferred financing costs were $0.5 million and $1.1 million, respectively. Deferred financing costs are amortized to interest expense over the related term of the debt agreement using a method that approximates the effective interest rate method. Interest expense for the years ended December 31, 2000, 1999, and 1998 includes amortization of deferred financing costs of approximately $0.6 million, $0.9 million, and $0.9 million, respectively.

As of December 31, 2000, scheduled maturities of the Company's long-term debt for each of the years ending December 31 are: 2001--$25.5 million, and 2002--$32.8 million.

5. 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 that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that 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,		
	2000	1999	1998
Current:			
Federal	$45,720	$25,442	$ 11,574
State	5,443	3,029	1,594
Foreign	(820)	1,160	(36)
	50,343	29,631	13,132
Deferred:			
Federal	3,924	5,792	6,592
State	467	690	908
Foreign	--	(58)	1,048
	4,391	6,424	8,548
Change in valuation allowance	--	--	(61,323)
Net income tax provision (benefit)	$54,734	$36,055	$(39,643)

Income tax benefits associated with nonqualified stock options and disqualifying dispositions of incentive stock options reduced accrued income taxes by $9.4 million, $4.8 million, and $2.4 million for the years ended December 31, 2000, 1999, and 1998, respectively. Such benefits were recorded as an increase to additional paid-in capital and are included in net cash provided by operating activities in the accompanying consolidated statements of cash flows.

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,		
	2000	1999	1998
Provision at federal rate of 35%	$50,821	$33,575	$ 16,099
Change in valuation allowance	--	--	(59,224)
Effective state income taxes	3,872	2,415	1,625
Amortization of nondeductible goodwill	225	235	781
Stock-based employee compensation	(53)	42	362
Other	(131)	(212)	714
	$54,734	$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):

	2000	1999
Current deferred tax assets:		
Accrued expenses and reserves	$ 3,192	$ 1,794
Deferred revenue	55	129
Other	--	49
	$ 3,247	$ 1,972
Noncurrent deferred tax assets (liabilities):		
Purchased research and development	$39,373	$42,981
Software	7,289	7,052
Client contracts and related intangibles	(2,748)	(2,645)
Noncompete agreements	5,432	6,034
Property and equipment	(902)	125
Other	(1,113)	(702)
	$47,331	$52,845

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 an income tax benefit of $39.6 million for 1998. As of December 31, 2000, 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 over the last several years.

6. 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, 2000, 1999, and 1998, were approximately $4.3 million, $3.4 million, and $2.9 million, respectively.

Deferred Compensation Plan. The Company has a non-qualified deferred compensation plan for certain key 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 contribution of $6,250 per year, plus a return on the deferred account balance attributable to the individual participants. As of December 31, 2000 and 1999, the Company has recorded a liability for this obligation of $1.4 million and $1.1 million, respectively. The Company's expense for this plan for the years ended December 31, 2000, 1999, and 1998, was $0.5 million, $0.4 million, and $0.4 million, respectively. The plan is unfunded.

7. Commitments and Contingencies

Operating Leases. The Company leases certain office and production facilities and other equipment under operating leases which run through 2010. The leases generally are renewable and provide for the payment of real estate taxes and certain other occupancy expenses. Future aggregate minimum lease payments under these agreements for the years ending December 31 are as follows: 2001--$8.3 million, 2002--$7.6 million, 2003--$7.2 million, 2004-- $5.8 million, 2005--$5.4 million, thereafter--$18.6 million.

Total rent expense for the years ended December 31, 2000, 1999, and 1998, was approximately $7.6 million, $5.2 million, and $3.9 million, respectively.

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

During 2000, the Company renegotiated its data processing services agreement with FDC and its subsidiaries. The new agreement is cancelable only for cause, and expires June 30, 2005. The previous agreement was scheduled to expire December 31, 2001. Under the new agreement, the Company is charged a fixed fee plus a variable fee based on usage and/or actual costs. The total amount paid under the service agreements for the years ended December 31, 2000, 1999, and 1998, was approximately $23.7 million, $27.1 million, and $22.1 million. respectively. The Company believes it could obtain data processing and related computer 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 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.

8. Stockholders' Equity

Common Stock Warrants. As of December 31, 1999, the Company had 3.0 million Common Stock Warrants (the "Warrants") outstanding to AT&T. During the fourth quarter of 2000, AT&T exercised its right under the Warrants to purchase 1.0 million shares of the Company's Common Stock at an exercise price of $12 per share, for a total exercise price of $12.0 million. Immediately following the exercise of the Warrants, the Company repurchased the 1.0 million shares at $47.42 per share (an average of the closing price for the five-day trading period ended October 26, 2000) for a total repurchase price of $47.4 million, pursuant to the Company's stock repurchase program. As a result, the net cash outlay paid to AT&T for this transaction was $35.4 million, which was paid by the Company with available corporate funds. After this transaction, AT&T still had Warrants to purchase up to 2.0 million additional shares of the Company's Common Stock, with an exercise price of $12 per share. See Note 11 for additional discussion of the Warrants.

Stock Repurchase Program. On August 4, 1999, the Company's Board of Directors approved a stock repurchase program 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. The repurchased shares are held as treasury shares. The shares repurchased

under the program (including the shares repurchased in conjunction with the Warrant exercise discussed above) are as follows (in thousands, except per share amounts):

	2000	1999	Total
Shares repurchased	1,090	656	1,746
Total amount paid	$51,088	$20,242	$71,330
Weighted-average price per share	$ 46.87	$ 30.88	$ 40.86

See Note 11 for additional discussion of the stock repurchase program.

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, 2000, 1999, and 1998, the Company repurchased unvested shares of 18,500, zero, and 66,000, respectively, from terminated employees. The shares repurchased are held as treasury shares. As of December 31, 2000, all shares were fully vested and no longer subject to the repurchase option. The final portion of the deferred compensation expense related to these shares was recognized in 2000. The final balances of the notes receivable from employees, which were used to finance certain of these stock purchases, were paid during 2000.

9. 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 79,350 options outstanding under the 1995 Plan as of December 31, 2000, were fully vested.

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 5,409,763 options outstanding under the 1996 Plan as of December 31, 2000, 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. In May 2000, upon shareholder approval, the number of shares authorized for issuance under the Director Plan was increased to 450,000. The 256,000 options outstanding under the Director Plan at December 31, 2000, vest annually over two to 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,					
	2000		1999		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	5,604,822	$ 20.05	6,229,464	$ 17.23	4,152,220	$ 10.43
Granted	1,609,900	41.56	731,050	33.85	3,276,000	23.86
Exercised	(971,494)	13.64	(795,117)	12.63	(540,336)	9.20
Forfeited	(498,115)	26.73	(560,575)	17.23	(658,420)	13.89
Outstanding, end of year	5,745,113	$ 26.58	5,604,822	$ 20.05	6,229,464	$ 17.23
Options exercisable at year end	1,410,440	$ 14.99	1,297,072	$ 12.52	913,774	$ 10.46
Weighted average fair value of options granted during the year		$ 19.14		$ 13.04		$ 10.39
Options available for grant	3,741,890		4,603,675		1,774,150	

The following table summarizes information about the Company's outstanding stock options as of December 31, 2000:

	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	79,350	4.4	$ 0.64	79,350	$ 0.64
$ 7.50 - $11.06	829,521	5.9	9.15	504,671	9.15
$11.75 - $14.88	414,990	5.9	14.47	312,390	14.46
$16.78 - $23.44	1,000,111	7.3	20.84	409,961	20.71
$23.59 - $29.94	1,523,013	8.0	26.70	25,013	24.42
$30.25 - $39.50	1,280,728	8.6	37.52	79,055	36.21
$40.12 - $60.00	617,400	9.4	47.82	--	--
$ 0.63 - $60.00	5,745,113	7.7	$26.58	1,410,440	$14.99

In January 2001, the Company granted 1,188,250 and 24,000 options under the 1996 Plan and Director Plan, respectively, at prices that range from $44.06 to $51.56 per share, with such options vesting over three to four years. These options are not reflected in the above tables as they were granted subsequent to December 31, 2000.

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 2000, 1999, and 1998, respectively, 30,120 shares, 34,352 shares, and 31,374 shares, have been purchased under the plan for $1.1 million ($24.65 to $47.65 per share), $0.9 million ($18.91 to $37.08 per share) and $0.6 million ($15.62 to $33.58 per share).

Stock-Based Compensation Plans. At December 31, 2000, the Company had four stock-based compensation plans, as described above. The Company accounts for these plans in accordance with APB Opinion No. 25, under which no compensation expense has been recognized in 2000, 1999, and 1998.

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 and net income per share available to common stockholders for 2000, 1999, and 1998 would approximate the pro forma amounts as follows (in thousands, except per share amounts):

	Year Ended December 31,		
	2000	1999	1998
Net income:			
As reported	$90,469	$59,874	$85,638
Pro forma	78,664	52,498	80,710
Diluted net income per common share:			
As reported	1.60	1.10	1.62
Pro forma	1.39	0.96	1.52

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 2000, 1999, and 1998, respectively: risk- free interest rates of 6.3%, 5.0%, and 4.9%; dividend yield of zero percent for all years; expected lives of 4.0 years, 4.1 years, and 4.4 years; and volatility of 50.0%, 40.0%, and 40.0%.

10. Unaudited Quarterly Financial Data

	Quarter Ended			
	March 31	June 30	September 30	December 31
	(in thousands, except per share amounts)			
2000:				
Total revenues	$ 92,063	$ 96,062	$102,070	$108,700
Gross margin (exclusive of depreciation)	55,777	59,844	63,712	68,025
Operating income	32,989	35,432	37,331	39,530
Income before income taxes	32,718	35,281	37,546	39,658
Income tax provision	(12,409)	(13,295)	(14,118)	(14,912)
Net income available to common stockholders	20,309	21,986	23,428	24,746
Net income available to common stockholders per share:				
Basic	0.39	0.42	0.45	0.47
Diluted	0.36	0.39	0.41	0.44
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 available to common stockholders	11,582	13,493	16,061	18,738
Net income available to common stockholders per share:				
Basic	0.22	0.26	0.31	0.36
Diluted	0.21	0.25	0.29	0.34

11. Subsequent Events

On February 28, 2001, AT&T exercised its rights under the Warrants to purchase the remaining 2.0 million shares of the Company's Common Stock at an exercise price of $12 per share, for a total exercise price of $24.0 million. Immediately following the exercise of the Warrants, the Company repurchased the 2.0 million shares at $37.00 per share (approximates the closing price on February 28, 2001) for a total repurchase price of $74.0 million, pursuant to the Company's stock repurchase program. As a result, the net cash outlay to be paid to AT&T for this transaction is $50.0 million. The Company expects to pay this amount with available corporate funds in March 2001. After this transaction, AT&T no longer has any warrants or other rights to purchase the Company's Common Stock.

During February 2001, the Company purchased an additional 0.28 million shares of its Common Stock on the open market for $11.2 million (weighted average price of $39.98). The amounts were paid with available corporate funds. The shares repurchased under the Company's stock repurchase program as of February 28, 2001, including the 2.0 million shares repurchased as part of the AT&T Warrant exercise discussed above, totaled 4.03 million shares at a total cost of $156.5 million (weighted-average price of $38.88 per share).

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 26.

(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 48.

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

(b) Reports on Form 8-K

Form 8-K dated October 2, 2000, under Item 5, Other Events, was filed with the Securities and Exchange Commission which included a press release dated September 28, 2000. The press release announced that the Company had received a demand for arbitration from AT&T Broadband relating to a Master Subscriber Management System Agreement the companies entered into in 1997.

Form 8-K dated October 11, 2000, under Item 5, Other Events, was filed with the Securities and Exchange Commission which included a press release dated October 10, 2000. The press release announced (i) the dismissal with prejudice of the previously reported demand for arbitration from AT&T and
(ii) the amendment of the Master Subscriber Management System Agreement between CSG Systems, Inc. and AT&T Broadband.

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

CSG Systems International, Inc.

By: */s/ Neal C. Hansen*

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

Date: March 30, 2001

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 30, 2001
/s/ John P. Pogge John P. Pogge	President, Chief Operating Officer and Director	March 30, 2001
/s/ Peter E. Kalan Peter E. Kalan	Vice President and Chief Financial Officer (Principal Financial Officer)	March 30, 2001
/s/ Randy R. Wiese Randy R. Wiese	Vice President and Controller (Principal Accounting Officer)	March 30, 2001
/s/ George F. Haddix George F. Haddix	Director	March 30, 2001
/s/ Royce J. Holland Royce J. Holland	Director	March 30, 2001
/s/ Janice Obuchowski Janice Obuchowski	Director	March 30, 2001
/s/ Bernard W. Reznicek Bernard W. Reznicek	Director	March 30, 2001
/s/ Rockwell A. Schnabel Rockwell A. Schnabel	Director	March 30, 2001
/s/ Frank V. Sica Frank V. Sica	Director	March 30, 2001

EXHIBIT INDEX

Exhibit Number	Description
2.19(3)*	Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation dated August 10, 1997
2.19A(5)*	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(6)*	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(7)	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(7)*	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(7)	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(7)*	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(8)*	Fifth, Ninth, Tenth, Thirteenth, Fourteenth, Seventeenth and Nineteenth Amendments to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation
2.19H(9)*	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(10)*	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(11)*	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(12)*	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
2.19L(13)*	Thirty-Seventh, Fortieth, Forty-Fourth and Forty-Fifth Amendments to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and TCI Cable Management Corporation
2.19M(15)*	Forty-Ninth Amendment to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and AT&T Broadband Management Corporation dated October 10, 2000
2.19N*	Forty-Sixth, Forty-Eighth, Fiftieth and Fifty-Second Amendments to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and AT&T Broadband Management Corporation

Exhibit Number	Description
2.20(3)	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(3)	Contingent Warrant to Purchase Common Stock between CSG Systems International, Inc. and TCI Technology Ventures, Inc., dated September 19, 1997
2.22(3)	Royalty Warrant to Purchase Common Stock between CSG Systems International, Inc. and TCI Technology Ventures, Inc., dated September 19, 1997
2.23(3)	Registration Rights Agreement between CSG Systems International, Inc. and TCI Technology Ventures, Inc., dated September 19, 1997
2.24(3)	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(4)	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(8)	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
2.27(13)	Third Amendment to Loan Agreement among CSG Systems, Inc. and CSG Systems International, Inc. as co-borrowers, and certain lenders and Paribas, as Agent, dated January 24, 2000
3.01(1)	Restated Certificate of Incorporation of the Company
3.02(2)	Restated Bylaws of CSG Systems International, Inc.
3.03(2)	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	CSG Employee Stock Purchase Plan
10.03(10)	CSG Systems International, Inc. 1996 Stock Incentive Plan
10.14(8)	Employment Agreement with Neal C. Hansen, dated November 17, 1998
10.14A(15)	First Amendment to Employment Agreement with Neal C. Hansen, dated June 30, 2000
10.15(4)	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
10.39(12)	CSG Systems, Inc. Wealth Accumulation Plan, as amended November 16, 1999
10.40(14)*	Second Amended and Restated Services Agreement between First Data Technologies, Inc. and CSG Systems, Inc., dated April 1, 2000
10.44(14)	CSG Systems International, Inc. Stock Option Plan for Non-Employee Directors
10.45(8)	Employment Agreement with John P. Pogge, dated November 17, 1998
10.46(8)	Employment Agreement with Edward Nafus, dated November 17, 1998
10.47(15)	Employment Agreement with J. Richard Abramson, dated August 17, 2000 21.01 Subsidiaries of the Company
21.01	Subsidiaries of the Company
23.01	Consent of Arthur Andersen LLP

Exhibit Number	Description
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

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(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 Quarterly Report on Form 10-Q for the period ended June 30, 1997.
(3) Incorporated by reference to the exhibit of the same number to the Registrant's Current Report on Form 8-K dated October 6, 1997.
(4) 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.
(5) 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.
(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 June 30, 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 September 30, 1998.
(8) 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.
(9) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 1999.
(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 June 30, 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 September 30, 1999.
(12) 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, 1999.
(13) 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, 2000.
(14) 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, 2000.
(15) 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, 2000.

* 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 2.19N

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 (***).

FORTY-SIXTH AMENDMENT TO RESTATED AND AMENDED CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT BETWEEN CSG SYSTEMS, INC. AND AT&T BROADBAND MANAGEMENT CORPORATION

This Forty-Sixth Amendment (the "Amendment") is executed this 14/th/ day of November, 2000, and is made by and between CSG Systems, Inc., a Delaware corporation ("CSG") and AT&T Broadband Management Corporation (f/k/a TCI Cable Management Corporation) ("Customer"). CSG and Customer are parties to 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 Exhibit F-2, the following shall be added as Section 9 of Schedule F:

9. Enhanced Past Due Notices.

(a) Development and Production of Enhanced Past Due Notices. CSG shall develop a customized enhanced past due notice (the "Enhanced Past Due Notice") for Customer's subscribers utilizing CSG's Enhanced Past Due Notice services. The Enhanced Past Due Notices may include CSG's or Customer's Intellectual Property. Customer may elect to use CSG's generic Enhanced Past Due Notices, CSG's modified generic/bilingual Enhanced Past Due Notice or have CSG develop a Custom Enhanced Past Due Notice for Customer. If Customer elects to have CSG develop a Custom Enhanced Past Due Notice, CSG will perform the design, development and programming services related to design and use of the Enhanced Past Due Notices (the "Enhanced Past Due Notice Work") and create the Enhanced Past Due Notice Work product deliverables (the "Enhanced Past Due Notice Work Product") set forth in a separately executed and mutually agreed upon Enhanced Past Due Notice Statement of Work (the "Enhanced Past Due Notice Statement of Work") by the completion date set forth on the Enhanced Past Due Notice Statement of Work. The Enhanced Past Due Notice will contain the Customer and CSG Intellectual Property set forth on the Enhanced Past Due Notice Statement of Work. Customer shall pay CSG the set up fee for the Enhanced Past Due Notice Work and the Enhanced Past Due Notice Work Product set forth on the Enhanced Past Due Notice Statement of Work upon acceptance of the Enhanced Past Due Notices in accordance with the Past Due Notice Statement of Work. Except with respect to Customer's Intellectual Property, Customer agrees that the Enhanced Past Due Notice Work and Enhanced Past Due Notice Work Product as well as the generic Enhanced Past Due Notice and modified generic/bilingual Enhanced Past Due Notice shall be the sole and exclusive property of CSG. Customer shall have no proprietary interest in the Enhanced Past Due Notice Work Product, generic Enhanced Past Due Notice, modified generic/bilingual Enhanced Past Due Notice or in CSG's billing and management information software and

technology and agrees that the Enhanced Past Due Notice Work Product is not a work specially ordered and commissioned for use as a contribution to a collective work and is not a work made for hire pursuant to United States copyright law. After CSG has completed the Enhanced Past Due Notice Work and the Enhanced Past Due Notice Work Product, CSG will produce Enhanced Past Due Notices for Customer. If Customer elects to have CSG develop custom Enhanced Past Due Notices, CSG will develop one custom format; multiple custom formats shall not be used.

(b) Supplies. CSG shall purchase Customer's requirements of Enhanced Past Due Notices supplies necessary for production and mailing of the Enhanced Past Due Notices. Customer shall pay CSG the rates set forth in Exhibit G-2 for the purchase of such supplies. Unless Customer requests to use custom paper stock, CSG shall supply the type and quality of the paper stock for generic Enhanced Past Due Notices and modified generic/bilingual Enhanced Past Due Notice. Customer may elect to use custom paper stock for generic and custom Enhanced Past Dues. Additionally, Customer has the option in the future to mail Enhanced Past Due Notices in custom carrier envelopes. Generic remit envelopes will be used.

(c) Right of Customer's Intellectual Property. Customer provides to CSG a non- exclusive right to use all of Customer's Intellectual Property necessary to design, produce and mail the Enhanced Past Due Notices directly or indirectly. CSG shall have the right by notice to Customer to cease use of any of Customer's Intellectual Property on Enhanced Past Due Notices at any time. Customer represents and warrants that it owns or has licensed all Customer's Intellectual Property and has full power and authority to grant CSG the license set forth herein and that CSG's use of Customer's Intellectual Property on the Enhanced Past Due Notices will not constitute a misuse or infringement of the Customer's Intellectual Property or an infringement of the rights of any third party. Customer will use best efforts to maintain its rights to use and license Customer's Intellectual Property and will immediately advise CSG of the loss of Customer's right to use any Customer's Intellectual Property and will advise CSG of all copyright and other notices that must be used in connection with Customer's Intellectual Property and of any restrictions on use of Customer's Intellectual Property relevant to CSG's activities hereunder.

(d) Indemnification Relating to Enhanced Past Due Notices. Customer shall indemnify, defend and hold CSG harmless from any claims, demands, liabilities, losses, damages, judgments or settlements, including all reasonable costs and expenses related thereto (including attorneys' fees), directly or indirectly resulting from Customer's breach of any representation or warranty under this Schedule F, and the Enhanced Past Due Notice Work Product, except for those arising out of CSG Intellectual Property.

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

CSG SYSTEMS, INC. ("CSG") AT&T BROADBAND MANAGEMENT

CORPORATION ("Customer")

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By:    /s/ Joseph T. Ruble               By:    /s/ Joe W. Bagan
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Name:  Joseph T. Ruble                   Name:  Joe W. Bagan
       ----------------------                   -------------------

Title: V.P. & General Counsel            Title: CIO
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CONFIDENTIAL AND PROPRIETARY INFORMATION - FOR USE BY AUTHORIZED EMPLOYEES OF THE PARTIES HERETO ONLY AND IS NOT FOR GENERAL DISTRIBUTION WITHIN

OR OUTSIDE THEIR RESPECTIVE COMPANIES

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

EXHIBIT G-2
FEES

Customer shall pay CSG the following fees and charges associated with the Enhanced Past Due Notice, as additional fees and charges due under this Agreement in addition to other fees and charges set forth in this Agreement.

Generic Enhanced Past Due Notices:

Price: $* * * per Enhanced Past Due Notice (first page) (includes Duplex, printing, insertion of Notice, insertion of generic remit envelope, and use of generic 7" x 11" paper and generic envelopes) (excludes postage) (Note 1) Each Additional Page (includes generic paper) - Per Schedule D of the Master Agreement

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Generic Paper Fee:                  *********
Additional Logical Page-Ad Page:    $*** per logical page (Note 2)
Jobs below 550 Notices:             **********
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No optional inserting allowed.

Modified Generic/Bilingual Enhanced Past Due Notices:

In addition to the fees outlined for Generic Enhanced Past Due Notices, Customer agrees to pay the following charges:

Start-up Fee (per Start-up/Format): $*** (Note 3) Revision Charge: $*** (Note 4)

Custom Enhanced Past Due Notices:

Customer reserves the right to use a custom carrier envelope, or custom paper stock in the future, which must be used at the MSO level. The envelope must match current specifications for size and style, but may be printed in up to two custom colors. Customer agrees to pay the price set forth below for such Custom Enhanced Past Due Notice:

Price: $*** per Enhanced Past Due Notice (first page) (includes Duplex, ESP printing, insertion of Notice, insertion of generic remit envelope, and use of generic 7" x 11" paper and custom carrier envelope) (excludes postage) Each Additional Page (includes generic paper) - Per Schedule D of the Master Agreement

Custom Paper Fee: Should the customer decide to use a custom paper stock CSG will quote based upon the color and design specifications required

Start-up Fee (per Start-up/Format): Quote Custom Format Development Fee: Art and Graphics Fee $***/hour ESP Programming Fee $***/hour Custom Paper Set-up Fee: $*** one time per request Jobs below 550 Notices: $** per cycle per cable system location Additional Logical Page-Ad Page: $**** per logical page

(Note 2)

No optional inserting allowed.

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

Other Fees:

The following fee(s) shall be paid by Customer regardless of the format being used:

Addition of System/Principle to Existing Format: $*** (Note 5)

Note 1: CSG will provide one hour of Marketing/Creative Services support fee for set up of graphics free of charge. Any additional time required is billed at the Marketing/Creative Services rate of $*** per hour per person.

Note 2: An Ad Page/Coupon Page means targeted messages, or advertisements using text, graphics and borders generated on an additional logical page. No reverses or dark photos may be used, only gray scale graphics. Set-up and changes to this page are billed at the ESP Development and Programming Fee. Should an Ad Page be printed as part of an Additional Physical Page, Customer shall also be billed the price of an Additional Physical Page as reflected in Exhibit G-2 of the Forty-Sixth Amendment Fee Schedule of the Master Agreement in addition to the Ad Page/Coupon Page charge.

Note 3: The Generic Modified/Bilingual format/layout includes a certain level of flexibility that Customer can utilize in establishing their Enhanced Past Due design. Included is one hour of Marketing/Creative Services support for set up of graphics. Any additional time required is billed at the Marketing/Creative Services rate of $*** per hour per person.

Note 4: The Modified/Bilingual format/layout includes a certain level of flexibility that Customer can utilize in establishing their Enhanced Past Due design. In the event Customer wishes to revise the labels on an existing Modified/Bilingual Enhanced Past Due format, Customer will be charged for changes made to each format. If the change being requested is to be made for the same format for multiple system/principles, the change fee will cover up to six (6) system/principles. If the change requested is for different changes to the same format for multiple system/principles, then the change fee will be assessed against each sys/prin.

Note 5: Includes one hour of graphic time and covers increments of six (6) system/principles at one time and one hour of graphic time.

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EXHIBIT 2.19N

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 (***).

**FORTY-EIGHTH AMENDMENT
TO
RESTATED AND AMENDED CSG MASTER
SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT
BETWEEN
CSG SYSTEMS, INC.
AND
AT&T BROADBAND MANAGEMENT CORPORATION**

This Forty-Eighth Amendment (the "Amendment") is executed this 31/st/ day of December, 2000, and is made by and between CSG Systems, Inc., a Delaware corporation ("CSG") and AT&T Broadband Management Corporation ("Customer"). CSG and Customer entered into a certain Restated and Amended CSG Master Subscriber Management System Agreement dated August 10, 1997, which has subsequently been amended pursuant to separately executed amendments (collectively, the "Agreement"), and now desire to amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment, shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

CSG and Customer agree as follows:

1. Customer desires to license CSG's Third Party Verification product ("TPV"). Therefore, the following changes are hereby made to the Agreement.

a. For the fees set forth in Schedule D, CSG hereby grants Customer a perpetual license to use TPV pursuant to the terms and conditions of Schedule C and the Agreement. Customer acknowledges that ACSR Telephony is required to support TPV and that TPV may only be used with ACSR Telephony. Schedule C and all other references to CCS Products in the Agreement are amended to include TPV.

b. Exhibit C-1 is hereby amended to include the following definition of TPV:

Third Party Verification (TPV) -

TPV is a web-based application operated on CSG equipment that can be accessed through a browser by a CSG client or the client's designated third party verification agency. TPV allows scripted verification of telephony order information that is being processed using ACSR Telephony. ACSR Telephony can be configured to automatically send order data to the TPV application server allowing a third party to perform the order verification. The TPV application can be custom configured to script the verification process using the order information from ACSR Telephony. Once the verification is completed the results are automatically returned to ACSR Telephony.

c. Exhibit C-1 is amended to include ******************** (***) user ids of TPV.

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

d. Exhibit C-2 is hereby amended to include the following Designated Environment for TPV.

ACSR-Telephony, Third Party Verification (TPV) Designated Environment

Effective 04/00 Page 1 of 1

TPV in a Service Bureau Environment

CSG operates and maintains the product on its hardware and software and provides URL link(s) for the client or third party access.

The TPV Designated Environment for the client/end user:

. Internet Explorer 3.X or higher or Netscape Navigator 3.X or higher

e. Upon Customer's request, CSG will provide Customer with installation and training services that will be set forth in a separately executed Statement of Work.

f. Schedule D shall be amended to include the following fees for TPV:

```
CSG Third Party Verification:
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1. Perpetual Software License Fee (per user id)                        $***
2. CSG Annual Maintenance Fee (per user id)                            $***
3. Transaction Fee (per TPV transaction processed, per system
   principle; $*** monthly minimum)                                    $***
4. Installation Fee (per person, per hour)                             $TBD
   (Requires a Statement of Work; Reimbursable Expenses are additional)
5. Script Development and Enhancements Fee (per person, per hour)      $TBD
   (as may be required by Customer; shall be provided by CSG under
   a duly executed Statement of Work)

   *************************************************************************
   ***********************************************************.
```

Following execution of this Agreement, Third Party Verification, Perpetual Software will be subject to the Perpetual Software License Fees referenced above.

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

CSG SYSTEMS, INC. ("CSG")	AT&T BROADBAND MANAGEMENT CORPORATION ("CUSTOMER")
By: /s/ Joseph T. Ruble	By: /s/ Joe W. Bagan
Name: Joseph T. Ruble	Name: Joe W. Bagan
Title: V.P. & General Counsel	Title: CIO

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EXHIBIT 2.19N

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

This Fiftieth Amendment (the "Amendment") is executed this 4/th/ day of October, 2000, and is made by and between CSG Systems, Inc., a Delaware corporation ("CSG") and TCI Cable Management Corporation ("Customer"). CSG and Customer entered into a certain Restated and Amended CSG Master Subscriber Management System Agreement dated August 10, 1997, which has subsequently been amended pursuant to separately executed amendments (collectively, the "Agreement"), and now desire to amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

CSG and Customer agree as follows:

1. Customer currently receives CSG's Workforce Express pursuant to the terms and conditions of the 30/th/ Amendment dated June 30, 1999. The parties agree, however, that upon the mutual execution of this Amendment, the Designated Environment for CSG's Workforce Express shall be and any prior Designated Environment(s) for CSG's Workforce Express is superceded by:

Workforce Express Client Hardware
Processor
IBM, Compaq, or Dell Business Class computer with Intel Pentium II processor designated as Microsoft Windows NT certified and Year 2000 compliant. 233 MHz minimum (for up to 60 techs). 450 MHz or faster strongly recommended. Operating system
Microsoft Windows NT v4.0 - Service Pack 4 or Service Pack 5, with Year 2000 fixes
Random Access Memory (RAM)
128 MBytes (up to 500 work orders) 256 MBytes (up to 1000 work orders) 384 MBytes (over 1000 work orders)
Network Connection
Ethernet 10/100 Card
Video Card
Matrox Millenium II graphics controller - 4 MB (part #270246-B21 is recommended) or the equivalent. Video card and monitor must support 1024 X 768 screen resolution and 65,536 colors
Hard Disk
500 MB available space - in addition to space required for the operating system, swap space and other applications

OR OUTSIDE THEIR RESPECTIVE COMPANIES

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

Floppy Disk Drive
3.5" disk drive
CD-ROM Drive
Minimum - 4X
Monitor
Minimum - 17" viewable space recommended
Virtual Memory
Compliant with MicroSoft Windows-NT Recommendations (Physical RAM + 12 MBytes). **Peripherals**
Keyboard, mouse, and laser printer which can be shared with other Workforce Management workstations
Included Software
WorkForce Express 1.2.3, ACSR, ANDS and CIT.

TechNet(TM) - Device
PocketNet Phones
Mitsubishi MobileAccess(TM) 120 Series
Mitsubishi MobileAccess(TM) T250
TechNet - Wireless Network
AT&T PocketNet(R) Service

TechNet(TM) CE - Device
See TechNet CE Designated Environment Document

2. As a result of the changes to the Designated Environment as amended herein, CSG ** ******** ** ********* Customer $*** in relation to required memory upgrades for ****************** (***) of Customer's desktop workstations.

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/ Joe W. Bagan
       ------------------------                ----------------

Name:  Joseph T. Ruble                  Name:  Joe W. Bagan
       ------------------------                ----------------

Title: V.P. & General Counsel           Title: CIO
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EXHIBIT 2.19N

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 (***).

**FIFTY SECOND AMENDMENT
TO
RESTATED AND AMENDED
CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT
BETWEEN
CSG SYSTEMS, INC.
AND
AT&T BROADBAND MANAGEMENT CORPORATION**

This 52nd Amendment (the "Amendment") is executed this 28th day of February, 2001, and is made by and between CSG Systems, Inc., a Delaware corporation ("CSG"), and AT&T Broadband Management Corporation (f/k/a TCI Cable Management Corporation) ("Customer"). CSG and Customer are parties to 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.

The parties hereto agree as follows:

MODIFICATION OF THE FORTY-NINTH AMENDMENT

1. On October 10, 2000, Customer and CSG executed a 49th Amendment to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and AT&T Broadband Management Corporation (the "49th Amendment"). Upon execution of this Amendment:

(a) the date "February 28, 2001" of the third sentence in Section 2 of the 49th Amendment relating to the telephony domain server shall be deleted and replaced with "December 31, 2001."; and

(b) the date "February 28, 2001" of the last sentence in Section 2 of the 49th Amendment relating to the telephony domain server shall be deleted and replaced with "December 31, 2001."; and

(c) insert "Usage Handling System (for an unlimited amount of subscribers)," between "CSG Screen Express," and "and CIT and all modifications" in the first sentence of Section 3(a) of the 49th Amendment; and

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(d) the phrase "For a period not to exceed nine months from the date hereof," of the first sentence of Section 6 of the 49th Amendment relating to telephony transition assistance shall be deleted and replaced with "Upon Customer's request and so long as Customer requests, but in no event later than December 31, 2001,"; and

(e) the second sentence of the Scope of Exhibit A of the 49th Amendment shall be deleted in its entirety and replaced with "The project will commence on October 15, 2000 with an objective to complete all market conversions as soon as possible with a window not to exceed beyond December 31, 2001."

(f) the dates of "July 15, 2001" of the sixth (6th) and eighth (8th) bullet point of CSG's Commitment of Exhibit A of the 49th Amendment shall be deleted and replaced with "December 31, 2001"; and

(g) the tenth (10th) bullet point of CSG's Commitment of Exhibit A of the 49th Amendment shall be deleted in its entirety and replaced with "CSG will support the Telephony IOT environment until December 31, 2001.".

TELEPHONY OBLIGATIONS THROUGH DECEMBER 31, 2001

2. In the event that Customer, prior to December 31, 2001, no longer requests CSG to provide the services set forth in (i) Section 2 of the 49th Amendment relating to the telephony domain server ("Telephony Domain Services"), and/or
(ii) Section 6 of the 49th Amendment relating to telephony transition assistance ("Telephony Transition Services"), Customer shall provide CSG with not less than sixty (60) days written notice before the date Customer no longer requests CSG to provide the Telephony Domain Services and/or the Telephony Transition Services. Upon CSG's receipt of said notice, the parties agree to schedule a meeting between CSG's Chief Executive Officer and Customer's Chief Financial Officer to meet to discuss whether any reductions to the financial and adjustments to other terms set forth in Section 4 of this Amendment should be made in light of the termination of the Telephony Domain Services and the Telephony Transition Services prior to December 31, 2001. However, under no circumstances, shall CSG be under any obligation to provide the Telephony Domain Services, the CCS Telephony Processing Services, nor the Telephony Transition Services beyond December 31, 2001.

USAGE HANDLING SYSTEM EXPANDED LICENSE FEE

3. Customer agrees to pay CSG $***, which shall be due on *************, for the expanded Usage Handling System license, which is granted pursuant to Section 1(c) of this Amendment. Therefore, on *************, Customer shall pay $*** by wire transfer to CSG of immediately available funds.

TELEPHONY DOMAIN SERVICES AND BASIC SUBSCRIBER CHARGE

4. Customer agrees to pay to CSG for (i) the Telephony Domain Services between April 1, 2001 and December 31, 2001, and (ii) the CCS Telephony Processing Services between July 16, 2001 and December 31, 2001:

. $*** which shall be due and payable on ************* by Customer to CSG by wire transfer of immediately available funds; and

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. $*** (unless otherwise mutually agreed by the parties pursuant to
Section 2 of this Amendment) which shall be due and payable on **************** by Customer to CSG by wire transfer of immediately available funds.

The fees set forth in this Section 4 include and are in lieu of:

. the Telephony Domain Server Fees as set forth in Exhibit B-4 of the 49th Amendment for the period of April 1, 2001 through December 31, 2001;

. the fees set forth in Section 4 of Schedule D of the Agreement (except for any fees for System Enhancements as set forth in Section 4.II.P of Schedule D of the Agreement) for the period between July 16, 2001 and December 31, 2001.

DEFERRAL OF PAYMENT OBLIGATIONS

5. Pursuant to the Payment Terms of Exhibit B-1 of the 49th Amendment, $*** of the Expanded License Software fee becomes due on **************. As further consideration for the mutual promises contained herein, CSG shall invoice Customer $*** on ************, which amount shall be due by Customer to CSG on **************. CSG shall invoice Customer the balance of $*** on **************, which amount shall be due by Customer to CSG on **************.

SALE OR TRANSFER OF EXISTING SUBSCRIBERS

6. (a) In the event that Customer sells, divests or otherwise transfers any subscriber that is currently or hereafter processed, or required to be processed, on CSG's CCS system pursuant to the terms of this Agreement ("Qualified Subscriber"), Customer shall obtain from the acquiring entity, its successors and assigns (the "Acquiring Entity"), as a precondition to such transfer, a written and legally binding promise substantially similar to that form of promise to be set forth in Exhibit A attached hereto and incorporated herein, that the Acquiring Entity shall use CSG as the sole provider of the Products and Services for each Qualified Subscriber for a period of ************************** from the date of closing of said transfer, pursuant to terms and conditions substantially similar to those set forth in the Agreement or in Acquiring Entity's Master Subscriber Agreement, if any, with CSG, at the Acquiring Entity's option. The nature of the promise and the form of Exhibit A to affect the obligation of the Acquiring Entity to use CSG to provide Products and Services for each Qualified Subscriber will be agreed by CSG and Customer no later than ninety (90) days after execution of the Amendment.

(b) Customer shall notify CSG as soon as reasonably practicable in any instance where an Acquiring Entity does not for any reason execute (or expresses its intent not to execute) an acceptable form of Exhibit A. With respect to a breach or anticipated breach by Customer of Section 6(a), CSG shall be entitled to seek equitable relief including injunctive relief and specific performance with respect to the requirements of Section 6 (a).

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(c) For purposes of Section 6(a), "Qualified Subscriber" shall not include any owned but not managed subscriber or any subscriber of Customer's pending sales of broadband systems located in the areas described on Exhibit B. Further, in the instance where Customer (i) sells or transfers control of subscribers to one or more third parties, while simultaneously (ii) acquiring control of other subscribers ("Subscriber Swap") and the net effect of such Subscriber Swap is such that the number of subscribers which are, or are required to be, processed pursuant to the terms and conditions of the Agreement (x) increases, (y) stays the same, or (z) decreases by an amount equal to or less than twenty percent (20%) of the total number of subscribers that Customer sells or transfers in the particular Subscriber Swap, then and only then shall the subscribers sold or transferred not be deemed a Qualified Subscriber pursuant to Section 6(a).

MODIFICATION OF SECTION 29 OF THE AGREEMENT

7. (a) Section 29 of the Agreement shall not be applicable to the terms of an agreement between CSG and any Acquiring Entity as it relates to CSG's products and services with respect to any subscribers of the Acquiring Entity but only so long as such agreement between CSG and the Acquiring Entity is completed as a result of the acquisition of Qualified Subscribers by the Acquiring Entity (a "Qualified Subscriber Processing Agreement"). Furthermore, upon transfer of any non-managed ownership interest by Customer, or by its current parent companies, affiliates or subsidiaries, in subscribers, Section 29 of the Agreement shall not be applicable to the terms of an agreement, which is completed as a result of the acquisition of such subscribers and relates to CSG's products and services, between CSG and any entity, or successor-in-interest to the same, which (i) acquires such ownership interest, or (ii) controls such subscribers (a "Non-Managed Subscriber Agreement").

(b) Customer, on behalf of itself and its parent, subsidiary, affiliate, agents, officers, directors, employees, consultants, associates, representatives, attorneys, heirs, predecessors, successors and assigns, hereby forever release and discharge CSG and its current and former parent companies, subsidiaries, affiliates, agents, officers, directors, employees, consultants, associates, attorneys, representatives, heirs, predecessors, successors and assigns, or any person acting by, through, under or in concert with it, from any and all claims, counter-claims, demands, causes of action or liabilities, known or unknown, whether at law or in equity, based upon, relating in any way to or arising under Section 29 of the Master Agreement as it relates to the terms of any Qualified Subscriber Processing Agreement and/or any Non-Managed Subscriber Agreement.

PRINT AND MAIL EXCLUSIVITY

8. Until March 31, 2002, Customer shall be released from its obligation to use CSG exclusively for its print and mail of telephony subscribers statements but only as and to the extent that (i) Customer is prevented from using the CSG Print and Mail Products and Services due to technical limitations of any third party telephony billing and customer care services used by Customer, and (ii) only as it relates to the telephony portion of Customer's telephony subscriber's bill; provided, however, if CSG fails to perform any services specifically set forth in a fully executed Statement of Work which prevents Customer from using the CSG

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Print and Mail Products and Services, the date first set forth in this Section 8 shall be deferred until CSG completes the services allowing Customer to use the CSG Print and Mail Products and Services.

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

CSG SYSTEMS, INC. ("CSG") AT&T BROADBAND MANAGEMENT CORPORATION

("Customer")

By:	*/s/ Jack Pogge*	*By:*	*/s/ Michael P. Huseby*
Name:	*Jack Pogge*	*Name:*	*Michael P. Huseby*
Title:	*President & COO*	*Title:*	*EVP, CFO*

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EXHIBIT A

TBD

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

EXHIBIT B

Acquiring MSO	Region	Net No. of Subs Transferred	Approx. Agreement Date
*******	****************** ****************** ************	***	********
*******	****************** ****************** ****************** ****************** ****************** ****************** ****************** ****************** ****************** ****************** ****************** ****************** ****************** ******	***	*******
*******	************	***	*******
********	***************	***	******
********	***************	***	*******
*******	****************** ****************** ****************** ****************** ****************** ****************** ****************** ****************** ******************	***	*******
********	******************	***	*******

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EXHIBIT 10.02

[As amended to November 16, 2000]

CSG SYSTEMS INTERNATIONAL, INC.
1996 EMPLOYEE STOCK PURCHASE PLAN

ARTICLE I

GENERAL

1.1 Purpose of the Plan. The purpose of the CSG Systems International, Inc. 1996 Employee Stock Purchase Plan (the "Plan") is to provide Eligible Employees of the Company and its Subsidiaries with a program for the regular purchase of Shares from the Company through periodic payroll deductions and dividend reinvestments, thereby giving Participants the opportunity to acquire a proprietary interest in the success of the Company.

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

(a) "Adjusted Price" means an amount equal to eighty-five percent (85%) of the Fair Market Value on the last trading day of the Plan Month for which an Adjusted Price is being determined.

(b) "Agent" means the independent agent appointed pursuant to Section 1.4.

(c) "Company" means CSG Systems International, Inc., a Delaware corporation.

(d) "Eligible Employee" means a person who is of majority age in his or her domicile state or other applicable jurisdiction and is a full-time or part-time employee of the Company or a Subsidiary, except that a temporary employee and an employee who has been designated by the Board of Directors of the Company as an executive officer of the Company or is otherwise subject to the provisions of Section 16(b) of the Securities Exchange Act of 1934 shall not be eligible to participate in the Plan.

(e) "Fair Market Value" means the last sale price of the Shares as quoted on the Nasdaq National Market System on the trading day for which the determination is being made, or, in the event that no such sale takes place on such day, the average of the reported closing bid and asked prices on such day, or, if the Shares are listed on a national securities exchange, the last reported sale price on the principal national securities exchange on which the Shares are listed or admitted to trading on the trading day for

which the determination is being made, or, if no such reported sale takes place on such day, the average of the closing bid and asked prices on such day on the principal national securities exchange on which the Shares are listed or admitted to trading, or, if the Shares are neither quoted on such National Market System nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices in the over-the-counter market on the day for which the determination is being made as reported through Nasdaq, or, if bid and asked prices for the Shares on such day are not reported through Nasdaq, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm regularly making a market in the Shares selected for such purpose by the Chief Executive Officer of the Company, or, if none of the foregoing is applicable, the fair market value of the Shares as determined in good faith by the Chief Executive Officer of the Company in his sole discretion.

(f) "Participant" means an Eligible Employee who has elected to participate in the Plan pursuant to Section 2.1.

(g) "Plan Month" means each calendar month during the term of the Plan.

(h) "Shares" means shares of Common Stock, $0.01 par value per share, of the Company.

(i) "Subsidiary" means a corporation of which not less than fifty (50%) of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or hereafter is organized or acquired by the Company or a Subsidiary. The plural form of such word is "Subsidiaries".

1.3 Effective Date and Term of Plan. The Plan shall become effective on September 1, 1996. The Plan shall remain in effect indefinitely, subject to termination by the Board of Directors of the Company as of the end of any Plan Month and subject to the provisions of Section 1.5.

1.4 Appointment and Removal of the Agent. The Company shall appoint an independent bank, trust company, brokerage firm, or other financial institution to administer the Plan (including but not limited to the establishment of such procedures as reasonably may be necessary to accomplish such administration in a manner consistent with the purposes of the Plan), keep the records of the Plan reflecting the interests of Participants, hold Shares acquired under the Plan on behalf of Participants, and generally act as the agent of Participants in the manner and to the extent provided in the Plan. The Agent may resign at any time by giving written notice of such resignation to the Company at least thirty (30) days prior to the effective date of such resignation. The Company may remove the Agent at any time by giving written notice of such removal to the Agent at least thirty (30) days prior to the effective date of such removal. In the event of the resignation or removal of the Agent, the Company promptly shall

appoint a new Agent. The Company shall provide the names and addresses of all Participants to the Agent to facilitate direct communications by the Agent to the Participants.

1.5 Shares Available Under the Plan. The maximum number of Shares which the Company may issue under the Plan is 250,000. In the event of an increase in the number of outstanding Shares by reason of a stock dividend or stock split, the number of Shares remaining available for issuance under the Plan shall be increased proportionately.

1.6 Action by the Company. Whenever an action is required by or permitted to the Company under the Plan, unless otherwise expressly provided by the Plan or the Board of Directors of the Company, such action shall be taken by the Chief Executive Officer of the Company or his or her delegate.

ARTICLE II

PLAN PARTICIPATION

2.1 Enrollment and Payroll Deductions. Participation in the Plan is voluntary. An Eligible Employee may elect to participate in the Plan by completing and delivering to the Company enrollment and payroll deduction authorization forms prescribed by the Company authorizing periodic payroll deductions by the Company from such Eligible Employee's wages of the periodic amount specified by such Eligible Employee. Payroll deductions with respect to an Eligible Employee shall commence as soon as administratively practicable but not later than the first payroll date in the Plan Month next following the Plan Month in which the enrollment and payroll deduction authorization forms of such Eligible Employee are received and accepted by the Company. If a Participant's wages are paid on a biweekly schedule, then the biweekly payroll deduction amount specified by such Participant in his or her payroll deduction authorization form must be a minimum of $10.00 and may not exceed $500.00; in the case of Participants whose compensation is paid in a currency other than United States dollars, the applicable limits shall be the approximate equivalents of such minimum and maximum amounts fixed from time to time by the Company in administratively convenient units of such other currency. If a Participant's wages are paid on a schedule other than biweekly, then the periodic payroll deductions referred to in this Section 2.1 shall be made with respect to such Participant in accordance with such schedule as reflected on such Participant's payroll deduction authorization form; and the Company shall proportionately adjust the minimum and maximum permitted payroll deductions applicable to such Participant. A Participant may change his or her periodic payroll deduction amount by written notice to the Company in such form as the Company may specify; such change shall be effective as soon as administratively practicable but not later than the first payroll date in the Plan Month next following the Plan Month in which the change form is received and accepted by the Company. A Participant may cease participation in the Plan as of any payroll date by giving written notice of such cessation to the Company in such form as the Company may specify at least fifteen (15) days prior to such payroll date, in which event such Participant may not re-enter the Plan for ninety (90) days after the effective date of such cessation of participation in the Plan.

2.2 Issuance of Shares. On the last business day of each Plan Month, the Company shall notify the Agent in written or electronic form of the aggregate United States dollar amount withheld for each Participant during such Plan Month and shall instruct the transfer agent for the Shares to issue to the Agent (in such form or nominee name as the Agent may direct) as an original issuance of authorized but unissued Shares or as the reissuance of Shares held by the Company as treasury shares (and shall provide such transfer agent with such additional documentation as may be required for such purpose) that number of full Shares which is equal to (a) the aggregate United States dollar amount withheld pursuant to the Plan for all Participants during such Plan Month divided by (b) the Adjusted Price. Upon the issuance or reissuance of such number of full Shares, the amount referred to in clause (a) of the preceding sentence shall be deemed to have been paid to and received by the Company, and shall be appropriately reflected on the books of the Company, as the consideration for such number of newly issued or reissued full Shares; however, if the Agent's record-keeping systems permit, a fractional share resulting from the calculation referred to in the preceding sentence may be taken into account in the Plan records maintained by the Agent. For purposes of determining the United States dollar amount withheld from the wages of Participants whose compensation is paid in a currency other than United States dollars, the amount withheld in such other currency shall be converted to United States dollars on the basis of the applicable exchange rate quoted in The Wall Street Journal for the next-to-the-last business day of the Plan Month involved.

2.3 Allocation of Shares. The Agent shall allocate the Shares acquired by the Agent pursuant to Section 2.2 for a particular Plan Month among those Participants whose payroll deductions provided the funds used to acquire such Shares. Such allocation shall be made in the Plan records maintained by the Agent in proportion to the United States dollar amount of funds so provided by each Participant and, if fractional shares are involved, shall be made to three decimal places. Subject to the provisions of Section 2.5, the Agent shall hold in its name or the name of its nominee, for the benefit of all Participants, all shares acquired under the Plan. At least annually, and at such other times as the Agent may determine to be appropriate, the Agent shall send a statement directly to each Participant, showing with respect to such Participant acquisitions of Shares, dividends credited, sales or distributions of Shares, and any applicable commissions or fees charged to such Participant during the period covered by such statement.

2.4 Dividends and Distributions. Dividends and other distributions by the Company with respect to Shares held by the Agent under the Plan shall be allocated or otherwise dealt with by the Agent as follows:

(a) Cash Dividends. Cash dividends received by the Agent on Shares allocated to Participants' Plan accounts shall be used by the Agent to acquire additional Shares for such Participants by remitting the aggregate amount of such cash dividends to the Company to be added to the amount applied to the next acquisition of Shares from the Company pursuant to Section 2.2.

(b) Stock Dividends and Stock Splits. Stock dividends and stock splits shall be credited to Participants having Shares allocated to their Plan accounts to the extent that such stock dividends and stock splits are attributable to such Shares.

(c) Stock Rights. If the Company makes available to its stockholders generally rights to subscribe to additional Shares or other securities, such rights accruing on Shares held by the Agent under the Plan shall be sold by the Agent and the net proceeds of such sale shall be applied to the acquisition from the Company of additional Shares for Participants in the same manner as cash dividends are applied.

2.5 Issuance of Stock Certificates; Sales of Shares. Upon the request of a Participant, the Agent will cause a stock certificate for some or all of the full Shares in such Participant's Plan account to be issued and delivered to such Participant as promptly as practicable. Upon the issuance of such certificate, such Participant's Plan account will be appropriately debited. Upon the request of a Participant, the Agent will sell for the account of such Participant any or all of the Shares in such Participant's Plan account and shall remit the proceeds of such sale, net of applicable brokerage commissions (if any), to such Participant as promptly as practicable. If a Participant requests that sale proceeds be remitted to such Participant in a currency other than United States dollars, then the requested currency exchange will be made at the prevailing rate for transactions of the size involved as determined in the sole discretion of the Agent or its designee for such purpose, and such Participant will bear all expenses incurred by the Agent in effecting such currency exchange. Requests by Participants pursuant to this Section 2.5 may be made in writing or by such electronic or other means as the Agent may provide.

2.6 Stockholder Rights. A Participant will have the right to vote the Shares in his or her Plan account in accordance with the Agent's customary procedures for the voting of shares held in "street name" or other similar types of accounts. A Participant shall have no rights as a stockholder of the Company with respect to any Shares held in such Participant's Plan account until a certificate for such Shares has been issued in the name of such Participant and reflected in the stockholder records of the Company.

2.7 Expenses. The Company will bear all of the expenses of administering the Plan, including but not limited to the Agent's fees and any transfer taxes and expenses of transferring Shares to Participants. However, a Participant will bear any expenses incurred by the Agent in selling Shares held for such Participant under the Plan, including but not limited to applicable brokerage commissions and currency exchange expenses.

2.8 Termination of Eligibility. If a Participant ceases to be eligible to participate in the Plan for any reason, including but not limited to the termination of such Participant's employment by the Company or a Subsidiary, then such Participant may no longer participate in the Plan through payroll deductions. If a Participant ceases to be eligible to participate in the Plan for a reason other than such Participant's death, then the Agent shall maintain such Participant's Plan account pending the Agent's receipt of instructions either from the Participant

or from the Company as to the sale of or the issuance of a stock certificate for the Shares in such Plan account in accordance with Section 2.5 If a Participant dies, then the Agent shall maintain the deceased Participant's Plan account pending the Agent's receipt of instructions as to the disposition of such account from the duly authorized representative of the deceased Participant's estate.

2.9 Termination of Plan. If the Company terminates the Plan, then the Agent shall cause a stock certificate for the full Shares in a Participant's Plan account to be issued and delivered to such Participant as promptly as practicable and shall sell for the account of such Participant any fractional Shares in such Participant's Plan account and remit the proceeds of such sale, net of applicable brokerage commissions (if any), to such Participant as promptly as practicable. However, in its discretion, the Company may provide additional alternatives for the disposition of the Shares in a Participant's Plan account upon the termination of the Plan.

ARTICLE III

MISCELLANEOUS

3.1 Interpretation. The Chief Executive Officer of the Company or his or her delegate shall have the authority to establish rules and regulations for the operation of the Plan, to interpret the Plan, and to decide any and all questions which may arise in connection with the Plan. Any delegate of the Chief Executive Officer of the Company for purposes of the Plan shall not make any discretionary decision which pertains directly to such delegate as a Participant.

3.2 Nonassignability. No Participant shall have any right to sell, assign, transfer, pledge, or otherwise encumber or convey such Participant's Plan account or any Shares credited to such account, or any part thereof, prior to such Participant's actual receipt of a certificate for such Shares or the proceeds of the sale of such Shares. No Plan account shall be subject to attachment, garnishment, or seizure for the payment of any debts, judgments, alimony, child support, or separate maintenance owed by a Participant nor be transferable by operation of law in the event of a Participant's bankruptcy or insolvency.

3.3 Employment Rights. An Eligible Employee's election to participate in the Plan and the Company's acceptance of such Eligible Employee's enrollment in the Plan shall not be deemed to constitute a contract of employment between such Eligible Employee and the Company or any Subsidiary. No provision of the Plan shall be deemed to give any Participant any right (i) to be retained in the employ or other service of the Company or any Subsidiary for any specific length of time, (ii) to interfere with the right of the Company or any Subsidiary to discipline or discharge the Participant at any time, (iii) to hold any particular position or responsibility with the Company or any Subsidiary, or (iv) to receive any particular compensation from the Company or any Subsidiary.

3.4 Withholding; Payroll Taxes. To the extent required by applicable laws and regulations in effect at the time payroll deductions pursuant to the Plan are made from a

Participant's wages, the Company or the Subsidiary by whom such Participant's wages are paid shall withhold from the remaining portion of such wages any taxes or other obligations required to be withheld from such wages by federal, state, local, or other laws by reason of such payroll deductions and the purchase of Shares under the Plan for the benefit of such Participant at a price less than Fair Market Value.

3.5 Transfer Upon Death. The Plan account of a Participant may be transferred by will or the laws of descent and distribution upon the death of such Participant, but the Company may require any transferee of a deceased Participant's Plan account to elect with respect to the Shares in such transferred Plan account either to receive a certificate for all full Shares and the net sale proceeds of any fractional Share or to sell all of the Shares and receive the net proceeds of such sale.

3.6 Amendment. The Board of Directors of the Company may amend the Plan at any time in whole or in part without terminating the Plan; however, no amendment of the Plan shall decrease the number of Shares already credited to the Plan accounts of Participants. If the Board of Directors of the Company changes the discount from Fair Market Value at which Shares are to be acquired under the Plan, then the Company shall not implement such change until the then Participants have been notified of such change and have been given a reasonable opportunity to cease participation in the Plan.

3.7 Plan Year. The plan year shall be the calendar year, except that the first plan year shall begin on the effective date of the Plan and end on December 31, 1996.

3.8 Securities Law Compliance. The obligation of the Company to sell and issue Shares pursuant to the Plan is subject to the approval of any governmental authority required in connection with the authorization, issuance, or sale of such Shares and to the satisfaction of any legal preconditions to such issuance or sale.

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

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

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

3.12 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 Company.

Exhibit 21.01

CSG SYSTEMS INTERNATIONAL, INC.
SUBSIDIARIES OF THE REGISTRANT
AS OF DECEMBER 31, 2000

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 report included in this Annual Report on Form 10-K, into the Company's previously filed Registration Statement File No.'s 333-10315, 333-32951, 333-48451, 333-83715 and 333-42202.

ARTHUR ANDERSEN LLP

Omaha, Nebraska,

March 27, 2001

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM 2000 FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD START	JAN 01 2000
PERIOD END	DEC 31 2000
CASH	32,751
SECURITIES	10,982
RECEIVABLES	139,468
ALLOWANCES	5,001
INVENTORY	0
CURRENT ASSETS	188,954
PP&E	79,087
DEPRECIATION	42,457
TOTAL ASSETS	332,089
CURRENT LIABILITIES	107,637
BONDS	32,820
PREFERRED MANDATORY	543
PREFERRED	0
COMMON	0
OTHER SE	190,626
TOTAL LIABILITY AND EQUITY	332,089
SALES	398,895
TOTAL REVENUES	398,895
CGS	151,537
TOTAL COSTS	151,537
OTHER EXPENSES	42,338
LOSS PROVISION	0
INTEREST EXPENSE	5,808
INCOME PRETAX	145,203
INCOME TAX	54,734
INCOME CONTINUING	90,469
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	90,469
EPS BASIC	1.73 [1]
EPS DILUTED	1.60 [1]

[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 75.8% and 78.3% of its total revenues from its primary product, Communications Control System, and related products and services (collectively, "CCS") in the years ended December 31, 2000 and 1999, 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 (as amended)
The AT&T Contract had an original term of 15 years and expires in 2012. The AT&T Contract includes minimum financial commitments by AT&T over the life of the contract, and as amended, 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, and print and mail services.

The AT&T Contract contains 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, as well as 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. Should the Company fail to meet its obligations under the AT&T Contract, and should AT&T be successful in any action to either terminate the AT&T Contract in whole or in part, or collect damages caused by an alleged breach, it would have a material impact on the Company's results of operations. Indeed, in the Company's third quarter ended September 30, 2000, AT&T filed a Demand for Arbitration relating to the AT&T Contract, causing a significant drop in the trading price of the Company's Common Stock. The AT&T Contract and its amendments (including the amendment executed as part of the agreement to withdraw the Demand for Arbitration) have been included as exhibits to the Company's filings with the Securities and Exchange Commission. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussion of the arbitration claim and the Company's business relationship with AT&T.

Business Activities and Dependence On AT&T
AT&T completed its merger with Tele-Communications, Inc. (TCI) in March 1999 and completed its merger with MediaOne Group, Inc. (MediaOne) in 2000. During the years ended December 31, 2000 and 1999, revenues from AT&T and affiliated companies generated under the AT&T Contract represented approximately 50.4% and 50.5% of total revenues, respectively. The Company expects to continue to generate a significant portion of its total revenues from AT&T and affiliated companies in the future. There are inherent risks whenever this large of a percentage of total revenues is concentrated with one customer. One such risk is that, should AT&T's business generally decline or not grow as rapidly as anticipated, it would have a material impact on the Company's results of operations.

If the Company were to fail to continue to perform successfully under the AT&T Contract, that would have a material adverse effect on the financial condition and results of operations of the Company. Likewise, if AT&T were to breach its material obligations to the Company, that 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 products and 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.

RENEWAL OF AOL TIME WARNER CONTRACTS

America Online, Inc. ("AOL") and Time Warner completed their merger in 2000, and now operate under the name AOL Time Warner Inc. ("AOL Time Warner"). During the years ended December 31, 2000 and 1999, revenues from AOL Time Warner represented approximately 8.3% and 10.2% of total revenues, respectively. The Company provides services to AOL Time Warner under multiple, separate contracts with various AOL Time Warner affiliates. These contracts are scheduled to expire on various dates. The failure of AOL 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. It would be

premature to predict the impact, if any, the result the AOL Time Warner merger 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. The Company is currently scheduled to convert approximately 5.0 million customers (of which approximately 4.0 million are the MediaOne customers recently acquired by AT&T) onto its processing system during 2001.

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, 2000 and 1999, the Company derived 77.7% and 75.8%, and 16.0% and 15.5% 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 both domestically and internationally 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 approximately 85% of the U.S. cable television market and two providers account for almost the entire U.S. DBS market. The Company processes and/or provides statement printing for at least a portion of the customers (i) for five of the seven cable television providers, and (ii) for one of the DBS providers. For the year ended December 31, 2000, approximately 72% of the Company's total revenues were generated from companies either under the control of, or expected to come under the control of, these six 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, conversions 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's 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 periodically undergoes a security review of its internal systems by an independent party, and has implemented a plan intended to limit the risk of an unauthorized access to the networks and systems, including network firewalls, intrusion detection systems and antivirus applications.

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, which was recently extended and is now scheduled to expire June 30, 2005. 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 (also known as "open systems") data processing center on multiple servers for the benefit of certain clients. During the first part of 2001, the Company will migrate these distributed systems servers to the FDC Data Center. The process of physically moving these servers involves certain risks, including physical damage to the servers, loss of client data, inadequate procedures for data and application restoration, and reestablishing proper network connectivity, all of which could result in an extended outage of an application. The Company has developed a comprehensive project plan to address these risks, which includes assistance from an experienced third party to physically move the servers between locations, as well as extensive data backup procedures to limit the risk of data loss. Once transitioned, FDC will provide the operations monitoring and facilities management services, while the Company will provide hardware, operating systems and application support.

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 these applications. The Company and FDC have extensive experience in running applications within the mainframe computing platform, and only within the last few years began running applications within a distributed systems environment. 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. In addition, security attacks on distributed systems throughout the industry are more prevalent than on mainframe environments due to the open nature of those systems.

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 any particular product application or internal system which is operated within the FDC Data Center or the Company's facilities, 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, as well as negatively affect

the Company's ability to attract and retain new clients.

End of Filing

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