EDGAR®Online

CSG SYSTEMS INTERNATIONAL INC

FORM 10-K
(Annual Report)

Filed 03/29/02 for the Period Ending 12/31/01

Address	9555 MAROON CIRCLE ENGLEWOOD, CO 80112
Telephone	3037962850
CIK	0001005757
Symbol	CSGS
SIC Code	7374 - Computer Processing and Data Preparation and Processing Services
Industry	Computer Services
Sector	Technology
Fiscal Year	12/31

Powered By EDGAR®Online
http://www.edgar-online.com
© Copyright 2012, EDGAR Online, Inc. All Rights Reserved.
Distribution and use of this document restricted under EDGAR Online, Inc. Terms of Use.

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, 2001

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, 2002 was $1,363,740,472.

Shares of common stock outstanding at March 22, 2002: 52,668,841.

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, 2002, are incorporated by reference into Part III of the Form 10-K.

CSG SYSTEMS INTERNATIONAL, INC.

2001 FORM 10-K

TABLE OF CONTENTS

		Page
PART I		
Item 1.	Business	3
Item 2.	Properties	10
Item 3.	Legal Proceedings	11
Item 4.	Submission of Matters to a Vote of Security Holders	11
PART II		
Item 5.	Market for Registrant's Common Equity and Related Stockholder Matters	13
Item 6.	Selected Financial Data	14
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	16
Item 8.	Financial Statements and Supplementary Data	32
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	54
PART III		
Item 10.	Directors and Executive Officers of the Registrant	54
Item 11.	Executive Compensation	54
Item 12.	Security Ownership of Certain Beneficial Owners and Management	54
Item 13.	Certain Relationships and Related Transactions	54
PART IV		
Item 14.	Exhibits, Financial Statement Schedules and Reports on Form 8-K	54
Signatures		55

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 CSG 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 that 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 and churn management. The Company generated revenue of $476.9 million in 2001 compared to $398.9 million in 2000, an increase of 20%, and revenue grew at a compound annual growth rate of 31% over the six-year period ended December 31, 2001.

The Company has established a leading presence by developing strategic relationships with major participants in the cable television and DBS industries, and derived approximately 82% and 12% of its total revenues in 2001 from U.S. cable television and U.S. and Canadian DBS providers, respectively. The Company provides customer care and billing to more than 40% of the homes in the United States. During 2001 and 2000, the Company derived approximately 71% and 74%, respectively, of its total revenues from processing and related services. Total domestic customer accounts on the Company's processing system as of December 31, 2001 were 43.3 million, compared to 35.8 million as of December 31, 2000, an increase of 21%. The Company converted approximately 6.1 million new customer accounts onto its processing system during 2001. On an annualized basis, the Company received $8.70 in processing revenue per video account in the fourth quarter of 2001 compared to $8.45 in the fourth quarter of 2000, and $3.78 in processing revenue per Internet account in the fourth quarter of 2001 compared to $4.86 per account in the year-ago period.

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 communications 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 that 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 mobile service providers have elected to outsource customer care and billing.

Acquisition of Lucent Technologies Inc. Billing and Customer Care Assets Subsequent to December 31, 2001

On December 21, 2001, the Company reached an agreement to acquire the billing and customer care assets of Lucent Technologies Inc. ("Lucent"). Lucent's billing and customer care business consists primarily of: (i) software products and related consulting services acquired by Lucent when it purchased Kenan Systems

Corporation in 1999; (ii) BILLDATS Data Manager mediation software; (iii) software and related technologies developed by Lucent's Bell Laboratories; and
(iv) elements of Lucent's sales and marketing organization (collectively, the "Kenan Business"). On February 28, 2002, the Company completed the acquisition (the "Kenan Acquisition"). See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussion of the Kenan Acquisition.

The Kenan Acquisition is expected to have a significant impact on the Company's business operations in the future. Since the transaction closed subsequent to December 31, 2001, the Kenan Acquisition has not been considered in the Company's discussion of its "business" as of and for the year ended December 31, 2001. However, due to its significance to the Company's business, a discussion of the Kenan Acquisition and its anticipated impact on the Company's business operations has been included at the end of Item 1, "Business".

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"). In December 2001, AT&T announced its agreement to merge with Comcast Corporation. 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 43.3 million as of December 31, 2001, a compound annual growth rate for this period of 16%. 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. On an annualized basis, the Company received $8.70 in processing revenue per video account in the fourth quarter of 2001 compared to $8.45 in the fourth quarter of 2000, and $3.78 in processing revenue per Internet account in the fourth quarter of 2001 compared to $4.86 per account in the year-ago period. The increase in processing revenue per video 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. The decrease in processing revenues per Internet account is due primarily to the ability of Internet clients to spread their processing costs, some of which are fixed in nature, across a larger customer base. In addition, the Company continues to roll out new software applications and provide professional services to enhance the functionality of its customer care and billing solution and to support the Company's clients' initiatives for new revenue opportunities. Software and professional services revenues were $137.7 million in 2001 compared to $104.1 million in 2000. 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 is offering customer care and billing solutions necessary to meet their needs. The Company is entering new markets, such as the mobile and wireline markets, that with new and/or acquired technology, or modifications to the Company's existing technology, can 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 growth strategy includes a commitment to the marketing of its products and services internationally. The Company has conducted international operations in the past and will significantly increase the level of its international operations as a result of its recent acquisition of the Kenan Business.

CSG Products and Services

A background in high-volume transaction processing, complemented with world- class applications software, allows the Company 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, the Company 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 25. Listed below are several of the key products offered by the Company.

CSG CCS/BP (formerly known as CCS(R)) is a service-bureau based customer care transaction processing engine that is the core component of CSG's outsourced customer care and billing platform.

Advanced Customer Service Representative(R) (ACSR(R)) is the front-end interface to the Company's customer care and billing platform that provides user-friendly access to customer information stored in the billing and customer care engine.

CSG Workforce ExpressSM is a mobile tool that allows dispatchers and field technicians access to assignments and other service-oriented tasks. Work orders are delivered through CSG TechNet, a web-enabled cell phone that enables technicians to perform tasks in the field.

CSG.net(TM) consists of tools to support convergent customers operating multiple product lines that require IP-based billing capability, such as video on demand, interactive television and high speed data.

CSG Care Express(R) enables customer self-care, including a solution to view and pay bills over the Internet.

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 invoicesturning 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 customer service representatives ("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 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 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 the Company'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 NextGen/BP (formerly known as CSG NextGen(TM)) is the Company's billing platform designed specifically for international cable broadband providers. Its flexible architecture enables the platform to run in a service bureau or in-house environment.

CSG ProfitNow! (TM) provides the tools for companies to predict which customers may be at risk of flight and identifies proactive steps to keep them. It also predicts which customers are most likely to buy additional services.

Clients

In 2001, the majority of the Company's largest clients (listed in alphabetic order) were video and data providers located in the United States and Canada, and are listed below.

```
AOL Time Warner                                   DirecTV
AT&T Broadband (includes former TCI and MediaOne)  Echostar Communications Corporation
Adelphia Communications Corporation                Mediacom Communications
Charter Communications                             Prodigy Communications Corporation
Cox Communications
```

During the years ended December 31, 2001, 2000 and 1999: (i) revenues from AT&T represented approximately 55.8%, 50.4%, and 50.5% of total revenues; (ii) revenues from Echostar Communications Corporation ("Echostar") represented approximately 10.0%, 9.3%, and 7.3% of total revenues; and (iii) revenues from AOL Time Warner Inc. and its affiliated companies ("AOL Time Warner") represented approximately 7.5%, 8.3%, and 10.2% 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.

Client and Product Support

The Company's clients typically rely on the Company for ongoing support and training needs relating to the Company's products. The Company has a multi- level support environment for its clients. In 2001, the Company established strategic business units ("SBUs") to support the business, operational and functional requirements of each client. These dedicated account management teams help clients resolve strategic and business issues and are supported by the Company's product support center, which 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. 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 within the SBUs with senior level account managers who are responsible for new revenues and renewal of existing contracts within an account. Account managers are supported by 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 Company's domestic processing services. The Company's proprietary software is run in FDC's facility to obtain the necessary mainframe computer capacity and other computer support services without making the substantial capital and infrastructure investments that would be necessary for the Company to provide these services 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.

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 2001 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, and interactive services (e.g., video-on-demand); and

. address the international customer care and billing system market.

The Company's total R&D expense was $52.2 million, $42.3 million, and $34.4 million for the years ended December 31, 2001, 2000, and 1999, or 10.9%, 10.6%, and 10.7% of total revenues, respectively. 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. 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., 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 that 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, 2001, the Company had a total of 2,027 employees, an increase of 204 from December 31, 2000. This total includes 102 employees who joined the Company through the Company's acquisition of plaNet Consulting, Inc. on September 18, 2001. 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.

Significant Business Acquisition Subsequent to December 31, 2001

On December 21, 2001, the Company reached an agreement to acquire the billing and customer care assets of Lucent Technologies Inc. ("Lucent"). Lucent's billing and customer care business consists primarily of: (i) software products and related consulting services acquired by Lucent when it purchased Kenan Systems Corporation in 1999; (ii) BILLDATS Data Manager mediation software; (iii) software and related technologies developed by Lucent's Bell Laboratories; and (iv) elements of Lucent's sales and marketing organization (collectively, the "Kenan Business"). On February 28, 2002, the Company completed the acquisition (the "Kenan Acquisition"). Approximately 1,100 employees joined the Company as a result of the Kenan Acquisition, with the majority of these employees located in the U.S.

The Kenan Business is a global provider of convergent billing and customer care software and services that enable communications service providers to bill their customers for a wide variety of existing and next-generation services, including mobile, Internet, wireline telephony, cable, satellite, and energy and utilities, all on a single invoice. The software supports multiple languages and currencies. Historically, a significant portion of Kenan Business revenues have been generated outside the U.S.

The Kenan Acquisition is consistent with the Company's acquisition growth strategy. As a result of the Kenan Acquisition, the Company has: (i) added proven products to the Company's product suite; (ii) added international infrastructure in Europe, Asia Pacific and Latin America; (iii) diversified its customer base by adding over 230 customers in more than 40 countries; (iv) diversified its product offerings to encompass all segments of the communications market, including Internet Protocol, mobile, wireline telephony, cable, and satellite; (v) acquired solid relationships with leading systems integrators worldwide; and (vi) gained the opportunity to leverage the Company's software solutions into the Kenan Business' diverse customer base.

The Company's growth strategy for the Kenan Business will focus primarily on the following key elements: (i) expand market share by leveraging the Company's overall product set and competitive position, both domestically and internationally; (ii) introduce new products and services to the Kenan Business' installed client base; and (iii) expand its product offerings to include outsourced processing services for selected clients.

As a result of the Company's acquisition of the Kenan Business, the Company expects to generate a larger portion of its revenues from software and professional services, and increase the amount of its revenues generated outside the U.S. In connection with the Kenan Acquisition, the Company has reorganized its business into two segments: the Broadband Services Division (the "Broadband Division") and the Global Software Services Division (the "Software Division"). The Broadband Division consists principally of the historical processing operations and related software products of the Company (e.g., CSG CCS/BP, ACSR, CSG Workforce Express, etc.), and the Software Division consists principally of the Kenan Business, and the CSG NextGen/BP and ProfitNow! software products and related services.

The Kenan Business' primary product offerings include:

CSG Kenan(R)/BP (formerly known as Arbor(R)/BP) is a real-time, web-enabled billing product that enables customers to launch leading-edge services. An award-winning solution, CSG Kenan/BP increases revenue by customizing services for individual customers and extend revenue streams by offering multiple services on a single invoice.

CSG Kenan(R)/OM (formerly known as Arbor(R)/OM Order Management) is a next- generation order entry and workflow management product that enables customer service representatives and provisioning personnel to manage order negotiation, order entry, order provisioning, order completion, and billing notification.

CSG Data Mediation (formerly known as BILLDATS Data Manager) collects vital information about usage, content and transaction data from the network, then mediates that information and distributes relevant data downstream for use in management applications.

CSG Kenan(R) Revenue Settlements is a solution that enables providers to craft, execute and monitor tailored revenue sharing agreements across a large web of partners.

CSG Kenan(R) Prepaid is an application that combines the award-winning CSG Kenan/BP solution with new prepaid architecture. This architecture enables the most advanced services, such as mobile data, and delivers a converged prepaid and postpaid billing system that enables service providers to manager their entire customer base.

CSG Kenan(R) IP Services is a comprehensive family of billing, mediation, Web-enabled self-care, and revenue assurance solutions for next generation IP services, including Internet access, managed services such as Web hosting and advanced applications, VoIP, IP VPN, content delivery, storage and live/on demand streaming.

CSG Kenan(R) 3G Mobile is suite of solutions to help service providers address every customer care and billing aspect of the 3G mobile market, including billing, order management, activation, payment, mediation and revenue assurance.

The Company expects to focus its Kenan Business R&D efforts on two key programs: (i) the integration of the Kenan Business product set with the Company's existing software products; and (ii) the expansion of the Kenan Business product set to create an end-to-end solution for the Company's clients.

Several key clients (listed in alphabetical order) of the Kenan Business are as follows:

Mobile clients: AT&T Wireless, Belgacom Mobile (Proximus), BellSouth, Cegetel, Cingular, MobileOne, and Singapore Telecom.

Wireline telephony clients: AT&T, British Telecom, Cable & Wireless, Embratel (Brazil), France Telecom, NTT, and Singapore Telecom.

Advanced IP clients: AT&T WorldNet, Genuity, Level 3, NTT, and Telefonica Data (Brazil).

Cable and Satellite: Adelphia, BskyB, Casema, Saturn, Singapore Cablevision, Stream, UPC, and Videotron.

The Company has a multi-level support environment for its clients. Primary client support for the Kenan Business is provided in four regions: (i) North America; (ii) Europe/Middle East/Africa ("EMEA"); (iii) Asia Pacific ("APAC"); and (iv) Central/South America ("CALA"). These regional account management teams are supported by a centralized customer support organization located in the U.S. and a product support center, which operates 24 hours a day, seven days a week.

The Company's primary method of distribution for the Kenan Business is direct sales by employees assigned to four regions. The four regions and the principal sales office for each region are as follows: (i) North America (Denver); (ii) EMEA (London); (iii) APAC (Singapore); and (iv) CALA (Miami). In addition to the principal sales offices in each region, the Company has various sales offices located throughout the world. The Company believes its most significant competitors are Convergys Corporation, Portal Software, Inc., Amdocs LTD, and in-house systems. As the Company enters additional market segments, it expects to encounter additional competitors. 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.

Item 2. Properties

The Company leases four facilities, totaling approximately 170,000 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 2002 through 2010.

The Company leases six facilities, totaling approximately 317,000 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 2004 through 2011.

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

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

The Company believes that its facilities are adequate for its current needs and that additional suitable space will be available as required. The Company also believes that it will be able to extend leases as they terminate. See Note 8 to the Company's Consolidated Financial Statements for information regarding the Company's obligations under its facilities leases.

As part of the Kenan Acquisition, the Company assumed six facility leases from Lucent totaling approximately 291,000 square feet in the following locations: (i) Denver, Colorado; (ii) Washington, D.C.; (iii) Cambridge, Massachusetts; (iv) Munich, Germany; (v) London, England; and (vi) Paris, France. The Company is currently evaluating its longer-term plan for the use of these or alternate facilities in these and other locations. As part of its transition services from Lucent, the Company is leasing certain facilities from Lucent (both in the U.S. and foreign locations) for up to 180 days after the acquisition closing date during which time the Company will evaluate its longer-term facilities plan in these locations. The Company believes it has adequate space to operate the Kenan Business at this time and that it will be able to successfully migrate its business operations to a longer-term facilities plan without any significant business interruptions.

Item 3. Legal Proceedings

On March 13, 2002, AT&T Broadband notified the Company that AT&T is "considering" the initiation of arbitration against the Company relating to the AT&T Contract. The notice states that AT&T's decision whether to seek arbitration is subject to the parties exhausting the negotiation process specified in the AT&T Contract. That dispute resolution portion of the agreement calls for senior officers from each company to meet promptly and for a period of not less than 30 days in an effort to resolve the dispute. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussions 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 other material pending or threatened legal proceedings.

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

None.

***

Executive Officers of the Registrant

As of December 31, 2001, the executive officers of the Company were Neal C. Hansen (Chairman of the Board and Chief Executive Officer), John P. Pogge (President and Chief Operating Officer), Peter E. Kalan (Chief Financial Officer and Senior Vice President Finance), Edward C. Nafus (President, Broadband Services Division), William Fisher (President, Global Software Services Division) 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, 61, 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 that 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, 48, 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, 42, joined the Company in January 1997 and was named Chief Financial Officer in October 2000. Prior to joining the Company, 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, 61, joined the Company in August 1998 as Executive Vice President and was named President, Broadband Services Division in January 2002. 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 Bachelor of Science degree in Mathematics from Jamestown College.

Mr. Fisher, 55, joined the Company in September 2001 and was named President, Global Software Services Division in January 2002. In his role at the Company, Mr. Fisher leads the software development and product delivery initiatives of the Company's next generation products and also oversees international operations and professional services. Previously, Mr. Fisher was Chairman of plaNet Consulting, an e-business solutions and services group that the Company acquired in 2001. Prior to plaNet, Mr. Fisher served as Chairman and Chief Executive Officer for Transaction Systems Architects, Inc. (TSAI), and served 14 years in numerous roles including President and Chief Executive Officer of ACI, which was acquired by TSAI. Mr. Fisher also served as President of First Data Resources' government services division. Mr. Fisher holds a Bachelor's degree in Management from Indiana State University and a Master's degree in Business Administration from the University of Nebraska.

Mr. Abramson, 53, 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.

	High	Low
2001		
First quarter	$51.56	$35.72
Second quarter	63.30	37.06
Third quarter	59.01	40.37
Fourth quarter	42.01	30.76
	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

On March 22, 2002, the last sale price of the Company's Common Stock as reported by NASDAQ/NMS was $30.82 per share. On January 31, 2002, the number of holders of record of Common Stock was 304.

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 Notes 5 and 12 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)				
	Year ended December 31,				
	2001	2000	1999	1998	1997
	(in thousands, except per share amounts)				
Statements of Operations Data:					
Revenues:					
Processing and related services	$339,258	$294,809	$255,167	$191,802	$ 131,399
Software and professional services	137,650	104,086	66,995	44,838	40,405
Total revenues	476,908	398,895	322,162	236,640	171,804
Expenses:					
Cost of processing and related services(1)	121,983	107,022	95,706	82,198	73,148
Cost of software and professional services	54,032	44,515	36,415	25,048	16,834
Total cost of revenues	176,015	151,537	132,121	107,246	89,982
Gross margin (exclusive of depreciation)	300,893	247,358	190,041	129,394	81,822
Operating expenses:					
Research and development:					
Research and development	52,223	42,338	34,388	27,485	22,586
Charge for purchased research and development(3)	--	--	--	--	105,484
Impairment of capitalized software development costs(4)	--	--	--	--	11,737
Selling, general and administrative:					
Selling, general and administrative	51,527	46,970	40,142	34,769	29,583
Amortization of noncompete agreements and goodwill(1)	622	643	4,889	5,381	6,927
Impairment of intangible assets(5)	--	--	--	--	4,707
Stock-based employee compensation(1)	--	48	280	297	449
Depreciation	14,546	12,077	10,190	8,159	6,884
Total operating expenses	118,918	102,076	89,889	76,091	188,357
Operating income (loss)	181,975	145,282	100,152	53,303	(106,535)
Other income (expense):					
Interest expense	(3,038)	(5,808)	(7,214)	(9,771)	(5,324)
Interest and investment income, net	4,466	5,761	2,981	2,484	1,294
Other	39	(32)	10	(21)	349
Total other	1,467	(79)	(4,223)	(7,308)	(3,681)
Income (loss) before income taxes, extraordinary item and discontinued operations	183,442	145,203	95,929	45,995	(110,216)
Income tax (provision) benefit(6)	(69,521)	(54,734)	(36,055)	39,643	--
Income (loss) before extraordinary item and discontinued operations	113,921	90,469	59,874	85,638	(110,216)
Extraordinary loss from					

early extinguishment of debt(3)..................	--	--	--	--	(577)
Income (loss) from continuing operations......	113,921	90,469	59,874	85,638	(110,793)
Gain from disposition of discontinued operations(2)............	--	--	--	--	7,922
Net income (loss)...........	$113,921	$ 90,469	$ 59,874	$ 85,638	$(102,871)
Diluted net income (loss) per common share(7):					
Income (loss) available to common stockholders.......	$ 2.08	$ 1.60	$ 1.10	$ 1.62	$ (2.16)
Extraordinary loss from early extinguishment of debt......................	--	--	--	--	(.01)
Gain from discontinued operations................	--	--	--	--	.15
Net income (loss) available to common stockholders....	$ 2.08	$ 1.60	$ 1.10	$ 1.62	$ (2.02)
Weighted average diluted common shares.............	54,639	56,680	54,660	52,991	50,994

	Company(1)				
	Year ended December 31,				
	2001	2000	1999	1998	1997
	(in thousands)				
Other Data (at Period End):					
Number of clients' customers processed	43,283	35,808	33,753	29,461	21,146
Balance Sheet Data (at Period End):					
Cash, cash equivalents and short-term investments	$ 83,599	$ 43,733	$ 48,676	$ 39,593	$ 20,417
Working capital	80,789	81,317	32,092	7,050	3,518
Total assets(3)	374,046	332,089	274,968	271,496	179,793
Total debt(3)	31,500	58,256	81,000	128,250	135,000
Stockholders' equity (deficit)(1)(3)(4)(5)(6)	250,048	191,169	116,862	60,998	(33,086)

---

(1) The Company was formed in October 1994 and acquired all of the outstanding shares of CSG Systems, Inc., formerly Cable Services Group, Inc., from 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, cost of processing and related services included $10.6 million of amortization expense for acquired software from the CSG Acquisition. During 1999, 1998, and 1997 cost of processing and related services included $2.8 million, $3.0 million, and $4.0 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) 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.

(3) 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 assigned to purchased in-process research and development assets that were charged to expense at the date of acquisition 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.

(4) 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.

(5) 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.

(6) 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.

(7) On March 5, 1999, the Company completed a two-for-one stock split for shareholders of record on February 8, 1999. The split was effected as a stock dividend. Share and per share data for all periods presented herein have been adjusted to give effect to the split. 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 40% of the homes 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 global 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.

Business Acquisitions

Acquisition of plaNet Consulting, Inc. On September 18, 2001, the Company acquired 100% of the common stock of plaNet Consulting, Inc. ("plaNet"), a Delaware corporation, for $16.7 million in cash. plaNet, with over 100 employees located in Omaha, Nebraska and Denver, Colorado, provides e-business solutions and services to enable companies to transact business via the Internet and in real-time. At the date of acquisition, plaNet derived the majority of its revenues from consulting services. The Company acquired plaNet primarily to obtain its assembled management and consulting workforce to expand the Company's professional services capabilities. The results of operations of plaNet are included in the Company's Consolidated Statements of Income for the periods subsequent to the acquisition date. See Note 3 to the Company's Consolidated Financial Statements for additional discussion of the plaNet acquisition.

Acquisition of Lucent Technologies Inc. Billing and Customer Care Assets Subsequent to December 31, 2001. On December 21, 2001, the Company reached an agreement to acquire the billing and customer care assets of Lucent Technologies Inc. ("Lucent"). Lucent's billing and customer care business consists primarily of: (i) software products and related consulting services acquired by Lucent when it purchased Kenan Systems Corporation in 1999; (ii) BILLDATS Data Manager mediation software; (iii) software and related technologies developed by Lucent's Bell Laboratories; and (iv) elements of Lucent's sales and marketing organization (collectively, the "Kenan Business"). On February 28, 2002, the Company completed the acquisition (the "Kenan Acquisition").

The Kenan Acquisition is expected to have a significant impact on the Consolidated Financial Statements. Since the transaction closed subsequent to December 31, 2001, the Kenan Acquisition has not been considered in the Company's discussion of its financial condition and results of operations as of and for the year ended December 31, 2001. However, due to its significance to the Company's business, a discussion of the Kenan Acquisition and its anticipated impact on the Consolidated Financial Statements has been included in the final section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

Critical Accounting Policies

The preparation of the Consolidated Financial Statements in conformity with generally accepted accounting principles requires the Company to select appropriate company accounting policies, and to make judgements and estimates affecting the application of those accounting policies. In applying the Company's accounting policies, different business conditions or the use of different assumptions may result in materially different amounts reported in the Consolidated Financial Statements.

In response to the Securities and Exchange Commission's ("SEC") Release No. 33-8040, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies," the Company has identified the most critical accounting principles upon which the Company's financial status depends. The critical principles were determined by considering accounting policies that involve the most complex or subjective decisions or assessments. The most critical accounting principles identified relate to: (i) revenue recognition; (ii) software capitalization; (iii) intangible assets; and (iv) income taxes. These critical accounting policies and the Company's other significant accounting policies are disclosed in Notes 2 and 6 to the Company's Consolidated Financial Statements.

Revenue Recognition. The Company derives its revenues from primarily two sources: (i) processing and related services and (ii) software and professional services. The Company has historically generated over 70% of its revenues from providing processing and related services. The accounting for these revenues is relatively noncomplex and requires few judgements and estimates to be made in applying the applicable accounting literature. 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. Credit losses have historically been highly predictable because of the concentration of revenues with a small number of large, established companies.

The remainder of the Company's revenues has historically been earned by selling software products and performing professional consulting services. 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. The accounting for software revenues, especially when software is sold in a multiple-element arrangement, is more complex and requires judgement in applying the applicable accounting literature, primarily American Institute of Certified Public Accountants Statement of Position ("SOP") 97-2, "Software Revenue Recognition", SOP 98-9, "Software Revenue Recognition, With Respect to Certain Transactions" and Emerging Issues Task Force ("EITF") Issue No. 00-03, "Application of AICPA Statement of Position 97-2 to Arrangements that Include the Right to Use Software Stored on Another Entity's Hardware". Key judgmental matters considered in accounting for software and related services include: (i) the identification of the separate elements of the software arrangement and whether the undelivered elements are essential to the functionality of the delivered elements; (ii) the assessment of whether the Company's hosted service transactions meet the requirements of EITF Issue No. 00-03 to be treated as a separate element to the software arrangement; (iii) the determination of vendor-specific objective evidence of fair value for each element of the software arrangement; (iv) the assessment of whether the software fees are fixed or determinable; and (v) the assessment of whether services included in the software arrangement represent significant production, customization or modification of the software. The judgments made in these areas could have a significant effect on revenues recognized in any period by either: (i) deferring revenues over the contractual period; or (ii) recognizing revenues when the software is delivered.

The EITF is currently considering revenue recognition in multi-element arrangements in EITF Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables" and the Financial Accounting Standards Board is expected to begin work on a revenue recognition project in the near future. The conclusions reached in these proceedings, and subsequent interpretations of those conclusions, may impact the Company's significant revenue recognition judgements.

Software Capitalization. The Company expends substantial amounts on research and development, particularly for new software products or for enhancements of existing products. The Company expended $52.2 million, $42.3 million and $34.4 million for software research and development in 2001, 2000 and 1999, respectively. Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed", requires that the cost of developing software be expensed prior to establishing technological feasibility, and those costs be capitalized once technological feasibility has been established. The determination of whether a software product has achieved technological feasibility is, by its nature, highly subjective. This decision could significantly affect earnings during the development period by either: (i) capitalizing development costs; or (ii) expensing pre-technological feasibility research costs. Further, once capitalized, the developed software is amortized based upon the greater of:
(i) straight-line amortization; or (ii) expected product revenues. The determination of expected product revenues is highly judgmental. Finally, all long-lived assets (including capitalized software) must be assessed for impairment if facts and circumstances warrant such a review. Under the current standard, a long-lived asset is impaired if future undiscounted cash flows, without consideration of interest, are insufficient to recover the carrying amount of the long-lived asset. Once deemed impaired, even if by $1, the long- lived asset is written down to its fair value which could be considerably less than the carrying amount or future undiscounted cash flows. The determination of future cash flows and, if required, fair value of a long-lived asset is by its nature, a highly subjective judgment.

Intangible Assets. The Company frequently obtains intangible assets either individually (for example, contract acquisition costs) or in connection with a basket purchase (for example, in a business combination). The assignment of value to individual intangible assets generally requires the use of specialist, such as an appraiser. The assumptions used in the appraisal process are forward-looking, and thus subject to significant interpretation. Because individual intangible assets: (i) may be expensed immediately upon acquisition (for example, purchased in-process research and development assets); (ii) amortized over their estimated useful life (for example, acquired software); or (iii) not amortized (for example, goodwill), the assigned values could have a material affect on current and future period results of operations. Further, intangible assets are subject to the same judgments when evaluating impairment as discussed above for capitalized software.

Income Taxes. The Company is required to estimate its income taxes in each jurisdiction in which it operates. This process requires the Company to estimate the actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as purchased research and development costs, for tax and accounting purposes. These temporary differences result in deferred tax assets and liabilities on the Company's Consolidated Balance Sheets. The Company must then assess the likelihood that the deferred tax assets will be recovered from future taxable income, and to the extent recovery is not likely, must establish a valuation allowance. As of December 31, 2001, the Company had a net deferred tax asset of $45.9 million, which represented approximately 12.3% of total assets. Management believes that sufficient taxable income will be generated in the future to realize the entire benefit of the Company's deferred tax assets. The Company's assumptions of future profitable operations are supported by the Company's strong operating performances over the last several years and the Company's long-term customer care and billing system processing contracts.

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,					
	2001		2000		1999	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
			(in thousands)			
Revenues:						
Processing and related services	$339,258	71.1%	$294,809	73.9%	$255,167	79.2%
Software and professional services	137,650	28.9	104,086	26.1	66,995	20.8
Total revenues	476,908	100.0	398,895	100.0	322,162	100.0
Expenses:						
Cost of processing and related services	121,983	25.6	107,022	26.8	95,706	29.7
Cost of software and professional services	54,032	11.3	44,515	11.2	36,415	11.3
Total cost of revenues	176,015	36.9	151,537	38.0	132,121	41.0
Gross margin (exclusive of depreciation)	300,893	63.1	247,358	62.0	190,041	59.0
Operating expenses:						
Research and development	52,223	11.0	42,338	10.6	34,388	10.7
Selling, general and administrative:						
Selling, general and administrative	51,527	10.8	46,970	11.8	40,142	12.4
Amortization of noncompete agreements and goodwill	622	.1	643	.2	4,889	1.5
Stock-based employee compensation	--	--	48	--	280	.1
Depreciation	14,546	3.1	12,077	3.0	10,190	3.2
Total operating expenses	118,918	25.0	102,076	25.6	89,889	27.9
Operating income	181,975	38.1	145,282	36.4	100,152	31.1
Other income (expense):						
Interest expense	(3,038)	(.6)	(5,808)	(1.4)	(7,214)	(2.2)
Interest and investment income, net	4,466	.9	5,761	1.4	2,981	.9
Other	(39)	--	(32)	--	10	--
Total other	1,467	.3	(79)	--	(4,233)	(1.3)
Income before income taxes	183,442	38.4	145,203	36.4	95,929	29.8
Income tax provision	(69,521)	(14.6)	(54,734)	(13.7)	(36,055)	(11.2)
Net income	$113,921	23.8%	$ 90,469	22.7%	$ 59,874	18.6%

Twelve Months Ended December 31, 2001 Compared to Twelve Months Ended December 31, 2000.

Revenues. Total revenues increased $78.0 million, or 19.6%, to $476.9 million in 2001, from $398.9 million in 2000.

Revenues from processing and related services increased $44.4 million, or 15.1%, to $339.3 million in 2001, from $294.8 million in 2000. Of the total increase in revenue, approximately 85% was due to the Company serving a higher number of customers for its clients and approximately 15% was due to increased revenue per customer. Customers served were as follows (in thousands):

	As of December 31,		
	2001	2000	Change
Video	39,316	33,310	6,006
Internet	3,835	1,984	1,851
Telephony	132	514	(382)
Total	43,283	35,808	7,475

The increase in the number of video and Internet 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. The decrease in the number of telephony customers served was due to the deconversion of AT&T's wireline telephony customers in 2001. During 2001, the Company converted and processed approximately 6.1 million new customers on its systems. As of December 31, 2001, the Company had approximately 0.3 million customers scheduled to be converted onto its processing system during the next twelve months.

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

	For the years ended December 31,		
	2001	2000	Change
Video Account	$8.68	$8.42	3.1%
Internet Account	4.40	5.05	(12.9%)

The increase in processing revenue per account relates primarily to: (i) changes in the usage of ancillary services by clients; (ii) the introduction of new products and services and the clients use of these products and services; and (iii) price changes included in client contracts (e.g., price escalators for inflationary factors, tiered pricing, etc.). The decrease in processing revenues per Internet account is due primarily to the ability of Internet clients to spread their processing costs, some of which are fixed in nature, across a larger customer base.

Revenues from software and professional services increased $33.6 million, or 32.2% to $137.6 million in 2001, from $104.1 million in 2000. 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 demand for the Company's existing software products and services to meet the changing needs of the Company's client base. The Company has been experiencing an increased demand from its client base to sell its software products on an "expanded" license basis rather than on a per-seat license basis. Subject to certain and varying conditions, expanded licenses give the clients the right to use an unlimited number of seats of the Company's software products.

Cost of Processing and Related Services. Processing costs as a percentage of related revenues were 36.0% for 2001, compared to 36.3% for 2000. The costs as a percentage of related revenues remained relatively unchanged between years as the Company continues to: (i) focus on cost controls and cost reductions within its core processing business; and (ii) experience better overall leveraging of its processing costs as a result of the continued growth of the customer base processed on the Company's systems.

Cost of Software and Professional Services. The cost of software and professional services as a percentage of related revenues was 39.3% for 2001, compared to 42.8% for 2000. The improvement between periods relates primarily to better overall leveraging of costs as a result of higher software and professional services revenues for the year.

Gross Margin. Overall gross margin increased $53.5 million, or 21.6%, to $300.9 million in 2001, from $247.4 million in 2000, due primarily to revenue growth. The overall gross margin as a percentage of total revenues increased to 63.1% in 2001, compared to 62.0% in 2000. 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.

Research and Development Expense. R&D expense increased $9.9 million, or 23.3%, to $52.2 million in 2001, from $42.3 million in 2000. As a percentage of total revenues, R&D expense increased to 11.0% in 2001, from 10.6% in 2000. The Company did not capitalize any software development costs during 2001 and 2000.

The overall increase in the R&D expenditures between periods is due primarily to increased efforts on several products that are in development and enhancements of the Company's existing products. The Company's development efforts for 2001 were focused primarily on the development of products to:

. address the international customer care and billing system market;

. 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, and interactive services (e.g., video-on-demand).

The Company expects its development efforts to focus on similar tasks in 2002 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 $4.5 million, or 9.7%, to $51.5 million in 2001, from $47.0 million in 2000. The increase in SG&A expense relates primarily to sales and administrative costs to support the Company's overall growth, its international business expansion and its merger and acquisition activities. As a percentage of total revenues, SG&A expense decreased to 10.8% in 2001, from 11.8% in 2000.

Amortization of Noncompete Agreements and Goodwill. Amortization of noncompete agreements and goodwill remained relatively unchanged between years and represents amortization expense on goodwill acquired prior to July 1, 2001. Due to a change in accounting rules, the amortization of goodwill resulting from any acquisitions occurring after June 30, 2001, will cease. See Note 2 to the Company's Consolidated Financial Statements for additional discussion of the financial accounting and reporting for acquired goodwill.

Depreciation Expense. Depreciation expense increased $2.5 million, or 20.4%, to $14.5 million in 2001, from $12.1 million in 2000. The increase in expense relates to capital expenditures made throughout 2001 and 2000 in support of the overall growth of the Company. Capital expenditures for 2001 were $20.4 million, compared to $22.2 million in 2000, 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 $182.0 million for 2001, or 38.1% of total revenues, compared to $145.3 million for 2000, or 36.4% of total revenues. The increase between years relates to the factors discussed above.

Interest Expense. Interest expense decreased $2.8 million, or 47.7%, to $3.0 million in 2001, from $5.8 million in 2000, with the decrease attributable primarily to scheduled principal payments on the Company's long-term debt and a decrease in interest rates. The balance of the Company's long-term debt as of December 31, 2001, was $31.5 million, compared to $58.3 million as of December 31, 2000, a decrease of $26.8 million.

Interest and Investment Income, Net. Interest and investment income, net, decreased $1.3 million, or 22.5%, to $4.5 million in 2001, from $5.8 million in 2000, with the decrease attributable primarily to the Company recording a charge of $0.7 million for an "other-than-temporary" decline in market value for a short-term investment and due to a decrease in returns on short-term investments.

Income Tax Provision. The Company recorded an income tax provision of $69.5 million in 2001, or an effective income tax rate of approximately 38%. The Company's effective income tax rate for 2000 was also approximately 38%. As of December 31, 2001, 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, 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 80% was due to the Company serving a higher number of customers for its clients and approximately 20% was due to increased revenue per customer. Customers served were as follows (in thousands):

	As of December 31,		
	2000	1999	Change
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.

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

	For the years ended December 31,		
	2000	1999	Change
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 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 that 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, and interactive services (e.g., video-on-demand); and

. address the international customer care and billing system market.

Selling, General and Administrative Expense. SG&A expense increased $6.8 million, or 17.0%, to $47.0 million 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, Net. Interest and investment income, net, 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%.

Financial Condition, Liquidity and Capital Resources

As of December 31, 2001, the Company's principal sources of liquidity included cash, cash equivalents, and short-term investments of $83.6 million and a revolving credit facility with a bank in the amount of $40.0 million, of which there were no borrowings outstanding as of December 31, 2001. During 2000, the Company began investing its excess cash balances in various short- term investments (principally commercial paper). 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, 2001, 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, 2001 and 2000 was $80.8 million and $81.3 million, respectively.

As of December 31, 2001 and 2000, the Company had $92.4 million and $128.9 million, respectively, in net billed trade accounts receivable, a decrease of $36.5 million. The decrease relates primarily to a large receivable from a software transaction that was outstanding at December 31, 2000. The payment terms on this transaction were scheduled three weeks across yearend to assist the client in its capital planning. 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 (primarily postage, 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 52 days for both the quarter and year ended December 31, 2001 compared to 72 days and 61 days for the quarter and year ended December 31, 2000, respectively. The decrease in fourth quarter and annual DBOs between years relates primarily to the large decrease in the December 31, 2001 net billed accounts receivable, for the reason stated above.

As of December 31, 2001 and 2000, respectively, the Company had $12.5 million and $4.3 million of unbilled trade receivables. The increase in the unbilled trade receivables between periods relates primarily to the timing of billings on items for which revenue has been recognized as of December 31, 2001. Approximately $7.7 million of the December 31, 2001 unbilled trade receivables balance will be billed in the first quarter of 2002, and is scheduled to be collected early in the second quarter of 2002. The majority of the remaining unbilled trade receivables balance relates to recurring unbilled amounts for postage due to monthly billing cutoffs.

The Company's net cash flows from operating activities for the years ended December 31, 2001, 2000 and 1999 were $180.1 million, $66.8 million and $102.1 million, respectively. The increase of $113.3 million, or 169.7%, between 2001 and 2000 relates to an increase in the net changes in operating assets and liabilities of $76.0 million and a $37.3 million increase in net cash flows from operations. The increase in the net changes in operating assets and liabilities relates primarily to the Company's agreement to extend the payment terms on a large software transaction three weeks across its 2000 yearend. Factoring out the impact of scheduling this payment across yearend, the net cash flows from operating activities for the years ended December 31, 2001 and 2000 would have been $142.8 million and $104.1 million, respectively. The decrease in net cash flows from operating activities 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 $62.4 million, offset by a $27.1 million increase in net cash flows from operations.

The Company's net cash flows used in investing activities for the years ended December 31, 2001, 2000 and 1999 were $87.3 million, $34.8 million and $36.7 million, respectively. The increase of $52.5 million, or 150.6% between 2001 and 2000 relates primarily to the acquisition of plaNet Consulting for $16.7 million and an increase in net purchases of short-term investments of $30.9 million. The decrease of $1.9 million, or 5.1%, between 2000 and 1999 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 financing activities for the years ended December 31, 2001, 2000 and 1999 were $95.2 million, $47.4 million, and $56.1 million, respectively. The increase of $47.8 million, or 100.9%, between 2001 and 2000 relates primarily to an increase in stock repurchases of $58.4 million, as discussed below. The increase is offset by an increase in the proceeds from the exercise of stock options and warrants of $14.7 million. The decrease between 2000 and 1999 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.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") for 2001 was $203.9 million, or 42.7% of total revenues, compared to $164.0 million, or 41.1% of total revenues, for 2000. 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.

The balance of the Company's long-term debt as of December 31, 2001 was $31.5 million, compared to $58.3 million as of December 31, 2000, a decrease of $26.8 million. 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, 2001, the spread on the LIBOR rate and prime rate was 0.50% and 0%, respectively. The remaining principal balance of the Company's existing long-term debt was refinanced subsequent to yearend in conjunction with the Kenan Acquisition.

In August 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. In September 2001, the Board of Directors amended the program to authorize the Company to purchase up to a total of 10.0 million shares. During 2001 and 2000, the Company repurchased 3.0 million shares (including the 2.0 million shares repurchased as part of the AT&T warrant exercise discussed below) and 1.1 million shares for $109.5 million and $51.1 million, respectively. The repurchased shares are held as treasury shares. As of December 31, 2001, the shares repurchased under the Company's stock repurchase program totaled 4.8 million shares at a total cost of $180.8 million (weighted-average price of $37.94 per share). See Note 9 to the Company's Consolidated Financial Statements for additional discussion of the stock repurchase program.

On February 28, 2001, AT&T exercised its rights under a warrant agreement to purchase 2.0 million shares of the Company's Common Stock at an exercise price of $12.00 per share, for a total exercise price of $24.0 million. Immediately following the exercise, 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.

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. Except for the Company's commitments related to the Kenan Acquisition as discussed below, the Company had no significant capital commitments as of December 31, 2001. 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.

The SEC has recently recommended that registrants present aggregated information about their contractual obligations and commercial commitments as of the latest balance sheet date in a single location in Management's Discussion and Analysis of Financial Condition and Results of Operations. The Company's material contractual obligations and commercial agreements consist primarily of long-term debt and operating leases/service agreements, as discussed in Notes 5 and 8, respectively, to the Company's Consolidated Financial Statements. The Company believes these disclosures are concisely presented in these notes, and therefore, separate disclosure in a single table here is not necessary.

See the section titled "Significant Business Acquisition Subsequent to December 31, 2001" below for a discussion of the expected impact on the Company's financial condition, liquidity and capital resources of a material business acquisition that closed on February 28, 2002.

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, 2001, 2000 and 1999, revenues from AT&T Broadband and affiliated companies ("AT&T") represented approximately 55.8%, 50.4% and 50.5% of total Company revenues, respectively. The increase in the percentage between periods relates primarily to AT&T's customer growth and the timing and the amount of software and services purchased by AT&T. 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, it would have a material impact on the Company's future 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. In the arbitration demand, AT&T: (i) claimed that the Company had failed to fulfill certain of its obligations under the contract with respect to telephony software and services; (ii) 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 (iii) claimed that the Company had breached the Most Favored Nation clause of the agreement.

On October 10, 2000, AT&T agreed to dismiss 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 was

included in the exhibits to the Company's September 30, 2000 Report on Form 10-Q, and some of the contract terms, as amended, are summarized below. See the Company's 2000 Annual Report on Form 10-K for additional discussion of the Demand for Arbitration.

AT&T Considering the Initiation of Arbitration. On March 13, 2002, AT&T Broadband notified the Company that AT&T is "considering" the initiation of arbitration against the Company relating to the AT&T Contract.

The letter states that AT&T's decision whether to seek arbitration is subject to the parties exhausting the negotiation process specified in the AT&T Contract. That dispute resolution portion of the agreement calls for senior officers from each company to meet promptly and for a period of not less than 30 days in an effort to resolve the dispute.

AT&T stated that any action to terminate the AT&T Contract would be based upon the following claims. First, AT&T claims that the Company has failed to provide bundled or aggregated billing services, including the Company's breach of its obligation to provide telephony billing when required to do so under the AT&T Contract. Second, the letter states that the Company has not cooperated with AT&T in utilizing another vendor to provide aggregated billing services, as well as the Company's improper assertion of its exclusivity rights. Third, the letter claims that the Company has breached the Most Favored Nations clause of the AT&T Contract.

The letter further states that should a negotiated resolution not be achieved, AT&T could elect to seek a declaration that it is entitled to terminate the AT&T Contract on the fifth anniversary of the contract which is August 10, 2002.

The Company denies that it is in breach of the AT&T Contract. As of the date of this filing, discussions were ongoing with AT&T in an effort to resolve the dispute. It is impossible to predict at this time when or how any resolution will be forthcoming. Should AT&T be successful in its claims, or in terminating the AT&T Contract in whole or in part, it would have a material adverse effect on the financial condition of the Company and its overall future operations.

While the substance of the negotiations between the Company and AT&T are not being made public at this time, readers are strongly encouraged to review frequently the Company's filings with the SEC as well as all public announcements from the Company relating to the dispute between the companies. This is of particular importance as the resolution of the dispute is highly in flux as of the date of this filing.

Contract Rights and Obligations (as amended). The AT&T Contract expires in 2012. The AT&T Contract has minimum financial commitments (based upon processing 13 million wireline video customers) 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. During the fourth quarter of 2000, the Company relinquished its exclusive rights to process AT&T's wireline telephony customers, and those AT&T customers were fully converted to another service provider by the end of 2001. The Company does not expect the loss of these customers to have a material impact on the Company's future results of operations.

Effective April 2001, the Company amended its agreement with AT&T giving the Company certain additional contractual rights to continue processing, for a minimum of one year, customers that AT&T may divest. These new rights are co- terminus with and are in addition to the existing minimum processing commitments the Company has with AT&T through 2012. Any such divestitures to a third party would not: (i) relieve AT&T of its minimum processing commitments;
(ii) impact the Company's exclusivity rights under the AT&T Contract; or (iii) impact the term of the AT&T Contract.

On December 19, 2001, AT&T and Comcast Corporation ("Comcast") announced that their board of directors approved a definitive agreement to combine AT&T Broadband with Comcast. Under the reported terms of the definitive agreement, AT&T will spin off AT&T Broadband and simultaneously merge it with Comcast,

forming a new company to be called AT&T Comcast Corporation. It is premature at this time to speculate what impact this transaction will have on the Company's operations, if any. The Company believes the AT&T Contract would remain in effect in the event there is a change in control of AT&T Broadband.

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 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 the 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. As a result of two separate technical audits, the Company believes that it is in compliance with the AT&T Contract's technical audit requirements.

The Company expects to continue 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 adverse impact on the Company's results of operations.

A copy of the AT&T Contract and all subsequent amendments are included in the Company's exhibits to its periodic public filings with the SEC. These documents are available on the Internet and the Company encourages readers to review those documents for further details.

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 had long-term debt of $31.5 million as of December 31, 2001. 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, 2001, the spread on the LIBOR rate and prime rate was 0.50% and 0%, respectively. As of December 31, 2001, the debt was under two LIBOR contracts, with a weighted average interest rate of 2.73% (i.e., LIBOR at 2.23% 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 5 to the Consolidated Financial Statements for additional description of the long-term debt and scheduled principal payments.

The Company utilizes a derivative financial instrument to manage its interest rate risk from the variable rate features of its long-term debt. 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 $16.4 million as of December 31, 2001, 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, 2001, and the collar and the cap agreements had no effect on the Company's interest expense for 2001, 2000, or 1999. At December 31, 2001, the fair value of the cap agreement is insignificant.

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, CSG International Limited ("CSGI"). CSGI's transactions are executed primarily within the UK and generally are denominated in British pounds and U.S. dollars. 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 and certain transactions are denominated in U.S. dollars. 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.

See the section titled "Significant Business Acquisition Subsequent to December 31, 2001" below for a discussion of the expected impact on the Company's market risk of a material business acquisition that closed on February 28, 2002.

Significant Business Acquisition Subsequent to December 31, 2001

Description of Business. On December 21, 2001, the Company reached an agreement to acquire the billing and customer care assets of Lucent Technologies Inc. ("Lucent"). Lucent's billing and customer care business consists primarily of: (i) software products and related consulting services acquired by Lucent when it purchased Kenan Systems Corporation in 1999; (ii) BILLDATS Data Manager mediation software; (iii) software and related technologies developed by Lucent's Bell Laboratories; and (iv) elements of Lucent's sales and marketing organization (collectively, the "Kenan Business"). On February 28, 2002, the Company completed the acquisition (the "Kenan Acquisition").

The Kenan Business is a global provider of convergent billing and customer care software and services that enable communications service providers to bill their customers for a wide variety of existing and next-generation services, including mobile, Internet, wireline telephony, cable, satellite, and energy and utilities, all on a single invoice. The software supports multiple languages and currencies. The Kenan Business' primary product offerings include: (i) Arbor/BP (a core convergent billing platform); (ii) Arbor/OM (an order management platform); and (iii) BILLDATS Data Manager (a billing mediation software product). Historically, a significant portion of Kenan Business revenues have been generated outside the United States.

As a result of the Kenan Acquisition, the Company has: (i) added proven products to the Company's product suite; (ii) added international infrastructure in Europe, Asia Pacific and Latin America; (iii) diversified its customer base by adding over 230 customers in more than 40 countries; (iv) diversified its product offerings to encompass all segments of the communications market, including Internet Protocol, mobile, wireline telephony, cable, and satellite; (v) acquired solid relationships with leading systems integrators worldwide; and (vi) gained the opportunity to leverage the Company's software solutions into the Kenan Business' diverse customer base. In connection with the Kenan Acquisition, the Company has reorganized its business into two segments: the Global Software Services Division and the Broadband Services Division.

The results of Kenan Business' operations will be included in the Company's Consolidated Financial Statements from March 1, 2002 forward.

Acquisition Price. At closing on February 28, 2002, the aggregate purchase price was approximately $263 million in cash, which may be adjusted based upon the results of an audit of the Kenan Business' net assets as of closing, plus estimated transaction costs of approximately $5 million. Based on preliminary estimates of the unaudited net assets acquired, the Company is currently estimating the purchase price premium to be in the range of $225 million to $250 million. The Company is in the process of obtaining third-party valuations of certain intangible assets, thus the allocation of the purchase price is subject to refinement. Based on preliminary valuation reports from the third parties, the Company expects the purchase price premium to be allocated as follows: (i) acquired software--20% to 22%; (ii) acquired contracts--2% to 3%; (iii) purchased in-process research and development assets to be charged to expense at the date of acquisition--8% to 9%; and (iv) goodwill--66% to 70%.

Credit Facilities. On February 28, 2002, CSG Systems, Inc., a wholly-owned subsidiary of the Company, closed on a $400 million senior secured credit facility (the "Senior Facility") with a syndicate of banks, financial institutions and other entities. The proceeds of the Senior Facility will be used: (i) to fund the Kenan Acquisition; (ii) pay related fees and expenses;
(iii) refinance existing indebtedness; and (iv) provide financing for general corporate purposes. The Senior Facility consists of a $100 million, five-year revolving credit facility (the "Revolver"), a $125 million, five-year Tranche A Term Loan, and a $175 million, six-year Tranche B Term Loan. Upon closing of the Kenan Acquisition, the entire amounts of the Tranche A Term Loan and Tranche B Term Loan were drawn down. The Senior Facility is guaranteed by the Company and each of the Company's direct and indirect domestic subsidiaries.

The interest rates for the Senior Facility are chosen at the option of the Company and are based on a base rate or LIBOR rate, plus an applicable margin. The base rate represents the higher of the floating prime rate for domestic commercial loans and a floating rate equal to 50 basis points in excess of the Federal Funds Effective Rate. The applicable margins for the Tranche B Loan is 1.50% for base rate loans and 2.75% for LIBOR loans. As of February 28, 2002, the applicable margins for the Revolver and the Tranche A Loan were 1.25% for base rate loans and 2.50% for LIBOR loans. After September 30, 2002, the applicable margins for the Revolver and the Tranche A Loan will be dependent upon the Company's leverage ratio and will range from 0.75% to 1.50% for base rate loans and 2.00% to 2.75% for LIBOR loans. As of February 28, 2002, the base rate was 4.75%, and the LIBOR rate was 1.87% for one-month and 1.90% for 3-month LIBOR contracts. The Company pays a commitment fee equal to 0.50% per annum on the average daily unused portion of the Revolver, which rate after September 30, 2002 is subject to reduction to 0.375% once the Company achieves a certain leverage ratio.

The Senior Facility is collateralized by substantially all of the Company's domestic tangible and intangible assets and the stock of the Company's domestic subsidiaries. The Senior Facility requires maintenance of certain financial ratios, including: (i) a leverage ratio; (ii) an interest coverage ratio; and (iii) a fixed charge coverage ratio. The Senior Facility contains other restrictive covenants, including: (i) restrictions on additional indebtedness; (ii) cash dividends and other payments related to the Company's capital stock; and (iii) capital expenditures and investments. The Senior Facility also requires that CSG Systems, Inc. assets and liabilities remain separate from the assets and liabilities of the remainder of the Company's consolidated operations, including the maintenance of separate deposit and other bank accounts.

The original combined scheduled maturities of the Tranche A Loan and the Tranche B Loan are: 2002--$15.4 million; 2003--$20.5 million; 2004--$25.2 million; 2005--$31.4 million; 2006--$33.0 million; 2007--$132.9 million; and 2008--$41.6 million. The Senior Facility has no prepayment penalties and requires mandatory prepayments if certain events occur, including: (i) the sale or issuance of the Company's common stock; (ii) the incurrence of certain indebtedness; (iii) the sale of assets except in the ordinary course of business; (iv) the termination of material processing services contracts; and
(v) the achievement of a certain level of excess cash flows (as defined in the Senior Facility).

On March 21, 2002, the Company made a $30.0 million prepayment on the Senior Facility.

In conjunction with the Senior Facility, the Company incurred financing costs totaling approximately $10 million, which will be amortized to interest expense over the related term of the Senior Facility.

The Kenan Acquisition will result in a significant change to the Company's Consolidated Financial Statements, to include impacts on liquidity, capital resources and results of operations. Key items are as follows:

. The acquisition will change the manner in which the Company manages its business. The Company will now operate using two business segments: the Global Software Services Division and the Broadband Services Division.

. As a result of the acquisition, the Company expects to incur significant one-time charges, to include: (i) purchased in-process research and development costs as discussed above; (ii) costs to integrate the Kenan Business; and (iii) significant costs to exit current contracts or activities.

. The Company expects to continue to sell its software products based upon multiple measures of capacity, using both perpetual and term licensing arrangements.

. The acquisition is expected to increase the Company's effective income tax rate, especially in the near term as the Company develops and implements its international tax structure.

. The acquisition is expected to have a significant impact on the manner in which the Company manages its exposure to market risks (interest rates and foreign currency exchange rates). As a result, the Company expects to implement a formal corporate market risk management program that may include the use of interest rate and foreign currency hedge instruments.

. The acquisition is expected to change the principal concentration of credit risk related to accounts receivables, as the Company moves from having its primary counterparties being large, established companies located in the United States, to being a wide range of clients located primarily in North America, Central and South America, Europe/MiddleEast/Africa and Asia-Pacific. Such changes in the client base may adversely impact the Company's DBO.

. As discussed above, the acquisition has had a significant impact on the Company's long-term debt, to include the amount of interest expense expected to be incurred in the future (estimated to be approximately $13.0 million in 2002 based upon February 28, 2002 LIBOR rates and factoring in the $30.0 million debt prepayment made on March 21, 2002), and the debt covenants the Company must operate under. One debt covenant under the new credit facilities would restrict the amount of Common Stock the Company can purchase under its stock repurchase program.

On March 14, 2002, the Company filed a Form 8-K related to the Kenan Acquisition. On or about May 13, 2002, the Company will file a Form 8-K/A that will include historical audited financial statements of the acquired net assets and operations of the Kenan Business and unaudited pro forma financial information.

Item 8. Financial Statements and Supplementary Data

CSG SYSTEMS INTERNATIONAL, INC.

CONSOLIDATED FINANCIAL STATEMENTS

INDEX

Report of Independent Public Accountants 33
Consolidated Balance Sheets as of December 31, 2001 and 2000 34
Consolidated Statements of Income for the Years Ended December 31, 2001, 2000 and 1999 35
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2001, 2000 and 1999 36
Consolidated Statements of Cash Flows for the Years Ended December 31, 2001, 2000 and 1999 37
Notes to Consolidated Financial Statements 38

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, 2001 and 2000, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. 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, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen llp

Omaha, Nebraska,
February 28, 2002

CSG SYSTEMS INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	December 31, 2001	December 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 30,165	$ 32,751
Short-term investments	53,434	10,982
Total cash, cash equivalents and short-term investments	83,599	43,733
Accounts receivable--		
Trade--		
Billed, net of allowance of $6,310 and $5,001	92,418	128,902
Unbilled	12,541	4,306
Other	1,716	1,259
Deferred income taxes	5,549	3,247
Other current assets	8,676	7,507
Total current assets	204,499	188,954
Property and equipment, net	42,912	36,630
Software, net	3,387	4,284
Goodwill, net	13,461	1,894
Client contracts, net	67,012	52,368
Deferred income taxes	40,394	47,331
Other assets	2,381	628
Total assets	$374,046	$332,089
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 31,500	$ 25,436
Client deposits	14,565	12,391
Trade accounts payable	11,408	14,850
Accrued employee compensation	19,326	19,147
Deferred revenue	9,850	8,172
Accrued income taxes	17,215	15,633
Other current liabilities	19,846	12,008
Total current liabilities	123,710	107,637
Non-current liabilities:		
Long-term debt, net of current maturities	--	32,820
Deferred revenue	288	463
Total non-current liabilities	288	33,283
Commitments and contingencies (Note 8)		
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; 9,414,623 and 11,840,333 shares reserved for common stock warrants, employee stock purchase plan and stock incentive plans; 52,663,852 and 52,530,203 shares outstanding	575	543
Common stock warrants; zero and 2,000,000 warrants issued and outstanding	--	17,430
Additional paid-in capital	252,221	180,750
Treasury stock, at cost, 4,850,986 and 1,830,986 shares	(180,958)	(71,497)
Accumulated other comprehensive income (loss):		
Foreign currency translation	(792)	(654)
Unrealized gain (losses) on short-term investments, net of tax	134	(350)
Accumulated earnings (deficit)	178,868	64,947
Total stockholders' equity	250,048	191,169
Total liabilities and stockholders' equity	$374,046	$332,089

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,		
	2001	2000	1999
Revenues:			
Processing and related services	$339,258	$294,809	$255,167
Software and professional services	137,650	104,086	66,995
Total revenues	476,908	398,895	322,162
Expenses:			
Cost of processing and related services	121,983	107,022	95,706
Cost of software and professional services	54,032	44,515	36,415
Total cost of revenues	176,015	151,537	132,121
Gross margin (exclusive of depreciation)	300,893	247,358	190,041
Operating expenses:			
Research and development	52,223	42,338	34,388
Selling, general and administrative:			
Selling, general and administrative	51,527	46,970	40,142
Amortization of noncompete agreements and goodwill	622	643	4,889
Stock-based employee compensation	--	48	280
Depreciation	14,546	12,077	10,190
Total operating expenses	118,918	102,076	89,889
Operating income	181,975	145,282	100,152
Other income (expense):			
Interest expense	(3,038)	(5,808)	(7,214)
Interest and investment income, net	4,466	5,761	2,981
Other	39	(32)	10
Total other	1,467	(79)	(4,223)
Income before income taxes	183,442	145,203	95,929
Income tax provision	(69,521)	(54,734)	(36,055)
Net income	$113,921	$ 90,469	$ 59,874
Basic net income per common share:			
Net income available to common stockholders	$ 2.15	$ 1.73	$ 1.16
Weighted average common shares	52,891	52,204	51,675
Diluted net income per common share:			
Net income available to common stockholders	$ 2.08	$ 1.60	$ 1.10
Weighted average diluted common shares	54,639	56,680	54,660

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, 2001, 2000 and 1999
(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 Gains (Losses) on Short-Term Investments	Accumulated Earnings (Deficit)
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.......	1000	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
Comprehensive income:									
Net income......	--	--	--	--	--	--	--	--	113,921
Reclassification adjustment for loss included in net income (net of tax benefit of $199)..........	--	--	--	--	--	--	--	335	--
Unrealized gains on short-term investments (net of tax provision of $19)...........	--	--	--	--	--	--	--	149	--
Foreign currency translation adjustments....	--	--	--	--	--	--	(138)	--	--
Comprehensive income.........	--	--	--	--	--	--	--	--	--
Repurchase of common stock...	(3,020)	--	--	--	--	(109,461)	--	--	--
Exercise of stock options..	1,118	12	--	15,704	--	--	--	--	--
Exercise of stock warrants.......	2,000	20	(17,430)	41,410	--	--	--	--	--
Purchase of common stock pursuant to employee stock purchase plan..	36	--	--	1,276	--	--	--	--	--
Tax benefit of stock options exercised......	--	--	--	13,081	--	--	--	--	--
BALANCE, December 31, 2001..........	52,664	$575	$ --	$252,221	$ --	$(180,958)	$(792)	$ 134	$ 178,868

	Total Stockholders' Equity
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
Comprehensive income:	
Net income......	--
Reclassification adjustment for loss included in net income (net of tax benefit of $199)..........	--
Unrealized gains on short-term investments (net of tax provision of $19)...........	--
Foreign currency translation adjustments....	--
Comprehensive income.........	114,267
Repurchase of common stock...	(109,461)
Exercise of stock options..	15,716
Exercise of stock warrants.......	24,000
Purchase of common stock pursuant to employee stock purchase plan..	1,276
Tax benefit of stock options exercised......	13,081

BALANCE, December 31, 2001...........	$250,048
	=============

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,		
	2001	2000	1999
Cash flows from operating activities:			
Net income	$113,921	$ 90,469	$59,874
Adjustments to reconcile net income to net cash provided by operating activities--			
Depreciation	14,546	12,077	10,190
Amortization	10,000	7,313	15,026
Loss on short-term investments	724	--	--
Deferred income taxes	8,576	4,450	6,373
Tax benefit of stock options exercised	13,081	9,358	4,831
Stock-based employee compensation	--	48	280
Changes in operating assets and liabilities:			
Trade accounts and other receivables, net	29,249	(57,809)	(12,255)
Other current and noncurrent assets	(3,408)	(4,709)	(633)
Accounts payable and accrued liabilities	(6,778)	5,567	18,365
Net cash provided by operating activities	180,091	66,764	102,051
Cash flows from investing activities:			
Purchases of property and equipment	(20,417)	(22,173)	(12,003)
Purchase of short-term investments	(106,337)	(11,543)	--
Proceeds from sale of short-term investments	63,861	--	--
Acquisition of assets and business, net of cash acquired	(17,750)	--	--
Acquisitions of and investments in client contracts	(6,623)	(1,100)	(24,692)
Net cash used in investing activities	(87,266)	(34,816)	(36,695)
Cash flows from financing activities:			
Proceeds from issuance of common stock	16,991	14,324	10,934
Proceeds from exercise of stock warrants	24,000	12,000	--
Repurchase of common stock	(109,461)	(51,081)	(20,242)
Payments on notes receivable from employee stockholders	--	110	454
Payments on long-term debt	(26,756)	(22,744)	(47,250)
Net cash used in financing activities	(95,226)	(47,391)	(56,104)
Effect of exchange rate fluctuations on cash	(185)	(482)	(169)
Net increase (decrease) in cash and cash equivalents	(2,586)	(15,925)	9,083
Cash and cash equivalents, beginning of period	32,751	48,676	39,593
Cash and cash equivalents, end of period	$ 30,165	$ 32,751	$48,676
Supplemental disclosures of cash flow information:			
Cash paid during the period for--			
Interest	$ 2,460	$ 5,608	$ 6,386
Income taxes	$ 45,981	$ 36,963	$19,905

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. 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 customer care and billing to more than 40% of the homes 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.

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. 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 CSG CCS/BP (formerly known as CCS), and services ancillary to CCS (collectively, "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 American Institute of Certified Public Accountants 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 the majority of software transactions that 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. For certain software transactions that have multiple elements, the Company allocates the contract value to the respective elements based upon the residual method in accordance with SOP 98-9, "Software Revenue Recognition, With Respect to Certain Transactions". Under the residual method, the fair value of the undelivered elements is deferred and subsequently recognized as they are delivered. 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 that extend over several periods, and maintenance fees are recognized ratably over the contract term.

For certain software transactions, the Company has agreed to "host" the software on Company-owned hardware. In accordance with Emerging Issues Task Force Issue No. 00-03, "Application of AICPA Statement of Position 97-2 to Arrangements That Include the Right to Use Software Stored on Another Entity's Hardware", these hosting arrangements are treated as a separate element of the software arrangement when the client has a contractual right to take possession of the software at any time during the hosting period without incurring a significant penalty and it is feasible for the client to either run the software on its own hardware or contract with another party unrelated to the Company to host the software.

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. The Company passes through to its clients the cost of postage that is incurred on behalf of those clients. The Company requires postage deposits from its clients based on contractual arrangements prior to the mailing of customer statements. These amounts are included in "client deposits" in the accompanying consolidated balance sheets and are classified as current liabilities regardless of the contract period. The Company nets the cost of postage against the postage reimbursements, and includes the net amount in processing and related services revenues. The total cost of postage incurred on behalf of clients that has been netted against processing and related services revenues for the years ended December 31, 2001, 2000 and 1999 was $131.3 million, $106.8 million and $92.2 million, respectively.

Realizability of Long-Lived Assets. The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived 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 assets by comparing the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. If such evaluations indicate that the future undiscounted cash flows of long-lived 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, 2001 consist of commercial paper, with a market value and an original cost of approximately $53.4 million. 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 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.

The Company's other balance sheet financial instruments as of December 31, 2001 and 2000 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 approximates fair value due to its variable interest rates.

As of December 31, 2001 and 2000, the Company's only off-balance sheet financial instrument consisted of an interest rate cap agreement that was entered into during December 2000. The fair value of the interest rate cap agreement at December 31, 2001 and 2000, respectively, was insignificant.

Concentrations of Credit Risk. In the normal course of business, the Company is exposed to credit risk. The principal concentrations of credit risk are cash deposits, short-term investments and accounts receivable. The Company regularly monitors credit risk exposures and takes steps to mitigate the likelihood of these exposures resulting in a loss. The Company places cash deposits with financial institutions it believes to be of sound financial condition. It is the Company's intent to maintain a low-risk, liquid portfolio of short-term investments. 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.

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):

	2001	2000	1999
Balance, beginning of period	$5,001	$2,975	$2,051
Additions charged to expense	2,277	2,791	2,021
Reductions for receivables written off	(968)	(765)	(1,097)
Balance, end of period	$6,310	$5,001	$2,975

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)	2001	2000
Computer equipment	3	$46,313	$37,798
Leasehold improvements	5-10	6,613	4,740
Operating equipment	3-5	31,681	24,836
Furniture and equipment	8	12,204	8,723
Construction in process	--	2,566	2,990
		99,377	79,087
Less--accumulated depreciation		(56,465)	(42,457)
Property and equipment, net		$42,912	$36,630

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

	2001	2000
Acquired software	$38,876	$40,849
Internally developed software	2,133	2,547
	41,009	43,396
Less--accumulated amortization	(37,622)	(39,112)
Software, net	$ 3,387	$ 4,284

Acquired software resulted from acquisitions and is being amortized over five years. Amortization expense related to acquired software for the years ended December 31, 2001, 2000 and 1999 was $1.5 million each year.

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 2001, 2000, or 1999.

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. An estimated life of five years is used in the calculation of amortization. Amortization expense related to internally developed software for the years ended December 31, 2001, 2000 and 1999 was $0.4 million each year.

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 was $4.2 million. The noncompete agreements were fully amortized as of November 30, 1999.

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

	2001	2000
Goodwill	$17,475	$6,777
Less--accumulated amortization	(4,014)	(4,883)
Goodwill, net	$13,461	$1,894

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and supercedes APB Opinion No. 17, "Intangible Assets". Of the December 31, 2001 goodwill balance, approximately $5.3 million resulted from acquisitions prior to July 1, 2001, and is being amortized to expense over seven to ten years on a straight-line basis. Amortization expense related to this goodwill for the years ended December 31, 2001, 2000 and 1999, was approximately $0.6 million, $0.7 million, $0.7 million, respectively. Beginning January 1, 2002 amortization of this goodwill will cease and all of the Company's goodwill will be subject to the impairment testing requirements of SFAS 142. Goodwill of $12.2 million acquired on September 18, 2001 as part of the plaNet Consulting acquisition has not been amortized in accordance with SFAS 142.

Client Contracts. Client contracts which resulted from the CSG Acquisition were amortized over their estimated lives of five years, and were fully amortized as of November 30, 1999. During 2001, the Company acquired contract rights valued at approximately $15.0 million in exchange for the performance of services. 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, 2001, 2000, and 1999, was $5.4 million, $4.1 million, and $7.2 million, respectively. As of December 31, 2001 and 2000, accumulated amortization for client contracts was $31.3 million and $28.9 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		
	2001	2000	1999
Basic weighted average common shares	52,891	52,204	51,675
Dilutive shares from common stock warrants	235	2,136	838
Dilutive shares from common stock options	1,513	2,340	2,147
Weighted average diluted common shares	54,639	56,680	54,660

Common stock options of 1.7 million, 0.3 million, and 0.6 million shares for 2001, 2000, and 1999, 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. As of February 2001, all warrants had been exercised.

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 10 for the required disclosures under SFAS 123.

Comprehensive Income. The Company has adopted SFAS No. 130, "Reporting Comprehensive Income," which establishes standards for reporting and display of comprehensive income and its components. The components of comprehensive income are reflected in the accompanying consolidated statement of stockholders' equity. Foreign currency translation adjustments are not generally adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries.

Reclassification. Certain December 31, 2000 and 1999 amounts have been reclassified to conform to the December 31, 2001 presentation.

Accounting Pronouncements Issued But Not Yet Effective. In June 2001, the FASB issued SFAS No. 141, "Business Combinations" ("SFAS 141"). SFAS 141 addresses financial accounting and reporting for business combinations and supersedes APB Opinion No. 16, "Business Combinations". SFAS 141 introduces a single-method approach to accounting for business combinations, requiring the use of the purchase method and eliminating the use of the pooling-of-interests approach. In addition, SFAS 141 changes the criteria for the separate recognition of intangible assets in a business combination. SFAS 141 is effective for all business combinations initiated after June 30, 2001, and for all business combinations accounted for using the purchase method for which the date of acquisition is July 1, 2001 or later.

In June 2001, the FASB issued SFAS 142. SFAS 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and supercedes APB Opinion No. 17, "Intangible Assets". SFAS 142 addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in the financial statements upon their

acquisition. SFAS 142 also addresses how goodwill and other intangibles should be accounted for after they have been initially recognized in the financial statements. SFAS 142 is required to be applied by the Company beginning January 1, 2002 to all goodwill and other intangible assets recognized in the financial statements at that date. Goodwill acquired after June 30, 2001 will not be amortized pursuant to SFAS 142, but will be subject to at least annual tests for impairment based on a methodology prescribed by the new standard.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"). SFAS 144 was issued to resolve certain implementation issues related to SFAS 121, and to establish a single accounting model for long-lived assets to be disposed of by sale, to include the accounting for a segment of a business accounted for as a discontinued operation under Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations-- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions."

The Company is required to adopt SFAS 144 and the remaining provisions of SFAS 142 on January 1, 2002. The adoption of SFAS 144 is not expected to have a significant effect on the Company's consolidated financial statements. Based upon the amount of previously amortizable goodwill on its consolidated balance sheet as of December 31, 2001, the adoption of SFAS 142 will reduce amortization by approximately $0.6 million in 2002. The adoption of SFAS 142 is expected to have a more significant impact on the Company as the result of a large business acquisition completed subsequent to December 31, 2001 (See Note 12).

3. Business Acquisition

On September 18, 2001, the Company acquired 100% of the common stock of plaNet Consulting, Inc. ("plaNet"), a Delaware corporation, for $16.7 million in cash. plaNet, with over 100 employees located in Omaha, Nebraska and Denver, Colorado, provides e-business solutions and services to enable companies to transact business via the Internet and in real-time. At the date of acquisition, plaNet derived the majority of its revenues from consulting services. The Company acquired plaNet primarily to obtain its assembled management and consulting workforce to expand the Company's professional services capabilities. The results of operations of plaNet are included in the Company's Consolidated Statements of Income for the periods subsequent to the acquisition date.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

Current assets	$ 1,456
Property and equipment, net	422
Deferred income tax assets	4,337
Goodwill	12,200
Total assets acquired	18,415
Current liabilities	1,661
Net assets acquired	$16,754

The deferred income tax assets represent: (i) a net operating loss carryforward of approximately $7.9 million which the Company believes is more likely than not to be realized over approximately 10 years; and (ii) the difference between the tax basis and the assigned value of certain plaNet assets that existed on the date of acquisition. The $12.2 million of goodwill is not deductible for tax purposes.

Pro forma information on the Company's results of operations for the three and nine month periods ended September 30, 2001 and 2000, to reflect the acquisition of plaNet, is not presented as plaNet's results of operations during those periods are not material to the Company's results of operations.

The Company followed the provisions of SFAS 141 in accounting for the acquisition of plaNet.

4. Segment Reporting and Significant Concentrations

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 that as of December 31, 2001, 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 74.2%, 75.8%, 78.3%, of its total revenues in the years ended December 31, 2001, 2000, and 1999, respectively, from CCS processing and related products and services. The Company generated 82.3%, 77.7%, and 75.8%, of its total revenues from U.S. cable television providers, and 11.7%, 16.0%, and 15.5%, of its total revenues from U.S. and Canadian direct broadcast satellite providers during the years ended December 31, 2001, 2000, and 1999, respectively.

Geographic Regions. 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,		
	2001	2000	1999
Total Revenue:			
United States	$467,764	$391,897	$308,266
All other (principally U.K., Germany and Canada)	9,144	6,998	13,896
	$476,908	$398,895	$322,162

	As of December 31,		
	2001	2000	1999
Long-Lived Assets (excludes intangible assets):			
United States	$ 42,591	$ 36,299	$ 25,903
All Other	321	331	604
	$ 42,912	$ 36,630	$ 26,507

Significant Clients. During the years ended December 31, 2001, 2000 and 1999: (i) revenues from AT&T represented approximately 55.8%, 50.4%, and 50.5% of total revenues; (ii) revenues from Echostar Communications Corporation represented approximately 10.0%, 9.3%, and 7.3% of total revenues; and (iii) revenues from AOL Time Warner Inc. and its affiliated companies ("AOL Time Warner") represented approximately 7.5%, 8.3%, and 10.2% 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.

As of December 31, 2001 and 2000, net billed accounts receivable attributable to significant clients was: (i) 34% and 51%, respectively, attributable to AT&T Broadband ("AT&T"); and (ii) 16% and 11%, respectively, attributable to Echostar Communications Corporation.

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.

5. Debt

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

	2001	2000
Term credit facility, due September 2002, quarterly payments beginning June 30, 1998, ranging from $6.3 million to $12.6 million, interest at adjusted LIBOR plus 0.50% (weighted average rate of 2.73% and 7.14% at December 31, 2001 and 2000, respectively)	$31,500	$58,256
$40 million revolving credit facility, due September 2002, interest at adjusted LIBOR plus 0.50%	--	--
	31,500	58,256
Less-current portion	(31,500)	(25,436)
Long-term debt, net of current maturities	$ --	$32,820

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, 2001 and 2000, 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 $16.4 million as of December 31, 2001, 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, 2001, and the collar and the cap agreements had no effect on the Company's interest expense for 2001, 2000, or 1999. The fair value of the interest rate cap is not significant.

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, 2001, the Company was in compliance with these 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, 2001, the leverage ratio was 0.14.

There were no borrowings made on the revolving credit facility during the years ended December 31, 2001, 2000, and 1999. 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, 2001, 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, 2001, all of the $40.0 million revolving credit facility was available to the Company.

As of December 31, 2001 and 2000, unamortized deferred financing costs were $0.1 million and $0.5 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, 2001, 2000, and 1999 includes amortization of deferred financing costs of approximately $0.4 million, $0.6 million, and $0.9 million, respectively.

On February 28, 2002, the Company refinanced the Debt Agreement in conjunction with the acquisition of a business (see Note 12).

6. 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 consists of the following (in thousands):

	Year Ended December 31,		
	2001	2000	1999
Current:			
Federal	$53,662	$45,720	$25,442
State	7,023	5,443	3,029
Foreign	44	(820)	1,160
	60,729	50,343	29,631
Deferred:			
Federal	7,775	3,924	5,792
State	1,017	467	690
Foreign	--	--	(58)
	8,792	4,391	6,424
Change in valuation allowance	--	--	--
Net income tax provision	$69,521	$54,734	$36,055

Income tax benefits associated with nonqualified stock options and disqualifying dispositions of incentive stock options reduced accrued income taxes by $13.1 million, $9.4 million, and $4.8 million for the years ended December 31, 2001, 2000, and 1999, 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 computed at the statutory federal income tax rate and the financial statement provision for income taxes is summarized as follows (in thousands):

	Year Ended December 31,		
	2001	2000	1999
Provision at federal rate of 35%	$64,198	$50,821	$33,575
Effective state income taxes	5,272	3,872	2,415
Amortization of nondeductible goodwill	217	225	235
Other	(166)	(184)	(170)
	$69,521	$54,734	$36,055

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, and from tax and financial reporting basis differences recognized in purchase accounting. The sources of these differences at December 31 are as follows (in thousands):

	2001	2000
Current deferred tax assets:		
Accrued expenses and reserves	$ 5,549	$ 3,192
Deferred revenue	--	55
	$ 5,549	$ 3,247
Noncurrent deferred tax assets (liabilities):		
Purchased research and development	$36,002	$39,373
Software	7,153	7,289
Client contracts and related intangibles	(9,851)	(2,748)
Noncompete agreements	5,706	5,432
Acquired net operating loss	2,900	--
Property and equipment	(1,510)	(902)
Other	(6)	(1,113)
	$40,394	$47,331

As of December 31, 2001, management continues to believe that sufficient taxable income will be generated in the future to realize the entire benefit of the Company's deferred tax assets. The Company's assumptions of future profitable operations are supported by the Company's strong operating performances over the last several years and the Company's long-term customer care and billing system processing contracts.

7. 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, 2001, 2000, and 1999, were approximately $5.6 million, $4.3 million, and $3.4 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, 2001 and 2000, the Company has recorded a liability for this obligation of $1.9 million and $1.4 million, respectively. The Company's expense for this plan for the years ended December 31, 2001, 2000, and 1999, was $0.6 million, $0.5 million, and $0.4 million, respectively. The plan is unfunded.

8. Commitments and Contingencies

Operating Leases. The Company leases certain office and production facilities and other equipment under operating leases that run through 2011. 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: 2002--$9.1 million, 2003--$9.1 million, 2004--$7.7 million, 2005-- $6.5 million, 2006--$6.3 million, thereafter--$17.5 million.

Total rent expense for the years ended December 31, 2001, 2000, and 1999, was approximately $10.6 million, $7.6 million, and $5.2 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 First Data Corporation ("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, 2001, 2000, and 1999, was approximately $28.1 million, $23.7 million, and $27.1 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.

9. 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 $12.00 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 $12.00 per share.

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 $12.00 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 in March 2001 with available corporate funds. After this transaction, AT&T no longer has any warrants or other rights to purchase the Company's Common Stock.

Stock Repurchase Program. In August 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. In September 2001, the Board of Directors amended the program to authorize the Company to purchase up to a total of 10.0 million 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):

	2001	2000	1999	Total
Shares repurchased	3,020	1,090	656	4,766
Total amount paid	$109,460	$51,088	$20,242	$180,790
Weighted-average price per share	$ 36.25	$ 46.87	$ 30.88	$ 37.94

10. 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 53,250 options outstanding under the 1995 Plan as of December 31, 2001, 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 5,947,081 options outstanding under the 1996 Plan as of December 31, 2001, 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 232,000 options outstanding under the Director Plan at December 31, 2001, vest annually over two to three years.

During 2001, the Company adopted the 2001 Stock Incentive Plan (the "2001 Plan") whereby 750,000 shares of the Company's Common Stock have been reserved for issuance to eligible employees of the Company in the form of nonqualified stock options, stock appreciation rights, stock bonus awards, restricted stock awards, or performance unit awards. In January 2002, the Board of Directors approved an increase of shares reserved for issuance under the 2001 Plan to 2,500,000. Awards and options under the 2001 Plan may be granted to key employees of the Company or its subsidiaries that are not: (i) officers or directors of the Company; (ii) "covered employees" of the Company for purposes of Section 162(m) of the Internal Revenue Code; or (iii) persons subject to
Section 16 of the Securities Exchange Act of 1934. The 650,079 options outstanding under the 2001 Plan at December 31, 2001, vest annually over four 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 1995 Plan, the 1996 Plan, the Director Plan and the 2001 Plan, and changes during the years ending December 31 are as follows:

	Year Ended December 31,					
	2001		2000		1999	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	5,745,113	$26.58	5,604,822	$20.05	6,229,464	$17.23
Granted	2,735,279	41.73	1,609,900	41.56	732,050	33.85
Exercised	(1,194,328)	16.41	(971,494)	13.64	(795,117)	12.63
Forfeited	(403,654)	32.41	(498,115)	26.73	(560,575)	17.23
Outstanding, end of year	6,882,410	$34.02	5,745,113	$26.58	5,604,822	$20.05
Options exercisable at year end	1,426,155	$22.45	1,410,440	$14.99	1,297,072	$12.52
Weighted average fair value of options granted during the year		$21.02		$19.14		$13.04
Options available for grant	2,173,265		3,741,890		4,603,675	

The following table summarizes information about the Company's outstanding stock options as of December 31, 2001:

	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 - $11.06	436,625	4.8	$ 8.29	436,625	$ 8.29
$11.75 - $23.44	798,615	6.2	20.22	538,540	19.82
$23.59 - $29.94	1,311,623	6.9	26.73	51,673	25.83
$30.25 - $39.81	2,267,847	8.8	35.96	264,392	37.29
$40.13 - $49.75	1,847,300	8.8	46.27	109,175	46.95
$50.25 - $62.33	220,400	8.8	55.84	25,750	54.67
$ 0.63 - $62.33	6,882,410	7.9	$34.02	1,426,155	$22.45

In January 2002, the Company granted 575,000, 507,971, and 31,500 options under the 1996 Plan, 2001 Plan, and Director Plan, respectively, at prices that range from $34.95 to $38.59 per share, with such options vesting over four years, with the exception of 24,000 shares which vest over three years and 7,500 shares that vest immediately. These options are not reflected in the above tables as they were granted subsequent to December 31, 2001.

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 2001, 2000, and 1999, respectively, 35,481, 30,120, and 34,352 shares have been purchased under the plan for $1.3 million ($26.31 to $51.23 per share), $1.1 million ($24.65 to $47.65 per share) and $0.9 million ($18.91 to $37.08 per share).

Stock-Based Compensation Plans. At December 31, 2001, the Company had five 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 2001, 2000 and 1999.

Had compensation expense for the Company's five 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 2001, 2000 and 1999 would approximate the pro forma amounts as follows (in thousands, except per share amounts):

	Year Ended December 31,		
	2001	2000	1999
Net income:			
As reported	$113,921	$90,469	$59,874
Pro forma	101,594	78,664	52,498
Diluted net income per common share:			
As reported	2.08	1.60	1.10
Pro forma	1.86	1.39	0.96

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 2001, 2000, and 1999, respectively: risk- free interest rates of 4.8%, 6.3%, and 5.0%; dividend yield of zero percent for all years; expected lives of 5.3 years, 4.0 years, and 4.1 years; and volatility of 50.0%, 50.0% and 40.0%.

11. Unaudited Quarterly Financial Data

	Quarter Ended			
	March 31	June 30	September 30	December 31
	(in thousands, except per share amounts)			
2001:				
Total revenues	$114,099	$120,086	$124,379	$118,344
Gross margin (exclusive of depreciation)	72,305	76,131	79,534	72,923
Operating income	43,804	45,936	46,571	45,664
Income before income taxes	43,650	46,006	47,248	46,538
Income tax provision	(16,584)	(17,479)	(17,618)	(17,840)
Net income available to common stockholders	27,066	28,527	29,630	28,698
Net income available to common stockholders per share:				
Basic	0.52	0.54	0.56	0.54
Diluted	0.49	0.52	0.54	0.53
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

12. Subsequent Event--Business Acquisition

Description of Business. On December 21, 2001, the Company reached an agreement to acquire the billing and customer care assets of Lucent Technologies Inc. ("Lucent"). Lucent's billing and customer care business consists primarily of: (i) software products and related consulting services acquired by Lucent when it purchased Kenan Systems Corporation in 1999; (ii) BILLDATS Data Manager mediation software; (iii) software and related technologies developed by Lucent's Bell Laboratories; and (iv) elements of Lucent's sales and marketing organization (collectively, the "Kenan Business"). On February 28, 2002, the Company completed the acquisition (the "Kenan Acquisition").

The Kenan Business is a global provider of convergent billing and customer care software and services that enable communications service providers to bill their customers for a wide variety of existing and next-generation services, including mobile, Internet, wireline telephony, cable, satellite, and energy and utilities, all on a single invoice. The software supports multiple languages and currencies. The Kenan Business' primary product offerings include: (i) Arbor/BP (a core convergent billing platform); (ii) Arbor/OM (an order management platform); and (iii) BILLDATS Data Manager (a billing mediation software product). Historically, a significant portion of Kenan Business revenues have been generated outside the United States.

As a result of the Kenan Acquisition, the Company has: (i) added proven products to the Company's product suite; (ii) added international infrastructure in Europe, Asia Pacific and Latin America; (iii) diversified its customer base by adding over 230 customers in more than 40 countries; (iv) diversified its product offerings to encompass all segments of the communications market, including Internet Protocol, mobile, wireline telephony, cable, and satellite; (v) acquired solid relationships with leading systems integrators worldwide; and (vi) gained the opportunity to leverage the Company's software solutions into the Kenan Business' diverse customer base. In connection with the Kenan Acquisition, the Company has reorganized its business into two segments: the Global Software Services Division and the Broadband Services Division.

The results of Kenan Business' operations will be included in the Company's consolidated financial statements from March 1, 2002 forward.

Acquisition Price. At closing on February 28, 2002, the aggregate purchase price was approximately $263 million in cash, which may be adjusted based upon the results of an audit of the Kenan Business' net assets as of closing, plus estimated transaction costs of approximately $5 million. Based on preliminary estimates of the unaudited net assets acquired, the Company is currently estimating the purchase price premium to be in the range of $225 million to $250 million. The Company is in the process of obtaining third-party valuations of certain intangible assets, thus the allocation of the purchase price is subject to refinement. Based on preliminary valuation reports from the third parties, the Company expects the purchase price premium to be allocated as follows: (i) acquired software--20% to 22%; (ii) acquired contracts--2% to 3%; (iii) purchased in-process research and development assets to be charged to expense at the date of acquisition--8% to 9%; and (iv) goodwill--66% to 70%.

Credit Facilities. On February 28, 2002, CSG Systems, Inc., a wholly-owned subsidiary of the Company, closed on a $400 million senior secured credit facility (the "Senior Facility") with a syndicate of banks, financial institutions and other entities. The proceeds of the Senior Facility will be used: (i) to fund the Kenan Acquisition; (ii) pay related fees and expenses;
(iii) refinance existing indebtedness; and (iv) provide financing for general corporate purposes. The Senior Facility consists of a $100 million, five-year revolving credit facility (the "Revolver"), a $125 million, five-year Tranche A Term Loan, and a $175 million, six-year Tranche B Term Loan. Upon closing of the Kenan Acquisition, the entire amounts of the Tranche A Term Loan and Tranche B Term Loan were drawn down. The Senior Facility is guaranteed by the Company and each of the Company's direct and indirect domestic subsidiaries.

The interest rates for the Senior Facility are chosen at the option of the Company and are based on a base rate or LIBOR rate, plus an applicable margin. The base rate represents the higher of the floating prime rate for domestic commercial loans and a floating rate equal to 50 basis points in excess of the Federal Funds Effective Rate. The applicable margins for the Tranche B Loan is 1.50% for base rate loans and 2.75% for LIBOR loans. As of February 28, 2002, the applicable margins for the Revolver and the Tranche A Loan were 1.25% for base rate loans and 2.50% for LIBOR loans. After September 30, 2002, the applicable margins for the Revolver and the Tranche A Loan will be dependent upon the Company's leverage ratio and will range from 0.75% to 1.50% for base rate loans and 2.00% to 2.75% for LIBOR loans. As of February 28, 2002, the base rate was 4.75%, and the LIBOR rate was 1.87% for one-month and 1.90% for 3-month LIBOR contracts. The Company pays a commitment fee equal to 0.50% per annum on the average daily unused portion of the Revolver, which rate after September 30, 2002 is subject to reduction to 0.375% once the Company achieves a certain leverage ratio.

The Senior Facility is collateralized by substantially all of the Company's domestic tangible and intangible assets and the stock of the Company's domestic subsidiaries. The Senior Facility requires maintenance of certain financial ratios, including: (i) a leverage ratio; (ii) an interest coverage ratio; and (iii) a fixed charge coverage ratio. The Senior Facility contains other restrictive covenants, including: (i) restrictions on additional indebtedness; (ii) cash dividends and other payments related to the Company's capital stock; and (iii) capital expenditures and investments. The Senior Facility also requires that CSG Systems, Inc. assets and liabilities remain separate from the assets and liabilities of the remainder of the Company's consolidated operations, including the maintenance of separate deposit and other bank accounts.

The original combined scheduled maturities of the Tranche A Loan and the Tranche B Loan are: 2002--$15.4 million; 2003--$20.5 million; 2004--$25.2 million; 2005--$31.4 million; 2006--$33.0 million; 2007--$132.9 million; and 2008--$41.6 million. The Senior Facility has no prepayment penalties and requires mandatory prepayments if certain events occur, including: (i) the sale or issuance of the Company's common stock; (ii) the incurrence of certain indebtedness; (iii) the sale of assets except in the ordinary course of business; (iv) the termination of material processing services contracts; and
(v) the achievement of a certain level of excess cash flows (as defined in the Senior Facility).

In conjunction with the Senior Facility, the Company incurred financing costs totaling approximately $10 million, which will be amortized to interest expense over the related term of the Senior Facility.

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, from 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, from which information in response to this Item 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, from which information in response to this Item is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

See the Proxy Statement for the Company's Annual Meeting of Stockholders, from which information in response to this Item 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 32.

(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 56.

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 December 22, 2001, under Item 5, Other Events, was filed with the Securities and Exchange Commission which included a press release dated December 22, 2001. The press release announced the Company had reached an agreement to acquire the billing and customer care assets of Lucent Technologies.

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

CSG SYSTEMS INTERNATIONAL, INC.

/s/ Neal C. Hansen

By: ___________________________________

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

Date: March 29, 2002

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 29, 2002
/s/ John P. Pogge John P. Pogge	President, Chief Operating Officer and Director	March 29, 2002
/s/ Peter E. Kalan Peter E. Kalan	Vice President and Chief Financial Officer (Principal Financial Officer)	March 29, 2002
/s/ Randy R. Wiese Randy R. Wiese	Vice President and Controller (Principal Accounting Officer)	March 29, 2002
/s/ George F. Haddix George F. Haddix	Director	March 29, 2002
/s/ Royce J. Holland Royce J. Holland	Director	March 29, 2002
/s/ Janice I. Obuchowski Janice I. Obuchowski	Director	March 29, 2002
/s/ Bernard W. Reznicek Bernard W. Reznicek	Director	March 29, 2002
/s/ Donald V. Smith Donald V. Smith	Director	March 29, 2002
/s/ Frank V. Sica Frank V. Sica	Director	March 29, 2002

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(16)*	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
2.19O(19)*	Fifty-Third, Fifty-Fourth and Fifty-Fifth Amendments to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and AT&T Broadband Management Corporation
2.19P*	Fifty-Sixth Amendment to Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and AT&T Broadband Management Corporation
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(16)	CSG Employee Stock Purchase Plan
10.03(17)	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	Form of Indemnification Agreement between CSG Systems International, Inc. and Directors and Executive 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(18)	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

Exhibit Number	Description
10.48(17)	Employment Agreement with Peter Kalan, dated January 18, 2001
10.49(19)	Employment Agreement with William E. Fisher, dated September 18, 2001
10.50	CSG Systems International, Inc. 2001 Stock Incentive Plan
21.01	Subsidiaries of the Company
23.01	Consent of Arthur Andersen LLP
99.01	Safe Harbor for Forward-Looking Statements Under the Private Securities Litigation Reform Act of 1995--Certain Cautionary Statements and Risk Factors
99.02	Letter to the Commission Pursuant to Temporary Note 3T

---

(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.
(16) Incorporated by reference to the exhibit of the same number to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000.
(17) 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, 2001.
(18) 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, 2001.
(19) 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, 2001.

*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 2.19P

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

This 56th Amendment (the "Amendment") is effective as of the 30/th/ day of September, 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:

1. This Amendment voids the Fifty-Fourth Amendment to this Agreement in its entirety as of the effective date of such Amendment thereby eliminating any effect of the 54/th/ Amendment on this Agreement. Notwithstanding the foregoing, CSG agrees to adjust the charges on any previous invoices issued to Customer pursuant to the Fifty-Fourth Amendment in accordance with the changes to the fees set forth in this Amendment. Such adjustment will be reflected on the December 2001 invoice issued by CSG to Customer.

2. As of the date of execution of this Amendment, Customer receives CSG's CSG Ticket Express(TM) service pursuant to the Fourteenth Amendment to the Agreement dated March 31, 1999 (the "Fourteenth Amendment"). Customer no longer desires to receive CSG's CSG Ticket Express(TM) service. Therefore, effective as of September 1, 2001, the Fourteenth Amendment shall be terminated in its entirety and have no further force or effect, except for Paragraph 5 of such Amendment. Notwithstanding the foregoing, Customer shall still be responsible for paying CSG all of the fees due in relation to the Fourteenth Amendment for all months prior to its termination.

3. Customer desires to receive CSG Care Express(R). Therefore, for the term of the license as set forth in Paragraph 4 and subject to payment of the fees set forth in Paragraph 6, CSG grants Customer, and Customer hereby accepts from CSG, a non-exclusive and non-transferable license to use the software constituting CSG Care Express(R) (the "Term License") in object code form only, and only for Customer's own internal purposes and business operations with the Services for providing accounting and billing services to its subscribers. The Term License is limited to the number of One Time Registered Users procured by Customer pursuant to Paragraph 6(b). Customer agrees that it shall not: (i) reverse engineer, decompile or disassemble any of the Term License; (ii) sell, lease or sublicense any of the Term License; (iii) publish any results of benchmark tests on the Term License;
(iv) create, write or develop any derivative

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

of the Term License; (v) use the Term License to provide any service to or on behalf of any third parties in a service bureau capacity; (vi) permit any other person to use the Term License, whether on a time-sharing, remote job entry or other multiple user arrangement; and (vii) install the Term License, or any update or enhancement thereto, on a network or other multi- user computer system unless CSG specifically authorizes it in writing. Nothing in this Agreement shall entitle Customer to receive the source code of the Term License in whole or in part.

4. The Term License granted in Paragraph 3 above, and the terms related to the CSG Operations and Facilities Management Services, shall be effective for a term commencing on September 1, 2001 and shall terminate on December 31, 2003. Notwithstanding the foregoing, Customer shall, upon ninety (90) days written notice, have the right to terminate the Term License and any CSG Operations and Facilities Management Services related to the Term License, provided that Customer has paid to CSG at least $*** in the Term License, Registered User Maintenance, CSG Operations, Facilities Management Services, and Non-Registered User fees. Upon notice of termination of the Term License, and during such ninety (90) day period prior to termination of the License Term, CSG will provide Customer, subject to the payment of any unpaid fees accrued in accordance with Paragraph 6 of this Amendment, a data file of CSG Care Express(R) data which will include statement data, e- mail id, login id and password, and any other da7ta or information retained by CSG Care Express(R). Furthermore, CSG will retain any data or information and make that data or information available to Customer for a period of thirty (30) days after termination of the Term License and any support, maintenance and/or facility management services related thereto. Should Customer desire, CSG will also provide Customer with a data file of customer data contained within CCS. Any services provided by CSG under this Paragraph 4 shall be performed in pursuant to and in accordance with a mutually agreeable Statement of Work. In neither case shall these one-time data feeds be construed as an interface. Such data files will not be provided by CSG for any purpose other than to help Customer transition to a new web based application with similar functionality as CSG's Care Express(R).

5. Although the duration of the Term License as set forth in Paragraph 4 of this Amendment is different from the term of the Agreement as set forth in
Section 15 of the Agreement, the rest of the terms and conditions of the Agreement, including, but not limited to, Section 17(d), shall apply with respect to CSG Care Express(R), but only during the duration of the Term License.

6. Schedule D of the Agreement shall be amended to include the following fees for the CSG Care Express(R).

(a) Installation Services (per request)
. Electronic Bill Presentment (EBP) Quote
. Self-Care Quote All installation services and the associated fees shall be set forth in a mutually agreed upon Statement of Work. Reimbursable Expenses are additional.

(b) Fees for EBP and Self-Care:
. One Time Registered User License Fee (($***) per registered user) $(***)
- Term License Fee through December 31, 2003
- Capacity for up to (***) registered users
- Customer shall pay CSG the $(***) license fee as follows:
. $(***) due on April 15, 2002 Note: In the event that Customer exceeds (***) registered users, Customer shall be required to license additional registered user capacity in incremental blocks of (***) registered users at $(***) per each registered user, prorated for the remaining term of the Term License. Such proration of the license fee due to CSG shall be calculated based upon the prorated time period from the date the additional licenses are granted to Customer to December 31, 2003. For example, if Customer licensed additional registered user capacity of (***) registered users on November 1, 2002, the license fee would be $(***) per registered user or a total of $(***). Such additional licenses shall be granted to Customer via a duly executed amendment to the Agreement.
. Monthly Registered User Maintenance Fee (per registered user) $(***)

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

```
.  Monthly CSG Operations Fee (per registered user)*               $(***)
.  Monthly Facilities Management Services Fees**:
   - Registered User Management Fee (per registered user)          $(***)
   - Statement Storage Fee (per statement stored)                  $(***)

.  Non-Registered User Fee (per non-registered user transaction)   $(***)
.  Online Bill Payment (per transaction)
```

Note: CSG's credit card processing services are required for online bill payment. The accepted transaction fee for such services are set forth in Schedule D, Section 15 of the Agreement. *Note: Including operations of interconnected systems for which CSG maintains in relation to the CSG Care Express(R) application. **Note: Customer desires, and CSG agrees, to host CSG Care Express(R) and provide facilities management services to Customer through the license term set forth in Paragraph 4 of this Amendment. Customer, however, shall have the option to host, at Customer's location, the services provided by CSG under the Facilities Management Services fees set forth in 4/th/ bullet point) of 3(b) above. In the event that Customer desires to host the services provided by CSG under 4/th/ bullet point of 3(b) above, Customer shall provide CSG with at least 90 days prior written notice that CSG is to cease to provide such services to Customer. In such event, the Monthly Facilities Management Services Fee shall terminate upon Customer's assumption of the host function. Any associated transition requirements and costs will be set forth in a mutually executed Statement of Work.

(c) Monthly Fee Minimum Commencing the month in which this Amendment is executed, Customer shall be responsible for paying CSG a monthly minimum fee in relation to the Register User Maintenance Fee, CSG Operations Fee, Facilities Management Services Fees, and Non-Registered User Fee set forth above. The monthly minimum fee shall be paid in accordance with the following schedule:

Time Period	Monthly Minimum	Total
September 2001 - March 2002	$(***)	$(***)
April 2002 - June 2002	$(***)	$(***)
July 2002 - December 2002	$(***)	$(***)
January 2003 - June 2003	$(***)	$(***)
July 2003 - November 2003	$(***)	$(***)
December 2003	$(***)	$(***)
Total payment as of December 2003	$(***)	$(***)

Notwithstanding the foregoing, the monthly minimum fees shall only be due to CSG until Customer has paid to CSG at least $(***) in Registered User Maintenance, CSG Operations, Facilities Management Services, and Non- Registered User fees. Thereafter, the monthly minimum fee shall no longer be applicable.

(b) Web Page Maintenance & Programming Services (per person, per hour) Quote The hourly rate used shall be Customer's then current rate for Technical Services (minimum of 1 hour)

(e) Custom Development Quote All custom development services and the associated fees shall be set forth in a mutually agreed upon Statement of Work. Reimbursable Expenses are additional. The hourly rate used shall be Customer's then current rate for Technical Services.

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

Note: In the event that Customer desires or is required to produce a physical statement, then, in addition to the fees set forth above, Customer shall be responsible for paying the CCS Print and Mail Services Fees as set forth in Schedule D, Section 6.

7. During term set forth in Paragraph 4 of this Amendment, the CSG Care Express(R) application will be available *********** percent ((***)%) of the time, on a monthly basis, excluding downtime for maintenance for up to **** (***) hours per week to occur during CSG's published scheduled downtime for CSG Care Express(R). In the event CSG's scheduled downtime for maintenance is expected to exceed **** (***) hours in a particular week, CSG shall provide Customer with ******** (***) days prior notice. However, in no event shall the monthly average of downtime exceed *** (***) hours per week. For purposes of this Paragraph 7, downtime does not include network capabilities beyond the CSG point of demarcation including, but not limited to, telephone lines, individual terminals, controllers or modems not located on CSG's property. CSG shall use commercially reasonable efforts to provide Customer with a minimum of *** (***) weeks advance notice to Customer for downtime for system maintenance. CSG shall provide written reports on a monthly basis indicating CSG's performance with regard to these standards.

If CSG fails to meet the performance standards set forth above ("Failed Standard"), Customer shall provide CSG with written notice (the "Notice") within *** (***) days of the date of the monthly report that describes with specificity the nature of the Failed Standard. If the noticed Failed Standard persists for a second month, then Customer shall be entitled to the exclusive remedy for a Failed Standard prescribed below in this Paragraph 7, which the parties agree shall be construed to be liquidated damages and not a penalty. For clarification purposes, once a Failed Standard is cured by CSG, by meeting the (***)% availability requirement for the month immediately following the Failed Standard, any subsequent notice provided by Customer with respect to failure to meet the (***)% availability standard shall be considered a new and separate Failed Standard for purposes of calculating Customer's remedies below.

(a) If CSG cures the noticed Failed Standard by achieving a (***)% availability for the month in which CSG receives the Notice, there shall not be any credit owed to the Customer.

(b) If CSG fails to cure the Failed Standard for the month in which it receives the Notice, then Customer shall receive a credit equal to the Total Monthly Fees paid or payable by Customer to CSG for the previous month in which the Failed Standard occurred multiplied by the product of (i) (***)% minus the service level percentage for that month in which the Failed Standard occurred multiplied by (ii) the multiple ***** (***).

(c) For purposes of this Paragraph 7, the "Total Monthly Fees" shall include the greater of monthly fees paid by Customer to CSG in accordance with either Section B or Section C of Schedule D of the Agreement, as amended by Paragraph 6 of this Amendment.

(d) The remedy formula set forth in Paragraph 7(b) above will continue to be applied for each consecutive month in which a Failed Standard occurs until the (***)% performance standard is again achieved in a subsequent month.

(e) Notwithstanding the above, in no event shall a credit for a Failed Standard exceed the Total Monthly Fees paid by Customer to CSG for the previous month in which the Failed Standard occurred.

CSG SYSTEMS, INC. ("CSG")		AT&T BROADBAND MANAGEMENT CORPORATION ("CUSTOMER")	
By:	/s/ Peter E. Kalan	By:	/s/ Joe W. Bagan
Name:	Peter E. Kalan	Name:	Joe W. Bagan
Title:	CFO	Title:	SVP & CIO

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

Exhibit 10.15

CSG SYSTEMS INTERNATIONAL, INC.

INDEMNIFICATION AGREEMENT

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

RECITALS:

A. The Company and Indemnitee recognize the continued difficulty in obtaining liability insurance for its directors, officers, employees, agents, and fiduciaries, the significant increases in the cost of such insurance and the general reductions in the coverage of such insurance.

B. The Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting directors, officers, employees, agents, and fiduciaries to extensive litigation risks at the same time as the availability and coverage of liability insurance has been severely reduced.

C. Indemnitee does not regard the current protection available as adequate under the present circumstances, and Indemnitee and other directors, officers, employees, agents, and fiduciaries of the Company may not be willing to continue to serve in such capacities without additional protection.

D. The Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve the Company and, in part, in order to induce Indemnitee to continue to provide services to the Company, wishes to provide for the indemnification and advancing of expenses to Indemnitee to the maximum extent permitted by law.

E. In view of the considerations set forth above, the Company desires that Indemnitee be indemnified by the Company as set forth herein.

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

1. Indemnification.

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

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

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

including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

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

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

2. Expenses; Indemnification Procedure.

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

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

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

---

contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any

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

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

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

3. Additional Indemnification Rights; Nonexclusivity.

(a) Scope. The Company hereby agrees to indemnify Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Company's Certificate of Incorporation, the Company's Bylaws, or by statute. In the event of any change after the date of this Agreement in any applicable law, statute, or rule which expands the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent, or fiduciary, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of any change in any applicable law, statute, or rule which narrows the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent, or fiduciary, such change, to the extent not otherwise required by

such law, statute, or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder except as set forth in Section 8(a) hereof.

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

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

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

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

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

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

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

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

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

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

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

10. Construction of Certain Phrases.

(a) For purposes of this Agreement, references to the "Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, agents, or fiduciaries, so that if Indemnitee is or was a director, officer, employee, agent, or fiduciary of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee, agent, or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust, or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have stood with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of

the Company" shall include any service as a director, officer, employee, agent, or fiduciary of the Company which imposes duties on, or involves services by, such director, officer, employee, agent, or fiduciary with respect to an employee benefit plan, its participants or its beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interests of the participants and beneficiaries of an employee benefit plan, then Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

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

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

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

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

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

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

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

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

Secretary) or at such other address as such party may designate by ten days' advance written notice to the other party hereto.

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

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

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

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

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

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

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

CSG SYSTEMS INTERNATIONAL, INC., a Delaware corporation

By: ______________________________ Chairman of the Board and Chief Executive Officer Address: 7887 East Belleview Avenue Suite 1000 Englewood, CO 80111

CSG SYSTEMS, INC., a Delaware corporation

By: ______________________________ Chairman of the Board and Chief Executive Officer Address: 7887 East Belleview Avenue Suite 1000 Englewood, CO 80111

AGREED TO AND ACCEPTED BY:

INDEMNITEE

____

(Signature)

____

(Typed or Printed Name)

____

(Address)

Exhibit 10.50
[As amended through January 17, 2002]

CSG SYSTEMS INTERNATIONAL, INC.
2001 STOCK INCENTIVE PLAN

1. Purpose. The purpose of the CSG Systems International, Inc. 2001 Stock Incentive Plan (the "Plan") is to foster and promote the long-term financial success of the Company and its Subsidiaries and thereby increase stockholder value by providing incentives to certain key employees who are likely to be responsible for achieving such success.

2. Certain Definitions.

"Board" means the Board of Directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor thereto. References to a particular section of the Code shall include any regulations issued under such section.

"Committee" shall have the meaning provided in Section 3 of the Plan.

"Common Stock" means the Common Stock, $0.01 par value per share, of the Company.

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

"Disability" means a mental or physical condition which, in the opinion of the Committee, renders a grantee unable or incompetent to carry out the job responsibilities which such grantee held or the tasks to which such grantee was assigned at the time the disability was incurred and which is expected to be permanent or for an indefinite duration exceeding one year.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

"Fair Market Value" means, as determined by the Committee, the last sale price of the Common Stock 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 Common Stock of the Company is listed on a national securities exchange, the last reported sale price on the principal national securities exchange on which the Common Stock is 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 Common Stock is listed or admitted to trading, or, if the Common Stock is not 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 Common Stock 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 Common Stock selected for such

purpose by the Committee, or, if none of the foregoing is applicable, then the fair market value of the Common Stock as determined in good faith by the Committee in its sole discretion.

"Parent Corporation" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if, at the time of the granting of the option, each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

"Performance Unit Award" means an award granted pursuant to Section 8.

"Plan Year" means the twelve-month period beginning on January 1 and ending on December 31; provided, that the first Plan Year shall be a short Plan Year beginning on the date of adoption of the Plan by the Board and ending on December 31, 2001.

"Restricted Stock Award" means an award of Common Stock granted pursuant to Section 9.

"Rule 16b-3" means Rule 16b-3 under the Exchange Act, as in effect from time to time.

"Stock Appreciation Right" means an award granted pursuant to Section 7.

"Stock Bonus Award" means an award of Common Stock granted pursuant to
Section 10.

"Stock Option" means any option to purchase Common Stock granted pursuant to Section 6.

"Subsidiary" means a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or by a Subsidiary, whether or not such corporation now exists or hereafter is organized or acquired by the Company or by a Subsidiary.

3. Administration. The Plan shall be administered by a committee composed solely of two or more members of the Board (the "Committee") selected by the Board, each of whom shall qualify as a "Non-Employee Director" within the meaning of Rule 16b-3 and as an "outside director" within the meaning of Section 162(m) of the Code.

The Committee shall have authority to grant to eligible employees of the Company or its Subsidiaries, pursuant to the terms of the Plan, (a) Stock Options, (b) Stock Appreciation Rights, (c) Restricted Stock Awards, (d) Performance Unit Awards, (e) Stock Bonus Awards, or (f) any combination of the foregoing.

Subject to the applicable provisions of the Plan, the Committee shall have authority to interpret the provisions of the Plan and to decide all questions of fact arising in the application of such provisions; to select the key employees to whom awards or options shall be granted under the Plan; to determine whether and to what extent awards or options shall be granted under the Plan; to determine the types of awards and options to be granted under the Plan and the amount, size, terms, and conditions of each such award or option; to determine the time when awards or options shall be granted under the Plan; to determine whether, to what extent, and under what circumstances the payment of Common Stock and other amounts payable with respect to an

award granted under the Plan shall be deferred either automatically or at the election of the grantee; to determine the Fair Market Value of the Common Stock from time to time; to authorize persons to execute on behalf of the Company any agreement required to be entered into under the Plan; to adopt, alter, and repeal such administrative rules, guidelines, and practices governing the Plan as the Committee from time to time shall deem advisable; and to make all other determinations necessary or advisable for the administration of the Plan.

Unless otherwise expressly provided in the Plan, all decisions and determinations made by the Committee pursuant to the provisions of the Plan shall be made in the sole discretion of the Committee and shall be final and binding on all persons, including but not limited to the Company and its Subsidiaries, the key employees to whom awards and options are granted under the Plan, the heirs and legal representatives of such key employees, and the personal representatives and beneficiaries of the estates of such key employees.

The Committee may delegate to any officer or officers of the Company any of the Committee's duties, powers, and authorities under the Plan upon such conditions and with such limitations as the Committee may determine.

4. Common Stock Subject to the Plan. Subject to adjustment pursuant to Section 19, the maximum number of shares of Common Stock which may be issued under the Plan is 2,500,000; and the Company shall reserve and keep available for issuance under the Plan such maximum number of shares, subject to adjustment pursuant to Section 19. Such shares may consist in whole or in part of authorized and unissued shares or treasury shares or any combination thereof. The aggregate number of shares of Common Stock subject to or issuable in payment of (i) Stock Options, (ii) Stock Appreciation Rights, (iii) Stock Bonus Awards,
(iv) Restricted Stock Awards, or (v) Performance Unit Awards granted under the Plan in any Plan Year to any individual may not exceed 100,000, subject to adjustment pursuant to Section 19. Except as otherwise provided in the Plan, any shares subject to an option or right which expires for any reason or terminates unexercised as to such shares shall again be available for the grant of awards or options under the Plan. If any shares of Common Stock have been pledged as collateral for indebtedness incurred by an optionee in connection with the exercise of a Stock Option and such shares are returned to the Company in satisfaction of such indebtedness, then such shares shall again be available for the grant of awards or options under the Plan.

5. Eligibility to Receive Awards and Options. Awards and options may be granted under the Plan to those key employees of the Company or any Subsidiary who are responsible for or contribute to, or are likely to be responsible for or contribute to, the management, growth and success of the Company or any Subsidiary; provided, that no award or option may be granted under the Plan to (i) any person who is an officer or director of the Company,
(ii) any person who is a "covered employee" of the Company for purposes of
Section 162(m) of the Code, or (iii) any person who is subject to Section 16 of the Exchange Act by reason of such person's position with the Company or any Subsidiary, in each case at the time of the granting of the award or option. The granting of an award or option under the Plan to a key employee of the Company or any Subsidiary shall conclusively evidence the Committee's determination that such grantee meets one or more of the criteria referred to in the preceding sentence. A director of any Subsidiary who is not an employee of the Company or any Subsidiary shall not be eligible to participate in the Plan.

6. Stock Options. Every Stock Option granted under the Plan shall be a nonqualified stock option for purposes of the Code. Stock Options may be granted alone or in addition to other awards made under the Plan. Stock Options shall be evidenced by agreements in such form as the Committee shall approve from time to time. The agreements shall contain in substance the following terms and conditions and may contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem appropriate:

(a) Type of Option. Each option agreement shall identify the Stock Option represented thereby as a nonqualified stock option for purposes of the Code.

(b) Option Price and Number of Shares. Each option agreement shall set forth the number of shares of Common Stock covered by the Stock Option and the applicable option exercise price per share, which price shall not be less than the Fair Market Value of the Common Stock on the date the Stock Option is granted or less than the par value of the Common Stock.

(c) Term. Each option agreement shall state the period or periods of time within which the Stock Option may be exercised, in whole or in part, which shall be such period or periods of time as the Committee may determine at the time of the Stock Option grant; provided, that no Stock Option granted under the Plan shall be exercisable more than ten years after the date of its grant; and provided further, that each Stock Option granted under the Plan shall become exercisable one year after the date of its grant, unless the option agreement specifically provides otherwise. The Committee shall have authority to accelerate previously established exercise rights, subject to the requirements set forth in the Plan, under such circumstances and upon such terms and conditions as the Committee shall deem appropriate.

(d) Payment for Shares. The Committee may permit all or part of the payment of the option exercise price to be made (i) in cash, by check or by wire transfer or (ii) in shares of Common Stock (A) which already are owned by the optionee and which are surrendered to the Company in good form for transfer or (B) which are retained by the Company from the shares of the Common Stock which would otherwise be issued to the optionee upon the optionee's exercise of the Stock Option. Such shares shall be valued at their Fair Market Value on the date of exercise of the Stock Option. In lieu of payment in fractions of shares, payment of any fractional share amount shall be made in cash or check payable to the Company. The Committee also may provide that the exercise price may be paid by delivering a properly executed exercise notice in a form approved by the Committee together with irrevocable instructions to a broker to promptly deliver to the Company the amount of the applicable sale or loan proceeds required to pay the exercise price. No shares of Common Stock shall be issued to any optionee upon the exercise of a Stock Option until the Company receives full payment therefor as described above.

(e) Rights upon Termination of Employment. In the event that an optionee ceases to be employed by the Company and all of its Subsidiaries for any reason other than such optionee's death or Disability, any rights of the optionee under any Stock Option then in effect immediately shall terminate; provided, that the optionee (or the optionee's legal representative) shall have the right to exercise the Stock Option during its

term within a period of three (3) months after such termination of employment to the extent that the Stock Option was exercisable at the time of such termination or within such other period and subject to such other terms and conditions as may be specified by the Committee. Notwithstanding the foregoing provisions of this Section 6(e), the optionee (and the optionee's legal representative) shall not have any rights under any Stock Option, and the Company shall not be obligated to sell or deliver shares of Common Stock (or have any other obligation or liability) under any Stock Option, if the Committee shall determine that (i) the employment of the optionee with the Company or any Subsidiary has been terminated for cause or (ii) the optionee has engaged or may engage in employment or activities competitive with the Company or any Subsidiary or contrary, in the opinion of the Committee, to the best interests of the Company or any Subsidiary. In the event of such determination, the optionee (and the optionee's legal representative) shall have no right under any Stock Option to purchase any shares of Common Stock regardless of whether the optionee (or the optionee's legal representative) shall have delivered a notice of exercise prior to the Committee's making of such determination. Any Stock Option may be terminated entirely by the Committee at the time of or at any time subsequent to a determination by the Committee under this Section 6(e) which has the effect of eliminating the Company's obligation to sell or deliver shares of Common Stock under such Stock Option.

In the event that an optionee ceases to be employed by the Company and all of its Subsidiaries by reason of such optionee's Disability, prior to the expiration of a Stock Option and without such optionee's having fully exercised such Stock Option, such optionee or such optionee's legal representative shall have the right to exercise such Stock Option during its term within a period of six (6) months after such termination of employment to the extent that such Stock Option was exercisable at the time of such termination or within such other period and subject to such other terms and conditions as may be specified by the Committee.

In the event that an optionee ceases to be employed by the Company and all of its Subsidiaries by reason of such optionee's death, prior to the expiration of a Stock Option and without such optionee's having fully exercised such Stock Option, the personal representative of such optionee's estate or the person who acquired the right to exercise such Stock Option by bequest or inheritance from such optionee shall have the right to exercise such Stock Option during its term within a period of twelve (12) months after the date of such optionee's death to the extent that such Stock Option was exercisable at the time of such death or within such other period and subject to such other terms and conditions as may be specified by the Committee.

7. Stock Appreciation Rights. Stock Appreciation Rights shall enable the grantees thereof to benefit from increases in the Fair Market Value of shares of Common Stock and shall be evidenced by agreements in such form as the Committee shall approve from time to time. The agreements shall contain in substance the following terms and conditions and may contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem appropriate:

(a) Award. A Stock Appreciation Right shall entitle the grantee, subject to such terms and conditions as the Committee may prescribe, to receive upon the exercise

thereof an award equal to all or a portion of the excess of (i) the Fair Market Value of a specified number of shares of Common Stock at the time of the exercise of such right over (ii) a specified price which shall not be less than the Fair Market Value of the Common Stock at the time the right is granted or, if connected with a previously granted Stock Option, not less than the Fair Market Value of the Common Stock at the time such Stock Option was granted. Subject to the limitations set forth in Section 4, such award may be paid by the Company in cash, shares of Common Stock (valued at their then Fair Market Value) or any combination thereof, as the Committee may determine. Stock Appreciation Rights may be, but are not required to be, granted in connection with a previously or contemporaneously granted Stock Option. In the event of the exercise of a Stock Appreciation Right, the number of shares reserved for issuance under the Plan shall be reduced by the number of shares covered by the Stock Appreciation Right as to which such exercise occurs.

(b) Term. Each agreement shall state the period or periods of time within which the Stock Appreciation Right may be exercised, in whole or in part, subject to such terms and conditions prescribed for such purpose by the Committee; provided, that no Stock Appreciation Right shall be exercisable more than ten years after the date of its grant; and provided further, that each Stock Appreciation Right granted under the Plan shall become exercisable one year after the date of its grant, unless the agreement specifically provides otherwise. The Committee shall have authority to accelerate previously established exercise rights, subject to the requirements set forth in the Plan, under such circumstances and upon such terms and conditions as the Committee shall deem appropriate.

(c) Rights upon Termination of Employment. In the event that a grantee of a Stock Appreciation Right ceases to be employed by the Company and all of its Subsidiaries for any reason other than such grantee's death or Disability, any rights of the grantee under any Stock Appreciation Right then in effect immediately shall terminate; provided, that the grantee (or the grantee's legal representative) shall have the right to exercise the Stock Appreciation Right during its term within a period of three (3) months after such termination of employment to the extent that the Stock Appreciation Right was exercisable at the time of such termination or within such other period and subject to such other terms and conditions as may be specified by the Committee. Notwithstanding the foregoing provisions of this Section 7(c), the grantee (and the grantee's legal representative) shall not have any rights under any Stock Appreciation Right, and the Company shall not be obligated to pay or deliver any cash, Common Stock or any combination thereof (or have any other obligation or liability) under any Stock Appreciation Right, if the Committee shall determine that (i) the employment of the grantee with the Company or any Subsidiary has been terminated for cause or (ii) the grantee has engaged or may engage in employment or activities competitive with the Company or any Subsidiary or contrary, in the opinion of the Committee, to the best interests of the Company or any Subsidiary. In the event of such determination, the grantee (and the grantee's legal representative) shall have no right under any Stock Appreciation Right regardless of whether the grantee (or the grantee's legal representative) shall have delivered a notice of exercise prior to the Committee's making of such determination. Any Stock Appreciation Right may be terminated entirely by the Committee at the time of or at any time subsequent to a determination by the Committee

under this Section 7(c) which has the effect of eliminating the Company's obligations under such Stock Appreciation Right.

In the event that a grantee of a Stock Appreciation Right ceases to be employed by the Company and all of its Subsidiaries by reason of such grantee's Disability, prior to the expiration of a Stock Appreciation Right and without such grantee's having fully exercised such Stock Appreciation Right, such grantee or such grantee's legal representative shall have the right to exercise such Stock Appreciation Right during its term within a period of six (6) months after such termination of employment to the extent that such Stock Appreciation Right was exercisable at the time of such termination or within such other period and subject to such other terms and conditions as may be specified by the Committee.

In the event that a grantee ceases to be employed by the Company and all of its Subsidiaries by reason of such grantee's death, prior to the expiration of a Stock Appreciation Right and without such grantee's having fully exercised such Stock Appreciation Right, the personal representative of the grantee's estate or the person who acquired the right to exercise such Stock Appreciation Right by bequest or inheritance from such grantee shall have the right to exercise such Stock Appreciate Right during its term within a period of twelve (12) months after the date of such grantee's death to the extent that such Stock Appreciation Right was exercisable at the time of such death or within such other period and subject to such other terms and conditions as may be specified by the Committee.

8. Performance Unit Awards. Performance Unit Awards shall entitle the grantees thereof to receive future payments based upon and subject to the achievement of preestablished long-term performance targets and shall be evidenced by agreements in such form as the Committee shall approve from time to time. The agreements shall contain in substance the following terms and conditions and may contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem appropriate:

(a) Performance Period. The Committee shall establish with respect to each Performance Unit Award a performance period of not fewer than two years nor more than five years.

(b) Unit Value. The Committee shall establish with respect to each Performance Unit Award a value for each unit which shall not change thereafter or which may vary thereafter on the basis of criteria specified by the Committee.

(c) Performance Targets. The Committee shall establish with respect to each Performance Unit Award maximum and minimum performance targets to be achieved during the applicable performance period. The achievement of the maximum targets shall entitle a grantee to payment with respect to the full value of a Performance Unit Award. The achievement of less than the maximum targets, but in excess of the minimum targets, shall entitle a grantee to payment with respect to a portion of a Performance Unit Award according to the level of achievement of the applicable targets as specified by the Committee.

(d) Performance Measures. Performance targets established by the Committee shall relate to such measures or standards of performance as the Committee may determine. Multiple targets may be used and may have the same or different weighting, and the targets may relate to absolute performance or relative performance measured against other companies, businesses or indexes.

(e) Adjustments. At any time prior to the payment of a Performance Unit Award, the Committee may adjust previously established performance targets or other terms and conditions of such Performance Unit Award, including the Company's or another company's financial performance for Plan purposes, in order to reduce or eliminate, but not to increase, the payment with respect to a Performance Unit Award that otherwise would be due upon the attainment of such previously established performance targets. Such adjustments shall be made to reflect major unforeseen events such as changes in laws, regulations, or accounting practices, mergers, acquisitions, or divestitures, or other extraordinary, unusual, or nonrecurring items or events.

(f) Payment of Performance Unit Awards. Upon the conclusion of each performance period, the Committee shall determine the extent to which the applicable performance targets have been attained and any other terms and conditions have been satisfied for such period. The Committee shall determine what, if any, payment is due on a Performance Unit Award and, subject to the limitations set forth in Section 4, whether such payment shall be made in cash, shares of Common Stock (valued at their then Fair Market Value), or a combination thereof. Payment of a Performance Unit Award shall be made in a lump sum or in installments, as determined by the Committee, commencing as promptly as practicable after the end of the performance period unless such payment is deferred upon such terms and conditions as may be specified by the Committee.

(g) Termination of Employment. In the event that a grantee of a Performance Unit Award ceases to be employed by the Company and all of its Subsidiaries for any reason other than such grantee's death or Disability, any rights of such grantee under any Performance Unit Award then in effect whose performance period has not ended shall terminate immediately; provided, that the Committee may authorize the partial payment of any such Performance Unit Award if the Committee determines such action to be equitable.

In the event that a grantee of a Performance Unit Award ceases to be employed by the Company and all of its Subsidiaries by reason of such grantee's death or Disability, any rights of such grantee under any Performance Unit Award then in effect whose performance period has not ended shall terminate immediately; provided, that the Committee may authorize the payment to such grantee or such grantee's legal representative of all or any portion of such Performance Unit Award to the extent earned under the applicable performance targets, even though the applicable performance period has not ended, upon such terms and conditions as may be specified by the Committee.

9. Restricted Stock Awards. Restricted Stock Awards shall consist of shares of Common Stock restricted against transfer, subject to a substantial risk of forfeiture and to other terms and conditions intended to further the purpose of the Plan as the Committee may determine, and shall be evidenced by agreements in such form as the Committee shall approve

from time to time. The agreements shall contain in substance the following terms and conditions and may contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem appropriate:

(a) Restriction Period. The Common Stock covered by Restricted Stock Awards shall be subject to the applicable restrictions established by the Committee over such period as the Committee shall determine.

(b) Restriction upon Transfer. Shares of Common Stock covered by Restricted Stock Awards may not be sold, assigned, transferred, exchanged, pledged, hypothecated, or otherwise encumbered, except as provided in the Plan or in any Restricted Stock Award agreement entered into between the Company and a grantee, during the restriction period applicable to such shares. Notwithstanding the foregoing provisions of this Section 9(b), and except as otherwise provided in the Plan or the applicable Restricted Stock Award agreement, a grantee of a Restricted Stock Award shall have all of the other rights of a holder of Common Stock including but not limited to the right to receive dividends and the right to vote such shares.

(c) Payment. The Committee shall determine the amount, form, and time of payment, if any, that shall be required from the grantee of a Restricted Stock Award in consideration of the issuance and delivery of the shares of Common Stock covered by such Restricted Stock Award.

(d) Certificates. Each certificate issued in respect of shares of Common Stock covered by a Restricted Stock Award shall be registered in the name of the grantee and shall bear the following legend (in addition to any other legends which may be appropriate):

"This certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture provisions and restrictions against transfer) contained in the CSG Systems International, Inc. 2001 Stock Incentive Plan and a Restricted Stock Award Agreement entered into between the registered owner and CSG Systems International, Inc. Release from such terms and conditions may be obtained only in accordance with the provisions of such Plan and Agreement, a copy of each of which is on file in the office of the Secretary of CSG Systems International, Inc."

The Committee may require the grantee of a Restricted Stock Award to enter into an escrow agreement providing that the certificates representing the shares covered by such Restricted Stock Award will remain in the physical custody of an escrow agent until all restrictions are removed or expire. The Committee also may require that the certificates held in such escrow be accompanied by a stock power, endorsed in blank by the grantee, relating to the Common Stock covered by such certificates.

(e) Lapse of Restrictions. The Committee may provide for the lapse of restrictions applicable to Common Stock subject to Restricted Stock Awards in installments and may waive such restrictions in whole or in part based upon such factors

and such circumstances as the Committee shall determine. Upon the lapse of such restrictions, certificates for shares of Common Stock, free of the restrictive legend set forth in Section 9(c), shall be issued to the grantee or the grantee's legal representative. The Committee shall have authority to accelerate the expiration of the applicable restriction period with respect to all or any portion of the shares of Common Stock covered by a Restricted Stock Award.

(f) Termination of Employment. In the event that a grantee of a Restricted Stock Award ceases to be employed by the Company and all of its Subsidiaries for any reason, any rights of such grantee with respect to shares of Common Stock that remain subject to restrictions under such Restricted Stock Award shall terminate immediately, and any shares of Common Stock covered by a Restricted Stock Award with unlapsed restrictions shall be subject to reacquisition by the Company upon the terms set forth in the applicable agreement with such grantee. The Committee may provide for complete or partial exceptions to such employment requirement if the Committee determines such action to be equitable.

10. Stock Bonus Awards. The Committee may grant a Stock Bonus Award to an eligible grantee under the Plan based upon such measures or standards of performance (including but not limited to performance already accomplished) as the Committee may determine.

If appropriate in the sole discretion of the Committee, Stock Bonus Awards shall be evidenced by agreements in such form as the Committee shall approve from time to time. In addition to any applicable performance goals or standards and subject to the terms of the Plan, shares of Common Stock which are the subject of a Stock Bonus Award may be (i) subject to additional restrictions (including but not limited to restrictions on transfer) or (ii) granted directly to a grantee free of any restrictions, as the Committee shall deem appropriate.

11. General Restrictions. Each award or grant under the Plan shall be subject to the requirement that if at any time the Committee shall determine that (i) the listing, registration or qualification of the shares of Common Stock subject or related thereto upon any securities exchange or under any state or federal law, (ii) the consent or approval of any governmental regulatory body, or (iii) an agreement by the grantee of an award or grant with respect to the disposition of the shares of Common Stock subject or related thereto is necessary or desirable as a condition of, or in connection with, such award or grant or the issuance or purchase of shares of Common Stock thereunder, then such award or grant may not be consummated and any rights thereunder may not be exercised in whole or in part unless such listing, registration, qualification, consent, approval, or agreement shall have been effected or obtained upon conditions acceptable to the Committee. Awards or grants under the Plan shall be subject to such additional terms and conditions, not inconsistent with the Plan, as the Committee in its sole discretion deems necessary or desirable.

12. Single or Multiple Agreements. Multiple forms of awards or grants or combinations thereof may be evidenced either by a single agreement or by multiple agreements, as determined by the Committee.

13. Rights of a Stockholder. Unless otherwise provided by the Plan, the grantee of any award or grant under the Plan shall have no rights as a stockholder of the Company with

respect to the shares of Common Stock subject or related to such award or grant unless and until certificates for such shares of Common Stock are issued to such grantee.

14. No Right to Continue Employment. Nothing in the Plan or in any agreement entered into pursuant to the Plan shall confer upon any grantee the right to continue in the employment of the Company or any Subsidiary or affect any right which the Company or any Subsidiary may have to terminate the employment of any grantee with or without cause.

15. Withholding. The Company's obligation to (i) deliver shares of Common Stock or pay cash upon the exercise of any Stock Option or Stock Appreciation Right, (ii) deliver shares of Common Stock or pay cash in payment of any Performance Unit Award, (iii) deliver stock certificates upon the vesting of any Restricted Stock Award, and (iv) deliver shares of Common Stock upon the grant of any Stock Bonus Award shall be subject to applicable federal, state and local tax withholding requirements. In the discretion of the Committee, amounts required to be withheld for taxes may be paid by the grantee in cash or shares of Common Stock (either through the surrender of previously held shares of Common Stock or the withholding of shares of Common Stock otherwise issuable upon the exercise or payment of such Stock Option, Stock Appreciation Right or Award) having a Fair Market Value equal to the required tax withholding amount and upon such other terms and conditions as the Committee shall determine.

16. Indemnification. No member of the Board or the Committee, nor any officer or employee of the Company or a Subsidiary acting on behalf of the Board or the Committee, shall be personally liable for any action, determination or interpretation taken or made in good faith with respect to the Plan; and all members of the Board or the Committee and each and any officer or employee of the Company or any Subsidiary acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

17. Non-Assignability. No award or grant under the Plan shall be assignable or transferable by the recipient thereof except by will, by the laws of descent and distribution, pursuant to a qualified domestic relations order, or by such other means (if any) or in such other manner (if any) as the Committee may approve from time to time. No right or benefit under the Plan shall be liable for the debts, liabilities, or alimony obligations of the person entitled to such right or benefit, either by assignment, attachment, or any other method, and shall not be subject to be taken by the creditors of the person entitled to such right or benefit by any process whatsoever.

18. Nonuniform Determinations. The Committee's determinations under the Plan (including but not limited to determinations of the persons to receive awards or grants, the form, amount and timing of such awards or grants, the terms and provisions of such awards or grants and the agreements evidencing them and the establishment of values and performance targets) need not be uniform and may be made by the Committee selectively among the persons who receive, or are eligible to receive, awards or grants under the Plan, whether or not such persons are similarly situated.

19. Adjustments. In the event of any change in the outstanding shares of Common Stock, by reason of a stock dividend or distribution, stock split, recapitalization, merger, reorganization, consolidation, split-up, spin-off, combination of shares, exchange of shares, or

other change in corporate structure affecting the Common Stock, the Committee shall make appropriate adjustments in (a) the aggregate number of shares of Common Stock (i) reserved for issuance under the Plan, (ii) for which grants or awards may be made to an individual grantee, and (iii) covered by outstanding awards and grants denominated in shares or units of Common Stock, (b) the exercise or other applicable price related to outstanding awards or grants, and
(c) the appropriate Fair Market Value and other price determinations relevant to outstanding awards or grants and shall make such other adjustments as may be equitable under the circumstances; provided, that the number of shares subject to any award or grant always shall be a whole number.

20. Terms of Payment. Subject to any other applicable provisions of the Plan and to any applicable laws, whenever payment by a grantee is required with respect to shares of Common Stock which are the subject of an award or grant under the Plan, the Committee shall determine the time, form and manner of such payment, including but not limited to lump-sum payments and installment payments upon such terms and conditions as the Committee may prescribe. Installment payment obligations of a grantee may be evidenced by full-recourse, limited- recourse, or non-recourse promissory notes or other instruments, with or without interest and with or without collateral or other security as the Committee may determine.

21. Termination and Amendment. The Board may terminate the Plan or amend the Plan or any portion thereof at any time. The termination or any amendment of the Plan shall not, without the consent of a grantee, adversely affect such grantee's rights under an award or grant previously made to such grantee under the Plan. The Committee may amend the terms of any award or grant previously made under the Plan, prospectively or retroactively; but, except as otherwise expressly permitted by the Plan and subject to the provisions of Section 19, no such amendment shall adversely affect the rights of the grantee of such award or grant without such grantee's consent.

22. Effect on Other Plans. Participation in the Plan shall not affect an employee's eligibility to participate in any other benefit or incentive plan of the Company or any Subsidiary. Any awards made pursuant to the Plan shall not be taken into account in determining the benefits provided or to be provided under any other plan of the Company or any Subsidiary unless otherwise specifically provided in such other plan.

23. Term of Plan. The Plan shall become effective upon its adoption by the Board and shall terminate for purposes of further grants on the first to occur of (i) December 31, 2010, or (ii) the effective date of the termination of the Plan by the Board pursuant to Section 21. No awards or options may be granted under the Plan after the termination of the Plan, but such termination shall not affect any awards or options outstanding at the time of such termination or the authority of the Committee to continue to administer the Plan apart from the making of further grants.

24. Governing Law. The Plan shall be governed by and construed in accordance with the laws of Delaware.

Exhibit 21.01

CSG SYSTEMS INTERNATIONAL, INC.
SUBSIDIARIES OF THE REGISTRANT
AS OF DECEMBER 31, 2001

SUBSIDIARY	STATE OR COUNTRY OF INCORPORATION
CSG Systems, Inc.	Delaware
CSG Netherlands, BV	The Netherlands
CSG Services, Inc.	Delaware

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, 333-42202 and 333-81656.

ARTHUR ANDERSEN LLP

Omaha, Nebraska,
March 26, 2002

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 74.2% and 75.8% of its total revenues from its core customer care and billing system, CSG CCS/BP (formerly known as CCS), and related products and services (collectively, "CCS") in the years ended December 31, 2001 and 2000, respectively. CCS is expected to provide a large portion 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 has 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. During the fourth quarter of

2000, the Company relinquished its exclusive rights to process AT&T's wireline telephony customers, and those AT&T customers were fully converted to another service provider by the end of 2001. The Company does not expect the loss of these customers to have a material impact on the Company's result of operations.

Effective April 2001, the Company amended its agreement with AT&T giving the Company certain additional contractual rights to continue processing, for a minimum of one year, customers that AT&T may divest. These new rights are co- terminus with and are in addition to the existing minimum processing commitments the Company has with AT&T through 2012. Any such divestitures to a third party would not: (i) relieve AT&T of its minimum processing commitments;
(ii) impact the Company's exclusivity rights under the AT&T Contract; or (iii) impact the term of the AT&T Contract.

On December 19, 2001, AT&T and Comcast Corporation ("Comcast") announced that their board of directors approved a definitive agreement to combine AT&T Broadband with Comcast. Under the reported terms of the definitive agreement, AT&T will spin off AT&T Broadband and simultaneously merge it with Comcast, forming a new company to be called AT&T Comcast Corporation. It is premature at this time to speculate what impact this transaction will have on the Company's operations, if any. The Company believes the AT&T Contract would remain in effect in the event there is a change in control of AT&T Broadband; however, it is impossible to predict how any successor entity(s) to AT&T Broadband would interpret their obligations under the AT&T Contract. It is also impossible to predict what impact any dispute would have on the Company's results of operations or market for its securities. See below for a further discussion concerning disputes with AT&T.

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 additional features to existing products and services, and possibly in certain circumstances, 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 adverse impact on the Company's future results of operations. Indeed, on September 27, 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. On October 10, 2000, AT&T agreed to dismiss 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 discussions of this matter.

On March 13, 2002, AT&T Broadband notified the Company that AT&T is "considering" the initiation of arbitration against the Company relating to the AT&T Contract.

The letter states that AT&T's decision whether to seek arbitration is subject to the parties exhausting the negotiation process specified in the AT&T Contract. That dispute resolution portion of the agreement calls for senior officers from each company to meet promptly and for a period of not less than 30 days in an effort to resolve the dispute.

AT&T stated that any action to terminate the AT&T Contract would be based upon the following claims. First, AT&T claims that the Company has failed to provide bundled or aggregated billing services, including the Company's breach of its obligation to provide telephony billing when required to do so under the AT&T Contract. Second, the letter states that the Company has not cooperated with AT&T in utilizing another vendor to provide aggregated billing services, as well as the Company's improper assertion of its exclusivity rights. Third, the letter claims that the Company has breached the Most Favored Nations clause of the AT&T Contract.

The letter further states that should a negotiated resolution not be achieved, AT&T could elect to seek a declaration that it is entitled to terminate the AT&T Contract on the fifth anniversary of the contract which is August 10, 2002.

The Company denies that it is in breach of the AT&T Contract. As of the date of this filing, discussions were ongoing with AT&T in an effort to resolve the dispute. It is impossible to predict at this time when or how any resolution will be forthcoming. Should AT&T be successful in its claims, or in terminating the AT&T Contract in whole or in part, it would have a material adverse effect on the financial condition of the Company and its overall future operations.

While the substance of the negotiations between the Company and AT&T are not being made public at this time, readers are strongly encouraged to review frequently the Company's filings with the SEC as well as all public announcements from the Company relating to the dispute between the companies. This is of particular importance as the resolution of the dispute is highly in flux as of the date of this filing.

A copy of the AT&T Contract and all subsequent amendments (including the amendment executed as part of the agreement to withdraw AT&T's September 27, 2000 Demand for Arbitration) are included in the Company's exhibits to its periodic public filings with the SEC. These documents are available on the Internet and the Company encourages readers to review those documents for further details.

Business Activities and 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, 2001 and 2000, revenues from AT&T and affiliated companies represented approximately 55.8% and 50.4% of total Company revenues, respectively. The increase in the percentage between periods relates primarily to AT&T's customer growth and the timing and the amount of software and services purchased by AT&T. The Company expects to continue to generate a large 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, it would have a material impact on the Company's future 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 has 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, 2001 and 2000, revenues from AOL Time Warner represented approximately 7.5% and 8.3% 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 impact on the financial condition and results of operations of the Company.

INDUSTRY CONSOLIDATION AND DEPENDENCE ON VIDEO INDUSTRY--CABLE TELEVISION AND DBS

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, 2001 and 2000, the Company derived 82.3% and 77.7%, and 11.7% and 16.0% of its total revenues from companies in the U.S. cable television and U.S. and Canadian DBS industries, respectively. A decrease in the number of customers served by the Company's clients, loss of business due to non-renewal of client contracts, industry consolidation, and/or changing consumer demand for services would adversely effect the results of operations of the Company.

There can be no assurance that new entrants into the video market will become clients of the Company. Also, there can be no assurance that video 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. Seven providers account for over 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 six of the seven cable television providers; and (ii) for one of the DBS providers. For the years ended December 31, 2001 and 2000, approximately 87% and 81% of the Company's total revenues were generated from companies under the control of these seven providers. Consolidation in the industry may put at risk the Company's ability to leverage its existing relationships. Should this consolidation result in a concentration of cable television customer accounts being owned by companies with whom the Company does not have a relationship, or with whom competitors are entrenched, it could negatively effect the Company's ability to maintain or expand its market share, thereby adversely effecting the results of operations.

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 typical 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 impact on the results of operations of the Company. As of December 31, 2001, the Company had scheduled approximately 300,000 customers to be converted onto its processing system during 2002.

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 its processing revenues and software and professional services revenues 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 part on the continuing convergence and growth of the worldwide 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, many with significant and well established 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.

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. Consistent with this strategy, the Company recently completed the acquisition of the Kenan Business. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussions of the Kenan Acquisition.

Acquisitions involve a number of risks and difficulties, including: (i) expansion into new geographic markets and business areas; (ii) the requirement to understand local business practices; (iii) the diversion of management's attention to the assimilation of acquired operations and personnel; (iv) potential adverse effects on the Company's operating results for various reasons, including but not limited to the following items: (a) the Company's inability to achieve revenue targets; (b) the Company's inability to manage and/or reduce operating costs; (c) the Company's inability to achieve certain operating synergies; (d) costs incurred to integrate, support, and expand the acquired business; (e) charges related to purchased in-process research and development projects; (f) costs incurred to exit current or acquired contracts or activities; (g) costs incurred to manage the size of the combined existing and acquired workforce, due to certain redundancies or inefficiencies; (h) costs incurred to service any acquisition debt; and (i) the amortization or impairment of intangible assets.

Due to the multiple risks and difficulties associated with any acquisition, there can be no assurance that the Company will be successful in achieving its expected strategic and operating goals for any such acquisition.

VARIABILITY OF QUARTERLY RESULTS

The Company's quarterly revenues and operating 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. No assurance can be given that results will not vary due to these factors.

Variability in quarterly revenues and operating results are inherent characteristics of the software industry. One common cause of a failure to meet revenue and operating expectations in the software industry is the inability to close one or more larger software transactions that may have been anticipated by management in any particular period. The Company expects software and professional services revenues to become an increasingly larger portion of its total revenues in the future. Consequently, as the Company's total revenues grow, so too does the risk associated with meeting financial expectations for revenues derived from its software and professional 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.

Historically, the vast majority of the Company's revenue has come from domestic sources, limiting the need to develop a strong international intellectual property protection program. With the Kenan Acquisition, the Company has clients using its products in approximately 40 countries. As a result, the Company needs to continually assess whether there is any risk to its intellectual property rights in many countries throughout the world. Should these risks be improperly assessed or if for any reason should the Company's right to develop, produce and distribute its products anywhere in the world be successfully challenged or be significantly curtailed, it could have a material adverse effect on the operations of the Company and its financial results.

INTERNATIONAL OPERATIONS

The Company's growth strategy includes a commitment to the marketing of its products and services internationally. The Company has conducted international operations in the past and will significantly increase the level of its international operations as a result of its recent acquisition of the Kenan Business. The Company

is subject to certain inherent risks associated with operating internationally including: (i) difficulties with product development meeting local requirements such as the conversion to the local currencies and languages;
(ii) difficulties in staffing and management of personnel, including considerations for cultural differences; (iii) reliance on independent distributors or strategic alliance partners; (iv) fluctuations in foreign currency exchange rates for which a natural or purchased hedge does not exist or is ineffective; (v) longer collection cycles for client billings (i.e., accounts receivables), as well as heightened client collection risks, especially in countries with highly inflationary economies and/or with restrictions on movement of cash out a country; (vi) compliance with laws and regulations related to the collection, use, and disclosure of certain personal information relating to clients' customer's (i.e. privacy laws) that are more strict than those currently in force in the U.S.; (vii) effective coordination of world-wide sales and marketing programs; (viii) compliance with foreign regulatory requirements, including local labor laws; (ix) variability of foreign economic conditions; (x) changing restrictions imposed by U.S. or foreign import/export laws; (xi) political and economic instability; (xii) reduced protection for intellectual property rights in some countries; (xiii) inability to recover value added taxes ("VAT") and/or goods and services taxes ("GST") in foreign jurisdictions; (xiv) competition from companies which have firmly established significant international operations; and (xv) a potential adverse impact to the Company's overall effective income tax rate resulting from: (a) operations in foreign countries with higher tax rates than the U.S.;

(b) the inability to utilize certain foreign tax credits; and (c) the inability to utilize some or all of losses generated in one or more foreign countries.

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 plans to expand its use of the Internet with its product offerings thereby permitting, for example, our clients' customer to use the Internet to review account balances, order services 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 periodically 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 Company's networks and systems will not fail, or 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 or increase in expense, 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 is 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

Several of the Company's new product applications operate in a distributed systems environment (also known as "open systems"), running on multiple servers for the benefit of certain clients. During 2001, the Company completed the migration of these distributed systems servers from its own internal data center to the FDC Data Center. Under an agreement with FDC that runs through June 30, 2005, FDC provides the operations monitoring and facilities management services, while the Company provides 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's systems are continuously connected to the Company's CCS 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 impact 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.

Exhibit 99.02

LETTER TO COMMISSION PURSUANT TO TEMPORARY NOTE 3T

March 29, 2002

United States Securities and Exchange Commission Washington, DC 20549

Re: Temporary Note 3T to Article 3 of Regulation S-X

Ladies and Gentlemen:

CSG Systems International, Inc. has obtained a representation from Arthur Andersen LLP, dated as of March 26, 2002, that states:

"We have audited the consolidated financial statements of CSG Systems International, Inc. and subsidiaries as of December 31, 2001 and for the year then ended and have issued our report thereon dated February 28, 2002. We represent that this audit was subject to our quality control system for the U.S. accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards, that there was appropriate continuity of Arthur Andersen personnel working on the audit, availability of national office consultation, and availability of personnel at foreign affiliates of Arthur Andersen to conduct the relevant portions of the audit."

Very truly yours,

CSG Systems International, Inc.

By: /s/ Peter Kalan

Peter Kalan
Chief Financial Officer

End of Filing

Powered By EDGAR Online

© 2005 | EDGAR Online, Inc.