

CSG SYSTEMS INTERNATIONAL INC

FORM 10-K (Annual Report)

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Address 9555 MAROON CIRCLE
ENGLEWOOD, CO 80112
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2008

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.)

9555 Maroon Circle
Englewood, Colorado 80112
(Address of principal executive offices, including zip code)

(303) 200-2000
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class
Common Stock, Par Value \$0.01 Per Share

Name of Each Exchange on Which Registered
NASDAQ Stock Market LLC

Securities Registered Pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting common equity 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 June 30, 2008 was \$377,217,212.

Shares of common stock outstanding at February 24, 2009: 35,136,914

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its 2009 Annual Meeting of Stockholders to be filed on or prior to April 30, 2009, are incorporated by reference into Part III of the Form 10-K.

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CSG SYSTEMS INTERNATIONAL, INC.

2008 FORM 10-K

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PART I

Item 1. Business

Overview

CSG Systems International, Inc. (the “Company”, “CSG”, or forms of the pronoun “we”) 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. CSG Systems, Inc. had been a subsidiary or division of FDC from 1982 until this acquisition.

We are a leading provider of software- and services-based customer interaction management solutions that help our clients build commerce by better engaging and transacting with their customers. Our solutions enable our clients to build new offerings, to engage customers on those offerings, and to deliver them through effective and profitable customer transactions. Our clients maximize the value and minimize the costs associated with their customer interactions by using our solutions to conduct key business processes such as targeting prospective customers, rolling out and offering new products quickly, efficiently managing order processing, streamlining operations, managing field workforces, improving customer satisfaction, integrating actionable customer intelligence, developing marketing strategies, printing and mailing monthly statements, and electronically transacting with customers. Our solutions provide clients with favorable results through improved operating efficiencies, decreased churn rates, accelerated marketing effectiveness, lower overall costs, and increased profitability.

Our proven technology is based on more than 25 years of expertise in serving clients in several complex and highly competitive industries. These clients typically handle a high volume of recurring transactions and complex customer relationships through a growing set of touch points, ranging from call centers, on-line Internet access, emails, text messages, interactive messaging, service technicians, and monthly statements. Our solutions and services are at work behind the scenes of systems that support customer interactions of some of the largest and most innovative service providers in North America. Our heritage is in providing outsourced customer interaction management solutions to the cable and direct broadcast satellite (“DBS”) companies, which represent approximately 88% and 95%, respectively, of our 2008 and 2007 revenues. Building upon those years of experience, we have broadened and enhanced our solutions to now serve an increasing number of other industries such as financial services, utilities, telecommunications, healthcare, and home security.

Our solutions are delivered and supported by an experienced and dedicated workforce of more than 2,000 employees. Our principal executive offices are located at 9555 Maroon Circle, Englewood, Colorado 80112, and the telephone number at that address is (303) 200-2000. Our common stock is listed on the NASDAQ Stock Market LLC (“NASDAQ”) under the symbol “CSGS”. We are a S&P SmallCap 600 company.

General Development of Business

Comcast Business Relationship. In September 1997, we entered into a 15-year exclusive contract (the “Master Subscriber Agreement”) with Telecommunications, Inc. (“TCI”) to consolidate all TCI customers onto our customer care and billing systems. In 1999 and 2000, respectively, AT&T completed its mergers with TCI and MediaOne Group, Inc. (“MediaOne”), and consolidated the merged operations into AT&T Broadband (“AT&T”), and we continued to service the merged operations under the terms of the Master Subscriber Agreement. On November 18, 2002, Comcast Corporation (“Comcast”) completed its merger with AT&T, and assumed the Master Subscriber Agreement. Comcast is our largest client, making up approximately 27% of our total revenues in 2008.

During 2002 and 2003, we were involved in various legal proceedings with Comcast, consisting principally of arbitration proceedings related to the Master Subscriber Agreement. In October 2003, we received an unfavorable ruling in the arbitration proceedings. The Comcast arbitration ruling included an award of \$119.6

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million to be paid by us to Comcast. The award was based on the arbitrator's determination that we had violated the most favored nations ("MFN") clause of the Master Subscriber Agreement. In addition, the arbitration ruling also required that we invoice Comcast for lower fees under the MFN clause of the Master Subscriber Agreement beginning in October 2003. This had the effect of reducing quarterly revenues from Comcast by approximately \$13-14 million (\$52-56 million annually), when compared to amounts prior to the arbitration ruling. In March 2004, we signed a new contract with Comcast (the "Comcast Contract") with an expiration date of December 31, 2008, which superseded the former Master Subscriber Agreement that was set to expire at the end of 2012. In July 2008, we renewed our contract with Comcast through December 2012. See Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for additional discussion of our business relationship with Comcast.

Discontinued Operations. In February 2002, we acquired the billing and customer care assets of Lucent Technologies ("Lucent"). Lucent's billing and customer care business consisted primarily of: (i) software products and related consulting services acquired by Lucent when it purchased Kenan Systems Corporation in February 1999; (ii) BILLDATS Data Manager mediation software; and (iii) elements of Lucent's client support, product support, and sales and marketing organizations (collectively, the "Kenan Business"). This acquisition allowed us to expand our customer care and billing product and service offerings into international markets. On December 9, 2005, we sold our Global Software Services ("GSS") business ("GSS Business"), which consisted principally of the acquired Kenan Business, to Comverse, Inc., a division of Comverse Technology, Inc. ("Comverse"). As a result of our sale of the GSS Business, we no longer provide customer care and billing products or services outside of North America. The decision to sell the GSS Business allowed us to intensify our focus on our core competencies in the North American cable and DBS markets utilizing our Advanced Convergent Platform ("ACP") product and related services.

In addition to the sale of the GSS Business noted above, we also sold our plaNet Consulting business to a group of private investors led by the plaNet management team on December 30, 2005. As a result of these sales, the results of operations for the GSS and plaNet businesses have been reflected as discontinued operations for all periods presented in the accompanying Consolidated Statements of Income. The remainder of the "Business" section of this Form 10-K is focused on our continuing operations. See Note 8 to our Consolidated Financial Statements and MD&A for additional discussion of our reporting of discontinued operations.

Industry Overview

Background. We provide customer interaction management solutions to clients in several complex and highly competitive industries. These clients typically handle a high volume of recurring transactions and customer relationships, through a growing set of touch points. Our solutions coordinate and manage many aspects of a service provider's customer interactions, from the initial activation of customer accounts, to the support of various service activities, and through the presentment of monthly customer invoices. While our heritage is in serving the North American cable and DBS communications markets, we have broadened and enhanced our solutions to extend our business to a growing number of other industries such as financial services, utilities, telecommunications, healthcare, and home security.

Market Conditions of Communications Industry. The North American communications industry has experienced significant consolidation and increased competition among service providers, and there is the possibility of further consolidation. Market consolidation results in a fewer number of service providers who have massive scale and can deliver a total communications package. The significant plant upgrades and network rationalizations that have taken place have allowed service providers to focus their attention on new revenue and growth opportunities. In addition, new competitors, new technologies, and unique partnerships are forcing service providers to be more creative in their approaches for rolling out new products and services, and enhancing their customers' experiences. These factors drive the demand for scalable, flexible, and cost efficient customer interaction management solutions, which we believe will provide us with revenue opportunities.

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However, another facet of this market consolidation poses certain risks to our company. The consolidation of service providers decreases the potential number of buyers for our products and services, and carries the inherent risk that the consolidators may choose to move all or a portion of their customers to a competitor's or in-house solution. Should this consolidation result in a concentration of customer accounts being owned by companies with whom we do not have a relationship, or with whom competitors are entrenched, it could negatively affect our ability to maintain or expand our market share, thereby having a material adverse effect to our results of operations. In addition, service providers at times have chosen to use their size and scale to exert more pressure on pricing negotiations.

In addition, it is widely anticipated that traditional wireline and wireless telephone service providers will continue their aggressive pursuit of providing convergent services. These providers have recently entered the residential video market, a market which has historically been dominated by our clients. Should these traditional telephone service providers be successful in their video strategy, it could threaten our clients' market share, and thus our revenues as, generally speaking, traditional wireline and wireless telephone providers do not currently use our products and services.

General Market Conditions. In recent months, the U.S. has experienced a significant economic downturn and difficulties within the financial and credit markets, and these adverse economic conditions are predicted to continue into the foreseeable future. The possible adverse impacts to companies during these times include a reduction in revenues, decreasing profits and cash flows, distressed or default debt conditions, and/or difficulties in obtaining necessary operating capital.

Because of the severity and the far-reaching impacts of the situation, all companies could be adversely affected by the current economic conditions to a certain degree, including CSG, our clients, and/or key vendors in our supply chain. Some possible near term negative consequences of the current economic environment to our business include tightening of client spending and/or extended sales cycles which could materially lower our revenues related to our clients' discretionary spending for such things as special project work, marketing activities, new product sales, and software and professional services projects. We believe that our recurring revenue and predictable cash flow business model, our sufficient sources of liquidity, and our stable capital structure lessen the risk of a significant negative impact to our business as a result of the current economic conditions. Additionally, we believe our key clients have business models that have historically performed well, as compared to other industries, in down economic conditions. However, there can be no assurances regarding the performance of our business, and the potential impact to our clients and key vendors, resulting from the current economic conditions.

Business Strategy

Our business strategy is designed to achieve growth of revenues and profitability. The key elements of our business strategy include:

Expand Our Core Customer Information Processing and Output Solutions. Most of our revenues are generated from our core information processing systems, including our print and mail solutions ("Output Solutions"), that serve the cable and DBS communications industry. We provide a fully outsourced processing solution that combines the reliability and high-volume transaction processing capabilities of an enterprise server platform with the flexibility of client/server architecture. As of December 31, 2008, we had approximately 45 million customer accounts on our core information processing systems. In addition, we provide a full suite of Output Solutions that include statement design, custom printing, marketing services, electronic bill presentment, and inserting and mailing on a variety of high-speed equipment. We provide our Output Solutions primarily to those clients that utilize our outsourced processing solution, but we also provide such services to clients that do not utilize our outsourced processing solution. As of December 31, 2008, our average production volume for our Output Solutions was over 65 million customer statements per month, as compared to approximately 60 million customer statements per month as of December 31, 2007.

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Our customer information processing and Output Solutions provide highly predictable, recurring revenues through multi-year contracts with a client base that includes leading cable and DBS providers. We will continue to leverage our investment in and expertise in providing enhanced customer interaction management solutions as we look to increase penetration of our solutions within this current client base. Our customer information processing solutions are currently designed to focus on the North American cable and DBS markets. While our Output Solution clients are primarily those that utilize our customer information processing solutions, we look to continue to expand this solution set to other markets that demand high-quality, recurring monthly Output Solutions, such as financial services, utilities, telecommunications, healthcare, and home security.

Increase the Penetration of Ancillary Products/Services. We provide a complete suite of fully-integrated customer interaction management solutions and services that complement our customer information processing and Output Solutions platforms. While our primary value proposition to our clients is the breadth and depth of this integrated offering, we are evolving many of our product solutions to be more modular-based to allow clients to utilize certain of our products as point, independent solutions.

Our ancillary products and services enable and automate various aspects of a service provider's customer interactions, ranging from call centers, on-line Internet access, emails, text messages, interactive messaging, service technicians, and monthly statements. As our clients' businesses have consolidated and become much more complex with an increasingly diverse portfolio of service offerings, we have seen an increase in demand for our ancillary products and services, as our products are designed to help our clients solve their ever-changing customer interaction business needs as they arise.

Evolve Our Products and Services to Meet the Changing Needs of Our Video Clients. In 1995, we offered our solutions solely to providers of analog cable video. Since then, our solutions have evolved and expanded to accommodate DBS, digital video, high-speed Internet ("HSI") and digital voice. Our video clients continue to look to add more services to their product bundle, including advanced IP and wireless services, as well as services to commercial customers. Our continued investment in our solution set is designed to expand our customer interaction management capabilities to enable our clients to grow their product offerings, control costs, and provide better customer service.

Enhance Growth Through Focused Acquisitions . We follow a disciplined approach in acquiring assets and businesses which provide the technology and technical personnel to expedite our product development efforts, provide complementary products and services, increase market share, and/or provide access to new markets and clients.

Expand Business in Additional Industries. As discussed above, the majority of our revenues are derived from the North American cable and DBS markets. However, over the past few years, through acquisitions and organic expansion of our solutions, we have increasingly broadened the markets we serve, with approximately 12% of our 2008 revenues being generated outside our core North American cable and DBS markets. Similar to the cable and DBS markets, numerous other industries, such as financial services, utilities, telecommunications, healthcare, and home security, have specific business needs directed towards improving interactions and transactions with customers. We believe that by continuing to pursue the development of our customer interaction management solutions, we have the opportunity to further expand our solution footprint and increase our addressable markets and revenue opportunities.

Continue Technology Leadership . We believe that our product technology and integrated suite of software solutions gives communications service providers a competitive advantage. Our continuing investment in research and development ("R&D") is designed to position us to meet the growing and evolving needs of existing and potential clients. Over the last five years, we have invested approximately \$238 million, or approximately 12% of our total revenues, into R&D.

In summary, our R&D and recent acquisitions discussed below have put us in a better position to assist our clients and enable both of us to grow through maximizing every customer interaction. We have continually

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shown our commitment to deliver solutions and services to our clients with the highest level of performance and functionality, and with our continued investment in R&D and acquisition activities, we believe we will continue to find ways to solve our clients' business challenges and provide them with a competitive advantage. While we continue to strive to provide superior solutions and services to our existing clients, we will continue to focus on growing and diversifying our business and finding new ways to expand our footprint in some of the new vertical markets we have entered with our recent acquisitions .

Description of Business

Key Clients . We work with the leading cable and DBS providers located in the U.S. and Canada. A partial list of those service providers as of December 31, 2008 is included below:

Charter Communications, Inc. ("Charter")	DISH Network Corporation ("DISH")
Comcast Corporation ("Comcast")	Mediacom Communications
Cox Communications	Time Warner, Inc. ("Time Warner")

The North American communications industry has experienced significant consolidation over the last few years, resulting in a large percentage of the market being served by a limited number of service providers with greater size and scale. Consistent with this market concentration, a large percentage of our historical revenues have been generated from a limited number of clients, with approximately two-thirds of our 2008 and 2007 revenues being generated from our four largest clients, which include Comcast, DISH, Time Warner, and Charter. Revenues from these clients represented the following percentages of our total revenues for 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Comcast	27%	27%
DISH	18%	20%
Time Warner	14%	13%
Charter	8%	9%

Research and Development . Our clients are facing more competition than ever before from new entrants, and at the same time, are deploying new services at a faster pace than ever before, dramatically increasing the complexity of their business operations. Therefore, we continue to invest heavily in R&D to ensure that we stay ahead of our clients' needs and advance our clients' business as well as our own. We recognize these challenges and believe our value proposition is to provide solutions that help our clients ensure that each interaction they have with their customers is an opportunity to create value and deepen the business relationship. As a result of our R&D efforts, we have not only broadened our footprint within our client base with many new innovative product offerings, but have also found traction in penetrating new markets with portions of our suite of customer interaction management solutions.

Our total R&D expenses were \$67.3 million and \$58.3 million, respectively, for 2008 and 2007, or approximately 14% of total revenues. In the near term, we expect that the percentage of our total revenues to be spent on R&D to be relatively consistent with that of 2008 and 2007, with the level of our R&D spend highly dependent upon the opportunities that we see in our markets.

There are certain inherent risks associated with significant technological innovations. Some of these risks are described in this report in our Risk Factors section below.

Products and Services. Our primary product offerings include our core outsourced information processing product, ACP, and related services and software products, to include our Output Solutions. A background in high-volume transaction processing and statement production, complemented with world-class applications software, allows us to offer one of the most comprehensive, pre-integrated products and services solutions to the

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cable and DBS market. We believe this pre-integrated approach and outsourced delivery model allows our clients to get new product offerings to market quickly and provide high-quality customer service in a cost effective manner.

We license certain software products (e.g., ACSR, Workforce Express, etc.) and provide our professional services principally to our existing base of processing clients to enhance the core functionality of ACP, increase the efficiency and productivity of the clients' operations, and allow clients to effectively roll out new products and services to new and existing markets, such as HSI and telephony services.

Historically, a substantial percentage of our total revenues have been generated from ACP processing, Output Solutions, and related software products. These products and services are expected to provide a substantial percentage of our total revenues in the foreseeable future as well.

During 2004, we completed a significant architectural upgrade to ACP and related services and software products. We continue to evolve ACP, both functionally and architecturally, in response to market demands that our products have certain functional features and capabilities, as well as architectural flexibilities (such as service oriented architecture, or SOA). This product evolution will result in the continued modularization of certain product functionalities that historically have been tightly integrated with the ACP platform, which allows us to respond more quickly to required changes to our products and provide greater interoperability with other computer systems. Although our primary value proposition to our clients will continue to be the breadth and depth of our fully pre-integrated solution, these R&D efforts allow us to separate certain software components so as to allow such components to be marketed on a stand-alone basis where a specific client requirement and/or business need dictates, including the use of certain products across non-CSG customer care and billing systems.

Business Acquisitions. As noted above, our strategy includes acquiring assets and businesses which provide the technology and technical personnel to expedite our product development efforts, provide complementary products and services, increase market share, and/or provide access to new markets and clients. Consistent with this strategy, we have acquired the following businesses over the last three years:

Telution. As part of this product evolution strategy, we acquired Telution, Inc. ("Telution") in March of 2006 to further expand these capabilities around our ACP platform. Our recent R&D efforts include the integration of these acquired technologies into our solution set. In particular, the acquired software assets are an integral part of the new functionality that has been added to our ACP platform since the acquisition.

ComTec. In July of 2007, we acquired ComTec, Inc. ("ComTec"), to expand our Output Solutions footprint and capabilities. With this acquisition, we added enhanced statement production and electronic statement presentation hardware and software technologies, as well as additional plant capacities. These technologies, which include extensive highlight color and cut-sheet printing capabilities, have accelerated our ability to offer enhanced output functionality to existing and prospective customers. In addition, the acquisition increased our presence in our core cable television and DBS markets, while also providing an established customer base in new industry verticals such as financial services, utilities, telecommunications, healthcare, and home security.

Prairie. In August of 2007, we acquired Prairie Voice Services, Inc. This business, which was renamed Prairie Interactive Messaging, Inc. ("Prairie"), extends our suite of products and solutions that help our clients maximize the value of their interactions with their customers. Prairie provides inbound and outbound automated voice, text/SMS, email, and fax messaging services to manage workforce communications, collections, lead generation, automated order capture, service outage notifications, and other key business functions. We acquired Prairie to extend our customer interaction management capabilities within our core cable television and DBS markets, while also providing an established customer base in new industry verticals such as financial services and telecommunications.

DataProse. In April of 2008, we acquired DataProse, Inc., ("DataProse") to further our objective of helping our clients maximize every customer interaction by both strengthening and broadening our portfolio

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of Output Solutions capabilities. DataProse enhances our suite of advanced, turnkey solutions for personalized statement presentment in both paper and electronic formats, and adds extensive expertise in direct mail marketing services, including database management and market segmentation. Additionally, this acquisition has allowed us to diversify our client base into the utilities, financial services, and telecommunications markets, and add clients in the non-profit sectors of healthcare and higher education.

Quaero. On December 31, 2008, we acquired Quaero Corporation, a marketing services provider with expertise in customer strategy, analytics, and marketing performance management. This acquisition broadens our solution suite with powerful customer intelligence capabilities that will further assist our clients in maximizing the value of their customer interactions. We plan to enhance these client relationships by broadening Quaero's strategic marketing offerings with our customer interaction management solutions such as Output Solutions, interactive messaging, and e-communications. In addition, we plan to integrate Quaero's capabilities with our existing customer interaction management solution suite, most notably for our cable and DBS clients. The combined customer intelligence solution will allow our clients to utilize key data from our billing system and other external data feeds to profile and predict customer profitability and behavior. The Quaero acquisition will also continue to extend our reach into new industry verticals and further diversify our revenue base including financial services, pharmaceutical/healthcare, media/publishing, travel/hospitality, consumer, and high tech.

Data Center Processing Facility. We outsource to FDC the data processing and related computer services required for the operation of our processing services. Our ACP proprietary software and other software applications are run in FDC's facility to obtain the necessary enterprise server computer capacity and other computer support services without us having to make the substantial capital and infrastructure investments that would be necessary for us to provide these services internally. Our clients are connected to the FDC facility through a combination of private and commercially-provided networks. Our service agreement with FDC expires June 30, 2010, and is cancelable only for cause, as defined in the agreement. We have a business continuity plan as part of our agreement with FDC should the FDC data processing center suffer an extended business interruption or outage.

In December 2008, we entered into an agreement with Infocrossing LLC ("Infocrossing"), a Wipro Limited company, to transition these outsourced data center services to Infocrossing. Infocrossing has been in the business of providing end-to-end information technology management solutions for over 25 years and operates world-class data centers throughout the U.S. for multiple computing environments and platforms. As part of the transition, we will setup and replicate the computing environment at the new Infocrossing data center location to protect against disruption. We plan to transition certain systems during 2009, with the final transition of services to Infocrossing from FDC expected to be completed in the first half of 2010, prior to the expiration of the FDC contract.

Client and Product Support. Our clients typically rely on us for ongoing support and training needs related to our products. We have a multi-level support environment for our clients, which includes dedicated account management teams to support the business, operational, and functional requirements of each client. These account teams help clients resolve strategic and business issues and are supported by our Solution Support Center ("SSC"), which operates 24 hours a day, seven days a week. Clients call an 800 number, and through an automated voice response unit, have their calls directed to the appropriate SSC personnel to answer their questions. We have a full-time training staff and conduct ongoing training sessions both in the field and at our training facilities.

Sales and Marketing. We organize our sales efforts to existing clients primarily within our dedicated account teams, with senior level account managers who are responsible for new revenues and renewal of existing contracts within a client account. The account teams are supported by sales support personnel who are experienced in the various products and services that we provide. In addition, we have dedicated staff engaged in selling our products and services to prospective clients.

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Competition. The market for customer interaction management products and services in the converging communications industry in North America, as well as in other industries we serve, is highly competitive. We compete with both independent outsourced providers and in-house developers of customer management systems. We believe that our most significant competitors in our primary markets are Amdocs Limited, Convergys Corporation, Oracle Corporation, and in-house systems. Some of our actual and potential competitors have substantially greater financial, marketing, and technological resources than us.

We believe service providers in our industry use the following criteria when selecting a vendor to provide customer care and billing products and services: (i) functionality, scalability, flexibility, interoperability, and architecture of the software assets; (ii) the breadth and depth of pre-integrated product solutions; (iii) product quality, client service, and support; (iv) quality of R&D efforts; and (v) price. We believe that our products and services allow us to compete effectively in these areas.

Proprietary Rights and Licenses

We rely on a combination of trade secret and copyright laws, nondisclosure agreements, and other contractual and technical measures to protect our proprietary rights in our products. While we hold a limited number of patents on some of our newer products, we do not rely upon patents as a primary means of protecting our rights in our intellectual property. There can be no assurance that these provisions will be adequate to protect our proprietary rights. Although we believe that our 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 us or our clients.

We continually assess whether there is any risk to our intellectual property rights. Should these risks be improperly assessed, or if for any reason should our right to develop, produce, and distribute our products be successfully challenged or be significantly curtailed, it could have a material adverse impact on our financial condition and results of operations.

Employees

As of December 31, 2008, we had a total of 2,066 employees, an increase of 189 or 10%, from December 31, 2007. The increase in employees is a result of the addition of employees from the DataProse and Quaero acquisitions. Our success is dependent upon our ability to attract and retain qualified employees. None of our employees are subject to a collective bargaining agreement. We believe that our relations with our employees are good.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy materials, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act are available free of charge on our website at www.csgsystems.com. Additionally, these reports are available at the SEC's Public Reference Room at 100 F Street, NE., Washington, D.C. 20549 or on the SEC's website at www.sec.gov. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330.

Code of Business Conduct and Ethics

A copy of our Code of Business Conduct and Ethics (the "Code of Conduct") is maintained on our website. Any future amendments to the Code of Conduct, or any future waiver of a provision of our Code of Conduct, will be timely posted to our website upon their occurrence. Historically, we have had minimal changes to our Code of Conduct, and have had no waivers of a provision of our Code of Conduct.

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Item 1A. Risk Factors

We or our 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 MD&A contained in our various SEC filings or orally in conferences or teleconferences. We wish 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 risk factors that could cause actual results to differ materially from those in such forward-looking statements. This list of risk factors is likely not exhaustive. We operate in a rapidly changing and evolving market involving the North American communications industry (e.g., bundled multi-channel video, Internet, voice and IP-based services), and new risk factors will likely emerge. Further, as we enter new markets such as healthcare and financial services, we are subject to new regulatory requirements that increase the risk of non-compliance and the potential for economic harm to us and our customers. Management cannot predict all of the important risk factors, nor can it assess the impact, if any, of such risk factors on our business or the extent to which any risk factor, or combination of risk 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.

We Derive a Significant Portion of Our Revenues From a Limited Number of Clients, and the Loss of the Business of a Significant Client Would Materially Adversely Affect Our Financial Condition and Results of Operations.

The North American communications industry has experienced significant consolidation over the last several years, resulting in a large percentage of the market being served by a limited number of service providers with greater size and scale. Consistent with this market concentration, a large percentage of our revenues are generated from a limited number of clients, with approximately two-thirds of our revenues being generated from our four largest clients, which are (in order of size) Comcast, DISH, Time Warner, and Charter. See the Significant Client Relationships section of MD&A for key renewal dates and a brief summary of our business relationship with these clients.

There are inherent risks whenever a large percentage of total revenues are concentrated with a limited number of clients. One such risk is that, should a significant client: (i) terminate or fail to renew their contracts with us, in whole or in part for any reason; (ii) significantly reduce the number of customer accounts processed on our systems, the price paid for our services, or the scope of services that we provide; or (iii) experience significant financial or operating difficulties, it could have a material adverse effect on our financial condition and results of operations.

Our industry is highly competitive, and the possibility that a major client may move all or a portion of its customers to a competitor has increased. While our clients may incur some costs in switching to our competitors, they may do so for a variety of reasons, including: (i) if we do not maintain favorable relationships; (ii) if we do not provide satisfactory services and products; or (iii) for reasons associated with price.

The Delivery of Our Products and Services is Dependent on a Variety of Computing Environments and Communications Networks, Which May Not Be Available or May Be Subject to Security Attacks.

Our products and services are generally delivered through a variety of computing environments operated by us, which we will collectively refer to herein as "Systems." We provide such computing environments through both outsourced arrangements, such as our current data processing arrangement with FDC, as well as internally operating numerous distributed servers in geographically dispersed environments. The end users are connected to our Systems through a variety of public and private communications networks, which we will collectively refer

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to herein as “Networks.” Our products and services are generally considered to be mission critical customer management systems by our clients. As a result, our clients are highly dependent upon the high availability and uncompromised security of our Networks and Systems to conduct their business operations.

Our Networks and Systems are subject to the risk of an extended interruption or outage due to many factors such as: (i) planned changes to our Systems and Networks for such things as scheduled maintenance and technology upgrades, or migrations to other technologies, service providers, or physical location of hardware; (ii) human and machine error; (iii) acts of nature; and (iv) intentional, unauthorized attacks from computer “hackers.” As noted above, we will begin to transition the data center services currently provided by FDC to Infocrossing during 2009, and expect to complete the final transition of such services in the first half of 2010. Because of the magnitude of the Systems and Networks that will be impacted by this transition, the above risks of an extended interruption or outage will be significantly heightened during this period.

In addition, we continue to expand our use of the Internet with our product offerings thereby permitting, for example, our clients’ customers to use the Internet to review account balances, order services or execute similar account management functions. Allowing access to our Networks and Systems via the Internet has the potential to increase their vulnerability to unauthorized access and corruption, as well as increasing the dependency of our Systems’ reliability on the availability and performance of the Internet and end users’ infrastructure they obtain through other third party providers.

The method, manner, cause and timing of an extended interruption or outage in our Networks or Systems are impossible to predict. As a result, there can be no assurances that our Networks and Systems will not fail, or that our business continuity plans will adequately mitigate all damages incurred as a consequence. Should our Networks or Systems: (i) experience an extended interruption or outage, (ii) have their security breached, or (iii) have their data lost, corrupted or otherwise compromised, it would impede our ability to meet product and service delivery obligations, and likely have an immediate impact to the business operations of our clients. This would most likely result in an immediate loss to us of revenue or increase in expense, as well as damaging our reputation. Any of these events could have both an immediate, negative impact upon our financial condition and our short-term revenue and profit expectations, as well as our long-term ability to attract and retain new clients.

The Current Macroeconomic Environment Could Adversely Impact Our Business.

In recent months, the U.S. has experienced a significant economic downturn and difficulties within the financial and credit markets, and these adverse economic conditions are predicted to continue into the foreseeable future. The possible adverse impacts to companies during these times include a reduction in revenues, decreasing profits and cash flows, distressed or default debt conditions, and/or difficulties in obtaining necessary operating capital. Because of the severity and the far-reaching impacts of the situation, all companies could be adversely affected by the current economic conditions to a certain degree, including CSG, our clients, and/or key vendors in our supply chain. There can be no assurances regarding the performance of our business, and the potential impact to our clients and key vendors, resulting from the current economic conditions.

A Reduction in Demand for Our Key Customer Care and Billing Products and Services Could Have a Material Adverse Effect on Our Financial Condition and Results of Operations.

Historically, a substantial percentage of our total revenues have been generated from our core outsourced processing product, ACP, and related products and services. These products and services are expected to continue to provide a large percentage of our total revenues in the foreseeable future. Any significant reduction in demand for ACP and related products and services could have a material adverse effect on our financial condition and results of operations.

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We May Not Be Able to Respond to Rapid Technological Changes.

The market for customer interaction management solutions, such as customer care and billing products and services, is characterized by rapid changes in technology and is highly competitive with respect to the need for timely product innovations and new product introductions. As a result, we believe that our future success in sustaining and growing our revenues depends upon the continued market acceptance of our products, especially ACP, and our ability to continuously adapt, modify, maintain, and operate our products to address the increasingly complex and evolving needs of our clients, without sacrificing the reliability or quality of the products. In addition, the market is demanding that our products have greater architectural flexibility and interoperability with other computer systems, and that we are able to meet the demands for technological advancements to our products and services at a greater pace. Attempts to meet these demands subjects our R&D efforts to greater risks.

As a result, substantial R&D will be required to maintain the competitiveness of our products and services in the market. Technical problems may arise in developing, maintaining and operating our products and services as the complexities are increased. Development projects can be lengthy and costly, and may be subject to changing requirements, programming difficulties, a shortage of qualified personnel, and/or unforeseen factors which can result in delays. In addition, we may be responsible for the implementation of new products and/or the migration of clients to new products, and depending upon the specific product, we may also be responsible for operations of the product.

There is an inherent risk in the successful development, implementation, migration, and operations of our products and services as the technological complexities, and the pace at which we must deliver these products and services to market, continue to increase. The risk of making an error that causes significant operational disruption to a client increases proportionately with the frequency and complexity of changes to our products and services. There can be no assurance: (i) of continued market acceptance of our products and services; (ii) that we will be successful in the development of product enhancements or new products that respond to technological advances or changing client needs at the pace the market demands; or (iii) that we will be successful in supporting the implementation, migration and/or operations of product enhancements or new products.

Our Business is Highly Dependent on the North American Cable and DBS Industries.

We have historically generated a significant portion of our revenues by providing products and services to clients in the North American cable and DBS industries. A decrease in the number of customers served by our clients, an adverse change in the economic condition of these industries, and/or changing consumer demand for services could have a material adverse effect on our results of operations. Additionally, a significant portion of our historical growth has come from our support of clients' expansion into new lines of business, such as HSI and VoIP. There can be no assurance that our current and potential clients will be successful in expanding into new segments of the converging North American communications industry. Even if major forays into new markets by our current or potential clients are successful, we may be unable to meet the special billing and customer interaction management needs of those markets.

Our clients operate in a highly competitive environment. It is widely anticipated that traditional wireline and wireless telephone service providers, and others, will continue their aggressive pursuit of providing convergent services, including residential video, a market historically dominated by our clients. Should these alternative service providers be successful in their video strategies, it could threaten our clients' market share, and thus our source of revenues, as generally speaking these companies do not use our core products and services and there can be no assurance that new entrants will become our clients.

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Further Consolidation of the North American Cable and DBS Industries May Have a Material Adverse Effect on Our Results of Operations.

The North American cable and DBS industries may continue to be subject to significant ownership changes. One facet of these changes is that consolidation by and among our core client base, the cable and DBS providers, as well as new entrants such as the traditional wireline and wireless carriers, will decrease the potential number of buyers for our products and services. Should these consolidations result in a concentration of customer accounts being owned by companies with whom we do not have a relationship, or with whom competitors are entrenched, we could be subject to the risk that subscribers will be moved off of our systems and onto a competitor's system, thereby having a material adverse effect on our results of operations. Furthermore, movement of our clients' customers from our systems to a competitor's system as a result of regionalization strategies by our clients could have a material adverse affect on our operations. Finally, as the result of the consolidations, our current and potential clients may choose to use their size and scale to exercise more severe pressure on pricing negotiations.

We Face Significant Competition in Our Industry.

The market for our products and services is highly competitive. We directly compete 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 new competitors, or competitors with greater resources. Many of our current and potential competitors have significantly greater financial, marketing, technical, and other competitive resources than our company, many with significant and well-established domestic and international operations. There can be no assurance that we will be able to compete successfully with our existing competitors or with new competitors.

Client Bankruptcies Could Adversely Affect Our Business.

In the past, certain of our clients have filed for bankruptcy protection. As a result of the current economic conditions and the additional financial stress this may place on companies, the risk of client bankruptcies is significantly heightened. Companies involved in bankruptcy proceedings pose greater financial risks to us, consisting principally of the following: (i) a financial loss related to possible claims of preferential payments for certain amounts paid to us prior to the bankruptcy filing date, as well as increased collectibility risk for accounts receivable, particularly those accounts receivable that relate to periods prior to the bankruptcy filing date; and/or (ii) the possibility of a contract being unilaterally rejected as part of the bankruptcy proceedings, or a client in bankruptcy may attempt to renegotiate more favorable terms as a result of their deteriorated financial condition, thus, negatively impacting our rights to future revenues subsequent to the bankruptcy filing. We consider these risks in assessing our revenue recognition and the collectibility of accounts receivable related to our clients that have filed for bankruptcy protection, and for those clients that are seriously threatened with a possible bankruptcy filing. We establish accounting reserves for our estimated exposure on these items which can materially impact the results of our operations in the period such reserves are established. There can be no assurance that our accounting reserves related to this exposure will be adequate. Should any of the factors considered in determining the adequacy of the overall reserves change adversely, an adjustment to the accounting reserves may be necessary. Because of the potential significance of this exposure, such an adjustment could be material.

We May Incur Additional Material Restructuring Charges in the Future.

In the past, we have recorded restructuring charges related to involuntary employee terminations, various facility abandonments, and various other restructuring activities. We continually evaluate ways to reduce our operating expenses through new restructuring opportunities, including more effective utilization of our assets, workforce and operating facilities. As a result, there is a risk, which is inherently greater during economic downturns, that we may incur additional material restructuring charges in the future.

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Failure to Attract and Retain Our Key Management and Other Highly Skilled Personnel Could Have a Material Adverse Effect on Our Business.

Our future success depends in large part on the continued service of our key management, sales, product development, and operational personnel. We believe that our future success also depends on our ability to attract and retain highly skilled technical, managerial, operational, and marketing personnel, including, in particular, personnel in the areas of R&D and technical support. Competition for qualified personnel at times can be intense, particularly in the areas of R&D, conversions, software implementations, and technical support. For these reasons, we may not be successful in attracting and retaining the personnel we require, which could have a material adverse effect on our ability to meet our commitments and new product delivery objectives.

We May Not Be Successful in the Integration of Our Acquisitions.

As part of our growth strategy, we seek to acquire assets, technology, and businesses which will provide the technology and technical personnel to expedite our product development efforts, provide complementary products or services, or provide access to new markets and clients.

Acquisitions involve a number of risks and difficulties, including: (i) expansion into new markets and business ventures; (ii) the requirement to understand local business practices; (iii) the diversion of management's attention to the assimilation of acquired operations and personnel; and (iv) potential adverse effects on a company's operating results for various reasons, including, but not limited to, the following items: (a) the inability to achieve financial targets; (b) the inability to achieve certain operating goals and synergies; (c) charges related to purchased in-process R&D projects; (d) costs incurred to exit current or acquired contracts or activities; (e) costs incurred to service any acquisition debt; and (f) the amortization or impairment of intangible assets.

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

Failure to Protect Our Proprietary Intellectual Property Rights Could Have a Material Adverse Effect on Our Financial Condition and Results of Operations.

We rely on a combination of trade secret and copyright laws, nondisclosure agreements, and other contractual and technical measures to protect our proprietary rights in our products. We also hold a limited number of patents on some of our newer products, but do not rely upon patents as a primary means of protecting our rights in our intellectual property. There can be no assurance that these provisions will be adequate to protect our proprietary rights. Although we believe that our 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 us or our clients.

We continually assess whether there are any risks to our intellectual property rights. Should these risks be improperly assessed or if for any reason should our right to develop, produce and distribute our products be successfully challenged or be significantly curtailed, it could have a material adverse effect on our financial condition and results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2008, we were operating from ten leased sites in the U.S., representing approximately 624,000 square feet. This amount excludes approximately 106,000 square feet of leased space that we have abandoned.

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We lease office facilities totaling approximately 100,000 square feet in Englewood, Colorado and surrounding communities. We utilize these office facilities primarily for: (i) corporate headquarters; (ii) sales and marketing activities; (iii) product and operations support; and (iv) R&D activities. The leases for these office facilities expire in the years 2013 through 2015.

We lease office facilities totaling approximately 225,000 square feet in Omaha, Nebraska. We utilize these facilities primarily for (i) client services, training, and product support; (ii) systems and programming activities; (iii) R&D activities; and (iv) general and administrative functions. The leases for these facilities expire in the years 2009 through 2012.

We lease an office facility totaling approximately 25,000 square feet in Chicago, Illinois. We utilize this facility primarily for: (i) R&D activities; (ii) client services; and (iii) professional services staff. The lease for this office facility expires in 2020.

We lease statement production and mailing facilities totaling approximately 274,000 square feet in Omaha, Nebraska, Wakulla County, Florida, Fairfield, New Jersey, Coppell, Texas, and Oxnard, California. The leases for these facilities expire in the years 2011 through 2019.

Additionally, as part of our acquisition of Quaero on December 31, 2008, we assumed operating leases for office facility space of approximately 9,000 square feet in Charlotte, North Carolina and 8,000 square feet in Burlington, Massachusetts. The leases for these facilities expire in the years 2010 and 2013, respectively.

We believe that our facilities are adequate for our current needs and that additional suitable space will be available as required. We also believe that we will be able to either: (i) extend our current leases as they terminate; or (ii) find alternative space without experiencing a significant increase in cost. See Note 10 to our Consolidated Financial Statements for information regarding our obligations under our facility leases.

Item 3. Legal Proceedings

From time-to-time, we are involved in litigation relating to claims arising out of our operations in the normal course of business. In the opinion of our management, we are not presently a party to any material pending or threatened legal proceedings.

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

None.

Executive Officers of the Registrant

As of December 31, 2008, our executive officers were Peter E. Kalan (Chief Executive Officer and President), Randy R. Wiese (Executive Vice President and Chief Financial Officer), Robert M. (“Mike”) Scott (Executive Vice President and Chief Operating Officer), and Joseph T. Ruble (Executive Vice President, General Counsel, Corporate Secretary and Chief Administrative Officer). We have employment agreements with each of the executive officers.

Peter E. Kalan ***Chief Executive Officer and President***

Mr. Kalan, 49, joined CSG in January 1997 and was named Chief Financial Officer in October 2000. In April 2006, he was named Executive Vice President of Business and Corporate Development. In December 2007, Mr. Kalan was named Chief Executive Officer and President, and elected to the Board. Prior to

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joining CSG, he was Chief Financial Officer at Bank One, Chicago, and he also held various other financial management positions with Bank One in Texas and Illinois from 1985 through 1996. Mr. Kalan holds a BA degree in Business Administration from the University of Texas at Arlington.

Randy R. Wiese
Executive Vice President and Chief Financial Officer

Mr. Wiese, 49, joined CSG in 1995 as Controller and later served as Chief Accounting Officer. He was named Executive Vice President and Chief Financial Officer in April 2006. Prior to joining CSG, he was manager of audit and business advisory services and held other accounting-related positions at Arthur Andersen & Co. Mr. Wiese is a member of the AICPA and the Nebraska Society of Certified Public Accountants. He holds a BS degree in Accounting from the University of Nebraska-Omaha.

Robert M. Scott
Executive Vice President and Chief Operating Officer

Mr. Scott, 58, joined CSG in September 1999 as Vice President of the Broadband Services Division and served as Senior Vice President of that division from 2001 to 2004. In December 2004, Mr. Scott was named Executive Vice President, and became the head of the Broadband Services Division in March 2005. In July 2006, he was named Chief Operating Officer. Prior to joining CSG, he served for 21 years in a variety of management positions, both domestically and internationally, with First Data Corporation. Mr. Scott holds a BA degree in Social Studies from Florida Atlantic University.

Joseph T. Ruble
Executive Vice President, General Counsel, Corporate Secretary and Chief Administrative Officer

Mr. Ruble, 48, joined CSG in 1997 as Vice President and General Counsel. In November 2000 he was appointed Senior Vice President of Corporate Development, General Counsel & Corporate Secretary. In February 2007, he was named Executive Vice President. Prior to joining CSG, Mr. Ruble served from 1991 to 1997 as Vice President, General Counsel & Corporate Secretary for Intersolv, Inc., and as counsel to Pansophic Systems, Inc. for its international operations from 1988 to 1991. Prior to that, he represented the software industry in Washington, D.C. on legislative matters. Mr. Ruble holds a JD from Catholic University of America and a BS degree from Ohio University.

Board of Directors of the Registrant

Information related to our Board of Directors is provided below.

Bernard W. Reznicek
Consultant
The Premier Group

Mr. Reznicek, 72, was elected to the Board in January 1997 and presently serves as the Company's non-executive Chairman of the Board. He currently provides consulting services through Premier Enterprises. Mr. Reznicek previously was an Executive with Central States Indemnity Company of Omaha, a Berkshire Hathaway company, from 1997 to 2003. He has 40 years of experience in the electric utility industry, having served as Chairman, President and Chief Executive Officer of Boston Edison Company and President and Chief Executive Officer of Omaha Public Power District. Mr. Reznicek currently is a director of Pulte Homes, Inc. (NYSE) and infoGROUP Inc. (NASDAQ).

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Peter E. Kalan
Chief Executive Officer and President
CSG Systems International, Inc.

Mr. Kalan's biographical information is included in "Executive Officers of the Registrant" section shown directly above.

Ronald Cooper
Former President and Chief Operating Officer
Adelphia Communications

Mr. Cooper, 51, was elected to the Board in November 2006. He has spent nearly 25 years in the cable and telecommunications industry, most recently at Adelphia Communications where he served as President and Chief Operating Officer from 2003 to 2006. Prior to Adelphia, Mr. Cooper held a series of executive positions at AT&T Broadband, RELERA Data Centers & Solutions, and MediaOne and its predecessor Continental Cablevision, Inc. He has held various board and committee seats with the National Cable Television Association, California Cable & Telecommunications Association, Cable Television Association for Marketing and the New England Cable Television Association. In addition, Mr. Cooper is a trustee at the Denver Art Museum and a director for Colorado Public Radio.

Edward C. Nafus
Former Chief Executive Officer and President
CSG Systems International, Inc.

Mr. Nafus, 68, was elected to the Board in March 2005. Mr. Nafus joined CSG in August 1998 as Executive Vice President and became the President of our Convergent Services and Solutions Division in January 2002. In April 2005, Mr. Nafus assumed the position of Chief Executive Officer and President of CSG and held that position until his retirement in December 2007. Prior to joining CSG, Mr. Nafus held numerous management positions within FDC from 1978 to 1998. From 1992 to 1998, he served as Executive Vice President of FDC; from 1989 to 1992, he served as President of First Data International; and Executive Vice President of First Data Resources from 1984 to 1989. From 1971 to 1978, Mr. Nafus worked in sales management, training and sales for Xerox Corporation. From 1966 to 1971, Mr. Nafus was a pilot and division officer in the United States Navy. Mr. Nafus holds a BS degree from Jamestown College.

Janice I. Obuchowski
President
Freedom Technologies, Inc.

Ms. Obuchowski, 57, was elected to the Board in November 1997. She has been President of Freedom Technologies, Inc., a public policy and corporate strategy consulting firm specializing in telecommunications, since 1992. In 2003, Ms. Obuchowski was appointed by President George W. Bush to serve as Ambassador and Head of the U.S. Delegation to the World Radio Communication Conference. She has served as Assistant Secretary for Communications and Information at the Department of Commerce and as Administrator for the National Telecommunications and Information Administration. Ms. Obuchowski currently is a director of Orbital Sciences Corporation and Stratos Global Corporation.

Donald B. Reed
Former Chief Executive Officer
Cable & Wireless Global

Mr. Reed, 64, was elected to the Board in May 2005. He currently is retired, having served as Chief Executive Officer of Cable & Wireless Global from May 2000 to January 2003. Cable & Wireless Global, Cable & Wireless plc's wholly owned operations in the United States, United Kingdom, Europe and Japan, is a

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provider of internet protocol (IP) and data services to business customers. From June 1998 until May 2000, Mr. Reed served Cable & Wireless in various other executive positions. Mr. Reed's career includes 30 years at NYNEX Corporation (now part of Verizon), a regional telephone operating company. From 1995 to 1997 Mr. Reed served NYNEX Corporation as President and Group Executive with responsibility for directing the company's regional, national and international government affairs, public policy initiatives, legislative and regulatory matters, and public relations. Mr. Reed currently is a director of Idearc Media (formerly Verizon Yellow Pages) and Aggregate Industries in London, England, a wholly owned subsidiary of Holcim Group located in Switzerland.

Frank V. Sica
Managing Partner
Tailwind Capital

Mr. Sica, 58, has served as a director of the Company since its formation in 1994. He is currently a Managing Partner of Tailwind Capital. From 2004 to 2005, Mr. Sica was a Senior Advisor to Soros Private Funds Management. From 2000 until 2003, he was President of Soros Private Funds Management which oversaw the direct real estate and private equity investment activities of Soros. In 1998, he joined Soros Fund Management where he was a Managing Director responsible for Soros' private equity investments. From 1988 to 1998, Mr. Sica was a Managing Director at Morgan Stanley and its private equity affiliate, Morgan Stanley Capital Partners. Prior to 1988, Mr. Sica was a Managing Director in Morgan Stanley's mergers and acquisitions department. From 1974 to 1977, Mr. Sica was an officer in the U.S. Air Force. Mr. Sica currently is a director of JetBlue Airways, Kohl's Corporation, and NorthStar Realty Finance Corporation.

Donald V. Smith
Senior Managing Director
Houlihan Lokey Howard & Zukin, Inc.

Mr. Smith, 66, was elected to the Board in January 2002. He presently serves as Senior Managing Director of Houlihan Lokey Howard & Zukin, Inc., an international investment banking firm with whom he has been associated since 1988. Mr. Smith is involved as a senior professional in mergers, acquisitions, financial advisory, and financial restructurings for clients of the firm. From 1978 to 1988, he was employed by Morgan Stanley & Co. Incorporated, where he headed the valuation and reorganization services within that firm's corporate finance group. Mr. Smith is director of the Princeton (NJ) Health Care Foundation and of Business Executives for National Security.

James A. Unruh
Managing Principal
Alerion Capital Group

Mr. Unruh, 68, was elected to the Board in June 2005. He became a founding principal of Alerion Capital Group, LLC (a private equity investment company) in 1998 and currently holds such position. Mr. Unruh was an executive with Unisys Corporation from 1987 to 1997 and served as its Chairman and Chief Executive Officer from 1990 to 1997. From 1982 to 1987, Mr. Unruh held various executive positions, including Senior Vice President, Finance, with Burroughs Corporation, a predecessor of Unisys Corporation. Mr. Unruh currently is a director of Prudential Financial, Inc., Tenet Healthcare Corporation, and Qwest Communications International Inc.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on NASDAQ under the symbol “CSGS”. The following table sets forth, for the fiscal quarters indicated, the high and low sale prices of our common stock as reported by NASDAQ.

	<u>High</u>	<u>Low</u>
2008		
First quarter	\$14.78	\$10.49
Second quarter	13.80	10.81
Third quarter	20.16	10.88
Fourth quarter	17.83	12.79
	<u>High</u>	<u>Low</u>
2007		
First quarter	\$26.97	\$24.02
Second quarter	28.22	24.45
Third quarter	27.26	19.64
Fourth quarter	21.97	14.52

On February 27, 2009, the last sale price of our common stock as reported by NASDAQ was \$13.52 per share. On January 31, 2009, the number of holders of record of common stock was 231.

Dividends

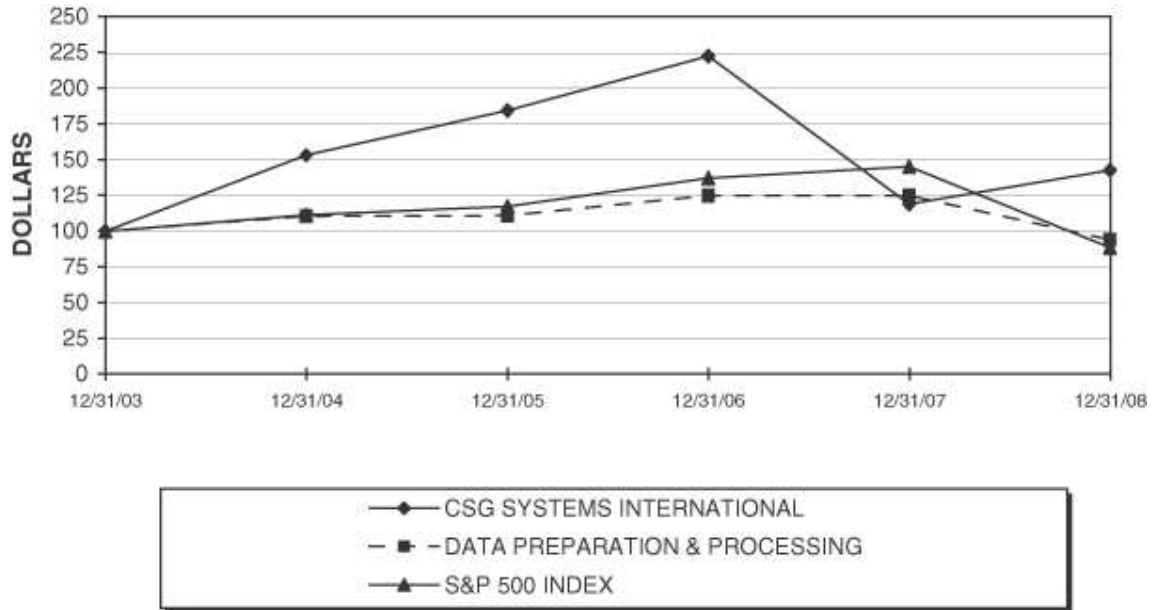
We have not declared or paid cash dividends on our common stock since our incorporation. We did, however, complete a two-for-one stock split, effected in the form of a stock dividend, in March 1999. We intend to retain any earnings to finance the growth and development of our business, and at this time, we do not plan to pay cash dividends in the foreseeable future.

Our revolving credit facility contains certain restrictions on the payment of dividends. In addition, the payment of dividends has certain impacts to our Convertible Debt Securities. See Note 6 to our Consolidated Financial Statements for additional discussion of our revolving credit facility and Convertible Debt Securities, and the impact the payment of dividends may have on these items.

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Stock Price Performance

The following graph compares the cumulative total stockholder return on our common stock, the S&P 500 Index, and our Standard Industrial Classification (“SIC”) Code Index: Computer Processing and Data Preparation and Processing Services during the indicated five-year period. The graph assumes that \$100 was invested on December 31, 2003, in our common stock and in each of the two indexes and that all dividends, if any, were reinvested.



	<u>12/31/03</u>	<u>12/31/04</u>	<u>12/31/05</u>	<u>12/31/06</u>	<u>12/31/07</u>	<u>12/31/08</u>
CSG Systems International, Inc.	\$ 100.00	\$ 149.72	\$ 178.70	\$ 214.01	\$ 117.85	\$ 139.87
Data Preparation & Processing Services	100.00	109.83	110.38	123.38	123.29	94.44
S&P 500 Index	100.00	110.88	116.33	134.70	142.10	89.53

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Equity Compensation Plan Information

The following table summarizes certain information about our equity compensation plans as of December 31, 2008:

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants, and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants, and rights</u>	<u>Number of securities remaining available for future issuance</u>
Equity compensation plans approved by security holders	278,101	\$ 33.55	9,066,548
Equity compensation plan not approved by security holders	69,790	21.60	1,252
Total	347,891	\$ 31.15	9,067,800

Of the total number of securities remaining available for future issuance, 8,833,352 shares can be used for various types of stock-based awards, as specified in the individual plans, with the remaining 234,448 shares to be used for our employee stock purchase plan. See Note 12 to our Consolidated Financial Statements for additional discussion of our equity compensation plans.

Issuer Repurchases of Equity Securities

The following table presents information with respect to purchases of our common stock made during the three months ended December 31, 2008 by CSG Systems International, Inc. or any “affiliated purchaser” of CSG Systems International, Inc., as defined in Rule 10b-18(a)(3) under the Exchange Act.

<u>Period</u>	<u>Total Number of Shares Purchased (2)</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Plan or Programs (1)</u>
October 1—October 31	457	\$ 15.12	—	1,204,096
November 1—November 30	102,406	15.23	100,500	6,103,596
December 1—December 31	150,763	16.40	149,500	5,954,096
Total	253,626	\$ 15.93	250,000	

- (1) Effective November 13, 2008, our Board of Directors approved a 5 million share increase in the number of shares we are authorized to repurchase under the Stock Repurchase Program, bringing the total number of authorized shares to 35 million. The Stock Repurchase Program does not have an expiration date.
- (2) The total number of shares purchased that are not part of the Stock Repurchase Program represents shares purchased and cancelled in connection with stock incentive plans.

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Item 6. Selected Financial Data

The following selected financial data have been derived from our audited financial statements. The selected financial data presented below should be read in conjunction with, and is qualified by reference to, our MD&A and our Consolidated Financial Statements. The information below is not necessarily indicative of the results of future operations.

	Year Ended December 31,				
	2008	2007	2006	2005	2004
	(in thousands, except per share amounts)				
Statements of Income Data (1):					
Revenues:					
Processing and related services	\$ 439,975	\$ 382,070	\$ 351,764	\$ 346,463	\$ 326,556
Software, maintenance and services	32,082	37,191	31,342	30,854	24,845
Total revenues	<u>472,057</u>	<u>419,261</u>	<u>383,106</u>	<u>377,317</u>	<u>351,401</u>
Cost of revenues (exclusive of depreciation, shown separately below) (5):					
Processing and related services	226,343	193,135	173,536	170,344	146,837
Software, maintenance and services	19,007	24,674	20,975	19,720	25,047
Total cost of revenues	<u>245,350</u>	<u>217,809</u>	<u>194,511</u>	<u>190,064</u>	<u>171,884</u>
Other operating expenses (5):					
Research and development	67,278	58,342	46,191	33,932	31,887
Selling, general and administrative	53,857	45,743	43,127	52,492	39,453
Depreciation	16,194	12,900	10,438	9,862	10,412
Restructuring charges (4)(5)	79	630	2,368	14,534	1,292
Total operating expenses	<u>382,758</u>	<u>335,424</u>	<u>296,635</u>	<u>300,884</u>	<u>254,928</u>
Operating income	<u>89,299</u>	<u>83,837</u>	<u>86,471</u>	<u>76,433</u>	<u>96,473</u>
Other income (expense):					
Interest expense	(7,421)	(7,126)	(7,465)	(7,537)	(10,261)
Write-off of deferred financing costs (6)	—	—	—	—	(6,569)
Interest and investment income, net (2)(7)	4,998	16,529	21,984	4,059	975
Gain on repurchase of convertible debt securities (6)	7,001	—	—	—	—
Other, net	15	221	(21)	6	(303)
Total other	<u>4,593</u>	<u>9,624</u>	<u>14,498</u>	<u>(3,472)</u>	<u>(16,158)</u>
Income from continuing operations before income taxes	93,892	93,461	100,969	72,961	80,315
Income tax provision	<u>(32,444)</u>	<u>(33,298)</u>	<u>(38,408)</u>	<u>(26,219)</u>	<u>(29,317)</u>
Income from continuing operations	<u>61,448</u>	<u>60,163</u>	<u>62,561</u>	<u>46,742</u>	<u>50,998</u>
Discontinued operations (2):					
Gain (loss) from discontinued operations (5)	—	547	(6,555)	(5,685)	(11,109)
Income tax benefit	323	61	3,764	12,172	7,295
Discontinued operations, net of tax	<u>323</u>	<u>608</u>	<u>(2,791)</u>	<u>6,487</u>	<u>(3,814)</u>
Net income	<u>\$ 61,771</u>	<u>\$ 60,771</u>	<u>\$ 59,770</u>	<u>\$ 53,229</u>	<u>\$ 47,184</u>
Diluted net income (loss) per common share (7):					
Income from continuing operations	\$ 1.84	\$ 1.50	\$ 1.33	\$ 0.96	\$ 0.99
Discontinued operations, net of tax	0.01	0.02	(0.06)	0.13	(0.07)
Net income	<u>\$ 1.85</u>	<u>\$ 1.52</u>	<u>\$ 1.27</u>	<u>\$ 1.09</u>	<u>\$ 0.92</u>
Weighted-average diluted shares outstanding (3)	33,477	40,021	47,102	48,571	51,223
Other Data (at Period End):					
Number of clients' customers processed	45,312	45,104	45,354	45,228	43,472
Balance Sheet Data (at Period End):					
Cash, cash equivalents and short-term investments (1)(2)(3)(6)	\$ 141,217	\$ 132,832	\$ 415,490	\$ 392,224	\$ 149,436
Working capital (2)(3)	184,675	180,983	454,117	444,738	172,675
Goodwill (1)	103,971	60,745	14,228	623	623
Total assets (3)	485,214	422,388	653,496	638,376	710,407
Total debt (6)(7)	200,300	230,000	230,000	230,000	230,000
Total treasury stock (3)	671,841	667,858	360,259	296,976	224,008
Total stockholders' equity (3)	149,766	82,524	317,734	298,330	308,070
Cash Flow Data:					
Cash flows from operating activities	\$ 114,647	\$ 115,379	\$ 118,150	\$ 102,574	\$ 119,268

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- (1) As previously discussed, during 2008 and 2007 we acquired several businesses as part of our growth and diversification strategy which resulted in top line revenue growth for 2008 and 2007 of 12.6% and 9.4%, respectively, of which approximately three-fourths of the 2008 growth rate and one-half of the 2007 growth rate can be attributed to these acquired entities, with the remaining growth in each year attributed to organic growth factors. See Note 3 to our Consolidated Financial Statements for additional discussion regarding these acquisitions.
- (2) In 2005, we sold our GSS and plaNet businesses and recorded a net pretax gain (loss) on the disposal of these businesses of \$(6.0) million and \$10.9 million, respectively, in 2006 and 2005. As a result, the results of operations for the GSS and plaNet businesses have been reflected as discontinued operations for all periods presented in our Consolidated Statements of Income. Additionally, we received approximately \$233 million in net cash proceeds from the sale of these businesses, which is the primary reason for the significant increase in cash, cash equivalents, and short-term investments between 2004 and 2005, and related increase in interest and investment income in 2006 and 2007. See Note 8 to our Consolidated Financial Statements for additional discussion.
- (3) In August 1999, our Board of Directors approved our Stock Repurchase Program which authorized us to purchase shares of our common stock from time-to-time as business conditions warrant. During 2008, 2007, 2006, 2005, and 2004, we repurchased 0.3 million, 13.2 million, 2.5 million, 3.8 million, and 3.0 million shares, respectively for \$4.0 million, \$307.6 million, \$63.3 million, \$73.0 million, and \$52.9 million. The significant stock repurchases made during 2007 was the primary reason for the decrease in our cash balance between 2006 and 2007. As of December 31, 2008, 6.0 million shares of the 35.0 million shares authorized under the Stock Repurchase Program remain available for repurchase. See Note 11 to our Consolidated Financial Statements for additional discussion of the Stock Repurchase Program.
- (4) Over the years, we have made several changes to our business operations and implemented several cost reduction initiatives that resulted in restructuring charges of \$0.1 million, \$0.6 million, \$2.4 million, \$14.5 million, and \$1.3 million, respectively, for 2008, 2007, 2006, 2005, and 2004. The large restructuring expense in 2005 was almost entirely related to the changes we made in our business as a result of the sale of the GSS and plaNet businesses.
- (5) In 2005, certain equity awards held by key members of our management team included a change in control provision that was triggered upon the closing of the sale of the GSS Business. The change in control provision resulted in accelerated vesting as of December 9, 2005 for the equity awards impacted, and thus, stock-based compensation expense of \$4.7 million related to the accelerated vesting of these equity awards was recorded as stock-based compensation expense in the fourth quarter of 2005, of which \$0.9 million was included in discontinued operations, and \$3.8 million was included in continuing operations as part of restructuring charges. Total stock-based compensation expense recognized during 2008, 2007, 2006, 2005, and 2004, was \$11.6 million, \$11.1 million, \$12.2 million, \$20.4 million, and \$14.9 million, respectively. Of these amounts, \$11.6 million, \$11.1 million, \$12.2 million, \$17.0 million, and \$10.6 million, are reflected in continuing operations for 2008, 2007, 2006, 2005, and 2004, respectively, with the remaining amounts reflected in discontinued operations for the respective periods. See Notes 2 and 12 to our Consolidated Financial Statements for additional discussion of these matters.
- (6) In June 2004, we completed an offering of \$230 million of Convertible Debt Securities and used the proceeds, along with available cash, cash equivalents and short-term investments to: (i) repay the outstanding balance of the term credit facility; (ii) repurchase 2.1 million of shares of our common stock; and (iii) pay debt issuance costs of \$7.2 million. As a result, we wrote off unamortized deferred financing costs attributable to the term credit facility of \$6.6 million. During 2008, we repurchased \$29.7 million (par value) of our Convertible Debt Securities for \$22.4 million, and recognized a gain on the repurchase of \$7.0 million, after the write-off of \$0.3 million of deferred financing costs. See Note 6 to our Consolidated Financial Statements for additional discussion of our long-term debt.
- (7) In 2009, we will be adopting FASB Staff Position ("FSP") No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" and FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities". Both of these FSP's are required to be applied retrospectively to all comparable periods presented beginning with our Form 10-Q for the quarter ended March 31, 2009. See Note 2 to our Consolidated Financial Statements for additional discussion of these matters.

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

Forward-Looking Statements

This report contains a number of forward-looking statements relative to our future plans and our expectations concerning the North American customer care and billing industry, as well as the converging communications 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 outlined above within Item 1A., "Risk Factors". Item 1A. constitutes an integral part of this report, and readers are strongly encouraged to review this section closely in conjunction with MD&A.

Management Overview

Our Company. We are a leading provider of software- and services-based customer interaction management solutions that help our clients build commerce by better engaging and transacting with their customers. Our solutions enable our clients to build new offerings, to engage customers on those offerings, and to deliver them through effective and profitable customer transactions. Our clients maximize the value and minimize the costs associated with their customer interactions by using our solutions to conduct key business processes such as targeting prospective customers, rolling out and offering new products quickly, efficiently managing order processing, streamlining operations, managing field workforces, improving customer satisfaction, integrating actionable customer intelligence, developing marketing strategies, printing and mailing monthly statements, and electronically transacting with customers. Our solutions provide clients with favorable results through improved operating efficiencies, decreased churn rates, accelerated marketing effectiveness, lower overall costs, and increased profitability.

Our proven technology is based on more than 25 years of expertise in serving clients in several complex and highly competitive industries. These clients typically handle a high volume of recurring transactions and complex customer relationships through a growing set of touch points, ranging from call centers, on-line Internet access, emails, text messages, interactive messaging, service technicians, and monthly statements. Our solutions and services are at work behind the scenes of systems that support customer interactions of some of the largest and most innovative service providers in North America. Our heritage is in providing outsourced customer interaction management solutions to the cable and direct broadcast satellite ("DBS") companies, which represent approximately 88% and 95%, respectively, of our 2008 and 2007 revenues. Building upon those years of experience, we have broadened and enhanced our solutions to now serve an increasing number of other industries such as financial services, utilities, telecommunications, healthcare, and home security.

Our solutions are delivered and supported by an experienced and dedicated workforce of more than 2,000 employees. We are a S&P SmallCap 600 company.

The North American communications industry has experienced significant consolidation over the last few years, resulting in a large percentage of the market being served by a fewer number of service providers with greater size and scale. Consistent with this market concentration, a large percentage of our revenues are generated from a limited number of clients, with approximately two-thirds of our 2008 revenues being generated from our four largest clients, which are Comcast, DISH, Time Warner, and Charter.

General Market Conditions. In recent months, the U.S. has experienced a significant economic downturn and difficulties within the financial and credit markets, and these adverse economic conditions are predicted to continue into the foreseeable future. The possible adverse impacts to companies during these times include a reduction in revenues, decreasing profits and cash flows, distressed or default debt conditions, and/or difficulties in obtaining necessary operating capital.

Because of the severity and the far-reaching impacts of the situation, all companies could be adversely affected by the current economic conditions to a certain degree, including CSG, our clients, and/or key vendors

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in our supply chain. Some possible near term negative consequences of the current economic environment to our business include tightening of client spending and/or extended sales cycles which could materially lower our revenues related to our clients' discretionary spending for such things as special project work, marketing activities, new product sales, and software and professional services projects. We believe that our recurring revenue and predictable cash flow business model, our sufficient sources of liquidity, and our stable capital structure lessen the risk of a significant negative impact to our business as a result of the current economic conditions. Additionally, we believe our key clients have business models that have historically performed well, as compared to other industries, in down economic conditions. However, there can be no assurances regarding the performance of our business, and the potential impact to our clients and key vendors, resulting from the current economic conditions.

Results of Operations. A summary of our results of operations and other key performance metrics for 2008 are as follows:

- Our consolidated revenues for 2008 were \$472.1 million, an increase of 12.6% when compared to \$419.3 million for 2007. The increase in revenues is reflective of the success we have experienced in our plan to grow top-line revenues and achieve market diversification through both acquisitions and organic growth, as discussed in greater detail below.
- Our operating expenses for 2008 were \$382.8 million, an increase of 14.1% when compared to \$335.4 million for 2007, with approximately 80% of this increase related to the year-over-year impact of the ComTec, Prairie, and DataProse businesses (collectively, the "Acquired Businesses").
- Operating income for 2008 was \$89.3 million (18.9% operating margin percentage), compared to \$83.8 million (20.0% operating margin percentage) for 2007. The decrease in operating income margin between years is due to the dilutive impact of the Acquired Businesses.
- Income from continuing operations (net of tax) for 2008 was \$61.4 million, or \$1.84 per diluted share, compared to \$60.2 million, or \$1.50 per diluted share, for 2007. The 2008 amount includes a \$7.0 million gain (pretax impact), or \$0.14 per diluted share, included in other income related to our repurchase of some of our convertible debt securities. Absent the impact of this \$0.14 gain, our 2008 EPS from continuing operations increased 13% when compared to 2007. This 13% growth is primarily due to a decrease in the weighted-average shares outstanding for the year ended December 31, 2008, as a result of our significant share repurchases made under our stock repurchase program during 2007.
- Operating income for 2008 includes non-cash charges related to depreciation, amortization, and stock-based compensation expense totaling \$43.5 million (pretax impact), or \$0.86 per diluted share impact, as compared to non-cash charges for 2007 of \$41.8 million (pretax impact), or \$0.68 per diluted share impact.
- We continue to generate strong cash flows as a result of our profitable operations and through our effective management of our working capital items. During 2008, we generated \$114.6 million of cash flows from operating activities, relatively consistent to the \$115.4 million of cash flows from operating activities we generated during 2007. Our cash and short-term investments totaled \$141.2 million at December 31, 2008, compared to \$132.8 million as of December 31, 2007.

Other key events related to our operations for 2008 were as follows:

- As discussed earlier, as part of our strategy to extend our customer interaction management capabilities and enter new vertical markets, we closed on the DataProse and Quaero acquisitions during 2008.
 - The DataProse acquisition closed on April 30, 2008, contributed approximately \$15 million in revenues for 2008, and was slightly dilutive to our 2008 results of operations.
 - The Quaero acquisition closed on December 31, 2008, and as a result, did not impact our 2008 results of operations.

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See Note 3 to our Consolidated Financial Statements for additional discussion of these acquisitions.

- During 2008, we had the following key customer renewals:
 - In April 2008, we extended our agreement with Mediacom Communications through July 2014.
 - In July 2008, we entered into a restated and amended Master Subscriber Management System Agreement with Comcast that extends our contractual relationship with Comcast through December 31, 2012. See our Significant Client Relationships Section below for further discussion.
 - In December 2008, we renewed our print services contract with Cox Communications, our largest print-only client, for an additional three years through December 31, 2011.
 - In December 2008, we entered into a one-year extension to our current contract with DISH, which extended the term through December 31, 2009. See our Significant Client Relationships Section below for further discussion.
- During 2008, we invested \$67.3 million, or approximately 14% of our revenues, in R&D activities.
- During 2008, we repurchased \$29.7 million (par value) of our Convertible Debt Securities for \$22.4 million, and recognized a gain on the repurchase of \$7.0 million (pretax impact), after the write-off of a proportional amount of deferred financing costs.
- In November 2008, our Board of Directors approved a 5.0 million share increase in the number of shares authorized for repurchase under our Stock Repurchase Program, bringing the remaining number of shares we are authorized to repurchase at December 31, 2008 to approximately 6 million. During 2008, we repurchased a total of 250,000 shares, for a total of \$4.0 million (a weighted-average price of \$15.93 per share) under the program.

Significant Client Relationships

Comcast. Comcast continues to be our largest client. For 2008 and 2007, revenues from Comcast represented approximately 27% of our total revenues.

On July 10, 2008, we entered into a restated and amended Master Subscriber Management System Agreement with Comcast. Our previous contract with Comcast was scheduled to expire December 31, 2008. The new Comcast processing agreement was effective beginning July 1, 2008 and runs through December 31, 2012. The expected scope of the products and services to be utilized under the new Comcast processing agreement is consistent with our previous Comcast contract and provides Comcast the option to expand its utilization of certain of our products and services not fully deployed in all of the Comcast markets we currently serve, or across Comcast's entire enterprise.

The fees generated under the new Comcast processing agreement are based on monthly charges for processing and related services per Comcast customer account, and various other ancillary services based on actual usage. The per unit fees are subject to annual inflationary price escalators. The new Comcast processing agreement includes various volume-based pricing incentives. When compared to the previous contract, there is a price reduction at several of the higher volume tiers, which in effect, reduces the fees we receive for such services at Comcast's current customer account levels.

The new Comcast processing agreement contains certain financial commitments associated with the number of Comcast customer accounts that are to be processed on our systems, with such commitments decreasing over the life of the agreement, beginning in 2009. Additionally, it provides Comcast with the flexibility to either add or remove customer accounts from our systems with sufficient written notification. However, if Comcast chooses to process fewer customer accounts on our systems than the committed amounts, the monthly fees to be paid by Comcast will be based on the higher number of committed customer accounts for the applicable billing period.

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Consistent with the structure of the previous Comcast contract, the new Comcast processing agreement contains certain rights and obligations of both parties relating to the following: (i) the termination of the agreement under certain conditions; (ii) various service level commitments; and (iii) remedies and limitation on liabilities associated with specified breaches of contractual obligations.

As of July 1, 2008, the beginning of the new contract term, we had a \$6 million Comcast client contract intangible asset that was previously being amortized as a contra revenue charge through December 31, 2008. As a result of the extension in the life of our contractual arrangement with Comcast, the amortization of the remaining \$6 million has been extended through the end of the new contractual period of December 31, 2012. Beginning July 1, 2008, the amortization of the Comcast client contract intangible asset is \$0.1 million per month, compared to the previous \$1.0 million per month, which resulted in an approximate \$5 million reduction in contra revenue amortization in the second half of 2008, when compared to the first half of 2008. The net impact of this change in contra revenue amortization and the decrease in recurring monthly processing fees that we received from Comcast in 2008 was not significant.

The Comcast processing agreement and related material amendments, with confidential information redacted, are included in the exhibits to our periodic filings with the SEC.

DISH. DISH is our second largest client. For 2008 and 2007, DISH represented approximately 18% and 20%, respectively, of our total revenues.

On December 31, 2008, we entered into the Seventeenth Amendment (the "Amendment") to the Master Subscriber Management System Agreement with DISH. The impact of the Amendment is summarized as follows:

- The term of the DISH processing agreement was extended for a one-year period beginning on January 1, 2009 and expiring on December 31, 2009. The fees to be paid by DISH during this period are at the rates specified in the DISH processing agreement, which had been scheduled to expire December 31, 2008.
- Prior to entering into the Amendment, upon satisfying certain conditions contained in the DISH processing agreement, DISH had an option to extend the term for either one or two years beyond December 31, 2008. As a result of the Amendment, DISH no longer has the unilateral option to extend the agreement beyond December 31, 2009.
- All other terms are unchanged as a result of the Amendment.

At this time, we expect our 2009 revenues from DISH to be relatively consistent with those generated from DISH in 2008. A copy of the Amendment, along with the DISH processing agreement and other related material amendments, with confidential information redacted, are included in the exhibits to our periodic filings with the SEC.

Time Warner. Time Warner is our third largest client. For 2008 and 2007, revenues from Time Warner represented approximately 14% and 13%, respectively, of our total revenues. Our processing agreement with Time Warner runs through March 31, 2013. The Time Warner processing agreement contains provisions establishing annual minimum customer account levels that have to be processed on our systems, which we expect Time Warner to exceed based on the number of Time Warner customers currently on our systems. The Time Warner processing agreement and related material amendments are filed as Exhibit 10.24 to this Form 10-K, with confidential information redacted.

Charter. Charter is our fourth largest client. For 2008 and 2007, revenues from Charter represented approximately 8% and 9%, respectively, of our total revenues.

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On February 17, 2009, we entered into a new processing agreement with Charter to expand the use of our solutions supporting Charter's national video, high-speed data, and telephony footprint through December 31, 2014. Our previous contract with Charter went through December 31, 2012. We currently provide customer interaction management solutions to approximately 60% of Charter's residential customers. Under the new processing agreement, Charter plans to convert its remaining residential customers to our solutions, with conversions expected to begin in late 2009. The new processing agreement contains minimum financial commitments over the life of the agreement. At this time, we do not expect the new agreement to have a significant impact on our 2009 results of operations.

On February 12, 2009, Charter publicly announced a restructuring plan that included the following key points:

- Charter had reached an agreement-in-principle with an ad hoc committee of certain of its debt holders on the terms of a financial restructuring to reduce Charter's debt by approximately \$8 billion on certain outstanding senior notes.
- Under the terms of the agreement, Charter intends to implement its financial restructuring through a Chapter 11 bankruptcy filing to be initiated on or before April 1, 2009.
- The purpose of Charter's financial restructuring is to strengthen its balance sheet in order to fully support the company's operations and service its debt. As such, the agreement-in-principle contemplates paying trade creditors in full.
- The agreement-in-principle is subject to numerous closing conditions and there is no assurance that the treatment of creditors outlined in Charter's public statements will not change significantly.

As discussed in Section 1A. Risk Factors above, companies involved in bankruptcy proceedings pose greater financial risks to us, consisting principally of the following: (i) a financial loss related to possible claims of preferential payments for certain amounts paid to us prior to the bankruptcy filing date, as well as increased collectibility risk for accounts receivable, particularly those accounts receivable that relate to periods prior to the bankruptcy filing date; and/or (ii) the possibility of a contract being unilaterally rejected or as part of the bankruptcy proceedings, or a client in bankruptcy may attempt to renegotiate more favorable terms as a result of their deteriorated financial condition, thus, negatively impacting our rights to future revenues subsequent to the bankruptcy filing.

As of December 31, 2008, we had approximately \$12 million of accounts receivable due from Charter, none of which had a specific allowance for doubtful accounts receivable amount established against it. The entire amount of this accounts receivable balance was collected in the normal course as of the date of this filing and we believe that Charter's history of timely paying our invoices significantly reduces our preferential payment risk related to our 2008 Consolidated Financial Statements if Charter was indeed to declare bankruptcy as noted in their February 12, 2009 public announcement.

Although we provide customer care and billing services that are generally critical to the ongoing operations of entities such as Charter, for which there generally is no near-term alternative for a substitute vendor because of the complexity of the systems and networks involved in the delivery of our services and the pervasiveness of the use of such systems and networks across Charter's business enterprise, there can be no assurances regarding the expected financial impact to our business if Charter does file for bankruptcy on or before April 1, 2009, as indicated in their public statements.

Significant New Expense Items for 2009

Data Center Transition. We currently utilize FDC to provide the data center computing environment for the delivery of most of our customer care and billing services and related solutions under a contract that runs through June 30, 2010. In December 2008, we entered into an agreement with Infocrossing to transition these outsourced

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data center services from FDC to Infocrossing prior to the expiration of the FDC contract term. Infocrossing has provided end-to-end IT management solutions for over 25 years, and operates data centers throughout the U.S. for multiple computing environments and platforms. The term of the Infocrossing agreement is five years beginning on the date of full conversion.

As a result, we expect to incur transition-related costs and capital expenditures during the time period leading up to the final transition of services from FDC to Infocrossing. These transition costs are one-time in nature and will include such things as labor and consulting costs for the transition team, and capital expenditures and related infrastructure costs to setup and replicate the computing environment at the new Infocrossing data center location to protect against disruption during the transition period. Operating costs related to the transition efforts (“Data Center Transition Expenses”) will be expensed as incurred.

We estimate that the Data Center Transition Expenses for 2009 will be approximately \$17 million to \$18 million, or approximately \$0.32 to \$0.34 per diluted share negative impact, and are expected to have a negative impact of approximately \$9 million to \$10 million on our 2009 cash flows from operations. These amounts are based on the best available estimates at this time and may fluctuate up or down during the transition.

The Infocrossing agreement, with confidential information redacted, is filed as Exhibit 10.41 to this Form 10-K.

Change in Accounting for Convertible Debt Securities. Effective January 1, 2009, we will change the accounting for our Convertible Debt Securities as a result of a change in an accounting pronouncement (See Note 2 to our Consolidated Financial Statements). Historically, we have recorded the entire par value of our Convertible Debt Securities as long-term debt. The accounting rule change requires us to refer back to the original issue date of June 2004 and record an original issue discount (“OID”) equal to the amount attributable to the convertible equity feature of the securities. The corresponding value assigned to the OID will be recorded as equity. The OID is then required to be amortized to book interest expense subsequent to the issue date through June 2011, the first put date option of our Convertible Debt Securities.

The overall effective interest rate for 2009 for our Convertible Debt Securities as a result of this new accounting pronouncement will be 8% annually, which consists of the cash coupon rate of 2.5%, plus the impact of the OID amortization using the effective interest rate method of amortization. This will result in additional interest expense of approximately \$9.4 million for 2009, or approximately \$0.18 per diluted share. This additional interest expense is a non-cash expense, and therefore, will not impact our historical or expected future cash flows from operations.

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Relevant balance sheet and income statement information related to the adoption of this new accounting pronouncement, as of December 31, 2008, are provided below (in thousands, except per share amounts). These estimated amounts are still subject to change pending final accounting conclusions related to the adoption of this accounting pronouncement. In addition, the future estimated amounts can change if we repurchase any of our Convertible Debt Securities after December 31, 2008.

	December 31,	December 31,	At Issue Date
	2009	2008	(June 2004)
Estimated Balance Sheet Information:			
Convertible Debt Securities outstanding (par value)	\$ 200,300	\$ 200,300	\$ 230,000
OID	(15,100)	(24,500)	(67,600)
Convertible Debt Securities, net of unamortized OID	<u>\$ 185,200</u>	<u>\$ 175,800</u>	<u>\$ 162,400</u>
		Year Ended December 31,	Year Ended December 31,
		2009	2008
Estimated Income Statement Information:			
Coupon interest (2.5%)		\$ 5,000	\$ 5,600
Amortization of OID		9,400	9,800
Total book interest expense on Convertible Debt Securities (effective rate of 8%)		<u>\$ 14,400</u>	<u>\$ 15,400</u>
Per diluted share impact of amortization of OID		\$ (0.18)	\$ (0.19)

The new accounting rule requires retroactive application of the new treatment. As a result, beginning in the first quarter of 2009, we will provide restated financial statements for all comparable periods presented prior to January 1, 2009.

Accounting for Business Combinations

Effective January 1, 2009, we will adopt SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141(R)"), which significantly changes the accounting for business combinations. The most notable impacts of this change in accounting relate to the following: (i) acquisition-related costs; and (ii) contingent consideration. Acquisition-related costs will no longer be considered part of the cost of the acquisition, but instead, must be expensed in the period the costs are incurred. Contingent consideration (such as an earn-out) will be recognized at its acquisition-date fair value as part of the cost of the acquisition, and will be remeasured to fair value at each reporting date until the contingency is resolved, with any changes in fair value being reflected in earnings. This accounting change may be relevant to us as we have made five acquisitions in the last three years, and our growth strategy includes the possibility of further acquisitions. The impact of the adoption of SFAS 141(R) on our consolidated financial position and results of operations will largely be dependent on the size and nature of the business combinations, if any, completed after the adoption of this statement.

Stock-Based Compensation Expense

Stock-based compensation expense is included in the following captions in the Consolidated Statements of Income (in thousands):

	2008	2007	2006
Cost of processing and related services	\$ 3,451	\$ 3,277	\$ 4,371
Cost of software, maintenance and services	611	745	713
Research and development	1,664	1,246	1,530
Selling, general and administrative	5,879	5,834	5,600
Total stock-based compensation expense	<u>\$ 11,605</u>	<u>\$ 11,102</u>	<u>\$ 12,214</u>

See Notes 2 and 12 to our Consolidated Financial Statements for additional discussion of our stock-based compensation expense.

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Critical Accounting Policies

The preparation of our financial statements in conformity with accounting principles generally accepted in the U.S. requires us to select appropriate accounting policies, and to make judgments and estimates affecting the application of those accounting policies. In applying our accounting policies, different business conditions or the use of different assumptions may result in materially different amounts reported in our Consolidated Financial Statements.

We have identified the most critical accounting policies that affect our financial condition and the results of our operations. These critical accounting policies were determined by considering our accounting policies that involve the most complex or subjective decisions or assessments. The most critical accounting policies identified relate to: (i) revenue recognition; (ii) allowance for doubtful accounts receivable; (iii) impairment assessments of long-lived assets; (iv) income taxes; and (v) business combinations and asset purchases. These critical accounting policies, as well as our other significant accounting policies, are disclosed in the notes to our Consolidated Financial Statements.

Revenue Recognition. The revenue recognition policies that involve the most complex or subjective decisions or assessments that may have a material impact on our business' operations relate to: (i) the application of the guidelines of Emerging Issues Task Force ("EITF") Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables" ("EITF 00-21") when determining a revenue arrangement's separate units of accounting; and (ii) the accounting for software arrangements.

For those revenue arrangements within the scope of EITF No. 00-21, we are required to evaluate all deliverables in the arrangement to determine whether they represent separate units of accounting. If the deliverables qualify as separate units of accounting, the arrangement consideration is allocated among the separate units of accounting based upon their relative fair values, and applicable revenue recognition criteria are considered for the separate units of accounting. If the deliverables do not qualify as separate units of accounting, the consideration allocable to delivered items is combined with the consideration allocable to the undelivered items, and the appropriate recognition of revenue is then determined for those combined deliverables as a single unit of accounting. For the processing agreements that we have historically evaluated under EITF No. 00-21, we have generally concluded that the deliverables do not qualify as separate units of accounting, and thus have treated the deliverables as a single unit of accounting, with the revenue recognized ratably over the term of the processing agreement. The determination of separate units of accounting, and the determination of objective and reliable evidence of fair value of the undelivered items, if applicable, both require judgments to be made by us.

The accounting for software arrangements, especially when software is sold in a multiple-element arrangement, is complex and requires judgments in the following areas: (i) the identification of the separate elements of the software arrangement; (ii) the determination of whether any undelivered elements are essential to the functionality of the delivered elements; (iii) the assessment of whether our hosted service transactions meet the requirements of 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", to be treated as a separate element to the software arrangement; (iv) the determination of vendor-specific objective evidence of fair value for the various undelivered elements of the software arrangement; and (v) the period of time maintenance services are expected to be performed. The evaluation of these factors, and the ultimate revenue recognition decisions, require significant judgments to be made by us. The judgments made in this area could have a significant effect on revenues recognized in any period by changing the amount and/or the timing of the revenue recognized. In addition, because software licenses typically have little or no direct, incremental costs related to the recognition of the revenue, these judgments could also have a significant effect on our results of operations.

Allowance for Doubtful Accounts Receivable. We maintain an allowance for doubtful accounts receivable based on client-specific allowances, as well as a general allowance. Specific allowances are maintained for clients which are determined to have a high degree of collectibility risk based on such factors, among others, as: (i) the aging of the accounts receivable balance; (ii) the client's past payment experience; (iii) the economic

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condition of the industry in which the client conducts the majority of its business; and (iv) a deterioration in a client's financial condition, evidenced by weak financial condition and/or continued poor operating results, reduced credit ratings, and/or a bankruptcy filing. In addition to the specific allowance, we maintain a general allowance for all our accounts receivable which are not covered by a specific allowance. The general allowance is established based on such factors, among others, as: (i) the total balance of the outstanding accounts receivable, including considerations of the aging categories of those accounts receivable; (ii) past history of uncollectible accounts receivable write-offs; and (iii) the overall creditworthiness of the client base. Our credit risk is heightened due to our concentration of clients within the North American cable television and DBS industries. A considerable amount of judgment is required in assessing the realizability of accounts receivable. Should any of the factors considered in determining the adequacy of the overall allowance change significantly, an adjustment to the allowance for doubtful accounts receivable may be necessary. Because of the overall significance of our gross billed accounts receivable balance (\$123.3 million as of December 31, 2008), such an adjustment could be material.

Impairment Assessments of Goodwill and Other Long-Lived Assets .

Goodwill. Goodwill is required to be tested for impairment on an annual basis. We have elected to do our annual test for possible impairment as of July 31 of each year. In addition to this annual requirement, goodwill is required to be evaluated for possible impairment on a periodic basis (e.g., quarterly) if events occur or circumstances change that could indicate a possible impairment may have occurred. Under the current accounting standard, goodwill is considered impaired if the carrying value of the reporting unit which includes the goodwill is greater than the estimated fair value of the reporting unit. If it is determined that an impairment has occurred, an impairment loss (equal to the excess of the carrying value of the goodwill over its estimated fair value) is recorded.

We utilize discounted cash flow models and relevant market information for comparable companies to determine fair value used in our goodwill impairment valuation. Our estimates of fair value are based upon various key assumptions such as: (i) projected future sales, which include assumptions around market penetration and growth, and the success of any new product and service offerings; (ii) the profitability of future operations; (iii) the appropriate discount rate; and (iv) the identification of comparable companies. These assumptions, by their nature, are subject to significant judgments. Changes to one or more of these assumptions due to such factors as: (i) a significant adverse change in the legal environment or in the business climate; (ii) unanticipated or increased competition; and (iii) loss of key personnel, could materially affect the determination of fair value which could result in a future impairment of goodwill. We have considered the impacts of the recent significant economic downturn and the difficulties within the financial and credit markets when evaluating our goodwill balances as of December 31, 2008.

Other Long-lived Assets . Long-lived assets other than goodwill, which for us relates primarily to property and equipment, software, and client contracts, are required to be evaluated for possible impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. A long-lived asset is impaired if estimated future undiscounted cash flows associated with that asset, 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 estimated future cash flows and, if required, the determination of the fair value of a long-lived asset, are by their nature, highly subjective judgments. Changes to one of more of the assumptions utilized in such an analysis could materially affect our impairment conclusions for long-lived assets.

Income Taxes. We are required to estimate our income tax liability in each jurisdiction in which we operate, which is primarily the U.S. (including both Federal and state income taxes). Various judgments are required in evaluating our income tax positions and determining our provisions for income taxes. During the ordinary course of our business, there are certain transactions and calculations for which the ultimate income tax determination

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may be uncertain. In addition, we may be subject to examination of our income tax returns by various tax authorities which could result in adverse outcomes. For these reasons, we establish a liability associated with unrecognized tax benefits based on estimates of whether additional taxes and interest may be due. We adjust this liability based upon changing facts and circumstances, such as the closing of a tax audit, the closing of a tax year upon the expiration of a statute of limitations, or the refinement of an estimate. Should any of the factors considered in determining the adequacy of this liability change significantly, an adjustment to the liability may be necessary. Because of the potential significance of these issues, such an adjustment could be material.

Business Combinations and Asset Purchases. Accounting for business combinations and asset purchases, including the allocation of the purchase price to acquired assets and assumed liabilities based on their estimated fair values, requires us in certain circumstances to estimate fair values for items that have no ready market or for which no independent market exists. Under such circumstances, we use our best judgment to determine a fair value based upon inference to other transactions and other data. As a result, the amounts determined by us for such items as accounts receivable, identifiable intangible assets, goodwill, and deferred revenue are not individually the result of an arm's length transaction, but are the result of management estimates of the fair value and the allocation of the purchase price. Accordingly, revenue recognized by us related to fulfillment of assumed contractual obligations is based on fair value estimates made by us.

For larger and/or more complex acquisitions, the assignment of value to individual intangible assets generally requires the use of a specialist, such as an appraiser or valuation expert. The assumptions we use in the appraisal or valuation process are forward-looking, and thus are subject to significant judgments and interpretations by us. Because individual intangible assets: (i) may be expensed immediately upon acquisition (e.g., purchased in-process R&D assets); (ii) amortized over their estimated useful life (e.g., acquired software); or (iii) not amortized at all (e.g., goodwill), the assigned values could have a material impact on our results of operations in current and future periods.

Detailed Discussion of Results of Operations

Total Revenues. Total revenues for: (i) 2008 increased 12.6% to \$472.1 million, from \$419.3 million for 2007; and (ii) 2007 increased 9.4% to \$419.3 million, from \$383.1 million for 2006. The increases in total revenues are reflective of the success we have experienced in our plan to grow top-line revenues and achieve market diversification through both acquisitions and organic growth, as discussed in further detail below. Approximately three-fourths of the increase in revenues between 2008 and 2007, and one-half of the increase in revenues between 2007 and 2006, related to the year-over-year impact of the additional revenues generated from the Acquired Businesses, with the remaining portion of the increases attributed to organic growth factors. The components of total revenues are discussed in more detail below.

Processing Revenue. Processing revenues for: (i) 2008 increased 15.2% to \$440.0 million, from \$382.1 million for 2007; and (ii) 2007 increased 8.6% to \$382.1 million, from \$351.8 million for 2006.

- Approximately two-thirds of the increase in processing revenues between 2008 and 2007 related to the revenues generated from the Acquired Businesses (as all of their revenues fall within this revenue classification). The remaining processing revenue growth can be attributed to organic growth resulting from increased utilization of new and existing products and services by our clients, to include such things as: (i) higher usage of marketing services; and (ii) various ancillary customer care solutions, such as order workflow tools, professional services, system interfaces and reporting tools.
- Approximately one-half of the increase in processing revenues between 2007 and 2006 related to the revenues generated from the 2007 acquisitions of the ComTec and Prairie businesses, with the remaining portion attributed to increased utilization of new and existing products and services by our clients, to include such things as: (i) higher usage of marketing services; and (ii) various ancillary customer care solutions.

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Additional information related to processing revenues is as follows:

- Amortization of the client contracts intangible asset (reflected as a reduction of processing revenues) for 2008, 2007, and 2006, was \$9.2 million, \$14.4 million, and \$13.4 million, respectively. The decrease in amortization in 2008 was due to the change in the life of the Comcast client contract intangible asset as a result of the extension of the contractual arrangement with Comcast effective July 1, 2008, as discussed above.
- Total customer accounts processed on our systems as of December 31, 2008, 2007, and 2006, were 45.3 million, 45.1 million, and 45.4 million, respectively.

Software, Maintenance and Services Revenues. Software, maintenance and services revenues for: (i) 2008 decreased 13.7% to \$32.1 million, from \$37.2 million for 2007; and (ii) 2007 increased 18.7% to \$37.2 million, from \$31.3 million for 2006.

- The decrease in software, maintenance and services revenue between 2008 and 2007 was due to lower professional services revenues and lower software-related revenues, as a result of the timing and type of work our professional services team has been engaged in (e.g., longer term implementations which required the fees be deferred upfront and recognized over the life of the service agreement).
- The increase in software, maintenance and services revenues between 2007 and 2006 was a result of our increased emphasis on expanding our professional services organization, to include the acquisition of Telution.

Cost of Processing and Related Services (Exclusive of Depreciation). The cost of processing and related services revenues consists principally of the following: (i) data processing and network communications costs; (ii) statement production costs (e.g., labor, paper, envelopes, equipment, equipment maintenance, etc.); (iii) client support organizations (e.g., our client support call center, account management, etc.); (iv) various product support organizations (e.g., product management and delivery, product maintenance, etc.); (v) facilities and infrastructure costs related to the statement production and support organizations; and (vi) amortization of acquired client contracts. The costs related to new product development (including significant enhancements to existing products) are included in R&D expenses.

The cost of processing and related services for: (i) 2008 increased 17.2% to \$226.3 million, from \$193.1 million; and (ii) 2007 increased 11.3% to \$193.1 million, from \$173.5 million for 2006.

- Over 85% of the year-over-year increase in cost of processing and related services between years related to the impact of the Acquired Businesses (as all of their cost of revenues fall within this expense classification).
- Approximately 60% of the year-over-year increase in cost of processing and related services between 2007 and 2006 related to the impact of the ComTec and Prairie businesses. The remaining year-over-year increase related to: (i) an increase in data processing costs due to greater processing requirements for ACP functionality; and (ii) an increase in variable costs related to the delivery of ancillary products and services (e.g., print costs, etc.), which directly correlate with the increase in revenues related to ancillary products and services.

Total processing and related services cost of revenues as a percentage of our processing and related services revenues for 2008, 2007, and 2006 were 51.4%, 50.5%, and 49.3%, respectively. The sequential increases in processing costs as a percentage of processing and related services revenues between periods was due to the impact of the Acquired Businesses.

Cost of Software, Maintenance and Services (Exclusive of Depreciation). The cost of software, maintenance and services revenues consists principally of the following: (i) client support organizations (e.g., our client support call center, account management, etc.); (ii) various product support organizations (e.g., product

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management and delivery, product maintenance, etc.); (iii) professional services organization; (iv) facilities and infrastructure costs related to these organizations; (v) third-party software costs and/or royalties related to certain software products; and (vi) amortization of acquired software and acquired client contracts. The costs related to new product development (including significant enhancements to existing products) are included in R&D expenses.

The cost of software, maintenance and services for: (i) 2008 decreased 23.0% to \$19.0 million, from \$24.7 million for 2007; and (ii) 2007 increased 17.6% to \$24.7 million, from \$21.0 million for 2006.

- The decrease in cost of software, maintenance and services between 2008 and 2007 reflects a reassignment of personnel and related costs that were previously working on software maintenance projects to R&D projects.
- The increase in cost of software, maintenance and services between 2007 and 2006 was due to an increase in employee-related costs as a result of an increase in personnel assigned internally to software maintenance projects and our emphasis on expanding our professional services organization. This increase in expense is reflective of the increase in revenues between years.

Total cost of software, maintenance and services as a percentage of our software, maintenance and services revenues for 2008, 2007, and 2006 were 59.2%, 66.3%, and 66.9%, respectively. Variability in quarterly revenues and operating results are inherent characteristics of companies that sell software licenses, and perform professional services. Our quarterly revenues for software licenses and professional services may fluctuate, depending on various factors, including the timing of executed contracts and revenue recognition, and the delivery of contracted services or products. However, the costs associated with software and professional services revenues are not subject to the same degree of variability (i.e., these costs are generally fixed in nature within a relatively short period of time), and thus, fluctuations in our cost of software, maintenance and services as a percentage of our software, maintenance and services revenues will likely occur between periods.

R&D Expense (Exclusive of Depreciation) . R&D expense for: (i) 2008 increased 15.3% to \$67.3 million, from \$58.3 million for 2007; and (ii) 2007 increased 26.3% to \$58.3 million, from \$46.2 million for 2006. The increases in R&D expense between years was the result of an increase in personnel and related costs on R&D projects, as more employees were redirected to R&D efforts during 2008 and 2007, reflective of our increased focus on product development and enhancement efforts. We did not capitalize any software development costs in 2008, 2007, or 2006.

During 2008, 2007, and 2006, our R&D efforts were focused on the continued evolution of our products, both functionally and architecturally, in response to market demands that our products have certain functional features and capabilities, as well as architectural flexibilities (such as service oriented architecture, or SOA). This product evolution will result in the modularization of certain product functionality that historically has been tightly integrated within our product suite, which will allow us to respond more quickly to required changes to our products and provide greater interoperability with other computer systems. Although our primary value proposition to our clients will continue to be the breadth and depth of our integrated solutions, these R&D efforts will also allow us to separate certain product components so as to allow such components to be marketed on a stand-alone basis where a specific client requirement and/or business need dictates, including the use of certain products across non-CSG customer care and billing systems.

As a percentage of total revenues, R&D expense for 2008, 2007, and 2006, was 14.3%, 13.9%, and 12.1%, respectively. At this time, we expect our future R&D efforts to continue to focus on similar tasks as noted above. In the near term, we expect that our investment in R&D will be in a range comparable with that of 2008, with the level of our R&D spend highly dependent upon the opportunities that we see in our markets.

Selling, General and Administrative Expense (Exclusive of Depreciation) ("SG&A") . SG&A expense for: (i) 2008 increased by 17.7% to \$53.9 million, from \$45.7 million for 2007; and (ii) 2007 increased 6.1% to \$45.7

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million, from \$43.1 million for 2006. The increase in SG&A expenses between periods reflects the impact of the sales and marketing costs of the Acquired Businesses. As a percentage of total revenues, SG&A expense for 2008, 2007, and 2006, was 11.4%, 10.9%, and 11.3%, respectively.

Depreciation Expense. 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 expense for 2008, 2007, and 2006, was \$16.2 million, \$12.9 million, and \$10.4 million, respectively. The sequential increases in depreciation expense is reflective of the increased capital expenditures we have made over the past years (mainly related to statement production equipment) and to the acquired property and equipment from our acquisition activities.

Operating Income. Operating income and operating income margin for: (i) 2008 was \$89.3 million, or 18.9% of total revenues, compared to \$83.8 million, or 20.0% of total revenues for 2007; and (i) 2007 was \$83.8 million, or 20.0% of total revenues, compared to \$86.5 million, or 22.6% of total revenues for 2006.

- The decrease in operating income margin between 2008 and 2007 was due to the impact of the Acquired Businesses.
- The decreases in operating income and the operating income margin between 2007 and 2006 were mainly the result of: (i) an overall increase in R&D expenditures, as discussed above; and (ii) the impact of the ComTec and Prairie acquisitions in 2007.

Our operating results include non-cash charges related to depreciation, amortization of intangible assets (primarily shown as a reduction of processing revenues), and stock-based compensation expense. The total amount of these pretax non-cash expenses, and their impact (net of related estimated income tax expense) on net income from continuing operations and diluted earnings per share, for 2008, 2007, and 2006, are as follows (in thousands, except diluted earnings per share):

	2008	2007	2006
Non-cash expenses related to:			
Depreciation	\$16,194	\$12,900	\$10,438
Amortization of intangible assets	15,667	17,789	15,913
Stock-based employee compensation	11,605	11,102	12,214
Total	<u>\$43,466</u>	<u>\$41,791</u>	<u>\$38,565</u>
Impact of non-cash expenses on results of continuing operations (i.e., have reduced operating results):			
Net income	\$28,446	\$26,902	\$23,895
Diluted earnings per share	\$ 0.86	\$ 0.68	\$ 0.51

Interest Expense. Our interest expense relates primarily to our Convertible Debt Securities, issued in June 2004, which have a stated coupon rate of 2.5%. See Note 6 to our Consolidated Financial Statements for additional discussion of our Convertible Debt Securities. Additionally, see Note 2 to our Consolidated Financial Statements for discussion of our adoption of FSP APB 14-1, effective January 1, 2009, and the corresponding retrospective impact of such adoption on our interest expense.

Interest and Investment Income, net. Interest and investment income, net, for: (i) 2008 decreased 69.8% to \$5.0 million, from \$16.5 million for 2007; and (ii) 2007 decreased 24.8% to \$16.5 million, from \$22.0 million for 2006. The decrease in interest and investment income, net, between periods is due to: (i) the significant decrease in our cash and short-term investment balances between years as a result of our stock repurchase activity in 2007 and the purchase of the Acquired Businesses; and (ii) a decrease in the overall rate of return realized on investments during 2008 due to a deterioration in the interest rate environment.

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Gain on Repurchase of Convertible Debt Securities. As discussed above, in 2008 we repurchased \$29.7 million of our Convertible Debt Securities for \$22.4 million, which resulted in a gain of \$7.0 million. This represents a weighted-average purchase price of approximately 75% of par value for the bonds we repurchased.

Income Tax Provision. Our effective income tax rates for 2008, 2007, and 2006 were as follows:

<u>2008</u>	<u>2007</u>	<u>2006</u>
35%	36%	38%

Going forward, we would expect our 2009 effective income range to be comparable to 2008.

Liquidity

Cash and Liquidity . As of December 31, 2008, our principal sources of liquidity included cash, cash equivalents, and short-term investments of \$141.2 million, compared to \$132.8 million as of December 31, 2007. We generally invest our excess cash balances in low-risk, short-term investments to limit our exposure to market and credit risks. We have ready access to all of our cash, cash equivalents, and short-term investment balances.

In addition to the above sources of liquidity, we also have a \$100 million senior secured revolving credit facility that is discussed in the “Capital Resources” section below.

Cash Flows From Operating Activities. We calculate our cash flows from operating activities in accordance with generally accepted accounting principles, beginning with net income and then adding back the impact of non-cash items (e.g., depreciation, amortization, deferred income taxes, stock-based compensation, etc.), and then factoring in the impact of changes in operating assets and liabilities.

Our primary source of cash is from our operating activities. Our current business model consists of a significant amount of recurring revenue sources related to our long-term processing arrangements (billed monthly), and software maintenance agreements (billed monthly, quarterly, or annually). This recurring revenue base provides us with a reliable and predictable source of cash. In addition, software license fees and professional services revenues provide for material amounts of cash, but the payment streams for these items are not as predictable.

The primary use of our cash is to fund our operating activities. Approximately 50% of our total operating costs relate to labor costs (both employees and contracted labor) for: (i) compensation; (ii) related fringe benefits; and (iii) reimbursements for travel and entertainment expenses. The other primary cash requirements for our operating expenses consist of: (i) postage; (ii) paper, envelopes, and related supplies for our statement processing solutions; (iii) data processing and related services and communication lines for our outsourced processing business; and (iv) rent and related facility costs. These items are purchased under a variety of both short-term and long-term contractual commitments. A summary of our material contractual obligations is provided below.

See “Cash Flows From Investing Activities” and “Cash Flows From Financing Activities” below for the other primary sources and uses of our cash.

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Our 2007 and 2008 consolidated net cash flows from operating activities, broken out between operations and changes in operating assets and liabilities, for the indicated periods are as follows (in thousands):

		Changes in	
	Operations	Operating Assets and Liabilities	Net Cash Provided by Operating Activities – Quarter Totals
Cash Flows from Operating Activities:			
2007:			
March 31	\$ 27,199	\$ 8,464	\$ 35,663
June 30	28,217	(3,719)	24,498
September 30	28,404	7,266	35,670
December 31	30,355	(10,807)	19,548
Year-to-date total	<u>\$114,175</u>	<u>\$ 1,204</u>	<u>\$ 115,379</u>
2008:			
March 31	\$ 31,538	\$(10,686)	\$ 20,852
June 30	28,225	19,052	47,277
September 30	30,440	(2,881)	27,559
December 31	24,558	(5,599)	18,959
Year-to-date total	<u>\$114,761</u>	<u>\$ (114)</u>	<u>\$ 114,647</u>

We believe the above table illustrates our ability to consistently generate strong quarterly and annual cash flows, and the importance of managing our working capital items. As the table above illustrates, the operations portion of our cash flows from operating activities remains relatively consistent between periods. The variations in our net cash provided by operating activities are almost entirely related to the changes in our operating assets and liabilities related to our operations (related mostly to normal fluctuations in timing at quarter-end for such things as client payments and changes in accrued expenses), and generally over longer periods of time, do not significantly impact our cash flows from operations.

Significant fluctuations in key operating assets and liabilities between 2008 and 2007 that impacted our cash flows from operating activities are as follows:

Billed Trade Accounts Receivable

Management of our billed accounts receivable is one of the primary factors in maintaining strong quarterly cash flows from operating activities. Our billed trade accounts receivable balance includes billings for several non-revenue items (primarily postage, sales tax, and deferred revenue items). As a result, we evaluate our performance in collecting our accounts receivable through our calculation of days billings outstanding (“DBO”) rather than a typical days sales outstanding (“DSO”) calculation. DBO is calculated based on the billings for the period (including non-revenue items) divided by the average monthly net trade accounts receivable balance for the period.

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Our gross and net billed trade accounts receivable and related allowance for doubtful accounts receivable (“Allowance”) as of the end of the indicated quarterly periods, and the related DBOs for the quarters then ended, are as follows (in thousands, except DBOs):

<u>Quarter Ended</u>	<u>Gross</u>	<u>Allowance</u>	<u>Net Billed</u>	<u>DBOs</u>
2007:				
December 31	\$115,619	\$ (1,487)	\$114,132	59
2008:				
March 31	126,062	(1,476)	124,586	59
June 30	107,226	(1,557)	105,669	59
September 30	109,490	(1,594)	107,896	55
December 31	123,277	(2,999)	120,278	56

The changes in our gross and net billed trade accounts receivable shown in the table above reflect the normal fluctuations in the timing of client payments made at quarter-end, evidenced by our consistent DBO metric over the past several quarters.

Deferred Income Taxes.

The decrease of \$18.5 million in net deferred income taxes (current and non-current) from \$20.1 million as of December 31, 2007 to \$1.6 million as of December 31, 2008 relates to the: (i) timing differences for depreciable and amortizable assets; (ii) utilization of net operating loss carryforwards; and (iii) increase in deferred income tax liabilities related to our Convertible Debt Securities. See Note 7 to our Consolidated Financial Statements for further details.

Cash Flows From Investing Activities . Our typical investing activities consist of purchases/sales of short-term investments, purchases of property and equipment, and investments in client contracts, which are discussed below. However, as discussed above, during 2008 and 2007, we made the following acquisitions, which are included in our cash flows from investing activities: (i) Quaero in December 2008; (ii) DataProse in April 2008; (iii) Prairie in August 2007; and (iv) ComTec in July 2007.

Purchases/Sales of Short-term Investments.

During 2008, 2007, and 2006, we purchased \$83.1 million, \$209.4 million, and \$283.1 million, respectively, and sold or had mature \$36.2 million, \$379.0 million, and \$156.2 million, respectively, of short-term investments. We continually evaluate the possible uses of our excess cash balances and will likely purchase additional short-term investments in the future.

Property and Equipment/Client Contracts.

Our annual capital expenditures for property and equipment, and investments in client contracts were as follows (in thousands):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Property and equipment	\$ 21,577	\$ 20,271	\$ 12,651
Client contracts	4,000	7,436	10,658

Our capital outlays related to property and equipment consisted principally of the following: (i) computer hardware and related software; (ii) statement production equipment; and (iii) facilities and internal infrastructure improvements. The increase in capital expenditures during 2008 and 2007 consisted principally of purchases of hardware and software infrastructure items to support many of our new products and services to meet our clients’ expanding business needs. While our core ACP processing product utilizes data processing capacity leased from FDC, and therefore, allowing us to avoid the large capital investment

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needed for such equipment, many of our new products and services ancillary to ACP (e.g., certain aspects of our WorkForce Express product, enhanced product catalog functionalities, etc.) are run on open system computer servers (that generally interface with ACP) that we own.

Our investments in client contracts for 2008, 2007, and 2006, relate primarily to: (i) cash incentives provided to clients to convert their customer accounts to, or retain their customer's accounts on, our customer care and billing systems; and (ii) direct and incremental costs incurred for conversion/set-up services related to long-term processing arrangements where we are required to defer conversion/set-up services fees and recognize those fees as the related processing services are performed. For 2008, 2007, and 2006, our: (i) investments in client contracts related to cash incentives were \$2.4 million, \$5.9 million, and \$8.8 million, respectively; and (ii) the deferral of costs related to conversion/set-up services provided under long-term processing contracts were \$1.6 million, \$1.5 million, and \$1.9 million, respectively.

Cash Flows From Financing Activities. We have had limited financing activities over the last several years, and historically, we have not been active in the capital markets. Our financing activities typically consist of various activities with our common stock, which are discussed below. However, during 2008 we repurchased \$29.7 million (par value) of our Convertible Debt Securities for \$22.4 million, and recognized a gain on the repurchase of \$7.0 million (pretax impact), after the write-off of a proportional amount of deferred financing costs.

Issuance of Common Stock.

Proceeds from the issuance of common stock for 2008, 2007, and 2006, were \$1.2 million, \$2.2 million, and \$11.5 million, respectively, and relates primarily to employee stock purchase plan purchases in 2008 and the exercise of stock options in 2007 and 2006.

Repurchase of Common Stock.

As discussed above, during 2008, 2007, and 2006, we repurchased shares of our common stock under the guidelines of our Stock Repurchase Program for \$4.0 million, \$307.6 million, and \$63.3 million, respectively. In addition, outside of our Stock Repurchase Program, during 2008, 2007, and 2006, we repurchased from our employees and then cancelled approximately 136,000 shares, 176,000 shares, and 148,000 shares, of our common stock for \$1.8 million, \$4.0 million, and \$3.7 million, respectively, in connection with minimum tax withholding requirements resulting from the vesting of restricted stock under our stock incentive plans.

Contractual Obligations and Other Commercial Commitments and Contingencies

We have various contractual obligations that are recorded as liabilities in our Consolidated Balance Sheet. Other items, such as certain purchase commitments and other executory contracts are not recognized as liabilities in our Consolidated Balance Sheet, but are required to be disclosed.

The following table summarizes our significant contractual obligations and commercial commitments as of December 31, 2008, and the future periods in which such obligations are expected to be settled in cash (in thousands).

	<u>Total</u>	<u>Less than 1 year</u>	<u>Years 2-3</u>	<u>Years 4-5</u>	<u>More than 5 Years</u>
Long-term debt	\$212,820	\$ 5,008	\$207,812	\$ —	\$ —
Operating leases	47,180	9,982	16,699	10,326	10,173
Purchase obligations	182,702	44,910	55,389	47,247	35,156
Total	<u>\$442,702</u>	<u>\$ 59,900</u>	<u>\$279,900</u>	<u>\$57,573</u>	<u>\$45,329</u>

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The contractual obligation amount reflected for our long-term debt is based upon the following assumptions: (i) our Convertible Debt Securities are put back to us by the holders at the first put date of June 15, 2011; (ii) upon settlement of the Convertible Debt Securities, our cash obligation will not exceed the principal amount of the Convertible Debt Securities; and (iii) interest paid through the life of the Convertible Debt Securities at a rate of 2.5% per annum. As discussed in Note 6 to our Consolidated Financial Statements, the Convertible Debt Securities can also be put back to us by the holders for cash on June 15, 2016 and 2021, and mature on June 15, 2024. If the Convertible Debt Securities are not put back to us on June 15, 2011, the contractual obligations and commercial commitments in Year 3 would decrease by approximately \$198 million, and there would be further contractual obligations and commercial commitments related to long-term debt after Year 3 of up to approximately \$263 million.

The operating leases are discussed in Note 10 to our Consolidated Financial Statements. Our purchase obligations consist primarily of our expected minimum base fees under the FDC and Infocrossing service agreements (discussed in Note 10 to our Consolidated Financial Statements), and data communication services. Due to the uncertainty of payment, the above table excludes contingent purchase price payments of up to \$9.5 million related to our recent acquisitions which could be paid out through the end of 2010, contingent upon the achievement of certain predetermined operating criteria.

Of the total contractual obligations and commercial commitments above, approximately \$205 million is reflected on our Consolidated Balance Sheet and approximately \$238 million is not.

Off-Balance Sheet Arrangements

In conjunction with the sale of the GSS business in 2005, we have agreed to indemnify the buyer of the business against certain losses it may incur in connection with the purchased business subsequent to the sale date. See Note 10 to our Consolidated Financial Statements for further discussion of those indemnifications. We have no other material off-balance sheet arrangements as of December 31, 2008.

Capital Resources

The following are the key items to consider in assessing our sources and uses of capital resources:

Current Sources of Capital Resources.

- *Cash, Cash Equivalents and Short-term Investments.* As of December 31, 2008, we had cash, cash equivalents, and short-term investments of \$141.2 million.
- *Operating Cash Flows.* As described in the “Liquidity” section above, we believe we have the ability to consistently generate strong cash flows to fund our operating activities.
- *Revolving Credit Facility.* We have a \$100 million senior secured revolving credit facility (the “2004 Revolving Credit Facility”) with a syndicate of U.S. financial institutions that expires in September 2009. The 2004 Revolving Credit Facility has a \$40 million sub-facility for standby and commercial letters of credit and a \$10 million sub-facility for same day advances. As of the date of this filing, we have made no borrowings under the 2004 Revolving Credit Facility.

Our ability to borrow under the 2004 Revolving Credit Facility is subject to a limitation of total indebtedness based upon the results of consolidated leverage and interest coverage ratio calculations, and a minimum liquidity requirement. As of December 31, 2008, we were in compliance with the financial ratios and other covenants of the 2004 Revolving Credit Facility. As of December 31, 2008, due to an outstanding irrevocable letter of credit of \$0.5 million, we had \$99.5 million of the 2004 Revolving Credit Facility contractually available to us. However, a financial institution that is responsible for funding approximately 15% of the total facility has undergone recent financial challenges, and it is unknown at this time whether those challenges would affect the financial

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institution's ability or willingness to fund the facility. If that financial institution is unable or unwilling to fund its portion of the facility, as of December 31, 2008, we would have only \$84.5 million of the 2004 Revolving Credit Facility available to us.

We pay a quarterly commitment fee on the unused portion of the 2004 Revolving Credit Facility. This rate is dependent on our leverage ratio and ranges from 25 to 50 basis points per annum. As of December 31, 2008, the commitment fee rate was 37.5 basis points per annum. See Note 6 to our Consolidated Financial Statements for a discussion of the interest rate provisions of the 2004 Revolving Credit Facility.

We are currently evaluating our options for a revolving credit facility beyond the September 2009 expiration date of the existing 2004 Revolving Credit Facility.

Uses of Capital Resources. Below are the key items to consider in assessing our uses of capital resources:

- *Common Stock Repurchases.* We have made significant repurchases of our common stock in the past. During 2008, we repurchased 250,000 shares of our common stock for \$4.0 million (weighted-average price of \$15.93 per share). As of December 31, 2008, we have remaining 6.0 million shares authorized for repurchase under our Stock Repurchase Program, but have made no commitments to repurchase those shares in the future.
- *Acquisitions.* We have made five acquisitions in the last three years. Besides the cash paid at the date the acquisition closes, some acquisitions may include the payment of additional cash related to contingent purchase price payments. As discussed in Note 3 to our Consolidated Financial Statements, as of December 31, 2008, we have accrued for contingent purchase price payments of \$3.8 million that will be paid in the first half of 2009. In the future, we could potentially be paying up to \$4.0 million for contingent purchase price payments for Prairie related to 2009, and up to \$9.5 million for contingent purchase price payments for Quaero related to 2009 and 2010.
- *Capital Expenditures.* In 2008, we spent \$21.6 million on capital expenditures. At this time, we expect our 2009 capital expenditures to be approximately \$30 million, with approximately \$15 million related to hardware and infrastructure items necessary to setup and replicate the new computing environment at InfoCrossing, as discussed earlier. The remainder of our expected capital expenditures will consist principally of hardware and software infrastructure to support our clients' expanding business needs, and statement production equipment to continue to offer enhanced functionalities to our clients. As of December 31, 2008, we have made no significant capital expenditure commitments.
- *Investments in Client Contracts.* In the past, we have provided incentives to new or existing clients to convert their customer accounts to, or retain their customer's accounts on, our customer care and billing systems. During 2008, we provided client incentives of \$2.4 million. As of December 31, 2008, we did not have any material commitments for investments in client contracts, but as of the date of this filing, we do have material commitments for investments in client contracts which are payable by us only upon the successful conversion of certain additional customers to our processing systems.
- *Long-Term Debt.* Our Convertible Debt Securities are callable by us for cash, on or after June 20, 2011, at a redemption price equal to 100% of the par value of the Convertible Debt Securities, plus accrued interest. The Convertible Debt Securities can be put back to us by the holders for cash at June 15, 2011, 2016 and 2021, or upon a change of control, as defined in the Convertible Debt Securities bond indenture, at a repurchase price equal to 100% of the par value of the Convertible Debt Securities, plus any accrued interest. The Convertible Debt Securities are also convertible under specified conditions. Upon conversion of the Convertible Debt Securities, we will settle our conversion obligation as follows: (i) we will pay cash for 100% of the \$200.3 million par value of the Convertible Debt Securities; and (ii) to the extent our conversion obligation exceeds the par value, we will satisfy the remaining conversion obligation in our common stock, cash or any combination of our common stock and cash. During the next twelve months, there are no call or put options available, and we do not expect the occurrence of any conversion triggers. As a result, in the near-term, we expect our required annual debt service cash outlay related to the Convertible Debt Securities to be limited to the annual interest payments of \$5.0 million.

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As noted above, during the fourth quarter of 2008, we voluntarily repurchased \$29.7 million of our Convertible Debt Securities for \$22.4 million, which resulted in a gain of \$7.0 million. This represents a weighted-average purchase price of approximately 75% of par value for the bonds we repurchased, and represents a pre-tax yield to us of approximately 14%, assuming these bonds were to be retired at the first put or call date in June 2011. We believe our Convertible Debt Securities were trading significantly below their par value because of the instability of the overall financial markets during the fourth quarter of 2008, which resulted in the convertible debt instruments of many companies trading significantly below their historical ranges. The public convertible bond market has stabilized over the last few months, and thus the discount buying opportunities experienced during the earlier part of the fourth quarter of 2008 may not exist in the future. In fact, the market price for our Convertible Debt Securities has returned to a more recent historical range of approximately 85%-90% of par value. We will continue to track and evaluate the trading activity and valuations around our Convertible Debt Securities for possible future buying opportunities.

In summary, we expect to continue to make material investments in client contracts, capital equipment, and R&D. Although we do not have any plans at this time to repurchase significant amounts of our outstanding common stock under our Stock Repurchase Program or our Convertible Debt Securities, we expect to continually evaluate the possibility of debt and equity repurchases in the future. In addition, as part of our growth strategy, we are continually evaluating potential business and/or asset acquisitions, and investments in market share expansion with our existing and potential new clients. We believe that: (i) our current cash and short-term investments balance, together with cash expected to be generated from future operating activities; and (ii) the amount available under the 2004 Revolving Credit Facility (which expires in September 2009) will be sufficient to meet our anticipated cash requirements for at least the next 12 months. We also believe we could obtain additional capital through other debt sources, to include the possibility of replacing the revolving credit facility, that may be available to us if deemed appropriate.

Ratio of Earnings to Fixed Charges

The ratio of earnings to fixed charges is computed by dividing fixed charges into earnings. "Earnings" is defined as income from continuing operations before income taxes, plus fixed charges. "Fixed charges" consist of interest expense (including the amortization of deferred financing costs) and the estimated interest component of rental expense. Our consolidated ratio of earnings to fixed charges for 2008, was 9.55:1.00. See Exhibit 12.10 to this document for information regarding the calculation of our ratio of earnings to fixed charges.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss arising from adverse changes in market rates and prices. As of December 31, 2008, we are exposed to market risks related to changes in interest rates, and fluctuations and changes in the market value of our cash equivalents and short-term investments. We have not historically entered into derivatives or other financial instruments for trading or speculative purposes.

Market Risk Related to Long-Term Debt. We are exposed to interest rate risk related to long-term debt from two sources: our Convertible Debt Securities and our 2004 Revolving Credit Facility.

The interest rate on the Convertible Debt Securities is fixed, and thus, as it relates to our borrowings under the Convertible Debt Securities, we are not exposed to changes in interest rates. Commencing with the six-month period beginning June 15, 2011, in any six-month interest period where the average trading price of the Convertible Debt Securities immediately preceding that six-month interest period equals 120% or more of the principal amount of the Convertible Debt Securities, we will pay contingent interest equal to 0.25% of that average trading price.

The interest rate for borrowings under the 2004 Revolving Credit Facility, except for same day advances, is chosen at our option, and is based upon a base rate or adjusted LIBOR rate, plus an applicable margin. The base

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rate represents the higher of a floating prime rate and a floating rate equal to 50 basis points in excess of the Federal Funds Effective Rate. The interest rate for same day advances is based upon base rate, plus an applicable margin. The applicable margins are dependent on our leverage ratio, as defined, and range from zero to 100 basis points for base rate loans and 125 to 225 basis points for LIBOR loans. As of December 31, 2008 we had made no borrowings under the 2004 Revolving Credit Facility.

See Note 6 to our Consolidated Financial Statements for additional information related to our long-term debt.

Market Risk Related to Cash Equivalents and Short-term Investments. Our cash and cash equivalents as of December 31, 2008 and 2007 were \$83.9 million and \$123.4 million, respectively. Our cash balances are typically “swept” into overnight money market accounts on a daily basis, and at times, any excess funds are invested in low-risk, somewhat longer term, cash equivalent instruments and short-term investments. We have minimal market risk for our cash and cash equivalents due to the relatively short maturities of the instruments.

Our short-term investments as of December 31, 2008 and 2007 were \$57.3 million and \$9.4 million, respectively. The day-to-day management of our cash equivalents and short-term investments is performed by two large financial institutions in the U.S., using strict and formal investment guidelines approved by our Board of Directors. Under these guidelines, short-term investments are limited to certain acceptable investments with: (i) a maximum maturity, (ii) a maximum concentration and diversification; and (iii) a minimum acceptable credit quality.

We do not utilize any derivative financial instruments for purposes of managing our market risks related to interest rate risk.

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Item 8. Financial Statements and Supplementary Data

**CSG SYSTEMS INTERNATIONAL, INC.
CONSOLIDATED FINANCIAL STATEMENTS**

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Management's Report on Internal Control Over Financial Reporting

Management of CSG Systems International, Inc. and subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) under the Securities Exchange Act of 1934, as amended. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

- (i) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (ii) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- (iii) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on our assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2008.

The Company's independent registered public accounting firm, KPMG LLP, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. That report appears immediately below.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
CSG Systems International, Inc.:

We have audited CSG Systems International, Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). CSG Systems International, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, CSG Systems International, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of CSG Systems International, Inc. as of December 31, 2008 and 2007, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2008, and our report dated March 3, 2009 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Denver, Colorado
March 3, 2009

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
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, 2008 and 2007, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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 consolidated 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, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CSG Systems International, Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 3, 2009 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Denver, Colorado
March 3, 2009

CSG SYSTEMS INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 83,886	\$ 123,416
Short-term investments	57,331	9,416
Total cash, cash equivalents and short-term investments	141,217	132,832
Trade accounts receivable-		
Billed, net of allowance of \$2,999 and \$1,487	120,278	114,132
Unbilled and other	9,210	6,038
Deferred income taxes	12,755	10,657
Income taxes receivable	—	2,128
Other current assets	4,468	6,399
Total current assets	287,928	272,186
Property and equipment, net of depreciation of \$80,854 and \$69,565	42,594	32,656
Software, net of amortization of \$36,385 and \$34,445	9,835	8,649
Goodwill	103,971	60,745
Client contracts, net of amortization of \$112,675 and \$98,822	34,244	31,526
Deferred income taxes	—	9,453
Other assets	6,642	7,173
Total assets	<u>\$ 485,214</u>	<u>\$ 422,388</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Client deposits	\$ 28,629	\$ 26,657
Trade accounts payable	22,943	18,429
Accrued employee compensation	22,997	21,042
Deferred revenue	11,487	17,480
Income taxes payable	4,301	—
Other current liabilities	12,896	7,595
Total current liabilities	<u>103,253</u>	<u>91,203</u>
Non-current liabilities:		
Long-term debt	200,300	230,000
Deferred revenue	9,914	9,790
Income taxes payable	5,132	4,918
Deferred income taxes	11,190	—
Other non-current liabilities	5,659	3,953
Total non-current liabilities	<u>232,195</u>	<u>248,661</u>
Total liabilities	<u>335,448</u>	<u>339,864</u>
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; 9,415,691 and 11,230,444 shares reserved for employee stock purchase plan and stock incentive plans; 34,720,191 and 34,275,280 shares outstanding	629	622
Additional paid-in capital	359,977	350,272
Treasury stock, at cost, 28,206,808 and 27,956,808 shares	(671,841)	(667,858)
Accumulated other comprehensive income (loss):		
Unrealized gain on short-term investments, net of tax	241	15
Unrecognized pension plan losses and prior service costs, net of tax	(919)	(435)
Accumulated earnings	461,679	399,908
Total stockholders' equity	149,766	82,524
Total liabilities and stockholders' equity	<u>\$ 485,214</u>	<u>\$ 422,388</u>

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,		
	2008	2007	2006
Revenues:			
Processing and related services	\$439,975	\$382,070	\$351,764
Software, maintenance and services	32,082	37,191	31,342
Total revenues	<u>472,057</u>	<u>419,261</u>	<u>383,106</u>
Cost of revenues (exclusive of depreciation, shown separately below):			
Processing and related services	226,343	193,135	173,536
Software, maintenance and services	19,007	24,674	20,975
Total cost of revenues	<u>245,350</u>	<u>217,809</u>	<u>194,511</u>
Other operating expenses:			
Research and development	67,278	58,342	46,191
Selling, general and administrative	53,857	45,743	43,127
Depreciation	16,194	12,900	10,438
Restructuring charges	79	630	2,368
Total operating expenses	<u>382,758</u>	<u>335,424</u>	<u>296,635</u>
Operating income	<u>89,299</u>	<u>83,837</u>	<u>86,471</u>
Other income (expense):			
Interest expense	(7,421)	(7,126)	(7,465)
Interest and investment income, net	4,998	16,529	21,984
Gain on repurchase of convertible debt securities	7,001	—	—
Other, net	15	221	(21)
Total other	<u>4,593</u>	<u>9,624</u>	<u>14,498</u>
Income from continuing operations before income taxes	93,892	93,461	100,969
Income tax provision	(32,444)	(33,298)	(38,408)
Income from continuing operations	<u>61,448</u>	<u>60,163</u>	<u>62,561</u>
Discontinued operations:			
Income (loss) from discontinued operations, includes net pretax gain (loss) on disposals of \$(6,000) in 2006	—	547	(6,555)
Income tax benefit	323	61	3,764
Discontinued operations, net of tax	<u>323</u>	<u>608</u>	<u>(2,791)</u>
Net income	<u>\$ 61,771</u>	<u>\$ 60,771</u>	<u>\$ 59,770</u>
Basic earnings (loss) per common share:			
Income from continuing operations	\$ 1.85	\$ 1.51	\$ 1.35
Discontinued operations, net of tax	0.01	0.02	(0.06)
Net income	<u>\$ 1.86</u>	<u>\$ 1.53</u>	<u>\$ 1.29</u>
Diluted earnings (loss) per common share:			
Income from continuing operations	\$ 1.84	\$ 1.50	\$ 1.33
Discontinued operations, net of tax	0.01	0.02	(0.06)
Net income	<u>\$ 1.85</u>	<u>\$ 1.52</u>	<u>\$ 1.27</u>
Weighted-average shares outstanding:			
Basic	33,207	39,670	46,464
Diluted	33,477	40,021	47,102

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, 2008, 2007 and 2006
(in thousands)

	Shares of Common Stock Outstanding	Common Stock	Additional Paid-in Capital	Treasury Stock	Unrealized Gain (Loss) on Short- Term Investments	Unrecognized Pension Plan Losses and Prior Service Costs	Accumulated Earnings	Total Stockholders' Equity
BALANCE, January 1, 2006	47,886	\$ 601	\$ 316,764	\$(296,976)	\$ 71	\$ —	\$ 277,870	\$ 298,330
Comprehensive income:								
Net income	—	—	—	—	—	—	59,770	—
Unrealized loss on short-term investments, net of tax	—	—	—	—	(46)	—	—	—
Unrecognized pension plan losses, transition amount and prior service costs, net of tax	—	—	—	—	—	(852)	—	—
Comprehensive income	—	—	—	—	—	—	—	58,872
Repurchase of common stock pursuant to Board-approved stock repurchase program	(2,485)	—	—	(63,283)	—	—	—	(63,283)
Issuance of common stock pursuant to employee stock purchase plan	41	—	869	—	—	—	—	869
Exercise of stock options	821	8	10,651	—	—	—	—	10,659
Tax benefit of employee stock-based compensation plans	—	—	3,390	—	—	—	—	3,390
Issuance of restricted common stock pursuant to employee stock-based compensation plans	758	8	(8)	—	—	—	—	—
Cancellation of restricted common stock issued pursuant to employee stock-based compensation plans	(41)	—	—	—	—	—	—	—
Repurchase and cancellation of common stock issued pursuant to employee stock-based compensation plans	(148)	(1)	(3,316)	—	—	—	—	(3,317)
Stock-based employee compensation expense	—	—	12,214	—	—	—	—	12,214
BALANCE, December 31, 2006	46,832	616	340,564	(360,259)	25	(852)	337,640	317,734
Comprehensive income:								
Net income	—	—	—	—	—	—	60,771	—
Unrealized loss on short-term investments, net of tax	—	—	—	—	(10)	—	—	—
Change in unrecognized pension plan losses, transition amount and prior service costs, net of tax	—	—	—	—	—	417	—	—
Comprehensive income	—	—	—	—	—	—	—	61,178
Cumulative-effect adjustment of initial adoption of FIN 48	—	—	—	—	—	—	1,497	1,497
Repurchase of common stock pursuant to Board-approved stock repurchase program	(13,181)	—	—	(307,599)	—	—	—	(307,599)
Issuance of common stock pursuant to employee stock purchase plan	58	—	1,060	—	—	—	—	1,060
Exercise of stock options	74	1	1,091	—	—	—	—	1,092
Tax benefit of employee stock-based compensation plans	—	—	485	—	—	—	—	485
Issuance of restricted common stock pursuant to employee stock-based compensation plans	763	8	(8)	—	—	—	—	—
Cancellation of restricted common stock issued pursuant to employee stock-based compensation plans	(94)	(1)	1	—	—	—	—	—
Repurchase and cancellation of common stock issued pursuant to employee stock-based compensation plans	(177)	(2)	(4,023)	—	—	—	—	(4,025)
Stock-based employee compensation expense	—	—	11,102	—	—	—	—	11,102

CSG SYSTEMS INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY—(Continued)
For the Years Ended December 31, 2008, 2007 and 2006
(in thousands)

	Shares of Common Stock Outstanding	Common Stock	Additional Paid-in Capital	Treasury Stock	Unrealized Gain (Loss) on Short- Term Investments	Unrecognized Pension Plan Losses and Prior Service Costs	Accumulated Earnings	Total Stockholders' Equity
BALANCE, December 31, 2007	34,275	622	350,272	(667,858)	15	(435)	399,908	82,524
Comprehensive income:								
Net income	—	—	—	—	—	—	61,771	—
Unrealized gain on short-term investments, net of tax	—	—	—	—	226	—	—	—
Change in unrecognized pension plan losses, transition amount and prior service costs, net of tax	—	—	—	—	—	(484)	—	—
Comprehensive income	—	—	—	—	—	—	—	61,513
Repurchase of common stock pursuant to Board-approved stock repurchase program	(250)	—	—	(3,983)	—	—	—	(3,983)
Issuance of common stock pursuant to employee stock purchase plan	90	1	1,101	—	—	—	—	1,102
Exercise of stock options	5	—	74	—	—	—	—	74
Tax benefit of employee stock-based compensation plans	—	—	(1,274)	—	—	—	—	(1,274)
Issuance of restricted common stock pursuant to employee stock-based compensation plans	815	8	(8)	—	—	—	—	—
Cancellation of restricted common stock issued pursuant to employee stock-based compensation plans	(79)	(1)	1	—	—	—	—	—
Repurchase and cancellation of common stock issued pursuant to employee stock-based compensation plans	(136)	(1)	(1,794)	—	—	—	—	(1,795)
Stock-based employee compensation expense	—	—	11,605	—	—	—	—	11,605
BALANCE, December 31, 2008	<u>34,720</u>	<u>\$ 629</u>	<u>\$ 359,977</u>	<u>\$(671,841)</u>	<u>\$ 241</u>	<u>\$ (919)</u>	<u>\$ 461,679</u>	<u>\$ 149,766</u>

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,		
	2008	2007	2006
Cash flows from operating activities:			
Net income	\$ 61,771	\$ 60,771	\$ 59,770
Adjustments to reconcile net income to net cash provided by operating activities-			
Depreciation	16,194	12,900	10,438
Amortization	16,833	18,972	17,112
Restructuring charge for abandonment of facilities and impairment of assets	—	308	401
Net pretax loss on disposition of discontinued operations	—	—	6,000
Gain on short-term investments	(1,813)	(3,305)	(1,841)
Gain on repurchase of convertible debt securities	(7,001)	—	—
Deferred income taxes	17,410	14,319	15,685
Excess tax benefit of stock-based compensation awards	(238)	(892)	(3,511)
Stock-based employee compensation	11,605	11,102	12,214
Changes in operating assets and liabilities:			
Trade accounts and other receivables, net	(1,772)	2,849	(2,295)
Other current and non-current assets	1,729	37	(1,093)
Income taxes payable/receivable	5,369	1,889	12,070
Trade accounts payable and accrued liabilities	934	(4,623)	(13,565)
Deferred revenue	(6,374)	1,052	6,765
Net cash provided by operating activities	<u>114,647</u>	<u>115,379</u>	<u>118,150</u>
Cash flows from investing activities:			
Net payments from the disposition of discontinued operations	—	—	(6,436)
Purchases of property and equipment	(21,577)	(20,271)	(12,651)
(Purchase) proceeds of aircraft held for sale	—	—	7,376
Purchases of short-term investments	(83,093)	(209,436)	(283,082)
Proceeds from sale/maturity of short-term investments	36,245	379,008	156,200
Acquisition of businesses, net of cash acquired	(54,446)	(65,934)	(22,283)
Acquisition of and investments in client contracts	(4,000)	(7,436)	(10,658)
Net cash provided by (used in) investing activities	<u>(126,871)</u>	<u>75,931</u>	<u>(171,534)</u>
Cash flows from financing activities:			
Proceeds from issuance of common stock	1,175	2,150	11,528
Repurchase of common stock	(5,777)	(311,623)	(66,600)
Payments on acquired equipment financing	(589)	—	(481)
Repurchase of convertible debt securities	(22,353)	—	—
Excess tax benefit of stock-based compensation awards	238	892	3,511
Net cash used in financing activities	<u>(27,306)</u>	<u>(308,581)</u>	<u>(52,042)</u>
Net increase (decrease) in cash and cash equivalents	(39,530)	(117,271)	(105,426)
Cash and cash equivalents, beginning of period	<u>123,416</u>	<u>240,687</u>	<u>346,113</u>
Cash and cash equivalents, end of period	<u>\$ 83,886</u>	<u>\$ 123,416</u>	<u>\$ 240,687</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for-			
Interest	\$ 6,231	\$ 6,167	\$ 6,165
Income taxes	9,483	16,971	7,438

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”, “CSG”, or forms of the pronoun “we”), a Delaware corporation, was formed in October 1994 and is based in Englewood, Colorado. We are a customer interaction management company that provides outsourced solutions to allow our clients to better attract, manage, retain, and support their customers. Our heritage is providing these solutions to the North American cable and Direct Broadcast satellite (“DBS”) communications markets, which represents a large percentage of our total revenues. Our solutions also support an increasing number of other industries such as financial services, utilities, telecommunications, healthcare, and home security. Our combination of solutions, services, and expertise ensure that our clients can rapidly launch new product offerings, improve operational efficiencies, and deliver high-quality customer service in a competitive and ever-changing marketplace. We are a S&P SmallCap 600 company.

2. Summary of Significant Accounting Policies

Principles of Consolidation. The accompanying Consolidated Financial Statements include all of our accounts and our subsidiaries’ accounts. All material intercompany accounts and transactions have been eliminated.

Use of Estimates in Preparation of Consolidated Financial Statements. The preparation of the accompanying Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States (“U.S.”) 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The more critical estimates and related assumptions that affect our financial condition and results of operations are in the areas of: (i) revenue recognition; (ii) allowance for doubtful accounts receivable; (iii) impairment assessments of goodwill and other long-lived assets; (iv) income taxes; and (v) business combinations and asset purchases.

Revenue Recognition. We use various judgments and estimates in connection with the determination of the amount of revenues to be recognized in each accounting period. Our primary revenue recognition criteria include: (i) persuasive evidence of an arrangement; (ii) delivery; (iii) fixed or determinable fees; and (iv) collectibility of fees. In addition, for multiple-element arrangements that are not subject to a higher level of authoritative literature, we follow the guidelines of the Financial Accounting Standards Board’s (“FASB”) Emerging Issues Task Force (“EITF”) Issue No. 00-21, “Accounting for Revenue Arrangements with Multiple Deliverables” (“EITF 00-21”).

For those revenue arrangements within the scope of EITF No. 00-21, we are required to evaluate all deliverables in the arrangement to determine whether they represent separate units of accounting. If the deliverables qualify as separate units of accounting, the arrangement consideration is allocated among the separate units of accounting based upon their relative fair values, and applicable revenue recognition criteria are considered for the separate units of accounting. If the deliverables do not qualify as separate units of accounting, the consideration allocable to delivered items is combined with the consideration allocable to the undelivered items, and the appropriate recognition of revenue is then determined for those combined deliverables as a single unit of accounting. For the processing agreements that we have historically evaluated under EITF No. 00-21, we have generally concluded that the deliverables do not qualify as separate units of accounting, and thus have treated the deliverables as a single unit of accounting, with the revenue recognized ratably over the term of the processing agreement.

We have historically derived a significant percentage of our total revenues from processing and related services. Processing and related services revenues consist primarily of monthly processing fees generated from our outsourced customer care and billing application, called ACP, and services ancillary to ACP, and generally,

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are not subject to various judgments and estimates in determining the proper revenue recognition. 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 customized print and mail services and other customer interaction services are billed on a usage basis. Fees received to convert client customers onto our outsourced customer care and billing applications and fees received to set-up/implement new services for existing clients (as well as the costs to perform the conversion or set-up services) are generally deferred and recognized over the term of the client's processing arrangement.

Our historical revenues related to software licenses, maintenance services (also known as post-contract customer support, or PCS) and professional services are substantially less than those generated from processing and related services. Software and maintenance revenues consist of the sale of software licenses (principally one-time perpetual licenses) and related software maintenance services. Professional services revenues consist of a variety of consulting services, such as product installation, business consulting, and training services. A substantial percentage of the total combined revenues from these three sources comes from maintenance services.

Software license fees are recognized using the guidelines of: (i) American Institute of Certified Public Accountants ("AICPA") Statement of Position ("SOP") 97-2, "Software Revenue Recognition", as amended ("SOP 97-2"); (ii) SOP 98-9, "Software Revenue Recognition, With Respect to Certain Transactions" ("SOP 98-9"); and (iii) AICPA Technical Questions and Answers, Section 5100, "Revenue Recognition". For software arrangements that have multiple elements, such as software, maintenance and professional services, we allocate the contract value to the respective elements based on vendor-specific objective evidence ("VSOE") of their individual fair values, determined in accordance with SOP 97-2. VSOE of fair value for maintenance services is established by pricing the maintenance services based upon a substantive maintenance renewal rate expressed as a consistent percentage of the stipulated license fees. For those software arrangements that have multiple elements for which we do not have VSOE of fair value on one or more of the delivered elements, we allocate the contract value to the respective elements based upon the "residual method" in accordance with SOP 98-9. Under the residual method, the undiscounted fair value of the undelivered elements is deferred and subsequently recognized as they are delivered. Our software arrangements generally do not include implementation services that involve significant production, modification or customization of the software being licensed.

For certain software arrangements, we have agreed to "host" the software on our hardware. In accordance with 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", these hosting services 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 us to host the software.

Maintenance fees are recognized ratably over the service period. Our maintenance services consist primarily of client and product support, technical updates (e.g., bug fixes, etc.), and unspecified upgrades or enhancements. If specified upgrades or enhancements are offered in an arrangement, which is rare, they are accounted for as a separate element in accordance with SOP 97-2.

Revenues from professional services generally consist of software installation projects with a relatively short duration period. These revenues are generally recognized as the installation work is completed.

Deferred Revenue and Unbilled Accounts Receivable . Client payments and billed amounts due from clients in excess of revenue recognized are recorded as deferred revenue. Revenue recognized prior to the scheduled billing date is recorded as unbilled accounts receivable. Deferred revenue as of December 31, 2008 and 2007 relates primarily to our processing and related services, of which a substantial portion relates to fees received to set-up/implement new services for our existing clients' customers which are being recognized over the term of the clients' processing arrangements.

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Postage . We pass through to our clients the cost of postage that is incurred on behalf of those clients, and typically require an advance payment on expected postage costs. These advance payments are included in “client deposits” in the accompanying Consolidated Balance Sheets, and are classified as current liabilities regardless of the contract period. We net the cost of postage against the postage reimbursements, and include the net amount in processing and related services revenues. We have concluded that net treatment of these revenues is appropriate as we: (i) generally have little or no credit risk with regard to postage, as we require postage deposits from our clients based on contractual arrangements prior to the mailing of customer statements; (ii) have no discretion over the supplier of postal delivery services; and (iii) are not the primary obligor in the postal delivery service. The cost of postage that has been shown net of the postage reimbursements from our clients for 2008, 2007, and 2006 was \$251.8 million, \$213.7 million, and \$192.4 million, respectively.

Pronouncements Adopted . Effective January 1, 2008 we adopted Statement of Financial Accounting Standards (“SFAS”) No. 157, “Fair Value Measurements” (“SFAS 157”), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. In addition, effective January 1, 2008, we adopted SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115” (“SFAS 159”), which permits an entity to choose to measure various financial instruments and certain other items at fair value, with changes in fair value recognized in earnings each reporting period. Upon adoption of SFAS 159, we did not elect to measure any additional assets or liabilities at fair value.

Cash and Cash Equivalents . We consider all highly liquid investments with original maturities of three months or less to be cash equivalents. As of December 31, 2008, our cash equivalents consist primarily of commercial paper and institutional money market funds.

Short-term Investments and Other Financial Instruments . Our financial instruments as of December 31, 2008 and 2007 include cash and cash equivalents, short-term investments, 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.

Our short-term investments are considered “available-for-sale” in accordance with SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities”, and thus are reported at fair value in our accompanying Consolidated Balance Sheets, with unrealized gains and losses, net of the related income tax effect, excluded from earnings and reported in a separate component of stockholders’ equity. Realized and unrealized gains and losses were not material in any period presented.

Our short-term investments at December 31, 2008 and 2007 consisted of the following (in thousands):

	As of December 31,	
	2008	2007
Commercial paper	\$ 7,794	\$9,121
Fixed rate corporate securities	3,000	—
Agency discount notes	46,537	—
All other	—	295
Total	\$57,331	\$9,416

All short-term investments held by us as of December 31, 2008 and 2007 have contractual maturities of less than one year from the time of acquisition. Proceeds from the sale/maturity of short-term investments were \$36.2 million, \$379.0 million, and \$156.2 million, in 2008, 2007, and 2006, respectively.

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SFAS 157 describes a fair value hierarchy based on three levels of inputs, of which Levels 1 and 2 are considered observable and Level 3 is unobservable. In accordance with SFAS 157, the following table represents the fair value hierarchy for our cash equivalents and short-term investments measured at fair value (in thousands):

	Fair Value Measurements as of December 31, 2008		
	Level 1	Level 2	Total
Money market funds	\$40,938	\$ —	\$ 40,938
Commercial paper	—	31,383	31,383
Fixed rate corporate securities	—	3,000	3,000
Agency discount notes	—	53,737	53,737
Total	\$40,938	\$88,120	\$129,058

As of December 31, 2008 and 2007, our long-term debt consists of our Convertible Debt Securities (see Note 6). We have chosen not to measure our Convertible Debt Securities at fair value under SFAS 159, with changes recognized in earnings each reporting period. As of December 31, 2008 and 2007, the fair value of our Convertible Debt Securities, based upon quoted market prices or recent sales activity, was approximately \$173 million and \$201 million, respectively. The fair value of the contingent interest feature of our long-term debt, considered an embedded derivative, as of December 31, 2008 and 2007, was approximately \$61,000 and \$32,000, respectively.

Concentrations of Credit Risk. In the normal course of business, we are exposed to credit risk. The principal concentrations of credit risk relate to cash deposits, cash equivalents, short-term investments, and accounts receivable. We regularly monitor credit risk exposures and take steps to mitigate the likelihood of these exposures resulting in a loss. We hold our cash deposits, cash equivalents, and short-term investments with financial institutions we believe to be of sound financial condition.

We do not require collateral or other security to support accounts receivable. We evaluate the credit worthiness of our clients in conjunction with our revenue recognition processes, as well as through our ongoing collectibility assessment processes for accounts receivable. We maintain an allowance for doubtful accounts receivable based upon factors surrounding the credit risk of specific clients, historical trends, and other information. We use various judgments and estimates in determining the adequacy of the allowance for doubtful accounts receivable. See Note 4 for additional details of our concentration of accounts receivable.

The activity in our allowance for doubtful accounts receivable is as follows (in thousands):

	2008	2007	2006
Balance, beginning of year	\$1,487	\$1,143	\$1,324
Additions to expense	1,527	231	109
Write-offs	(88)	(54)	(381)
Other	73	167	91
Balance, end of year	\$2,999	\$1,487	\$1,143

Property and Equipment. Property and equipment are recorded at cost (or at estimated fair value if acquired in a business combination) and are depreciated over their estimated useful lives ranging from three to ten years. Leasehold improvements are depreciated over the shorter of their economic life or the lease term. Depreciation expense is primarily computed using the straight-line method for financial reporting purposes. Depreciation

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expense for all property and equipment is reflected in our accompanying Consolidated Statements of Income 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.

Software. We expend substantial amounts on research and development (“R&D”), particularly for new products and services, or for enhancements of existing products and services. For development of software products that are to be licensed by us, we follow SFAS No. 86, “Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed” (“SFAS 86”). SFAS 86 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. Capitalization ceases upon general release of the software. For development of software to be used internally (e.g., processing systems software), we follow SOP 98-1, “Accounting for the Costs of Computer Software Developed or Obtained for Internal Use” (“SOP 98-1”). SOP 98-1 requires that the cost of developing software for internal use be expensed prior to the application development stage.

During 2008, 2007, and 2006, we expended \$67.3 million, \$58.3 million, and \$46.2 million, respectively, on R&D projects. We did not capitalize any R&D costs under SFAS 86 or SOP 98-1 in 2008, 2007, or 2006 as the costs subject to capitalization during these periods were not material. We did not have any capitalized R&D costs included in our December 31, 2008 or 2007 accompanying Consolidated Balance Sheets.

Realizability of Long-Lived Assets. We evaluate the recoverability of our long-lived assets, other than goodwill, in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”. Long-lived assets are required to be evaluated for possible impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. A long-lived asset is impaired if estimated future undiscounted cash flows associated with that asset are insufficient to recover the carrying amount of the long-lived asset. If deemed impaired, the long-lived asset is written down to its fair value.

Goodwill. We follow the provisions of SFAS No. 142, “Goodwill and Other Intangible Assets” (“SFAS 142”) in accounting for acquired goodwill and other intangible assets. Under SFAS 142, goodwill is required to be tested for impairment on an annual basis, and is required to be evaluated for possible impairment on a more periodic basis (e.g., quarterly) if events occur or circumstances change that could indicate a possible impairment may have occurred. Goodwill is considered impaired if the carrying value of the reporting unit which includes the goodwill is greater than the estimated fair value of the reporting unit.

Loss Contingencies. We follow the guidelines of SFAS No. 5, “Accounting for Contingencies” in determining the appropriate accounting and disclosures for our loss and gain contingencies. We accrue for a loss contingency when: (i) it is probable that an asset has been impaired, or a liability has been incurred; and (ii) the amount of the loss can be reasonably estimated. The determination of accounting for loss contingencies is subject to various judgments and estimates. We do not record the benefit from a gain contingency until the benefit is realized.

Earnings Per Common Share (“EPS”). EPS has been computed in accordance with SFAS No. 128, “Earnings Per Share”. Basic EPS is computed by dividing net income (the numerator) by the weighted-average number of common shares outstanding during the period (the denominator). Diluted EPS is consistent with the calculation of basic EPS while considering the effect of potentially dilutive common shares outstanding during the period. Unvested shares of restricted stock are not included in the basic EPS calculation. Basic and diluted EPS are presented on the face of the accompanying Consolidated Statements of Income.

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No reconciliation of the basic and diluted EPS numerators is necessary as net income is used as the numerators for all periods presented. The reconciliation of the EPS denominators is included in the following table (in thousands):

	2008	2007	2006
Basic weighted-average common shares	33,207	39,670	46,464
Dilutive effect of common stock options	32	73	221
Dilutive effect of unvested restricted stock	238	278	371
Dilutive effect of Convertible Debt Securities	—	—	46
Diluted weighted-average common shares	<u>33,477</u>	<u>40,021</u>	<u>47,102</u>

Potentially dilutive common shares related to stock options and unvested shares of restricted stock of 0.9 million, 0.4 million, and 0.3 million, respectively, for 2008, 2007, and 2006, were excluded from the computation of diluted EPS as their effect was antidilutive.

We calculate the potential dilutive effect of our Convertible Debt Securities using the “treasury stock” method. Under the treasury stock method, we experience dilution related to the Convertible Debt Securities only in those quarterly periods in which our average stock price has exceeded the current effective conversion price of \$26.77 per share. As discussed in Note 6, the current effective conversion price of \$26.77 per share may be adjusted in the future for certain events, to include stock dividends, stock splits/reverse splits, the issuance of warrants to purchase our stock at a price below the then-current market price, cash dividends, and certain purchases by us of our common stock pursuant to a self-tender offer or exchange offer.

Refer to the “Accounting Pronouncements Issued But Not Yet Effective” section below for a discussion of our adoption of FSP EITF 03-6-1, effective January 1, 2009, and the corresponding retrospective impacts of such adoption on our EPS.

Stock-Based Compensation. Effective January 1, 2006, we adopted SFAS No. 123 (revised 2004), “Share-Based Payment” (“SFAS 123R”) and related amendments and interpretations, using the modified prospective transition method. SFAS 123R establishes standards for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity’s equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123R requires us to estimate the amount of expected forfeitures in calculating compensation costs for all outstanding awards. SFAS 123R requires the benefit of tax deductions in excess of recognized compensation expense be reported as a financing cash inflow rather than as an operating cash inflow.

Income Taxes. We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations.

In July 2006, the FASB issued Financial Interpretation (“FIN”) No. 48, “Accounting for Uncertainty in Income Taxes” (“FIN 48”) which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109, “Accounting for Income Taxes” (“SFAS 109”). FIN 48

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provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. This interpretation also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

We adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, we recognized reductions in our liability for unrecognized income tax benefits related to our continuing operations of \$0.3 million and related to our discontinued operations of \$1.2 million, both which were accounted for as an increase to our January 1, 2007 accumulated earnings balance.

Comprehensive Income. The components of comprehensive income are reflected in the accompanying Consolidated Statements of Stockholders' Equity.

Accounting Pronouncements Issued But Not Yet Effective. SFAS No. 141 (revised 2007)—Business Combinations. In December 2007, the FASB issued SFAS 141 (revised 2007), "Business Combinations" ("SFAS 141(R)"), which significantly changes the accounting for business combinations. Under SFAS 141(R), an acquiring entity is required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS 141(R) further changes the accounting treatment for certain items, including: (i) acquisition costs will be generally expensed as incurred; (ii) noncontrolling interests (formerly known as "minority interests") will be valued at fair value at the acquisition date; (iii) acquired contingent liabilities will be recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non-acquired contingencies; (iv) contingent consideration will be valued at fair value at the acquisition date and remeasured to fair value at each reporting date until the contingency is resolved; (v) in-process research and development ("IPR&D") will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date, treated as an indefinite-lived intangible asset until completion or abandonment, and upon completion, the IPR&D asset will be amortized over its useful life; (vi) restructuring costs associated with a business combination will be expensed subsequent to the acquisition date; and (vii) changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. SFAS 141(R) also includes a substantial number of new disclosure requirements.

The provisions of SFAS 141(R) are effective for us for all business combinations for which the acquisition date is on or after January 1, 2009. Since there is no retrospective application of this accounting pronouncement to prior reporting periods, only the accounting for future business combinations, if any, will be impacted.

FASB Staff Position No. APB 14-1—Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement). In May 2008, the FASB issued FASB Staff Position ("FSP") APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)". This FSP clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement), which would include our Convertible Debt Securities, are not addressed by paragraph 12 of Accounting Principles Board ("APB") Opinion No. 14, "Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants", and requires that instruments within its scope be separated into their liability and equity components at initial recognition by: (i) recording the liability component at the fair value of a similar liability that does not have an associated equity component; and (ii) attributing the remaining proceeds from the issuance to the equity component. FSP APB 14-1 also requires that the original issue discount ("OID") on the liability component of instruments within its scope be amortized using the interest method over the expected life of a similar liability that does not have an associated equity component (considering the effects of prepayment features other than the conversion option).

The new model for accounting for convertible debt instruments under FSP APB 14-1 is required to be applied retrospectively to all periods presented and is first applicable to our consolidated financial statements that

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will be included in our March 31, 2009 Form 10-Q. Relevant balance sheet and income statement information related to the adoption of this new accounting pronouncement are provided below (in thousands):

Impact on Consolidated Balance Sheet:

	As of December 31, <u>2008</u>	As of December 31, <u>2007</u>	At Issue Date (<u>June 2004</u>)
Convertible Debt Securities outstanding (par value)	\$ 200,300	\$ 230,000	\$230,000
OID	(24,500)	(38,100)	(67,600)
Convertible Debt Securities, net of unamortized OID	<u>\$ 175,800</u>	<u>\$ 191,900</u>	<u>\$162,400</u>

Impact on Consolidated Statement of Income:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Coupon interest (at 2.5%)	\$ 5,600	\$ 5,800	\$ 5,800
Amortization of OID	9,800	9,200	8,500
Total interest expense on Convertible Debt Securities (effective rate of 8%)	<u>\$15,400</u>	<u>\$15,000</u>	<u>\$14,300</u>

The OID of \$67.6 million will be amortized to interest expense over a period of approximately seven years, commencing on the date of issuance. The overall effective interest rate for our convertible debt securities will be 8% annually, which consists of the cash coupon rate of 2.5%, plus the impact of the OID amortization using the effective interest rate method of amortization.

As discussed in Note 6, during 2008 we repurchased \$29.7 million (par value) of our Convertible Debt Securities for \$22.4 million, and recognized a gain on repurchase of \$7.0 million. Upon adoption of FSP APB 14-1, the gain on repurchase recorded in the fourth quarter of 2008 will be adjusted downward.

The adoption of FSP APB 14-1 will not have an impact on our Consolidated Statement of Cash Flows as the recognition of the additional interest expense will be a non-cash expense.

FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities". In June 2008, the FASB issued FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities". This FSP provides guidance on the calculation of earnings per share under SFAS No. 128, "Earnings per Share" for share-based payment awards with rights to dividends or dividend equivalents. Under the FSP's guidance, unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to SFAS 128's two-class method. Since the unvested restricted stock awards under our stock incentive plans, granted prior to August 2008, contain nonforfeitable rights to cash dividends, we have concluded that this FSP impacts how we have historically calculated our earnings per share. FSP EITF 03-6-1 is effective for our consolidated financial statements that will be included in our March 31, 2009 Form 10-Q, and all prior period earnings per share data presented will have to be adjusted retroactively (including interim financial statements, summaries of earnings, and selected financial data) to conform with the provisions of this FSP.

The implementation of the FSP is estimated to reduce our historically reported basic and diluted earnings per share, before factoring in the impact of our January 1, 2009 implementation of FSP APB 14-1 as discussed above, by approximately 2 to 5 percent. In August 2008, we revised our standard forms of restricted stock award agreement, removing the nonforfeitable rights to dividends provision. All unvested restricted stock awards granted under these revised forms of agreement will not be considered participating securities. As a result, the impact of this FSP on our future basic and diluted earnings per share will decline over time.

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3. Acquisitions

2008 Acquisitions.

DataProse, Inc. On April 30, 2008, we acquired DataProse, Inc., (“DataProse”) for a total cash purchase price of \$40.5 million. DataProse was a privately-held provider of statement presentment and direct mail services headquartered in Oxnard, California, assisting over 500 clients across the United States to market through improved billing statements and personalized direct mail. We acquired DataProse to further our objective of helping our clients maximize every customer interaction by both strengthening and broadening our portfolio of output solutions capabilities. Additionally, this acquisition rounded out our national print and mail footprint and allowed us to diversify our client base into the utilities, financial services, and telecommunications markets, and added clients in the non-profit sectors of healthcare and higher education.

Quaero Corporation. On December 31, 2008, we acquired Quaero Corporation (“Quaero”) for a cash purchase price of \$12.2 million. In addition to this initial cash purchase price, the Quaero merger agreement includes provisions for contingent purchase price payments of up to \$9.5 million through the end of 2010, contingent upon the achievement of certain predetermined operating criteria. As of December 31, 2008, the additional purchase price payments have not been reflected in the Quaero purchase price due to uncertainty of payment. The contingent payments will be recorded as additional purchase price if and when the events associated with the contingencies are resolved or the outcome of the contingencies are determinable beyond a reasonable doubt.

Quaero is a marketing services provider with expertise in customer strategy, analytics, and marketing performance management headquartered in Charlotte, North Carolina. We acquired Quaero to enhance our offerings with powerful customer intelligence capabilities, which when combined with our existing offerings such as our output solutions, interactive messaging, and e-communications, provides for a combined strategic marketing solution to be offered to both our existing client base and Quaero’s client base. The Quaero acquisition will also extend our reach into new industry verticals and further diversify our revenue base including financial services, pharmaceutical/healthcare, media/publishing, travel/hospitality, consumer, and high tech.

The application of the purchase method of accounting for business combinations requires the use of significant estimates and assumptions in the determination of the fair value of assets acquired and liabilities assumed. The following table summarizes the estimated fair values (in thousands) of the assets acquired and liabilities assumed at the dates of acquisition for DataProse and Quaero, and the estimated lives of the acquired intangible assets. Amortization expense related to these acquired intangible assets is recognized based upon the pattern in which the economic benefits of the acquired intangible assets are expected to be received.

	DataProse		Quaero	
	Weighted-Average Estimated	Lives (years)	Weighted-Average Estimated	Lives (years)
	Amount		Amount	
Current assets (includes cash and cash equivalents of \$1,312 and zero respectively)	\$ 8,125		\$ 2,492	
Fixed assets	4,711		873	
Acquired customer relationships	7,800	10 to 20	2,600	15
Acquired other intangible assets	855	1 to 5	800	2 to 5
Goodwill	28,716		9,216	
Other non-current assets	57		16	
Total assets acquired	50,264		15,997	
Current liabilities	(6,306)		(3,767)	
Non-current liabilities	(3,444)		—	
Total liabilities assumed	(9,750)		(3,767)	
Net assets acquired	\$40,514		\$12,230	

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The DataProse and Quaero goodwill amounts represent the excess of the cost of the acquired entities over the net amounts assigned to assets acquired and liabilities assumed, and have been assigned to our one reportable segment. The DataProse and Quaero goodwill and acquired intangible assets are deductible for income tax purposes. DataProse has differing values assigned to the assets acquired and liabilities assumed for book and tax purposes, and we have recognized deferred tax liabilities of \$0.9 million related to that difference. In addition, DataProse has a value assigned to goodwill for tax purposes that is greater than the value assigned to goodwill for book purposes by approximately \$2.3 million. As required by SFAS 109, we have not recognized a deferred income tax asset related to that difference. Instead, we will recognize the tax benefit related to the tax-over-book basis difference when the tax benefit is realized on the tax return, and that tax benefit will be applied to reduce the DataProse goodwill.

The results of operations of DataProse is included in our accompanying Consolidated Statements of Income for the period subsequent to the acquisition date. Quaero was acquired on December 31, 2008, and thus, there are no results of operations of Quaero included in the accompanying Consolidated Statements of Income for the twelve months ended December 31, 2008.

We are in the process of obtaining certain information that we believe is necessary to finalize the DataProse and Quaero purchase accounting, including the finalization of: (i) the valuation of the Quaero acquired customer relationships and other intangible assets; (ii) a closing Quaero balance sheet audit which may result in a working capital adjustment, and thus an adjustment of the total purchase price; (iii) the valuation of Quaero other acquired assets and assumed liabilities; and (iv) the income tax attributes of the acquired assets for both DataProse and Quaero. As of December 31, 2008, we are not expecting the working capital adjustment for Quaero to be material and are not expecting significant changes to our preliminary purchase price allocations for DataProse and Quaero.

Prior Year Acquisitions.

In 2007, we acquired Prairie Voice Services, Inc., which we subsequently renamed Prairie Interactive Messaging, Inc. (“Prairie”), for a total cash purchase price of \$46.6 million to date, which includes recorded contingent purchase price amounts of approximately \$2 million as of December 31, 2008. As of December 31, 2008, there remains approximately \$4 million of additional contingent purchase price that is eligible for payment upon the achievement of certain operating criteria in 2009. This additional contingent purchase price has not been recorded as contingent purchase price payment as of December 31, 2008 because of the uncertainty of payment at that time, and will be recorded as additional purchase price if and when the events associated with the remaining contingencies are resolved or the outcomes of the contingencies are determinable beyond a reasonable doubt. We acquired Prairie to extend our customer interaction management capabilities within our core cable television and DBS markets, while also providing an established customer base in new industry verticals such as financial services and telecommunications.

In 2007, we acquired ComTec, Inc. (“ComTec”) for a total cash purchase price of \$24.9 million. We acquired ComTec to maximize customer interaction for clients by expanding our statement processing footprint and capabilities through the addition of enhanced statement production and electronic statement presentation hardware and software technologies, as well as for additional plant capacities. In addition, the acquisition increases our presence in our core video market, as well as in new industry verticals such as telecommunications, home security, healthcare, financial services, and utilities.

In 2006, we acquired Telution, Inc. (“Telution”) for a total cash purchase price of \$30.4 million, which includes recorded contingent purchase price payments of \$8.0 million as of December 31, 2008. We acquired Telution and its COMX solution to expand our ability to support communication providers as they deliver advanced and IP-based services.

Pro forma information on our historical results of operations to reflect the acquisitions of ComTec, Prairie, DataProse and Quaero is not presented as the acquisitions’ results of operations during prior periods, individually and in the aggregate, are not material to our results of operations.

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4. Segment Reporting and Significant Concentration

Segment Information. Segment and related information is presented 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, we have determined that as of December 31, 2008, we have one reportable segment.

Products and Services. Our primary product offerings include our core outsourced processing product, ACP, and related services and software products, to include our output solutions. We generate a substantial percentage of our total revenues by providing ACP processing and output services and related software products to the North American cable and DBS markets. We license certain software products (e.g., ACSR, Workforce Express, etc.) and provide professional services principally to our existing base of processing clients to enhance the core functionality of ACP, increase the efficiency and productivity of our clients’ operations, and allow clients to effectively roll out new products and services to new and existing markets, such as HSI, and telephony services. Our full suite of processing, software, and professional services allows clients to maximize the value and minimize the costs associated with their customer interactions by using our solutions to conduct key business processes such as targeting prospective customers, rolling out and offering new products quickly, efficiently managing order processing, streamlining operations, managing field workforces, improving customer satisfaction, integrating actionable customer intelligence, developing marketing strategies, printing and mailing monthly statements, and electronically transacting with customers.

Geographic Regions. All revenues and long-lived assets are attributable to our operations in North America, primarily the U.S.

General Market Conditions. In recent months, the U.S. has experienced a significant economic downturn and difficulties within the financial and credit markets, and these adverse economic conditions are predicted to continue into the foreseeable future. The possible adverse impacts to companies during these times include a reduction in revenues, decreasing profits and cash flows, distressed or default debt conditions, and/or difficulties in obtaining necessary operating capital. Because of the severity and the far-reaching impacts of the situation, all companies could be adversely affected by the current economic conditions to a certain degree, including us, our clients, and/or key vendors in our supply chain.

Significant Clients and Industry Concentration . The North American communications industry has experienced significant consolidation over the last few years, resulting in a large percentage of the market being served by a limited number of service providers with greater size and scale. Consistent with this market concentration, a large percentage of our revenues are generated from a limited number of clients, with approximately two-thirds of our revenues being generated from our four largest clients, which are Comcast Corporation (“Comcast”), DISH Network Corporation (“DISH”), Time Warner Inc. (“Time Warner”), and Charter Communications, Inc. (“Charter”). Revenues from these clients represented the following percentages of our total revenues for the following years:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Comcast	27%	27%	24%
DISH	18%	20%	19%
Time Warner	14%	13%	12%
Charter	8%	9%	11%

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As of December 31, 2008 and 2007, the percentage of net billed accounts receivable balances attributable to these clients were as follows:

	As of December 31,	
	2008	2007
Comcast	30%	32%
DISH	17%	22%
Time Warner	14%	11%
Charter	10%	9%

We expect to continue to generate a significant percentage of our future revenues from a limited number of clients, including Comcast, DISH, Time Warner, and Charter. There are inherent risks whenever a large percentage of total revenues are concentrated with a limited number of clients. One such risk is that, should a significant client: (i) terminate or fail to renew its contract with us, in whole or in part, for any reason; (ii) significantly reduce the number of customer accounts processed on our systems, the price paid for our services, or the scope of services we provide; or (iii) experience significant financial or operating difficulties, it could have a material adverse effect on our financial condition and results of operations.

On February 12, 2009, Charter publicly announced a restructuring plan that included the following key points:

- Charter had reached an agreement-in-principle with an ad hoc committee of certain of its debt holders on the terms of a financial restructuring to reduce Charter's debt by approximately \$8 billion on certain outstanding senior notes.
- Under the terms of the agreement, Charter intends to implement its financial restructuring through a Chapter 11 bankruptcy filing to be initiated on or before April 1, 2009.
- The purpose of Charter's financial restructuring is to strengthen its balance sheet in order to fully support the company's operations and service its debt. As such, the agreement-in-principle contemplates paying trade creditors in full.
- The agreement-in-principle is subject to numerous closing conditions and there is no assurance that the treatment of creditors outlined in Charter's public statements will not change significantly.

Companies involved in bankruptcy proceedings pose greater financial risks to us, consisting principally of the following: (i) a financial loss related to possible claims of preferential payments for certain amounts paid to us prior to the bankruptcy filing date, as well as increased collectibility risk for accounts receivable, particularly those accounts receivable that relate to periods prior to the bankruptcy filing date; and/or (ii) the possibility of a contract being unilaterally rejected as part of the bankruptcy proceedings, or a client in bankruptcy may attempt to renegotiate more favorable terms as a result of their deteriorated financial condition, thus, negatively impacting our rights to future revenues subsequent to the bankruptcy filing.

As of December 31, 2008, we had approximately \$12 million of accounts receivable due from Charter, none of which had a specific allowance for doubtful accounts receivable amount established against it. The entire amount of this accounts receivable balance was collected in the normal course in 2009, and we believe that Charter's history of timely paying our invoices significantly reduces our preferential payment risk related to our 2008 Consolidated Financial Statements if Charter was indeed to declare bankruptcy as noted in their February 12, 2009 public announcement.

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5. Long-Lived Assets

Property and Equipment. Property and equipment at December 31 consisted of the following (in thousands, except years):

	Useful Lives (years)	2008	2007
Computer equipment	3-5	\$ 35,242	\$ 31,538
Leasehold improvements	5-10	13,927	11,000
Operating equipment	3-10	61,226	45,737
Furniture and equipment	8	12,608	12,403
Capital projects in process	—	445	1,543
		<u>123,448</u>	<u>102,221</u>
Less—accumulated depreciation		(80,854)	(69,565)
Property and equipment, net		<u>\$ 42,594</u>	<u>\$ 32,656</u>

Goodwill. We do not have any intangible assets with indefinite lives other than goodwill. A rollforward of goodwill in 2008 and 2007 is as follows (in thousands):

January 1, 2007 balance	\$ 14,228
Goodwill acquired during period	46,361
Adjustments related to prior acquisitions	156
December 31, 2007 balance	<u>60,745</u>
Goodwill acquired during period	37,932
Adjustments related to prior acquisitions	5,294
December 31, 2008 balance	<u>\$ 103,971</u>

The goodwill acquired in 2008 is related to the DataProse and Quaero business acquisitions. The goodwill acquired in 2007 is related to the ComTec and Prairie business acquisitions. The adjustments related to prior acquisitions made in 2008 is primarily due to the recording of contingent purchase price payments of \$4.9 million for the Telution and Prairie acquisitions.

Other Intangible Assets. Our intangible assets subject to ongoing amortization consist of client contracts and software.

Client Contracts

Client contracts consist of: (i) investments in client contracts; (ii) direct and incremental costs that we have capitalized related to contractual arrangements where we have deferred revenues to convert or set-up client customers onto our outsourced solutions; and (iii) client contracts acquired in business combinations. As of December 31, 2008 and 2007, the carrying values of these assets were as follows (in thousands):

	2008			2007		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Investments in client contracts (1)	\$ 120,326	\$ (104,636)	\$ 15,690	\$ 117,967	\$ (95,453)	\$ 22,514
Capitalized costs (2)	8,635	(4,124)	4,511	5,493	(1,747)	3,746
Acquired client contracts (3)	17,958	(3,915)	14,043	6,888	(1,622)	5,266
Total client contracts	<u>\$ 146,919</u>	<u>\$ (112,675)</u>	<u>\$ 34,244</u>	<u>\$ 130,348</u>	<u>\$ (98,822)</u>	<u>\$ 31,526</u>

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The aggregate amortization related to client contracts included in our operations for 2008, 2007, and 2006, was as follows (in thousands):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Investments in client contracts (1)	\$ 9,183	\$14,420	\$13,447
Capitalized costs (2)	2,246	1,057	657
Acquired client contracts (3)	2,293	856	765
Total client contracts	<u>\$13,722</u>	<u>\$16,333</u>	<u>\$14,869</u>

- (1) Investments in client contracts are principally incentives provided to new or existing clients to convert their customer accounts to, or retain their customer's accounts on, our customer care and billing systems. Investments in client contracts related to client incentives are amortized ratably over the lives of the respective client contracts, which as of December 31, 2008, have termination dates that range from 2011 through 2016. Amortization of the investments in client contracts related to client incentives is reflected as a reduction in processing and related services revenues in the accompanying Consolidated Statements of Income.
- (2) Client contracts related to the deferral of conversion/set-up services costs are amortized proportionately over the same period that the deferred conversion/set-up services revenues are recognized, and are primarily reflected in cost of processing and related services in the accompanying Consolidated Statements of Income.
- (3) Acquired client contracts represent assets acquired in the Quaero, DataProse, Prairie, ComTec, and Telution business acquisitions. Acquired client contracts are being amortized over their estimated useful lives ranging from ten months to twenty years. Amortization related to the DataProse, Prairie, and ComTec acquired client contracts is primarily reflected in cost of processing and related services in the accompanying Consolidated Statements of Income, while amortization related to the Telution acquired client contracts is primarily reflected in cost of software, maintenance and services revenues in the accompanying Consolidated Statements of Income.

The weighted-average remaining amortization period of client contracts as of December 31, 2008 was approximately 64 months. Based on the December 31, 2008 net carrying value of these intangible assets, the estimated amortization for each of the five succeeding fiscal years ending December 31 will be: 2009—\$8.2 million; 2010—\$7.7 million; 2011—\$6.8 million; 2012—\$6.0 million; and 2013—\$2.0 million.

Software

Software consists primarily of software and similar intellectual property rights from the Quaero, DataProse, Prairie, ComTec, and Telution business acquisitions, and to a much lesser degree, internal use software. As of December 31, 2008 and 2007, the carrying values of these assets were as follows (in thousands):

	<u>2008</u>			<u>2007</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Amount</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Amount</u>
Total Software	\$46,220	\$ (36,385)	\$9,835	\$43,094	\$ (34,445)	\$8,649

The software intangible assets are being amortized over their estimated useful lives ranging from five to seven years. The amortization of software related to the Quaero, DataProse, Prairie, and ComTec business acquisitions is reflected in cost of processing and related services in the accompanying Consolidated Statements of Income. The amortization of software related to the Telution acquisition is reflected in cost of software, maintenance and services in the accompanying Consolidated Statements of Income.

The aggregate amortization related to the software intangible assets for 2008 and 2007 was \$1.9 million and \$1.5 million, respectively. The weighted-average remaining amortization period of the software intangible assets

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as of December 31, 2008 was approximately 57 months. Based on the December 31, 2008 net carrying value of these intangible assets, the estimated amortization for each of the five succeeding fiscal years ending December 31 will be: 2009 – \$2.5 million; 2010—\$2.4 million; 2011—\$2.4 million; 2012—\$2.1 million; and 2013—\$0.4 million.

6. Debt

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

	2008	2007
Senior subordinated convertible contingent debt securities, due June 15, 2024, first put back date June 15, 2011, interest at 2.50%	\$ 200,300	\$ 230,000
2004 Revolving Credit Facility, due September 2009, interest at base rate or adjusted LIBOR, plus applicable margin	—	—
	200,300	230,000
Less-current portion	—	—
Long-term debt, net of current maturities	<u>\$ 200,300</u>	<u>\$ 230,000</u>

Convertible Debt Securities. On June 2, 2004, we completed an offering of \$230.0 million of 2.5% senior subordinated convertible contingent debt securities due June 15, 2024 (the “Convertible Debt Securities”) to qualified buyers pursuant to Rule 144A under the Securities Act of 1933.

The Convertible Debt Securities are unsecured, subordinated to any of our future senior debt, and senior to our future junior subordinated debt. The Convertible Debt Securities, issued at a price of 100% of their par value, bear interest at a rate of 2.5% per annum, which is payable semiannually in arrears on June 15 and December 15 of each year. The Convertible Debt Securities are callable by us for cash, on or after June 20, 2011, at a redemption price equal to 100% of the par value of the Convertible Debt Securities, plus accrued interest. The Convertible Debt Securities can be put back to us by the holders for cash at June 15, 2011, 2016 and 2021, or upon a change of control, as defined in the Convertible Debt Securities bond indenture (“Bond Indenture”), at a repurchase price equal to 100% of the par value of the Convertible Debt Securities, plus any accrued interest.

Commencing with the six-month period beginning June 15, 2011, we will pay contingent interest equal to 0.25% of the average trading price of the Convertible Debt Securities during any six-month period if the average trading price of the Convertible Debt Securities for the five consecutive trading days ending on the second trading day immediately preceding the first day of the six-month period equals 120% or more of the par value of the Convertible Debt Securities.

The Convertible Debt Securities are convertible into our common stock, under the specified conditions and settlement terms outlined below, at an initial conversion rate of 37.3552 shares per \$1,000 par value of Convertible Debt Securities, which is equal to an effective conversion price of \$26.77 per share. The Bond Indenture includes anti-dilution provisions for the holders such that the conversion rate (and thus, the effective conversion price) can be adjusted in the future for certain events, to include stock dividends, stock splits/reverse splits, the issuance of warrants to purchase our stock at a price below the then-current market price, cash dividends, and certain purchases by us of our common stock pursuant to a self-tender offer or exchange offer.

Holder of the Convertible Debt Securities can convert their securities: (i) at any time the price of our common stock trades over \$34.80 per share (130% of the \$26.77 effective conversion price) for a specified period of time; (ii) at any time the trading price of the Convertible Debt Securities fall below 98% of the average conversion value for the Convertible Debt Securities for a specified period of time; (iii) upon us exercising our right to redeem the Convertible Debt Securities at any time after June 20, 2011; (iv) at any time upon the occurrence of specified corporate transactions, to include a change in control (as defined in the Bond Indenture);

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and (v) if a certain level of dividends are declared, or a certain number of shares of our common stock are repurchased under a self-tender offer by us. As of December 31, 2008, none of the contingent conversion features have been achieved, and thus, the Convertible Debt Securities are not convertible by the holders.

Upon conversion of the Convertible Debt Securities, we will settle our conversion obligation as follows: (i) we will pay cash for 100% of the \$200.3 million par value of the Convertible Debt Securities; and (ii) to the extent our conversion obligation exceeds the par value, we will satisfy the remaining conversion obligation in our common stock, cash or any combination of our common stock and cash.

The fair value of the Convertible Debt Securities as of December 31, 2008 and 2007 based upon quoted market prices or trade activity at year-end, was approximately \$173 million and \$201 million, respectively. The contingent interest feature of the Convertible Debt Securities discussed above is considered an embedded derivative that is required to be bifurcated and accounted for as a freestanding derivative financial instrument. The fair value of this derivative financial instrument, as of December 31, 2008 and 2007, was \$61,000 and \$32,000, respectively.

During 2008, we repurchased \$29.7 million (par value) of our Convertible Debt Securities for \$22.4 million in the open public market, and recognized a gain on the repurchase of \$7.0 million, after the write-off of a proportional amount of deferred financing costs. This debt has been considered extinguished for accounting purposes.

2004 Revolving Credit Facility. On September 21, 2004, we entered into a five-year, \$100 million senior secured revolving credit facility (the “2004 Revolving Credit Facility”) with a syndicate of U.S. financial institutions. The 2004 Revolving Credit Facility is guaranteed by our capital stock and the capital stock of all of our existing and future domestic subsidiaries, and 65% of the capital stock of all our future foreign subsidiaries, if any. The 2004 Revolving Credit Facility has a \$40 million sub-facility for standby and commercial letters of credit and a \$10 million sub-facility for same day advances provided solely by the U.S. financial institution where we maintain our operating cash accounts.

The 2004 Revolving Credit Facility requires maintenance of certain financial ratios, including a leverage ratio and an interest coverage ratio. In addition, the 2004 Revolving Credit Facility subjects us to certain limitations, including: (i) the incurrence of certain indebtedness and liens on our property; (ii) the execution of contracts that represent certain fundamental changes in our business; (iii) the sale of our property except in the ordinary course of business; (iv) the making of certain restricted payments, as defined (to include cash dividends); and (v) the making of investments, as defined. As of December 31, 2008, we were in compliance with the financial ratios and other covenants of the 2004 Revolving Credit Facility, and due to an outstanding irrevocable letter of credit of \$0.5 million, had \$99.5 million of the 2004 Revolving Credit Facility contractually available. However, one of the financial institutions, which is responsible for funding approximately 15% of the facility, has undergone recent financial challenges and it is unknown at this time whether those challenges would affect the financial institution’s ability or willingness to fund the facility if drawn upon. If that financial institution is unable or unwilling to fund its portion of the facility, as of December 31, 2008, we would have only \$84.5 million of the 2004 Revolving Credit Facility available to us.

The interest rate for borrowings under the 2004 Revolving Credit Facility, except for same day advances, is chosen at our option and is based upon a base rate or adjusted LIBOR rate, plus an applicable margin. The base rate represents the higher of a floating prime rate and a floating rate equal to 50 basis points in excess of the Federal Funds Effective Rate. The interest rate for same day advances is based upon base rate, plus an applicable margin. The applicable margins are dependent on our leverage ratio, as defined, and range from zero to 100 basis points for base rate loans and 125 to 225 basis points for LIBOR loans.

As of December 31, 2008, we had made no borrowings under the 2004 Revolving Credit Facility. We pay a quarterly commitment fee on the unused portion of the 2004 Revolving Credit Facility. The commitment fee rate is dependent on our leverage ratio and ranges from 25 to 50 basis points per annum. As of December 31, 2008, the commitment fee rate was 37.5 basis points per annum.

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Deferred Financing Costs. As of December 31, 2008, net deferred financing costs related to the Convertible Debt Securities were \$2.2 million, and are being amortized to interest expense through the first date the holders of the Convertible Debt Securities can be put back to us (June 15, 2011), or approximately seven years from the date of issuance. As of December 31, 2008, net deferred financing costs related to the 2004 Revolving Credit Facility were \$0.1 million, and are being amortized to interest expense over the five-year term of the credit agreement. The net deferred financing costs are reflected in Other Assets in the accompanying Consolidated Balance Sheets. Interest expense for 2008, 2007, and 2006 includes amortization of deferred financing costs of \$1.2 million. The weighted-average interest rate on our debt borrowings, including amortization of deferred financing costs and commitment fees on the revolving credit facility, for 2008, 2007, and 2006, was 3.2%.

7. Income Taxes

Income Tax Provision. Our continuing operations income is from North American sources, principally the U.S. The income tax provision related to continuing operations consists of the following (in thousands):

	2008	2007	2006
Current:			
Federal	\$14,159	\$17,309	\$20,407
State	1,801	1,845	2,031
	<u>15,960</u>	<u>19,154</u>	<u>22,438</u>
Deferred:			
Federal	15,426	10,722	14,809
State	1,058	3,422	1,161
	<u>16,484</u>	<u>14,144</u>	<u>15,970</u>
Total income tax provision	<u>\$32,444</u>	<u>\$33,298</u>	<u>\$38,408</u>

The difference between our income tax provision computed at the statutory Federal income tax rate and our financial statement income tax related to continuing operations is summarized as follows (in thousands):

	2008	2007	2006
Provision at Federal rate of 35%	\$32,862	\$32,712	\$35,339
State income taxes, net of Federal impact	1,858	3,423	2,075
Compensation disallowance	33	(589)	2,186
Other	(2,309)	(2,248)	(1,192)
Total income tax provision	<u>\$32,444</u>	<u>\$33,298</u>	<u>\$38,408</u>

We are required to estimate our income tax liability in each jurisdiction in which we operate, including both Federal and state income taxes. Various judgments and estimates are required in evaluating our tax positions and determining our provisions for income taxes. During the ordinary course of business, there are certain transactions and calculations for which the ultimate income tax determination may be uncertain. In addition, we may be subject to examination of our income tax returns by various tax authorities, which could result in adverse outcomes. For these reasons, we establish a liability associated with unrecognized tax benefits based on estimates of whether additional taxes and interest may be due. This liability is adjusted based upon changing facts and circumstances, such as the closing of a tax audit, the expiration of a statute of limitations or the refinement of an estimate.

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A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows (in thousands):

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$4,534	\$4,363
Additions based on tax positions related to current year	1,019	1,092
Additions for tax positions of prior years	23	73
Reductions for tax positions of prior years	(22)	(105)
Lapse of statute of limitations	(882)	(889)
Balance, end of year	<u>\$4,672</u>	<u>\$4,534</u>

We recognize income tax related interest and penalties as part of income tax expense. In addition to the \$4.7 million of unrecognized tax benefits as of December 31, 2008, we had \$0.4 million of income tax-related accrued interest. Included in the beginning and ending amounts of unrecognized tax benefits are \$1.8 million and \$1.5 million, respectively, related to our discontinued operations. If recognized, the total amount of unrecognized income tax benefits related to our continuing operations, or \$3.2 million, would affect our continuing operations' effective tax rate.

We file income tax returns primarily in the U.S. Federal jurisdiction and in various state jurisdictions. As of December 31, 2008, the U.S. Federal statute of limitations has expired for years prior to 2005, and the statute of limitations has expired in our major state jurisdictions of Nebraska, Colorado and Florida for years prior to 2005, 2004, and 2005, respectively.

Deferred Income Taxes. Deferred income taxes reflect the expected utilization of tax net operating loss ("NOL") carryforwards and the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Net deferred income tax assets as of December 31 are attributable to the following (in thousands):

	<u>2008</u>	<u>2007</u>
Current deferred income tax assets:		
Accrued expenses and reserves	\$ 9,050	\$ 7,632
Stock-based compensation	3,705	3,025
	<u>12,755</u>	<u>10,657</u>
Non-current deferred income tax assets (liabilities):		
Purchased research and development	10,845	14,204
Software	(1,058)	(782)
Client contracts and related intangibles	2,749	3,177
Noncompete agreements	714	1,223
Net operating loss (NOL) carryforwards	7,348	12,453
Property and equipment	(8,910)	(3,278)
Contingent interest related to Convertible Debt Securities	(27,744)	(22,745)
Deferred revenue	3,849	3,705
Contingent payments	886	882
Other	131	614
	<u>(11,190)</u>	<u>9,453</u>
Valuation allowance	—	—
Net deferred income tax assets	<u>\$ 1,565</u>	<u>\$ 20,110</u>

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We regularly assess the likelihood of the future realization of our net deferred income tax assets. To the extent we believe that it is more likely than not that a deferred income tax asset will not be realized, a valuation allowance is established. As of December 31, 2008, we believe that between: (i) carryback opportunities to past periods with taxable income; and (ii) sufficient taxable income to be generated in the future, we will realize the benefit of our net deferred income tax assets.

As of December 31, 2008 we have: (i) an acquired Federal NOL carryforward of \$16.7 million, which will begin to expire in 2020 and can be utilized through 2027; and (ii) state NOL carryforwards of \$23.9 million, which will expire beginning in 2009 and ending in 2023. The acquired Federal NOL carryforward is attributable to the pre-acquisition periods of acquired subsidiaries. The annual utilization of this Federal NOL carryforward is limited pursuant to Section 382 of the Internal Revenue Code of 1986, as amended.

Our Convertible Debt Securities are subject to special U.S. Treasury regulations governing contingent payment debt instruments. These regulations allow us to take a tax deduction for interest expense on our U.S. Federal income tax return at a constant rate of 9.09% (subject to certain adjustments), compounded semi-annually, which represents the estimated yield on comparable non-contingent, non-convertible, fixed-rate debt instruments with terms and conditions otherwise similar to the Convertible Debt Securities. This interest expense tax deduction is greater than the interest expense reflected in the accompanying Consolidated Statements of Income. This is considered a temporary difference, and thus does not impact our overall effective income tax rate. As a result, we will be building a deferred tax liability until the Convertible Debt Securities are settled. Upon settlement, if the holders are able to achieve or exceed the 9.09% target yield on the Convertible Debt Securities, the cumulative deferred tax liability will be reclassified to stockholders' equity. If the holders are not able to achieve the 9.09% target yield, we will be required to pay the portion of the cumulative deferred tax liability to the U.S. tax authorities (without interest or penalties) determined by comparing the actual yield and the target yield, with the amount of the cumulative deferred tax liability not paid to the U.S. tax authorities reclassified to stockholders' equity.

8. Discontinued Operations

In December 2005, we closed on agreements to sell: (i) our Global Software Services business (the "GSS Business") to Comverse, Inc., a division of Comverse Technology, Inc. ("Comverse"); and (ii) our plaNet Consulting business (the "plaNet Business") to a group of private investors led by the plaNet management team.

The GSS Business and plaNet Business both met the definition of a "component of an entity" and thus were accounted for as discontinued operations under SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." As a result, we have reflected the results of operations for the GSS Business and plaNet Business as discontinued operations for all periods presented in the accompanying Consolidated Statements of Income. We have not segregated cash flows between continuing operations and discontinued operations in the accompanying Consolidated Statements of Cash Flows. As deemed appropriate, our Notes to the Consolidated Financial Statements focus on our continuing operations.

During the third quarter of 2006, we made a \$6 million payment to Comverse related to the settlement of a dispute over a joint tax election associated with the sale of the GSS Business. This payment to Comverse is considered a reduction in the purchase price previously paid by Comverse, and thus is reflected as part of the loss from discontinued operations for 2006. This settlement payment had not been anticipated by us, and we do not expect any similar purchase price adjustments in future periods.

Discontinued operations activity during 2007 and 2008 were not significant.

9. Employee Retirement Benefit Plans

Defined Contribution-Type Plan. We sponsor a defined contribution plan covering substantially all of our employees. Participants may contribute up to 25% of their annual wages, subject to certain limitations, as pretax, salary deferral contributions. We make certain matching, and at our discretion, service-based contributions to the plan. The expense related to matching and service-related contributions for 2008, 2007, and 2006 was \$6.2 million, \$6.1 million, and \$4.9 million, respectively.

Deferred Compensation Plan. We have a non-qualified deferred compensation plan for certain executives which allows the participants to defer a portion of their annual compensation. We provide a 25% matching contribution of the participant's deferral, up to a maximum contribution of \$6,250 per year, plus a positive or negative return on the deferred account balance attributable to the individual participants. As of December 31, 2008 and 2007, we have recorded a liability for this obligation of \$4.1 million and \$5.2 million, respectively. The expense (benefit) for this plan for 2008, 2007, and 2006 was \$(1.6) million, \$0.6 million, and \$0.8 million, respectively. The plan is unfunded.

10. Commitments, Guarantees and Contingencies

Operating Leases. We lease certain office and production facilities under operating leases that run through 2020. The leases generally are renewable and provide for the payment of real estate taxes and certain other occupancy expenses. In addition, we lease certain operating equipment under operating leases that run through 2012. Future aggregate minimum lease payments under these facilities and operating equipment agreements are as follows: 2009—\$10.0 million, 2010—\$9.1 million, 2011—\$7.6 million, 2012—\$5.7 million, 2013—\$4.7 million, and thereafter—\$10.2 million. We sublease portions of certain office facilities that we have abandoned. The total minimum lease payments to be received in the future under signed noncancelable subleases as of December 31, 2008 totaled \$0.4 million. Total rent expense for 2008, 2007, and 2006, was \$11.3 million, \$9.2 million, and \$8.3 million, respectively.

Service Agreements. We outsource to First Data Corporation ("FDC") the data processing and related computer services required for the operation of our processing services and certain related products. The ACP proprietary software is run in FDC's facility to obtain the necessary mainframe computer capacity and other computer support services without us having to make the substantial capital and infrastructure investments that would be necessary for us to provide these services internally. Our clients are connected to the FDC facility through a combination of private and commercially-provided networks. We also contract with FDC for computer floor space on which we maintain certain open systems hardware, used primarily to support ACP related products and internal administrative systems. Under our contract with FDC, which expires in June 2010, we are charged a fixed fee plus a variable fee based on usage and/or actual costs. The total amount paid under the FDC service agreement for 2008, 2007, and 2006 was \$48.3 million, \$45.9 million, and \$42.6 million, respectively.

In December 2008, we entered into an agreement with Infocrossing LLC, a Wipro Limited company ("Infocrossing") to transition the data processing and related computer services from FDC to Infocrossing prior to the expiration of the FDC contract term. The term of the Infocrossing agreement is five years beginning on the date of full conversion.

Product and Services Warranties. We generally warrant that our products and related offerings will conform to published specifications, or to specifications provided in an individual client arrangement, as applicable. The typical product warranty period is 90 days from delivery of the product or offering. For certain service offerings we provide a limited warranty for the duration of the services provided. We generally warrant that services will be performed in a professional and workmanlike manner. The typical remedy for breach of warranty is to correct or replace any defective deliverable, and if not possible or practical, we will accept the return of the defective deliverable and refund the amount paid under the client arrangement that is allocable to the defective deliverable. Our contracts also generally contain limitation of damages provisions in an effort to reduce our exposure to monetary damages arising from breach of warranty claims. Historically, we have incurred minimal warranty costs, and as a result, do not maintain a warranty reserve.

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Product and Services Indemnifications. Our arrangements with our clients generally include an indemnification provision that will indemnify and defend a client in actions brought against the client that claim our products and/or services infringe upon a copyright, trade secret, or valid patent. Historically, we have not incurred any significant costs related to such indemnification claims, and as a result, do not maintain a reserve for such exposure.

Claims for Company Non-performance. Our arrangements with our clients typically cap our liability for breach to a specified amount of the direct damages incurred by the client resulting from the breach. From time-to-time, these arrangements may also include provisions for possible liquidated damages or other financial remedies for our non-performance, or in the case of certain of our outsourced customer care and billing solutions, provisions for damages related to service level performance requirements. The service level performance requirements typically relate to system availability and timeliness of service delivery. As of December 31, 2008, we believe we have adequate reserves, based on our historical experience, to cover any reasonably anticipated exposure as a result of our nonperformance for any past or current arrangements with our clients. The amount of the reserve maintained for this purpose is not material.

Indemnifications Related to Sold Businesses. In conjunction with the sale of the GSS business in December 2005, we provided certain indemnifications to the buyer of this business which are considered routine in nature (such as employee, tax, or litigation matters that occurred while these businesses were under our ownership). Under the provisions of this indemnification agreement, payment by us is conditioned on the other party making a claim pursuant to the procedures in the indemnification agreement, and we are typically allowed to challenge the other party's claims. In addition, certain of our obligations under this indemnification agreement are limited in terms of time and/or amounts, and in some cases, we may have recourse against a third party if we are required to make certain indemnification payments.

We estimated the fair value of these indemnifications at \$2.8 million as of the closing date for the sale of the GSS business. Since the sale of the GSS business, we have made an indemnification payment of \$0.1 million, and as of December 31, 2008, the indemnification liability was \$2.3 million and related principally to indemnifications related to income tax matters. It is not possible to predict the maximum potential amount of future payments we may be required to make under this indemnification agreement due to the conditional nature of our obligations and the unique facts and circumstances associated with each indemnification provision. We believe that if we were required to make payments in excess of the indemnification liability we have recorded, the resulting loss would not have a material effect on our financial condition or results of operations. If any amounts required to be paid by us would differ from the amounts initially recorded as indemnification liabilities as of the closing dates for the sale of the GSS business, the difference would be reflected in the discontinued operations section of our Consolidated Statements of Income.

Indemnifications Related to Officers and the Board of Directors. We have agreed to indemnify certain of our officers and members of our Board of Directors if they are named or threatened to be named as a party to any proceeding by reason of the fact that they acted in such capacity. We maintain directors' and officers' (D&O) insurance coverage to protect against such losses. We have not historically incurred any losses related to these types of indemnifications, and are not aware of any pending or threatened actions or claims against any officer or member of our Board of Directors. As a result, we have not recorded any liabilities related to such indemnifications as of December 31, 2008. In addition, as a result of the insurance policy coverage, we believe these indemnification agreements are not significant to our results of operations.

Legal Proceedings. From time-to-time, we are involved in litigation relating to claims arising out of our operations in the normal course of business. We are not presently a party to any material pending or threatened legal proceedings.

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11. Stockholders' Equity

We currently have a stock repurchase program, approved by our Board of Directors, authorizing us to repurchase shares of our common stock from time-to-time as market and business conditions warrant (the "Stock Repurchase Program"). During the fourth quarter of 2008, our Board of Directors approved a five million share increase in the number of shares we are authorized to repurchase under the Stock Repurchase Program, bringing the total number of authorized shares to 35 million.

As of December 31, 2008, a summary of the shares repurchased under the Stock Repurchase Program is as follows (in thousands, except per share amounts):

	2008	2007	2006	2005	1999-2004	Total
Shares repurchased	250	13,181	2,485	3,808	9,322	29,046
Total amount paid	\$ 3,983	\$ 307,599	\$ 63,283	\$ 72,968	\$ 252,607	\$ 700,440
Weighted-average price per share	\$ 15.93	\$ 23.34	\$ 25.46	\$ 19.16	\$ 27.10	\$ 24.11

As of December 31, 2008, the total remaining number of shares available for repurchase under the Stock Repurchase Program totaled approximately 6 million shares.

In addition to the above mentioned stock repurchases, during 2008, 2007, and 2006, we repurchased and then cancelled approximately 136,000 shares, 176,000 shares, and 148,000 shares for \$1.8 million, \$4.0 million, and \$3.7 million, respectively, of common stock from our employees in connection with minimum tax withholding requirements resulting from the vesting of restricted stock under our stock incentive plans.

12. Equity Compensation Plans

Stock Incentive Plans

Background. Beginning in 2003, we began primarily granting restricted stock awards instead of stock options to employees and non-employee directors under our equity compensation plans. Restricted stock awards offer employees and non-employee directors the opportunity to earn shares of our common stock over time or upon the attainment of pre-established performance objectives, rather than stock options in which the right to purchase shares of our common stock at a set price is earned over time. Restricted stock awards have historically been granted at no cost to the recipient. Because of the greater intrinsic value of the restricted stock at the grant date when compared to stock options, the number of equity awards granted under this compensation methodology is less than the number of equity awards granted when the primary equity awards were stock options.

Summary of Stock Incentive Plans. As of December 31, 2008, we have four stock incentive plans, as summarized below:

Plan	Shares Reserved For Issuance	Shares Available For Issuance
1996 Plan (1)	—	—
1997 Director Plan (2)	—	—
2005 Plan (1)	12,400,000	8,832,100
Total stockholder approved	12,400,000	8,832,100
2001 Plan (3)	3,000,000	1,252
Total	15,400,000	8,833,352

- (1) The 2005 Stock Incentive Plan (the "2005 Plan") was adopted upon stockholder approval. The 2005 Plan replaced the 1996 Stock Incentive Plan (the "1996 Plan"). No further grants may be made under

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the 1996 Plan, but any stock awards outstanding under the 1996 Plan remain in effect in accordance with their respective terms. The shares available under the 2005 Plan have been reserved for issuance to officers and other key employees of our company and its subsidiaries and to non-employee directors of our company in the form of stock options, stock appreciation rights, performance unit awards, restricted stock awards, or stock bonus awards. Shares granted under the 2005 Plan in the form of a performance unit award, restricted stock award or stock bonus award are counted toward the aggregate number of shares of common stock available for issuance under the 2005 Plan as two shares for every one share granted or issued in payment of such award.

- (2) The Stock Option Plan for Non-Employee Directors (the “1997 Director Plan”) was adopted upon stockholder approval. During 2006, the 1997 Director Plan terminated with respect to future grants, but any stock awards outstanding under the 1997 Director Plan remain in effect in accordance with their respective terms.
- (3) The 2001 Stock Incentive Plan (the “2001 Plan”) was adopted without stockholder approval. The shares available under the 2001 Plan have been reserved for issuance to eligible employees of our company in the form of stock options, stock appreciation rights, performance unit awards, restricted stock awards, or stock bonus awards. Shares available under the 2001 Plan may be granted to key employees of our company or its subsidiaries who are not: (i) officers or directors; (ii) “covered employees” 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.

Modifications to Stock-Based Awards. In December 2007, we entered into a separation agreement with our then Chief Executive Officer and President which included a provision that accelerated vesting of 102,500 shares of unvested restricted stock. The adjustment to stock-based compensation expense as a result of this modification was not significant.

Restricted Stock. We generally issue new shares (versus treasury shares) to fulfill restricted stock award grants. Historically, our restricted stock awards have vested annually over four years with no restrictions other than the passage of time (i.e., the shares are released upon calendar vesting with no further restrictions) (“Time-Based Awards”). Unvested Time-Based Awards are typically forfeited and cancelled upon termination of employment with our company. Certain Time-Based Awards become fully vested upon a change in control, as defined, and the subsequent involuntary termination of employment. The fair value of the Time-Based Awards (determined by using the closing market price of our common stock on the grant date) is charged to expense on a straight-line basis over the requisite service period for the entire award.

Beginning in 2007, we began issuing restricted stock shares to key members of management (primarily members of executive management) that vest in equal installments over three years upon meeting either pre-established financial performance objectives or pre-established stock price objectives (“Performance-Based Awards”). The structure of the performance goals for the Performance-Based Awards were approved by the stockholders at our May 2007 annual meeting. The Performance-Based Awards become fully vested upon a change in control, as defined, and the subsequent involuntary termination of employment. The fair value of the Performance-Based Awards (determined by using the closing market price of our common stock on the grant date) is charged to expense on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award is, in-substance, multiple awards.

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A summary of our unvested restricted stock activity during 2008 is as follows:

	2008	
	Shares	Weighted-Average Grant Date Fair Value
Unvested awards, January 1, 2008	1,303,955	\$ 23.60
Awards granted	814,400	12.22
Awards forfeited/cancelled	(79,405)	20.61
Awards vested	(424,381)	22.99
Unvested awards, December 31, 2008	<u>1,614,569</u>	<u>\$ 18.17</u>

The weighted-average grant date fair value of restricted stock shares granted during 2008, 2007, and 2006, was \$12.22 per share, \$25.08 per share, and \$23.15 per share, respectively. The total market value of restricted stock shares vesting during 2008, 2007, and 2006 was \$5.7 million, \$11.7 million, and \$10.2 million, respectively.

Stock Options. Stock option awards are granted with an exercise price equal to the fair value of our common stock as of the date of the grant. Stock option awards typically vest over four years and have a maximum term of ten years. As discussed above, during 2003, we began primarily granting restricted stock awards instead of stock options to employees and non-employee directors. No stock options were awarded during 2008, 2007, or 2006.

A summary of our stock option activity during 2008 is as follows:

	2008		Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (1)
	Shares	Weighted Average Exercise Price		
Outstanding at January 1, 2008	476,441	\$ 29.49		
Granted	—	—		
Exercised	(5,450)	13.57		
Forfeited	—	—		
Expired	(123,100)	25.52		
Outstanding at December 31, 2008	<u>347,891</u>	<u>\$ 31.15</u>		
Options exercisable at December 31, 2008	<u>347,891</u>	<u>\$ 31.15</u>	<u>2.5 Years</u>	<u>\$ 716.060</u>

(1) The aggregate intrinsic value represents stock options that were in-the-money as of December 31, 2008, and is calculated as the difference between the exercise price of the underlying awards and the closing market price of our common stock as of December 31, 2008.

The aggregate intrinsic value of stock options exercised, determined as of the date of option exercise, during 2008, 2007, and 2006 was approximately \$23,000, \$0.8 million, and 9.6 million, respectively. Cash received from stock option exercises during 2008, 2007, and 2006 was \$0.1 million, \$1.1 million, and \$10.7 million, respectively.

1996 Employee Stock Purchase Plan

As of December 31, 2008, we had an employee stock purchase plan whereby 958,043 shares of our common stock have been reserved for sale to our employees through payroll deductions. The price for shares purchased under the plan is 85% of market value on the last day of the purchase period. During 2008, 2007, and 2006, 90,728, 57,339, and 40,570 shares, respectively, were purchased under the plan for \$1.1 million, (\$9.37 to \$16.07 per share), \$1.1 million, (\$12.51 to \$23.63 per share), and \$0.9 million (\$18.68 to \$23.57 per share), respectively. As of December 31, 2008, 234,448 shares remain eligible for purchase under the plan.

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Stock-Based Compensation Expense

We recorded stock-based compensation expense of \$11.6 million, \$11.1 million, and \$12.2 million, respectively, for 2008, 2007, and 2006. As of December 31, 2008, there was \$19.7 million of total compensation cost related to unvested awards not yet recognized. That cost, excluding the impact of forfeitures, is expected to be recognized over a weighted-average period of 2.3 years.

We recorded a deferred income tax benefit related to stock-based compensation expense during 2008, 2007, and 2006, of \$4.4 million, \$4.1 million, and \$3.7 million, respectively. The actual income tax benefit realized for the tax deductions from stock option exercises and vesting of restricted stock for 2008, 2007, and 2006, totaled \$2.2 million, \$4.8 million, and \$4.9 million, respectively.

13. Unaudited Quarterly Financial Data

	Quarter Ended			
	March 31	June 30	September 30	December 31
	(in thousands, except per share amounts)			
2008:				
Total revenues (1)	\$113,596	\$116,870	\$ 117,980	\$ 123,611
Operating income	23,257	21,893	21,131	23,018
Income from continuing operations before income taxes (2)	23,042	21,144	20,331	29,375
Income tax provision	(8,203)	(7,823)	(6,913)	(9,505)
Income from continuing operations (2)	14,839	13,321	13,418	19,870
Discontinued operations, net of tax	—	—	323	—
Net income (2)	14,839	13,321	13,741	19,870
Basic earnings per common share:				
Income from continuing operations (2)	\$ 0.45	\$ 0.40	\$ 0.40	\$ 0.60
Discontinued operations, net of tax	—	—	0.01	—
Net income	\$ 0.45	\$ 0.40	\$ 0.41	\$ 0.60
Diluted earnings per common share:				
Income from continuing operations (2)	\$ 0.45	\$ 0.40	\$ 0.40	\$ 0.59
Discontinued operations, net of tax	—	—	0.01	—
Net income	\$ 0.45	\$ 0.40	\$ 0.41	\$ 0.59
2007:				
Total revenues (3)	\$ 98,744	\$ 99,504	\$ 107,561	\$ 113,452
Operating income (4)	20,454	21,161	21,568	20,654
Income from continuing operations before income taxes (4)	24,269	24,410	23,589	21,193
Income tax provision (4)	(8,494)	(8,788)	(8,387)	(7,629)
Income from continuing operations (4)	15,775	15,622	15,202	13,564
Discontinued operations, net of tax	269	—	—	339
Net income	16,044	15,622	15,202	13,903
Basic earnings per common share:				
Income from continuing operations (4)	\$ 0.35	\$ 0.37	\$ 0.39	\$ 0.40
Discontinued operations, net of tax	0.01	—	—	0.01
Net income	\$ 0.36	\$ 0.37	\$ 0.39	\$ 0.41
Diluted earnings per common share:				
Income from continuing operations (4)	\$ 0.35	\$ 0.37	\$ 0.39	\$ 0.40
Discontinued operations, net of tax	0.01	—	—	0.01
Net income	\$ 0.36	\$ 0.37	\$ 0.39	\$ 0.41

(1) The increase in revenues in the second quarter of 2008 was primarily due to the acquisition of the DataProse business in April 2008 (see Note 3).

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- (2) The fourth quarter of 2008 results of operations include a gain of \$7.0 million, or \$0.14 per diluted share, related to the repurchase of \$29.7 million of our Convertible Debt Securities (see Note 6).
- (3) The increase in revenues in the third quarter of 2007 was primarily the result of the acquisitions of the ComTec and Prairie businesses in July and August 2007, respectively (see Note 3). The increase in revenues in the fourth quarter of 2007 was primarily the result of the full quarter impact of the ComTec and Prairie business acquisitions and organic growth factors.
- (4) When compared to previous quarters, the fourth quarter of 2007 results of operations include \$1.3 million of additional operating expenses related to the retirement of our former CEO on December 28, 2007. These additional operating expenses, net of certain income tax benefits resulting from the timing of our former CEO's retirement, reduced our income from continuing operations by approximately \$0.01 per diluted share.

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Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b), our management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), conducted an evaluation as of the end of the period covered by this report of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15 (e). Based on that evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) Management’s Annual Report on Internal Control over Financial Reporting

As required by Rule 13a-15(d), our management, including the CEO and CFO, also conducted an evaluation of our internal control over financial reporting, as defined by Rule 13a-15(f). Management’s Report on Internal Control over Financial Reporting is located at the front of Part II, Item 8 of this report.

(c) Attestation Report of the Independent Registered Public Accounting Firm

Our independent registered public accounting firm issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2008. KPMG LLP’s report is located immediately following Management’s Report on Internal Control over Financial Reporting at the front of Part II, Item 8 of this report.

(d) Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting that occurred during the fourth quarter of 2008 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

See the Proxy Statement for our 2009 Annual Meeting of Stockholders, from which information regarding directors is incorporated herein by reference. Information regarding our executive officers will be omitted from such proxy statement and is furnished in a separate item captioned “Executive Officers of the Registrant” included at the end of Part I of this Form 10-K.

Item 11. Executive Compensation

See the Proxy Statement for our 2009 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 and Related Stockholder Matters

See the Proxy Statement for our 2009 Annual Meeting of Stockholders, from which information required by this Item is incorporated herein by reference, with the exception of the equity compensation plan information which is presented in Item 5, “Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities”, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

See the Proxy Statement for our 2009 Annual Meeting of Stockholders, from which information in response to this Item is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

See the Proxy Statement for our 2009 Annual Meeting of Stockholders, from which information in response to this Item is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(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 46.

(2) Financial Statement Schedules:

None. Any information required in the Financial Statement Schedules is provided in sufficient detail in our Consolidated Financial Statements and notes thereto.

(3) Exhibits

Exhibits are listed in the Exhibit Index on page 84.

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

(b) Exhibits

The Exhibits filed or incorporated by reference herewith are as specified in the Exhibit Index.

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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 S YSTEMS I NTERNATIONAL , I NC .

By: _____
 / s/ P ETER E. K ALAN
Peter E. Kalan
Chief Executive Officer
(Principal Executive Officer)

Date: March 3, 2009

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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u> / s/ B ERNARD W. R EZNICEK</u> Bernard W. Reznicek	Chairman of the Board of Directors	March 3, 2009
<u> / s/ P ETER E. K ALAN</u> Peter E. Kalan	Director, Chief Executive Officer, and President (Principal Executive Officer)	March 3, 2009
<u> / s/ R ANDY R. W IESE</u> Randy R. Wiese	Executive Vice President, Chief Financial Officer, and Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer)	March 3, 2009
<u> / s/ R ONALD C OOPER</u> Ronald Cooper	Director	March 3, 2009
<u> / s/ E DWARD C. N AFUS</u> Edward C. Nafus	Director	March 3, 2009
<u> / s/ J ANICE I. O BUCHOWSKI</u> Janice I. Obuchowski	Director	March 3, 2009
<u> / s/ D ONALD B. R EED</u> Donald B. Reed	Director	March 3, 2009
<u> / s/ F RANK V. S ICA</u> Frank V. Sica	Director	March 3, 2009
<u> / s/ D ONALD V. S MITH</u> Donald V. Smith	Director	March 3, 2009
<u> / s/ J AMES A. U NRUH</u> James A. Unruh	Director	March 3, 2009

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
2.28 (5)	Asset Purchase Agreement by and between Lucent Technologies Inc., as Seller, and CSG Systems International, Inc., as Buyer, dated as of December 31, 2001
2.29 (5)	Intellectual Property Agreement by and among Lucent Technologies Inc., Lucent Technologies GRL Corporation, Lucent Technologies Ireland Holding Limited and CSG Systems International, Inc., CSG Software Inc., CSG Technology Limited, effective as of February 28, 2002
2.30 (5)	Software and Services Master Supply Agreement (North America) by and among Lucent Technologies Inc. and CSG Systems International, Inc. and CSG Software, Inc., dated as of February 28, 2002
2.31 (5)	Software and Services Master Supply Agreement (International) by and among Lucent Technologies Inc. and CSG System International, Inc. and CSG Software, Inc., dated as of February 28, 2002
2.40 (19)	Securities Purchase Agreement by and among, Comverse, Inc. as Purchaser, CSG Software, Inc., CSG Americas Holdings, Inc., CSG Netherlands BV, CSG Technology Limited, the Companies to be Acquired, and CSG Systems International, Inc. and CSG Netherlands CV, Acting Through its General Partner, CSG International Holdings, LLC, as Sellers, dated October 6, 2005
2.40A (19)	Amendment to Securities Purchase Agreement, dated December 9, 2005
2.40B (21)	Second Amendment to Securities Purchase Agreement dated December 9, 2005
3.01 (1)	Restated Certificate of Incorporation of the Company
3.02 (17)	Revised 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
4.10 (10)	Indenture dated as of June 2, 2004 between the Registrant and Deutsche Bank Trust Company Americas relating to the CODES
4.20 (10)	Registration Rights Agreement dated as of June 2, 2004 between the Registrant and Lehman Brothers Inc.
10.01 (1)	CSG Systems International, Inc. 1995 Incentive Stock Plan
10.02 (11)	CSG Employee Stock Purchase Plan
10.03 (28)	CSG Systems International, Inc. 1996 Stock Incentive Plan, as amended August 14, 2007
10.04 (28)	CSG Systems International, Inc. 2005 Stock Incentive Plan, as amended August 14, 2007
10.05 (28)	CSG Systems International, Inc. Performance Bonus Program, as amended August 14, 2007
10.06 (28)	CSG Systems International, Inc. 2001 Stock Incentive Plan, as amended August 14, 2007
10.15 (4)	Form of Indemnification Agreement between CSG Systems International, Inc. and Directors and Executive Officers
10.16 (24)	Indemnification Agreement between CSG Systems International, Inc. and Mr. Ronald Cooper, dated November 16, 2006
10.20* (9)	CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC dated March 17, 2004

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<u>Exhibit Number</u>	<u>Description</u>
10.20A* (12)	First Amendment to the CSG Master Subscriber Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.20B* (13)	Second Amendment to the CSG Master Subscriber Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.20C* (16)	Fourth Amendment to the CSG Master Subscriber Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.20D* (18)	Fifth Amendment to the CSG Master Subscriber Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.20E* (21)	Sixth Amendment to the CSG Master Subscriber Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.20F* (22)	Seventh Amendment to the CSG Master Subscriber Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.20G* (23)	Eighth Amendment to the CSG Master Subscriber Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.20H* (30)	Ninth Amendment to the CSG Master Subscriber Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.20I* (32)	Thirteenth Amendment to the CSG Master Subscriber Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.21* (33)	Restated and Amended CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Comcast Cable Communications Management, LLC dated July 1, 2008
10.22* (20)	CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and EchoStar Satellite L.L.C. effective November 1, 2005
10.22A (25)*	First and Second Amendment to CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and EchoStar Satellite L.L.C.
10.22B (30)*	Third Amendment to CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and EchoStar Satellite L.L.C.
10.22C (31)*	Fourth Amendment to CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and EchoStar Satellite L.L.C.
10.22D (33)*	Ninth Amendment to CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and DISH Network L.L.C.
10.22E (34)	Seventeenth Amendment to CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and DISH Network L.L.C.
10.22F*	Tenth and Eleventh Amendment to CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and DISH Network L.L.C.
10.24*	CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable dated March 13, 2003
10.24A*	ComTec Processing and Production Services Agreement
10.24B*	Second Amendment to the Processing and Production Services Agreement between CSG Systems, Inc. and Time Warner Cable Inc.

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<u>Exhibit Number</u>	<u>Description</u>
10.30 (12)	\$100,000,000 Credit Agreement among CSG Systems International, Inc., as Borrower, the Lenders from Time to Time Parties Hereto, Wells Fargo Bank, National Association, as Administrative Agent, Keybank National Association, as Syndication Agent, and Wells Fargo Bank, National Association and Keybank National Association as Co-Lead Arrangers and Co-Book Runners, dated as of September 21, 2004
10.39 (33)	CSG Systems, Inc. Wealth Accumulation Plan, as amended August 15, 2008
10.40* (18)	Third Amended and Restated Services Agreement between First Data Technologies, Inc. and CSG Systems, Inc. dated August 1, 2003
10.40A* (18)	First Amendment to Third Amended and Restated Services Agreement between First Data Technologies, Inc. and CSG Systems, Inc. dated June 28, 2005
10.41*	Master Computer Services Agreement between Infocrossing, LLC and CSG Systems, Inc. dated December 15, 2008
10.41A*	Work Order for Mainframe Computer Service between Infocrossing, LLC and CSG Systems, Inc. dated December 15, 2008
10.41B*	Work Order for Open Systems Computer Service between Infocrossing, LLC and CSG Systems, Inc. dated December 15, 2008
10.44 (3)	CSG Systems International, Inc. Stock Option Plan for Non-Employee Directors
10.45 (29)	Separation and Release Agreement with Edward C. Nafus, dated December 6, 2007
10.46 (32)	Restated Employment Agreement with Robert M. Scott, dated May 29, 2008
10.46A (33)	First Amendment to Restated Employment Agreement with Robert M. Scott, dated August 19, 2008
10.47 (32)	Restated Employment Agreement with Randy R. Wiese, dated May 29, 2008
10.47A (33)	First Amendment to Restated Employment Agreement with Randy R. Wiese, dated August 19, 2008
10.48 (32)	Restated Employment Agreement with Peter E. Kalan, dated May 29, 2008
10.48A (33)	First Amendment to Restated Employment Agreement with Peter E. Kalan, dated August 19, 2008
10.49 (32)	Restated Employment Agreement with Joseph T. Ruble, dated May 29, 2008
10.49A (33)	First Amendment to Restated Employment Agreement with Joseph T. Ruble, dated August 19, 2008
10.50 (6)	CSG Systems International, Inc. 2001 Stock Incentive Plan
10.57 (7)	Restricted Stock Award Agreement with Peter E. Kalan, dated August 22, 2002
10.57A (14)	First Amendment to Restricted Stock Award Agreement with Peter E. Kalan, dated January 11, 2005
10.58 (7)	Restricted Stock Award Agreement with Peter E. Kalan, dated August 30, 2002
10.58A (14)	First Amendment to Restricted Stock Award Agreement with Peter E. Kalan, dated January 11, 2005
10.59 (7)	Restricted Stock Award Agreement with Edward C. Nafus, dated August 30, 2002
10.59A (14)	First Amendment to Restricted Stock Award Agreement with Edward C. Nafus, dated January 11, 2005

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<u>Exhibit Number</u>	<u>Description</u>
10.64 (14)	Restricted Stock Award Agreement with Peter E. Kalan, dated January 11, 2005
10.65 (14)	Restricted Stock Award Agreement with Edward C. Nafus, dated January 11, 2005
10.66 (14)	Amendment of Stock Option Agreement with Edward C. Nafus, dated January 11, 2005
10.67 (14)	Amendment of Stock Option Agreement with Edward C. Nafus, dated January 11, 2005
10.68 (15)	Restricted Stock Award with Robert M. Scott, dated March 25, 2005
10.72 (18)	Restricted Stock Award Agreement with Edward C. Nafus, dated June 30, 2005
10.80 (12)	Forms of Agreement for Equity Compensation
10.80A (27)	Forms of Agreement for Equity Compensation
10.80B (26)	Forms of Agreement for Equity Compensation
10.80C (28)	Forms of Agreement for Equity Compensation
10.81 (33)	Forms of Agreement for Equity Compensation
12.10	Statement regarding computation of Ratio of Earnings to Fixed Charges
21.01	Subsidiaries of the Registrant
23.01	Consent of KPMG LLP
31.01	Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.02	Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.01	Certification pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(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 Quarterly Report on Form 10-Q for the period ended June 30, 2001.
(4)	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, 2001.
(5)	Incorporated by reference to the exhibit of the same number to the Registrant's Current Report on Form 8-K for the event dated March 14, 2002.
(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, 2002.
(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, 2002.
(8)	Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2003.
(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, 2004.
(10)	Incorporated by reference to the exhibit of the same number to the Registrant's Registration Statement No. 333-117427 on Form S-3.
(11)	Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2004.
(12)	Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2004.

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- (13) 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, 2004.
- (14) Incorporated by reference to the exhibit of the same number to the Registrant's Current Report on Form 8-K for the event dated January 11, 2005.
- (15) Incorporated by reference to the exhibit of the same number to the Registrant's Current Report on Form 8-K for the event dated March 25, 2005.
- (16) 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, 2005.
- (17) Incorporated by reference to the exhibit of the same number to the Registrant's Current Report on Form 8-K for the event dated May 26, 2005.
- (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, 2005.
- (19) Incorporated by reference to the exhibit of the same number to the Registrant's Current Report on Form 8-K for the event dated December 9, 2005.
- (20) 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, 2005.
- (21) 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, 2006.
- (22) 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, 2006.
- (23) 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, 2006.
- (24) Incorporated by reference to the exhibit of the same number to the Registrant's Current Report on Form 8-K for the event dated November 16, 2006.
- (25) 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, 2006.
- (26) 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, 2007.
- (27) 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, 2007.
- (28) 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 31, 2007.
- (29) Incorporated by reference to the exhibit of the same number to the Registrant's Current Report on Form 8-K/A for the event dated November 14, 2007, filed on December 11, 2007.
- (30) 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, 2007.
- (31) 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, 2008.
- (32) 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, 2008.
- (33) 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, 2008.
- (34) Incorporated by reference to the exhibit of the same number to the Registrant's Current Report on Form 8-K for the event dated December 31, 2008.

* 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.

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 (***).

**TENTH AMENDMENT
TO THE
CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT
BETWEEN
CSG SYSTEMS, INC.
AND
DISH NETWORK L.L.C.**

THIS TENTH AMENDMENT (the "Amendment") is made by and between **CSG Systems, Inc .**, a Delaware corporation ("CSG") and **DISH Network, L.L.C., formerly known as EchoStar Satellite L.L.C.**, a Colorado limited liability company ("Customer"). The Effective Date of this Amendment is the date last signed below. CSG and Customer entered into a certain CSG Master Subscriber Management System Agreement (Document #2151185) dated December 1, 2005, as amended (the "Agreement"), and now desire to amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

CSG and Customer agree to the following as of the Effective Date:

1. Schedule A, Services, Paragraph 2, Reliance on Information, section entitled Service is modified by adding the following:
CSG Monetary Payment Gateway
2. Schedule A, Services, is modified by adding Exhibit A-7, CSG Monetary Payment Gateway, as follows:

EXHIBIT A-7

CSG MONETARY PAYMENT GATEWAY

The *CSG Monetary Payment Gateway* will abstract DISH Network from complex batch handling, provide robust transaction "replay" and recall, validate subscribers and post Credit Card, 1x EFT and cash payments to Customer's accounts in CCS. The Monetary Payment Gateway supports complex batch management to target payments to appear on specific CCS reports and data tracking for reconciliation and viewing of real-time monetary receipt totals.

CSG will provide monthly support of the Monetary Payment Gateway to assist Customer and its strategic business objectives as they relate to the Monetary Payment Gateway. CSG will provide hosting and maintenance services for the Monetary Payment Gateway.

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***** ** ** ** **
***** , * . * . (***** #***** ) ** ***** ** ***** ** * ***** ***** ** , **** , ***** ** ***** , **** , ** *****
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3. Schedule F, Section 2. CSG Billing Products is modified by adding Section 2.3, *CSG Monetary Payment Gateway*, as follows:

2.3 CSG Monetary Payment Gateway

<u>Description of Item/Unit of Measure</u>	<u>Frequency</u>	<u>Fee</u>
..* ***** ***** ***** ***** * *.*.* ***** ***** ***** ***** * *.*.* ***** ***** ***** ***** *	*** **	***** \$*,**.*

* Monetary Payment Gateway implementation services will be described in Statement of Work, Document #2297773.

IN WITNESS WHEREOF the parties hereto have caused this Amendment to be executed by their duly authorized representatives.

DISH NETWORK, L.L.C. (“CUSTOMER”)

CSG SYSTEMS, INC. (“CSG”)

By: /s/ Kevin R. Caringer
Name: Kevin R. Caringer
Title: Vice President
Date: 11/10/08

By: /s/ Robert M. Scott
Name: Robert M. Scott
Title: Chief Operating Officer
Date: 11/17/08

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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 (***)

ELEVENTH AMENDMENT TO CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT BETWEEN CSG SYSTEMS, INC. AND DISH NETWORK, L.L.C.

This Eleventh Amendment (the "Amendment") is made by and between CSG Systems, Inc., a Delaware corporation ("CSG") and DISH Network, L.L.C., formerly known as EchoStar Satellite L.L.C., a Colorado limited liability company ("Customer").

CSG and Customer agree to the following as of the Effective Date:

1. Customer desires to add Business Color Printing to the CSG Print and Mail Services.

a. Therefore, Schedule A-3, Print and Mail Services, is modified by adding the following:

8. Business Color Printing. CSG shall provide Business Color Printing for Customer's subscribers. Business Color Printing is available on both sides of each physical statement page and provides ***% ink color coverage.

b. Therefore, Schedule F, Section 3, CSG Print and Mail Services, shall be modified by adding the following:

Table with 3 columns: Description of Item/Unit of Measure, Frequency, Fee. Row 1: 3.9. Business Color Printing (Note 1)(Note 4). Row 2: A. Description, Frequency, Fee. Row 3: B. Description, Frequency, Fee. Row 4: C. Description, Frequency, Fee.

Note 1: Description of Business Color Printing, including details on availability and coverage. Note 2: Business Color Printing is available on both sides of each physical statement page.

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

***** (**%) *****
***** (**%), ***** (**%), *****
***** (**%) *****
***** (**%) *****
***** (**%) *****
***** (**%) *****
***** (**%) *****

Note 3: The parties agree to execute a separate Statement of Work (“SOW”) for the implementation of Business Color Printing to convert Customer’s current pre-printed statement to a dynamic, full color printed document.

Note 4 : ***** (**%) *****

***** (**)
***** (**), *****

c. Upon Customer’s migration to Business Color Printing, the following pricing for Ad Pages shall apply so long as Customer is printing statements using Business Color Printing. This pricing replaces the Ad Page pricing provided in the Sixth Amendment to the Agreement.

<u>Description of Item/Unit of Measure</u>	<u>Frequency</u>	<u>Fee</u>
Ad Pages (Note)		
• ***** (**%) ***** (** *****)	*****	*/*
• ***** (**%) ***** (** *****)	*****	\$*.*****

Note: The Ad Page charge is an uptick to the Business Color Printing Processing Fee defined in Paragraph 1.b above.

IN WITNESS WHEREOF, the parties execute this Amendment on the date last signed below (“Effective Date”).

DISH NETWORK, L.L.C. (“CUSTOMER”)

CSG SYSTEMS, INC. (“CSG”)

By: /s/ Jessica Infalaco
Name: Jessica Infalaco
Title: SVP / CMO
Date: 11/5/08

By: /s/ Joe Ruble
Name: Joe Ruble
Title: EVP – General Counsel
Date: 11/19/08

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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 (***)

CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT

This CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT (the “Agreement”) is executed on March 13, 2003 and is effective as of April 1, 2003, (“Effective Date”) between CSG Systems, Inc.®, a Delaware corporation with offices at 7887 East Belleview Avenue, Suite 1000, Englewood, Colorado 80111 (“CSG”), and Time Warner Cable (“TWC”), a division of Time Warner Entertainment Company, L.P. (“TWE”), a Delaware limited partnership with offices at 290 Harbor Drive, Stamford, Connecticut 06902-6732. TWC and CSG shall be referred to herein individually as “Party” and collectively as the “Parties.”

WHEREAS, TWC enters into this Agreement on behalf of itself and its Participating Affiliates. For purposes of this Agreement: (i) “Participating Affiliate” means an Affiliate that has agreed in writing to be bound by the terms and conditions of this Agreement by execution of an Affiliate Addendum (as defined in Section 1.1 below) by such Affiliate or by TWC on behalf of such Affiliate; and (ii) the term “Affiliate” means: (1) AOL Time Warner Inc., Time Warner Entertainment-Advance/Newhouse Partnership, TWI Cable, Inc., Time Warner Cable Capital, L.P., TWE, MediaOne TWE Holdings, Inc., Time Warner Cable Inc., and/or Time Warner Inc., or any successor-in-interest of any of the foregoing, or any majority-owned subsidiary of any of the foregoing entities (each of the foregoing entities, a “TW Company”), or any corporation, partnership, limited liability company or other entity which is managed in whole or in significant part by any TW Company or through managers designated by any TW Company; or (2) the Advance Newhouse Partnership, any entity that controls, is controlled by, or is under common control with the Advance Newhouse Partnership, or any successor-in-interest of any of the foregoing, or any majority-owned subsidiary of any of the foregoing entities (each of the foregoing entities, an “Advance Newhouse Company”), or any corporation, partnership, limited liability company or other entity which is managed in whole or in significant part by any Advance Newhouse Company or through managers designated by any Advance Newhouse Company.

WHEREAS, CSG and Customers (as defined in Section 1.1 below) are parties to several agreements (collectively, the “Prior Agreements”) and upon execution of this Agreement desire to supercede the terms and conditions of those Prior Agreements with the terms and conditions of this Agreement. Notwithstanding the above, the Auto-Check Refund Processing Agreement entered into on July 31 1996, between CSG and Time Warner Cable and any agreements between CSG and Time Warner Communications of Tampa shall remain in effect according to the terms therein.

WHEREAS, Customers desire to obtain from CSG, and CSG desires to grant to each Customer, a license to use the products set forth in Schedule B, which, along with any other CSG products subsequently licensed by CSG to Customers under this Agreement, are collectively referred to herein as the “Products;” and

WHEREAS, Customers desire to obtain from CSG, and CSG desires to provide to Customers, the Services set forth in Schedule C, which, along with any Technical Services or other CSG services provided by CSG to Customers under this Agreement, are collectively referred to herein as the “Services;”

NOW THEREFORE, in consideration of the mutual promises and covenants contained herein, CSG and Customers agree:

ARTICLE 1 OVERVIEW

1.1 General Terms .

(a) For purposes of this Agreement, the term “Customers” shall refer, collectively, to TWC or any successor-in-interest thereto and each Participating Affiliate. Each Participating Affiliate shall execute or, with respect to each Affiliate that was a party to a Prior Agreement, shall be bound by, a separate Addendum substantially similar to the

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AND IS NOT FOR GENERAL DISTRIBUTION WITHIN OR OUTSIDE THEIR RESPECTIVE COMPANIES**

form attached hereto as Schedule I (“Affiliate Addendum”). The Affiliate Addenda with respect to the Affiliates that are currently parties to any Prior Agreement with CSG are attached hereto as Schedules I-1 through I-12, respectively. The Affiliate identified in an Affiliate Addendum attached hereto as Schedules I-1 through I-12 shall be bound by such Affiliate Addendum upon the execution of this Agreement by TWC and CSG. Any modification or supplement after the Effective Date to an Affiliate Addendum attached hereto as Schedules I-1 through I-12 shall be executed by and between the applicable Participating Affiliate and CSG.

(b) Notwithstanding any rights granted to or obligations assumed by any Participating Affiliate under this Agreement, TWC will remain liable for all obligations of any Participating Affiliate under this Agreement including, but not limited to, the obligation to pay any fees set forth in Schedule F. No Participating Affiliate shall be jointly or severally liable for any obligation of any other Participating Affiliate or of TWC under this Agreement.

(c) Notwithstanding the above, the following entities shall not be permitted to become “Participating Affiliates” under this Agreement (a) Time Warner Communications of Tampa, or (b) any entity acquired by TWC or any Affiliate after the Effective Date that is the only or the principal party (“CSG Customer”) to any agreement(s) with CSG (“CSG Customer Agreement”). Notwithstanding the foregoing, and subject to the restriction set forth in paragraph (d) below, CSG further agrees and hereby consents to allow a CSG Customer to become a Participating Affiliate under this Agreement, provided, (a) where the term of the CSG Customer Agreement exceeds the expiration of this Master Agreement, the terms of this Master Agreement shall continue past any expiration of this Master Agreement for the remainder of the stated term of such CSG Customer Agreement (“Extended Term”) but only as to the subscribers acquired as a result of the acquisition by TWC or an Affiliate of such CSG Customer (“Acquired CSG Customer Subscribers”) and, upon expiration of this Master Agreement, during the Extended Term, the minimum number of monthly Connected Subscribers hereunder shall be equal to (i) ninety percent (90%) of the then current number of Connected Subscribers being processed under the CSG Customer Agreement at the time of the acquisition by TWC or an Affiliate of such CSG Customer where there is no minimum number of monthly Connected Subscribers under such CSG Customer Agreement or (ii) the then current monthly Connected Subscriber minimum under the CSG Customer agreement at the time of the acquisition by TWC or an Affiliate of such CSG Customer, where such CSG Customer Agreement does contain a minimum number of monthly Connected Subscribers and, provided further, that if this Master Agreement is renewed or a new agreement is entered into between CSG and TWC or its successor upon expiration of this Master Agreement, then instead of the continuation of the terms of this Master Agreement past the expiration hereof for the Extended Term, the terms of such renewed or new agreement shall also apply with respect to such Acquired CSG Customer Subscribers; and (b) the monthly Connected Subscriber minimum under this Agreement is increased by (i) ninety percent (90%) of the then current number of Connected Subscribers being processed under the CSG Customer Agreement where there is no minimum number of monthly Connected Subscribers under such CSG Customer Agreement or (ii) the then current monthly Connected Subscriber minimum under the CSG Customer Agreement, where such CSG Customer Agreement does contain a minimum number of monthly Connected Subscribers. The increase in Customers’ monthly Connected Subscriber minimum under this Agreement set forth in the preceding sentence shall be in effect only for the remainder of the stated term of the CSG Customer Agreement. For purposes of clarification, where a CSG Customer Agreement imposes a minimum with reference to a standard other than “Connected Subscribers” as defined in Section 3.1(a) below, such agreement shall be deemed not to have a minimum number of monthly Connected Subscribers and, therefore, the provisions of clauses (a)(i) and (b)(i) above shall apply and, in such event, the then current number of Connected Subscribers of such CSG Customer shall be calculated based on the definition of “Connected Subscribers” set forth in Section 3.1(a) below irrespective of any contrary or conflicting provision set forth in the CSG Customer Agreement. Further, in the event that a CSG Customer becomes a Participating Affiliate as permitted hereunder, the CSG Customer Agreement by and between such CSG Customer and CSG shall automatically terminate without a discontinuance fee or penalty.

(d) The Parties acknowledge the existence of a certain Restated and Amended CSG Master Subscriber Management Agreement dated August 10, 1997 between CSG and AT&T Broadband Management Corporation (now known as Comcast ABB Management Corporation.), f/k/a TCI Cable Management Corporation (as further amended or modified after the Effective Date and specifically including any new or replacement agreement which may supersede such Restated and Amended CSG Master Subscriber Management Agreement dated August 10, 1997, the “AT&T Agreement”).

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For purposes of subsections 1.1(e)-(f) below:

- (i) “ AT&T Broadband ” shall mean either (1) Comcast ABB Management Corporation or any successor entity(s) thereto (“ATMC”) or (2) a Participating AT&T Affiliate (or any successor entity(s) thereto);
- (ii) “ AT&T Affiliate ” means any cable service provider (1) in which ATMC exercises exclusive management control or otherwise has the ability to direct the engagement of outside vendors or service providers or (2) in which ATMC owns, directly or indirectly, 40% or more of the equity interest, unless ATMC reasonably demonstrates that it does not have the powers described in the foregoing clause (1) despite such equity ownership;
- (iii) “ Participating AT&T Affiliate ” means any AT&T Affiliate that has expressly agreed in writing to be bound by the terms of the AT&T Agreement;
- (iv) “ TWC ” shall mean Time Warner Cable or any Affiliate thereof;
- (v) “successor-in-interest” shall mean a party that assumes the rights and obligations of an agreement whether by operation of law or by express written agreement;
- (vi) “ Acquired AT&T Entity(ies) ” shall mean either ATMC or any Participating AT&T Affiliate should one or more of them be acquired by TWC.
- (vii) “ New Minimum Subscriber Number ” shall mean the number of Acquired AT&T Subscribers that are being processed by the Acquired AT&T Entity(ies) (as defined below) under the AT&T Agreement on the date immediately preceding the date upon the closing of TWC’s acquisition of either ATMC or a Participating AT&T Affiliate; and
- (viii) “ New Minimum Fees ” shall mean the monthly processing charges payable pursuant to the AT&T Agreement calculated on the basis of the New Minimum Subscriber Number.

(e) The Parties agree that in the event TWC acquires either ATMC or a Participating AT&T Affiliate, then, any provision set forth in the AT&T Agreement which may require that CSG be the exclusive provider of any product(s), equipment, software or service(s) provided pursuant to the AT&T Agreement (including, without limitation, Section 31 of the AT&T Agreement) shall not apply to any subscribers controlled by TWC on the date immediately preceding the date of the closing of the relevant acquisition or to any subscribers thereafter acquired by TWC. Further, in no event shall any Acquired AT&T Entity be permitted to become a Participating Affiliate (as defined above in the Preamble) under this Agreement. Instead, the AT&T Agreement shall apply solely to the subscribers owned or controlled by the Acquired AT&T Entity(ies) on the date immediately preceding the date of the closing of such acquisition (“Acquired AT&T Subscribers”)but the AT&T Agreement shall not apply to any other subscribers then owned or thereafter acquired, either directly or indirectly, by TWC. For clarification purposes, in no event shall any subscribers acquired by TWC be considered “Acquired AT&T Subscribers” if such subscribers were not owned by an Acquired AT&T Entity on the date immediately preceding the date on which TWC acquired such entity.

(f) In consideration of CSG’s waiver of its exclusive rights in the preceding paragraph, TWC and CSG further agree that in the event TWC acquires ATMC or a Participating AT&T Affiliate, the New Minimum Subscriber Number shall be equal to the number of Acquired AT&T Subscribers being processed pursuant to the AT&T Agreement as of the date immediately prior to the date of TWC’s acquisition of the Acquired AT&T Entity(ies); provided, however, that if the Acquired AT&T Entity(ies) is responsible for maintaining a minimum number of subscribers under the AT&T Agreement, such minimum shall remain in effect if such minimum is greater than the then current number of Acquired AT&T Subscribers being processed pursuant to the AT&T Agreement as of the date immediately prior to the date of TWC’s acquisition of the Acquired AT&T Entity(ies). During the remaining term of the AT&T Agreement, each month TWC shall be responsible for paying CSG, or causing the Acquired AT&T Entity(ies) to pay to CSG, the greater of the actual fees incurred pursuant to the AT&T Agreement during such month with respect to the Acquired AT&T Subscribers or the New Minimum Fees. TWC and the Acquired AT&T Entity(ies) shall have the right to exchange subscribers between and amongst customer care and billing vendors provided, however, that such right shall not change their obligation to pay the greater of either the actual fees incurred or the New Minimum Fees.

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1.2 Term. Unless earlier terminated pursuant to Section 6, this Agreement shall remain in effect for a period of ten (10) years from the Effective Date ("Term"). Unless terminated earlier pursuant to Section 6, the term of any specific license for the Products and the term for any specific Services to be provided shall be coterminous with this Agreement unless stated otherwise in the applicable Schedule or Addendum.

1.3 Termination of Prior Agreements . Upon the Effective Date of this Agreement, the Prior Agreements (including any licenses granted therein) shall immediately terminate, except that any statements of work or letters of agreement previously executed pursuant to a Prior Agreement (collectively, the "Outstanding SOWs") but not yet completed or otherwise terminated, or under which any amount is owing by a Customer to CSG shall become Statements of Work (as defined in Section 3.6 below) and shall be completed in accordance with the terms of such Statements of Work. Any unbilled fees under the Outstanding SOWs shall be invoiced by CSG, and shall be paid by Customer in accordance with the terms of the Outstanding SOWs (if and to the extent such terms conflict with the terms of this Agreement). A list of all Outstanding SOWs are set forth on Schedule A attached hereto. In addition, any trial licenses for CSG Products shall remain in effect subject to the terms and conditions set forth in the applicable Prior Agreements and shall terminate in accordance with such Prior Agreements. Subject to the foregoing, upon the Effective Date, the terms and conditions related to CSG's offering of its Products and Services to Customers and all licenses granted in connection therewith, and the treatment of either Party's Confidential Information shall be governed by this Agreement.

1.4 Reserved.

1.5 Basic Products and Services. During the term of this Agreement and on the terms and conditions described herein, CSG will make available to every Participating Affiliate the basic products identified in Schedule B attached hereto ("Basic Products") and the basic services identified in Schedule C attached hereto ("Basic Services") for the fees set forth in Schedule F or, where applicable, in the Affiliate Addenda. The Subscribers (as defined in Section 2.2 below) of all Customers shall be aggregated for purposes of determining the applicable fee rate pursuant to Schedule F (where any such fees fluctuate based on volume); but once such rate(s) have been determined, CSG shall invoice each Participating Affiliate separately for the fees relating solely to the Subscribers of such Participating Affiliate. However, any difference between the aggregate fees actually paid by all Participating Affiliates and any minimum fees based on the aggregate number of monthly Connected Subscribers (as defined in Section 3.1(a)) required under Schedule F shall be billed by CSG to TWC, in accordance with and as more particularly described in Schedule F. A Participating Affiliate may request CSG to provide other products and services in addition to the Basic Products and Basic Services, including, but not limited to, any described in Schedules B and C ("Additional Products and/or Additional Services") to such Participating Affiliate at the prices set forth in Schedule F or, where applicable, in the Affiliate Addenda. Such Additional Products and Services requested by a Participating Affiliate shall be set forth in the applicable Affiliate Addendum. If any such Additional Product or Service is requested by a Participating Affiliate after the execution of its original Affiliate Addendum, then such Participating Affiliate shall execute a supplement to its Affiliate Addendum setting forth any such Additional Products or Additional Services and agreeing to be bound by the terms and conditions of this Agreement and any additional Schedule(s) pertaining to such Additional Products and/or Services. For purposes of this Agreement, (a) the term "Products" shall include "Additional Products" identified in an Affiliate Addendum; and (b) the term "Services" shall include "Additional Services" identified in an Affiliate Addendum. Notwithstanding any other provision of this Agreement, for the fees set forth on Schedule F hereto, each Customer may use the Products and Services in connection with their provision of video or high speed data or other entertainment, information, programming, applications, data or other services, equipment or products provided to their Subscribers, excluding services requiring the use of any Product or Service not then licensed or purchased (as applicable) by such Customer. The foregoing may be subject to additional fees to the extent CSG is required to modify its Products or Services to enable Customers to use them in connection with certain services, equipment or products provided to their Subscribers.

**ARTICLE 2
PRODUCT LICENSES**

2.1 Products. Pursuant to the terms and conditions of this Agreement, for the fees set forth in Schedule F, CSG agrees to license to each Customer the Products set forth in Schedule B, limited to the number of Workstations identified on the applicable Affiliate Addendum (except with respect to the Expanded License Software), and exclusively for use in

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the United States with the Basic Services at the system sites set forth in the applicable Affiliate Addendum (“System Sites”). In addition, CSG agrees to license the Products identified in Schedule M for use by TWC subject to the terms and conditions set forth in Schedule M. “Products” includes (i) the machine-readable object code version of the software (the “Software”), whether embedded on disc, tape or other media; (ii) the published user manuals and documentation that CSG may make generally available for the Software (the “Documentation”), (iii) any applicable Updates (as defined in Section 4.1), and (iv) any copy of the Software, Documentation or Updates.

2.2 License. Except for the Products identified in Section 2.3 below, upon delivery of the applicable medium (or media) containing the Products to a Customer, CSG grants to such Customer a non-exclusive, nontransferable (except as otherwise permitted under Section 12.7 of this Agreement), and perpetual license to use the Products: (a) exclusively at the System Sites or, in the case of TWC, at the locations identified in Schedule M, and (b) in object code form only, and only for such Customer’s own internal purposes and business operations for providing accounting, billing, and customer care services to its residential and commercial subscribers (collectively, “Subscribers”) receiving video or high speed data or other entertainment, information, programming, applications, data, or other services, equipment or products from such Customer or services related thereto, excluding services requiring the use of any Product or Service not then licensed or purchased (as applicable) by such Customer. The foregoing may be subject to additional fees to the extent CSG is required to modify its Products or Services to enable Customers to use them in connection with certain services, equipment or products provided to their Subscribers. The license granted to the Customers in this Section 2.2 is expressly limited to the number of Workstations, servers or users (as the case may be) identified on the applicable Affiliate Addendum, or in the case of TWC, identified in Schedule M. A “Workstation” is a computer on which the Products are installed. To use a license, every machine running a Product must have a licensed copy. Each Customer may use a Product on the number of Workstations set forth in its Affiliate Addendum, or in the case of TWC, in Schedule M, provided that such Customer has obtained sufficient licenses for each Workstation. If a Customer plans to install a Product on additional Workstations, it must notify CSG of its plans to install on such additional Workstations and, prior to such installation, such Customer shall have a license to run such Product on such additional Workstations. If a Customer does not obtain the necessary licenses prior to installation of a Product on additional Workstations, it shall be obligated to remove the Product from all but the number of Workstations it has obtained licenses for. CSG shall invoice each Customer for any the fees set forth in Schedule F for the Products granted herein in this Agreement after delivery of the medium (or media) containing the Products. Notwithstanding the foregoing, in the case of Customers’ license of CSG Vantage[®], each Customer’s right to use Vantage is limited to the number of Workstations licensed by such Customer rather than number of Workstations listed on the applicable Affiliate Addendum or, in the case of TWC, identified in Schedule M. Nothing in this Agreement will entitle Customer to receive the source code of the Software or Updates, in whole or in part, except as set forth in Section 12.12.

2.3 Expanded Software License .

- (a) The license established by this Section 2.3 shall apply only to ACSR[®] and ACSR[®] module of HSD and all Updates thereof (collectively, the “Expanded License Software”);
- (b) For the fees set forth in Schedule F, CSG hereby grants to each Customer, during the term of this Agreement, a non-exclusive, royalty-free license to use the Expanded License Software (the “Expanded License”), subject to the terms and conditions set forth in this Section 2.3;
- (c) CSG shall promptly deliver to each Customer an electronic copy of each and every Update of the Expanded License Software;
- (d) Each Customer may use the Expanded License Software in object code form only on Workstations that are owned or leased by such Customer at such Customer’s System Sites in the United States, in the Designated Environment for each Product as specified in Section 2.4, and only for such Customer’s own internal business purposes in connection with the CCS Services;
- (e) Upon execution of this Agreement, each Customer may make an unlimited number of copies of the applicable Expanded License Software for its use under this Expanded License; provided, however, that such Customer shall reproduce all confidentiality and proprietary notices on all such copies;
- (f) This Expanded License is not transferable, in whole or in part, except as permitted under Section 12.7 of this Agreement;
- (g) In addition to the restrictions set forth in Section 2.5 below, Customers will not use, or permit any other person to use, the Expanded License Software in a service bureau capacity (e.g., whereby two or more unrelated parties are capable of deriving the benefit of the software from a common or shared computer facility); and

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- (h) The Expanded License Software granted under this Section 2.3(a) is exclusive of any third party software that may be required to operate the software or required in the Designated Environment, for which each Customer agrees to be solely responsible for procuring.
- (i) For purposes of this Section 2.3, "Customer" shall not include TWC.

2.4 Designated Environment. "Designated Environment" means the then-current combination of other computer programs and hardware equipment specified for use with the Products as identified by CSG on Schedule D, as such Schedule D may be updated by CSG from time to time in its reasonable discretion; provided, however, that each Customer will receive six (6) months prior written notice for any changes to the hardware and/or software that each Customer or a Subscriber is required to maintain in order to use or access any of the Products or Services, except for changes in (a) the operating system, or (b) in CSG's Products or Services which are solely under CSG's control, in which case CSG shall give Customers no less than nine (9) months prior notice. Notwithstanding the above, CSG shall have no obligation to give prior notice to Customers of changes to the Designated Environment that do not require Customers or their Subscribers to upgrade its computer programs or hardware equipment unless such changes would necessitate training of Customers' customer service representatives, in which case at least 90 day's notice shall be given to Customers. Subject to the foregoing sentences, each Customer may use the Products only in the Designated Environment and will be solely responsible for upgrading the Designated Environment to the specifications that CSG may provide from time to time in accordance with this Section 2.4. If a Customer fails to do so or otherwise uses the Products outside the Designated Environment, CSG will have no obligation to continue maintaining and supporting the Products. Upon request by a Customer, CSG shall certify (at such Customer's expense) that such Customer is in compliance with the Designated Environment and upon inspection, shall notify Customer of any non-compliance prior to the commencement of CSG's obligations under this Agreement, including its obligations to maintain and support the Products. Any other use or transfer of the Products outside of the Designated Environment will require CSG's prior approval not to be unreasonably withheld, which may be subject to additional charges. CSG will not have any responsibility or liability in connection with malfunctions or any damage resulting from any modification to the Products not authorized by CSG or any use of the Products in connection with software or hardware not included in a Designated Environment.

2.5 Restrictions. Each Customer agrees that it shall not: (i) reverse engineer, decompile or disassemble any Product; (ii) sell, lease, license or sublicense any Product; (iii) publish (other than internally for use by TWC and the Affiliates) any results of benchmark tests on the Product; (iv) create, write or develop any derivative software or any other software program based on the Product; (v) use the Products 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 Products, whether on a time-sharing, remote job entry or other multiple user arrangement; and (vii) install the Software, Update or Deliverable (as defined in Sections 4.1 and 3.6) licensed on a per Workstation basis on a network or other multi-user computer system unless CSG specifically authorizes it in writing. Use, duplication or disclosure by the U.S. Government or any of its agencies is subject to restrictions set forth in the Commercial Computer Software and Commercial Computer Software Documentation clause at DFARS 227.7202 and/or the Commercial Computer Software Restricted Rights clause at FAR 52.227.19(c).

2.6 Third Party Software. Each Customer acknowledges that certain commercially available third party software and documentation may be procured by such Customer through CSG and that, in such case, such Customer's rights and obligations with respect thereto are subject to the license terms that might accompany such third party products. The fees, if any, for such third party products that may be procured through CSG are set forth in Schedule F. Customer shall execute any additional documents that such vendors may require enabling CSG to deliver the third party products that a Customer elects to procure through CSG. To the extent third party products are procured through CSG, and provided CSG has the necessary rights, CSG shall pass through all warranties and indemnities provided by any licensor of any such third party products. Customer may be required to procure other third party software in the Designated Environments for the Products licensed by such Customer from someone other than CSG and such Customer shall be responsible for any and all fees related thereto. CSG makes no warranty and provides no indemnity with respect to such third party products procured through CSG. Notwithstanding the above, any third party software embedded in the Products shall be considered "Products" for purposes of this Agreement ("Embedded Third Party Software"). Third party software that does not constitute Embedded Third Party Software shall not be considered "Products" for purposes of this Agreement. Customers shall not be obligated to procure any third party products (other than the Embedded Third Party Software) through CSG and may, instead, choose to procure such third party products separately.

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2.7 Third Party Licenses. CSG may provide Customers with Products, third party software and Services subject to patent or copyright licenses that third parties, including Ronald A. Katz Technology Licensing, L.P., have granted to CSG ("Third Party Licenses"). Each Customer acknowledges that such Customer receives no express or implied license under the Third Party Licenses other than the right to use the Products, any third party software and Services, as provided by CSG in the video and high speed data industry. Any modification of or addition to the Products, third party software or Services or combination with other software, hardware or services that is not made or provided by CSG, is not licensed under this Agreement, expressly or impliedly, and may subject such Customer and any third party supplier or service provider to an infringement claim. Neither Customers nor any third party will have any express or implied rights under the Third Party Licenses with respect to (i) any software, hardware or services not provided by CSG or (ii) any product or service provided by Customers other than through the authorized use of the Products, third party software or Services as provided by CSG.

2.8 Copies. Except as expressly permitted in Section 2.3 above, each Customer may make only one back-up archival copy of the Products and Updates (as defined in Section 4.1 below). Each Customer will reproduce all confidentiality and proprietary notices on each of these copies and maintain an accurate record of the location of each of these copies.

2.9 Ownership. All trademarks, service marks, patents, copyrights, trade secrets and other proprietary rights in or related to the Products, the Deliverables (except as and to the extent otherwise specified in the applicable Statement of Work), any Embedded Third Party Software, or copies thereof (collectively the "Software Products") are and will remain the exclusive property of CSG or its licensors, whether or not specifically recognized or perfected under applicable law. Customers will not take any action that jeopardizes CSG's or its licensor's proprietary rights or acquires any right in the Software Products, except the limited use rights specified herein. CSG or its licensor will own all rights in any copy, translation, modification, adaptation or derivation of the Software Products, including any improvement or development thereof, except as and to the extent otherwise specified in the applicable Statement of Work. Customers will obtain, at CSG's request, the execution of any instrument that may be appropriate to assign these rights to CSG or its designee or perfect these rights in CSG's or its licensor's name.

ARTICLE 3 SERVICES

3.1 CCS Services.

- (a) **Connected Subscribers.** Each Customer will purchase from CSG the Basic Services for all of Customer's Connected Subscribers. For purposes of this Agreement, "Connected Subscribers" shall mean, for each Customer, the total number of Subscribers connected for service on CSG's subscriber master file reflected on the ledger activity report on the last processing day of a processing month for such Customer. The Basic Services will provide each Customer with an on-line terminal facility (not the terminals themselves), service bureau access to CCS processing software, adequate computer time and other mechanical data processing services as more specifically described in the Documentation (as defined in Section 2.1 above). Each Customer's personnel shall enter all payments and non-monetary changes on terminal(s) located at such Customer's offices, or provide CSG payment information on magnetic tape or electronic record in CSG's format. CSG and each Customer acknowledge and agree that the Documentation describing the CCS Services is subject to ongoing review and modification. Except where a Customer has provided reasonable advance notice to CSG and CSG has provided consent, which shall not be unreasonably withheld, of a planned Macro or Screen Scraping (as defined below), Customers acknowledge and agree that transactions executed Monday through Friday, between the hours of **.* * (* **) * ** * . * * * . (* **) which are the result of: (i) computer generated on-line transactions which allow Customer(s) to select numerous transactions with a single command ("Macros"); or (ii) selecting multiple fields from CSG's online screens and populating an application or database on Customer's end ("Screen Scraping"), will be subject to a reduction to an acceptable level by CSG if a threshold of * ** * _ * ** * transactions within a * ** * * * * (* **) * ** * * * * period is reached but such transactions shall not be terminated. For clarification purposes, the "reduction" in transactions described in the preceding sentence shall mean a reduction in the number of transaction completed within a * ** * * * * (* **) * ** * * * * period.

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the Disbursements incurred by such Customer on a monthly basis are less than the Deposit for ***** (*) *****. In addition to the foregoing, CSG shall have the right to apply the Deposit to the payment of any undisputed invoice from CSG, which remains unpaid during the term of this Agreement beyond the applicable cure period set forth in Section 6.1, and such Customer agrees to replenish any such Deposit amount as set forth above. Any portion of the Deposit that remains after the payment of all amounts due to CSG following the termination or expiration of this Agreement or a Customer's Affiliate Addendum will be returned to such Customer by CSG within ***** (**) ***** of such termination or expiration. Customers shall not be entitled to receive interest on their respective Deposits while they are maintained by CSG.

3.3 Enhanced Print and Mail Services. CSG shall develop a customized billing statement (the "ESP Statement") for each Customer's Subscribers utilizing CSG's enhanced statement presentation ("ESP") services. The ESP Statements may include CSG's or such Customer's Intellectual Property (as defined in Section 3.10) as directed by such Customer in its sole discretion.

- (a) **Development and Production of ESP Statements .** CSG will perform the design, development and programming services related to design and use of the ESP Statements (the "Work") for each Customer, which will contain such Customer's and CSG's Intellectual Property and include the Development Fee (as defined in Schedule F) to be paid by such Customer. CSG will create the work product deliverables (the "Work Product") set forth in a separately executed and mutually agreed upon ESP Work Order (the "Work Order") or Statement of Work between CSG and such Customer. Except with respect to such Customer's Intellectual Property, each Customer agrees that the Work and Work Product shall be the sole and exclusive property of CSG. Such Customer shall have no proprietary interest in the Work Product or in CSG's billing and management information software and technology and agrees that the Work Product is not a work specially ordered and commissioned for use as a contribution to a collective work and is not a work made for hire pursuant to United States copyright law. After CSG has completed the Work and the Work Product, CSG will produce ESP Statements for such Customer.
- (b) **Supplies.** CSG will provide the following supplies for the ESP Statements: ***** ***** ***** (*) * ***, ****, ***** (*) ***** ***, ***** *****), ***** ***** ***** (****, ***** (*) ***** ***) ***** ***** ***** ***** ***** (**** *****). CSG shall purchase each Customer's requirements of Supplies necessary for production and mailing of the ESP Statements. CSG shall charge each Customer the rates set forth in Schedule F for purchase of Supplies.
- (c) **Right of Customer's Intellectual Property.** Each Customer provides to CSG a non-exclusive right to use all of such Customer's Intellectual Property that is designated by such Customer as necessary to design, produce and mail the ESP Statements, directly or indirectly. Each Customer represents and warrants that it owns or has licensed all of such Customer's Intellectual Property and has full power and authority to grant CSG the license set forth herein and that CSG's use of such Customer's Intellectual Property on ESP Statements will not constitute a misuse or infringement of such Customer's Intellectual Property or an infringement of the rights of any third party. Such Customer will immediately advise CSG of the loss of such Customer's right to use any of such Customer's Intellectual Property, of all copyright and other notices that must be used in connection with such Customer's Intellectual Property, and of any restrictions on use of such Customer's Intellectual Property relevant to CSG's activities hereunder.

3.4 Financial Services. For the fees set forth in Schedule F, each Customer shall receive the following Financial Services: Recurring PayBill Advantage, One-Time PayBill Advantage, Recurring Credit Card Authorization Services, One-Time Credit Card Authorization Services, Card Account Update Service (Visa/Acxion) in accordance with the terms and conditions set forth in the attached Exhibits C-1, C-2, and C-3.

- (a) **Compliance with Laws.** Except where such compliance obligation is CSG's responsibility under this Agreement as otherwise expressly provided in this Agreement, each Customer will comply in all material respects with all federal, state and local laws and regulations applicable to Customer pertaining to consumer credit information (including, without limitation, the Fair Credit Reporting Act, 15 USC, §1681, et seq.), electronic processing and any other financial activity related to the Services, provided by CSG under this Agreement. In the event of evidence of fraudulent activity by any Customer, upon a reasonable investigation and notice to such Customer pursuant to the applicable notice provisions in this Agreement and the Affiliate

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

Addenda with a copy to TWC at the address set forth in Section 12.9, CSG may discontinue all Financial Services with respect to such Customer (s) if such Customer(s) fail to cease the fraudulent activity within forty eight hours of receipt of notice but shall resume the provision of all Financial Services with respect to such Customer(s) as soon as any fraudulent activity has ceased.

- (b) **Records.** CSG shall maintain records of the transactions it performs under this Agreement, but shall not be liable for any damage, loss of data, delays and errors in connection with Services provided hereunder that are beyond CSG's reasonable control.

3.5 Care Express. With respect to each Customer that desires to utilize CSG's web-based software application that will allow it to perform a variety of customer care and electronic bill payment and presentment functions via the Internet as described in Exhibit C-4 (the "Care Express Services"), the Care Express Services shall be provided in accordance with the terms and conditions set forth in Exhibit C-4 for the fees set forth in Schedule F.

- (a) **Ownership of the Care Express Services.** Except with respect to Customer Intellectual Property (as defined in Section 3.10) and subject to Section 3.6(d) below, all patents, copyrights, trade secrets and other proprietary rights in or to any work product developed for a Customer as part of the Care Express Services shall be CSG's sole and exclusive property, whether or not specifically recognized or perfected under applicable law. Except with respect to Customer Intellectual Property, such Customer shall not have or acquire any proprietary interest in such work product, including the actual format or layout created for such Customer, or in CSG's billing and management information software and technology and agrees that such work product is not work specially ordered and commissioned for use as a contribution to a collective work and is not work made for hire pursuant to U.S. Copyright Law. For purposes of this paragraph 3.5(a), the definition of a site's "look and feel" (e.g., default typeface, size and color for headings and body text, spacing and margins, screen flow, placement of buttons, graphics, use of trademarks and any boilerplate content to be included on certain pages) provided by Customer(s) to CSG shall be considered Customer Intellectual Property. Notwithstanding the above, the business logic, interface capabilities and development code related to the Care Express Services shall be the sole and exclusive property of CSG.
- (b) **Customer's Intellectual Property Representations.** CSG may use all of a Customer's Intellectual Property designated in the Statement of Work (as defined in Section 3.6) between CSG and such Customer as necessary to design, produce and operate the Care Express Services and perform CSG's other rights and obligations hereunder. Each Customer represents and warrants that it owns or has licensed all of Customer's Intellectual Property, and that CSG's use of such Customer's Intellectual Property on the Care Express Services pages will not constitute a misuse or infringement of such Customer's Intellectual Property, or the rights of any third party. Each Customer will immediately advise CSG of the loss of such Customer's right to use Customer's Intellectual Property. Each Customer will immediately advise CSG of all copyright and other notices that must be used in connection with such Customer's Intellectual Property and of any restrictions on the use of such Customer's Intellectual Property relevant to CSG.

3.6 Technical Services. During the term of this Agreement, CSG shall provide certain consulting, development and/or integration services ("Technical Services") required by and described in a statement of work ("Statement of Work"), which CSG and a Customer may mutually agree to in writing from time to time and which shall be substantially similar in form to Schedule E. Such Customer will pay CSG any fee(s) set forth in a Statement of Work, as well as any Reimbursable Expenses (as defined in Section 5.1) incurred in connection with the Technical Services performed by CSG if required by such Statement of Work, in accordance with the terms and conditions of this Agreement unless otherwise set forth in such Statement of Work. CSG and Customer acknowledge that all Statements of Work shall form an integral part of this Agreement. Without limiting the foregoing, the parties agree to negotiate in good faith a mutually agreeable Statement of Work for any Technical Services requested by a Customer which relate to (i) the building of any interface between the Products and the systems used by CSG to provide the Services and any other system or product designated by a Customer, and (ii) the development of any modifications to the Products or the systems used to provide the Services requested by a Customer for the purpose of facilitating such Customer's compliance with the federal, state or local laws, rules or regulations to which it is subject.

- (a) **Location and Access.** CSG may perform the Technical Services at the applicable Customer's premises, CSG's premises or such other premises that such Customer and CSG may deem appropriate. Such Customer will permit CSG to have reasonable access to such Customer's premises, personnel and computer equipment for the purposes of performing the Technical Services and Implementation/Conversion Services at such Customer's premises.

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- (b) **Change Order.** A Statement of Work may be amended from time to time upon agreement of CSG and the applicable Customer and execution of a modification to the Statement of Work ("Change Order"). Requests for a Change Order shall be made in writing to the other party. If CSG rejects a request from a Customer for a Change Order, such Customer shall have the option to cancel such Statement of Work without charge or penalty by written notice to CSG; provided such Customer pays all amounts due as of the date of such termination (including Reimbursable Expenses). If such Customer does not elect to cancel such Statement of Work, then CSG shall proceed to fulfill its obligations under the Statement of Work.
- (c) **Privacy Obligations.** CSG and Customers acknowledge that in order for CSG to provide Customers with Services, it will be necessary for Customers to disclose to CSG certain personal information of Customers' Subscribers ("Subscriber Personal Information"). Each Customer agrees that at all times during the term of this Agreement it will comply with its obligations, if any, under all applicable privacy laws in relation to its collection, use, and disclosure of Subscriber Personal Information to CSG solely for the purpose of enabling CSG to perform its obligations under this Agreement, and where required by law, such Customer will obtain the appropriate consents from its Subscribers prior to such collection, use, and disclosure to CSG. If any action is instituted against CSG directly or indirectly resulting from Customer's breach of any of obligations under this Sections 3.6(c), Customer(s) shall indemnify, defend (including without limitation by making any interim payment necessary for appeal) and hold CSG and its Related Parties (as defined in Section 7.1) harmless, at Customer(s)' expense, and pay the damages and costs finally awarded against CSG or its Related Parties in the action or any settlement amount approved by Customer(s), but only if CSG complies with the indemnification procedures set forth in Section 7.4 below. CSG agrees that it shall: (i) only use Subscriber Personal Information to fulfill its obligations under this Agreement and (ii) treat all Subscriber Personal Information as Confidential Information.
- (d) **Intellectual Property.** All patents, copyrights, trade secrets or other proprietary rights in or to the work product that CSG may create for a Customer, including, but not limited to, any ideas, concepts, inventions or techniques that CSG may use, conceive or first reduce to practice in connection with the Technical Services ("Deliverables"), are and will be the exclusive property of CSG, except as and to the extent otherwise specified in the applicable Statement of Work. CSG and such Customer will execute any instruments that may be appropriate or necessary to give full legal effect to the rights granted under this Section 3.6(d) or the rights granted under the applicable Statement of Work.
- (e) **Delivery of Items.** Upon the expiration or termination of this Agreement or an Affiliate Addendum between CSG and a Customer for any reason, such Customer will promptly pay CSG the non-disputed fees and Reimbursable Expenses that may be due and outstanding for the Technical Services and Deliverables that CSG has performed, following which CSG and such Customer (upon request by the other party) will deliver to the other party all notebooks, documentation and other items that contain, in whole or in part, any Confidential Information that either party disclosed to the other in performance of the Technical Services.
- (f) **Customer Information.** Any original documents, data and files, including without limitation all data relating to a Customer's Subscribers, provided to CSG hereunder by or on behalf of a Customer ("Customer Data") are and shall remain such Customer's sole and exclusive property, and upon expiration or termination of this Agreement for any reason or deconversion of any System Site, such Customer Data shall be returned to such Customer by CSG, subject to the payment of CSG's applicable deconversion fees required under Section 3.1(c) as well as any applicable charges for postage or formatting (where Customer has requested CSG to provide the data in a format different than the format in which the Customer Data was originally provided to CSG) and all unpaid undisputed charges for Products, Services and equipment, if any, including late charges incurred by Customer. Customer Data will not be utilized by CSG for any purpose other than those purposes related to rendering the services to Customers under this Agreement. Data to be returned to each Customer includes: Subscriber Master File (including Work Orders, Converters and General Ledger), Computer-Produced Reports (reflecting activity during period of ***** (**)) ***** immediately prior to expiration or termination), House Master File, and any other related data or files held by CSG on behalf of such Customer.
- (g) **Consulting Hours.** CSG shall make available to TWC or such other Customers designated by TWC, for each of the calendar years during the Term beginning on January 1, 2003, ***** ***** (*,**) ***** of Technical Services at no additional charge in connection with certain consulting, development and/or integration services for Customers ("Consulting Hours"), such hours may not be used for any development specifically relating to CSG's core CCS System. Such hours exclude reasonable travel and travel-related

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expenses, which shall be charged separately to TWC or such other Customers designated by TWC. All such Technical Services, described in this paragraph, shall be set forth in a mutually agreeable Statement of Work executed by CSG and TWC or the applicable other Customer. If Customers do not use all of the Consulting Hours allocated to a certain calendar year, Customers shall receive no credit or other consideration for such unused hours.

- (h) **Flexible Month End Close Enhancement.** CSG agrees to deliver, at no additional charge, the enhancement to CSG's CCS system to accommodate flexible financial month end close dates ("Flexible Month End Close Enhancement") to each Customer. The Flexible Month End Close Enhancement shall be delivered to each Customer by May 30, 2003. CSG agrees to provide the Flexible Month End Close Enhancement to each Customer without additional development or license fees.
- (i) **Common Billing Interface.** CSG shall support the CBI to enable Customers to interface between their Provisioning and Service Management Platform and the Subscriber Management Systems (SMS) in Customers' customer care and billing environment. CSG shall use commercially reasonable efforts to (a) further develop the CBI as requested by TWC (for example to extend the CBI to HSD or other services offered by Customers to their Subscribers) and (b) make any future modifications necessary for the CBI to adjust to changes in Customers' customer care and billing environment (for example, to adjust to TWC's Interactive Services Architecture specifications). Without limiting the foregoing obligations, such modifications shall be performed pursuant to a mutually agreeable SOW.

3.7 Facilities Management Services. For the fees set forth in Schedule F, CSG shall provide the CSG Workforce Management facilities management services set forth in Schedule J which are subject to change at CSG's reasonable discretion from time to time.

3.8 Performance Standards. While this Agreement is in effect, CSG shall comply with the performance standards (and any remedies associated therewith) as set forth in Schedule K.

3.9 Reliance of Information. In providing any Services, including any Technical Services, CSG shall be entitled, in good faith, to rely upon and act in accordance with any instructions, guidelines, data or information provided to CSG by a Customer, which are given by such persons as have actual or apparent authority to provide such instructions, guidelines or information, and shall incur no liability in doing so except as provided in the following sentences of this Section. Notwithstanding the above, CSG shall notify such Customer and TWC promptly in the event CSG reasonably believes that its reliance on any instructions, guidelines, data or information provided to CSG by such Customer will result in a potential infringement of a third party's rights or a potential violation of a Legal Requirement (as defined in Exhibit C-4). In the event the Vice President of Operations Support Systems for TWC or a superior officer of TWC (not a Participating Affiliate) responds to such notice by subsequently requesting that CSG comply with such Customer initiated instruction or guideline, CSG shall incur no liability in doing so but otherwise CSG shall not be relieved of liability therefor. If any action is instituted against CSG directly or indirectly resulting from such Customer's breach of any of obligations under this Sections 3.9, such Customer shall indemnify, defend (including without limitation by making any interim payment necessary for appeal) and hold CSG and its Related Parties (as defined in Section 7.1) harmless, at such Customer's expense, and pay the damages and costs finally awarded against CSG or its Related Parties in the action or any settlement amount approved by such Customer, but only if CSG complies with the procedures set forth in Section 7.4 of this Agreement.

3.10 Intellectual Property. "Customer's Intellectual Property" means the trademarks, service marks, other indicia of origin, copyrighted material and art owned or licensed by such Customer that CSG may use in connection with performing its obligations pursuant to this Agreement. "CSG's Intellectual Property" means trademarks, service marks, other indicia of origin, copyrighted material and art owned or licensed by CSG and maintained in CSG's public library that may be used in connection with designing, producing and mailing ESP Statements.

3.11 Data Transmission. Each Customer shall electronically transmit all data to CSG in a format approved by CSG and shall, at such Customer's expense, obtain all software and equipment necessary for the transmission of data to CSG. Each Customer shall be responsible for retransmission of data if any errors occur during transmission. All data transmissions between CSG and each Customer or any third party containing Customer Data shall be made via a secure dedicated data transmission line or by such other method as may be mutually agreed upon by CSG and TWC. At any time during the term of this Agreement, Customer may procure, at Customer's sole expense, its own direct

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connection into the CSG facility from a third party vendor approved by CSG, such approval not to be unreasonably withheld. Such direct connection shall be provided pursuant to a mutually agreeable SOW and Customer shall pay CSG for such services at *** * ***** * * * * * (**) ***** unless otherwise set forth in the SOW. Upon a Customer's request and at Customer's expense, CSG shall provide reasonably detailed backup documentation demonstrating such direct costs no more than once in each twelve (12) month period.

ARTICLE 4

MAINTENANCE AND SUPPORT

4.1 Support Services. Subject to payment by each Customer of the Support Services fees set forth in Schedule F (if any) or in an SOW, following expiration of the Warranty Period (as defined in Section 8.1) and continuing through the term of this Agreement as set forth in Section 1.2, CSG will provide each Customer its standard support and maintenance of the then-current version of each licensed Product (excluding any customization) and each Deliverable for which a Customer has elected to receive support and maintenance, in each case, as described on Schedule H ("Support Services"). Included in the Support Services is support of the then-current version of the licensed Products via CSG's Product Support Center, Account Management, publication updates, and the fixes, updates, upgrades or new versions of the Products or Documentation that CSG may make generally available as part of its maintenance and support packages (the "Updates"). For the avoidance of doubt, the requirement that each licensed Product be at the then-current version refers only to those versions of the licensed Products distributed in the form of Updates provided to Customers at no additional charge under this Agreement. Customers shall not be obligated to install any update (i) for which a separate charge is made, or (ii) for which CSG has not provided adequate notice for a Designated Environment change in accordance with Section 2.4.

4.2 Exclusions. If a Customer is not utilizing the Products in the applicable Designated Environment or such Customer has added third party applications, then except as set forth in Section 4.5, such Customer shall be responsible for making all necessary modifications to such third party applications to ensure they function properly with the Updates where such incompatibility was caused by the use of such third party application. Custom software modifications are not included in Support Services as Updates, but are covered as Technical Services under Section 3.5. The Support Services do not include (i) customization to any Product, or (ii) maintenance and support of any customization (unless a Customer has elected to receive support and maintenance services therefor and CSG and such Customer have agreed on the pricing for such support and maintenance services) or any other third party software (except for Embedded Third Party Software). The maintenance and support for third party products (other than Embedded Third Party Software) is provided by the licensor of those products. Although CSG may assist in this maintenance and support with front-line support, CSG will have no liability with respect thereto and Customers must look solely to the licensor.

4.3 Limitations. Updates to any Software or Service do not include any upgrade or new version of the Software or Services that CSG decides, in its sole discretion, to make generally available as a separately priced item. CSG will not be required to (i) develop and release Updates, (ii) customize Updates to satisfy a Customer's particular requests, or (iii) obtain updates or enhancements to any third party product. If an Update replaces a prior version of the CSG Software, each Customer will destroy such prior version and all archival copies upon installing the Update.

4.4 Training. CSG shall provide initial training and education services to each Customer with respect to the operation of the Products and Services for the fees set forth in Schedule F. CSG may provide additional training and education Services to a Customer upon request from time to time at an additional cost as identified in Schedule F or as agreed upon in a Statement of Work.

4.5 Interfaces. CSG agrees that each new version or Update of the Products, and each modification, enhancement, or upgrade of the systems used by CSG or its subcontractors to provide the Services (collectively, "CSG Systems"), shall maintain compatibility and interoperability with all interfaces that CSG has created or developed, as of the Effective Date, between the Products and/or any CSG System and any other software, system or product of a third party used by a Customer ("Third Party Systems"), including without limitation all interfaces listed on Schedule F or any Affiliate Addendum. CSG further agrees that each new version or Update of the Products, and each modification, enhancement, or upgrade of the CSG Systems shall maintain compatibility and interoperability with all interfaces that CSG has created or developed after the Effective Date unless otherwise agreed in writing in the applicable SOW. For purposes of clarification, where subsequent to the development by CSG of any such interface, an incompatibility issue is caused by a change in a Third Party System, rather than a change in a Product or a CSG System, CSG shall not be responsible for such incompatibility.

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ARTICLE 5
PAYMENT TERMS

5.1 Fees and Expenses. CSG will provide the Products and Services for the fees set forth in Schedule F or the applicable Statement of Work. Each Customer shall also reimburse CSG for reasonable out-of-pocket expenses ("Reimbursable Expenses"), including travel and travel-related expenses, which are incurred by CSG in connection with CSG's performance hereunder, if so provided on Schedule F or in a Statement of Work executed by CSG and such Customer.

5.2 Invoices and Payment. Each Customer shall pay all undisputed amounts due by such Customer hereunder within ***** (***) ***** after the date of such invoice. Any undisputed amount not paid when due shall thereafter bear interest until paid at a rate equal to the lesser of ***** (%), ***** or the maximum rate allowed by applicable law. Each Customer shall pay all amounts due in United States currency. For an invoice (including parts of an invoice) to be considered "disputed": (a) a Customer will notify CSG in writing (including by email) within ***** (***) of receipt of invoice to the attention of a senior member of the CSG's Time Warner Strategic Business Unit (with a copy to CSG's billing department) and (b) such dispute must be in good faith. The parties will cooperate in good faith to resolve any such payment disputes within ***** (***) ***** after CSG's receipt of notice of the disputed amounts. If the dispute is not resolved during the ***** (***) ***** period, it will be elevated to a senior representative in CSG's Finance Department and to such Customer's Vice President of Finance. Such parties will use good faith efforts to resolve the dispute as quickly as possible. CSG will provide such Customer with a recap letter along with the monthly invoices listing any outstanding disputed amounts. Once the dispute is resolved, payment shall be made by the applicable Customer within ***** (***) ***** following such resolution.

5.3 Taxes. All amounts payable by a Customer to CSG under this Agreement do not include any applicable use, sales, property or other taxes that may be assessable in connection with this Agreement. Each Customer will pay any taxes in addition to the amount due and payable by it under this Agreement. If a Customer pays any such tax directly to the appropriate taxing authority, such Customer shall, upon CSG's request, furnish CSG with the official receipt of such payment. However, no Customer shall be liable for any taxes based on CSG's net income.

5.4 Adjustment to Fees. ***** (***) ***** (*, *), ***** (***) ***** (%), ***** (%). The fees for third party software (other than Embedded Third Party Software) procured through CSG are dependent upon agreements between CSG and the vendor, and CSG may increase the fees it charges to a Customer for such third party software at any time pursuant to variations in the fees charged by the applicable third party vendor; provided, however, that (a) CSG shall provide as much notice to Customers as it receives from such third party vendors of any such fee increase which notice shall not be less than *****' notice of such increase, and (b) a Customer may negotiate directly with such third party vendor and may license such third party software directly from such third party vendors at such Customer's option.

5.5 Shipment. CSG will use commercially reasonable efforts to make software available for electronic download by the Customer with the use of an access code provided by CSG. In the alternative, CSG will ship the Products (FOB shipping point), and any CSG-provided third party software from its distribution center located in the United States, subject to delays beyond CSG's control. Each Customer's license to the Products commences upon CSG's delivery of the Products to the carrier for shipment to such Customer, in the case of shipment via CD or other media, or upon delivery of an email message with an access code to such Customer, in the case of electronic shipment. Upon timely notice by a Customer to CSG, CSG will promptly replace, at CSG's expense, any Products that are lost or damaged while en route to such Customer.

5.6 Equipment Purchase.

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(a) Each Customer is fully responsible for obtaining and installing all computer hardware, software, peripherals and necessary communications facilities, including, but not limited to servers, power supply, workstations, printers, concentrators, communications equipment and routers ("Required Equipment") that are necessary at such Customer's place of business in order for such Customer to utilize the Services and the Products. Each Customer shall bear responsibility for the Required Equipment, including, but not limited to, the costs of procuring, installing, operating and maintaining such Required Equipment. At a Customer's request and subject to the terms and conditions of a Statement of Work, CSG will consult with, assist and advise each Customer regarding such Customer's discharge of its responsibilities with respect to the Required Equipment, and CSG may obtain for such Customer any Required Equipment on terms and conditions set forth in a separately executed purchase agreement. CSG will support TCP/IP as a network protocol. Specific configuration and engineering related details will be addressed on a case by case basis at the TWC division or site level.

(b) If necessary for a Customer to receive the Products and/or Services, CSG may provide or Customer may procure, at such Customer's expense (including any additional charges set forth in Schedule F), a data communications line from CSG's data processing center to each of such Customer's System Sites, as appropriate. Each Customer shall pay all fees and charges in connection with the installation and use of the data communications line and any peripheral equipment related thereto in accordance with the fees set forth in Schedule F. At any time during the term of this Agreement, Customer may procure, at Customer's sole expense, its own direct connection into the CSG facility from a third party vendor approved by CSG, such approval not to be unreasonably withheld. Such direct connection shall be provided pursuant to a mutually agreeable SOW and Customer shall pay CSG for such services * * * * * unless otherwise set forth in the SOW. Upon a Customer's request and at Customer's expense, CSG shall provide reasonably detailed backup documentation * * * * * (**)

5.7 Acknowledgement. Customer acknowledges that (i) the fees set forth in Schedule F and other charges contemplated under this Agreement are based on the limited warranty, disclaimers and limitation of liability specified in Sections 2.4 and 2.6, and Articles 7, 8 and 9, and (ii) such charges would be substantially higher if any of these provisions were unenforceable.

**ARTICLE 6
TERMINATION**

6.1 Termination. This Agreement or any one or more of the Statement(s) of Work or attached Schedules may be terminated as follows:

(a) If TWC or its employees or consultants breach any material term or condition of this Agreement involving the license restrictions relating to a Product and fails to substantially cure such breach within * * * (**) * * * * after receiving written notice specifying the breach, CSG may, at CSG's option, terminate this Agreement only as it pertains to TWC's license of such particular Product (and not with respect to any Affiliate Addendum). A termination of TWC's license of a particular Product under this Section 6.1(a) shall in no way terminate or limit the rights of the Participating Affiliates under their respective Affiliate Addenda. Further, CSG may terminate this Agreement, either in its entirety or only as it pertains to a particular Product, Deliverable or Service, with respect to a Participating Affiliate if such Participating Affiliate or its employees or consultants breach any material term or condition of this Agreement involving the license restrictions relating to a Product and fails to substantially cure such breach within * * * (**) * * * * after receiving written notice (with a copy to TWC pursuant to Section 12.9) specifying the breach.

(b) If, after * * * * (**) * * * * of receiving written notice of breach thereof, TWC fails to pay when due any amounts owed hereunder (in accordance with Section 5.2), CSG may, at CSG's option, terminate this Agreement in its entirety. In addition, if, after * * * * (**) * * * * of receiving written notice of breach thereof, a Participating Affiliate fails to pay when due any amounts owed hereunder (in accordance with Section 5.2), CSG may terminate this Agreement only as it pertains to such Customer's Affiliate Addenda.

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

(c) If either TWC or CSG breaches any material term or condition of this Agreement, other than those identified in Subsections 6.1(a) and 6.1(b) above, and fails either to substantially cure such breach within ***** (**) ***** after receiving written notice specifying the breach or, for those breaches which cannot reasonably be cured within ***** (**) ***** , promptly commence curing such breach and thereafter proceed with all due diligence to substantially cure such breach, then the party not in breach may, by giving written notice to the breaching party, terminate this Agreement, in its entirety or as it pertains to a particular Product, Deliverable or Service(s), as of a date specified in such notice of termination.

(d) If TWC or CSG becomes or is declared insolvent or bankrupt, is the subject of any proceedings related to its liquidation, insolvency or for the appointment of a receiver or similar officer for it, makes an assignment for the benefit of all or substantially all of its creditors, or enters into an agreement for the composition, extension or readjustment of all or substantially all of its obligations, then the other party hereto may, by giving written notice thereof to such party, terminate this Agreement as of the date specified in such notice of termination.

(e) If a Participating Affiliate or CSG breaches any material term or condition of this Agreement as it relates to such Participating Affiliate (other than those identified in Section 6.1(a)) and fails either to substantially cure such breach within ***** (**) ***** after receiving written notice from the other specifying the breach and such party's intent to terminate the applicable Affiliate Addendum or a particular Product, Deliverable or Service if such breach is not substantially cured or, for those breaches which cannot reasonably be cured within ***** (**) ***** , promptly commence curing such breach and thereafter proceed with all due diligence to substantially cure such breach, then the party not in breach may, by giving written notice to the breaching party, terminate this Agreement, in its entirety as it pertains to such Participating Affiliate or as it pertains to a particular Product, Deliverable or Service(s) provided to such Participating Affiliate hereunder, as of a date specified in such notice of termination; provided, however, that any such termination shall be only with respect to such Participating Affiliate's Affiliate Addendum. If a terminated Service relates to a Participating Affiliate's use of (1) the Care Express electronic bill presentment and payment Services, such Participating Affiliate may also terminate Consolidator Services, or (2) Consolidator Services, such Participating Affiliate may also terminate the Care Express electronic bill presentment and payment Services. If a Participating Affiliate terminates its Affiliate Addendum pursuant to this Section 6.1(e), then, with respect to any fees set forth in Schedule F based on a minimum number of monthly Connected Subscriber fees, such minimum number of monthly Connected Subscribers shall automatically be reduced by the number of such Participating Affiliate's monthly Connected Subscribers at the time of such termination of its Affiliate Addendum ("Terminated Monthly Connected Subscribers"). In addition, with respect to all fees set forth in Schedule F which vary based on the number of monthly Connected Subscribers, the thresholds for each volume pricing tier shall be automatically reduced by the number of Terminated Monthly Connected Subscribers. Notwithstanding the foregoing, Customer(s) acknowledge that if there is a dispute as to whether there is a material breach by CSG as it relates to a Participating Affiliate, (a) such Participating Affiliate shall be required to pay for Termination Assistance Services at the rate of the fees payable for the Products and Services under Schedule F of this Agreement, and (b) neither the minimum number of monthly Connected Subscribers nor the volume pricing tier shall be reduced by the number of Terminated Monthly Connected Subscribers until the parties have reached a final resolution of the issue in accordance with Section 11. In the event the parties resolve , or it is determined pursuant to the dispute resolution procedures set forth in Section 11, that CSG has materially breached the Agreement and has failed to timely cure in accordance with this Section, CSG shall (i) retroactively reduce the minimum number of monthly Connected Subscribers and the volume pricing tier in accordance with the foregoing sentence as of the date of CSG received notice of breach from Customer(s), and (ii) within *** (**) ***** of such resolution, refund to such Customer all fees paid by such Customer for Termination Assistance Services.

(f) A Participating Affiliate may terminate the Affiliate Addendum to which it is a party, or a Product, Deliverable or Service thereunder, upon written notice to CSG, except that such written notice to CSG shall be provided at least ***** (**) ***** in advance where such termination will result in a deconversion of Subscribers to another billing vendor. Any such termination of an Affiliate Addendum shall be without charge or penalty (except for its obligation to pay any fees due as of the date of termination and any applicable deconversion fees set forth in Section 3.1); however, such termination for convenience shall not diminish or relieve TWC's obligation to pay those minimum fees set forth in Schedule F that are based on a minimum number of monthly Connected Subscribers.

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6.2 Termination Assistance. Notwithstanding any other provision of this Agreement, upon the expiration or earlier termination of this Agreement, either in its entirety or only as it pertains to a particular Product, Deliverable or Service, and either with respect to all Customers or with respect to a particular Customer (a) the license for the Products shall remain in effect and (b) provided the applicable Customer(s) has paid to CSG all undisputed fees due pursuant to this Agreement as of the date of expiration or termination (including any applicable Discontinuance Fees set forth in Section 6.3 below), CSG shall (i) continue to provide the Services, and (ii) provide reasonable assistance to each Customer with respect to which this Agreement, or a particular Product, Deliverable, or Service, has been terminated in order to achieve an orderly transition to another vendor for the provision of similar product(s), deliverable(s) and/or service(s) (collectively, "Termination Assistance Services") for up to *** ***** ***(**) **** after such expiration or termination or a period of time mutually agreed to by the Parties (with respect to each Customer, the "Termination Assistance Period"). In the event that this Agreement, or a Product, Deliverable or Service, is terminated by TWC pursuant to Section 6.1(c) or (d) or in the event that an Affiliate Addendum, or a Product, Deliverable or Service, is terminated by a Participating Affiliate pursuant to Section 6.1(e) of this Agreement, and provided the applicable Customer(s) has paid CSG any and all undisputed fees (including any Reimbursable Expenses) due hereunder as of the date of termination, the Termination Assistance Services shall be provided by CSG at no charge to such Customer(s). In the event that this Agreement or an Affiliate Addendum expires or is terminated for any other reason, then, provided such Customer has paid CSG any and all undisputed fees (including any Reimbursable Expenses and any applicable Discontinuance Fees set forth in Section 6.3 below) due hereunder as of the date of expiration or termination, the Termination Assistance Services shall be provided by CSG for fees payable for the Products and Services under Schedule F of this Agreement. Each Customer electing to receive Termination Assistance Services, where CSG is entitled to charge for such Services pursuant to the foregoing sentences, shall pay CSG in advance, on the first day of each calendar month and as a condition to CSG's obligation to provide Termination Assistance Services to such Customer during that month, an amount equal to CSG's reasonable estimate of the total amount payable to CSG for such Termination Assistance Services for that month. If the fees paid in advance for such month by a Customer are less than the actual fees for such month owed to CSG for the Termination Assistance Services, then the difference shall be added to such Customer's fee payment for the succeeding month (or if the Termination Assistance Period has expired, such Customer shall pay such amount to such CSG). If the fees for the Termination Assistance Services paid by a Customer in advance for such month are more than the actual fees for such Customer for such month, then CSG shall credit to the advance payment amount owed by such Customer to CSG for the succeeding month (or if the Termination Assistance Period has expired, CSG shall refund such amount to such Customer). Notwithstanding the above, if there is a dispute as to whether there is a material breach by CSG, such Customer (s) shall pay CSG the fees for Termination Assistance Services in accordance with the above until the parties reach a final resolution. In the event the parties resolve, or it is determined pursuant to the dispute resolution procedures set forth in Section 11, that CSG has materially breached the Agreement and has failed to timely cure in accordance with this Section 6, CSG shall refund to Customer(s) the fees paid for Termination Assistance Services within *** (**) **** of the resolution of such dispute.

6.3 Discontinuance Fee; Termination of a Particular Product, Deliverable or Service; Minimum Fees. Upon termination of this Agreement in its entirety for reasons other than by TWC pursuant to Section 6.1(c) or 6.1(d), TWC shall pay the Discontinuance Fee described in the first paragraph of Schedule F. No Discontinuance Fees or other penalty shall be owed by TWC on account of any such termination where this Agreement is terminated in its entirety by TWC pursuant to Section 6.1(c) or 6.1(d). For the avoidance of doubt, where this Agreement is not terminated in its entirety but one or more Affiliate Addenda are terminated or, certain Products, Deliverables or Services thereunder are terminated, no Discontinuance Fees shall be owed to CSG by reason of any such termination in accordance with this Section 6.3. However, Customer is still obligated to pay any other fees owed to CSG pursuant to this Agreement, including, but not limited to, the deconversion fees payable by the applicable Participating Affiliate pursuant to Section 3.1 (c) of this Agreement. Where this Agreement is not terminated in its entirety but one or more Affiliate Addenda are terminated, or certain Products, Deliverables or Services thereunder are terminated, TWC shall not be relieved of its obligation to pay those minimum fees set forth in Schedule F that are based on a minimum number of monthly Connected Subscribers. Except for Customer's liability resulting from (a) Customer's indemnification obligations under Section 7 or 3.9; or (b) Customer's breach of its confidentiality obligations in Section 10; or (c) termination by CSG in accordance with Section 6.1(b), the Discontinuance Fees, if any, payable pursuant to this Section 6.3 shall be CSG's sole and exclusive remedy upon any termination of this Agreement.

6.4 Obligations Upon Termination .

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(a) Upon termination of this Agreement in its entirety and the expiration of the Termination Assistance Period, all rights granted to Customers under this Agreement with respect to the Products, Deliverables and Services will cease and all Affiliate Addenda shall terminate, except for those provisions of this Agreement which shall survive pursuant to Section 12.2 of this Agreement. Each Customer will, upon expiration of the Termination Assistance Period, promptly (i) purge all Software from the Designated Environment and all of such Customer's other computer systems, storage media and other files; (ii) destroy the Product(s) and all copies thereof; and (iii) deliver to CSG an affidavit which certifies that such Customer, has complied with these termination obligations. In addition, upon termination or expiration of this Agreement in its entirety by TWC or CSG, all Affiliate Addenda shall terminate or expire, subject to the provisions of Section 6.2 and Section 12.2.

(b) Upon termination of an Affiliate Addendum and the expiration of the Termination Assistance Period, all rights granted to the applicable Customer under such Affiliate Addendum and this Agreement with respect to the Products, Deliverables and Services will cease and such Affiliate Addendum shall terminate, except for those provisions of this Agreement which shall survive pursuant to Section 12.2 of this Agreement. Such Customer will, upon expiration of the Termination Assistance Period, promptly (i) purge all terminated Software from the Designated Environment and all of such Customer's other computer systems, storage media and other files; (ii) destroy the Product(s) and all copies thereof; and (iii) deliver to CSG an affidavit which certifies that such Customer, has complied with these termination obligations.

**ARTICLE 7
INDEMNITY**

7.1 CSG Intellectual Property Indemnity. Notwithstanding the provisions of Section 2.7 and except as set forth in Section 2.6 with respect to third party software other than Embedded Third Party Software, CSG (i) warrants that the Services, Deliverables and Products as delivered to Customer(s) (including without limitation any CSG's Intellectual Property used in connection with designing, producing and mailing ESP Statements) and their use in the manner described by this Agreement and/or the Documentation, do not and will not infringe upon a copyright, trademark, trade secret or U.S. patent of any third party and (ii) agrees that if any action, suit or proceeding based upon a breach of the warranty contained in the preceding sentence is instituted against Customer(s) based upon a claim that the Products, Deliverables or Services infringe a copyright, trademark, trade secret or U.S. patent, CSG shall indemnify, defend (including, without limitation, by making any interim payment necessary for appeal) and hold Customer(s) and Customer (s)' owners, parent, partners, affiliates, subsidiaries, agents, officers, directors, managers, or employees (collectively, "Related Parties") harmless, at CSG's expense, and pay the damages and costs finally awarded against Customer(s) or its Related Parties in the infringement action or any settlement amount approved by CSG, but only if Customer(s) comply with the indemnification procedures set forth in Section 7.4 below.

(a) If a claim described in Section 7.1 may be or has been asserted, Customer(s) will permit CSG, at CSG's option and expense, to (i) procure the right to continue using the Product or Deliverable, (ii) replace or modify the Product or Deliverable to eliminate the infringement while providing equivalent performance and functionality or (iii) if (i) and (ii) are commercially impracticable, to accept the return of the Product or Deliverable and refund to Customer(s) the amount of the fees actually paid to CSG and allocable for such Product or Deliverable (such allocation to be determined by the mutual agreement of CSG and Customer(s)), **** * (**) **** *
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(b) Notwithstanding anything set forth in Section 2.7, CSG shall have no indemnity obligation to TWC if the infringement claim results from (i) a correction or modification of the Product not provided or approved in writing by CSG, (ii) the failure to promptly install an Update provided by CSG but only if such Update was required to be installed pursuant to Section 4.1 of this Agreement (iii) the combination of the Product or Deliverable with other items that are not (1) provided, or recommended or approved in writing, by CSG, (2) part of the Designated Environment for the Product or Deliverable, or (3) required by CSG to operate the Products or Deliverables. For purposes of clarification, the foregoing provisions of this Section 7.1 shall not be construed as a limitation on TWC's or a Participating Affiliate's ability to claim the occurrence of a material breach by CSG pursuant to Sections 6.1(c) or 6.1(e) on account of the failure of CSG to continue to provide a material Product or Deliverable. **** * (**) **** *
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7.2 Customer(s) Intellectual Property Indemnity. If any action is instituted against CSG directly or indirectly resulting from a Customer's breach of any of its representations or warranties under Sections 3.3(c) and 3.5(b) above and Exhibit C-6, except for those claims arising directly from CSG Intellectual Property, such Customer shall indemnify, defend (including without limitation by making any interim payment necessary for appeal) and hold CSG and its Related Parties harmless, at such Customer's expense, and pay the damages and costs finally awarded against CSG or its Related Parties in the infringement action or any settlement amount approved by such Customer, but only if CSG complies with the indemnification procedures set forth in Section 7.4 below.

7.3 General Indemnification . Each party ("Indemnifying Party") shall indemnify, defend (including without limitation by making any interim payment necessary for appeal) and hold the other ("Indemnified Party") and their Related Parties harmless, at the Indemnifying Party's expense, and pay the damages and costs finally awarded against the Indemnified Party or its Related Parties in any action or any settlement amount approved by the Indemnifying Party, arising out of, resulting from, or in connection with:

- (a) Any claim, suit, action or proceeding ("Claim") of a third party caused by, relating to, or arising out of the relationships of the Indemnifying Party with its employees, suppliers, subcontractors, agents, and consultants in the course of its performance under this Agreement;
- (b) Any Claims of any third party caused by, relating to, or arising out of any grossly negligent act or omission or any willful misconduct of the Indemnifying Party or its Related Parties in the performance of this Agreement; or
- (c) Any Claims of any third party caused by, relating to, or arising out of any breach by the Indemnifying Party of its representations, warranties, covenants or terms or conditions of this Agreement.

Nothing in this Section 7.3 shall diminish or otherwise limit either party's obligation to indemnify the other and their Related Persons pursuant to Sections 7.1 and 7.2 of this Agreement.

7.4 Indemnification Procedures. In the event of a claim by a third party, with respect to which either CSG or a Customer is entitled to indemnification under any provision of this Agreement, the party seeking indemnification ("Indemnified Party") shall promptly notify the other party ("Indemnifying Party"); provided, however, that any unintentional failure to make such prompt notification shall not relieve the Indemnifying Party of its obligations hereunder unless the Indemnifying Party's ability to defend such claim is materially prejudiced thereby. The Indemnifying Party shall have sole control over the defense of the claim and any negotiation for its settlement or compromise, and the Indemnified Party shall comply with any reasonable actions required by the Indemnifying Party (at the Indemnifying Party's expense) to minimize the Indemnifying Party's and/or the Indemnified Party's liability in the claim, provided such compliance is not, in the Indemnified Party's counsel's reasonable opinion, adverse to the Indemnified Party's interests. The Indemnifying Party shall not settle any such claim or alleged claim without first obtaining the Indemnified Party's prior written consent where the settlement claim might adversely affect the Indemnified Party's rights; and such consent shall not be unreasonably withheld. In addition, the Indemnified Party may participate in any claim for indemnification under this Agreement using its own counsel at its own expense so long as in the Indemnifying Party's counsel's reasonable opinion such participation is not contrary to the Indemnifying Party's interest.

ARTICLE 8

REPRESENTATIONS AND WARRANTIES

8.1 Limited Warranty. CSG warrants that the Products, and any Deliverables provided by CSG will (i) conform to CSG's published specifications in effect on the date of delivery or the specifications set forth in the applicable Statement of Work ("Specifications"), and (ii) perform in the applicable Designated Environment substantially as described in the accompanying Documentation for a period of ***** (**) **** after the date of delivery ("Warranty Period"). CSG covenants that all Updates of a Product that CSG may make generally available as part of its maintenance and support packages shall be made available to Customers at no additional charge. CSG also warrants

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that it will perform all Services in a professional and workmanlike manner and in accordance with the highest industry standards. In performing the Services, CSG shall assign personnel to complete the Services that are competent, knowledgeable and experienced professionals in the type of Services to be performed pursuant to this Agreement. All Services performed pursuant to a Statement of Work shall substantially comply with the specifications and requirements for such work described in the Statement of Work. Any third party software not constituting Embedded Third Party Software provided by CSG under Section 2.6 shall be provided AS IS. Each Customer acknowledges that the Products and any such third party software may not satisfy all of such Customer's requirements and the use of the Products and such third party software may not be uninterrupted or error-free; provided, however, that such statement shall not be construed to limit the express warranties set forth above.

8.2 Remedies. In case of breach of warranty or any other duty related to the quality of the Services, Products or Deliverables, CSG or its representative will correct, replace or re-perform any defective Service, Product or Deliverable or, if not practicable, CSG will accept the return of the defective Product or Deliverable, or the rejection of such Service, and refund to the applicable Customer (i) the amount actually paid to CSG for the (or, where a Product, Service or Deliverable is included in the Monthly Connected Subscriber Charge, the amount allocable to) the defective Service, Product or Deliverable, and (ii) a pro rata share of the maintenance fees that such Customer actually paid to CSG for the period that such Product or Deliverable was not usable (including without limitation the period after which such Product or Deliverable, including any Product or Deliverable included in the Monthly Connected Subscriber Charge, is returned by such Customer for which maintenance was pre-paid). * * * * * Any claim for a breach warranty with respect to the Services must be submitted to CSG within * * * * * of the event giving rise to the claim unless the applicable Customer did not have actual knowledge of the breach of warranty with respect to such Services at such time, in which case such Customer shall notify CSG of such breach promptly upon acquiring actual notice thereof. All Products, Deliverables and Services shall be deemed accepted by each Customer unless a timely claim is made to CSG. Each Customer acknowledges that this Section sets forth such Customer's sole and exclusive remedies, and CSG's exclusive liability, for any breach of warranty or other duty related to the quality of the Products or Deliverables but not the Services. * * * * *

8.3 Exclusion of Certain Warranties. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, ALL WARRANTIES, CONDITIONS, REPRESENTATIONS, INDEMNITIES AND GUARANTEES WITH RESPECT TO THE PRODUCTS, DELIVERABLES, ANY THIRD PARTY SOFTWARE, AND THE SERVICES, WHETHER EXPRESS OR IMPLIED, ARISING BY LAW, CUSTOM, PRIOR ORAL OR WRITTEN STATEMENTS BY CSG, ITS AGENTS OR OTHERWISE (INCLUDING, BUT NOT LIMITED TO ANY WARRANTY OF MERCHANTABILITY, SATISFACTION, OR FITNESS FOR PARTICULAR PURPOSE) ARE HEREBY OVERRIDDEN, EXCLUDED AND DISCLAIMED. CUSTOMERS ACKNOWLEDGE AND AGREE THAT THE PRODUCTS, DELIVERABLES AND SERVICES BEING PROVIDED ARE NOT WARRANTED TO BE ERROR-FREE; PROVIDED, HOWEVER, THAT SUCH STATEMENT SHALL NOT BE CONSTRUED TO LIMIT THE EXPRESS WARRANTIES SET FORTH IN THIS AGREEMENT. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, CUSTOMERS MAKE NO REPRESENTATIONS, WARRANTIES OR INDEMNITIES TO CSG, WHETHER EXPRESS OR IMPLIED, ARISING BY LAW, CUSTOM, PRIOR ORAL OR WRITTEN STATEMENTS BY CUSTOMERS, THEIR AGENTS OR OTHERWISE.

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PARTY'S CLAIMS OR THOSE OF THEIR CUSTOMERS (INCLUDING, BUT NOT LIMITED TO, CLAIMS FOR LOSS OF DATA, GOODWILL, USE OF MONEY OR USE OF THE PRODUCTS, OR THIRD PARTY SOFTWARE, RESULTING REPORTS, THEIR ACCURACY OR THEIR INTERPRETATION, INTERRUPTION IN USE OR AVAILABILITY OF DATA, STOPPAGE OF THE WORK OR IMPAIRMENT OF OTHER ASSETS), ARISING OUT OF BREACH OR FAILURE OF EXPRESS OR IMPLIED WARRANTY, BREACH OF CONTRACT, MISREPRESENTATION, NEGLIGENCE, STRICT LIABILITY IN TORT OR OTHERWISE. THE FOREGOING SENTENCE SHALL NOT BE CONSTRUED

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IN NO EVENT WILL THE AGGREGATE LIABILITY INCURRED BY CSG AND ITS RELATED PARTIES, ITS LICENSORS OR ITS VENDORS, ON THE ONE HAND, OR CUSTOMER AND THEIR RELATED PARTIES, ON THE OTHER HAND, EXCEED AN AMOUNT EQUAL TO

***** (**) *****
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THE FOREGOING EXCLUSION OF CONSEQUENTIAL, INDIRECT, SPECIAL, PUNITIVE OR INCIDENTAL DAMAGES SHALL BE INDEPENDENT OF, AND SHALL SURVIVE, ANY FAILURE OF THE ESSENTIAL PURPOSE OF ANY WARRANTY OR LIMITED REMEDY STATED HEREIN, AND SHALL APPLY EVEN IF A PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THIS SECTION WILL NOT APPLY TO THE EXTENT THAT APPLICABLE LAW SPECIFICALLY REQUIRES LIABILITY. FOR PURPOSES OF THIS SECTION 9.2, "VENDORS" AND "LICENSORS" SHALL NOT INCLUDE ANY DIRECT VENDORS OR DIRECT LICENSORS OF CUSTOMER.

9.3 Pay-Per-View Liability.

(a) ***** (**) *****
***** (**) *****
***** (**) *****
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(b) Notwithstanding anything to the contrary herein, where CSG is processing ***** (**) *****
***** (**) *****
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(c) ***** (**) *****
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10.4 Limited Access. Each party shall limit the use and access of Confidential Information to such party's bona fide employees or agents, including independent auditors and required governmental agencies, who have a need to know such information for purposes of conducting the receiving party's business and who agree to comply with the use and non-disclosure restrictions applicable to the Confidential Information. If requested, the receiving party shall cause such individuals to execute appropriate confidentiality agreements in favor of the disclosing party. Each party shall notify all employees and agents who have access to Confidential Information or to whom disclosure is made that the Confidential Information is the confidential, proprietary property of the disclosing party and shall instruct such employees and agents to maintain the Confidential Information in strict confidence.

ARTICLE 11

ALTERNATIVE DISPUTE RESOLUTION

11.1 Arbitration. Any controversy or claim arising out of or relating to this Agreement, whether during or after its term, will be finally settled by compulsory arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA"), as modified or supplemented under this Article 11.

11.2 Proceeding. To initiate arbitration, either CSG or a Customer will file the appropriate notice at the Regional Office of the *** ** *****, *****. The arbitration proceeding will take place ** *****, *****. The parties will in good faith agree on a sole arbitrator. If the Parties cannot agree on an arbitrator, the arbitration panel will consist of three (3) arbitrators, one arbitrator appointed by each party and a third neutral arbitrator appointed by the two arbitrators designated by the Parties. Any communication between a party and any arbitrator will be directed to the AAA for transmittal to the arbitrator. The Parties expressly agree that, at either party's request, the arbitrators will be empowered to grant injunctive relief.

11.3 Award. The arbitral award will be the exclusive remedy of the Parties for all claims, counterclaims, issues or accountings presented or plead to the arbitrators. The award will (i) be granted and paid in U.S. dollars and (ii) include interest from the date of that the award is rendered until it is fully paid, computed at the maximum rate allowed by CRS 5-12-102(4)(b). Judgment upon the arbitral award may be entered in any court that has jurisdiction thereof. Any additional costs, fees or expenses incurred in enforcing the arbitral award will be charged against the party that resists its enforcement.

11.4 Legal Actions. Nothing in this Article 11 will prevent either party from seeking interim injunctive relief against the other party in the courts having jurisdiction over the other party. Nothing in this Section 11.4 will prevent CSG from filing any debt collection action against any Customer in the local courts with respect to overdue undisputed fees.

ARTICLE 12

GENERAL TERMS AND CONDITIONS

12.1 Reporting. On a quarterly basis, within ***** (**) **** of the end of every calendar quarter, if requested by CSG with respect to such calendar quarter, each Customer shall provide CSG with a report of the number of its concurrent users of the Products, Services, Deliverables and any third party software provided by CSG. The quarterly reports shall also set forth the number of workstations/servers/users upon which the Products, Services, Deliverables used by such Customer are loaded, and the location of the same.

12.2 Survival. Termination or expiration of this Agreement shall not impair either party's then accrued rights, obligations, liabilities or remedies. Notwithstanding any other provisions of this Agreement to the contrary, the terms and conditions of Sections 2.5, 2.9, 3.3(c) (but only with respect to CSG's use of Customer's Intellectual Property arising prior to termination or expiration including any Termination Assistance Period), 3.5(a) and (b) (but only with respect to CSG's use of Customer's Intellectual Property arising prior to termination or expiration including any Termination Assistance Period), 3.6(d) and (f), 3.9, 3.10, 6.2-6.4, 7 (but only with respect to Customer's use or receipt of CSG's Products, Services and Deliverables arising prior to termination or expiration including any Termination Assistance Period), 8-11, 12.5 and 12.13, and Sections 5 and 7 of Exhibit C-4, and the last paragraph of Schedule N, shall survive the termination or expiration of this Agreement.

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12.3 Insurance. CSG shall obtain and maintain in effect during the term of this Agreement, the insurance coverages described on Schedule N in accordance with the terms and conditions set forth on Schedule N.

12.4 Nature of Relationship. In performing hereunder, both CSG and Customers are acting as independent contractors and, except for express obligations imposed upon a party under this Agreement, neither CSG nor Customers undertakes to perform any obligation of the other, whether regulatory or contractual, or to assume any responsibility for the other's business or operations. Customers understand and agree that CSG may perform similar services for third parties and license same or similar products to third parties. CSG understands and agrees that Customers may purchase or receive similar services from third parties and license similar products from third parties provided, however, the foregoing shall not diminish or relieve TWC's obligation to pay the minimum Monthly Connected Subscriber Charge identified in Schedule F. Nothing in this Agreement shall be deemed to constitute a partnership or joint venture between CSG and Customers. Neither CSG nor Customers shall hold themselves out as having any authority to enter into any contract or create any obligation or liability on behalf of or binding upon the other party.

12.5 Inspection. During the term of this Agreement and for ***** (**) ***** after its termination or expiration for any reason, CSG or its representative may, at its sole expense, no more than once in **** * ***** *****, upon prior notice to Customers, inspect the files, computer processors, equipment and facilities of Customers during business hours to verify Customers' compliance with this Agreement; provided, however, that such inspection shall not be conducted in a manner that unreasonably interferes with the operation of Customers' business. While conducting such inspection, CSG or its representative will be entitled to copy at its expense any item that Customers may possess in violation of this Agreement. CSG shall maintain at its principal place of business complete and accurate books and records which contain all information necessary to determine CSG's direct costs for those Services priced on a "cost plus" basis pursuant to Schedule F. Upon a Customer's request and at Customer's expense, CSG shall provide reasonably detailed backup documentation demonstrating such direct costs. In addition, during the term of this Agreement and for ***** (**) ***** after its termination or expiration for any reason, TWC may, at its sole expense, no more than once in each * ***** *****, upon prior notice to CSG, inspect CSG's books and records during business hours to verify CSG's direct costs for such Services; provided, however, that such inspection shall not be conducted in a manner that unreasonably interferes with the operation of CSG's business. While conducting such inspection, TWC or its representative will be entitled to copy at its expense any record relating to or demonstrating CSG's direct costs for such Services. The Parties agree that any information disclosed under this Section 12.5 shall be treated as Confidential Information in accordance with Section 10 of this Agreement.

12.6 Force Majeure. Subject to CSG's obligations under Schedule L, neither party will be liable for any failure or delay in performing an obligation under this Agreement that is due to causes beyond its reasonable control, including, but not limited to, fire, explosion, epidemics, earthquake, lightning, failures or fluctuations in electrical power or telecommunications equipment, accidents, floods, acts of God, the elements, war, civil disturbances, acts of civil or military authorities or the public enemy, fuel or energy shortages, acts or omissions of any common carrier, or strikes, restraining orders or decrees of any court, changes in law or regulation or other acts of governmental, transportation stoppages or slowdowns or the inability to procure parts or materials (each a "Force Majeure Event"). In no event will the acts or omissions of CSG's vendors or subcontractors be considered to constitute a Force Majeure Event. These causes will not excuse Customers from paying undisputed accrued amounts due to CSG for Services actually rendered by CSG through any available lawful means acceptable to CSG.

12.7 Assignment. Neither party may assign, delegate or otherwise transfer this Agreement or any of its rights or obligations hereunder, including by change of control or operation of law, without the other party's prior approval. Any attempt to do so without such approval will be void. CSG may assign this Agreement, upon notice to Customer, to a related or unrelated person in connection with a transfer of all or substantially all of its stock or assets to a third party that (i) demonstrates to TWC that it has the financial capability to perform hereunder, and (ii) expressly assumes in writing, in a form acceptable to TWC, all of CSG's obligations hereunder and Customer hereby consents to such assignment in advance. Further, TWC may, upon notice to CSG, assign this Agreement to (a) an Affiliate of TWC or (b) an entity other than an Affiliate in connection with a transfer of all or substantially all of its stock or assets to a third party that (i) demonstrates to CSG that it has the financial capability to perform hereunder, and (ii) expressly assumes in writing, in a form acceptable to CSG, all of TWC's obligations hereunder and CSG hereby consents to such assignment in advance.

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12.8 Construction and Interpretation. The language in all parts of this Agreement shall in all cases be construed simply, as a whole and in accordance with its fair meaning and not strictly for or against any party. The Parties hereto acknowledge and agree that this Agreement has been negotiated by the Parties and has been the subject of arm's length and careful negotiation over a considerable period of time, that each party has been given the opportunity to independently review this Agreement with legal counsel, and that each party has the requisite experience and sophistication to understand, interpret and agree to the particular language of the provisions hereof. Accordingly, in the event of an ambiguity in or dispute regarding the interpretation of this Agreement, this Agreement shall not be interpreted or construed against the party preparing it. The captions of the articles, sections and subsections herein are inserted solely for convenience and under no circumstances are they to be treated or construed as part of this instrument.

12.9 Notices. Any notice or approval required or permitted under this Agreement will be in writing and will be sent by telefax, courier or mail, postage prepaid, to the address specified below or to any other address that may be designated by prior written notice. Any notice or approval delivered by telefax (with answer back) will be deemed to have been received the day it is sent. Any notice or approval sent by courier will be deemed received one day after its date of posting. Any notice or approval sent by mail will be deemed to have been received on the 5th business day after its date of posting.

If to TWC:

Time Warner Cable
Attn: Cyndee Everman
7910 Crescent Executive Drive Charlotte, NC 28217
: () ***_**** (***) ***_****

If to CSG:

CSG Systems, Inc.
7887 East Belleview, Suite 880
Englewood, CO 80111
: () ***_**** (***) ***_****

If to a Participating Affiliate:

At the address for such Participating Affiliate set forth in the applicable Affiliate Addendum

Attn: President with a copy to General Counsel

With a copy to:

Time Warner Cable
****. *****
290 Harbor Drive
Stamford, Connecticut 06902
*****: (***) ***_****
****: (***) ***_****

And a copy to:

2525 N. 117th Ave.
Omaha, NE 68164
: () ***_****
: () ***_****

12.10 Publicity. Except for disclosures required by law, each party will submit to the other all public disclosure(s), advertising and other publicity matters relating to this Agreement in which the other party's name or mark is mentioned or language from which the connection of said name or mark may be inferred or implied, and will not publish or use such advertising or publicity matters without the express prior written approval of the other party.

12.11 Maintenance of Competitive System. During the Term, CSG shall use commercially reasonable efforts to provide Customers the Products and Services at the same or better level than material features and functionalities that have become standard to the customer care and billing industry for wireline video and wireline high speed data subscribers. TWC and CSG agree that they shall meet quarterly to review CSG's internal product roadmap for the Products and Services and to discuss CSG product release schedules, and any other matters affecting the relationship between the parties. TWC shall prepare in advance and submit to the Time Warner SBU agenda items for review. If during the discussion, TWC requests a new feature or functionality that constitutes a standard feature or functionality material to the customer care and billing industry for video and high speed data subscribers not then available through the Products and Services, TWC will submit in writing the business requirements to CSG via the Time Warner SBU.

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Schedule B – Basic Products and Additional Products and associated Exhibits
Schedule C – Basic Services and Additional Services and associated Exhibits
Schedule D – Designated Environment
Schedule E – Statement of Work (Sample)
Schedule F – Fees
Schedule G – Implementation/Conversion Services
Schedule H – Support Services for the Products
Schedule I – Sample Affiliate Addenda
Schedule J – Facilities Management Services
Schedule K – Performance Standards and Remedies
Schedule L – Disaster Recovery Plan
Schedule M – Additional Terms for TWC
Schedule N – Insurance Coverage for CSG
Schedule O – Source Code Escrow Agreement

THIS AGREEMENT IS NOT EFFECTIVE UNTIL SIGNED ON BEHALF OF BOTH PARTIES.

IN WITNESS WHEREOF, the Parties have executed this Agreement the day and year first above written.

**TIME WARNER CABLE, A DIVISION OF
TIME WARNER ENTERTAINMENT COMPANY, L.P.
("CUSTOMER")**

CSG SYSTEMS, INC. ("CSG")

By: /s/ Landel C. Hobbs
Name: Landel C. Hobbs
Title: Executive Vice President & CFO
Date: 3/13/03

By: /s/ Edward C. Nafus
Name: Edward C. Nafus
Title: President, Broadband Svcs.
Date: 3/13/03

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

Schedule A

OUTSTANDING SOWs

[Redacted for confidential treatment]

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Schedule B

BASIC PRODUCTS AND ADDITIONAL PRODUCTS AND ASSOCIATED EXHIBITS

Subject to the terms and conditions of the Agreement, each Customer licenses the following Products (as further described below) from CSG:

Basic Products :

Advanced Customer Service Representative ® (ACSR ®)
ACSR Module for High Speed Data
CSG Vantage ®
Computer Based Training (CBT) as may be made available by CSG

Additional Products

ACSR ® (web-enabled)
AOI
Common Billing Interface (CBI)
Customer Interaction Tracking ® (CIT ®)
HITS
CSG Screen Express ®
CSG Message Express ®
CSG Vantage On-Premise
CSG Workforce Management ®
CSG Workforce Management (web-enabled)
CSG Statement Express ®
CSG TechNet ®
CSG TechNet CE
CSG TechNet Win
CSG TechNet Web
Additional Custom Interfaces set forth in the Affiliate Addenda
CSG Smartlink ™ Micro-Level
CSG Smartlink ™ BOS

Product Descriptions

Advanced Customer Service Representative (ACSR). ACSR is a graphical user interface for CSG's CCS ® service bureau subscriber management system. ACSR significantly reduces training time and eliminates the need for CSRs to memorize transactions and codes. CSRs instead may access reference tools, help screens and subscriber data. ACSR enables accounts to be serviced by the same CSR and permits CSRs to communicate with one another through a self-contained message system. ACSR is designed so that module-based functionality such as CIT can be added as needed.

ACSR (web-enabled). ACSR is a graphical user interface for CSG's CCS service bureau subscriber management system. ACSR significantly reduces training time and eliminates the need for CSRs to memorize transactions and codes. CSRs instead may access reference tools, help screens and subscriber data. ACSR enables accounts to be serviced by the same CSR and permits CSRs to communicate with one another through a self-contained message system. ACSR is designed so that module-based functionality such as CIT can be added as needed. By using ACSR in a web-enabled environment, Customers will be able to utilize the ICA technology to migrate application software from the desktop to a "server-based" environment. The ICA technology enhances the functionality of ACSR and ACSR- related desktop call center applications (including ACSR module of High Speed Data, CSG Statement Express, CSG Screen Express, and CIT) by allowing the Customer to utilize these Products via the web.

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Common Billing Interface (CBI) . The Common Billing Interface (CBI) for Video On Demand is the billing interface used in Customers' Interactive Systems Architecture (ISA). ISA has two major components, the Provisioning and Service Management Platform and the Subscriber Management Systems (SMS) (customer care and billing systems). CSG's systems are considered, as a whole, the SMS. The CBI is the interface between the BMS and SMS that provides Customer, Service, Equipment, and Financial information. A third party vendor, will be responsible for the BMS.

CSG Vantage. Vantage is a database that enables customers to evaluate product and service performance, conduct customer analysis and lifetime values, and transform raw data into real-time reports and graphs.

CSG Vantage On-Premise. CSG Vantage On-Premise is a daily updated database that allows users to write Structured Query Language (SQL) queries for data analysis. Through the use of a query tool, users are able to create reports and graphs for operational and marketing applications. The source of the data for Vantage is CCS. Through proprietary programs developed and maintained by CSG, data is extracted, formatted, and loaded on a nightly basis to the Vantage database. The Vantage On-Premise database resides on Customer-owned hardware with Customer-owned and/or licensed software as described in the Designated Environment. All program changes, code modifications, data model changes, and maintenance activities coincide with the Vantage schedules for such activities and are consistent with Vantage operational processes.

Customer Interaction Tracking (CIT). CIT is a module offered with ACSR that provides enhanced methods for tracking the interaction with the customer base. It provides note taking functionality as well as an interaction history feature that allows specific actions to be recorded in a transaction history log. CIT also allows for the scheduling of customer call backs. These call backs can be reviewed by management as well as moved between CSR's.

AOI. AOI is an application object interface that allows third party applications to be used with ACSR.

Computer Based Training (CBT). Computer Based Training ("CBT") as may be made available by CSG.

HITS. The HITS Interface software is resident on CSG's central processing unit, and is an addressable interface that communicates with the TCI Headend In the Sky addressable controller and delivers provisioning to Customers

CSG Statement Express. CSG Statement Express electronically stores, retrieves and prints an ESP[®] statement exactly as it appears to subscribers, including customized statement messages and advertisements. Statements are available within forty-eight (48) hours of printing, making the images available to CSRs before subscribers. CSG Statement Express[®] works in either a stand-alone capacity or integrated with ACSR.

CSG Screen Express. Integrated with ACSR and the call center's ACD telephony switch, CSG Screen Express provides incoming call/ACSR screen synchronization at the CSR workstation. In addition, CSG Screen Express provides basic software-based operations of the CSR's physical telephone.

CSG Message Express . Message Express is an add-on module to CSG Screen Express providing desktop readerboard functionality to the client application. The client can be used to display ACD statistical information, as well as, a desktop message center. Extended messages can be accessed using Universal Naming Convention (UNC) path information, including web browser integration.

CSG Workforce Management. CSG Workforce Management is a client-server application for routing and dispatching activities that receives and updates work orders from CSG's CCS billing systems and assigns work orders to technicians based on each technicians' skills, location and availability.

CSG Workforce Management (web-enabled). CSG Workforce Management is a client-server application for routing and dispatching activities that receives and updates work orders from CSG's CCS billing systems and assigns work orders to technicians based on each technicians' skills, location and availability. By using CSG Workforce

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Management in a web-enabled environment, Customers will be able to utilize ICA technology to migrate application software from the desktop to a server-based environment. The ICA technology enhances the functionality of CSG Workforce Management[®] by allowing Customers to utilize the application via a web browser.

CSG TechNet. CSG TechNet integrates with CSG Workforce Management to allow field technicians to receive and manage work orders on a wireless device without dispatcher assistance.

CSG TechNet CE. CSG TechNet CE integrates with CSG Workforce Management to allow field technicians to receive and manage work orders on a wireless Windows CE-based device without dispatcher assistance.

CSG TechNet Win. CSG TechNet Win integrates with CSG Workforce Management to allow field technicians to receive and manage work orders on a wireless Windows 2000-based device without dispatcher assistance.

CSG TechNet Web. CSG TechNet Web integrates with CSG Workforce Management to allow field technicians to receive and manage work orders without dispatcher assistance via any browser-based device that can support Internet Explorer 5.5 (or higher).

ACSR module for HSD. The ACSR module of HSD allows customers, through the graphical user interface, to access subscriber information on CCS as it relates to customers' offering of high speed data services.

CSG SmartLink[™] Micro-Level. CSG SmartLink[™] Micro-Level is an XML interface that provides a mechanism for customers to use the open standards of the extensible Markup Language (XML) to communicate with CSG's core CCS system. The XML technology allows a customer to build applications using these open standards. Message based XML is used for communicating upstream to core CSG systems. The data communications method for the CSG SmartLink[™] interface is TCP/IP. Customers can use either CSG's External Integration Protocol (EIP) or HTTP to organize, request and reply records on the TCP/IP data stream. CSG provides the customer with the CSG SmartLink[™] Micro-Level Interface Specification and the XML document type definitions (DTDs) for each defined XML activity. XML requests sent by the customer must use the DTDs as supplied by CSG and validate successfully against those DTDs.

CSG SmartLink[™] BOS. CSG SmartLink[™] BOS is a macro-level XML interface that utilizes business logic technology to combine the existing CSG SmartLink[™] (micro-level) activities into Business Functions. The XML technology allows a customer to build applications using these open standards. Message based XML is used for communicating upstream to core CSG systems. The data communications method for the CSG SmartLink[™] BOS interface is TCP/IP. Customers can use either CSG's External Integration Protocol (EIP) or HTTP to organize request and reply records on the TCP/IP data stream. CSG provides the customer with the CSG SmartLink[™] BOS developer's guide and the XML schemas for the specific functionality purchased. XML requests sent by the customer must use the schemas as supplied by CSG and validate successfully against those schemas. Customer will have access to current and subsequent releases as such releases are made available by CSG.

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Schedule C

BASIC SERVICES AND ADDITIONAL SERVICES AND ASSOCIATED EXHIBITS

Subject to the terms and conditions of the Agreement, including but not limited to the applicable Exhibit, if any (as identified below), CSG shall perform the following Services (as further described below) for Customers:

Basic Services

Communications Control System for video and high speed data (CCS)
Print and Mail Services/Enhanced Statement Presentation[®] (ESP[®])
Recurring Electronic Payment Services (PayBill Advantage[™]) – *Exhibit C-1*
One-Time Electronic Payment Services (PayBill Advantage) – *Exhibit C-1*
Credit Card Processing (Recurring) – *Exhibit C-2(a)*
Credit Card Processing (1 Time) – *Exhibit C-2(b)*
Basic Care Express[®] – *Exhibit C-4*

Additional Services

Card Account Update (Visa/Acxiom) – *Exhibit C-3*
Credit Verification Services (Experian) – *Exhibit C-5*
Risk Management Services (Equifax) – *Exhibits C-5*
Enhanced Past Due Notices – *Exhibit C-6*
CSG ProfitNow![™]
Additional Care Express[®] – *Exhibit C-4*
Leads Tracking
CSG Smartlink

Services Description

Communications Control System for video and high speed data (CCS). CCS is an outsourced, transaction-driven customer care and billing system that operates high-volume capacity for the video and high speed data industries. CCS operates with the ACSR front-end graphical user interface (GUI). CCS is capable of automatically performing specific functions including collections, write-offs, past-due notices, rate increases, and discounts.

Print and Mail Services/Enhanced Statement Presentation (ESP). The Print and Mail Services provide Customers with the opportunity to receive billing services including statement printing and insertion, target marketing communication products, both print and electronic statements, computer letters, past due notices (enhanced past due notices is an Additional Service), refund checks, postal verification services, and quality control.

Recurring Electronic Payment Services (PayBill Advantage). PayBill Advantage provides Customers' subscribers with a more convenient way to pay their monthly bill through automatic withdrawal from their checking or savings account.

One-Time Electronic Payment Services (PayBill Advantage). One-Time PayBill Advantage allows Customers to perform *ad hoc* electronic fund transfers on a non-recurring basis.

Credit Verification Services (Experian Interface). The basic Experian Credit Verification Services allow a Customer to determine whether a potential subscriber qualifies for the Customer's services based on each subscriber's credit history. A Customer may purchase enhanced Experian Credit Verification Services enabling the Customer to receive a potential subscriber's credit score.

Risk Management Services (Equifax Interface). The basic (Service Level One) Equifax Risk Management Services allow a Customer to determine whether a potential subscriber qualifies for the Customer's services based on each subscriber's credit history, and also allow the Customer to have additional information to analyze the potential subscriber's credit risk, including a risk score, a decision code and a recommended treatment. Service Level Two Risk

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Management Services enable the Customer to receive online access to subscriber's and potential subscriber's uncollected customer accounts.

Card Account Update (sponsored by Visa in partnership with Acxiom). The basic Card Account Update Service will track and report replacement VISA cardholder account numbers and expiration dates and automatically update them during the month a subscriber's credit card expires for Customers that use Chase Merchant Services for recurring credit card processing.

Recurring Credit Card Processing. Credit card processing (recurring) provides a Customer's subscribers with a more convenient way to pay their monthly bill through recurring credit payment.

One-Time Credit Card Processing. Credit card processing (1 time) utilizes a one-time credit card transaction to automatically collect payments for monthly services and special circumstances.

CSG ProfitNow! CSG ProfitNow! is an intelligent customer relationship management tool that provides information to maximize profitability on an individual customer basis. ProfitNow! combines the capabilities of the customer care and billing solution with sophisticated predictive analytics technology to create the following products:

The churn module predicts the probability that a customer will disconnect within 30 days, identifies the reason(s) that a customer will disconnect, and recommends strategies that might keep a customer from disconnecting.

The Profitability module provides a 60-day forecast of a customer's value and recommends the products or services to which customers are likely to upgrade in order to increase their value.

Leads Tracking. Leads Tracking is tool to manage prospective customers by keeping track of lead information, such as name, address and telephone number. It will also allow you to monitor leads as serviceability statuses change or requested services become available. In addition, it will also allow you to store leads without a serviceable house

Care Express. Care Express is an Internet product designed to support Broadband service providers in the area of online customer self-service activities. Specific modules within Care Express facilitate Electronic Bill Payment and Presentment and/or Self-Care activities including account management and new subscriber acquisition. "Basic" and "Additional" Care Express Services are further described in Exhibit C-4.

Module A – Care Express Electronic Bill Payment and Presentment. This module facilitates presentment of a subscribers current bill and past statements in an electronic format via the service providers website. Care Express also enables payment of the current bill with EFT/ACH, credit card or PIN-less debit cards.

Module B – Care Express Self Ordering/Account Management/Customer Acquisition. This module facilitates customer self-service activities including online ordering and provisioning of services for new subscribers. Care Express also allows current subscribers to upgrade their services and manage their account information through an Internet interface.

Module C – Consolidator Services:

Consolidator Services facilitate the distribution of consumer statement information (e.g. bill), in an electronic summary record format, to multiple bill aggregation points (e.g. bank website, Internet portal or other personal financial website) as requested by the consumer.

Consolidator Services include:

- Managing consumer enrollments
- Electronic presentment of bill summary to multiple bill aggregation points. (e.g. bank website, Internet portal or other personal financial website).
- Coordinating payment processing.
- Facilitating necessary communications between CSG and Consolidator Services provider on behalf of a Customer.

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Exhibit C-1

Electronic Payment Services (*PayBill Advantage*)

1. Electronic Payment Services. CSG will provide to each Customer the data processing services, including reasonable backup security in accordance with industry standards for such Customer's data, to support electronic bill paying services as set forth in Section 2 below (the "Core Services") for Customer's Subscriber accounts that elect to pay their Customer bill statements via electronic fund transfer.

2. Core Services.

(a) Consumer Debits. Each Subscriber will have the option to pre-authorize a debit to either their checking account or savings account on a recurring, monthly basis or on a one-time basis. The CCS system will automatically determine monthly debit date for recurring, monthly debits based on the Customers' user data files. The Subscriber will determine the debit date for one-time payments. CSG or, if applicable, the third party merchant bank that originates the automated clearing house debit ("ACH Originator") will be responsible for the disbursement, remittance and settlement of all funds. CSG will create and submit a pre-authorized payment disbursement file according to bank industry standards (National Automated Clearing House Association, "NACHA", or Electronic Data Interface, "EDI") containing a debit record for Subscribers who have pre-authorized monthly or one-time debits to be made from checking or savings accounts. The ACH Originator will submit to an automated clearing house data in the required format for the collection of the payments from Subscribers bank accounts, which will be effected on the collection date, or if that date is not a banking day, the first banking day after such date. Each debit will be submitted so as to effect the payment on the designated date. Each Customer shall designate the bank who will act as the ACH Originator for such Customer and shall enter into an agreement, on such terms and conditions as such Customer may approve in its sole discretion, with such ACH Originator if required by such ACH Originator. Current banks available for selection for electronic fund transfers are listed in Attachment A to this Exhibit C-1. A different or additional bank for electronic fund transfers may be added under a mutually agreed upon Statement of Work between a Customer and CSG providing for the creation of the necessary interface. The Core Services shall be rendered by CSG and the ACH Originator in compliance with all applicable laws, rules and regulations of any governmental authority and any clearing house or clearing house association, including without limitation, the operating rules of NACHA as amended from time to time.

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

(c) Enrollment Process. Each Customer is responsible for obtaining a Subscriber's authorization for such Subscriber's electronic fund transfer to such Customer as required by NACHA, except for electronic fund transfers made pursuant to the Services described on Schedule C-4 of this Agreement ("EBPP Transactions") in which case it shall be CSG's responsibility to obtain such authorization. Except for EBPP Transactions, each Customer will input Subscriber type of account, bank account number, payment method, and bank routing information into the CCS system. With respect to recurring, monthly payments only, CSG will initiate an ACH prenote the day the form is processed or the day after the form is processed if the form is entered after the daily cutoff time. A daily report will be generated for the Customer each business day for which input is processed showing that a prenote has been initiated. If the prenote process produces an error, the CCS system will automatically update the Subscribers' payment status to reflect an error and add the error to a daily report. If the error was correctable by the receiving depository financial institution, the CCS system will automatically update the information on the CCS system. The first debit will be initiated on the appropriate date to effect the debit on the Customer's predetermined monthly payment date.

(d) Automatic Pre-Authorized Payments. CSG and the third party ACH Originator shall provide electronic fund transfer via ACH debit for both recurring, monthly payments and one-time payments. For recurring, monthly payments, CSG will submit a file to the ACH Originator three days prior to the date the debit is scheduled to take place. Additionally, the Subscriber payment amount submitted to the ACH Originator for recurring, monthly payments will be the statement balance if the statement balance is less than the current balance or if the statement balance is greater than the current balance, then the current balance will be used. For one-time payments, CSG will submit a file to the ACH

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Originator on the date the payment is entered in to the CCS system. Additionally, the Subscriber payment amount submitted to the ACH Originator for one-time payments will be determined by the Subscriber. If the designated date for deduction falls on a weekend and/or holiday, the deduction will not occur until the next scheduled banking day.

(e) Settlement. The ACH Originator will credit the applicable Customer's bank account for the gross ACH collection on the same day as the debit to its Subscriber's checking or savings account.

(f) Settlement and Posting of Returns. The ACH Originator will settle daily returns against the applicable Customer's bank account, as designated by such Customer from time to time. Settlement with each Customer will be done daily. Each day for which there are returns, the ACH Originator will initiate a debit to the Customer's specified account for the total amount of debits received by ACH Originator that day. If the ACH Originator retries certain return items, first time NSF returns re-deposited by ACH Originator will not be debited to the Customer's specified account. Each Customer is ultimately responsible to cover on a daily basis all return debits incurred by ACH Originator and in the event collections have ceased, such Customer shall be obligated to pay within *** (**)* any unfunded return amounts not funded to cover all remaining return debits. CSG will post to a Subscriber's CCS account a returned payment transaction for each Subscriber whose electronic fund transfer payment is returned or reversed on the date that such return or reversal occurs.

(g) Record Keeping. Each Customer is responsible for maintaining Subscriber authorization forms for the minimum period required by applicable government laws or regulations, except for EBPP Transactions in which case it shall be CSG's responsibility.

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

4. Subscriber Authorization. Each Customer shall obtain from its Subscribers who elect to pay their Customer bill statements via electronic fund transfer the proper authorization for electronic fund transfer to and from such Subscriber's savings account or checking account, as prescribed by NACHA, except for EBPP Transactions in which case such authorization shall be CSG's responsibility. Each Customer will enter only authorizations which it believes to be valid for processing.

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

6. ACH Originator. Customers acknowledges and agrees that this Exhibit is only between Customers and CSG and, that as a result, Customers gain no relationship with institutions used by CSG for ACH processing on account of this Agreement. CSG shall be responsible for the obligations of the ACH Originator hereunder.

7. Subscriber Reports. If a Customer requests that CSG provide such Customer with a media containing information regarding such Customer's Subscribers and related banking information and payment data, then such Customer shall pay the rates for such media set forth on Schedule F to this Agreement.

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Attachment A to Exhibit C-1

Banks Available for Electronic Fund Transfer Services*

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Exhibit C-2(a)

Recurring Credit Card Processing*

1. Recurring Credit Card Processing . CSG will provide to Customers, and Customers may purchase from CSG, data processing services which allow subscribers to have amounts owed automatically charged to their credit card on a monthly basis (the “**Recurring Credit Card Processing Service**” or for this Exhibit only, the “Service”). When Subscribers provide their credit card information to the Customer, a “pre” authorization is sent real time to a CSG approved merchant bank (see Section 2 below), to insure that the credit card information is accurate. Each Customer will determine when the recurring credit card payment will be performed, either on the subscriber’s cycle date or a date between 10 and 25 days after the cycle date. Each Customer can choose to automatically retry certain “decline” response codes from the credit card processor. CSG Systems will send a file of credit card payments in the appropriate format to the merchant bank’s processor on a nightly basis and post the payment to the Subscriber’s CSG account. The merchant bank is responsible for all settlement processing and reporting. Merchant processing fees will be billed directly to the Customer, per the agreement between the Customer and the merchant bank. Recurring credit card payments will be identified on daily and monthly production reports.

2. Requirements. Allowable credit cards for the **Recurring Credit Card Processing** are Mastercard, VISA, Discover and American Express. Each Customer is responsible for establishing a merchant agreement with a CSG approved merchant bank**. Additional merchant banks may be added by CSG at a Customer’s request for additional fees through a mutually agreed upon Statement of Work. The merchant bank will assign all applicable merchant ID numbers. Each Customer must communicate their merchant ID information to CSG prior to using the Service. Online credit adjustments to a credit card can be performed for those Customers that use both Recurring and One-Time Credit Card Processing with a CSG Systems approved merchant bank.

3. Use of Credit Information. The parties agree that all information and data accessed through the **Recurring Credit Card Processing Service** is “Confidential Information” and as such shall kept strictly confidential in accordance with the Agreement.

4. Intellectual Property.

(a) **No License.** Customers will not acquire any patent rights, copyright interest, or other right, claim, or interest in the computer programs, forms, schedules, manuals, or other proprietary items utilized or provided by CSG in connection with the **Recurring Credit Card Processing Service**.

(b) **Restrictions on Use.** Customers will not use or permit its respective employees, agents and subcontractors to use the trademarks, service marks, logos, names, or any other proprietary designations of CSG except in compliance with the Agreement.

(c) **Ownership of Credit Data.** Customers acknowledge that all information contained in the consumer credit information database is and will continue to be the exclusive property of CSG. Except for the uses specified in this Exhibit, nothing contained in this Exhibit shall be deemed to convey to Customers any right, title or interest in or to the consumer credit information database or any part thereof. Notwithstanding the above, any Customer Data contained in the consumer credit information is and will continue to be the exclusive property of Customers.

* For purposes of this Agreement, Recurring and One-Time “Credit Card Processing” shall include processing for debit cards that do not require a pin number.

At this time, CSG approved banks include: Chase Merchant Services or Paymentech. CSG agrees that *** shall be an approved bank no later than May 1, 2003. Additional merchant bank options shall be added upon a Customer’s request if the parties mutually agree on a statement of work for development of the necessary interface.

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Exhibit C-2(b)

One-Time Credit Card Processing

1. One-Time Credit Card Processing. CSG will provide to Customers, and Customers may purchase from CSG, data processing services which allow subscribers to charge amounts owed via credit card (the “**One-Time Credit Card Processing Service**” or for this Exhibit only, the “Service”). Credit Card payments can be accepted online through either the work order system or the payment entry. This feature involves real-time credit card authorizations via an interface with a third party credit card processing system. Return messages from the credit card processor, including approved authorizations, declines, and errors, will be displayed online. CSG will create and transmit a nightly settlement file to the merchant banks’ processing center. All settlement reporting is done by the merchant bank. “Approved” credit card payments will post to the Subscriber’s account the day it was entered, up to 9 p.m. central time. One-time credit card payments will be identified on daily and monthly production reports. The merchant processing fees will be billed directly to the Customer, per the agreement between the Customer and the merchant bank.

2. Requirements. Allowable credit cards for the **One-Time Credit Card Processing** are Mastercard, VISA, Discover and American Express. Each Customer is responsible for establishing a merchant agreement with a CSG approved bank*. The merchant bank will assign all applicable merchant ID numbers. Each Customer must communicate their merchant ID information to CSG prior to using the Service. Online credit adjustments to a credit card can be performed for those Customers that use both Recurring and One-Time Credit Card Processing with a CSG Systems approved merchant bank.

3. Use of Credit Information. The parties agree that all information and data accessed through the **One-Time Credit Card Processing Service** is “Confidential Information” and as such shall be kept strictly confidential in accordance with the Agreement.

4. Intellectual Property.

(a) **No License.** Customers will not acquire any patent rights, copyright interest, or other right, claim, or interest in the computer programs, forms, schedules, manuals, or other proprietary items utilized or provided by CSG in connection with the **One-Time Credit Card Processing Service**.

(b) **Restrictions on Use.** Customers will not use or permit its respective employees, agents and subcontractors to use the trademarks, service marks, logos, names, or any other proprietary designations of CSG except in compliance with the Agreement.

(c) **Ownership of Credit Data.** Customers acknowledge that all information contained in the consumer credit information database is and will continue to be the exclusive property of CSG. Except for the uses specified in this Exhibit, nothing contained in this Exhibit shall be deemed to convey to Customers any right, title or interest in or to the consumer credit information database or any part thereof. Notwithstanding the above, any Customer Data contained in the consumer credit information is and will continue to be the exclusive property of Customers.

* At this time, CSG approved banks include: *****. Additional banks may be added by CSG at a Customer’s request for additional fees through a mutually agreed upon Statement of Work. CSG agrees to use reasonable efforts to add ***** to this Attachment A by the end of the first quarter of 2003 and shall add ***** as an approved bank no later than May 1, 2003. Additional merchant bank options shall be added upon a Customer’s request if the parties mutually agree on a statement of work for development of necessary interface.

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Exhibit C-3

Card Account Update (Visa/Axiom)

1. Card Account Update (Visa/Axiom). CSG will provide to Customers, and Customers may purchase from CSG, data processing services which automatically refresh VISA cardholder account numbers and expiration dates for merchants that use ***** for recurring credit card processing (the "Card Account Update Service").

2. Requirements. A Customer must use ***** for recurring credit card processing in order to utilize the Card Account Update Service. TWC acknowledges that TWC and ***** must execute an Amendment to the Merchant Bankcard Processing Agreement entered into between TWC and ***** before Customers may use the Card Account Update Service. Customers also acknowledge that the Card Account Update Service must be used with either CSG's CCS/BP (formerly CCS[®]) or ACSR[®] systems.

3. Use of Credit Information. Each Customer that purchases the Card Account Update Service agrees that it shall keep all information and data accessed through the Card Account Update Service strictly confidential. Each such Customer hereby agrees that it will request credit information received from CSG solely for said Customer's use in connection with (i) credit transactions between such Customer and the consumers to whom the credit information relates, (ii) employment purposes, (iii) underwriting of insurance, (iv) collection activity, (v) government licensing, or for other "permissible purposes" as defined by the Fair Credit Reporting Act ("FCRA"), and will neither request nor use any such information for any other purpose.

4. Intellectual Property.

- (a) **No License.** Customers will not acquire any patent rights, copyright interest, or other right, claim, or interest in the computer programs, forms, schedules, manuals, or other proprietary items utilized or provided by CSG in connection with the Card Account Update Service.
- (b) **Restrictions on Use.** Customers will not use or permit its respective employees, agents and subcontractors to use the trademarks, service marks, logos, names, or any other proprietary designations of VISA, *****, **, or their respective affiliates, whether registered or unregistered, without the prior written consent of the applicable party.
- (c) **Ownership of Credit Data.** Customers acknowledge that all information contained in the consumer credit information database is and will continue to be the exclusive property of CSG's provider of the Card Account Update Service. Except for the uses specified in this Agreement, nothing contained in this Exhibit shall be deemed to convey to any Customer any right, title or interest in or to the consumer credit information database or any part thereof.

5. Data Accuracy. Customers acknowledge that the Card Account Update Service is only accurate to the extent a Card issuer participates in the service and that many Card issuers do not participate in the service. Furthermore, Customers acknowledge that CSG is not responsible in any way for the accuracy or the completeness of data which may be accessed as part of this service. At this time, Visa is the only credit card type offering the service of tracking and reporting replacement credit card numbers and expiration dates. As part of the Card Account Update Service, Visa can also report if a Visa credit card number replaced a MasterCard credit card number.

6. Termination. Visa may terminate Customers' participation in the Card Account Update Service, or terminate the service in its entirety, at any time. *****' bankcard processing relationship with TWC, and thus the Card Account Update Service, may be terminated at any time pursuant to the terms and conditions set forth in Merchant Bankcard Processing Agreement entered into between TWC and ***** . CSG assumes no liability of any kind that arises out of the termination of Customers' participation in the Card Account Update Service by either Visa or, so long as ***** such termination was not caused by a material breach by CSG.

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Exhibit C-4

CSG CARE EXPRESS - SERVICE BUREAU

ELECTRONIC BILL PRESENTMENT AND PAYMENT, SELF CARE, AND CONSOLIDATOR SERVICES

1. **Basic Services** . During the Term and on the terms and conditions described herein, CSG will provide, and each Customer may purchase from CSG, the electronic bill presentment and payment services and the subscriber self care services provided via module A and B of Care Express (as updated and upgraded from time to time) as identified on Attachment A attached hereto (the “Basic Care Express Services”) for such Customer’s Subscriber accounts.
2. **Additional Services.** In the event TWC desires for CSG to provide other services in addition to the Basic Care Express Services (“Additional Care Express Services”), the parties agree to negotiate in good faith with respect to the terms and conditions (including without limitation, pricing) on which the Additional Care Express Services shall be provided to Customers unless such terms and conditions are already provided for in this Agreement. The description of any such Additional Services, and any other terms and conditions related thereto, shall be set forth in an addendum to this Schedule signed and dated by CSG and TWC. Unless otherwise agreed in writing by TWC and CSG in such addendum, any Additional Services shall be subject to the terms of this Schedule. The Additional Services include, but are not limited to (i) special computer runs or reports, special accounting and information applications not described on Attachment A or otherwise included within the functionality of Care Express; (ii) data processing and related forms and supplies and equipment other than those provided as standard pursuant to this Agreement; and (iii) the distribution of Subscriber statement information to aggregation points described in Module C of Attachment A hereto and on Attachment B hereto (the “Consolidator Services”). The designation of “Additional Care Express Services” in any Affiliate Addendum shall mean only the Consolidator Services unless further Services related to Care Express, and the pricing therefor, are clearly identified therein.
3. **Implementation** . With respect to each Customer that has elected to receive the Basic Care Express Services and/or the Consolidator Services, until such Services have been fully implemented and are available to all of such Customer’s Subscribers, CSG and such Customer shall hold weekly telephone conference meetings to review the status of the implementation, any open issues, the implementation schedule, upcoming implementation activities and any other matters relevant to the implementation (“Weekly Implementation Call”). Within two business days of each Weekly Implementation Call, CSG shall distribute to such Customer, via e-mail, a written summary of such Weekly Implementation Call, all issues decided upon during such call, any action items for which each party is responsible, and an updated implementation schedule.
4. **Subscriber Reports.** If a Customer requests that CSG provide such Customer with a tape or other media, or an electronic file transmission, containing data housed in CSG’s Care Express database regarding such Customer’s Subscribers, then such Customer shall pay the fees set forth on Schedule F to the Agreement for each such data extract report.
5. **Compliance with Laws.** CSG (a) shall, with respect to designing and providing the Basic Care Express Services and/or Additional Care Express Services hereunder (collectively, the “Care Express Services”), be responsible for complying with all laws, rules, regulations and requirements of (i) the Electronic Fund Transfer Act (15 U.S.C. § 1693 et seq.) (the “EFTA”) and Regulation E issued by the Board of Governors of the Federal Reserve System pursuant to the EFTA (12 C.F.R. Part 205), the Electronic Signatures in Global and National Commerce Act (15 U.S.C. § 7001 et seq.) (“E-Sign”) and any implementing regulations thereunder, and the Uniform Electronic Transactions Act, each as amended from time to time, (ii) any credit card or debit card processor or association applicable to the processing of credit card or debit card payments, as amended from time to time, or (iii) any clearing house or clearing house association, including without limitation, the operating rules of NACHA as amended from time to time, and any additional laws, rules, or regulations of any governmental authority or third party hereinafter enacted or issued, in each case, that are applicable to the Care Express Services or the billing or payment transactions initiated through the Care Express Services (collectively, the “Legal Requirements”) and shall bear all risk of noncompliance with the Legal Requirements in connection with the design, development, implementation or a Customer’s non-fraudulent use of any

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of the Care Express Services including, without limitation, enrollment of Subscribers via Care Express to receive or utilize any of the Care Express Services, a Subscriber's election to receive such Subscriber's bill statement and all legal notices that would otherwise be distributed as bill inserts with a paper bill statement in electronic format only, a Subscriber's election to pay a Customer's bill via preauthorized transfer, required notices of preauthorized transfers that vary in amount, and archiving of Subscriber authorizations for electronic fund transfers for the minimum period required by the applicable Legal Requirements; and (b) shall, indemnify, defend and hold harmless each Customer and TWC, and their respective Related Parties from and against all costs, reasonable attorneys' fees and damages arising or resulting from any claims, demands, actions, suits or proceedings of any third party arising or resulting from the breach by CSG of the obligations set forth in clause (a) of this Section. Notwithstanding anything to the contrary in this Section, each Customer and TWC shall indemnify, defend and hold harmless CSG and its Related Parties from and against all costs, reasonable attorneys' fees and damages arising or resulting from any claims, demands, actions, suits or proceedings of any third party arising or resulting from (i) CSG complying with instructions or directives of Customer but only after written notice to TWC pursuant to Section 12.9 of this Agreement describing the possible conflict with a Legal Requirement and a subsequent request by the Vice President of Operational Support Systems for TWC or a superior officer of TWC (and not from a Participating Affiliate) that CSG comply with such Customer or TWC request, (ii) any chargeback, stop payment, reversal, recall, recredit or other similar right or any claim by any Subscriber to any such right where such action is taken for a reason other than an error by CSG or its subcontractors with respect to a payment initiated with respect to such Subscriber, and (iii) any and all laws, rules, regulations and requirements applicable to the Care Express Services other than the Legal Requirements (including, without limitation, any privacy or consumer protection laws other than the Legal Requirements and any laws specific to the business or industry of a Customer or TWC), excluding any laws, rules, regulations or requirements applicable to CSG.

6. Collection Data. In the event a Customer uses a third party vendor to provide services included in the Care Express Services that require data transfer and/or data transmission between CSG and the Customer, CSG shall not be liable for any inaccurate Subscriber account balance set forth in a bill statement presented electronically by CSG pursuant to this Agreement or for initiating an electronic fund transfer or credit card charge in an amount that is not equal to the Subscriber's true and accurate account balance as of Customer's Statement Closing Date (as defined on Schedule K of this Agreement) where such error is caused by the failure of a Customer or third party vendor to provide Subscriber information updates and data (including, but not limited to, account balance) to CSG.

7. Service Warranty. CSG warrants that all Care Express Services shall be provided to TWC and Customers in a good and workmanlike manner and in accordance with the prevailing industry standards, and CSG warrants that it shall cause the recurring bill payments initiated by Subscribers via the Care Express Services to be made in the correct amounts from the correct Subscribers' accounts on the bill payment due date for Subscribers predetermined by the applicable Customer and shall cause one-time bill payments initiated by Subscribers via the Care Express Services to be made in the correct amounts from the correct Subscribers' accounts on the payment date elected by such Subscribers. Either TWC or the applicable Customer shall notify CSG, and CSG shall notify TWC and the applicable Customer(s) promptly upon its discovery of any breach of the foregoing warranties. In case of breach of the foregoing warranty to a Customer for the Care Express Services, CSG's exclusive liability to such Customer, and such Customer's exclusive remedies, will be: (a) to obtain the prompt reperformance or the correction of the Care Express Service at CSG's expense and, in any event, within ***** (**) **** of CSG's receipt of notice or discovery of such breach, (b) to receive payment by CSG of such Customer's actual direct damages related to the breach of this warranty, subject to the limitations set forth in Sections 9.2 of the Agreement, (c) the termination remedies set forth in Section 6 of the Agreement. The foregoing shall not limit CSG's indemnification obligations under this Agreement.

8. Consolidator Capability. All Consolidator Services shall be provided, after completion of the implementation services, for the fees set forth in Schedule F to the Agreement, directly through ***** for as long as CSG has an agreement with ***** including whichever interfaces, functionality and Network Participants (as defined on Attachment B) as ***** in its sole discretion, decides to utilize. Additional Consolidator Service providers (***** and each such additional provider, a "Consolidator") may be added by CSG and TWC under mutually agreed upon terms and conditions (including, without limitation, pricing and the service level agreement applicable thereto) in an Addendum to this Exhibit. Attachment B hereto sets forth the terms and conditions applicable to the Consolidator Services provided by *****.

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9. Payment Processing. Payment processing for all payment transactions initiated via a Customer's Biller Direct Site (as defined on Attachment A hereto) shall occur in accordance with Exhibits C-1 and C-2(a) and (b). Payments made via Consolidator Services shall occur in accordance with the Electronic Remittance Agreement between the Customer and ***** ***** *****.

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Attachment A

Care Express is an Internet product with three modules, which include features and functions for Electronic Bill Presentment and Payment (*Module A*), Self-Care/Account Management/Subscriber Acquisition (*Module B*) and Consolidator Services (*Module C*)*. These modules may be implemented in conjunction with one another or as separate entities. The features and functions within each of these modules are managed through the Administration Module.

**Module C requires the installation of Electronic Bill Payment and Presentment (Module A) prior to implementation.*

Implementation of Care Express includes:

- For each Customer, CSG shall implement Care Express in order develop a website for each, to be hosted by CSG, through which Subscribers of such Customer may view and pay their respective bill statements from such Customer (“ **Biller Direct Site** ”). The form, flow, function and content of the Biller Direct Site must be reasonably satisfactory to the applicable Customer and shall be linked to such Customer’s website in a manner that is reasonably acceptable to such Customer. The Biller Direct Site developed by CSG for each Customer shall have a look and feel that is consistent with the look and feel of the web site of such Customer, and is otherwise reasonably satisfactory to such Customer.
- CSG implementation project team:
 - CSG Project Implementation Manager
 - CSG Product Implementation Analyst
 - Other Business and Technical Support as needed for the project
- Overall project management, status reporting and issue resolution
- Guidance on business process change considerations and product application
- Work with Customer to complete business requirements questionnaire and web screen(s)
- Analyze the business requirements and provide CSG Development with the finalized version of the requirements.
- Analysis, development, coding, and testing of Customer’s Care Express website
- Prepare Care Express environment
- Provide guidance on training approach and plan
- Turnover of support responsibilities from the Implementation team to the CSG Account Specialist and Product Support Center

Additional details regarding specific deliverables are included in the SOW.

Module A—Electronic Bill Presentment and Payment

The following functionality is currently included in Care Express when only the Electronic Bill Presentment and Payment (EBPP) module has been implemented:

Bill Presentment

- Upon completion of enrollment process, a Subscriber can immediately view and/or pay their bill
- Bills are viewable through custom presentation and content templates which shall be reasonably similar to a Customer’s paper bill presentation and content templates except as otherwise approved by a Customer in its sole discretion, such approval not unreasonably withheld
- Current bill (containing all relevant account information set forth in the Customer’s paper bill statements to Subscribers) available for all Subscribers immediately upon registration
- E-mail notification of bill availability sent to registered users
- Bill archive maintained for registered users for up to and including 6 months
- All bill messages including, text based messages, regulatory and/or legal messages, set forth on the paper bills of a Customer shall also appear on the bills of such Customer presented electronically
- All required legal notices/documents included as bill inserts by a Customer in its paper bills for the cable system in which a Subscriber is located will be presented electronically via either embedded messages or a link to the appropriate notice/document, as such Customer and CSG shall mutually agree.

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Bill Payment*

- Payment methods include:
- One-time EFT/ACH, credit card and PIN-less debit cards
- Registered user presented with payment authorization message at time of payment
- Recurring credit and PIN-less debit cards
- Recurring EFT/ACH
- Subscriber authorization for selected payment method
- Commercially reasonable means of verification of Subscribers' bank routing and account numbers
- Real-time credit card and debit card authorization
- Credit and debit cards accepted are: Visa, Master Card, American Express and Discover

* Requires electronic banking relationship with a CSG approved bank/card processor as set forth on Exhibits C-1 and C-2(a) and (b).

Subscriber Registration and Maintenance

- Internet registration for new users of Care Express services
- E-mail notification of successful initial registration sent to registered users
- Internet maintenance of registered user information such as E-mail address and password
- Optional setting to turn off the printing and mailing of paper statements

Additional Account Management Items

- Registered users can change "Bill-to" information
- Registered users can change phone numbers
- Registered users can change Internet login ids and PC equipment information
- Registered users can enroll (or cancel) recurring credit card and PIN-less debit card
- Registered users can enroll in (or cancel) recurring EFT/ACH
- Registered users can change their recurring payment information
- Registered users can change their Care Express e-mail address
- Registered users can change their Care Express password

Module B—Self-Ordering/ Self-Care/Subscriber Acquisition

The following functionality is currently included in Care Express Module B when only the Self Care/Account Management/Subscriber Acquisition module has been implemented:

New Subscriber Acquisition (New Connect)

- Non-registered Users can view available services
- Non-registered Users can select available services
- Non-registered Users can establish installation date
- Includes confirmation of dwelling serviceability
- Includes user-friendly error handling
- Includes web-only service descriptions
- Internet orders include login id, password and PC equipment information
- Includes update capability for services and scheduling date

Request for Service Upgrade or Sidegrade

- Registered users can select available services to add to their existing accounts
- Registered users can view available services
- Includes user-friendly error handling
- Includes web-only service descriptions
- Includes support for no-truck and truck roll orders
- Includes update capability for services and scheduling dates

Order Pay-Per-View Movies and Events

- Registered users can view pay-per-view schedules
- Registered users can order pay-per-view movies and events

Subscriber Registration and Maintenance

- Internet registration for new users of Care Express services
- E-mail notification of successful initial registration sent to registered users
- Registered users can change "Bill-to" information
- Registered users can change phone numbers
- Registered users can change Internet login ids and PC equipment information
- Registered users can change their Care Express e-mail address
- Registered users can change their Care Express password
- Optional setting to control the printing and mailing of paper statements

Customer Administration Module: Features & Functions listed below are applicable to both Module A and Module B unless otherwise noted.

Provide end-user support

- Customer has the same view into Care Express as the Subscriber (i.e. end-user)
- Customer can retrieve account information by either account number or name

Control Customer Administrative-user access level

- Secure login access path (user ID and password in SSL site) for Customer Administrative user (supervisor) and basic user (CSR)
- Update Customer Administrative user passwords and access/security level
- Capability to automatically unregister users who have not logged into the website for a given period of time. Customer Administrative user may set parameters to define specific period of time.

View Reports

- Payment transactions by status (*Module A only*)
- Unposted (pending) payments (*Module A only*)
- Successful payments (*Module A only*)
- Failed payments for one-time payments via Care Express
- Registered users
- Number of suppressed hardcopy statements
- Self-care transactions
- Selectable by date ranges
- Printer friendly version of reports available
- Listing of Registered Subscribers, payment method, and where relevant identification of Aggregator through which bill payment is made

Note: Care Express monthly reports are available via Care Express Customer Administration Module within three (3) business days after the close of the Customer's billing cycle. Information not available via Care Express reports may be accessed using CSG's Vantage reporting tool.

Client control of various web page displays, look and feel

- Real-time web site update (add, change, delete) of services, groups of services and service descriptions
- Control available work order scheduling time slots and descriptions
- Control user-friendly error message descriptions
- Control work order rescheduling availability (# of hours before install date to disallow rescheduling)
- Changes can be made by system print agent ("SPA") ranges for efficiency (changes can be made to service codes, event codes, package codes either specific to the SPA or across all SPA's).

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Marketing

- Support for CSG's Enhanced Statement Presentation[®] messages (Regulatory and Marketing) as defined by the Customer during initial implementation
- Space available for banner ads

Security

- Web site access restricted to customer defined servers
- Data and applications restricted to authorized users only
- SSL (Secure Socket Layer) 3.0 (SSL version to be upgraded as needed to maintain industry standard) compliant

Customer will have the ability to customize their Care Express, Module A and/or Module B web pages to maintain consistency between the look and feel of their corporate Internet web site. The specific look & feel, colors, graphics, logo etc. will be defined by the Customer and implemented by CSG during the initial implementation.

Web pages within the Customer Administration Module include specifically defined areas for Customer colors, graphics and logos. All other areas, workflow, navigation and design within the Customer Administration Module will have a universal format and presentation to the end-user as dictated by CSG.

All subsequent changes to the look and feel, graphics, logos colors etc. will be executed by CSG through additional Statements of Work.

Module C—Consolidator Services * :

Consolidator Services facilitate the distribution of Subscriber statement information (e.g. bill), in an electronic summary record format, to multiple bill aggregation points (e.g. bank website, Internet portal or other personal financial website) as requested by the Subscriber.

Consolidator Services include:

- Managing Subscriber enrollments
- Electronic presentment of bill summary to multiple bill aggregation points. (e.g. bank website, Internet portal or other personal financial website).
- Coordinating payment processing.
- Facilitating necessary communications between CSG and Consolidator Services provider on behalf of Customer.

Implementation Services

- **To be included in each mutually agreed to Statement of Work specific to each Customer.**

Training Services

- **For each Customer utilizing the Services, a Train-the-trainer class entitled Application Usage for Care Express will be provided by CSG.**

* *Implementation of Consolidator Services (Module C) requires Electronic Bill Payment & Presentment (Module A) be installed.*

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Attachment B:
Consolidator Services

The following terms and conditions are applicable to the Consolidator Services provided by CSG to a Customer under this Agreement. CSG and Customers are collectively referred to herein as the "Parties" and individually as a "Party."

Definitions.

***** ** ***** ** ***** ***** ***** ***** ***** ***** *****

"Consolidator" is defined as a bill aggregator. Currently the Consolidator Services are provided directly through *****.

"Network Participant" is defined as any third party consumer service provider that CheckFree Service Corporation decides, in its sole discretion, to include in its network.

"Transaction" is defined as a bill distributed by CSG to a Consolidator as the direct result of a Subscriber's enrollment to receive such Subscriber's bill from a Customer through such Consolidator.

"User" is defined as the Customer's subscriber (normally, but not limited to, an individual consumer) who receives the electronic billing summary and/or detail billing information.

1. Scope of Agreement.

For the fees set forth in Schedule F of the Agreement, CSG agrees to implement the Consolidator Services (as described herein and in Attachment A to Exhibit C-4 of the Agreement) for each Customer that requests such Services and to provide the Consolidator Services to such Customer for use by Users who enroll in the Consolidator Services. Additional Consolidators may be added by CSG and Customer(s) under mutually agreed upon terms and conditions (including, without limitation pricing and the service level agreement applicable thereto) in an Amendment to the Agreement. CheckFree shall not be removed as an available Consolidator without TWC's prior written consent. Each Customer will be charged the Transaction Fee set forth on Schedule F of this Agreement for every bill or bill summary record sent to the Consolidator by CSG as a result of a Subscriber's enrollment to receive such Customer's bill through such Consolidator. No other fees shall apply to Consolidator Services effected through CheckFree and described on Attachment A or this Attachment B to Exhibit C-4. Additional features that are added to the Consolidator Services as defined in Exhibit C-4, may incur additional charges as mutually agreed by CSG and Customer(s) in writing.

2. Modifications in the Consolidator Services.

Upon giving reasonable advance notice to Customers, CSG, at its expense, may make any modifications, changes, adjustments or enhancements to the Consolidator Services which it considers to be required by law or governmental regulation. CSG, at its expense, may make any other modifications, changes, adjustments or enhancements to the Consolidator Services not covered by the previous sentence, which do not affect CSG obligations under this Agreement, do not diminish the functionality of the system, and do not have an adverse effect on Customers. CSG agrees to provide Customers with at least ***** (**) ***** advance notice of any new releases of the Consolidator Services utilized by Customers or Users.

3. File Security, Retention and Transfer at Time of Termination.

CSG shall take all reasonable precautions to prevent the loss or alteration of each Customer's computerized files and records accessed or retained by CSG. CSG, shall, at its expense, keep copies of the source documents of the information delivered to Consolidator and shall maintain a backup procedure for reconstruction of lost or altered CSG computerized files and records for at least *** (*) ***** from the closing date of a Subscriber's account.

4. CSG Obligations.

4.1. CSG will assign resources and complete implementation tasks such that following the implementation kick-off meeting, use of the Consolidator Services can commence within a mutually agreed upon timeframe which

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shall not be later than the time required pursuant to Schedule K. Until implementation of the Consolidator Services has been completed with respect to a Customer that has requested such Services, CSG and such Customer shall follow the procedures set forth in Section 3 (Implementation) of Exhibit C-4 with respect to the implementation of the Consolidator Services.

- 4.2. CSG will use enrollment records to designate Users on its internal billing systems, and CSG, thereafter for so long as this Attachment B remains in effect, or until it has received instructions to the contrary from the Customer or User, will deliver a User's bills electronically using the Consolidator Services; provided, however that a User's paper bill statement will not be turned off unless CSG receives a specific instruction from the applicable Customer to such effect.
- 4.3. CSG will transmit accurate and timely User billing summary data to Consolidators and CSG will respond to general Customer inquiries regarding the Consolidator Services and specific billing related inquiries. Customer will respond to all other general User inquiries. CSG shall cause the Consolidators to accurately display to the User the User billing summary data transmitted by CSG to such Consolidators.
- 4.4. CSG will cause the Consolidators to comply with the standards set forth on Schedule K applicable to the Consolidator Services. The Consolidators shall constitute subcontractors of CSG under this Agreement and CSG shall be responsible for the obligations of the Consolidators hereunder.

5. Customer Obligations

- 5.1. Customer will respond to general User inquiries regarding the Consolidator Services and specific billing related inquiries.

6. Bill Payment Service.

- 6.1. If required, Customer will establish the ability to accept electronic payments and remittance files made by a Subscriber from the Consolidator. If a Customer has elected not to receive the PayBill Advantage Services described on Exhibit C-1, then all costs to enable an electronic connection between the Customer and the designated Consolidator to facilitate electronic payment & remittance files are solely the responsibility of the Customer.
- 6.2. Each User will have the ability to utilize Consolidator's electronic bill payment service to pay bills presented via the Consolidator Services.
- 6.3. Pursuant to an Electronic Remittance Agreement between a Customer and CheckFree Service Corporation, Consolidator will collect and electronically deliver to such Customer payments submitted by Users, debited from Users' designated bank accounts (the "Debit Entries").
- 6.4. Pursuant to an Electronic Remittance Agreement between a Customer and CheckFree Service Corporation, the data file of payments instructions will be electronically transmitted to the designated Customer daily by Consolidator in a mutually agreed upon format. The data will be *** ***** ***** (***) ** balance with the expected amount of funds every day.

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Exhibit C-5

[Credit Verification Services (Experian)] or [Risk Management Services (Equifax)]

1. [Credit Verification Services (Experian)] or [Risk Management Services (Equifax)]. CSG will provide to Customers, and Customers may purchase from CSG, those consumer credit information, scoring services or other data stored in CSG's vendors consumer credit reporting database, (the "[Credit Verification] or [Risk Management] Services") for any of such Customer's Subscriber accounts elected by such Customer. Prior to CSG's obligation to provide the services set forth in this Exhibit C-5 to any Customer, each Customer shall execute a processing agreement with either Experian or Equifax.

2. Use of Credit Information. Each Customer hereby agrees that it will request credit information received from CSG solely for said Customer's use in connection with (i) credit transactions between such Customer and the consumers to whom the credit information relates, (ii) employment purposes, (iii) underwriting of insurance, (iv) collection activity, (v) government licensing, or for other "permissible purposes" as defined by the FCRA, and will neither request nor use any such information for any other purpose.

3. Confidential Treatment. Each Customer will take reasonable precautions to assure that consumer credit information will be held in strict confidence and disclosed only to those of its respective employees whose duties reasonably relate to the legitimate business purposes for which the information is requested or used to those to whom it may permissibly resell consumer reports hereunder.

4. Intellectual Property.

(a) **No License.** Customers will not acquire any patent rights, copyright interest, or other right, claim, or interest in the computer programs, forms, schedules, manuals, or other proprietary items utilized or provided by CSG in connection with the [Credit Verification] or [Risk Management] Services.

(b) **Restrictions on Use.** Customers will not use or permit its respective employees, agents and subcontractors to use the trademarks, service marks, logos, names, or any other proprietary designations of CSG's provider of the [Credit Verification] or [Risk Management] Services (the "Vendor") or its affiliates, whether registered or unregistered, without CSG's Vendor's prior written consent.

(c) **Ownership of Credit Data.** Customers acknowledge that all information contained in the consumer credit information database is and will continue to be the exclusive property of the Vendor. Except for the uses specified in this Agreement, nothing contained in this Exhibit shall be deemed to convey to Customers any right, title or interest in or to the consumer credit information database or any part thereof.

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Exhibit C-6

Enhanced Past Due Notices.

1. Development and Production of Enhanced Past Due Notices . CSG shall develop a customized enhanced past due notice (the “Enhanced Past Due Notice”) for a Customer’s Subscribers. The Enhanced Past Due Notices may include CSG’s or such Customer’s Intellectual Property. Such Customer may elect to use CSG’s generic Enhanced Past Due Notice format or have CSG develop custom Enhanced Past Due Notices for Customer. If such Customer elects to have CSG develop custom Enhanced Past Due Notices, CSG will perform the design, development and programming services related to design and use of the Enhanced Past Due Notices (the “Enhanced Past Due Notice Work”) and create the Enhanced Past Due Notice Work product deliverables (the “Enhanced Past Due Notice Work Product”) set forth in a separately executed and mutually agreed upon Enhanced Past Due Notice Work Order (the “Enhanced Past Due Notice Work Order”) by the completion date set forth on the Enhanced Past Due Notice Work Order. The Enhanced Past Due Notice will contain such Customer’s and CSG’s Intellectual Property set forth on the Enhanced Past Due Notice Work Order. Such Customer shall pay CSG the set up fee for the Enhanced Past Due Notice Work and the Enhanced Past Due Notice Work Product set forth on the Enhanced Past Due Notice Work Order upon acceptance of the Enhanced Past Due Notices in accordance with the Enhanced Past Due Notice Work Order. Except with respect to such Customer’s Intellectual Property, such Customer agrees that the Enhanced Past Due Notice Work and Enhanced Past Due Notice Work Product as well as the generic Enhanced Past Due Notice shall be the sole and exclusive property of CSG. Such Customer shall have no proprietary interest in the Enhanced Past Due Notice Work Product, generic Enhanced Past Due Notice or in CSG’s billing and management information software and technology and agrees that the Enhanced Past Due Notice Work Product is not a work specially ordered and commissioned for use as a contribution to a collective work and is not a work made for hire pursuant to United States copyright law. After CSG has completed the Enhanced Past Due Notice Work and the Enhanced Past Due Notice Work Product, CSG will produce Enhanced Past Due Notices for such Customer. Except as otherwise set forth in an Enhanced Past Due Notice Work Order between a Customer and CSG, if such Customer elects to have CSG develop custom Enhanced Past Due Notices, CSG will develop one custom format; multiple custom formats shall not be used.

2. Supplies . CSG shall purchase such Customer’s requirements of Enhanced Past Due Notices supplies necessary for production and mailing of the Enhanced Past Due Notices. Such Customer shall pay CSG the rates set forth in Schedule F for the purchase of such supplies. Unless such Customer requests to use custom paper stock, CSG shall supply the type and quality of the paper stock for generic Enhanced Past Due Notices. A Customer may elect to use custom paper stock for generic and custom Enhanced Past Dues for the fees set forth in Schedule F. Enhanced Past Due Notices will be mailed in generic envelopes.

3. Right of Customer’s Intellectual Property . Each Customer that purchases Enhanced Past Due Notices Services from CSG provides to CSG a non-exclusive right to use all of Customer’s Intellectual Property necessary (as designated by such Customer on the Enhanced Past Due Notice Work Order) to design, produce and mail the Enhanced Past Due Notices directly or indirectly. Each such Customer represents and warrants that it owns or has licensed all of such Customer’s Intellectual Property and has full power and authority to grant CSG the license set forth herein and that CSG’s use of such Customer’s Intellectual Property on the Enhanced Past Due Notices will not constitute a misuse or infringement of such Customer’s Intellectual Property or an infringement of the rights of any third party. Each such Customer will immediately advise CSG of the loss of such Customer’s right to use any of such Customer’s Intellectual Property and will advise CSG of all copyright and other notices that must be used in connection with such Customer’s Intellectual Property and of any restrictions on use of such Customer’s Intellectual Property relevant to CSG’s activities hereunder.

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Schedule D

DESIGNATED ENVIRONMENTS

The Designated Environment information in this schedule applies only to the CSG Products actually licensed by a Customer and may be subject to change prior to installation of a Product upon prior notice by CSG in accordance with Section 2.4.

The Support Services do not include support of the products if used outside the Designated Environment (i.e., other hardware, software, or other modifications have been introduced by a Customer that are outside the Designated Environment). In such a case, CSG may agree to provide customized technical support to such Customer for a mutually agreed upon fee for such Services.

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ACSR ® Designated Environment

Effective: 10/02

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The ACSR product family includes:

- ACSR
- ACSR Technology Based Training (TBT)
- Customer Interaction Tracking (CIT)
- CIT TBT (Included within the ACSR TBT)
- ACSR Telephony TBT
- Application Object Interface (AOI)

Product Compatibility Matrix for the ACSR Family of Products

Operating System	ACSR				CIT TBT	AOI with DDE	AOI with TCP/IP
	ACSR	TBT	Telephony	CIT			
Windows NT	Yes	Yes	Yes	Yes(1)	Yes	Yes	Yes
Windows 2000 (Professional)*	Yes	Yes	Yes	Yes	Yes		
Windows XP** (Professional)	Yes	No	Yes	Yes	No	No	Yes
Sun Solaris	Yes	No	No	No	No	N/A	Yes

* Please Note: This is the 'Professional' edition not the 'ME'. (Millennium Edition). To Use Windows 2000, the workstation must be set to Power User. If you would prefer to not change the workstation security to Power User, you can manually install a security template on each workstation. The appropriate template is compat*.inf and is found at: http://www.microsoft.com/windows2000/en/professional/help/sag_SCEdefaultpols.htm

- ** Listed below are details specific to Windows XP and requirements that **must** be followed in order for the ACSR application to execute properly.
1. Supported version is Windows XP Professional Edition. The Windows XP Home Edition will not be supported.
 2. CSG strongly recommends the installation of the XP security patch referenced in the Microsoft Security Bulletin MS01-059 and dated 12/20/01 for all customers using the XP OS. More information about this patch can be found at the following Microsoft link: <http://www.microsoft.com/technet/treeview/default.asp?url=/technet/security/bulletin/ms01-059.asp>
 3. Within the XP domain, users should be defined as Power Users or Administrators. The ACSR application requires registration of OCX and DLL files in the Windows registry and, similar to Windows 2000, Microsoft has granted this ability to users with Power User or greater privileges.
 - If the client network administrator does not want to define users as Power Users or Administrator, there is one other option. As with Windows 2000, Microsoft has defined a compatible security template that opens up the default access control policy for the Users group. Installation of this template will allow ACSR to install and function correctly. For more information about this template, please contact Microsoft Support.
 4. To ensure proper installation and execution of ACSR, ANDS client version 2.0.21 or greater must be used. When installing the ANDS client on the XP desktop, the installing user must be an Administrator on the XP domain.

⁽¹⁾ CIT coexists with Telephony (no Telephony specific functionality)

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ACSR ® Designated Environment

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ACSR Server Hardware ⁽¹⁾

Processor

Sun Ultra Sparc 2
Sun Ultra 10; Model 440 (128 MB RAM minimum)
Sun Ultra 2; Models 1200 and 2200
Sun Enterprise; Models 250, 450, 3500, 4500 (PROM v3.2.9 or earlier requires Patch 103346-08)
Sun Ultra 5 model 360 w/ 128 MB RAM minimum
CD-ROM (required for all servers)

ACSR/CIT Server(s) and Storage Array

Hardware

Sun Enterprise; Models 250, 450, 3500, 4500 (PROM v3.2.9 or earlier requires Patch 103346-08)
Sun SSA Models 112, 114 and 214
Sun Photon A5000
Sun E450 Storage Expansion
Sunblade models

Software

Sun Enterprise Volume Manager (Veritas Volume Manager) v3.1.1 plus patches (bundled with Sun SSA Models 112, 114, 214 and A5000)

ACSR/CIT Server Software

Operating System

Solaris 2.8 with current patch level required for new servers and ACSR/CIT

Database/Reporting (required for CIT)

Oracle v8.1.7.2 runtime (Enterprise Edition)
Tuxedo v6.5

Network/Communications

Brixton Server PU2.1 for Solaris—R4.1.2 (Both core and session components required)
Brixton 3270 Client for Solaris—R3.0.1.20 with brxtn3287 patch (If printing through TCP/IP, one copy is required for trouble shooting and one copy is required for each mainframe printer.) [One pkg per server]
Hewlett Packard Solaris Jet Admin Software Rev.D.6.21
Samba v1.9.15 p8 or Samba v1.9.15 p4 (for Windows)

⁽¹⁾ Server model, number of CPUs, memory, and disk storage are based on individual customer requirements.

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ACSR Distribution Server Hardware (Minimum Level)

Sun SPARCStation 5—170Mhz, 64MB RAM, 2.1G hard drive
S Sun Ultra 5—270Mhz, 64MB RAM, 4.3G hard drive, 24x CD, and 17" SVGA monitor
CD-ROM (required for all distribution servers)

ACSR Distribution Server Software

Solaris 2.5.1 supported for existed servers (ACSR Only)
Solaris 2.6 with current patch levels required ACSR/CIT
Solaris 2.8 with current patch levels (ACSR Only)
Brixton 3270 Client for Solaris—R3.0.1.20 with brxtn3287 patch (If printing through TCP/IP, one copy is required for trouble shooting and one copy is required for each mainframe printer.)
Hewlett Packard Jet Admin Software for Solaris Rev.D.6.21

Other ACSR Equipment

Network Cards/Devices

Sun Network Interface Hardware (Required with third party network providers)
Hewlett Packard Jet Direct EX (Printer Interface external box Required for system printing)

Printers

IBM 4226—533 characters per second (cps)—(work order printer) [supported, no longer sold]
IBM 4230—(4I3 or 4S3)— 600 cps – (work order printer) (do not order with internal Ethernet card)
IBM 4232 – 600 cps – (work order printer)
Lexmark 4227 Plus- 533 cps—(work order printer)
IBM 6400 model 005—(work order printer) [supported, no longer sold]
IBM 6400 model 050—(work order printer) (with parallel port) (do not order with internal Ethernet card)
IBM 6400 models 008 and 012—(For reports) [supported, no longer sold]
IBM 6400 model 010 and 015 (For reports) (with parallel port) (do not order with internal Ethernet card)
Hewlett Packard LaserJet 5000N—(For screen prints)
Okidata ML 320 Turbo —(For cash register receipts)

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ACSR ® Designated Environment

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ACSR Client Workstation Hardware

	Platform			
	<u>Windows NT</u>	<u>Windows 2000 (Professional)</u>	<u>Windows XP (Professional)</u>	<u>Sun Solaris</u>
Processors Compaq, IBM, Gateway E3200-350 and Dell Business Class computers with Intel Pentium, Pentium II, Pentium III and Celeron processors designated as Microsoft Windows NT certified and Year 2000 compliant. See examples of supported platforms ⁽¹⁾ Sun Ultra 5	X	X	X	X
Random Access Memory (RAM) 64 MB ⁽²⁾	X	X	X	X
Minimum Hard Drive Space Available for ACSR 1.2 GB	X	X	X	X
Speed See examples ⁽¹⁾				
Minimum Video Requirements 1024 x 768 x 256 colors, small font	X	X	X	X
SVGA 15" Monitor	X	X	X	X
SVGA 17" Monitor	X	X	X	X
CD-ROM ⁽³⁾	X	X	X	X

⁽¹⁾ Examples of Windows NT, Windows 2000 supported workstations include:

- IBM PC300PL Pentium III (500 MHz) or IBM PC300GL Pentium III (500 MHz)
- Compaq Deskpro 4000N Pentium (233 MHz) [Windows NT v4.0 platform only]. ROM type 586V. (Other ROM types—check with manufacturer for Year 2000 readiness information)
- Compaq Deskpro EN or EX Series Pentium III (600 MHz)
- Dell OptiPlex GX Series Pentium III (600 MHz)
- Gateway E3200-350 Pentium II NT workstation (with 128 Mb Ram)
- The minimum speed supported is 133 MHz

⁽²⁾ 128 MB of RAM or higher is recommended when purchasing new equipment

⁽³⁾ CD-ROM is recommended for all workstations except Compaq Deskpro 4000N.

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ACSR ® Designated Environment

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ACSR Client Workstation Hardware

	Platform			Sun Solaris
	Windows NT	Windows 2000* (Professional)	Windows XP* (Professional)	
Operating Systems				
Microsoft Windows NT v4.0 w/ Service Pack 4.0 or higher and Year 2000 fixes; or Service Pack 5. (Telephony workstations running Telephony Back Office require 32 bit drivers)	X			
*Microsoft Windows 2000 with Service Pack 1.0		X		
Microsoft XP			X	
Solaris v2.6 with specified patches				X
Communications				
Rumba 2000 version 6.0B	X	X	X	
Brixton 3270 Client for Solaris in the HLLAPI environment—v3.0.1.120 with brtxtn 3287 patch				X

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	Platform			
	Windows NT	Windows 2000* (Professional)	Windows XP* (Professional)	Sun Solaris
Database/Reporting				
Oracle SQL*Net v2.1.4.1.4 runtime (for CIT; for PCs with Forest & Trees ® reporting tool)	X			
Oracle SQL*Net v2.3.4.0.0 for NT runtime (for Telephony)	X			
Oracle SQL Forms v5.0.6.10.0 for NT runtime (for Telephony)	X			
Forest & Trees ® Builders Edition v6.11 or higher (Optional reporting tool for PCs performing reporting queries)	X	X		
Other				
Open Windows				X

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Web Enabled ACSR Client Workstation Hardware

Processors

Processor must be able to support a Netscape 4.0 or higher or Internet Explorer 4.0 or higher (browsers must be able to support plug ins, or active X controls)

Tested platforms include: Compaq, IBM, Gateway E3200-350 and Dell Business Class computers with Intel Pentium, Pentium II, Pentium III and Celeron processors designated as Microsoft Windows NT certified and Year 2000 compliant.

Random Access Memory (RAM)

For Windows NT: 32 MB of RAM minimum

Minimum Hard Drive Space

Must be able to house a Netscape 4.0 or higher or Internet Explorer 4.0 or higher (browsers must be able to support plug ins or active X controls, 128-bit SSL encryption)

Speed

Pentium processor or better

Minimum Video Requirements

1024 x 768 x 256 colors, small font

SVGA 15" Monitor

SVGA 17" Monitor

Printers

IBM 4226—533 characters per second (cps)—(work order printer) [supported, no longer sold]

IBM 4230—(413 or 4S3)— 600 cps – (work order printer) (do not order with internal Ethernet card)

IBM 4232 – 600 cps – (work order printer)

Lexmark 4227 Plus- 533 cps—(work order printer)

IBM 6400 model 005—(work order printer) [supported, no longer sold]

IBM 6400 model 050—(work order printer) (with parallel port) (do not order with internal Ethernet card)

IBM 6400 models 008 and 012—(For reports) [supported, no longer sold]

IBM 6400 model 010 and 015 (For reports) (with parallel port) (do not order with internal Ethernet card)

Hewlett Packard LaserJet 5000N—(For screen prints)

Okidata ML 320 Turbo —(For cash register receipts)

Other

Microsoft mouse or 100% compatible mouse

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ACSR® (web-enabled) Designated Environment*

Effective: 6/02

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Web Enabled ACSR Client Workstation Software

Operating Systems (Tested)

(Do to the nature of the Web Enabled product, any OS supporting the required browsers will be supported)

Microsoft Windows NT v4.0 w/ Service Pack 4.0 or higher and Year 2000 fixes; or Service Pack

5.

Microsoft XP

Microsoft Windows 2000 with Service Pack 1.0

Windows

Windows 2000

Windows

NT

(Professional)

XP

X

X

X

Other Software

Internet Explorer 4.0 or higher is recommended. Netscape Navigator 4.0 or higher can also be used however, requires additional configuration (see the Citrix client installation instructions). Browsers must be able to support Plug-Ins or Active X controls and 128-bit SSL encryption to maintain the secure link between your browser and the server.

Note: For enhanced security features, Internet Explorer and Netscape Navigator supporting 128-bit encryption. Most Web browsers do not offer 128-bit encryption as a standard, but do allow for it to be upgraded through a download. Encryption that is under 128-bit, such as 56-bit, will work, but will be less secure.

Citrix ICA Web Client v6.20, build 986 or higher

Networking Requirements

Internet connection via Internet Service Provider (ISP), direct connect or dial-up

* This is the designated environment for ACSR 5.x running in CSG's Web Enabled environment only. This document also covers the designated environment required for the Security Administration tool provided by CSG. Please refer to the ACSR designated environment for the standard ACSR product family.

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CSG Vantage Designated Environment

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Using Vantage in the ACSR and/or ACSR Telephony Environment

The ACSR product runs on a TCP/IP network with a Sun Server acting as the SNA gateway. ACSR and Vantage can run on the same workstation but consideration must be given during installation to the overall network and workstation configuration. If the Vantage workstation is to use an existing AT&T Global Services circuit and that workstation does not have an InterNIC registered TCP/IP address, then additional consideration must be given to router configurations.

Consideration must be given to the overall environment in which Vantage runs. TCP/IP does not provide load balancing or prioritization on the line. Therefore, if an AT&T Global Services multi-protocol circuit is used for both Vantage and CCS/ACSR, consideration must be given to the estimated amount of activity that will be generated from Vantage. For all ACSR installations, prioritization is given to SNA traffic rather than TCP/IP based traffic. Consult CSG for specific installation and configuration information.

If the Vantage PC is to be used in the ACSR environment, the ACSR PC Workstation Requirements should be used for both Vantage and ACSR, with the inclusion of the additional Vantage software.

Vantage Hardware ⁽¹⁾

Processors

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

Minimum PC Requirements

IBM, Compaq, or Dell that is Year 2000 ready—Pentium 166 MHz or better; 32 MB RAM or greater ⁽²⁾; 1.2 GB hard drive or larger (128 MB free space); CD-ROM; and a 56 KB modem ⁽³⁾

Vantage Software ⁽⁴⁾

PC Operating System Options

Windows NT

Windows 2000(Professional) ⁽⁵⁾

Windows XP (Professional)

Database/Reporting

Oracle8 Client for Windows 8.0.5.0.0 – 32-bit (plus maintenance)

Oracle8 Client for Windows 8.1.7.0.0— 32-bit (plus maintenance)

Forest & Trees [®] Builder Edition 6.11 (plus maintenance) , ⁽⁶⁾ or

Forest & Trees [®] Builder Edition 6.50 (plus maintenance) ⁽⁶⁾

Connectivity Requirements – One of the Following: ⁽⁷⁾

Leased TCP/IP multi-protocol connection with minimum 56 KB (for example, AT&T Global Services), or

Dial-up connections through the AT&T secure network, or

Dial-up connections through Internet Service Provider

(1) Vantage will operate only on a PC.

(2) 64 MB of RAM or greater is recommended

(3) A modem is required only for dial-up connectivity.

(4) All software must be loaded and operated per workstation. Network server versions and/or operations are not supported.

(5) Windows 2000 requires Forest & Trees version 6.11 or higher on the Professional Edition (note this is not the Millenium Edition).

(6) Oracle Client version 8.1.7. 0 is recommended with supported versions of Forest & Trees.

(7) TCP/IP connectivity with an InterNIC registered TCP/IP address to CSG's Millennium Data Center in Englewood, CO. The Vantage workstation must exist on the TCP/IP network.

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CSG Screen Express® Designated Environment

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Note: CSG Screen Express requires CSG ACSR and AOI. The AOI functionality that enables Screen Express functionality is included in the Screen Express license. AOI has other functionality than what is being used in Screen Express.

Screen Express CTI Server Requirements

CTI Server Environment:

NT server class machine with a Pentium III 650 MHz or greater; 256 MB RAM; 10 GB available hard drive space ⁽¹⁾; network card (10MB min., 10BT or BNC); NT version 4.0, Windows 2000 Server or Windows 2000 Advanced Server, all with the latest service packs. TCP/IP protocol and MS IIS (Internet Information Server) 4.0 or greater installed. Requires remote access: CA-Unicenter Remote Control, pcAnywhere, VNC, or equivalent.

MS SQL 7 or SQL 2000 required for CTI Reporting.

Screen Express Desktop Workstation

Windows NT, 2000 or 2000 Professional, all with latest service packs; 32 bit; 200 MHz or greater; 64 MB RAM ⁽²⁾; minimum 3MB available hard drive space; network card (10MB min., 10BT or BNC). Windows NT version 4.0; TCP/IP protocol installed; ACSR must be on the workstation.

Screen Express ACD Options

Aspect ACD – version 6.2 Operating System – 8.2 inclusive. Requires Application Bridge Link (Ethernet) for ANI support and communication with the CTI server. Sites that have migrated to Aspect Contact Server not currently supported.

Lucent/Avaya Communications Definity G3 ACD – version 6.0 Operating System or greater and requires the raw ASAI Interface. Requires a MAPD gateway card for ANI support and to communicate with the CTI server.

Nortel/Meridian – Any Nortel Meridian ACD that supports Meridian Link “B” or greater, or SCCS (Symposium Call Center Server) 4.1.7 or greater. Nortel TSP (TAPI Service Provider) 2.1 or greater required for both of the above, and AST for phonesets activated.

Intecom IBX – For CTI functionality the switch platform must be an E series (E3M, E14M, E21M, etc.) running software release 4.10 or greater. Software packages must include PRI (Primary Rate Interface), ANI support, and OAI (Open Application Interface).

Siemens/Rolm – HICOM 300 series (9751/9006 or greater) with CallBridge for Workgroups. Both CSTA and TAPI versions supported.

⁽¹⁾ Optional data logging features may require additional drive space if logging destination is local.

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CSG Message Express ® Designated Environment

Effective: 6/02

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Message Express CTI Server Requirements

Message Express Server Environment:

NT server class machine with a Pentium III 650 MHz or greater; 256 MB RAM; 10 GB available hard drive space ⁽¹⁾; network card (10MB min., 10BT or BNC); NT version 4.0, Windows 2000 Server or Windows 2000 Advanced Server, all with the latest service packs. TCP/IP protocol and MS IIS (Internet Information Server) 4.0 or greater installed. Requires remote access: CA-Unicenter Remote Control, pcAnywhere, VNC, or equivalent.

MS SQL 7 or SQL 2000 required for Message Express.

Message Express Desktop Workstation

Windows NT, 2000 or 2000 Professional, all with latest service packs; 32 bit; 200 MHz or greater; 64 MB RAM ⁽²⁾; minimum 3MB available hard drive space; network card (10MB min., 10BT or BNC). Windows NT version 4.0; TCP/IP protocol installed; ACSR must be on the workstation.

Message Express ACD Options

Aspect ACD – version 6.2 Operating System – 8.2 inclusive. Requires native Application Bridge Link (Ethernet) for ANI support and communication with the CTI server. Sites that have migrated to Aspect Contact Server not currently supported.

RealTime Bridge required for Message Express.

Lucent/Avaya Communications Definity G3 ACD – version 6.0 Operating System or greater and requires the raw ASAI Interface. Requires a MAPD gateway card for ANI support and to communicate with the CTI server.

Avaya CMS report server access and custom report for agents/skills required for Message Express.

Nortel/Meridian – Any Nortel Meridian ACD that supports Meridian Link “B” or greater, or SCCS (Symposium Call Center Server) 4.1.7 or greater. Nortel TSP (TAPI Service Provider) 2.1 or greater required for both of the above, and AST for phonesets activated.

SCCS 4.1.7 or greater required for Message Express.

Siemens/Rolm – HICOM 300 series (9751/9006 or greater) with CallBridge for Workgroups.

ORTL (Open RealTime Link) required for Message Express.

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CSG WorkForce Management ® 3.x Designated Environment

Effective: 6/02

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CSG Workforce Management Client Hardware

Processor

IBM, Compaq, or Dell Business Class computer with Intel Pentium II processor designated as Microsoft Windows NT certified and Year 2000 compliant.
233 MHz minimum (for up to 60 techs). 450 MHz or faster strongly recommended.

Operating system

Microsoft Windows NT v4.0—Service Pack 5, with Year 2000 fixes
Microsoft Windows 2000

Random Access Memory (RAM)

128 MBytes (up to 500 work orders)
256 MBytes (up to 1000 work orders)
384 MBytes (over 1000 work orders)

Network Connection

Ethernet 10/100 Card

Video Card

Matrox Millenium II graphics controller – 4 MB (part #270246-B21 is recommended) or the equivalent. Video card and monitor must support 1024 X 768 screen resolution and 65,536 colors

Hard Disk

500 MB available space—in addition to space required for the operating system, swap space and other applications

Floppy Disk Drive

3.5" disk drive

CD-ROM Drive

Minimum – 4X

Monitor

Minimum – 17" viewable space recommended

Virtual Memory

Compliant with Microsoft Windows- Recommendations (Physical RAM + 12 MBytes).

Peripherals

Keyboard, mouse, and laser printer which can be shared with other Workforce Management workstations

Included Software

WorkForce Express 3.x, ACSR, ANDS, CIT, Internet Explorer 5.5, Adobe Acrobat 5.0

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TechNet ® —Device

PocketNet Phones

Mitsubishi MobileAccess ™ 250
Nextel I550+ with Openwave Browser 4.1
Nextel I700+ with Openwave Browser 4.1
Nextel I1000+ with Openwave Browser 4.1

TechNet – Wireless Network

Wireless Network

AT&T PocketNet ® Service
Nextel Online Plus

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TechNet® CE—Windows CE Tablet Device: — Itronix Husky fex21

User Interface:

Pen Stylus
Touch pad screen

Display:

Screen Resolution: 640 x 4240 pixel LCD
Color/Color Transflective – 256 Colors
Monochrome – 16 gray scale

Battery and Power:

Battery, DC Adapter, AC Adapter

CPU, Memory and Storage:

Processor: MIPS 3000 Family (131 MHz NEC Vr121 RISC)
System Memory: 32MB SDRAM (Expandable to 48MB)
Video Controller: 16-bit Graphics Accelerator with 2MB SDRAM

Connectivity:

2 Type-II PC Card 2.1 Expansion Slots:
Slot 1: Spider Wireless IP Modem
Slot 2: Open
RS-232 Serial Port
Internal Speaker

System Software:

Operating System Version: 2.11
Pocket Explorer Version: 3.01
Pocket Outlook Version: 3.01
Build: 9018

Communications:

Device Name: Handheld PC
PC Connection: Allow connection with desktop computer when device is attached.
Connect Using: Serial Port @ 115K

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CSG TechNet® CE 3.x Designated Environment

Effective: 6/02

Page 2 of 2

TechNet® CE—Windows CE Tablet Device: — Fujitsu 130

User Interface:

Pen Stylus
Touch pad screen

Display:

Screen Resolution: 640 x 480 color

Battery and Power:

Battery, DC Adapter, AC Adapter

CPU, Memory and Storage:

Processor: MIPS 4000 Family (131 MHz NEC Vr121 RISC)
System Memory: 16MB SDRAM (Expandable to 48MB)
Video Controller: 16-bit Graphics Accelerator with 2MB SGRAM

Connectivity:

2 Type-II PC Card 2.1 Expansion Slots:
Slot 1: Sierra Wireless – AirCard_300 Modem
Slot 2: Open
RS-232 Serial Port
Internal Speaker

System Software:

Operating System Version: 2.1
Pocket Explorer Version: 3.01
Pocket Outlook Version: 3.01
Build: 9018

Communications:

Device Name: Handheld PC
PC Connection: Allow connection with desktop computer when device is attached.
Connect Using: Serial Port @ 115K

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TechNet Win Client Hardware

Processor

IBM, Compaq, or Dell laptop computer with Intel Pentium II processor designated as Microsoft Windows 2000 or Windows NT certified and Year 2000 compliant.
233 MHz minimum.

Operating system

Microsoft Windows NT v4.0—Service Pack 5, with Year 2000 fixes
Microsoft Windows 2000 – Service Pack 2

Random Access Memory (RAM)

128 MBytes

Network Connection

Ethernet Adapter 10/100
Sierra Wireless AirCard 300 CDPD Adapter

Hard Disk

10 MB available space—in addition to space required for the operating system, swap space and other applications

Floppy Disk Drive

3.5” disk drive

CD-ROM Drive

Minimum – 4X

Monitor

N/A

Virtual Memory

Compliant with Microsoft Windows Recommendations (Physical RAM + 12 MBytes).

Peripherals

Keypad and Mouse

Included Software

WorkForce Express 3.0, Internet Explorer 5.5

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CSG Workforce Management® (web-enabled) Designated Environment

Effective: 6/02

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Workforce Management (web-enabled) Client Hardware

Processor

IBM, Compaq, or Dell Business Class computer with Intel Pentium II processor designated as Microsoft Windows NT certified and Year 2000 compliant.

Operating system

Windows based Operating System (NT, 2000) supporting the necessary web browsers identified above

Tested Platforms Include:

Microsoft Windows NT v4.0 – Service Pack 4 or Service Pack 5, with Year 2000 fixes

Random Access Memory (RAM)

For Windows NT and Windows 2000: 32 MB RAM minimum

Network Connection

Designated URL must be accessed through an accepted NAT provided to CSG

Floppy Disk Drive

Recommended 3.5" disk drive

CD-ROM Drive

Recommended – 4X

Video Card

Testing on video cards inconclusive at this time

Monitor

1024 x 768 x 256 colors, small font
SVGA 15" Monitor
SVGA 17" Monitor

Virtual Memory

Compliant with Microsoft Windows-NT Recommendations (Physical RAM + 12 MBytes).

Peripherals

Keyboard, mouse, and laser printer which can be shared with other Workforce Management workstations

Included Software

WFX version 2.7
Citrix ICA client

Client Software

Internet Explorer 5.5 or higher is recommended.
Microsoft Terminal Server Licenses (provided by client)
 Windows 2000 Server License (one per server)
 Windows 2000 Client Access License (one per user)
 Windows 2000 Terminal Services Client Access License (one per user)

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TechNet Web Client Hardware

- Processor**
IBM, Compaq, or Dell computer with Intel Pentium II processor designated as Microsoft Windows 2000 or Windows NT certified and Year 2000 compliant.
233 MHz minimum.
- Operating system**
Microsoft Windows NT v4.0—Service Pack 5, with Year 2000 fixes
Microsoft Windows 2000 – Service Pack 2
- Random Access Memory (RAM)**
128 MBytes
- Network Connection**
Ethernet Adapter 10/100
Sierra Wireless AirCard 300 CDPD Adapter
- Hard Disk**
10 MB available space — in addition to space required for the operating system, swap space and other applications
- Floppy Disk Drive**
3.5” disk drive
- CD-ROM Drive**
Minimum – 4X
- Monitor**
N/A
- Virtual Memory**
Compliant with Microsoft Windows Recommendations (Physical RAM + 12 MBytes).
- Peripherals**
Keypad and Mouse
- Included Software**
WorkForce Express 3.0, Internet Explorer 5.5

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CSG Statement Express® Designated Environment

Effective: 6/02

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CSG Statement Express Client—Stand Alone Environment ⁽¹⁾

Platform

See current Designated Environment requirements for Windows NT, Windows XP or Windows 2000

Desktop

IBM OnDemand

Minimum Processor

An IBM-compatible PC with an Intel Pentium 166 MHz or faster processor

Minimum Free Disk Space

100 MB of free hard disk space

Minimum Memory

A minimum of 32 megabytes of memory and an additional 8 MB of RAM to view PDF documents.

Speed

Network Cards/Devices

Ethernet or Token Ring network adapter

Minimum Video Requirements

A super-VGA and adapter with at least 800x600 resolution recommended

Printer

Any MS Windows supported printer

CSG Statement Express Client—ACSR Integrated Environment ⁽²⁾

Platform

See current Designated Environment requirements for ACSR for Windows NT, Windows XP or Windows 2000 (Professional)

Desktop

IBM OnDemand

Minimum Processor

Processor must be able to support a Netscape 4.0 or higher or Internet Explorer 4.0 or higher (browsers must be able to support plug ins, or active X controls)

Tested platforms include: Compaq, IBM, Gateway E3200-350 and Dell Business Class computers with Intel Pentium, Pentium II, Pentium III and Celeron processors designated as Microsoft Windows NT certified and Year 2000 compliant.

Minimum Free Disk Space

100 MB of free hard disk space & Must be able to house a Netscape 4.0 or higher or Internet Explorer 4.0 or higher (browsers must be able to support plug ins, or active X controls)

Minimum Memory

A minimum of 32 megabytes of memory and an additional 8MB of RAM to view PDF documents

⁽¹⁾ Requires INTERNIC registered address

⁽²⁾ Requires CSG ACSR and INTERNIC registered address

*IBM OnDemand shall only be used with CSG Statement Express and shall not be used with any other product or service of CSG or any other third party.

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CSG Statement Express® Designated Environment

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Network Cards/Devices

Ethernet or Token Ring network adapter

Minimum Video Requirements

Minimum Super VGA display with minimum of 1024x768 resolution at 256 colors, small font

Printer

Any MS Windows supported printer

CD-ROM

CD-ROM is recommended for all workstations except Compaq Deskpro 4000N

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ACSR ® /Sun Ray Minimum Designated Environment

Client Managed Environment
Effective Date: 10/02

ACSR/Sun Ray Server

Processors

Server Processors:
UltraSPARC III (4GB RAM) 900MHz

UltraSPARCII 0(256 MB RAM) 450 MHz

Hardware

Sun Enterprise Server Model V480

Sun Enterprise Server Model 420R

Software

Solaris 2.8 with specified patches
Sun Enterprise Volume Manager v2.6 plus patches/Veritas Volume Manager 3.0x
Brixton 3270 for Solaris – R3.0.1.15 with Brixton3287 patch
LDAP Authentication
Netscape Communicator 4.7

ACSR/Sun Ray Workstation

Sun Ray Thin Client
15" 1024x768 TFT-LCD flat panel display with backlight system @ 60Hz
Type 6 USB keyboard

Other Software

All software specified in the standard ACSR Designated Environment

Networking Requirements

All network requirements specified in the ACSR Designated Environment

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CSG Care Express Designated Environment

Effective Date: 10/02

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Care Express in a Service Bureau Environment

CSG operates and maintains the product on its hardware and software and provides URL link(s) for the client web site.

End-User Designated Environment

The Electronic Bill Presentment and Payment (EBPP) Designated Environment for the end user:

- Enhanced Statement Presentment (ESP)
- Internet Explorer 5.0 or higher or Netscape Navigator 6.2 or higher

The Self Provisioning Designated Environment for the end user:

- Internet Explorer 5.0 or higher or Netscape Navigator 6.2 or higher

Client Designated Environment

The Electronic Bill Presentment and Payment (EBPP) Designated Environment for the Client:

- Enhanced Statement Presentment (ESP)
- Internet Explorer 5.5 or higher ONLY

The Self Provisioning Designated Environment for the Client:

- Internet Explorer 5.5 or higher ONLY

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CSG Vantage On-Premise Minimum Designated Environment

Effective 06/01

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Server

Enterprise Class Sun Server configured to support the number of subscribers that will be processed and the number of workstations that will be connected to the server.

Disk array—dependent on client database size

2 x 4.2 GB internal drives, or better

Tape Library capable of backing up the attached disk array

Oracle Server 8.1.7.2 or latest supported release

Oracle Pro C

Oracle Pro COBOL

Sun C, C++, Pro C Compiler 4.2

Sun/Solaris 2.8 plus latest kernel patches as specified by CSG.

Microfocus COBOL Application Server 4.1.13.07

Autosys Agent 3.4.2

Veritas Volume Manager 2.6.2 or higher

Hardware ⁽¹⁾

Processors

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

Minimum PC Requirements

IBM, Compaq, or Dell that is Year 2000 ready—Pentium 166 MHz or better; 32 MB RAM or greater ⁽²⁾; 1.2 GB hard drive or larger (128 MB free space); CD-ROM; and a 56 KB modem ⁽³⁾

Software ⁽⁴⁾

PC Operating System Options

Windows NT v4.0

w/ Service Pack 3 and Year 2000 fixes; or w/ Service Pack 4 and Year 2000 fixes; or w/ Service Pack 5, or

Windows 95 w/ OSR 2.5, 4.00.1111 with Year 2000 fixes, and WIN95Y2K.EXE applied, or

Windows 98 Second Edition v4.10.2222, or

Windows 2000 Professional Edition ⁽⁵⁾

Database/Reporting

Oracle7 Client for Windows 7.3.4.0.0 – 32-bit (plus maintenance), or

Oracle8 Client for Windows 8.0.5.0.0 – 32-bit (plus maintenance) ⁽⁶⁾

Forest & Trees [®] Builder Edition 6.01 (plus maintenance), or

Forest & Trees [®] Builder Edition 6.11 (plus maintenance) ⁽⁵⁾

(1) Vantage will operate only on a PC.

(2) 64 MB of RAM or greater is recommended when purchasing new equipment.

(3) A modem is required only for dial-up connectivity.

(4) All software must be loaded and operated per workstation. Network server versions and/or operations are not supported.

(5) Windows 2000 requires Forest & Trees version 6.11. Note this is the Professional Edition. This is not the ME (Millennium Edition).

(6) Oracle Client version 8.0.5.0.0 is recommended with Forest & Trees version 6.11.

(7) TCP/IP connectivity with an InterNIC registered TCP/IP address to CSG's Millennium Data Center in Englewood, CO. The Vantage workstation must exist on the TCP/IP network.

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STATEMENT OF WORK [SAMPLE]

THIS STATEMENT OF WORK ("SOW") is made as of _____, 2002, between **CSG SYSTEMS, INC.** ("CSG"), and _____ ("Customer"), pursuant to, in accordance with, CSG _____ Agreement (the "Agreement") that CSG and Customer executed as of _____, and of which this SOW forms an integral part.

Service Type : Double click directly on the gray box, then choose Checked under Default Value to select appropriate options.

- Consulting Services**
- Project Management
- Strategy and Direction
- Requirements Definition and/or Vendor Selection
- Implementation/Integration
- Training
- Support
- Development**
- Create Software
- Alterations or Customizations
- Implementation**
- Passers
- Configuration
- Integration Operation Test (IOT) Support**
- Configuration
- Hardware
- Software
- Other**

TITLE :

OBJECTIVES :

CSG RESPONSIBILITIES :



CUSTOMER RESPONSIBILITIES :



DELIVERABLES AND SPECIFICATIONS :

CSG shall provide the following :



The Deliverables shall conform with the following specifications and performance requirements:

OWNERSHIP OF DELIVERABLES:

SUPPORT AND MAINTENANCE TERMS AND CONDITIONS FOR DELIVERABLES :

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LOCATION :

TIME TABLE: Estimated Commencement Date: _____.
Estimated Completion Date: _____.

- *Customer shall execute this SOW on or before _____, 2002 (“Effective Date”); should Customer fail to, at CSG’s option, this SOW may be deemed null and void in its entirety.*
- *The Estimated Completion Date set forth herein is based on the Effective Date, if Customer fails to execute this SOW on or before the Effective Date, CSG at CSG’s sole option, may extend the Estimated Completion Date of this SOW.*

PROJECT FEES : Double click directly on the gray box, then choose Checked under Default Value to select appropriate options. Delete paragraph not used.

Time & Materials: Project fees are based on Time and Materials basis at the rate of \$ _____ per person, per hour, plus Reimbursable Expenses. Reimbursable Expenses are in addition to Project Fees. CSG will invoice Customer for Reimbursable Expenses on a monthly basis, in accordance with the terms and conditions of the Agreement.

Estimated Total Cost (including Reimbursable Expenses): [rate X hours]. CSG acknowledges and agrees that it may not exceed the Estimated Total Cost without written notice to Customer and Customer’s prior written consent.

- Customer mandated changes, variances, delays and contingencies shall result in a Change Order. Each Change Order will be scoped and priced accordingly on a Time and Materials basis between CSG and Customer. Change Orders will be billed at \$ _____ per person, per hour.

Fixed Bid: This Statement of Work is fixed pricing based on the Objectives, CSG Responsibilities, Customer Responsibilities, Deliverables and Timetable listed herein. [Customer is responsible for all Reimbursable Expenses incurred by CSG or its affiliates on behalf of this project.]

Total Cost: [_____] (excluding Change Orders)

The Total Cost shall be payable in accordance with the following schedule or, if applicable, achievement of the milestones described below:

- Customer mandated changes, variances, delays and contingencies shall result in a Change Order. Each Change Order will be scoped and priced accordingly on a Time and Materials basis between CSG and Customer. Change Orders will be billed at \$ _____ per person, per hour.

ACCEPTANCE PROCEDURE :

[Acceptance procedures and criteria to be determined on a project by project basis, as appropriate]

IN WITNESS WHEREOF, CSG and Customer cause this Statement of Work to be duly executed below.

CSG SYSTEMS, INC. (“CSG”)

(“CUSTOMER”)

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By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

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Schedule F

FEES

SCHEDULE OF FEES—INDEX

CSG SERVICES

- I. Processing
 - A. Video and Non-Rated High Speed Data
 - B. Ancillary Services for Video and HSD (as applicable)
 - C. Care Express (Self-Care)
 - D. Account Hierarchies
 - E. Leads Tracking
- II. Interfaces
 - A. Video
 - B. Non-Rated HSD
 - C. CSG Access Broker (CAB)
 - D. CSG Smartlink™ Micro-Level and CSG Smartlink™ BOS
- III. Payment Procurement
 - A. Direct Solutions (Print and Mail)
 - B. Lockbox Transmission
 - C. Care Express (Electronic Bill Presentment)
 - D. Credit Card (One Time and Recurring)
 - E. Electronic Payment (EFT) (One Time and Recurring)
 - F. Cash Register Receipts
- IV. Credit Management and Collections
 - A. Credit Verification (Experian)
 - B. Risk Management (Equifax)
- V. Conversion Services for Video and HSD
- VI. Technical Services
- VII. Additional Training and Documentation

CSG PRODUCTS

- I. Call Center
 - A. ACSR
 - B. ACSR (web-enabled)
 - C. Sun Thin Client UNIX Environment
 - D. ACSR module of High Speed Data
 - E. CIT
 - F. Screen Express
 - G. Message Express
 - H. Statement Express
 - I. CSG ProfitNow!
 - J. AOI
 - K. Additional Product Installation Services
- II. Workforce Management
- III. Advanced Reporting
 - A. Vantage
 - B. Vantage – On Premise

REQUIRED THIRD PARTY SOFTWARE THAT MAY BE PROCURED THROUGH CSG

DATA COMMUNICATIONS SERVICES

EQUIPMENT INSTALLATION/TECHNICAL and ENGINEERING SUPPORT SERVICES

[Remainder of schedule redacted for confidential treatment.]

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Schedule G

IMPLEMENTATION/CONVERSION SERVICES

1. **Conversion (CCS)**. The conversion services set forth below are provided for the fees set forth in Schedule F :

a) **For System Sites Performing Manual Conversions or Start-Ups**. Manual conversions are recommended on all sites with less than 10,000 subscribers. A Customer will receive the following conversion services and will be responsible for all data entry:

- File Set up
- Manual data entry instructions/procedures
- Total of 2 Seats in any mix of classes offered at a CSG training facility (**Note 1**)
- 1 copy of class materials with rights to duplicate for internal training only
- Test system to provide “hands on” training during pre-production (de-accessed within 60 days following start date)
- 1 copy of CBT CD-ROM (1 per site)
- CSG Documentation Library on CD-ROM (1 per site)
- For Databases over 10K subscribers, CSG will offer the following for the fees set forth in Schedule F :
- Programmatic Load of House Data
- Programmatic Load of Converter Data

b) **Conversions with Subscriber Counts less than 30,000**. A Customer will receive the following programmatic conversion services:

- (i) **Initial Visit**
 - Overview of the conversion/implementation process, including tasks, timeline and responsible parties
 - Establish and/or review corporate standards as they relate to User Data File, code tables, Service Codes and Report settings
 - Develop Conversion specifications (fields, values, variables used on current billing processor and how will be converted to CCS)
- (ii) **Pre-Conversion Review**
 - Review set up of User Data File, code tables and reports
 - Review pricing and taxing structure of video site
 - Review and approve conversion implementation specifications
 - Review statement file settings
 - Assist the site with defining new policies or procedures pertaining to the billing system
- (iii) **Post Conversion**
 - Audit converted data the morning after merge
 - Coordinate input of accumulated backlog (work orders, payments, adjustments and PPV)
 - Review exceptions created through conversion/implementation process and take necessary action
 - Review pricing and taxing structure, balancing cash within the CSG application
 - Review reports and assist with determining needs for daily distribution
 - Review and release first cycle of generated statements
- (iv) **Third Week After Conversion**
 - Review reports
 - Assist with month-end financial balancing
 - Provide potential solutions for day to day procedural issues (e.g., work order printing, routing, dispatch, converted inventory)

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(v) **Database Cleanup**

- Homes Passed
 - Street names, suffixes (street, avenue) standardized in accordance with U.S. P.S. records
 - Nine-digit zip code established where applicable
 - Bar-coding of ZIP+4 for statements
 - Identification of duplicate addresses provided for customer attention
- Converter Database
 - Identification of duplicate serial numbers and location of associated converters
 - Identification of duplicate terminal addresses (prom numbers)
 - Identification of invalid model or serial numbers
- Subscriber Database
 - Identification of existing service, discount or campaign codes
 - Identification of subscribers receiving free services
 - Identification of invalid phone numbers

(vi) **Education and Documentation**

- Total of 5 Seats in any mix of classes offered at a CSG training facility (**Note 1**)
- 1 copy of class materials with rights to duplicate for internal training only
- 1 copy of CBT CD-ROM (1 per site)
- Test system to provide “hands on” training during pre-production (de-accessed within 60 days following merge date)
- 1 CCS Conversion Manual
- 1 CSG Documentation Library on CD-ROM (1 per site)

c) Conversions with Subscriber Counts of 30,000- 59,999. A Customer will receive the services set forth in Section (b) above, except regarding Education and Documentation as follows:

(i) **Education and Documentation**

- Total of 6 Seats in any mix of classes offered at a CSG training facility (**Note 1**)
- 1 copy of class materials with rights to duplicate for internal training only
- 1 copy of CBT CD-ROM (1 per site)
- Test system to provide “hands on” training during pre-production (de-accessed within 60 days following merge date)
- 1 CCS Conversion Manual
- 1 CSG Documentation Library on CD-ROM (1 per site)

d) Conversions with Subscriber Counts of 60,000 – 89,999. A Customer will receive the services set forth in Section (b) above, except regarding Education and Documentation as follows:

(i) **Education and Documentation**

- Total of 8 Seats in any mix of classes offered at a CSG training facility (**Note 1**)
- 1 copy of class materials with rights to duplicate for internal training only
- 1 copy of CBT CD-ROM (1 per site)
- Test system to provide “hands on” training during pre-production (de-accessed within 60 days following merge date)
- 1 CCS Conversion Manual
- 1 CSG Documentation Library on CD-ROM (1 per site)

e) Conversions with Subscriber Counts Greater than 89,999. A Customer will receive the services set forth in Section (b) above, except regarding Education and Documentation as follows:

(i) **Education and Documentation**

- Total of 10 Seats in any mix of classes offered at a CSG training facility (**Note 1**)
- 1 copy of class materials with rights to duplicate for internal training only

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- 1 copy of CBT CD-ROM (1 per site)
- Test system to provide “hands on” training during pre-production (de-accessed within 60 days following merge date)
- 1 CCS Conversion Manual
- 1 CSG Documentation Library on CD-ROM (1 per site)

2. Product Installation . The following Product installation services are provided for the fees set forth in Schedule F .

a) ACSR

(i) Project Implementation Support (3-4 months duration)

Assigned project manager and product consultant (shared resources)
Requirements definition and project planning meeting
Project plan and customer specifications document
Ongoing project coordination, status reporting and post project review

(ii) Engineering

Network and single server sizing and configuration (single server)
Network requirements diagram and documentation

(iii) Field Services

Single server software installation, configuration and testing at CSG (5 days)
Single server with one workstation—installation and pre-production check at customer site (2 days)
Single IBM 4030 protocol converter installation

(iv) Education and Documentation

Total of 3 Seats in any mix of classes offered at a CSG training facility (**Note 1**) .
1 seat in Financial Reporting & Accounting Practices (Financial Services) class at CSG Facility
1 seat in Video Service Provisioning (Addressability) class at CSG Facility
Total of 3 Instructor days at a customer site (T&E is reimbursable)

b) ACSR (web-enabled)

(i) Engineering

Network and single server sizing and configuration (single server)
Network requirements diagram and documentation

(ii) Education and Documentation

Total of 3 Seats in any mix of classes offered at a CSG training facility (**Note 1**) .
1 seat in Financial Reporting & Accounting Practices (Financial Services) class at CSG Facility
1 seat in Video Service Provisioning (Addressability) class at CSG Facility
Total of 3 Instructor days at a customer site (T&E is reimbursable)

c) CIT (in addition to ACSR)

(i) Engineering

Sizing and configuration of CIT database

(ii) Field Services

Disk array assembly, software installation, configuration and testing at CSG (5 days)
Disk array installation and pre-production check at customer site (2 days)

(iii) Education

Total of 2 Seats in any mix of classes offered at a CSG training facility (**Note 1**) .
CSG Documentation Library on CD-ROM includes CIT documentation

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The following services are not included in the above packages, and may be provided by CSG for additional fees:

- Additional workstation installation
- Printer installation
- Network interface cards/devices
- Circuit installation
- Remote site engineering services
- Definition and implementation of all billing and financial management parameters
- Custom report design and development
- Operational system requirements and implementation
- Coordination of all vendor activities pertaining to telephony operational network and database management

d) ACSR Module for HSD (In addition to ACSR)

- CSG shall provide three (3) days per quarter of on-site additional training for ACSR Module for HSD provided Customer provides CSG with three (3) weeks of advance notice. (T&E is reimbursable).

The following services are not included in the above packages, and may be provided by CSG for additional fees:

- Individual workstation installation.
- Printer installations

e) CSG Vantage

- (i) Initial load of the CSG Vantage database
- (ii) Unlimited phone support for installation of software
- (iii) Basic CSG Vantage training for up to eight (8) people, as space permits, at a regularly scheduled public training class at CSG's facilities. Such training is valid for up to three (3) months from date of the initial Vantage database load and software installation. CSG Vantage documentation is provided during classroom instruction.

The following services are not included in the above package, and may be provided by CSG for additional fees:

- Certifying non-certified hardware/software environments
- *Troubleshooting existing hardware/software environments (first hour is free for Designated Environments)*
- On-site support as may be requested by Customer
- Query development
- Additional training services
- Vantage documentation when it is provided outside of classroom instruction

f) ProfitNow!™

- (i) Initial call with Customer to identify site contacts and set PIR date and review documentation necessary for review by Customer
 - Designated Environment —ACSR and Vantage service bureau environment
 - Vantage data discovery documentation questionnaire
 - Vantage data pull for code tables/service code reports
 - Vantage data pull of 6 months of Customer history
 - Technical Based Training (TBT)
 - Ownership document
- (ii) Product Integration Review (PIR)

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- Deliver project methodology presentation and CSG roles/responsibilities
 - Review current Customer business practices
 - Deliver product presentation
 - Discuss data discovery questionnaire
- (iii) Post PIR
- Prepare PIR recap and action item list
 - Complete baseline project plan
- (iv) Total 3 Instructor days at a customer site (T&E is reimbursable)
- (v) ProfitNow! Integration
- Review deployment checklist
 - Assist with code table and service code categorizations
 - Model training run
 - Train new models
 - Prediction run
 - Present lift curve
- (vi) Operation readiness meeting
- (vii) Customer business and process flow change modifications
- (viii) Go live

Note 1: For this Schedule G only, a “Seat” shall mean the right for one person to take a single CSG class offering. The class taken will be chosen by the student from the list of classes offered by the CSG Broadband Services Group only (Financial Services and Addressability classes and Vantage training are not included in these class offerings). For clarification purposes, a total of 2 Seats would allow a single student to take 2 different CSG classes or could be used by 2 different students to take a single class each. Student Seats and Instructor days are not interchangeable. Both student Seats and Instructor days expire sixty (60) days after the merge date of each System Site.

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CSG will provide Customer with the following installation services for CSG Vantage – On-premise:

- Install server
- Install/test Autosys
- Test connectivity from CSG Autosys master to Autosys client
- Install/test ***** *
- Create database schema
- Install/test CSG Vantage update/load programs
- Load initial extract data
- Initiate daily update/load file process
- Test cycle monitoring support
- Perform cycle network engineering tests for timing and throughput

IV. CSG SunRay Support Services

During the term of the Agreement, CSG will support the SunRay architecture with the proper dedicated personnel. A CSG lab will be set-up to test for all new modifications to the ACSR scheduled releases as well as employ CSG personnel to regression test all new revisions. In addition, CSG personnel will be trained on the SunRay architecture from both the client side (PSC) and technical side (SOS). Annual support charges will include the following services:

- **ACSR / UNIX Production Environment Support** – Testing and validation of operating system upgrades and patch levels to keep current with the Sun Sunray product.
- **Bundle regression testing** – Testing for each scheduled bundle release, thorough regression testing of the ACSR / Unix application to ensure it adheres to the release.
- **ET support**— Enterprise Technologies would provide system level infrastructure and communication interfaces for distributed ACSR software.
- **Lab upkeep** – maintain the SunRay lab equipment and facility with the proper versions necessary for production
- **SOS support** – define, document and implement specialized SunRay code distribution processes for the ACSR software.
- **PSC** – Product Support Center role in assisting client with ACSR / Unix problems and trouble tickets associated with daily operations
- **Sun Support** – Consulting and support agreement between Sun Microsystems and CSG
- **Annual lab maintenance** – Annual maintenance on the Sun equipment used to test ACSR / Unix in the SunRay architecture.

V. CSG SmartLink. The following services for CSG SmartLink will be provided by CSG as part of the CSG Support Services:

Maintenance Support

Subject to Section 4.1 of this Agreement, ***** (*). *****_*****/*****
***** Subject to Section 2.4 of this Agreement, *****
*****_*****/*****

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Operations Support

CSG will be responsible for *** monitoring of the server hardware, operating system and applications. CSG will proactively detect issues with any failing component and contact the appropriate support personnel to return the failing component to operation.

Customers' Obligations

To facilitate that CSG has the proper operating environment in place to support Customers' CSG SmartLink Micro-Level/CSG SmartLink BOS, Customers shall provide to CSG, upon CSG's request, non-binding volume estimates prior to the implementation of their API into production. In addition, Customers shall provide, upon CSG's request, non-binding volume estimates prior to the first day of each calendar quarter.

VI. CBI Interface. Within ***** (**) ***** from the Effective Date, CSG and Customer shall agree in writing upon the reports CSG will provide each Customer (upon request) with respect to the CBI interface as well as the process (including timeframes) by which CSG shall provide such reports. Notwithstanding the above, CSG will provide access to all CBI data available as of the Effective Date, to each Customer upon request. The requirements described in the preceding sentences shall be incorporated into this Schedule H via a mutually executed Amendment.

VII. Customer/SBU Review of Support Services

The TWC SBU will meet with TWC on a scheduled quarterly basis to review CSG's support services and to gain TWC's insight and suggestions. This review will include senior level representatives from the SBU, PSC as well as any other individuals necessary to provide any additional information. Senior level representatives from TWC shall be available at this meeting to represent all Participating Affiliates as well as TWC.

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SCHEDULE I
SAMPLE AFFILIATE ADDENDUM

1. **Agreement Reference** . This Addendum is as of the _____ day of _____, 2002, pursuant to that certain CSG Master Subscriber Management System Agreement (the "Agreement") dated _____, 200 __, between CSG Systems, Inc. ("CSG"), and [insert name of Participating Affiliate] ("Participating Affiliate"). The undersigned Participating Affiliate agrees to be bound by the terms and conditions of the Agreement, which are hereby incorporated by reference into this Addendum. All capitalized terms not defined herein shall have the meanings set forth in the Agreement.

2. **Term** . The term of this Agreement shall commence on the date hereof and shall be coterminous with the term set forth in Section 1.2 of the Agreement.

3. **Effect of Addendum** . The undersigned Participating Affiliate agrees to be bound by the terms of the Agreement as a Customer thereunder. If the terms and conditions set forth in this Addendum shall be in conflict with the Agreement, the terms and conditions of this Addendum shall control

4. **Additional Products** . Pursuant to the terms and conditions of the Agreement, for the fees set forth in Schedule F, CSG agrees to license to Participating Affiliate the Additional Products set forth in Attachment A, limited to the number of Workstations identified on Attachment A, and exclusively for use at the System Sites set forth in Attachment A.

5. **Additional Services** . Pursuant to the terms and conditions of the Agreement, for the fees set forth in Schedule F, CSG will provide to Participating Affiliate, and Participating Affiliate will purchase from CSG, the Additional Services set forth in Attachment A.

6. **Notices** . All notices that may be required or permitted to be given to the undersigned Participating Affiliate pursuant to the Agreement shall be given in accordance with the terms of the Agreement and addressed as follows:

Attn.: _____

Fax: _____

With a copy to:
Time Warner Cable
290 Harbor Drive
Stamford, CT 06902
Attn.: General Counsel
Fax: (203) 328-4804

The Parties have executed and delivered this Addendum on the _____ day of _____, 200 ____.

CSG SYSTEMS, INC.

By: _____

(signature)

(print name)
Title: _____

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TIME WARNER CABLE ON
BEHALF OF:

(name of affiliate)

By: _____

(signature)

(print name)

Title: _____

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Exhibit A

System Sites

To be Provided

Additional Products

To be provided

Additional Services

To be provided

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SCHEDULE J

WORKFORCE MANAGEMENT FACILITIES MANAGEMENT SERVICES

Database Administration

Database Backup and Recovery – CSG will be responsible for the integrity of the database and backing up Customer Data stored in the database.

Backup Tape Management – CSG will provide the capability to place Customer Data on magnetic tape for archival purposes.

Offsite Tape Storage – CSG will be responsible for providing a process by which database backups are stored offsite. The methodology and frequency are at the discretion of the CSG Operations department.

Database Tuning - CSG will be responsible for engineering database solutions that allow our customers to meet their business needs. Functions included under this category are tablespace maintenance, buffer efficiencies, user maintenance which includes password security, user creation and user profile management.

Database Performance Monitoring – CSG will provide automated monitoring solutions that will allow CSG to proactively respond to problems before they lead to an outage situation. An example of a monitored function would be tablespace extent allocations.

System Administration

User Administration – CSG will be responsible for all user id's and passwords for all CSG application and UNIX server accounts.

Application and Server Security – CSG will closely manage the access to all servers in the service bureau environment. Only CSG certified System Administrators will have root access.

Application Engineering and Configuration – CSG will be responsible for overall system usability and availability. CSG will be responsible for maintaining the currency of any vendor software required by the application.

Hardware Configuration Management - CSG is responsible for hardware configuration of the server, network access to the server, and server peripheral hardware.

OS Configuration Management - CSG is responsible for maintaining the currency of the server operating system by installing fixes and upgrading to new levels of the operating system when required.

Operating System Backup and Recovery – CSG will be responsible for maintaining operating system backups. A backup would include the operating system itself as well as all pertinent application configuration elements.

Offsite Tape Storage – CSG will be responsible for providing a process by which operating system backups are stored offsite. The methodology and frequency are at the discretion of the CSG Operations department.

Resource Analysis and Capacity Planning – CSG will be responsible for server and disk sizing to meet current and future customer volume requirements.

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Operations Support

Operations – CSG will be responsible for **** monitoring of the server hardware, operating system and applications. CSG will proactively detect issues with any failing component and contact the appropriate support personnel to return the failing component to operation.

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SCHEDULE K
PERFORMANCE STANDARDS AND REMEDIES

[Redacted for confidential treatment]

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SCHEDULE L
DISASTER RECOVERY PLAN

CSG Systems, Inc. Business Continuity/Disaster Recovery Plan

CSG maintains written business continuity plans (BCP) that describe a pre-planned sequence of events to ensure the continuation, recovery, and restoration of all business-critical business functions in the event of a business disaster.

For BCP and disaster recovery purposes, CSG Systems, Inc. has categorized all business-critical functions into one of three critical recovery windows. These windows are referred to as Minimum Acceptable Recovery Configurations (MARC I, MARC II, MARC III), with each MARC being defined according to a specific period of time as follows:

- All MARC I business functions are required to be operational from a BCP standpoint within ** ***** after declaration of a business disaster.
• All MARC II business functions are required to be operational from a BCP standpoint between *** ***** ** after declaration of a business disaster.
• All MARC III business functions are required to be operational from a BCP standpoint between *** ***** ** after declaration of a business disaster.

In the event of a declared disaster, affecting Customer data, CSG will provide Customer with BCP coverage as follows for the following products and services:

***** (*** ***) *****
*** & *****
***** (***** ***)
*** *****
***** **
*** **
*** *****
*** **
***** *****
***** *****
*** *****

CSG will maintain adequate BCP plans for each of the products and services listed above, and will test those plans an annual basis for accuracy and adequacy.

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SCHEDULE M

ADDITIONAL TERMS FOR TWC

System Sites

Not applicable

Additional Products

Vantage ** *****

Additional Services

To be provided

* Provided TWC pays the applicable third party software fees set forth in Schedule F, CSG agrees to provide the initial *** (***) *****
***** ** ** *. Any additional workstations of Vantage shall be purchased in accordance with the fees set forth in Schedule F.

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SCHEDULE N

INSURANCE COVERAGE FOR CSG

[Redacted for confidential treatment]

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SCHEDULE O

MASTER PREFERRED ESCROW AGREEMENT

Master Number

This Agreement is effective _____, 20 _____ among **** ***** ***** , ***. (****), CSG Systems, Inc. (“Depositor”) and any additional party signing the Acceptance Form attached to this Agreement (“Preferred Beneficiary”), who collectively may be referred to in this Agreement as “the parties.”

A Depositor and Preferred Beneficiary have entered or will enter into a license agreement, development agreement, and/or other agreement regarding certain proprietary technology of Depositor (referred to in this Agreement as “the license agreement”).

B. Depositor desires to avoid disclosure of its proprietary technology except under certain limited circumstances.

C. The availability of the proprietary technology of Depositor is critical to Preferred Beneficiary in the conduct of its business and, therefore, Preferred Beneficiary needs access to the proprietary technology under certain limited circumstances.

D. Depositor and Preferred Beneficiary desire to establish an escrow with *** to provide for the retention, administration and controlled access of certain proprietary technology materials of Depositor.

E. The parties desire this Agreement to be supplementary to the license agreement pursuant to 11 United States [Bankruptcy] Code, Section 365(n).

ARTICLE 1 — DEPOSITS

1.1 Obligation to Make Deposit. Upon the signing of this Agreement by the parties, including the signing of the Acceptance Form, Depositor shall deliver to *** the proprietary information and other materials (“deposit materials”) required to be deposited by the license agreement or, if the license agreement does not identify the materials to be deposited with ***, then such materials will be identified on an Exhibit A. If Exhibit A is applicable, it is to be prepared and signed by Depositor and Preferred Beneficiary. *** shall have no obligation with respect to the preparation, signing or delivery of Exhibit A.

1.2 Identification of Tangible Media. Prior to the delivery of the deposit materials to ***, Depositor shall conspicuously label for identification each document, magnetic tape, disk, or other tangible media upon which the deposit materials are written or stored. Additionally, Depositor shall complete Exhibit B to this Agreement by listing each such tangible media by the item label description, the type of media and the quantity. The Exhibit B must be signed by Depositor and delivered to *** with the deposit materials. Unless and until Depositor makes the initial deposit with ***, *** shall have no obligation with respect to this Agreement, except the obligation to notify the parties regarding the status of the deposit account as required in Section 2.2 below.

1.3 Deposit Inspection. When *** receives the deposit materials and the Exhibit B, *** will conduct a deposit inspection by visually matching the labeling of the tangible media containing the deposit materials to the item descriptions and quantity listed on the Exhibit B. In addition to the deposit inspection, Preferred Beneficiary may elect to cause a verification of the deposit materials in accordance with Section 1.6 below.

1.4 Acceptance of Deposit. At completion of the deposit inspection, if *** determines that the labeling of the tangible media matches the item descriptions and quantity on Exhibit B, *** will date and sign the Exhibit B and mail a copy thereof to Depositor and Preferred Beneficiary. If *** determines that the labeling does not match the item descriptions or quantity on the Exhibit B, *** will (a) note the discrepancies in writing on the Exhibit B; (b) date and sign the Exhibit B with the exceptions noted; and (c) provide a copy of the Exhibit B to Depositor and Preferred Beneficiary. ***’s acceptance of the deposit occurs upon the signing of the Exhibit B by ***. Delivery of the signed Exhibit B to Preferred Beneficiary is Preferred Beneficiary’s notice that the deposit materials have been received and accepted by ***.

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1.5 Depositor's Representations. Depositor represents as follows:

- a. Depositor lawfully possesses all of the deposit materials deposited with ***;
- b. With respect to all of the deposit materials, Depositor has the right and authority to grant to *** and Preferred Beneficiary the rights as provided in this Agreement;
- c. The deposit materials are not subject to any lien or other encumbrance;
- d. The deposit materials consist of the proprietary information and other materials identified either in the license agreement or Exhibit A, as the case may be; and
- e. The deposit materials are readable and useable in their current form or, if the deposit materials are encrypted, the decryption tools and decryption keys have also been deposited.

1.6 Verification. Preferred Beneficiary shall have the right, at Preferred Beneficiary's expense, to cause a verification of any deposit materials. A verification determines, in different levels of detail, the accuracy, completeness, sufficiency and quality of the deposit materials. If a verification is elected after the deposit materials have been delivered to ***, then only ***, or at ***'s election an independent person or company selected and supervised by ***, may perform the verification.

1.7 Deposit Updates. Unless otherwise provided by the license agreement, Depositor shall update the deposit materials within 60 days of each release of a new version of the product which is subject to the license agreement. Such updates will be added to the existing deposit. All deposit updates shall be listed on a new Exhibit B and the new Exhibit B shall be signed by Depositor. Each Exhibit B will be held and maintained separately within the escrow account. An independent record will be created which will document the activity for each Exhibit B. The processing of all deposit updates shall be in accordance with Sections 1.2 through 1.6 above. All references in this Agreement to the deposit materials shall include the initial deposit materials and any updates.

1.8 Removal of Deposit Materials. The deposit materials may be removed and/or exchanged only on written instructions signed by Depositor and Preferred Beneficiary, or as otherwise provided in this Agreement.

ARTICLE 2 — CONFIDENTIALITY AND RECORD KEEPING

2.1 Confidentiality.

- a. *** shall maintain the deposit materials in a secure, environmentally safe, locked facility which is accessible only to authorized representatives of ***. *** shall have the obligation to reasonably protect the confidentiality of the deposit materials and any other confidential and proprietary information ("Information") disclosed to *** in connection with this Agreement. *** will take all reasonable precautions necessary to safeguard the confidentiality of the Depositor's Information, including (i) those required under this Section 2.1, (ii) those taken by *** to protect its own confidential information and (iii) those which the Depositor may reasonably request from time to time and for which the Depositor has agreed to pay ***'s quoted fees for such requested precaution.
- b. Except as provided in this Agreement, *** shall not disclose, transfer, make available, or use the Information. *** shall not disclose the content of this Agreement to any third party. If *** receives a subpoena or other order of a court or other judicial tribunal pertaining to the disclosure or release of the deposit materials, *** will immediately notify the parties to this Agreement. It shall be the responsibility of Depositor and/or Preferred Beneficiary to challenge any such order; provided, however, that *** does not waive its rights to present its position with respect to any such order. *** will not be required to disobey any court or other judicial tribunal order. (See Section 7.5 below for notices of requested orders.)

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- c. The parties acknowledge that Depositor will be irreparably harmed if ***'s obligations under this Section 2.1 are not specifically enforced and that Depositor would not have an adequate remedy at law in the event of an actual or threatened violation by *** of its obligations. Therefore, *** agrees that Depositor shall be entitled to an injunction or any appropriate decree of specific performance for any actual or threatened violations or breaches by ***, its employees or agents, without the necessity of Depositor showing actual damages or that monetary damages would not afford an adequate remedy.

2.2 Status Reports. *** will issue to Depositor and Preferred Beneficiary a report profiling the account history at least semi-annually. *** may provide copies of the account history pertaining to this Agreement upon the request of any party to this Agreement.

2.3 Audit Rights. During the term of this Agreement, Depositor and Preferred Beneficiary shall each have the right to inspect the written records of *** pertaining to this Agreement. Any inspection shall be held during normal business hours and following reasonable prior notice.

ARTICLE 3 — GRANT OF RIGHTS TO ***

3.1 Title to Media. Depositor hereby transfers to *** the title to the media upon which the proprietary information and materials are written or stored. However, this transfer does not include the ownership of the proprietary information and materials contained on the media such as any copyright, trade secret, patent or other intellectual property rights.

3.2 Right to Make Copies. *** shall have the right to make copies of the deposit materials as reasonably necessary to perform this Agreement. *** shall copy all copyright, nondisclosure, and other proprietary notices and titles contained on the deposit materials onto any copies made by ***. With all deposit materials submitted to ***, Depositor shall provide any and all instructions as may be necessary to duplicate the deposit materials including but not limited to the hardware and/or software needed.

3.3 Right to Transfer Upon Release. Depositor hereby grants to *** the right to transfer deposit materials to Preferred Beneficiary upon any release of the deposit materials for use by Preferred Beneficiary in accordance with Section 4.5. Except upon such a release or as otherwise provided in this Agreement, *** shall not transfer the deposit materials.

ARTICLE 4 — RELEASE OF DEPOSIT

4.1 Release Conditions. As used in this Agreement, "Release Conditions" shall mean any condition set forth in the license agreement.

4.2 Filing For Release. If Preferred Beneficiary believes in good faith that a Release Condition has occurred, Preferred Beneficiary may provide to *** written notice of the occurrence of the Release Condition and a request for the release of the deposit materials. Upon receipt of such notice, *** shall provide a copy of the notice to Depositor, by certified mail, return receipt requested, or by commercial express mail.

4.3 Contrary Instructions. From the date *** mails the notice requesting release of the deposit materials, Depositor shall have ten business days to deliver to *** Contrary Instructions. "Contrary Instructions" shall mean the written representation by Depositor that a Release Condition has not occurred or has been cured. Upon receipt of Contrary Instructions, *** shall send a copy to Preferred Beneficiary by certified mail, return receipt requested, or by commercial express mail. Additionally, *** shall notify both Depositor and Preferred Beneficiary that there is a dispute to be resolved pursuant to the Dispute Resolution section of this Agreement (Section 7.3). Subject to Section 5.2, *** will continue to store the deposit materials without release pending (a) joint instructions from Depositor and Preferred Beneficiary; (b) resolution pursuant to the Dispute Resolution provisions; or (c) order of a court.

4.4 Release of Deposit. If *** does not receive Contrary Instructions from the Depositor, *** is authorized to release the deposit materials to the Preferred Beneficiary or, if more than one beneficiary is registered to the deposit, to release a copy of the deposit materials to the Preferred Beneficiary. However, *** is entitled to receive any fees due *** before making the release. This Agreement will terminate upon the release of the deposit materials held by ***.

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4.5 Right to Use Following Release. Unless otherwise provided in the license agreement, upon release of the deposit materials in accordance with this Article 4, Preferred Beneficiary shall have the right to use the deposit materials for the sole purpose of continuing the benefits afforded to Preferred Beneficiary by the license agreement. Preferred Beneficiary shall be obligated to maintain the confidentiality of the released deposit materials in accordance with its confidentiality obligations under the license agreement.

ARTICLE 5 — TERM AND TERMINATION

5.1 Term of Agreement. The initial term of this Agreement is for a period of one year. Thereafter, this Agreement shall automatically renew from year-to-year unless (a) Depositor and Preferred Beneficiary jointly instruct *** in writing that the Agreement is terminated; or (b) the Agreement is terminated by *** for nonpayment in accordance with Section 5.2. If the Acceptance Form has been signed at a date later than this Agreement, the initial term of the Acceptance Form will be for one year with subsequent terms to be adjusted to match the anniversary date of this Agreement. If the deposit materials are subject to another escrow agreement with ***, *** reserves the right, after the initial one year term, to adjust the anniversary date of this Agreement to match the then prevailing anniversary date of such other escrow arrangements.

5.2 Termination for Nonpayment. In the event of the nonpayment of fees owed to ***, *** shall provide written notice of delinquency to the parties to this Agreement affected by such delinquency. Any such party shall have the right to make the payment to *** to cure the default. If the past due payment is not received in full by *** within one month of the date of such notice, then at any time thereafter *** shall have the right to terminate this Agreement to the extent it relates to the delinquent party by sending written notice of termination to such affected parties. *** shall have no obligation to take any action under this Agreement so long as any payment due to *** remains unpaid.

5.3 Disposition of Deposit Materials Upon Termination. Upon termination of this Agreement by joint instruction of Depositor and each Preferred Beneficiary, *** shall destroy, return, or otherwise deliver the deposit materials in accordance with such instructions. Upon termination for nonpayment, *** may, at its sole discretion, destroy the deposit materials or return them to Depositor. *** shall have no obligation to return or destroy the deposit materials if the deposit materials are subject to another escrow agreement with ***.

5.4 Survival of Terms Following Termination. Upon termination of this Agreement, the following provisions of this Agreement shall survive:

- a. Depositor's representations (Section 1.5);
- b. ***'s confidentiality obligations (Section 2.1);
- c. The rights granted in the sections entitled Right to Transfer Upon Release (Section 3.3) and Right to Use Following Release (Section 4.5), if a release of the deposit materials has occurred prior to termination;
- d. The obligation to pay *** any fees and expenses due;
- e. The provisions of Article 7; and
- f. Any provisions in this Agreement which specifically state they survive the termination or expiration of this Agreement.

ARTICLE 6 — *'S FEES**

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6.1 Fee Schedule. *** is entitled to be paid its standard fees and expenses applicable to the services provided. *** shall notify the party responsible for payment of ***'s fees at least 90 days prior to any increase in fees. For any service not listed on ***'s standard fee schedule, *** will provide a quote prior to rendering the service, if requested.

6.2 Payment Terms. *** shall not be required to perform any service unless the payment for such service and any outstanding balances owed to *** are paid in full. All other fees are due within 30 days of the date of invoice. If invoiced fees are not paid, *** may terminate this Agreement in accordance with Section 5.2. Late fees on past due amounts shall accrue at the rate of one and one-half percent per month (18% per annum) 30 days from the date of the invoice.

ARTICLE 7 — LIABILITY AND DISPUTES

7.1 Right to Rely on Instructions. *** may act in reliance upon any instruction, instrument, or signature reasonably believed by *** to be genuine. *** may assume that any employee of a party to this Agreement who gives any written notice, request, or instruction has the authority to do so. *** shall not be responsible for failure to act as a result of causes beyond the reasonable control of ***.

7.2 Indemnification. *** shall be responsible to perform its obligations under this Agreement and to act in a reasonable and prudent manner with regard to this escrow arrangement. Provided *** has acted in the manner stated in the preceding sentence, Depositor and Preferred Beneficiary each agree to indemnify, defend and hold harmless *** from any and all claims, actions, damages, arbitration fees and expenses, costs, attorney's fees and other liabilities incurred by *** relating in any way to this escrow arrangement.

7.3 Dispute Resolution. Any dispute relating to or arising from this Agreement shall be resolved by arbitration under the Commercial Rules of the American Arbitration Association. Unless otherwise agreed by Depositor and Preferred Beneficiary, arbitration will take place in Omaha, Nebraska, USA. Any court having jurisdiction over the matter may enter judgment on the award of the arbitrator(s). Service of a petition to confirm the arbitration award may be made by First Class mail or by commercial express mail, to the attorney for the party or, if unrepresented, to the party at the last known business address.

7.4 Controlling Law. This Agreement is to be governed and construed in accordance with the laws of the State of Nebraska, without regard to its conflict of law provisions.

7.5 Notice of Requested Order. If any party intends to obtain an order from the arbitrator or any court of competent jurisdiction which may direct *** to take, or refrain from taking any action, that party shall:

- a. Give *** at least two business days' prior notice of the hearing;
- b. Include in any such order that, as a precondition to ***'s obligation, *** be paid in full for any past due fees and be paid for the reasonable value of the services to be rendered pursuant to such order; and
- c. Ensure that *** not be required to deliver the original (as opposed to a copy) of the deposit materials if *** may need to retain the original in its possession to fulfill any of its other escrow duties.

ARTICLE 8 — GENERAL PROVISIONS

8.1 Entire Agreement. This Agreement, which includes the Acceptance Form and the Exhibits described herein, embodies the entire understanding between all of the parties with respect to its subject matter and supersedes all previous communications, representations or understandings, either oral or written. No amendment or modification of this Agreement shall be valid or binding unless signed by all the parties hereto, except that Exhibit A need not be signed by ***, Exhibit B need not be signed by Preferred Beneficiary and the Acceptance Form need only be signed by the parties identified therein.

8.2 Notices. All notices, invoices, payments, deposits and other documents and communications shall be given to the parties at the addresses specified in the attached Exhibit C and Acceptance Form. It shall be the responsibility of

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

the parties to notify each other as provided in this Section in the event of a change of address. The parties shall have the right to rely on the last known address of the other parties. Unless otherwise provided in this Agreement, all documents and communications may be delivered by First Class mail.

8.3 Severability. In the event any provision of this Agreement is found to be invalid, voidable or unenforceable, the parties agree that unless it materially affects the entire intent and purpose of this Agreement, such invalidity, voidability or unenforceability shall affect neither the validity of this Agreement nor the remaining provisions herein, and the provision in question shall be deemed to be replaced with a valid and enforceable provision most closely reflecting the intent and purpose of the original provision.

8.4 Successors. This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties. However, *** shall have no obligation in performing this Agreement to recognize any successor or assign of Depositor or Preferred Beneficiary unless *** receives clear, authoritative and conclusive written evidence of the change of parties.

CSG Systems, Inc.
("Depositor")

**** *****
(*****)

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

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ACCEPTANCE FORM

Account Number _____

_____, hereby (i) acknowledges that it is the Preferred Beneficiary referred to in the Master Preferred Escrow Agreement effective _____, 20 _____ with **** ***** ****, as the escrow agent and CSG Systems, Inc. as the Depositor and (ii) agrees to be bound by all provisions of such Agreement.

The Depositor, the Preferred Beneficiary and **** now desire to amend the Escrow Agreement in accordance with the terms and conditions set forth below. If the terms and conditions set forth in this Acceptance Form shall be in conflict with the Escrow Agreement, the terms and conditions of this Acceptance Form shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Acceptance Form, shall have the meaning set forth in the Escrow Agreement. Upon execution of this Acceptance Form by the parties, any subsequent reference to the Escrow Agreement between the parties shall mean the Escrow Agreement as amended by this Acceptance Form. Except as amended by this Acceptance Form, the terms and conditions set forth in the Escrow Agreement shall continue in full force and effect according to their terms.

1. The first sentence of Section 1.7 shall be amended to read as follows:
Depositor shall update the deposit materials in accordance with Section 12.12 of the license agreement.
2. The second sentence of Section 4.4 is amended to read as follows:
However, **** is entitled to receive any fees due **** with respect to such Preferred Beneficiary only (and not other Preferred Beneficiaries hereunder) before making the release. This Agreement will terminate with respect to a particular Preferred Beneficiary upon the release of the deposit materials held by **** to such Preferred Beneficiary.
3. The first sentence of Section 4.5 is amended by adding “and Customers (as defined in the license agreement)” at the end of the sentence.
4. The second sentence of Section 4.5 is amended by inserting the following phrase at the end of the sentence:
except that Preferred Beneficiary may engage a third party to assist it in continuing the benefits afforded to Preferred Beneficiary and Customers (as defined in the license agreement) by the license agreement so long as such third party has agreed in writing to be bound by substantially the same confidentiality obligations with respect to the released deposit materials as are set forth in the license agreement.
5. The last sentence of Section 5.2 is amended to read as follows:
**** shall have no obligation to take any action under this Agreement with respect to a particular Preferred Beneficiary so long as any payment due to **** with respect to such Preferred Beneficiary remains unpaid.
6. Section 7.2 is amended to read as follows:
**** shall be responsible to perform its obligations under this Agreement and to act in a reasonable and prudent manner with regard to this escrow arrangement. Provided **** has acted in the manner stated in the preceding sentence, Depositor agrees to indemnify, defend and hold harmless **** from any and all claims, actions, damages, arbitration fees and expenses, costs, attorney’s fees and other liabilities incurred by **** relating in any way to this escrow arrangement. Provided **** has acted in the manner stated in the preceding sentence, each Preferred Beneficiary agrees to indemnify, defend and hold harmless **** from any and all claims, actions, damages, arbitration fees and expenses, costs, attorney’s fees and other liabilities incurred by **** relating in any way to the escrow arrangement and arising solely from the actions of such Preferred Beneficiary.

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EXHIBIT A
MATERIALS TO BE DEPOSITED

Account Number _____

Depositor represents to Preferred Beneficiary that deposit materials delivered to *** shall consist of the following:

***** @ (**** @)
***** @ (*** @)
***** (****)*

* The CCS code includes the source code necessary to run all of CSG's core billing services including; CCS batch cycles, statement processing, interfaces, Vantage reporting, selects reporting, event and event order processing, payment processing, work orders, converter processing, collections, delinquency processing and CCS online functionality.

CSG Systems, Inc.
("Depositor")

**** ***** , ***.
(*****)

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

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EXHIBIT B

DESCRIPTION OF DEPOSIT MATERIALS

Depositor Company
Name

Account Number

**PRODUCT
DESCRIPTION:**
Product Name

Version

Operating System

Hardware Platform

**DEPOSIT COPYING
INFORMATION:**

Hardware required:

Software required:

DEPOSIT MATERIAL DESCRIPTION:

Qty	Media Type & Size	Label Description of Each Separate Item (excluding documentation)
	Disk 3.5" or _____	
	DAT tape _____ mm	
	CD-ROM	
	Data cartridge tape _____	
	TK 70 or _____ tape	
	Magnetic tape _____	
	Documentation	
	Other _____	

I certify for Depositor that the above described deposit materials have been transmitted to ***:

*** has inspected and accepted the above materials (any exceptions are noted above):

Signature _____

Signature _____

Print Name _____

Print Name _____

Date _____

Date Accepted _____

Exhibit B# _____

Send materials to: ***, **** ***** *****, ***, *** ***** , ** *****

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**ADDITIONAL ESCROW ACCOUNT AMENDMENT
TO MASTER PREFERRED ESCROW AGREEMENT**

Master Number _____

New Account Number _____

CSG Systems, Inc. ("Depositor") has entered into a Master Preferred Escrow Agreement with **** ***** ***** , ***. (*****). Pursuant to that Agreement, Depositor may deposit certain deposit materials with ***.

Depositor desires that new deposit materials be held in a separate account and be maintained separately from the existing account. By execution of this Amendment, *** will establish a separate account for the new deposit materials. The new account will be referenced by the following name: Time Warner Cable.

Depositor hereby agrees that all terms and conditions of the existing Master Preferred Escrow Agreement previously entered into by Depositor and *** will govern this account. The termination or expiration of any other account of Depositor will not affect this account.

CSG Systems, Inc.
("Depositor")

**** ***** ***** , ***.
(*****)

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

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COMTEC PROCESSING AND PRODUCTION SERVICES AGREEMENT

This PROCESSING AND PRODUCTION SERVICES AGREEMENT (“**Agreement**”), is made and entered into effective this 18th day of June 2003 (“Effective Date”), by and between **ComTec Incorporated (“ComTec”)**, located at 6 Just Road Fairfield, NJ, 07004-3408 and **Time Warner Cable Inc., a Delaware corporation (“TWC”)**, located at 290 Harbor Drive, Stamford, CT 06902-6732.

NOW, THEREFORE, in consideration of mutual covenants and agreements contained herein, the parties agree to as follows:

1. DEFINITIONS . As used herein, the following terms shall have the meanings set forth below:

“**Affiliate**” shall mean AOL Time Warner Inc., Time Warner Entertainment-Advance/Newhouse Partnership, TWT Cable, Inc., Time Warner Cable Capital, L.P., Time Warner Entertainment Company, L.P., and/or Time Warner Inc., or any successor-in-interest of any of the foregoing, or any entity that is majority-owned by TWC and/or one or more of the foregoing entities (TWC and each of the foregoing entities, a “**TW Company**”), or any corporation, partnership, limited liability company or other entity which is managed in whole or in significant part by any TW Company or through managers designated by any TW Company.

“**Affiliate Addendum**” shall mean an addendum, in substantially the form attached hereto as Exhibit A, executed by an Affiliate or by TWC on behalf of such Affiliate.

“**Average Monthly Amount**” shall mean all amounts paid by all Clients (excluding postage amounts and shipping charges) to ComTec during the eight month period preceding any claim that arises (including amounts paid by Clients under the Prior Agreements where this Agreement has not been in effect for eight months at the time that a claim arises) divided by 8.

“**Clients**” shall mean TWC and each Affiliate that is bound by an Affiliate Addendum.

“**Control**” (including the terms “controlling,” “controlled by” and “under common control with”) shall mean, in relation to any business entity, the ownership directly or indirectly of fifty percent (50%) or more of the outstanding voting securities or capital stock of such business entity, or any other comparable equity or ownership interest with respect to a business entity other than a corporation, or the possession, either directly or indirectly, of the legal power to direct or cause the direction of the general management of the entity in question, whether through the ownership of voting equity interests, by contract, or otherwise.

“**Initial Clients**” shall mean the following Affiliates of TWC which shall each become bound by an Affiliate Addendum as of the Effective Date: Kansas City Cable Partners, L.P.; Staten Island Cable, LLC; and Time Warner Entertainment-Advance/Newhouse Partnership, Albany Division; Time Warner Entertainment-Advance/Newhouse Partnership, Austin Division; Time Warner Entertainment-Advance/Newhouse Partnership, Charlotte Division; Time Warner Entertainment-Advance/Newhouse Partnership, Greensboro Division; TWC, Maine Division; Time Warner Entertainment Company, L.P., Memphis Division; TWC, Minneapolis Division; Time Warner Entertainment Company, L.P., Shreveport Division; Time Warner Entertainment – Advance/Newhouse Partnership, Syracuse Division; Time Warner Entertainment-Advance/Newhouse Partnership, Waco Division; and, Time Warner Entertainment-Advance/Newhouse Partnership, Eastern Carolina Division.

“**Products**” shall mean any software or other products licensed or otherwise provided by ComTec to Clients under this Agreement, including but not limited to those described on Exhibit B hereto and/or as listed on Exhibit C hereto.

“**Services**” shall mean the processing, print and mail and other services provided by ComTec under this Agreement, including but not limited to those described on Exhibit B hereto and/or as listed on Exhibit C hereto.

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2. **TERM**. This Agreement shall commence as of the Effective Date and shall continue for so long as any Affiliate Addendum (whether executed as of the Effective Date or thereafter) is in effect (“**Term**”). The term of each Affiliate Addendum shall be as set forth in such Affiliate Addendum (“**Affiliate Addendum Term**”); provided, however, that no Affiliate Addendum may provide for the automatic renewal of such Affiliate Addendum, but rather, any such renewal must be agreed to in writing in an amendment to such Affiliate Addendum signed by both ComTec and the applicable Affiliate. As of the Effective Date, all agreements previously executed with any of the Initial Clients (“**Prior Agreements**”) shall terminate and be of no further force or effect; provided, however, that notwithstanding any other provision of this Agreement, any products, materials or services provided to a Client under a Prior Agreement but not listed in Exhibits B or C shall continue to be provided to such Client during the Affiliate Addendum Term for such Client for the price set forth in the Prior Agreement (subject to ComTec’s obligations under Section 9 below to offer each Client most favored customer pricing) but the general terms and conditions of this Agreement shall hereafter apply to the provision of such materials, Services or Products to such Client by ComTec.

3. **SERVICES AND PRODUCTS**.

(a) ComTec shall provide the Services and Products to Clients for the prices set forth on Exhibit C hereto (“**Pricing Schedule**”). ComTec may annually raise, based on the Consumer Price Index, the price of the SPC (as defined on the Pricing Schedule) set forth on the Pricing Schedule with respect to a particular Client only if, and to the extent, specifically described in such Client’s Affiliate Addendum. Any Affiliate may, by notice to ComTec from time to time, add or remove cable systems with respect to which it will receive Services and Products under its Affiliate Addendum. TWC shall not be liable for any obligations of its Affiliates that are Clients hereunder and no Affiliate that is a Client hereunder shall be liable for the obligations of TWC or any other Client hereunder. Clients understand and agree that ComTec may perform the Services and license or provide the Products to third parties. Each Affiliate that is a Client hereunder shall use ComTec as such Affiliate’s sole and exclusive provider of services for the printing and mailing, through the United States Postal Service (“**USPS**”), of its subscribers’ monthly bill statements: provided, however, that such obligation shall not apply with respect to any cable system acquired by such Affiliate for the term (which shall not include any optional renewals) of any existing agreement with a different print and mail vendor applicable to such cable system. Notwithstanding the foregoing, under no circumstances shall such obligation be deemed to apply to the generation or viewing of images of subscriber bill statements or to electronic presentment or payment of subscriber bill statements (collectively, “**Electronic Billing**”) and ComTec understands and agrees that Clients may purchase or receive services from third parties, and license or receive products from third parties, that are similar to the Services and Products with respect to Electronic Billing. For the avoidance of doubt, TWC shall not be subject to any exclusivity obligation hereunder and ComTec acknowledges that TWC has and/or may in the future enter into agreements with other print and mail vendors for the purchase or receipt of services and products that are similar to the Services and Products.

(b) A Client may modify specifications for a particular Service by furnishing revised specifications in writing to ComTec, which completely replace the previous specifications. If such a modification would result in significant out-of-pocket costs for ComTec to perform the required Service, as so modified by such Client, then (i) ComTec shall promptly notify Client of such increased costs and shall set forth in writing and in reasonable detail the basis for calculating any such increase in cost, and (ii) ComTec and such Client shall negotiate in good faith to determine a reasonable price increase for the performance of such Service pursuant to such modified specification. If ComTec and such Client cannot reach mutual agreement on the price relating to such modification, then ComTec shall not proceed with performance of such Service pursuant to such modified specification.

4. **SERVICE LEVEL AGREEMENT**. * *****

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10. **ACCOUNT MANAGEMENT** . ComTec agrees to maintain dedicated account management for Clients and to use its best efforts to minimize the turnover of Clients’ account managers. ComTec shall send weekly status reports covering and outlining account information and a description of projects for (a) all Clients to TWC, and (b) for a particular Client to such Client. Upon a Client’s request, ComTec will hold quarterly on site account reviews with each Client. The purpose of these reviews shall be to maintain open lines of communications between Clients and ComTec as well as to share technical information between Clients. ComTec shall hold monthly conference calls for all Clients (collectively, **“User Group Meetings”**) in order to discuss topics of relevance to Clients and solicit Clients’ input in order to improve ComTec’s level of service provided to Clients including, without limitation, bill design and redesign issues, successful database driven upsell/advertising campaigns on bill statements, future intelligent messaging campaigns, retention strategies, use of planet codes, use of imaging solutions, other marketing, customer service, information technology, and billing and finance issues of Clients. All User Group meetings shall be hosted by ComTec at ComTec’s sole expense.

11. **CONFIDENTIAL INFORMATION** .

(a) Clients, on the one hand, and ComTec, on the other hand, will treat as confidential all of the following information received by such party hereunder (the **“Receiving Party”**) that is provided by the other party hereto (the **“Disclosing Party”**): any information or data that is (i) fixed in a tangible medium (including any electronic medium) and furnished by the Disclosing Party to the Receiving Party under this Agreement and marked as the confidential or proprietary information of the Disclosing Party; or (ii) which, if disclosed orally, is identified by the Disclosing Party at the time as being confidential or proprietary and is confirmed by the Disclosing Party as being Confidential Information in writing within ***** after its initial disclosure. In addition, ComTec acknowledges that all information and data relating to the residential or commercial subscribers (**“Subscribers”**) of a Client, in whatever form provided, shall constitute Confidential Information of such Client. Further, the terms and conditions of this Agreement shall constitute Confidential Information of each party hereto which neither party may disclose without the other party’s prior written consent. The Receiving Party will make the same effort to safeguard the Confidential Information of the Disclosing Party as it does in protecting its own proprietary data but in no event less than reasonable care. All data and other information provided to ComTec by a Client shall remain the exclusive property of such Client. The Receiving Party will not disclose or make available the Confidential Information supplied by the Disclosing Party to anyone other than its employees who have a need to know the information in connection with this Agreement. The Receiving Party shall use the Confidential Information of the Disclosing Party only for the purpose of fulfilling its obligations under this Agreement.

(b) The Receiving Party shall be relieved of the obligations of Section 11(a) with respect to information it can establish through credible evidence: (i) was in the public domain at the time it was disclosed or has become in the public domain through no fault of the Receiving Party; (ii) was known to the Receiving Party, without restriction, at the time of disclosure as shown by the files of the Receiving Party in existence at the time of disclosure; (iii) was independently developed by the Receiving Party without any use of the Disclosing Party’s confidential information and by employees or other agents of the Receiving Party who have not had access to any of the Disclosing Party’s confidential information; or (iv) became known to the Receiving Party, without restriction, from a source other than the Disclosing Party (which source was not bound by confidentiality restrictions) without breach of this Agreement

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by the Receiving Party and otherwise not in violation of the Disclosing Party’s rights. In furtherance of ComTec’s obligations hereunder and without limiting the foregoing, ComTec agrees that, with respect to any materials that contain personally identifiable information of a Client’s Subscribers that ComTec discards or disposes of under this Agreement, ComTec shall properly shred any such materials in order to avoid a disclosure of such Confidential Information of such Client.

(c) If the Receiving Party is required by any law, rule or regulation of any governmental authority or by order of any court of competent jurisdiction to disclose Confidential Information of the Disclosing Party, the Receiving Party may disclose such Confidential Information to such governmental authority or court to the extent so required, provided, that, the Receiving Party shall: (i) give reasonable notice to the Disclosing Party in advance of such disclosure; (ii) seek confidential treatment of such information from the entity to which the disclosure is made; and (iii) limit disclosure of the Disclosing Party’s Confidential Information to that required to be disclosed.

(d) Upon the termination, cancellation or expiration of this Agreement for any reason or upon the reasonable request of the Disclosing Party, all Confidential Information of the Disclosing Party, together with any copies thereof, shall be returned to the Disclosing Party or, if requested by the Disclosing Party, destroyed, in which case the Receiving Party shall certify that such destruction has occurred.

(e) Each of the parties acknowledges and agrees that the other would be irreparably harmed if any of the Confidential Information were to be disclosed to third parties, or if any use were to be made of the Confidential Information other than that permitted herein, and further agrees that the other shall have the right to seek and obtain injunctive relief (without being required to follow the procedures set forth in Section 17 below) upon any violation of the terms of this Section, in addition to all other rights and remedies available at law or in equity.

(f) The Receiving Party shall defend, hold harmless and indemnify the Disclosing Party and the Disclosing Party’s owners, parent company, partners, affiliates, subsidiaries, agents, officers, directors, managers, or employees (collectively, the “**Related Parties**”) from any and all losses, damages, liabilities, judgments, settlement amounts, costs and expenses (including, without limitation, reasonable attorneys’ fees) arising from any third party claim, demand, action, suit, proceeding or investigation against the Disclosing Party as a result of the Receiving Party’s breach of its obligations under this Section 11. The Disclosing Party comply with the indemnification procedures set forth in Section 14(d).

12. WARRANTIES .

(a) ComTec shall use due care in processing all work submitted by each Client. ComTec warrants that all statements mailed by ComTec hereunder for a Client shall conform to the format and other specifications agreed to by ComTec and such Client. ComTec shall, at such Client’s option and ComTec’s sole expense, either rerun or credit any job. or any portion of any job, which cannot be used in the normal course of such Client’s business due to errors made by ComTec.

(b) In performing all Services hereunder, ComTec shall assign personnel to complete the Services that are competent, knowledgeable and experienced professionals in the type of Services to be performed pursuant to this Agreement. ComTec warrants that it will perform the Services in a professional and workmanlike manner and in accordance with the highest industry standards. In addition, ComTec warrants that the Products will perform, in all material respects, in accordance with the published specifications for such Products (“**Specifications**”). In case of breach of the foregoing warranty or any other duty related to the quality of the Services or Products for which a remedy is not provided under subparagraph (a) above, ComTec will promptly correct, replace or re-perform any defective Service or Product or, if not commercially practicable, ComTec will accept the return of the defective Product, or the rejection of such Service, and refund to the applicable Client the amount actually paid to ComTec for such Service or Product.

(c) *****

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(d) TO THE FULLEST EXTENT PERMITTED BY LAW, AND EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY TO THE OTHER PARTY, EITHER EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY REPRESENTATION OR WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

13. LIMITATION OF LIABILITY. EXCEPT FOR EACH PARTY'S INDEMNIFICATION OBLIGATIONS AND CONFIDENTIALITY OBLIGATIONS UNDER THIS AGREEMENT, AND EXCEPT FOR A PARTY'S WILLFUL MISCONDUCT, UNDER NO CIRCUMSTANCES WILL COMTEC, ON THE ONE HAND, OR CLIENTS, ON THE OTHER HAND, BE LIABLE FOR ANY SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES OF ANY KIND OR NATURE, WHETHER BASED ON BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, EVEN IF SUCH PARTY IS NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES. EXCEPT FOR EACH PARTY'S INDEMNIFICATION OBLIGATIONS AND CONFIDENTIALITY OBLIGATIONS UNDER THIS AGREEMENT, AND EXCEPT FOR A PARTY'S WILLFUL MISCONDUCT, IN NO EVENT WILL THE AGGREGATE LIABILITY INCURRED BY COMTEC, ON THE ONE HAND, OR CLIENTS, ON THE OTHER HAND, EXCEED AN AMOUNT EQUAL*****. COMTEC SHALL HAVE NO LIABILITY FOR DAMAGES RESULTING FROM ERRONEOUS OR INCOMPLETE, PROCESSING OR TRANSMISSION OF INFORMATION OR DATA BY CLIENTS.

14. INTELLECTUAL PROPERTY ; INFRINGEMENT INDEMNITY AND INDEMNIFICATION PROCEDURES .

(a) All computer software developed and/or utilized by ComTec in conjunction with ComTec's Services, whether or not Clients have been charged for such software, and all updates, modifications, enhancements and derivative works of such software and all copies thereof shall be and remain owned by and the sole property of ComTec; provided however, that software provided to ComTec by a Client and developed by Client or by a third party for such Client, where title to such software vests in such Client or is licensed to such Client shall remain the property of such Client. All trademarks, service marks, copyrighted material or art or other intellectual property owned or licensed by a Client and provided to ComTec hereunder shall be used solely for the purpose of performing the Services and ComTec shall acquire no right, title or interest therein.

(b) If any action, suit or proceeding is instituted against any Client based upon a claim that any Service or Product, or the systems or software used by ComTec to provide any Service, infringes a copyright, trademark, trade secret or U.S. patent or any other intellectual property of a third party, then ComTec shall indemnify, defend (including, without limitation, by making any interim payment necessary for appeal) and hold such Client and such Client's Related Parties harmless, at ComTec's sole expense, and pay the damages and costs finally awarded against such Client and/or its Related Parties in the infringement action or any settlement amount approved by ComTec, but only if such Client complies with the indemnification procedures set forth in subparagraph (d) below.

(c) ComTec shall indemnify and hold harmless Clients and their Related Parties from and against all claims, costs, liabilities, judgments, expenses and damages (including, without limitation, reasonable attorneys' fees) arising out of or in connection with a breach by ComTec of any of its obligations hereunder including, without limitation, its confidentiality obligations set forth in Section 11 hereof, or any willful misconduct or negligent action or failure to act by ComTec or any of its employees, agents, or representatives.

(d) In the event of a claim by a third party, with respect to which either ComTec or a Client is entitled to indemnification under any provision of this Agreement, the party seeking indemnification ("Indemnified Party") shall promptly notify the other party ("Indemnifying Party"); provided, however, that any unintentional failure to make such prompt notification shall not relieve the Indemnifying Party of its obligations hereunder unless the Indemnifying Party's ability to defend such claim is materially prejudiced thereby. The Indemnifying Party shall have sole control over the defense of the claim and any negotiation for its settlement or compromise, and the Indemnified Party shall comply with any reasonable actions required by the Indemnifying Party (at the

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Indemnifying Party’s expense) to minimize the Indemnifying Party’s and/or the Indemnified Party’s liability in the claim, provided such compliance is not, in the reasonable opinion of the Indemnified Party’s counsel, adverse to the Indemnified Party’s interests. However, the Indemnifying Party shall not settle any such claim or alleged claim without first obtaining the Indemnified Party’s prior written consent where the settlement claim might adversely affect the Indemnified Party’s rights, and such consent shall not be unreasonably withheld. In addition, the Indemnified Party may participate in any claim for indemnification under this Agreement using its own counsel at its own expense.

15. INSURANCE . ComTec shall maintain the insurance coverages set forth on Exhibit D hereto in compliance with the terms and conditions set forth on Exhibit D hereto.

16. DISASTER RECOVERY . ComTec shall maintain a business continuity/disaster recovery plan, reasonably acceptable to TWC, which shall describe a pre-planned sequence of events to ensure the continuation, recovery, and restoration of all “mission-critical business functions” in the event of a business disaster with respect to ComTec and which shall set forth specific time commitments for the restoration of the provision by ComTec of all Services and Products pursuant to this Agreement (“**Recovery Deadlines**”). For purposes hereof, “mission-critical business functions” (e.g. computer resources, networks, processes, and facilities) are those which, if not operating, would cause the cessation of, or significant adverse impacts upon, the Services or Products provided by ComTec to Clients. ComTec shall comply in all material respects with the business continuity/disaster recovery plan approved by TWC and shall adhere to all Recovery Deadlines in the event of a business disaster. A copy of ComTec’s current business continuity/disaster recovery plan is attached hereto as Exhibit E . In the event of a disaster or other event resulting in the loss by ComTec of any Client’s data, cycle mailings or materials, ComTec shall promptly regenerate such data, resupply such materials and/or reperform the Services, as applicable, at no additional charge to such Client. In the event that ComTec moves performance of the Services to a different output center location as a result of a disaster. *****

17. ARBITRATION . Any dispute or disagreement arising between ComTec and any Client relating to or arising out of the interpretation or performance of this Agreement shall be resolved by arbitration under the rules then obtaining of the American Arbitration Association by one arbitrator appointed in accordance with such rules, the arbitrator also apportioning the costs of arbitration (including reasonable attorneys fees). The arbitration shall be held in ***** , and the arbitrator shall decide the issues presented applying the substantive laws of the State of ***** , other than such laws, rules, regulations and case law that would result in the application of the laws of a jurisdiction other than the ***** . The award of the arbitrator shall be in writing, shall be final and binding upon the parties, shall not be appealed from or contested in any court and may, in appropriate circumstances, include injunctive relief. No party shall, in connection with any proceedings held pursuant to this Section, be required to furnish any bond. Should either party fail to appear or be represented at the arbitration proceedings after due notice in accordance with the rules, then the arbitrator may nevertheless render a decision in the absence of such party and such decision shall have the same force and effect as if the absent party had been present, whether or not it shall be adverse to the interests of such party. Any award rendered hereunder may be entered for enforcement, if necessary, in any court of competent jurisdiction, and the party against whom enforcement is sought shall bear the expenses, including attorneys’ fees, of enforcement. Nothing in this Section shall limit the right of either ComTec, on the one hand, or Clients, on the other hand, to obtain from a court provisional or ancillary remedies such as, but not limited to, injunctive relief, or the appointment of a receiver, before, during or after the pendency of any arbitration proceeding brought pursuant to this Agreement.

18. TERMINATION .

(a) Either ComTec or TWC may terminate this Agreement with immediate effect by giving written notice to the other party if the other party:

(i) becomes insolvent, makes a general assignment for the benefit of creditors, suffers or permits the appointment of a receiver for its business or assets, becomes subject to any proceeding under any bankruptcy or insolvency law whether domestic or foreign that, if involuntary, is not dismissed within ***** or has wound up or liquidated, voluntarily or otherwise, or has otherwise ceased to conduct in the normal course, its business; or

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(ii) is in material breach of this Agreement and has failed to cure such breach within*** ***, after receipt from the non-breaching party of written notice of breach and intent to terminate if such breach is not cured within such ** (provided, however, that there shall be no cure period with respect to the reoccurrence of the same material breach within any ** period and, in such event, the termination shall be effective upon receipt of notice from the terminating party unless a later effective date is specified in such notice), except that this clause (ii) shall not be applicable with respect to breaches committed by a Client other than TWC which shall, instead, be governed by subparagraph (c) below. An example of a material breach by ComTec would be the disclosure of personally identifiable Subscriber information by ComTec. Such example is included herein only for illustrative purposes. Such example is by no means the exclusive grounds on which TWC could claim that a material breach had occurred or an exhaustive list of the acts or omissions of ComTec that may constitute a material breach of this Agreement and shall in no way restrict the facts or circumstances under which TWC may be able to claim that ComTec has materially breached this Agreement.

(b) In addition to, and without limiting the provisions of subparagraph (a) above, if ComTec fails to supply acceptable quality services and products to any Client, or fails to meet the service level agreement requirements set forth in this Agreement with respect to any Client, and ComTec has been given written notice of any such failure and has failed to correct same within ** of ComTec's receipt of such notice (provided, however, that there shall be no cure period with respect to the reoccurrence of the same problem within any ** period), then such Client shall have the right, upon notice to ComTec, to terminate the Affiliate Addendum of such Client. Such termination shall be effective upon the receipt of such termination notice from TWC unless a later effective date is specified in such notice to ComTec.

(c) ComTec may terminate the Affiliate Addendum of a particular Client only if such Client is in material breach of this Agreement and has failed to cure such breach within ** after receipt of written notice from ComTec provided to such Client, with a copy to TWC, reasonably specifying such failure and stating its intention to terminate this Agreement with respect to such Client if such failure is not cured within such ** period (provided, however, that there shall be no cure period with respect to the reoccurrence of the same material breach within any ** period and, in such event, the termination shall be effective upon receipt of such notice from ComTec unless a later effective date is specified in such notice).

19. GENERAL .

19.1 Entire Agreement; Permitted Variances of this Agreement in Affiliate Addenda . This Agreement and the exhibits and schedules attached hereto and the Affiliate Addenda constitute the entire agreement and understanding of the parties and supersedes all prior agreements, understandings or arrangements (both oral and written) relating to the subject matter of this Agreement. *****

19.2 Severability . If any provision of this Agreement is found to be invalid or unenforceable, then, so long as the remainder of this Agreement is not materially affected by such declaration or finding and is capable of substantial performance, all other provisions of this Agreement shall remain valid and enforceable.

19.3 Amendments and Waivers . No amendment or variation of the terms of this Agreement shall be effective unless it is made or confirmed in a written document signed by both ComTec and TWC. No amendment or variation of the terms of any Affiliate Addendum shall be effective unless it is made or confirmed in a written document signed by both ComTec and the applicable Affiliate and, to the extent required pursuant to Section 19.1, by TWC. No delay in exercising or non-exercise by either party of any of its rights under or in connection with this Agreement shall operate as a waiver or release of that right. Rather, any such waiver or release must be specifically granted in writing signed by the party granting it.

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19.4 Relationship . In making and performing this Agreement, the parties are acting and shall act as independent contractors. Nothing in this Agreement shall be deemed to create an agency, joint venture or partnership relationship between the parties hereto. Neither ComTec nor Clients shall hold themselves out as having any authority to enter into any contract or create any obligation or liability on behalf of or binding upon the other party.

19.5 Subcontracting; Assignment . ComTec shall not subcontract or assign (including without limitation by operation of law or the occurrence of a change of Control) any of its rights or obligations under this Agreement, without the prior written consent of TWC which shall not be unreasonably withheld (i.e. in order to withhold consent to any proposed assignment by ComTec, TWC must reasonably believe that the proposed assignee is adverse to the interests of TWC or that the proposed assignee is not likely to be capable of performing the obligations of ComTec set forth in this Agreement, for example, where the proposed assignee lacks financial stability or TWC has had previous unsatisfactory experiences with the proposed assignee). Further, TWC shall be deemed to have consented to any subcontracting or assignment of this Agreement by ComTec where TWC fails to object to such subcontracting or assignment within sixty days of ComTec’s written request for approval thereof if such written request was provided to TWC in accordance with Section 19.8 and such written request described the proposed subcontracting or assignment in reasonable detail. TWC shall have the right to assign its rights and obligations under this Agreement without ComTec’s consent: (a) to any Affiliate; or (b) to a successor entity in connection with the sale or transfer of all or substantially all of the assets or stock of TWC, or the merger, consolidation, reorganization, spin-off or other business combination of TWC. Each Affiliate that is a Client hereunder shall have the right to assign its rights and obligations under its Affiliate Addendum (i) to any other Affiliate; or (ii) to a successor entity in connection with the sale or transfer of all or substantially all of the assets or equity interests of such Affiliate, any sale or transfer of all or a portion of TWC’s equity interest in such Affiliate, any transfer by TWC (either directly or indirectly) of the power to manage such Affiliate (where such Affiliate was managed either directly or indirectly by TWC as of the date that the applicable Affiliate Addendum was executed), or the merger, consolidation, reorganization, spin-off or other business combination of such Affiliate. The parties agree that any attempted assignment of this Agreement in breach of this Section shall be void and of no effect and shall constitute a material breach of this Agreement. Upon any permitted assignment of this Agreement, the assignor shall have no further obligation hereunder and the other party shall look solely to the assignee for the performance of its obligations hereunder.

19.6 Law and Jurisdiction . This Agreement shall be governed by the laws of the ***** other than such laws that would result in the application of a jurisdiction other than the *****.

19.7 Press Releases and other Publicity . Except for disclosures required by law, each party will submit to the other all public disclosure(s), advertising and other publicity matters relating to this Agreement in which the other party’s name or mark is mentioned or language from which the connection of said name or mark may be inferred or implied, and will not publish or use such advertising or publicity matters without the express prior written approval of the other party, which may be granted or withheld in such party’s sole discretion.

19.8 Notices . All notices required or permitted under this Agreement shall be in writing and delivered by hand or courier and shall (a) if delivered personally to the address as provided in this Section, be deemed given upon delivery, and (b) if delivered by a reputable overnight courier to the address as provided in this Section, be deemed given on the first business day following the date sent by such overnight courier. The addresses and facsimile numbers of the parties (until written, notice of change shall be given in accordance with this Section) shall be as follows:

If to ComTec:

ComTec, Incorporated
6 Just Road
Fairfield, NJ 07004-3408

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If to TWC:

Time Warner Cable
290 Harbor Drive
Stamford, CT 06902-6732

Attn: Vice President *****

With a required copy to:

Time Warner Cable
290 Harbor Drive
Stamford, CT 06902

Attn: General Counsel

If to any other Client:

At the address provided set forth for such Client in the applicable Affiliate Addendum (with a required copy to TWC as set forth above).

19.9 Force Majeure. Subject to and without limiting ComTec's obligations under Section 16 above, neither party shall be held responsible for any delay or failure in performance for causes beyond its reasonable control, including without limitation, acts of God, strikes, lockouts, riots, acts of war, epidemics, governmental regulations imposed after the fact, fire, power failure, earthquakes or other disasters natural or otherwise.

19.10 Time is of the Essence. Time of performance is of the essence in this Agreement and a substantial and material term hereof.

19.11 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

19.12 Exhibits and Headings. The Exhibits to this Agreement are hereby incorporated by reference. The captions and headings of this Agreement are included for convenience only and shall not affect the interpretation or construction of this Agreement.

19.13 Survival. The following provisions shall survive the termination or expiration of this Agreement: Sections 11 through 14, Section 17, Section 19, and Section 5 of Exhibit D.

IN WITNESS WHEREOF the parties hereto have entered into this Agreement as of the Effective Date.

COMTEC INCORPORATED

TIME WARNER CABLE INC.

By: /s/ Peter E. Christensen
Name: Peter E. Christensen
Title: Chairman

By: /s/ James Jeffcoat
Name: James Jeffcoat
Title: VP

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**EXHIBIT A
FORM OF AFFILIATE ADDENDUM**

1. **Agreement Reference.** Reference is hereby made to that certain Processing and Production Services Agreement (as amended from time to time, the "Agreement") dated as of _____, 20__ between ComTec Incorporated ("ComTec") and Time Warner Cable Inc. ("TWC").

2. **Acceptance of Agreement.** The undersigned Affiliate agrees to be bound by the terms and conditions of the Agreement, which are hereby incorporated by reference into this Affiliate Addendum. All capitalized terms not defined herein shall have the meanings given to such terms in the Agreement if defined therein.

3. **Term.** The term of this Affiliate Addendum shall be as follows: _____.

4. **Notices.** All notices that may be required or permitted to be given to the undersigned Affiliate pursuant to the Agreement shall be given in accordance with the terms of the Agreement and the address for the undersigned Affiliate shall be as follows:

Attn.: _____
Fax: _____

5. **Modifications.** The Agreement is hereby modified as follows:

[Insert any changes to pricing or other terms that will apply to the particular Affiliate. Any terms or conditions that are less favorable to the Affiliate (viewed by itself rather than taken in combination with other terms or conditions) will also require the signature of TWC corporate to this Addendum in order to be valid]

6. **Conflict with Agreement.** If the terms and conditions set forth in this Addendum shall be in conflict with the Agreement, the terms and conditions of this Addendum shall control but only to the extent that such variation is permitted under Section 19.1 of the Agreement.

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Executed as of the ____ day of _____, 20 ____.

COMTEC:

COMTEC INCORPORATED

By: _____
Name: _____
Title: _____

AFFILIATE:

By: _____
Name: _____
Title: _____

[If required under Section 19.1 of the Agreement]

TIME WARNER CABLE INC.

By: _____
Name: _____
Title: _____

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 (*)**.

**EXHIBIT B
DESCRIPTION OF SERVICES AND PRODUCTS**

Under this Agreement, ComTec will produce and distribute each Client’s customer statements, which services for each Client are more particularly described as follows:

- Daily processing, postal sortation, printing, inserting and full mail distribution of the Client statement and late notice cycle mailings and return to Client type “flat” (special request returns and invoices beyond 7 physical pages) documents.
- Processing of Client data for proper statement formatting, printing, inserting and delivery distribution requirements.
- CASS (Coding Accuracy Support System) Certification of all Client requested mailing names.
- Specific Client related job program development, maintenance and backup to support print and mail application.
- High-speed simplex and duplex laser printing and “spot color” printing.
- Forms design, development and support.
- Bundled Billing of all materials and services.
- Image files for Customer Service viewing of printed statements.
- XML files for e-bill presentment to third party if requested.

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EXHIBIT C
PRICING SCHEDULE

(Redacted for confidential treatment)

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 (*)**.

E XHIBIT D

I nsurance Requirements

(Redacted for confidential treatment)

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SECOND AMENDMENT
TO
THE
PROCESSING AND PRODUCTION SERVICES AGREEMENT
BETWEEN
CSG SYSTEMS, INC.
AND
TIME WARNER CABLE INC.

This Second Amendment (the "Amendment") is made by and between **CSG Systems, Inc.**, a Delaware corporation, as successor-in-interest to ComTec Incorporated ("CSG") and **Time Warner Cable Inc.**, ("TWC"). CSG and TWC entered into a certain Processing and Production Services Agreement executed on June 18, 2003, as subsequently amended by the First Amendment to the Processing and Production Services Agreement Between ComTec Incorporated and Time Warner Cable, Inc. dated June 14, 2004 ("First Amendment") and the Letter Agreement dated June 29, 2006, (collectively, the "Agreement"), and now desire to amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

CSG and TWC agree as follows:

1. All references to "ComTec" and "ComTec Incorporated" shall be amended to "CSG" and "CSG Systems, Inc." respectively and shall mean CSG Systems, Inc., as successor-in-interest to ComTec Incorporated, collectively for itself and its affiliates and subsidiaries.
2. **PDF Presentment Services** . The description of the PDF Presentment Services added to Exhibit B in the First Amendment is amended and restated to read in its entirety as follows:

At each Client's option, presentment of PDF images of its Subscribers' hard copy bill statements (front and back for then-current month and prior six (6) months) via such Client's Electronic Billing vendor and/or CheckFree or any third party in CheckFree's network ("PDF Presentment Services") and support and maintenance services for the interface between CSG and such Client's Electronic Billing vendor ("PayXpress Interface") and between CSG and CheckFree ("CheckFree Interface") to enable retrieval by Subscribers of such PDF images. Such Client may elect to receive the PDF Presentment Services with respect to either the PayXpress Interface or the CheckFree Interface or both.
3. **PDF Presentment Services** . The pricing for the PDF Presentment Services added to Exhibit C in the First Amendment is amended and restated to read in its entirety as follows:

***** (*****) ***** \$ *****

***** (*****) §****

***** (*****) §****

***** (*****) §****
***** (*****)

4. **Support and Maintenance Services and PDF Presentment Services Service Level Agreement . The terms and conditions added to Section 4 of the Agreement in the First Amendment are hereby amended and restated to read in their entirety as follows:**

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- 6. ***** (*****) *****
- 7. TWC's addresses for notice purposes set forth in Section 19.8 of the Agreement under the heading "If to TWC" is hereby deleted and replaced with the following:
 If to TWC:
 Time Warner Cable
 7910 Crescent Executive Drive Charlotte, NC 28217
 Attn: Senior Vice President, *****

 Time Warner Cable
 One Time Warner Center
 New York, NY 10019
 Attn: General Counsel
- 8. CSG's address for notice purposes set forth in Section 19.8 of the Agreement under the heading "If to ComTec" is hereby deleted and replaced with the following:
 If to CSG:
 CSG Systems, Inc.
 9555 Maroon Circle
 Englewood, CO 80112
 Attn: General Counsel
- 9. *****

THIS AMENDMENT is executed on the day and year last signed below ("Effective Date").

TIME WARNER CABLE INC. ("TWC")

CSG SYSTEMS, INC.,
AS SUCCESSOR-IN-INTEREST TO
COMTEC INCORPORATED ("CSG")

By: /s/ James Jeffcoat
Name: James Jeffcoat
Title: Senior Vice President
Date: October 21, 2008

By: /s/ Robert M. Scott
Name: Robert M. Scott
Title: COO
Date: 11/3/08

#2295404 ***** **** ****
CONFIDENTIAL AND PROPRIETARY INFORMATION - FOR USE BY AUTHORIZED EMPLOYEES OF THE PARTIES HERETO ONLY AND IS NOT FOR GENERAL DISTRIBUTION WITHIN OR OUTSIDE THEIR RESPECTIVE COMPANIES

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

EXHIBIT A

[Redacted for confidential treatment]

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

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MASTER COMPUTER SERVICES AGREEMENT

THIS MASTER COMPUTER SERVICES AGREEMENT ("Agreement") is made and entered into as of the 15th day of December, 2008 (the "Effective Date") by and between Infocrossing, LLC, a Delaware limited liability company ("Infocrossing" which term and expression shall mean and include its subsidiaries, affiliates, and assigns), and CSG Systems, Inc., a Delaware corporation ("Customer" or "CSG").

ARTICLE 1
DEFINITIONS

- 1.1 "Account Manager" means the Infocrossing representative who shall serve as Infocrossing's key point of contact with Customer for matters relating to the performance of a Work Order.
1.2 "Additional Fee" means the additional fee payable by Customer to Infocrossing, if any, for the Services in excess of the Base Monthly Service Fee as provided in a Work Order.
1.3 "Additional Services" means services outside the scope of the Services and not otherwise included in the Base Monthly Service Fee.
1.4 "Affiliate" means, with respect to any entity, any other entity directly or indirectly controlling, controlled by, or under common control with such entity by virtue of direct or indirect ownership of any of such entity's voting securities, partnership interests, membership interests, or similar equity interests.
1.5 "Agreement Term" means the term of the Agreement commencing on the Effective Date and extending until such time as
1.6 "Base Monthly Service Fee" means the base monthly service fee payable by Customer to Infocrossing
1.7 "Change Control Procedures" means governing the process for implementing changes to the system or access to the Infocrossing Center updates to which will be provided to Customer prior to implementation of any changes.
1.8 "Claim" means any civil, criminal, administrative or investigative action or proceeding.
1.9 "CSG Client" means a client of Customer.
1.10 "Customer Location(s)" means those Customer locations identified in a Work Order.
1.11 "Customer Provided Hardware" means
1.12 "Customer Provided Software" means
1.13 "Customer Representative" means the Customer representative who will serve as the person having authority to act on behalf of Customer for purposes of any questions, problems, or service issues arising during the performance of any particular Work Order.
1.14 "Data" means Customer's internal information, data and application software or that of Customer's clients.
1.15 "Error" means any malfunction, error, or loss of Data to the extent attributable to Infocrossing's or its subcontractor's negligence or Infocrossing Provided Hardware, Infocrossing Provided Software, and/or Infocrossing Provided Telecommunications Circuits.
1.16 "Event of Default" means (*)
1.16 "Indemnified Party" means a party entitled to indemnification from the other party pursuant to Section 7.1 or Section 7.2.
1.17 "Indemnifying Party" means a party obligated to provide indemnification to the other party pursuant to Article 7.

1.18 "Infocrossing Center" means the Infocrossing facility where the System will be located.



- 1.19 "Infocrossing Provided Hardware" means
1.20 "Infocrossing Provided Software" means
1.21 "Infocrossing Provided Telecommunications Circuits" means
1.22 "Losses" means any and all claims, demands, causes of action, losses, damages and/or other liability, including any and all reasonable attorneys' fees and reasonable costs of investigation, litigation, settlement, judgment, interest and penalties.
1.23 "Migration Date" as defined in a Work Order, means the date both parties mutually agree that the migration has been completed. Such agreement may be confirmed via electronic mail or as otherwise permitted pursuant to Section 10.6.
1.24 "Migration Fee"
1.25 "Migration Period" as defined in a Work Order, means the period mutually agreed upon by the parties during which the migration shall commence and shall be completed.
1.25 "Performance Standards" means the performance standards and specifications set forth in a Work Order.
1.26 "Senior Management" means the members of Infocrossing's senior management which shall include an employee in the position of Vice President or higher.
1.27 "Services" means the services to be provided by Infocrossing as more particularly described in a Work Order.
1.28 "System" means the computer system environment, including the processor complex and operating system, containing hardware and software, located at the Infocrossing Center pursuant to which Infocrossing will provide the Services, as more particularly described in a Work Order.
1.29 "Transfer Assistance Services" means services provided by Infocrossing in connection with migrating the Services to another service provider or to Customer itself upon the termination or expiration of the particular Work Order.
1.30 "Work Order" has the meaning set forth in Section 2.1

ARTICLE 2 SERVICES

- 2.1 Computer Processing Services. Infocrossing shall provide Customer with the Services as set forth in one or more work orders mutually agreed to and signed by the parties from time to time and specifically referencing this Agreement ("Work Order"). All Work Orders must be signed by an authorized representative of each party. Each Work Order shall be governed by and subject to the terms and conditions of this Agreement.
2.2 Migration. In the event migration services are required in order for Infocrossing to provide the Service under a particular Work Order, Infocrossing will plan and manage the migration of Customer's present Data processing capabilities from the Customer Locations identified in a Work Order to the Infocrossing Center.
2.3 Training. During and after the Migration Period, Infocrossing shall provide such instruction and training at the Infocrossing Center and Customer's Locations as may be reasonably required and mutually agreed to between the parties to enable Customer to utilize the Infocrossing Provided Hardware or Software installed at the Infocrossing Center or the Customer Locations; provided that Customer shall pay all pre-approved fees and expenses of Infocrossing incurred in connection with any training at Customer's Locations.
2.4 Transfer Assistance. (*) ** **

(b) If any particular Transfer Assistance Services require Infocrossing to incur expenses in addition to the expenses that Infocrossing would

otherwise incur in the performance of such Work Order, then, except as explicitly set forth to the contrary in the second to last sentence of Section 2.4(a), Infocrossing will not perform such Transfer Assistance Services until (i) Infocrossing has notified Customer of any additional expenses associated with Infocrossing's performance of such Transfer Assistance Services prior to performing such Transfer Assistance Services, and

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(ii) Customer has provided Infocrossing with its written authorization to perform and agreement to pay (at mutually agreed upon rates) for such Transfer Assistance Services. Customer shall pay Infocrossing for such Transfer Assistance Services at mutually agreeable rates. *****

(c) If any Work Order is terminated by Infocrossing as a result of an Event of Default by Customer, Infocrossing will not be obligated to provide any Transfer Assistance Services, unless Customer has first paid Infocrossing a mutually agreed upon estimate of the costs of such Transfer Assistance Services.

2.5 Additional Services. (a) During the term of a Work Order, Customer may request that Infocrossing perform Additional Services. Upon request by Customer that an Additional Service be performed, Infocrossing shall inform Customer whether Infocrossing desires to perform such Additional Service and, if so, Infocrossing shall provide Customer with a written description of the work Infocrossing anticipates performing in connection with such Additional Service, the cost for that Additional Service, and a schedule for commencing and completing the Additional Service.

(b) This Agreement is a non-exclusive Agreement. Therefore, Customer shall have the right to contract with a third party vendor ("Vendor") to perform any and all services outside of Infocrossing's facilities; including services the same as or substantially similar to any Services or Additional Services.

ARTICLE 3
SOFTWARE AND HARDWARE

3.1 Software. (a) Infocrossing shall provide the Infocrossing Provided Software under a Work Order subject to the terms set forth herein. Infocrossing shall be solely responsible for any and all maintenance fees for the Infocrossing Provided Software.

(b) Customer shall provide the Customer Provided Software subject to the terms set forth herein. Customer shall be responsible for obtaining and maintaining the right for Infocrossing to make use of all Customer Provided Software and Data on the System at the Infocrossing Center.



and for no other purpose. Upon expiration or termination of a Work Order, Infocrossing shall at Customer's option return the Customer Provided Software to Customer, and Infocrossing shall have no further rights or licenses to use the Customer Provided Software.

3.2 Application Services. Except as set forth in a Work Order, Customer shall be solely responsible and liable for providing all production support, adaptive maintenance, and software development for Customer's Data and application systems. Customer is responsible for maintaining its applications and unsupported systems at a level that will not cause incompatibility or performance degradation with the System, provided, however, Customer may elect not to upgrade or change its applications and systems, in which case (a) Customer shall pay any additional costs and out-of-pocket expenses of Infocrossing incurred in connection with Infocrossing supporting a System that is not upgraded, which costs shall be charged at rates set forth in the rate card included in Exhibit C of the applicable Work Order or, if there is no rate available for any particular service or activity, at mutually agreeable rates, and (b) Infocrossing shall be excused from Performance Standards if Infocrossing is unable to meet such Performance Standards as a result of Customer's failure to upgrade or change its applications or systems.

3.3 Hardware. (a) Except as set forth in a Work Order, Customer shall provide, install, repair and maintain, at its sole expense, all Customer Provided Hardware. Additional or replacement Customer Provided Hardware, including upgrades, will be added by Customer, at Customer's sole expense, as necessary to permit Infocrossing to perform the Services in accordance with the Performance Standards set forth in a Work Order. All Customer Provided Hardware shall remain the personal property of Customer, and Customer shall have the sole responsibility for the maintenance and repair of such Customer Provided Hardware.

(b) Infocrossing shall provide, install, repair and maintain, at its sole expense, all Infocrossing Provided Hardware. All Infocrossing Provided Hardware shall remain the personal property of Infocrossing, and Infocrossing shall have the sole responsibility for the maintenance and repair of such Infocrossing Provided Hardware.

3.4 System Upgrades. As set forth in a Work Order, either Infocrossing or Customer may initiate an upgrade or reconfiguration of System components, hardware or software under a Work Order. Each Party shall provide all reasonable and necessary cooperation in the implementation of any upgrade or reconfiguration initiated by the other party. *****

3.5 System Maintenance. Customer agrees to cooperate with Infocrossing to schedule reasonable periods during which the System, under a Work Order, will be unavailable for processing in order to allow Infocrossing to perform maintenance of the System.

3.6 Disaster Recovery. Infocrossing shall provide, if agreed to by the parties, a computer system environment to enable Infocrossing to provide disaster recovery services to Customer. Such environment, if any, shall be set forth in a schedule to a Work Order.

ARTICLE 4
PERSONNEL AND ACCOUNT MANAGEMENT

4.1 Personnel. (a) Infocrossing shall appoint a Client Engagement Manager subject to Customer approval which will not be unreasonably withheld or delayed, under each Work Order to serve as Customer's primary point of contact for all matters relating to Infocrossing's performance of the Services, including the approval of scheduled Service outages, coordination of routine and special Service outages, coordination of routine and special project scheduling requirements and requests, coordination of change activities, and notification to Infocrossing of anticipated or actual problems relating to Customer's requirements for, or Infocrossing's performance of, the Services.

(b) In the event Customer determines in good faith that the continued assignment of the Client Engagement Manager is not in the best interests of Customer, then Customer shall give Infocrossing written notice to that effect requesting that the employee be replaced. Promptly after its receipt of such a request, Infocrossing shall investigate the matters stated in the request and discuss its findings with Customer. If Customer still in good faith requests replacement of the Client Engagement Manager, Infocrossing shall replace the Client Engagement Manager with a person of suitable ability and qualification, which replacement shall be subject to the approval of Customer (such approval not to be unreasonably withheld or delayed). Nothing in this provision shall be deemed to give Customer the right to require Infocrossing to terminate any Infocrossing employee's employment; it is intended to give Customer only the right to request that



Infocrossing discontinue using a specific person as the Client Engagement Manager.

(c) Infocrossing will use reasonable efforts to avoid replacing or reassigning the Client Engagement Manager. If, notwithstanding such efforts, it becomes necessary for Infocrossing to replace an Client Engagement Manager, Infocrossing shall be responsible for all training of the new Client Engagement Manager and will give Customer as much advance notice of the replacement as is feasible and will provide Customer with reasonable details concerning the proposed replacement.

(d) Customer shall appoint a Customer Representative. The Customer Representative shall serve as Infocrossing’s primary point of contact for all matters relating to Infocrossing’s performance of the Services, including the approval of scheduled Service outages, coordination of routine and special Service outages, coordination of routine and special project scheduling requirements and requests, coordination of change activities, and notification to Infocrossing of anticipated or actual problems relating to Customer’s requirements for, or Infocrossing’s performance of, the Services.

4.2 Meetings. During the term of a Work Order, the Client Engagement Manager and the Customer Representative shall meet, in person or by telephone as mutually agreed between the parties, at least once each calendar month, or more often as determined by the parties, to discuss the performance of their respective obligations during the preceding month, planned changes, future performance of the parties and to exchange information needed for such performance.

4.3 Reports. (a) Infocrossing will prepare and submit to Customer, as part of the Services, a set of reports as further detailed in a Work Order.

(b) With respect to any Infocrossing Center that is set forth in a Work Order, Infocrossing agrees to maintain compliance with and annually provide a report on its procedures and the results of tests thereof to be performed by an independent Certified Public Accounting firm in accordance with the standards set forth in the AICPA’s Statement on Auditing Standards #70, “Reports on the Processing of Transactions by Service Organizations,” or its successors. Infocrossing further agrees to provide Customer with a plan to remedy any deficiency in the foregoing as soon as commercially reasonable to continue to maintain compliance with the foregoing standards. Infocrossing agrees to use commercially reasonable efforts to meet Payment Card Industry (“PCI”) standards, which shall not necessarily include PCI Certification. Additional support will be provided by Infocrossing at fees mutually agreed by the parties.

ARTICLE 5
FEES AND ADDITIONAL CHARGES

5.1 Base Monthly Service Fee; Additional Fee. For all Services provided under a Work Order, Customer shall pay Infocrossing ... All fees will be invoiced and paid in U.S. dollars.

5.2 Payment Terms. (a) The Migration Fee shall be due and payable by Customer to Infocrossing as set forth in the Work Order.

(b) Infocrossing shall invoice Customer for Services in arrears no earlier than ... following provision of Services and Customer shall make payment within ... of receipt of the invoice. All payments due Infocrossing hereunder shall be made by Customer by wire transfer according to instructions furnished by Infocrossing.

(c) In the event Customer disputes an invoice provided by Infocrossing it shall provide notice to Infocrossing as soon as Customer discovers the error ... from Customer’s receipt of such invoice. Customer’s objection shall specify the error or errors, if any, contained in any such invoice. Customer may withhold any such disputed fee amount without being in default under this Agreement. During the parties’ attempt to resolve such dispute, each party will continue to perform its respective obligations under a Work Order. If it is determined that Customer owes Infocrossing all or any portion of the disputed amount, then such amount shall become immediately ... from the

(b) Any claims of infringement made against Infocrossing of U.S. patent, copyright, trademark, service mark, trade name or similar proprietary rights of any third party, alleged to have occurred because of the use of the Customer Provided Software or Data in providing Services; provided, however, that Customer will have no obligation with respect to any Losses to the extent the same arise solely and directly out of or in connection with Infocrossing's unauthorized modification of any Customer Provided Software or Infocrossing's unauthorized combination, operation or use of any Customer Provided Software with devices, data or programs not furnished by Customer or not authorized by the manufacturer or vendor thereof.

7.3 Subrogation. In the event that an Indemnifying Party shall be obligated to indemnify an Indemnified Party pursuant to Sections 7.1 or 7.2, the Indemnifying Party shall, upon payment of such indemnity in full, be subrogated to all rights of the Indemnified Party with respect to the claims and defenses to which such indemnification relates.

7.4 Indemnification Procedures. (a) If any Claim is commenced against an Indemnified Party, written notice thereof shall be given to the Indemnifying Party as promptly as practicable. After such notice, if the Indemnifying Party shall acknowledge in writing to such Indemnified Party that this Agreement applies with respect to such Claim, then the Indemnifying Party shall be entitled, if it so elects, in a written notice delivered to the Indemnified Party not fewer than *** **) **** prior to the date on which a response to such Claim is due, to take control of the defense and investigation of such Claim and to employ and engage attorneys of its sole choice to handle and defend the same, at the Indemnifying Party's sole cost and expense. The Indemnified Party shall cooperate in all reasonable respects with the Indemnifying Party and its attorneys in the investigation, trial and defense of such Claim and any appeal arising therefrom; provided, however, that the Indemnified Party may, at its own cost and expense, participate, through its attorneys or otherwise, in such investigation, trial and defense of such Claim and any appeal

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arising therefrom. No settlement of a Claim that involves a remedy other than the payment of money by the Indemnifying Party, or a release in favor of the Indemnifying Party, shall be entered into without the consent of the Indemnified Party, which consent will not be unreasonably withheld.

(b) After notice by the Indemnifying Party to the Indemnified Party of its election to assume full control of the defense of any such Claim, the Indemnifying Party shall not be liable to the Indemnified Party for any legal expenses incurred thereafter by such Indemnified Party in connection with the defense of that Claim, provided the Indemnifying Party fully and adequately performs all of its obligations in connection with the defense of any such Claim. If the Indemnifying Party does not assume full control over the defense of a Claim subject to such defense as provided in this Section 7.4, the Indemnifying Party may participate in such defense, at its sole cost and expense, and the Indemnified Party shall have the right to defend the Claim in such manner as it may deem appropriate, at the cost and expense of the Indemnifying Party.

**ARTICLE 8
CONFIDENTIALITY AND CUSTOMER PROPERTY**

8.1 Confidential Information. All information and documentation disclosed between the parties under this Agreement shall be subject to the Non-Disclosure Agreement previously entered into by the parties dated April 8, 2008, as well as the additional requirements provided in this Article 8. Infocrossing agrees to comply with such additional requirements to the extent applicable to Infocrossing’s provision of Services hereunder. Customer agrees that it shall provide all PII and Usage Data (as defined below) to Infocrossing in an encrypted or otherwise secure form. * * * * *

8.2 Customer Property. (a) Infocrossing agrees that, as between Infocrossing and Customer, all Data received, computed, used, or stored pursuant to this Agreement * * * * *

(b) Except for Infocrossing’s obligations to correct Errors related to Data as set forth in Section 6.1, Customer is solely responsible for the content, adequacy and accuracy of the Data. Infocrossing has no obligation to monitor the content of the Data.

(c) In addition to the foregoing, “Data” shall include PII and Usage Data, as defined below.

(d) PII Information. (i) Customer’s customers’ subscribers’ names, addresses, email addresses, telephone numbers, government issued identifiers, financial and payment and related identifiers, and marketing information related to products or services offered by or in conjunction with services and/or products as well as all other personally identifiable information relating to such subscribers (collectively, “PII”)

(ii) PII Obligations. Infocrossing hereby acknowledges that Customer has a responsibility under the law to keep PII private and confidential, and as a result of any PII received by Infocrossing in the performance of Services under this Agreement, Infocrossing shall have the same responsibility. Infocrossing also acknowledges that the PII to which it will have access pursuant to this Agreement (if any), for the purpose of this Agreement constitutes Customer Confidential Information and that Infocrossing in no way possesses or shall gain possession of any ownership or other proprietary rights with respect to such PII. Infocrossing acknowledges and understands that PII is subject to the subscriber privacy protections set forth in Section 631 of the Cable Communications Policy Act of 1984, as amended (47 USC Sec. 551) (“Section 631”), as well as other applicable local, state and federal regulations and laws and applicable information industry standards, provided however to the extent that Customer informs Infocrossing of a local law expanding the foregoing definition of PII, Infocrossing shall only be required to use commercially reasonable efforts to comply with such expanded local requirements. Infocrossing agrees that it shall use all such information in strict compliance with Section 631 and all other applicable laws governing the use, collection, disclosure and storage and disposal of such information.

(e) Usage Data. In addition, Confidential Information shall include any and all data relating to account activity and Customer’s customers usage of products and services or other information collected from or about or otherwise regarding Customer’s customers’ subscribers, whether in individual or aggregate form (“Usage Data”). Such Usage Data is and shall remain the property of Customer and/or its customers. To the extent that Infocrossing has access to or collects such Usage Data, it does so solely on behalf of Customer and its customers pursuant to Infocrossing’s obligations hereunder and shall maintain the confidentiality of such data and shall

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treat it in accordance with applicable law. Infocrossing shall not use Usage Data for any purpose not in compliance with its obligations under this Agreement and shall not disclose such data, whether in aggregate or individual form, to any third party. Infocrossing shall not collect or maintain such Usage Data except to the extent necessary to perform its obligations under this Agreement.

8.3 Security . All PII and Usage Data that is collected, stored or otherwise maintained by Infocrossing pursuant to this Agreement shall be maintained in a secure environment that meets industry standards. Any PII or Usage Data that is collected or obtained by Infocrossing must be stored and transmitted in encrypted or otherwise secure form. In the event of a breach of security of any system, website, database, equipment or storage medium or facility that results in unauthorized access to PII or Usage Data by any third party (including any employee or subcontractor of Infocrossing that is not authorized to access such information), Infocrossing shall notify Customer promptly, and in no event more than *****_*****) *****, after taking any immediate measures necessary to prevent further access and make best efforts to resecure its systems as soon as possible.

8.4 Work Product . (a) Except as set forth in (c) below and unless set forth in a Work Order, all work product, deliverables, inventions (whether or not patentable), improvements, trade secrets, designs, formulas, software, object code, source code, computer programs, and interfaces (collectively, “Work Product”) created exclusively for Customer by Infocrossing under a Work Order, either alone or in collaboration with third parties, shall be the exclusive property of Customer and shall be considered “work made for hire” with all right, title and interest to such Work Product vesting in Customer upon payment of applicable fees. Customer shall have the right to use the Work Product or any part or parts thereof as it sees fit.

(b) To the extent any Work Product is not deemed “work made for hire” and is not otherwise considered the exclusive property of Customer, Infocrossing hereby fully and irrevocably grants, assigns and conveys to Customer all right, title and interest worldwide in and to all Work Product conceived, reduced to practice, authored, developed or delivered by Infocrossing or its personnel either solely or jointly with others, during and in connection with the performance of Services under this Agreement. Infocrossing agrees that it will not seek, and that it will require its personnel not to seek, patent, copyright, trademark, registered design or other protection for any rights in any such Work Product. Except as set forth in (d) below, Infocrossing and its personnel shall have no right to disclose or use any such Work Product for any purpose whatsoever and shall not divulge to or use for any third party (including, but not limited to, competitors of Customer) the nature of or details relating to such Work Product or the Work Product itself. Infocrossing agrees that it shall require its personnel, at Customer’s expense, to take any actions and execute all documents as Customer may reasonably require to vest in Customer or its nominees the rights referred to herein and to secure for Customer or its nominees all right, title and interest in and to the Work Product.

(c) Work Product shall not include Infocrossing’s preexisting proprietary information and methodologies for delivery of the Services, document templates or project tools used by Infocrossing to deliver the Services, and Infocrossing-owned materials in the Work Product (collectively, “Infocrossing Intellectual Property”). In the event any Infocrossing Intellectual Property is required to use the Work Product or receive benefit from the Services, Infocrossing hereby grants to Customer a nonexclusive, worldwide, royalty-free, irrevocable, perpetual license to use execute, reproduce, display, perform, distribute copies of, and prepare derivative works of the Infocrossing Intellectual Property solely for its internal use in conjunction with its use of the Work Product and authorize others to do any or all of the foregoing in providing services to Customer. In addition, each party owns, and will continue to own all right, title and interest in and to any inventions however embodied, know how, works in any media, software, information, trade secrets, materials, property or proprietary interest that it owned prior to this Agreement, or that it created or acquired independently of its obligations pursuant to this Agreement (collectively, “Retained Rights”). All Retained Rights not expressly transferred or licensed herein are reserved to the respective owner.

(d) Infocrossing may use for any purpose any information which may be retained in the unaided memories of personnel performing the Services such as ideas, concepts, know-how, experience and techniques which do not contain any Customer Confidential Information. An employee’s memory is unaided if the employee has not intentionally memorized the information for the purpose of retaining and subsequently using or disclosing it.

ARTICLE 9
TERM AND TERMINATION

9.1 Term . This Agreement shall be effective for the Agreement Term. This Agreement shall remain in effect to the extent the term of any Work Order extends beyond the Agreement Term until the expiration of such Work Order.

9.2 Termination Upon Default . Upon an Event of Default, the non-defaulting party shall have the right, at any time, to terminate or suspend the affected Work Order and all obligations thereunder and to take immediate possession of its equipment and Data, as applicable, without demand or notice. Such rights shall be in addition to any other rights or remedies to which the non-defaulting party may be entitled under this Agreement, at law, or in equity.

9.3. * * * * * (* * * * *) * * * * * %) * * * * *
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9.4 Ongoing Obligations . The obligations of each party pertinent to the following and related defined terms that would reasonably survive as a result of such obligations shall survive the expiration or termination of this Agreement or any Work Order: (i) Section 5.2, (ii) Section 5.5, (iii) indemnification pursuant to



Section 7.1 and Section 7.2, (iv) confidentiality and return of Customer's Data pursuant to Article 8, (v) Section 8.4, (vi) Section 9.4, (vii) Section 10.6, (viii) Section 10.9, (ix) damage limitations pursuant to Section 10.11, (x) Section 10.12, (xi) Section 10.18 and (xii) any payments or outstanding credits that are due either party pursuant to this Agreement at the time of such termination, and any payments that may become due either party pursuant to this Agreement subsequent to such termination.

9.5 Extension of Cure Period. *****

ARTICLE 10 MISCELLANEOUS

10.1 Assignment. *****

10.2 Use of Third Parties. *****

10.3 Entire Agreement; Modification. This Agreement and any Work Order(s) executed between the parties constitute the entire agreement between Infocrossing and Customer, superseding all previous communications and negotiations, whether written or oral. No modification of this Agreement or any Work Order shall be binding unless it is in writing and executed by an authorized representative of Customer and Infocrossing. In the event of conflict between terms and conditions of this Agreement and any Work Order, the terms and conditions of a Work Order shall control. Notwithstanding the foregoing, no terms set forth on any purchase order or like document shall modify, supplement or otherwise amend the terms set forth in this Agreement or any Work Order, and any such terms shall have no force or effect.

10.4 Invalid Provisions. If any part or parts of this Agreement are held to be invalid, the remaining parts of this Agreement shall continue to be valid and enforceable as to the parties hereto.

10.5 Waiver or Failure to Act. The waiver or failure of either party to exercise in any respect any right provided for such party herein shall not be deemed a waiver of any further right hereunder.

10.6 Notices. Any notice or other communication which may be permitted or required under this Agreement shall be delivered personally, or by telefacsimile or other electronic means, or sent by United States registered or certified mail, postage prepaid, addressed as set forth below:

If to Infocrossing:

Infocrossing, LLC

With a copy to:

Infocrossing, LLC

If to Customer:

CSG Systems, Inc.
9555 Maroon Circle
Englewood, CO 80112
)**

Chief Counsel
2525 N. 117th Ave.
Omaha, NE 68164
)**

: **)**

: **)**

Attn: President and a copy to General Counsel

or to any other address as either party may designate by notice to the other party. Notice given by telefacsimile or other electronic means shall promptly be confirmed by registered or certified mail or overnight carrier shall be deemed to be received upon verification that such telefacsimile was received by the other party. Notice by registered or certified mail or overnight carrier and shall be deemed to be received two (2) days following the date of mailing, provided such notice is properly addressed and sufficient postage is affixed thereto, or the actual date of receipt, whichever is earlier.

10.7 Force Majeure. Unless otherwise provided in a Work Order, if performance by Infocrossing of the Services or any other obligation under this Agreement is prevented, restricted, delayed, or interfered with by reason of causes beyond its reasonable control, including, but not limited to, natural disasters, governmental actions, floods, fires, arson or civil disturbances,

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transportation or telecommunications problems, Customer caused errors, failure of third party licensors or vendors to support software or hardware products, or failure of Infocrossing's suppliers or subcontractors, then Infocrossing shall be excused from such performance for such time as may be required for Infocrossing, through the exercise of commercially reasonable efforts, to cure such prevention, restriction, delay, or interference.

10.8 Independent Contractor . Infocrossing is an independent contractor and shall be responsible for hiring, paying, training and supervising its own employees. All employees and independent contractors of Infocrossing performing Services at Customer's premises shall abide by all of Customer's rules, regulations, policies and procedures. Customer shall provide Infocrossing with copies of such rules, regulations, policies and procedures prior to the commencement of any Services hereunder.

10.9 Governing Law . This Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of Colorado, without reference to, or application of, its conflict of laws principles.

10.10 Headings . The titles of the Sections of this Agreement are solely for the convenience of the parties and shall not be used to explain, modify, simplify, or aid in the interpretation of the provisions of this Agreement.

10.11 LIMITATION OF LIABILITY . REGARDLESS OF WHETHER ANY REMEDY OR WARRANTY PROVIDED IN THIS AGREEMENT FAILS ITS ESSENTIAL PURPOSE, NEITHER PARTY SHALL HAVE ANY LIABILITY WITH RESPECT TO ITS OBLIGATIONS UNDER THIS AGREEMENT FOR LOSS OF PROFITS, CONSEQUENTIAL, SPECIAL, INDIRECT, PUNITIVE EXEMPLARY, OR INCIDENTAL DAMAGES EVEN IF IT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. EXCEPT FOR: (A) CLAIMS THAT ARE SUBJECT TO A PARTY'S INDEMNIFICATION OBLIGATIONS; (B) DAMAGES CAUSED BY A PARTY'S BREACH OF CONFIDENTIALITY OBLIGATIONS; AND (C) FEES DUE TO INFOCROSSING UNDER THIS AGREEMENT, NEITHER PARTY'S CUMULATIVE LIABILITY FOR ALL DAMAGES ARISING UNDER ANY WORK ORDER, INCLUDING, WITHOUT LIMITATION, THOSE ARISING OUT OF BREACH OF CONTRACT, TORT (INCLUDING, WITHOUT LIMITATION, NEGLIGENCE), STRICT LIABILITY OR WARRANTY, SHALL EXCEED * (*) ***** ****

10.12 Publicity . Each party will submit to the other all advertising and other publicity matters relating to this Agreement in which the other party's name or mark is mentioned or language from which the connection of said name or mark may be inferred or implied, and will not publish or use such advertising or publicity matters without the express prior written approval of the other party. Notwithstanding anything to the contrary, either party may make necessary SEC or other regulatory filing of this Agreement or any amendments thereto without the prior approval of the other party.

10.13 Insurance Requirements . Infocrossing shall procure and maintain, at all times, at Infocrossing's own expense, insurance coverage as required herein. Except for Worker's Compensation, Infocrossing's policy shall be specifically endorsed to include Customer, its directors, officers and employees, as an Additional Insured. Infocrossing's policy shall be specifically endorsed to waive any rights of subrogation against Customer, its directors, officers and employees. In the event Infocrossing uses a subcontractor to provide a material portion of the Services, Infocrossing will require that the subcontractor adhere to the same requirements provided herein. Notwithstanding the foregoing, Infocrossing agrees that all subcontractors engaged by Infocrossing to support the provision of Services under this Agreement shall at a minimum procure general liability, Worker's Compensation and other insurance coverage that is commercially reasonable and commensurate with the nature of the services being provided.

(a) Infocrossing shall provide coverage for Commercial General Liability Coverage on an occurrence policy with limits of *** **** **

(b) Infocrossing shall provide coverage on a Business Auto Policy with a limit of liability in an amount no less than ***** ** accident. Any exclusions or amendments to the policy form must be disclosed by Infocrossing.

(c) Infocrossing shall provide coverage on Workers' Compensation in accordance with the laws of where services are performed, and any other applicable jurisdiction, covering all employees. Employer's Liability coverage is required with the limits of not less than the following:

***** ** *****
***** ** *****
***** ** *****

Infocrossing's policy shall be specifically endorsed to include waiver of subrogation for Customer, its directors, officers and employees.

(d) Infocrossing shall provide Umbrella Liability coverage with a limit of liability no less than ***** **, ***** **.

(e) All insurance companies must be authorized to do business in the State(s) where business is transacted covering all operations under this contract. All insurance companies must be rated "A" or better with a financial rating of "VIII" or better in the most recent A.M. Best's Rating Guide.

(f) All insurance companies shall provide for 30 days prior written notice to Customer of cancellation or non-renewal.

(g). Certificates of insurance for all required coverages shall be provided to Customer prior to commencement of any work under a Work Order. Copies of the required endorsements to the policies also shall be provided to Customer at the following address:

CSG Systems, Inc.
11819 Miami Street
Omaha, NE 68164
: **

Attn: Environmental Health/Safety Manager

10.14 Export. Customer and Infocrossing acknowledge that there are U.S. export control laws and regulations that prohibit or restrict (i) transactions with certain parties, (ii) the type and level

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INFOCROSSING CONFIDENTIAL



of technologies and services that may be exported, and (iii) the conduct of transactions involving foreign parties. Such laws include, without limitation, the U.S. Foreign Corrupt Practices Act, the Export Administration Act, the Arms Export Control Act, the International Economic Emergency Powers Act, and all regulations issued pursuant to these and other applicable U.S. laws (the "Export Laws"). Infocrossing agrees that it shall not export Customer Provided Software, without the express prior written approval of Customer. Customer acknowledges that Infocrossing may employ or contract with foreign nationals to perform portions of the Services, which performance may require that the foreign national have access to technical data. Accordingly, Customer will notify Infocrossing in the event that any such technical data, not to include Customer Provided Software, requires an export license or other form of approval before sharing such technical data with Infocrossing.

10.15 Third Party Beneficiaries. This Agreement is entered into solely between, and may be enforced only by, Customer and Infocrossing and this Agreement shall not be deemed to create any rights in third parties, including suppliers and customers of a party, or to create any obligations of a party to any such third parties.

10.16 Joint Product. The parties acknowledge that this Agreement is the joint work product of the parties. Accordingly, in the event of ambiguities in this Agreement, no inferences shall be drawn against either party on the basis of authorship of this Agreement.

10.17 Counterparts and Facsimile. This Agreement and any Work Order may be executed in counterparts which together shall constitute a single Agreement. Additionally, a facsimile of the executed Agreement and/or Work Order shall be treated as an original and shall be enforceable to the same extent.

10.18 Nonsolicitation. During the Term and for *** **** thereafter, neither party will solicit for employment (including as an independent contractor) or hire or use any employee of the other party; provided, however, the foregoing provisions will not prevent a party from employing any such person who contacts such party in response to general advertisements in periodicals including newspapers and trade publications.

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IN WITNESS WHEREOF, the parties have caused their authorized representatives to execute this Agreement in duplicate as of the ` and year first above written.

INFOCROSSING, LLC

CSG Systems, Inc.

By: /s/ David R. Boyle

By: /s/ Peter E. Kalan

Name: David Boyle

Name: Peter E. Kalan

Title: SVP Sales

Title: President & CEO

Date: 12-24-2008

Date: 12-19-08

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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 (***)



WORK ORDER FOR MAINFRAME COMPUTER SERVICES

THIS WORK ORDER FOR MAINFRAME COMPUTER SERVICES ("Work Order") is made and entered into this 15th day of December, 2008 (the "Effective Date") by and between Infocrossing, LLC a Delaware limited liability company ("Infocrossing") and CSG Systems, Inc. ("CSG" or "Customer"). This Work Order is subject to and governed by the Master Computer Services Agreement between the parties dated December 4, 2008 ("Agreement"). Capitalized terms used but not otherwise defined in this Work Order shall have the meaning set forth in the Agreement.

ARTICLE 1
DEFINITIONS

- 1.1 "*****"
1.2 "CSG Client" means a client of CSG.
1.3 "CSG Locations" means CSG's facilities listed on Schedule VI, attached hereto and incorporated herein.
1.4 "CSG Provided Software" means the software provided by CSG as identified on Schedule II, attached hereto and incorporated herein.
1.5 "Discovery" is the process where Infocrossing gathers operational details of CSG's environment in order for Infocrossing to provide the Services.
1.6 Gigabyte" or "GB" means 1000 megabytes ("MB").
1.7 "Infocrossing Center" means Infocrossing's facilities where equipment is located as listed on Schedule VI, attached hereto and incorporated herein.
1.8 "Infocrossing Provided Disaster Recovery Services" means the disaster recovery services provided to CSG as identified on Schedule VII, attached hereto and incorporated herein.
1.9 "Infocrossing Provided Hardware" means the computer hardware and telecommunications devices listed on Schedule III.
1.10 "Infocrossing Provided Software" means the software provided by Infocrossing as identified on Schedule I, attached hereto and incorporated herein.
1.11 "Performance Standards" means the performance standards and specifications specified in Exhibit B attached hereto and incorporated herein.
1.12 "Processing Year" means each twelve (12) month period commencing on the Migration Date and each anniversary thereof. In the event that the Migration Date occurs on a day other than the first day of a month, the final Processing Year will be increased by the number of days necessary to cause the Term to conclude on the last day of the month.
1.13 "Services" means the services to be provided by Infocrossing using onshore resources and unless otherwise stated will be provided on a 24x7 basis as set forth on Exhibit A, attached hereto and incorporated herein.
1.14 "System" means the mainframe computer system operating in a parallel sysplex system environment, including but not limited to the processor complex, operating system, DASD, Tape and Infocrossing Provided Software located at the Infocrossing Center pursuant to which Infocrossing shall provide the Services.
1.15 "Term" means the term of this Work Order commencing on the Effective Date and extending for a term ** ** * (**) ** *
1.16 "Migration Date" as defined in a Work Order, means the date both parties mutually agree that the migration has been completed. Such agreement may be confirmed via electronic mail or as otherwise permitted pursuant to Section 10.6 of the Agreement
1.17 "Migration Plan" means the detailed document outlining the tasks, timelines, responsibilities, dependencies, milestones, and procedures for transitioning the services from CSG's current service provider to Infocrossing.
1.18 "*****"

ARTICLE II
SERVICES

Commencing on the Migration Date, Infocrossing shall provide CSG with the Services. Infocrossing shall perform the Services in accordance with the Performance Standards. Infocrossing shall provide the Services through the System which shall be linked by telecommunications facilities provided by CSG to the CSG Locations.

ARTICLE III
TERM



EXHIBIT A
DESCRIPTION OF SERVICES

The Services are described below. The Services are included in the **** * unless otherwise stated.

1. MIGRATION SERVICES

a. Discovery

Infocrossing shall provide CSG a questionnaire (which will not include questions previously issued during due diligence) concerning the Services, which the CSG shall promptly and accurately complete and return to Infocrossing (in all cases 2 business days before the Infocrossing team arrives on-site for Discovery). Infocrossing shall deliver the questionnaire to CSG at least **** (*) **** to the first on-site Discovery meeting. CSG shall provide Infocrossing with access to CSG's facilities and any Customer Provided Hardware as necessary to conduct Discovery. During the discovery process, CSG shall provide Infocrossing with appropriate subject matter experts for the Services in scope. If Infocrossing finds there are additional service requirements beyond this Work Order during Discovery, Infocrossing shall present these requirements to CSG within a commercially reasonable time after completion of Discovery (the associated impact time, resources, and costs to the overall Migration Plan, as described below), and the parties may agree to add such services to this Work Order by amendment.

b. Infrastructure Migration Planning Services

Infocrossing is responsible for the planning, management, and leadership activities relating to the migration as outlined in Table 1 below. Infocrossing is also responsible for directing and managing all Infocrossing assigned and allocated resources.

**** * ****_**** * ****

CSG is responsible for providing guidance to Infocrossing for Infocrossing to develop a migration schedule and a comprehensive work breakdown structure. CSG is responsible for the ultimate approval of the schedule, dates/times for major milestones related to ****' **** as well as the execution of the tasks documented within the work breakdown structure.

The following table identifies the roles and responsibilities associated with Migration Planning for both Infocrossing and CSG.

Table with 3 columns and multiple rows of asterisks representing roles and responsibilities. Includes a header row with asterisks and a row with symbols like * and ,.

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Redacted text block containing asterisks and a bulleted list.

d. Infrastructure Migration Management and Governance

Infocrossing shall be responsible for management of the Infocrossing assigned resources, providing progress reports to CSG and escalating issues to CSG for resolution.

Redacted text block containing asterisks.

The following table identifies the roles and responsibilities associated with migration management and governance for both Infocrossing and CSG.

Table with redacted content, showing columns for roles and responsibilities.

e. Procurement Services

Redacted text block containing asterisks and a bulleted list.

The following table identifies the roles and responsibilities associated with Procurement Services for both Infocrossing and CSG.

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The following table identifies the roles and responsibilities associated with migration testing services for both Infocrossing and CSG.

Table with multiple rows of redacted text and asterisks representing roles and responsibilities.

i. Incident Management Tools Integration

Table with multiple rows of redacted text and asterisks, including sub-item 'i'.

2. HOSTING SERVICES

The hosting services described below will be provided by Infocrossing commencing on the Migration Date for the duration of the Term.

a. Facilities Management Services

Table with multiple rows of redacted text and asterisks.

The following table identifies the roles and responsibilities associated with Facilities Management Services for both Infocrossing and CSG.

Table with multiple rows of redacted text and asterisks.



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4. TECHNICAL SUPPORT FOR THE MAINFRAME SYSTEM AT THE INFOCROSSING CENTER

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The following table identifies the roles and responsibilities associated with Technical Support for the Mainframe Services at the Infocrossing Center for both Infocrossing and CSG.

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*****	● ****	*****	*****	*****	*****

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*****)

Infocrossing shall also provide progress reports to CSG, and escalate issues for resolution and implement a quality control program that will be accountable to the Customer executive management.

7. Additional Services

- *) *****

- *) *****

- *) *****

8. *****

- **** (*) *****
- ****_* *****
- ****_* *****
- *****
- *****
- *****

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



EXHIBIT B
PERFORMANCE STANDARDS

[Redacted for Confidential Treatment]

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EXHIBIT C
FEES

[Redacted for confidential treatment]

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SCHEDULE I
INFOCROSSING PROVIDED SOFTWARE

[Redacted for confidential treatment]

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SCHEDULE II
CSG PROVIDED SOFTWARE

[Redacted for confidential treatment]

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SCHEDULE III
INFOCROSSING PROVIDED HARDWARE

[Redacted for confidential treatment]

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Schedule IV

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Schedule V

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#2298241

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SCHEDULE VI
CSG LOCATIONS

[Redacted for confidential treatment]

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SCHEDULE VII
INFOCROSSING PROVIDED DISASTER RECOVERY SERVICES

[Redacted for confidential treatment]

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SCHEDULE VIII

[Redacted for confidential treatment]

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SCHEDULE IX
SAMPLE CHANGE REQUEST FORM

Change Request Form

Customer Name:
Project Name:
Account Manager:
Request Made By:
Reasons for Change:

Date of Request:
Change Order Effective Date:
Request #
Agreement Name and Date:

Description of Change:

Charges:

Ramifications (e.g. Schedule, Service Levels and Staffing):

Except as amended herein, all terms, covenants, and conditions of the Agreement shall remain in full force and effect. This Change Order may be executed in one or more counterparts, each of which will be deemed an original but all of which taken together will constitute one and the same instrument.

IN WITNESS WHEREOF the parties have executed this Change Order as of the Change Order Effective Date.

CUSTOMER
Signature: _____
Print Name: _____
Title: _____
Date: _____

INFOCROSSING, LLC
Signature: _____
Print Name: _____
Title: _____
Date: _____

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ARTICLE III
TERM

2.1. Term. This Work Order shall be effective for the Term, unless earlier terminated as provided in the Agreement.

2.2 *****

***** (*), *****
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ARTICLE IV
FEES

3.1 Fees. ***** (** *****) *

3.2 Payment Terms. All fees under this Work Order shall be due and payable by CSG to Infocrossing in accordance with Article 5 of the Agreement.
***** (**** "*****") *****

3.3 Annual Fee Adjustments. *****

3.4 Material Change in CSG Business. *****
***** (*), ***** (*), *****

ARTICLE V
ENTIRE AGREEMENT

The Agreement and this Work Order, Exhibits, Schedules and any attachments thereto, and other executed Work Orders and attached documents constitute the entire agreement between Infocrossing and CSG respecting the subject matter hereof, superseding all previous communications and negotiations, whether written or oral.

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



No modification of this Work Order shall be binding unless it is in writing and executed by an authorized representative of CSG and Infocrossing. Without limiting the generality of the foregoing, no terms set forth on any purchase order or like document shall modify, supplement or otherwise amend the terms set forth in this Work Order, and any such terms shall have no force or effect.

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IN WITNESS WHEREOF, the parties have caused their authorized representative to execute this Work Order in duplicate as of the day and year first above written.

INFOCROSSING, LLC

CSG SYSTEMS, INC.

By: /s/ David R. Boyle

By: /s/ Peter E. Kalan

Name: David Boyle

Name: Peter E. Kalan

Title: SVP Sales

Title: President & CEO

Date: 12-24-2008

Date: 12-19-08

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EXHIBIT A
DESCRIPTION OF SERVICES

The Services are described below. The Services are included in the Base Monthly Service Fee unless otherwise stated.

1. MIGRATION SERVICES

a. Discovery

Infocrossing shall provide CSG a questionnaire (which will not include questions previously issued during due diligence) concerning the Services, which the CSG shall promptly and accurately complete and return to Infocrossing (in all cases 2 business days before the Infocrossing team arrives on-site for Discovery). Infocrossing shall deliver the questionnaire to CSG at least *** (*) ***** prior to the first on-site Discovery meeting. CSG shall provide Infocrossing with access to CSG's Location and any CSG Provide Hardware as necessary to conduct Discovery. During the discovery process, CSG shall provide Infocrossing with appropriate subject matter experts for the Services in scope. If Infocrossing finds there are additional service requirements beyond this Work Order during Discovery, Infocrossing will present these requirements to CSG within *** (*) ***** after completion of Discovery (the associated impact time, resources, and costs to the overall Migration Plan, as described below), and the parties may agree to add such services to this Work Order by amendment.

b. Infrastructure Migration Planning Services

Infocrossing is responsible for the planning, management, and leadership activities relating to the migration as outlined in Table 1 below. Infocrossing is also responsible for directing and managing all Infocrossing assigned and allocated resources.

*** * _*** **
*** **

CSG is responsible for providing guidance to Infocrossing for Infocrossing to develop a migration schedule and a comprehensive work breakdown structure. CSG is responsible for the ultimate approval of the schedule, dates/times for major milestones related to *** as well as the execution of the tasks documented within the work breakdown structure.

The following table identifies the roles and responsibilities associated with Migration Planning for both Infocrossing and CSG.

Table with multiple rows and columns of asterisks representing roles and responsibilities. The table is highly obscured by asterisks and lacks legible text.

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d. Infrastructure Migration Management and Governance

Infocrossing shall be responsible for management of the Infocrossing assigned resources, providing progress reports to CSG, and escalate issues to CSG for resolution.

CSG shall be the primary sponsor of the migration and will have ultimate approval authority for the migration. CSG shall have accountability for execution of CSG’s assigned migration activities per the plan, the quality of the work performed by CSG, and the timeliness of the work performed by CSG.

The following table identifies the roles and responsibilities associated with migration management and governance for both Infocrossing and CSG.

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e. Procurement Services

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The following table identifies the roles and responsibilities associated with Procurement Services for both Infocrossing and CSG.

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f. Hardware Vendor Management

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The following table identifies the roles and responsibilities associated with Vendor Management for both Infocrossing and CSG.

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***** (*) *****
***** (*) *****

g. Asset Management

CSG shall be responsible for providing the asset management policies and systems that will be used to maintain the list of assets for CSG.

The following table identifies the roles and responsibilities associated with Asset Management for both Infocrossing and CSG.

***** (*) *****
***** (*) *****

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h. Migration Execution

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***** (*****)*****

The following table identifies the roles and responsibilities associated with migration execution for both Infocrossing and CSG.

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i. Transportation Logistics

The following table identifies the roles and responsibilities associated with Transportation Logistics for both Infocrossing and CSG.

Table with 3 columns: Role, Infocrossing, CSG. Contains asterisks representing data points for various roles.

j. Migration Testing Services

***/*_*

The following table identifies the roles and responsibilities associated with migration testing services for both Infocrossing and CSG.

Table with 3 columns: Role, Infocrossing, CSG. Contains asterisks representing data points for various roles.

*****/**_* *****(**
***** ***)

k. Incident Management Tools Integration

l. Assumptions

*****_* *****(*****), *****

2. HOSTING SERVICES

The hosting services described below will be provided by Infocrossing commencing on the Migration Date for the duration of the Term.

a. Facilities Management Services

*****_* *****(*****), *****

The following table identifies the roles and responsibilities associated with Facilities Management Services for both Infocrossing and CSG.

Table with 3 columns and multiple rows of asterisks representing roles and responsibilities for Infocrossing and CSG.

*****_*****
***** “*****”
***** “*****” ***** “*****”,

Facilities Management Services Assumptions:

- * *****

- * *****

- * *****

b. Network Hosting Services

The following table identifies the roles and responsibilities associated with Network Hosting Services for both Infocrossing and CSG.

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Service Management and Governance Assumptions:

Infocrossing shall hold the following list of regularly scheduled status meetings (or similar) with CSG:

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*****/*****	• ****	*****	***** ** *****	1. **** ***** *****
***** *****	• **** ***** *****	*****	***** ***** **	2. **** ***** *****
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*****/*****	• ****	***** _	***** *****	1. **** ***** *****
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*****	• **** ***** *****	***** ** *	***** *****	1. **** ***** *****
*****	• ****	*****	***** *****	2. **** ***** *****
*****	• ****			3. **** ***** *****
*****	• **** ***** *****			4. **** ***** ***** (***** *****)

Infocrossing shall also provide progress reports to CSG, and escalate issues for resolution and implement a quality control program that will be accountable to the Customer executive management.

h. Service Maintenance Windows

***** (*) *****

***** (*) *****

i. Hardware Vendor Coordination

***** "*****" *****

j. Reporting

Infocrossing shall provide detailed reports on the Infocrossing extranet according the following schedule:

*****	*****/	*****	*****

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k. Out of Scope Services

Services not described in this Work Order are outside of the scope of this Work Order. If additional services are requested by CSG and the additional services represent a minor change to the overall Agreement, the change will be approved in writing using a form substantially similar to the Change Request form attached hereto as Schedule V. If additional services are requested by CSG and the additional services represent a major change to the overall Agreement, the change will be approved by CSG and Infocrossing and be added to this Work Order by amendment before CSG shall be obligated or Infocrossing shall be obligated to provide any such out of scope services. For clarity purposes, neither Change Requests nor amendments to the Work Order are required for changes to the quantity of in-scope resources that are consumed.

l. Service Assumptions

- *****
- i. *****
- ii. *****
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***** (**) *****

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iv. ***** (**) *****

v. *****

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ATTACHMENT B-1
SERVICE LEVEL TABLE

This Table sets forth qualitative descriptions of the Service Level Agreements in support of the Services provided by Infocrossing.

[Redacted for confidential treatment]

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EXHIBIT C

FEES

[Redacted for confidential treatment]

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SCHEDULE I

[Redacted for confidential treatment]

#2298240

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

SCHEDULE II

[Redacted for confidential treatment]

#2298240

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



SCHEDULE III
CSG LOCATIONS

[Redacted for confidential treatment]

#2298240

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SCHEDULE IV

[Redacted for confidential treatment]

#2298240

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



SCHEDULE V
SAMPLE CHANGE REQUEST FORM

Change Request Form

Customer Name:
Project Name:
Account Manager:
Request Made By:

Date of Request:
Change Order Effective Date:
Request #
Agreement Name and Date:

Reasons for Change:

Description of Change:

Charges:

Ramifications (e.g. Schedule, Service Levels and Staffing):

Except as amended herein, all terms, covenants, and conditions of the Agreement shall remain in full force and effect. This Change Order may be executed in one or more counterparts, each of which will be deemed an original but all of which taken together will constitute one and the same instrument.

IN WITNESS WHEREOF the parties have executed this Change Order as of the Change Order Effective Date.

CUSTOMER

INFOCROSSING, LLC

Signature: _____

Signature: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

#2298240

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

CSG Systems International, Inc.
Ratio of Earnings to Fixed Charges
(in thousands, except ratios)

	Year Ended December 31, 2008
Income from continuing operations before income taxes	\$ 93,892
Fixed Charges:	
Interest on long-term and short-term debt including amortization of debt expense	7,421
Interest element of rentals	3,565
Total fixed charges	10,986
Earnings before income taxes and fixed charges	\$ 104,878
Ratio of earnings to fixed charges	9.55

**CSG Systems International, Inc.
Subsidiaries of the Registrant
As of December 31, 2008**

<u>Subsidiary</u>	<u>State or Country of Incorporation</u>
ComTecnet, Incorporated	New Jersey
DataProse, Inc.	California
CSG Systems, Inc.	Delaware
CSG Services, Inc.	Delaware
CSG International Holdings LLC	Delaware
Prairie Interactive Messaging, Inc.	Delaware
Telution, Inc.	Delaware

Consent of Independent Registered Public Accounting Firm

The Board of Directors
CSG Systems International, Inc.:

We consent to the incorporation by reference in the registration statements on Form S-8 (File Nos. 333-10315, 333-32951, 333-48451, 333-83715, 333-42202, 333-81656, 333-104206, 333-117928 and 333-125584) and Form S-3/A (File No. 333-117427) of CSG Systems International, Inc. of our reports dated March 3, 2009, with respect to the consolidated balance sheets of CSG Systems International, Inc. as of December 31, 2008 and 2007, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2008, and the effectiveness of internal control over financial reporting as of December 31, 2008, which reports appear in the December 31, 2008 annual report on Form 10-K of CSG Systems International, Inc.

KPMG LLP

Denver, Colorado
March 3, 2009

**CERTIFICATIONS PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter E. Kalan, certify that:

1. I have reviewed this annual report on Form 10-K of CSG Systems International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2009

/s/ Peter E. Kalan

Peter E. Kalan
Chief Executive Officer and President

**CERTIFICATIONS PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Randy R. Wiese, certify that:

1. I have reviewed this annual report on Form 10-K of CSG Systems International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2009

/s/ Randy R. Wiese

Randy R. Wiese
Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Annual Report on Form 10-K (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Peter E. Kalan, the Chief Executive Officer and Randy R. Wiese, the Chief Financial Officer of CSG Systems International, Inc., each certifies that, to the best of his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of CSG Systems International, Inc.

March 3, 2009

/s/ Peter E. Kalan

Peter E. Kalan

Chief Executive Officer and President

March 3, 2009

/s/ Randy R. Wiese

Randy R. Wiese

Executive Vice President and Chief Financial Officer