

# CSG SYSTEMS INTERNATIONAL INC

## FORM 10-K (Annual Report)

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Industry Computer Services  
Sector Technology  
Fiscal Year 12/31

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

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2009

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:**

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
<b>Common Stock, Par Value \$0.01 Per Share</b>	<b>NASDAQ Stock Market LLC</b>

**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 check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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, 2009 was \$453,710,942.

Shares of common stock outstanding at February 19, 2010: 35,649,050

**DOCUMENTS INCORPORATED BY REFERENCE**

**Portions of the Registrant's Proxy Statement for its 2010 Annual Meeting of Stockholders to be filed on or prior to April 30, 2010, are incorporated by reference into Part III of the 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 customer interaction management solutions to the North American market. We provide fully outsourced customer care and billing solutions to the cable and direct broadcast satellite (“DBS”) industry that combine the reliability and high-volume transaction processing capabilities of an enterprise server platform with the flexibility of client/server architecture. In addition to these critical business support services that we provide to our clients, our Intelligent Customer Communications solutions facilitate effective interactions between our clients and their end customers through various touch points, including electronic communication channels such as the Internet, interactive communications channels such as voice and text messaging, and through enhanced print communications.

Our broad suite of solutions help our clients improve their profitability by creating more compelling product offerings and an enhanced customer experience through more relevant and targeted interactions. Our solutions help our clients maximize the value and minimize the costs associated with their customer interactions by:

- Targeting and acquiring the right customers through the most effective communications channels;
- Analyzing customer purchasing and interaction patterns and other data to offer new products and services in relevant and meaningful packages;
- Managing the critical back office processes required to offer, deploy, service, and bill customer orders and requests more efficiently;
- Empowering our clients’ workforce with the tools and the information required for them to improve customer satisfaction and retention through informed and efficient interactions;
- Improving the communications between our clients and their end customers by providing meaningful, relevant, and targeted messages via the desired communication vehicle, whether that be electronic or print; and
- Improving efficiencies by streamlining all operations through a customer-centric focus.

Our proven approach and solutions are based on more than 25 years of experience in serving clients in the communications industry (primarily cable and DBS providers) as their businesses evolved from a single product offering, high volume, recurring model to a highly complex, highly competitive, multi-product service offering. Our approach has centered on using the best technology for the various functions required to provide a world-class scalable solution.

Recently, we have broadened and enhanced our Intelligent Customer Communication solutions to not only increase our capabilities to our existing clients, but to also expand these services into new industries, including utilities, healthcare, home security, financial services, and content distribution. These are industries where companies require solutions that foster relevant interactions with customers that result in increased customer satisfaction and revenues. This approach has helped us to diversify our revenue base. During 2009, 85% of our revenues came from the communications industry, whereas three years ago, nearly all of our revenues came from the communications industry. The shift in revenue mix has primarily been achieved through acquisitions, which has expanded the capabilities of our Intelligent Customer Communications solutions, and provided us new markets to penetrate.

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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.

### *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, collection and accounts receivables management of monthly customer statements. While our heritage is in serving the North American communications markets, we have broadened and enhanced our solutions to extend our business to a growing number of other industries including utilities, healthcare, home security, financial services, and content distribution.

*Market Conditions of Communications Industry.* Over the past decade, the North American communications industry has experienced significant consolidation and increased competition among service providers, with the possibility of further consolidation. Market consolidation has resulted in a fewer number of service providers, many of which in turn have massive scale and can deliver a total communications package. Also, through significant plant and network upgrades, service providers are focusing their attention on new revenue and growth opportunities. New competitors, new technologies, and unique partnerships are forcing traditional service providers to be more creative in their approaches to rolling out new products and services, and enhancing the customer experience. These new competitors and new technologies have created a disintermediation in the marketplace, enabling the consumer to now receive content on a variety of different devices, over different networks at anytime. While this development poses challenges to traditional service providers, it also provides us with an opportunity to service the customer interaction needs of the evolving market.

As the lines of distinction between services and providers continue to blur, and competition for the same consumer increases between the traditional cable, wireless, and telecom provider, more emphasis is being placed on providing a superior customer experience. This experience includes the types of content and products operators offer as well as how every interaction between the operator and the consumer is handled. Our ability to facilitate our clients’ offerings of world-class products and services is dependent upon our continual enhancement of our existing solutions and the introduction of new solutions that meet their business needs. As a result, we historically have invested a significant amount of our revenues in research and development (“R&D”) annually and have acquired companies that have enabled us to expand our offerings in a more timely and efficient manner.

Overall, these factors drive the demand for scalable, flexible, and cost-efficient customer interaction management solutions, which we believe will provide us with revenue opportunities. While we recognize that operators may choose to develop their own internal solutions or utilize a competitor’s solution, we believe that our scalable, modular and flexible solutions provide the industry with proven solutions to improve their profitability and customer experiences.

*General Market Conditions.* Over the past few years, the U.S. has experienced a significant economic downturn and difficulties within the financial and credit markets. The timing, duration, and degree of an economic turnaround are uncertain and thus, these adverse economic conditions may 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.

All companies are likely to be impacted 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

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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. Also, our business model has certain economic advantages to our clients since it generally requires a lower initial capital investment, thus, allowing clients to utilize our advanced, integrated product offerings on a pay-as-you-grow basis. 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 or future economic conditions.

### *Business Strategy*

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

*Grow Our Business Within Our Core Communications Industry* . A large percentage of our revenues are generated from our core communications industry clients (primarily cable and DBS providers). To grow our business in this market, we look to grow the number of customer accounts processed on our solutions, and increase the penetration of our solutions within our current clients.

While market share gains are difficult to achieve, we have a proven record of success in gaining market share. In 1994, we were only processing approximately 16 million customer accounts on our solutions. Today, we process over 48 million customer accounts on our solutions. During 2009, we converted approximately three million customer accounts off of competitors' systems and onto our next generation ACP customer care and billing solution, allowing us to increase the number of customers on our solution by approximately 7% over the previous year end. While this was a significant market share win, such gains are infrequent because of the business criticality, complexity, and interdependencies of the various computing and network environments impacted when a service provider changes their customer care and billing system. However, these same factors result in the stickiness of our solutions within our clients' business, creating a competitive advantage for us as the incumbent provider of such services within our existing client base.

Our goal is to increase the penetration of our solutions within our current clients by enabling our clients to achieve both their short-term and long-term business objectives. As our clients continue to introduce new products and services to their consumers, we benefit by helping our clients monetize those services and interactions. As our clients add new lines of business such as voice over IP, high-speed-data, TV Everywhere, WiMax, commercial services, and others, we are an integral part of helping identify, acquire, service, and bill those customers. As our clients grow, our opportunities to provide additional solutions to our clients grows as well.

In order to help our clients grow, we provide a complete suite of fully-integrated customer interaction management solutions and services that complement our customer care and billing, and Intelligent Customer Communications solutions. 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 independent point solutions.

Our advanced 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, kiosks, service technicians, and monthly statements. Our products are designed to help our clients solve their ever-changing customer interaction business needs as they arise. As our clients' businesses have 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.

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As our clients deploy more of our products and services into their operations, we increase our value to, and thereby our stickiness with, our clients. The broader our footprint, the more we develop a greater understanding of our clients' businesses and the tools necessary for them to remain competitive and profitable. This approach has led to us maintaining very long-term relationships with our clients.

*Grow Our Relationships with Providers in New Vertical Markets.* As discussed above, a large percentage 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 15% of our 2009 revenues being generated outside our core North American cable and DBS markets. Similar to the cable and DBS markets, numerous other industries, such as utilities, healthcare, home security, financial services, and content distribution markets, have specific business needs directed towards improving interactions and monetizing 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.

In order to grow our relationships with our core communications clients or clients in new markets, two key strategies are required:

- *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 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 \$276 million, or approximately 13% of our total revenues, into R&D.
- *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 and provide complementary products and services to our North American communications clients, and/or provide access to new markets and clients. Our acquisition strategy focuses on extending our solution capabilities that have relevance to our core communications market, while also providing us opportunities to extend our solution capabilities and penetration with new clients, and within new markets.

*Improve Profitability.* Finally, we continue to seek new ways to grow our profitability, and believe that various initiatives underway will help us expand our operating margins over time, such as the scale benefits from adding new subscribers to our solutions, increasing the utilization of new solutions, expanding our footprint within our client base, improving operational performance of recently acquired businesses, and various cost savings and efficiency efforts, such as moving to a new data center and improving our development and delivery methodologies.

In summary, our R&D initiatives and recent acquisitions have enhanced our capabilities to assist our clients to grow and improve their business operations, enabling us to grow our business with new and existing clients. We have continually 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 continuing to strive to provide superior solutions and services to our existing clients, we will also continue to focus on growing and diversifying our business and finding new ways to further expand our footprint in new vertical markets we have entered with our recent acquisitions.



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### *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, 2009 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 past decade, 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 our four largest clients, which are Comcast, DISH, Time Warner, and Charter. Revenues from these clients represented the following percentages of our total revenues for 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Comcast	24%	27%
DISH	18%	18%
Time Warner	13%	14%
Charter	9%	8%

See our Note 4 to our Consolidated Financial Statements for additional information regarding our business relationships with these key clients.

*Research and Development* . Our clients are facing competition from new entrants, and at the same time, are deploying new services at a fast pace, 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’ businesses 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 customer interaction 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 \$70.1 million and \$67.3 million, respectively, for 2009 and 2008, or approximately 14% of total revenues in each year. 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 2009 and 2008, 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 customer care and billing solution, ACP, and related services and software products, to include our Intelligent Customer Communications 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, flexible, pre-integrated products and services solutions to the communications market.

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

We license certain software products (e.g., ACSR, Workforce Express, etc.) and provide our professional services principally to our existing base of customer care and billing 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, such as high-speed-data, telephony, and commercial services, to new and existing markets.

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Historically, a substantial percentage of our total revenues have been generated from our ACP processing, Intelligent Customer Communications, 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 solutions have certain functional features and capabilities, as well as architectural flexibilities (such as service oriented architecture, or SOA). This evolution will result in the modularization of certain functionalities that historically has been tightly integrated with our solution suite, which will allow us to respond more quickly to required changes to our solutions 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 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 solutions.

*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 four years:

*Telution.* As part of our product evolution strategy, we acquired Telution, Inc. (“Telution”) in March of 2006 to further expand the 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.

In addition, the Telution product set is a component of our Content Direct solution which delivers an operating platform, partner ecosystem, and business model that helps content creators, aggregators, programmers, distributors and advertisers promote and extend their brand; monetize video content over the Internet in multiple ways; and engage consumers through increased interactivity and social networks.

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

*Prairie.* In August of 2007, we acquired Prairie Voice Services, Inc. (“Prairie”). This business, which was renamed CSG Interactive Messaging, Inc., 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 capabilities within our core cable 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 of print 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.

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*Quaero.* In December of 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 our marketing services, 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 has also allowed us to further diversify our revenue base and extend our reach into new industry verticals 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 contract with FDC was scheduled to expire at the end of June 2010, but was recently amended to provide us options to continue the use of certain FDC data center services through December 31, 2010. 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 mitigate the risk of service disruption. We started to transition certain systems during 2009, with the transition of services to Infocrossing from FDC expected to be substantially completed in mid-2010. We are changing data center providers to partner with a global provider that focuses on data center operations in greater scale, and as their core business focus. This allows us to further improve the delivery of our solutions while benefiting from an improved cost structure.

*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 include 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.

*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.

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We believe that our most significant competitors in our primary markets are Amdocs Limited, Convergys Corporation, Oracle Corporation, and internally-developed 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, copyright, trademark, and patent laws in the United States and similar laws in other countries, and non-disclosure, confidentiality, and other types of contractual arrangements to establish, maintain, and enforce our intellectual property rights in our solutions. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented, or misappropriated. Although we hold a limited number of patents and patent applications on some of our newer solutions, we do not rely upon patents as a primary means of protecting our rights in our intellectual property. In any event, there can be no assurance that our patent applications will be approved, that any issued patents will adequately protect our intellectual property, or that such patents will not be challenged by third parties. Also, much of our business and many of our solutions rely on key technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties at all or on reasonable terms. Our failure to adequately establish, maintain, and protect our intellectual property rights could have a material adverse impact on our business, financial condition, and results of operations. For a description of the risks associated with our intellectual property rights, see “Item 1A—Risk Factors—Failure to Protect Our Intellectual Property Rights or Claims by Others That We Infringe Their Intellectual Property Rights Could Substantially Harm Our Business, Financial Condition and Results of Operations.”

### *Employees*

As of December 31, 2009, we had a total of 2,061 employees, relatively consistent to the 2,066 employees we had as of December 31, 2008. 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](http://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](http://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 clients. 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 Could Have a Material Adverse Effect on Our Financial Condition and Results of Operations.***

Over the past decade, the North American communications industry has experienced significant consolidation, 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, in 2009, approximately 64% of our revenues were 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 a significant client could: (i) undergo a formalized process to evaluate alternative providers for services we provide; (ii) terminate or fail to renew their contracts with us, in whole or in part for any reason; (iii) significantly reduce the number of customer accounts processed on our solutions, the price paid for our services, or the scope of services that we provide; or (iv) experience significant financial or operating difficulties. Any such development could have a material adverse effect on our financial condition and results of operations and/or trading price of our common stock.

Our industry is highly competitive, and while we recently have succeeded in gaining customers at the expense of competitors, there is no guarantee that this success will continue. It is possible that a competitor could increase its footprint and share of customers processed at our expense or a provider could develop their own internal solutions. While our clients may incur some costs in switching to our competitors or their own internally-developed solutions, they may do so for a variety of reasons, including: (i) price; (ii) if we do not provide satisfactory solutions; or (iii) if we do not maintain favorable relationships.

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

Our solutions 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 arrangements with FDC and Infocrossing, as well as internally

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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 to herein as “Networks.” Our solutions 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 began the transition of our data center services currently provided by FDC to Infocrossing during 2009, and expect to substantially complete the transition of such services in mid-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 the transition 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 the negative effects of a disruption to our Networks or Systems. Further, our property and business interruption insurance may not adequately compensate us for losses that we incur as a result of such interruptions. 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. An information breach in the system and loss of confidential information such as credit card numbers and related information could have a longer and more significant impact on the business operations than a hardware-related failure. The loss of confidential information could result in losing the customers’ confidence, as well as imposition of fines and damages. 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 Occurrence or Perception of a Security Breach or Disclosure of Confidential Personally Identifiable Information Could Harm Our Business.***

In providing solutions to our customers, we process, transmit, and store confidential and personally identifiable information, including social security numbers and financial and health information. Our treatment of such information is subject to contractual restrictions and federal, state, and foreign data privacy laws and regulations. While we take measures to protect against unauthorized access to such information and comply with these laws and regulations, these measures may be inadequate, and any failure on our part to protect the privacy of personally identifiable information or comply with data privacy laws and regulations may subject us to contractual liability and damages, loss of business, damages from individual claimants, fines, penalties, criminal prosecution, and unfavorable publicity. Even the mere perception of a security breach or inadvertent disclosure of personally identifiable information could inhibit market acceptance of our solutions. In addition, third party vendors that we engage to perform services for us may unintentionally release personally identifiable information or otherwise fail to comply with applicable laws and regulations. The occurrence of any of these events could have an adverse effect on our business, financial condition, and results of operations.

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### ***The Current Macroeconomic Environment Could Adversely Impact Our Business.***

Over the past few years, the U.S. has experienced a significant economic downturn and difficulties within the financial and credit markets. The timing, duration, and degree of an economic turnaround are uncertain and thus, these adverse economic conditions may 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. All companies are likely to be impacted by the current economic downturn 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 Solutions 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 solutions. These solutions 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 solutions could have a material adverse effect on our financial condition and results of operations.

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

The market for customer interaction management solutions, such as customer care and billing solutions, 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: (i) our ability to continuously adapt, modify, maintain, and operate our solutions to address the increasingly complex and evolving needs of our clients, without sacrificing the reliability or quality of the solutions; and (ii) the integration of our recently acquired technologies such as interactive messaging and customer intelligence with ACP, as well as creating an integrated suite of customer interaction management solutions that also include e-care and printing/ mailing capabilities, which are portable to new verticals such as utilities, healthcare, home security, financial services, and content distribution. In addition, the market is demanding that our solutions have greater architectural flexibility and interoperability, and that we are able to meet the demands for technological advancements to our solutions 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 solutions in the market. Technical problems may arise in developing, maintaining and operating our solutions 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 solutions and/or the migration of clients to new solutions, and depending upon the specific solution, we may also be responsible for operations of the solution.

There is an inherent risk in the successful development, implementation, migration, and operations of our solutions as the technological complexities, and the pace at which we must deliver these solutions to market, continue to increase. The risk of making an error that causes significant operational disruption to a client, or results in incorrect customer or vendor billing calculations we perform on behalf of our clients, increases proportionately with the frequency and complexity of changes to our solutions. There can be no assurance: (i) of continued market acceptance of our solutions; (ii) that we will be successful in the development of enhancements or new solutions 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 enhancements or new solutions.

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### ***Our Use of Open Source Software May Subject Our Software to General Release or Require Us to Re-Engineer Our Software, Which Could Harm Our Business.***

We use open source software in connection with our solutions, processes, and technology. Companies that incorporate open source software into their products have, from time to time, faced claims challenging the ownership of open source software. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software. Some open source software licenses require users who distribute open source software as part of their software to publicly disclose all or part of the source code in their software and make any derivative works of the open source code available on unfavorable terms or at no cost. In addition to risks related to license requirements, use of open source software can lead to greater risks than use of third party commercial software, as open source licensors generally do not provide warranties or controls with respect to origin of the software. While we take measures to protect our use of open source software in our solutions, open source license terms may be ambiguous, and many of the risks associated with usage of open source software cannot be eliminated. If we were found to have inappropriately used open source software, we may be required to release our proprietary source code, re-engineer our software, discontinue the sale of certain solutions in the event re-engineering cannot be accomplished on a timely basis, or take other remedial action that may divert resources away from our development efforts, any of which could adversely affect our business, financial condition, and results of operations.

### ***We May Not Be Able to Efficiently and Effectively Implement New Solutions or Convert Clients onto Our Solutions.***

Our continued growth plans include the implementation of new solutions, as well as converting both new and existing clients to our solutions. Such implementations or conversions, whether they involve new solutions or new customers, have become increasingly more difficult because of the sophistication, complexity and interdependencies of the various computing and network environments impacted, combined with the increasing complexity of the underlying business processes. For these reasons, there is a risk that we may experience delays or unexpected costs associated with a particular implementation or conversion, and our inability to complete implementation or conversion projects in an efficient and effective manner could have a material adverse effect on our results of operations.

### ***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 solutions 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 HSD 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. 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. In addition, content disintermediaries like Hulu, YouTube, and FloTV are trying to capture consumer attention by providing content on different devices over different networks. 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 solutions and there can be no assurance that new entrants will become our clients.

### ***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



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well as new entrants such as the traditional wireline and wireless carriers, will decrease the potential number of buyers for our solutions. 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 solutions 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 solutions to a competitor's system or an internally-developed solution as a result of regionalization strategies by our clients could have a material adverse effect 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 solutions is highly competitive. We directly compete with both independent providers and in-house solutions 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.

### ***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

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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 solutions, 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; (iv) being bound by client or vendor contracts with unfavorable terms; and (v) 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 Intellectual Property Rights or Claims by Others That We Infringe Their Intellectual Property Rights Could Substantially Harm Our Business, Financial Condition and Results of Operations.***

We rely on a combination of trade secret, copyright, trademark, and patent laws in the United States and similar laws in other countries, and non-disclosure, confidentiality, and other types of contractual arrangements to establish, maintain, and enforce our intellectual property rights in our solutions. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented, or misappropriated. Further, our contractual arrangements may not effectively prevent disclosure of our confidential information or provide an adequate remedy in the event of unauthorized disclosure of our confidential information. Others may independently discover trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. Costly and time consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position. In addition, the laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States. Therefore, in certain jurisdictions, we may be unable to protect our proprietary technology adequately against unauthorized third party copying or use, which could adversely affect our competitive position.

Although we hold a limited number of patents and patent applications on some of our newer solutions, we do not rely upon patents as a primary means of protecting our rights in our intellectual property. In any event, there can be no assurance that our patent applications will be approved, that any issued patents will adequately protect our intellectual property, or that such patents will not be challenged by third parties. Also, much of our business and many of our solutions rely on key technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties at all or on reasonable terms.

Finally, third parties may claim that we, our customers, licensees or other parties indemnified by us are infringing upon their intellectual property rights. Even if we believe that such claims are without merit, they can be time consuming and costly to defend and distract management's and technical staff's attention and resources. Claims of intellectual property infringement also might require us to redesign affected solutions, enter into costly

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settlement or license agreements or pay costly damage awards, or face a temporary or permanent injunction prohibiting us from marketing or selling certain of our solutions. Even if we have an agreement to indemnify us against such costs, the indemnifying party may be unable to uphold its contractual obligations. If we cannot or do not license the infringed technology on reasonable pricing terms or at all, or substitute similar technology from another source, our business, financial condition, and results of operations could be adversely impacted.

### Item 1B. Unresolved Staff Comments

None.

### Item 2. Properties

As of December 31, 2009, we were operating from twelve leased sites in the U.S. representing approximately 657,000 square feet.

We lease seven office facilities totaling approximately 383,000 square feet in or around the following locations:

	<u>Square Footage</u>	<u>Lease Expiration</u>
Englewood, Colorado	100,000	2013-2015
Omaha, Nebraska	241,000	2010-2012
Chicago, Illinois	25,000	2020
Charlotte, North Carolina	9,000	2010
Burlington, Massachusetts	8,000	2011

We utilize these office facilities primarily for the following: (i) client services, training, and support; (ii) product and operations support; (iii) systems and programming activities; (iv) professional services staff; (v) R&D activities; (vi) sales and marketing activities; and (vii) general and administrative functions. Our corporate headquarters is located in Englewood, Colorado.

Additionally, we lease five statement production and mailing facilities totaling approximately 274,000 square feet. These facilities are located in: (i) Omaha, Nebraska; (ii) Wakulla County, Florida; (iii) Fairfield, New Jersey; (iv) Coppell, Texas; and (v) Oxnard, California. The leases for these facilities expire in the years 2010 through 2019.

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 9 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.

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### *Executive Officers of the Registrant*

As of December 31, 2009, our executive officers were Peter E. Kalan (Chief Executive Officer and President), Robert M. (“Mike”) Scott (Executive Vice President), Randy R. Wiese (Executive Vice President and Chief Financial Officer), Joseph T. Ruble (Executive Vice President, General Counsel, Corporate Secretary and Chief Administrative Officer), and Bret C. Griess (Executive Vice President-Operations).

We have employment agreements with each of the executive officers.

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

Mr. Kalan, 50, 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 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.

#### *Robert M. Scott Executive Vice President*

Mr. Scott, 59, joined CSG in September 1999 as Vice President of the Broadband Services Division and he 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.

#### *Randy R. Wiese Executive Vice President and Chief Financial Officer*

Mr. Wiese, 50, 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.

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

Mr. Ruble, 49, joined CSG in 1997 as Vice President and General Counsel. In November 2000 he was appointed Senior Vice President of Corporate Development, General Counsel and 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 and 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.

#### *Bret C. Griess Executive Vice President-Operations*

Mr. Griess, 41, joined CSG in 1996 as a project manager and held a variety of positions in Operations and Information Technology, until being appointed to his current position of Executive Vice President of Operations in February 2009. Prior to joining CSG, Mr. Griess was Genesis Product Manager with Chief Automotive Systems from 1995 to 1996, and an information systems analyst with the Air Force from 1990 to 1995.

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Mr. Griess holds a Master of Arts in Management degree and a BS degree from Bellevue University in Nebraska, an Associate of Applied Science degree from the Community College of the Air Force, and an Associate of Science in Business Administration degree from Brevard Community College in Florida.

### ***Board of Directors of the Registrant***

Information related to our Board of Directors is provided below.

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

Mr. Reed, 65, was elected to the Board in May 2005 and presently serves as the Company's non-executive Chairman of the Board. 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 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 Aggregate Industries in London, England, a wholly owned subsidiary of Holcim Group located in Switzerland. Within the past five years, Mr. Reed has also served as a director of Intervoice, Inc., Idearc Media (formerly Verizon Yellow Pages) and Bell Atlantic.

#### ***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*** ***President and Chief Executive Officer*** ***Clear Channel Outdoor Americas, Inc.***

Mr. Cooper, 52, was elected to the Board in November 2006. Mr. Cooper is currently the President and Chief Executive Officer of Clear Channel Outdoor Americas, Inc. He previously 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 director of the Outdoor Advertising Association of America, 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, 69, 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

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within First Data Corporation from 1978 to 1998. From 1992 to 1998, he served as Executive Vice President of First Data Corporation; 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, 58, 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 media and telecommunications, since 1992. She was also founder and chairman of Frontline Wireless, Inc., a public safety network start-up, in 2007 through 2008. 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 Inmarsat. In the past five years, Ms. Obuchowski was also a director for Stratos Global Corporation.

**Bernard W. Reznicek**  
**Consultant**  
**The Premier Group**

Mr. Reznicek, 73, was elected to the Board in January 1997 and served as the Company's non-executive Chairman of the Board from 2005 until 2009. He currently provides consulting services as President of Premier Enterprises, and is Chairman and Treasurer of Erra, Inc., a startup clean technology company. 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). Mr. Reznicek has previously been a director of State Street Corporation, Stone and Webster, and Guarantee Life.

**Frank V. Sica**  
**Managing Partner**  
**Tailwind Capital**

Mr. Sica, 59, 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. Mr. Sica currently is a director of JetBlue Airways, Kohl's Corporation, NorthStar Realty Finance Corporation, and Safe Bulkers.

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

Mr. Smith, 67, was elected to the Board in January 2002. He is presently retired. Previously he served as Senior Managing Director of Houlihan Lokey Howard & Zukin, Inc., an international investment banking firm with whom he has been associated from 1988 through 2009, and where he served on the board of directors of the firm. From 1978 to 1988, he was employed by Morgan Stanley & Co. Incorporated, where he headed their valuation and reorganization services. Mr. Smith is director of the Princeton (NJ) Health Care Foundation and on the board of directors and executive committee of Business Executives for National Security.

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***James A. Unruh***  
***Managing Principal***  
***Alerion Capital Group***

Mr. Unruh, 69, 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., and LumenIQ. Additionally, he serves as non-executive Chairman of Apex Microtechnology and Tiros Corporation. In the past five years, Mr. Unruh has also served as a director of 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>
<b>2009</b>		
First quarter	\$17.82	\$12.27
Second quarter	15.45	12.83
Third quarter	17.28	13.14
Fourth quarter	19.66	15.65
	<u>High</u>	<u>Low</u>
<b>2008</b>		
First quarter	\$14.78	\$10.49
Second quarter	13.80	10.81
Third quarter	20.16	10.88
Fourth quarter	17.83	12.79

On February 19, 2010, the last sale price of our common stock as reported by NASDAQ was \$21.11 per share. On January 31, 2010, the number of holders of record of common stock was 229.

***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.

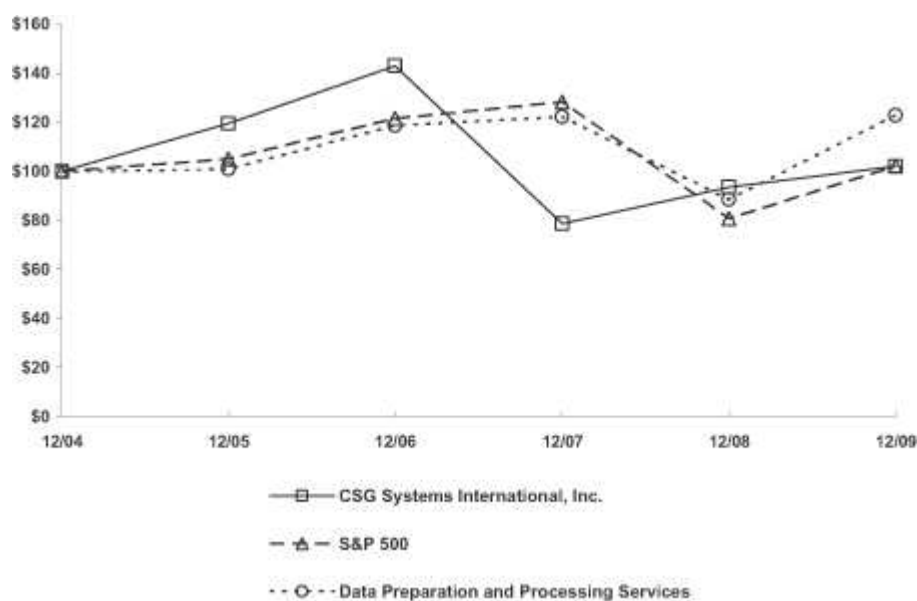
The payment of dividends has certain impacts to our senior subordinated convertible contingent debt securities (the “Convertible Debt Securities”). See Note 6 to our Consolidated Financial Statements for additional discussion of our Convertible Debt Securities and the impact the payment of dividends 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, 2004, in our common stock and in each of the two indexes and that all dividends, if any, were reinvested.



	As of December 31,					
	2004	2005	2006	2007	2008	2009
CSG Systems International, Inc.	\$100.00	\$119.36	\$142.94	\$78.72	\$93.42	\$102.09
S&P 500 Index	100.00	104.91	121.48	128.16	80.74	102.11
Data Preparation & Processing Services	100.00	100.91	118.60	122.18	88.48	122.87

### Equity Compensation Plan Information

The following table summarizes certain information about our equity compensation plans as of December 31, 2009:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance
Equity compensation plans approved by security holders	228,434	\$ 36.15	7,284,858
Equity compensation plan not approved by security holders	51,840	24.33	1,252
<b>Total</b>	<b>280,274</b>	<b>\$ 33.96</b>	<b>7,286,110</b>

Of the total number of securities remaining available for future issuance, 7,140,030 shares can be used for various types of stock-based awards, as specified in the individual plans, with the remaining 146,080 shares to be used for our employee stock purchase plan. See Note 11 to our Consolidated Financial Statements for additional discussion of our equity compensation plans.

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### *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, 2009 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 (1)</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</u>
October 1—October 31	223	\$ 16.19	—	5,704,096
November 1—November 30	1,909	17.16	—	5,704,096
December 1—December 31	1,263	18.95	—	5,704,096
Total	<u>3,395</u>	<u>\$ 17.76</u>	<u>—</u>	

(1) 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,				
	2009	2008	2007	2006	2005
(in thousands, except per share amounts)					
<b>Statements of Income Data(1):</b>					
Revenues(4):					
Processing and related services	\$464,970	\$439,975	\$382,070	\$351,764	\$346,463
Software, maintenance and services	35,747	32,082	37,191	31,342	30,854
Total revenues	500,717	472,057	419,261	383,106	377,317
Cost of revenues (exclusive of depreciation, shown separately below)(8):					
Processing and related services(2)	249,335	226,343	193,135	173,536	170,344
Software, maintenance and services	26,344	19,007	24,674	20,975	19,720
Total cost of revenues	275,679	245,350	217,809	194,511	190,064
Other operating expenses(8):					
Research and development	70,113	67,278	58,342	46,191	33,932
Selling, general and administrative	59,510	53,857	45,743	43,127	52,492
Depreciation(2)	20,069	16,194	12,900	10,438	9,862
Restructuring charges(7)(8)	599	79	630	2,368	14,534
Total operating expenses	425,970	382,758	335,424	296,635	300,884
Operating income(4)	74,747	89,299	83,837	86,471	76,433
Other income (expense):					
Interest expense	(5,660)	(7,132)	(6,797)	(7,103)	(7,138)
Amortization of original issue discount	(8,382)	(9,767)	(9,198)	(8,493)	(7,842)
Gain on repurchase of convertible debt securities(3)	1,468	3,351	—	—	—
Interest and investment income, net(5)	1,194	4,998	16,529	21,984	4,059
Other, net	2	15	221	(21)	6
Total other	(11,378)	(8,535)	755	6,367	(10,915)
Income from continuing operations before income taxes	63,369	80,764	84,592	92,838	65,518
Income tax provision	(21,507)	(27,514)	(29,942)	(35,331)	(23,402)
Income from continuing operations	41,862	53,250	54,650	57,507	42,116
Discontinued operations(5):					
Income (loss) from discontinued operations(8)	—	—	547	(6,555)	(5,685)
Income tax benefit	1,471	323	61	3,764	12,172
Discontinued operations, net of tax	1,471	323	608	(2,791)	6,487
Net income	\$ 43,333	\$ 53,573	\$ 55,258	\$ 54,716	\$ 48,603
Diluted net income (loss) per common share(1):					
Income from continuing operations	\$ 1.22	\$ 1.53	\$ 1.33	\$ 1.19	\$ 0.84
Discontinued operations, net of tax	0.04	0.01	0.01	(0.06)	0.13
Net income	\$ 1.26	\$ 1.54	\$ 1.34	\$ 1.13	\$ 0.97
Weighted-average diluted shares outstanding(1)(6):					
Common stock	33,352	33,240	39,743	46,730	48,160
Participating restricted stock	1,097	1,602	1,334	1,247	1,685
Total	34,449	34,842	41,077	47,977	49,845
<b>Other Data (at Period End) :</b>					
Number of clients' customers processed	48,645	45,312	45,104	45,354	45,228
<b>Balance Sheet Data (at Period End)(1):</b>					
Cash, cash equivalents and short-term investments(3)(4)(5)(6)	\$198,377	\$141,217	\$132,832	\$415,490	\$392,224
Working capital(5)(6)	220,398	184,675	180,983	454,117	444,738
Goodwill(4)	107,052	103,971	60,745	14,228	623
Total assets(1)(5)(6)	561,714	484,771	412,128	634,887	616,328
Total debt(1)(3)	157,447	175,788	191,892	182,694	174,201
Total treasury stock(6)	675,623	671,841	667,858	360,259	296,976
Total stockholders' equity(1)(6)	212,110	164,687	105,708	346,431	332,081
<b>Cash Flow Data:</b>					
Cash flows from operating activities	\$153,059	\$114,647	\$115,379	\$118,150	\$102,574

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- (1) In 2009, we adopted new accounting pronouncements that changed the way we account for our Convertible Debt Securities and the manner in which we treat share-based payment awards with rights to dividends or dividend equivalents in our calculation of basic and diluted EPS. These accounting pronouncements were required to be applied retrospectively, and as a result all comparable periods presented have been restated. See Note 2 to our Consolidated Financial Statements for additional discussion of these matters.
- (2) In the first quarter of 2009, we began to transition our outsourced data center processing services from FDC to Infocrossing. As a result, during 2009, we incurred \$15.5 million of expense, or \$0.29 per diluted share, related to these efforts, of which \$13.6 million is included in cost of processing and related services and \$1.9 million is included in depreciation in our Consolidated Statements of Income. See the Data Center Transition section included in MD&A for additional discussion of this matter.
- (3) In 2009 and 2008, we repurchased \$30.0 million (par value) and \$29.7 million (par value) of our Convertible Debt Securities for \$26.7 million and \$22.4 million, respectively, and recognized a gain on the repurchase of \$1.5 million and \$3.4 million, respectively, after the write-off of deferred financing costs. See Note 6 to our Consolidated Financial Statements for additional discussion of our long-term debt.
- (4) During 2008 and 2007 we acquired several businesses as part of our growth and diversification strategy which resulted in top line revenue growth for 2009, 2008 and 2007 of 6.1%, 12.6% and 9.4%, respectively, of which approximately 57% of the 2009 growth rate, 75% of the 2008 growth rate, and 45% of the 2007 growth rate can be attributed to these acquired entities, with the remaining growth in each year attributed to organic growth factors. These acquired businesses have historically operated at a lower operating margin percentage than our legacy business, thus, have had a slightly dilutive impact to our operating income margin percentage. See Note 3 to our Consolidated Financial Statements for additional discussion regarding these acquisitions.
- (5) 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 large cash balance as of December 31, 2005, and the increased interest and investment income in 2006 and 2007.
- (6) 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 2009, 2008, 2007, 2006, and 2005, we repurchased 0.3 million, 0.3 million, 13.2 million, 2.5 million, and 3.8 million shares, respectively for \$3.8 million, \$4.0 million, \$307.6 million, \$63.3 million, and \$73.0 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, 2009, 5.7 million shares of the 35.0 million shares authorized under the Stock Repurchase Program remain available for repurchase. See Note 10 to our Consolidated Financial Statements for additional discussion of the Stock Repurchase Program.
- (7) Over the years, we have made several changes to our business operations and implemented several cost reduction initiatives that resulted in restructuring charges. 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.
- (8) 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 2009, 2008, 2007, 2006, and 2005 was \$12.6 million, \$11.6 million, \$11.1 million, \$12.2 million, and \$20.4 million, respectively. Of these amounts, \$3.3 million in 2005 was reflected in discontinued operations.

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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 our business and the industries we serve. 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*

*Restatement of Prior Year Financial Statements Due to the Adoption of New Accounting Pronouncements.* Effective January 1, 2009, we adopted two new accounting pronouncements that changed the manner in which we account for our Convertible Debt Securities and the manner in which we treat share-based payment awards with rights to dividends or dividend equivalents in our calculation of basic and diluted EPS. Both accounting pronouncements were required to be adopted retrospectively. As a result, we have restated our Consolidated Balance Sheet as of December 31, 2008, and our Consolidated Statements of Income and Cash Flows for the years ended December 31, 2008 and 2007. See Note 2 to our Consolidated Financial Statements for further discussion of our adoption of these new accounting rules.

*Results of Operations.* A summary of our results of operations and other key performance metrics for 2009 are as follows:

- Our consolidated revenues for 2009 were \$500.7 million, an increase of 6.1% when compared to \$472.1 million for 2008. 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 2009 were \$426.0 million, an increase of 11.3% when compared to \$382.8 million for 2008, with \$15.5 million of this increase related to our data center transition expenses, discussed in greater detail below. Of the remaining increase, approximately 67% can be attributed to the year-over-year impact of the acquired DataProse and Quaero businesses.
- Operating income for 2009 was \$74.7 million (14.9% operating margin percentage), compared to \$89.3 million (18.9% operating margin percentage) for 2008. Of this 4.0% decrease in operating margin percentage, approximately 3% percentage points can be attributed to our data center transition expenses, with the remaining portion primarily attributed to the dilutive impact of the acquired DataProse and Quaero businesses that were acquired in 2008.
- Income from continuing operations (net of tax) for 2009 was \$41.9 million, or \$1.22 per diluted share, compared to \$53.3 million, or \$1.53 per diluted share, for 2008. The 2009 amount includes \$15.5 million (pretax impact), or \$0.29 per diluted share, related to our data center transition efforts. Additionally, the 2009 and 2008 amounts include gains of \$1.5 million and \$3.4 million (pretax impact), respectively, or \$0.03 and \$0.06 per diluted share, included in other income related to our repurchase of some of our Convertible Debt Securities. Absent the impact of these items, our 2009 earnings per share from continuing operations, on a per diluted share basis, remained relatively consistent with 2008.
- We continue to generate strong cash flows. During 2009, we generated \$153.1 million of cash flows from operating activities, as compared to the \$114.6 million of cash flows from operating activities we generated during 2008, with the increase primarily attributed to favorable changes in operating assets and liabilities, discussed in further detail below. Our cash and short-term investments totaled \$198.4 million at December 31, 2009, compared to \$141.2 million as of December 31, 2008.

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Other key events related to our 2009 operations were as follows:

- During 2009, we had the following key client renewals:
  - In February 2009, we entered into a new agreement with Charter that expanded the use of our solutions supporting Charter's entire national video, high-speed data, and telephony footprint through December 31, 2014.
  - In November 2009, we entered into a new agreement with DISH, that extended CSG's contractual relationship with DISH through December 31, 2012 for processing and related services, and through December 31, 2014 for print and mail services.
- During 2009, we invested \$70.1 million, or approximately 14.0% of our revenues, in R&D activities.
- During 2009, we successfully converted 3.1 million customer accounts onto our systems, bringing the total number of customer accounts on our customer care and billing solution as of December 31, 2009 to 48.6 million.
- During 2009, we repurchased \$30.0 million (par value) of our Convertible Debt Securities for \$26.7 million, and recognized a gain on the repurchase of \$1.5 million (pretax impact), after the write-off of a proportional amount of deferred financing costs.
- During 2009, we repurchased a total of 250,000 shares of our common stock, for a total of \$3.8 million (a weighted-average price of \$15.13 per share) under our Stock Repurchase Program.
- In February 2009, our Board of Directors named Mr. Bret Griess, Senior Vice President Operations and Delivery and CIO, as an Executive Officer. See our Form 8-K filed on February 25, 2009 for additional details of this matter.

### ***Significant Client Relationships***

*Comcast*. Comcast continues to be our largest client. For 2009 and 2008, revenues from Comcast represented approximately 24% and 27%, respectively, of our total revenues, with the decrease between years reflective of the new pricing that was effective July 1, 2008 as a result of the Comcast contract renewal in July 2008. Our processing agreement with Comcast, which runs through December 31, 2012, contains certain financial commitments associated with the number of Comcast customer accounts that are processed on our solutions, with such commitments decreasing over the life of the agreement. 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 2009 and 2008, DISH represented approximately 18% of our total revenues.

On November 24, 2009, we entered into a new processing agreement with DISH, which became effective January 1, 2010, and extends our contractual relationship with DISH through December 31, 2012 for processing and related services, and through December 31, 2014 for print and mail services. Our previous contract with DISH was effective through December 31, 2009. The expected scope of the products and services to be utilized by DISH under the new agreement is consistent with our previous DISH contract.

Consistent with the structure of the previous DISH contract, the fees generated under the new DISH agreement are as follows:

- The fees for processing and related services will be based on a fixed monthly amount and subject to an annual price escalator. The fixed nature of the monthly fees results in guaranteed minimum fees for processing and related services through the three-year term of this portion of the new agreement.

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- The fees for print and mail services will be based on the number of statements produced and the usage of ancillary print services, with the per unit fees subject to an annual price escalator. There are annual guaranteed minimum fees for the print and mail services through the five-year term of this portion of the agreement.

These pricing terms and related guaranteed minimum fees under the new agreement provide us with visibility into the revenues expected to be generated from DISH over the next three years at annual levels relatively consistent with those generated in 2009.

Additionally, in line with the structure of the previous contract, the new DISH agreement contains certain rights and obligations of both parties, with the key points summarized as follows: (i) we have non-exclusive rights to provide the services covered to DISH; however, we have guaranteed minimum fees regardless of the amount of services provided; (ii) the termination of the new agreement under certain conditions; (iii) various service level commitments; and (iv) remedies and limitation on liabilities associated with specified breaches of contractual obligations.

The new DISH agreement also provides an option to extend the processing and related services portion for an additional three years through December 31, 2015. The exercise of this option would also extend the print and mail services portion of the new agreement for one year through December 31, 2015. As an incentive for DISH to exercise this option, we would begin invoicing DISH for processing and related services on a per-customer-account basis (rather than based on a fixed monthly amount as discussed above), and would provide DISH with volume-based tiered pricing, subject to annual price escalators. In conjunction with this extension option, DISH would be required to migrate to our ACP platform. In return, we would receive exclusivity for processing and print and mail services for DISH's direct satellite broadcast customer accounts through December 31, 2015. Under this option, the expected annual fees we would generate under the new DISH agreement would decrease when compared to the annual fees expected to be generated under the current three-year term ending December 31, 2012; however, the overall total fees expected to be generated under the new agreement would increase as a result of the extended term of the agreement through December 31, 2015.

A copy of the new DISH agreement, with confidential information redacted, is filed as Exhibit 10.23 to this Form 10-K.

*Time Warner.* Time Warner is our third largest client. For 2009 and 2008, revenues from Time Warner represented approximately 13% and 14%, 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 solutions, which we expect Time Warner to exceed based on the number of Time Warner customers currently on our solutions. The Time Warner processing agreement and related material amendments, with confidential information redacted, are included in the exhibits to our periodic filings with the SEC.

*Charter.* Charter is our fourth largest client. For 2009 and 2008, revenues from Charter represented approximately 9% and 8%, respectively, of our total revenues.

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. The new agreement contains minimum financial commitments over the life of the agreement. Prior to this new agreement, we provided print and mail solutions to 100% of Charter's residential customers and customer interaction management solutions to approximately 60% of Charter's residential customers. Under the new agreement, we began converting these remaining residential customer accounts to our solutions during the third quarter of 2009, and completed these conversions in the fourth quarter of 2009.

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On March 27, 2009, Charter filed its pre-arranged bankruptcy and restructuring plan (the “Plan”) with the U.S. Bankruptcy Court (the “Court”). Subsequently, the Court approved Charter’s request, subject to certain terms and conditions, to pay trade creditors, including us, in full for pre- and post-petition invoices payable in the ordinary course of business. As a result, we determined that no reserves were necessary related to our outstanding Charter receivables or possible claims of preferential payments. On November 17, 2009, the Court entered an order confirming the Plan, and on November 30, 2009, the Plan became effective. Going forward, we are positioned to be a key partner in helping Charter achieve its operational goals under the terms of our agreement.

### *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 was scheduled to expire at the end of June 2010, but was recently amended to provide us options to continue the use of certain FDC data center services through December 31, 2010. FDC has provided these data center services to us since the inception of our company in 1994. In December 2008, we entered into an agreement with Infocrossing to transition these outsourced data center 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 of our computing environment from FDC to Infocrossing. We are changing data center providers to partner with a global provider that focuses on data center operations in greater scale, and as their core business focus. This allows us to further improve the delivery of our solutions while benefiting from an improved cost structure.

We began our transition efforts to the new Infocrossing data center in the first quarter of 2009, and expect to substantially complete the transition project in mid-2010. We are tracking the costs attributable to our decision to change data center service providers separately, as we consider these costs to be unique and infrequent in nature. These costs relate primarily to our efforts to set-up, replicate, transition, and operate the computing environment at Infocrossing, while maintaining and operating the computing environment at the FDC data center. The network and computing environment will be transitioned from FDC to Infocrossing in various planned stages over the project period, requiring us to incur certain costs to operate two separate data centers. This staged and replicated data center approach was designed to mitigate the risk of disruption to our clients during the transition period, but does result in certain cost inefficiencies during the transition period due to such things as redundant data processing costs, accelerated and redundant hardware- and software-related purchases, and costs incurred to maintain communications and data integrity between the two data center locations.

During 2009, we incurred \$15.5 million (pretax impact) of expense related to these transition efforts, or approximately \$0.29 per diluted share negative impact. These costs include such things as the following: (i) equipment- and software-related costs; (ii) data communications and data processing costs; and (iii) labor and third-party consulting fees for the transition team. These data center transition expenses are included in the following captions in the Consolidated Statements of Income (in thousands):

	<u>2009</u>
Cost of processing and related services.	\$13,570
Depreciation	1,916
Total data center transition expenses	<u>\$15,486</u>

Additionally, during 2009, we spent approximately \$16 million on capital expenditures related to network and computer equipment needed to set-up and replicate the computing environment at the new Infocrossing data center location.

For 2010, we estimate that the Data Center Transition Expenses will be approximately \$22 million to \$25 million (pretax impact), or approximately \$0.42 to \$0.47 per diluted share negative impact, and are expected to have a negative impact of approximately \$13 million on our 2010 cash flows from operations. Additionally, we expect



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our 2010 capital expenditures related to the data center transition to be approximately \$3 million. These amounts are based on the best available estimates at this time and may fluctuate up or down as we continue to execute on our transition plan.

The Infocrossing agreement, with confidential information redacted, is included in the exhibits to our periodic filings with the SEC.

### *Stock-Based Compensation Expense*

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cost of processing and related services.	\$ 3,650	\$ 3,451	\$ 3,277
Cost of software, maintenance and services	907	611	745
Research and development	1,635	1,664	1,246
Selling, general and administrative	6,440	5,879	5,834
Total stock-based compensation expense	<u>\$12,632</u>	<u>\$11,605</u>	<u>\$11,102</u>

See Notes 2 and 11 to our Consolidated Financial Statements for additional discussion of our stock-based compensation expense.

### *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 policy that involves the most complex or subjective decisions or assessments that may have a material impact on our business' operations relates to the accounting for multiple-element arrangements when determining a revenue arrangement's separate units of accounting.

For multiple-element arrangements that are not subject to a higher level of authoritative literature, 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, 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

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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.

*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 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.

### *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. 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. As of July 31, 2009, we had goodwill of approximately \$105 million, which was assigned to four different reporting units. In each case, the fair value of each reporting unit exceeded its carrying value, and therefore, we concluded there was no impairment of goodwill.

We utilize discounted cash flow models as the primary basis to estimate the fair value amounts used in our goodwill impairment valuation. Our estimates of fair value are based upon various key modeling 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; and (iii) the appropriate discount rate. These assumptions, by their nature, are subject to significant judgments by management of the company. The outcome of a discounted cash flow model can be highly sensitive to small changes in one or more of these key assumptions. As a result, small 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; (iii) an unexpected change in strategic direction towards product solutions, or target markets, and (iv) 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 in determining the assumptions used to model our discounted cash flows. The determination of these assumptions are subject to significant judgments by management of the company, and the subjectivity in determining such assumption increases as cash flows are modeled further into the future, especially during times of economic uncertainties. We believe that the assumptions utilized in our most recent discounted cash flow models are reasonable. However, if we do not achieve our near-term financial or operating goals, and/or the economic downturn becomes more severe, resulting in additional tightening of client spending and/or further lengthening of client sales cycles, it may require us to modify our assumptions in future periods such that the estimated fair value of one or more of the reporting units is materially changed, which may result in an impairment loss. This risk is greatest in our interactive messaging and customer intelligence reporting units, as these businesses are more dependent upon economic recovery to achieve their future business successes. The total value of goodwill assigned to these reporting units is approximately \$41 million as of December 31, 2009. If a goodwill impairment was to be recorded in

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the future, it would likely materially impact our results of operations in the period such impairment is recognized, but such an impairment charge is a non-cash expense, and therefore would have no impact on our cash flows, or on the financial condition of our company.

***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 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 assets and liabilities 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 assets and liabilities: (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); (iii) not amortized at all (e.g., goodwill), and (iv) remeasured to fair value at each future reporting date until the contingency is resolved (e.g., contingent consideration), the assigned values could have a material impact on our results of operations in current and future periods.

### ***Business Acquisitions***

As discussed in the Business Section, during 2008 and 2007, we completed the following four business acquisitions: (i) Quaero on December 31, 2008; (ii) DataProse on April 30, 2008; (iii) Prairie on August 10, 2007; and (iv) ComTec on July 9, 2007. These business acquisitions have impacted the year-over-year results of operations, and as a result, any reference to the impact of the acquired businesses between 2009 and 2008 is

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referring to the year-over-year impact of the Quaero and DataProse acquisitions, whereas, any reference to the impact of the acquired businesses between 2008 and 2007 is referring to the year-over-year impact of the DataProse, Prairie, and ComTec acquisitions.

### *Detailed Discussion of Results of Operations*

*Total Revenues.* Total revenues for: (i) 2009 increased 6.1% to \$500.7 million, from \$472.1 million for 2008; and (ii) 2008 increased 12.6% to \$472.1 million, from \$419.3 million for 2007. 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 57% of the increase in revenues between 2009 and 2008, and approximately 75% of the increase in revenues between 2008 and 2007, relate to the year-over-year impacts 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) 2009 increased 5.7% to \$465.0 million, from \$440.0 million for 2008; and (ii) 2008 increased 15.2% to \$440.0 million, from \$382.1 million for 2007.

- Approximately 42% of the increase in processing revenues between 2009 and 2008 is related to the impact of the acquired businesses, with the remaining portion attributed to organic growth resulting from: (i) increased utilization of new and existing products by our clients, to include such things as color print and various ancillary customer care solutions, and (ii) conversions of customer accounts onto our solutions.
- Approximately 69% of the increase in processing revenues between 2008 and 2007 is related to the revenues generated from the acquired businesses (as all of the DataProse, Prairie, and ComTec 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.

Additional information related to processing revenues is as follows:

- Amortization of the client contracts intangible asset (reflected as a reduction of processing revenues) for 2009, 2008, and 2007, was \$4.5 million, \$9.2 million, and \$14.4 million, respectively. The decrease in amortization from 2008 to 2009 and from 2007 to 2008 is 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.
- Total customer accounts processed on our solutions as of December 31, 2009, 2008, and 2007, were 48.6 million, 45.3 million, and 45.1 million, respectively. During 2009, we converted 3.1 million customer accounts onto our solutions.

*Software, Maintenance and Services Revenues.* Software, maintenance and services revenues for: (i) 2009 increased 11.4% to \$35.7 million, from \$32.1 million for 2008; and (ii) 2008 decreased 13.7% to \$32.1 million, from \$37.2 million for 2007.

- The increase in software, maintenance and services revenue between 2009 and 2008 is due to the additional revenues generated in 2009 from the Quaero acquisition (as a portion of Quaero's revenues fall within the professional services revenues classification). This increase is partially offset by lower professional services in other areas of our business, as a result of the timing and type of work our professional services team have been engaged in (e.g., set-up/implementation efforts which require the fees be deferred upfront and recognized over the life of the services agreement).

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- The decrease in software, maintenance and services revenue between 2008 and 2007 is 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.

*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 and services) are included in R&D expenses.

The cost of processing and related services for: (i) 2009 increased 10.2% to \$249.3 million, from \$226.3 million for 2008; and (ii) 2008 increased 17.2% to \$226.3 million, from \$193.1 million for 2007.

- The increase in cost of processing and related services revenues between 2009 and 2008 can be attributed to: (i) the costs related to our data center transition efforts, discussed earlier, as we incurred \$13.6 million of expense that is included in the 2009 cost of processing and related services revenues; and (ii) the year-over-year impact of the acquired businesses.
- Approximately 87% of the 2008 increase in cost of processing and related services between years related to the impact of the acquired businesses (as all of DataProse, Prairie, and ComTec's cost of revenues fall within this expense classification).

Total processing and related services cost of revenues as a percentage of our processing and related services revenues for 2009, 2008, and 2007 were 53.6%, 51.4%, and 50.5%, respectively.

- The increase in percentages between 2009 and 2008 is due to the additional costs related to our data center transition efforts, which accounted for 2.9% percentage points of the 2009 total percentage.
- The sequential increase in processing costs as a percentage of processing and related services revenues between 2008 and 2007 is 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 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 and services) are included in R&D expenses.

The cost of software, maintenance and services for: (i) 2009 increased 38.6% to \$26.3 million, from \$19.0 million for 2008; and (ii) 2008 decreased 23.0% to \$19.0 million, from \$24.7 million for 2007.

- The increase between 2009 and 2008 is almost entirely attributed to increases in employee-related costs, primarily as a result of the Quaero acquisition.
- 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.

Total cost of software, maintenance and services as a percentage of our software, maintenance and services revenues for 2009, 2008, and 2007 were 73.7%, 59.2%, and 66.3%, 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,

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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) 2009 increased 4.2% to \$70.1 million, from \$67.3 million for 2008 and (ii) 2008 increased 15.3% to \$67.3 million, from \$58.3 million for 2007. 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 2009 and 2008, reflective of our increased focus on product development and enhancement efforts. We did not capitalize any software development costs related to our client solutions in 2009, 2008, or 2007.

Over the past few years, our R&D efforts have been focused on the continued evolution of our solutions, both functionally and architecturally, in response to market demands that our solutions have certain functional features and capabilities, as well as architectural flexibilities (such as service oriented architecture, or SOA). This evolution will result in the modularization of certain functionality that historically has been tightly integrated within our solution suite, which will allow us to respond more quickly to required changes to our solutions 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 solutions across non-CSG customer care and billing solutions. Additionally, we have focused our R&D efforts on the integration of our recently acquired technologies such as interactive messaging and customer intelligence with ACP, our core outsourced information processing product, as well as creating an integrated suite of customer interaction management solutions that also include e-care and printing/ mailing capabilities, which are portable to new verticals such as utilities, healthcare, home security, financial services, and content distribution.

As a percentage of total revenues, R&D expense for 2009, 2008, and 2007, was 14.0%, 14.3%, and 13.9%, respectively. At this time, we expect our future R&D efforts to continue to focus on similar tasks as noted above. Additionally, we expect that the percentage of our total revenues invested in R&D to be relatively consistent with 2009, 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) 2009 increased by 10.5% to \$59.5 million, from \$53.9 million for 2008; and (ii) 2008 increased 17.7% to \$53.9 million, from \$45.7 million for 2007. 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 2009, 2008, and 2007, was 11.9%, 11.4%, and 10.9%, 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 2009, 2008, and 2007, was \$20.1 million, \$16.2 million, and \$12.9 million, respectively. Included in the 2009 amount is \$1.9 million of depreciation expense related to our data center transition efforts, discussed earlier. The sequential increases in depreciation expense is reflective of the increased capital expenditures we have made over the last several years (mainly related to statement production equipment, to include our investments in new color print technologies, and computer hardware, software, and related equipment) and the acquired property and equipment from our acquisition activities.

*Operating Income*. Operating income and operating income margin for: (i) 2009 was \$74.7 million, or 14.9% of total revenues, compared to \$89.3 million, or 18.9% of total revenues for 2008; and (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.

- The decrease in operating income and the operating income margin between 2009 and 2008 can be attributed to: (i) the expenses incurred as a result of our data center transition efforts, which had a

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negative impact of 3.1% percentage points on our operating margin percentage for 2009; and (ii) the dilutive impact of the acquired businesses.

- The decrease in operating income margin between 2008 and 2007 is due to the dilutive impact of the acquired businesses.

*Interest Expense and Amortization of Original Issue Discount (“OID”).* Our interest expense relates primarily to our Convertible Debt Securities, which have a stated cash coupon rate of 2.5%. See Note 6 to our Consolidated Financial Statements for additional discussion of our Convertible Debt Securities to include the non-cash interest expense related to the amortization of the Convertible Debt Securities’ OID.

*Interest and Investment Income, net.* Interest and investment income, net, for: (i) 2009 decreased 76.1% to \$1.2 million, from \$5.0 million for 2008; and (ii) 2008 decreased 69.8% to \$5.0 million, from \$16.5 million for 2007. The decrease in interest and investment income, net, between periods is due to: (i) a decrease in the overall rate of return realized on investments during 2009 and 2008 due to a deterioration in the interest rate environment; and (ii) the significant decrease in our cash and short-term investment balances between 2008 and 2007 as a result of our stock repurchase activity in 2007 and the purchase of the acquired businesses in 2008 and 2007.

*Income Tax Provision.* Our effective income tax rates for 2009, 2008, and 2007 were as follows:

<u>2009</u>	<u>2008</u>	<u>2007</u>
34%	34%	35%

Our historical effective income tax rate has been at or below the statutory Federal income tax rate due to our consistent generation of research and experimentation credits.

During 2009, the Internal Revenue Service (“IRS”) commenced an examination with respect to our Federal income tax returns filed for fiscal years 2006 and 2007. We regularly assess the likelihood of outcomes resulting from these types of examinations to determine the adequacy of our income tax provision and believe that we are adequately reserved for any potential adjustment that may result from the current examination, and therefore do not expect the results of the examination to have a significant impact to our results of operations. 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.

### **Liquidity**

*Cash and Liquidity.* As of December 31, 2009, our principal sources of liquidity included cash, cash equivalents, and short-term investments of \$198.4 million, compared to \$141.2 million as of December 31, 2008, with the increase attributed to our strong cash flows generated from operating activities. 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 essentially all of our cash, cash equivalents, and short-term investment balances.

*Cash Flows From Operating Activities.* We calculate our cash flows from operating activities beginning with net income, adding back the impact of non-cash items (e.g., depreciation, amortization, amortization of OID, 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 (mostly 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 are sources 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 53% of our total operating costs relate to labor costs (both employees and contracted labor) for the following: (i) compensation; (ii) related fringe benefits; and (iii) reimbursements for travel and entertainment expenses. The other primary cash requirements for

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our operating expenses consist of: (i) postage; (ii) data processing and related services and communication lines for our outsourced processing business; (iii) paper, envelopes, and related supplies for our statement processing solutions; 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.

Our 2008 and 2009 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):

	<u>Operations</u>	<u>Changes in Operating Assets and Liabilities</u>	<u>Net Cash Provided by Operating Activities— Totals</u>
<b>Cash Flows from Operating Activities:</b>			
<b>2008:</b>			
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>
<b>2009:</b>			
March 31	\$ 30,449	\$(14,436)	\$ 16,013
June 30	29,658	13,895	43,553
September 30	30,593	7,289	37,882
December 31	24,320	31,291	55,611
Year-to-date total	<u>\$115,020</u>	<u>\$ 38,039</u>	<u>\$ 153,059</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 related mostly 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 2009 and 2008 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>
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
2009:				
March 31	133,041	(2,831)	130,210	58
June 30	112,612	(2,148)	110,464	58
September 30	114,403	(2,079)	112,324	54
December 31	109,846	(2,036)	107,810	50

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 Revenue

Total deferred revenue (current and non-current) increased \$25.4 million, from \$21.4 million as of December 31, 2008 to \$46.8 million as of December 31, 2009, as a result of certain large contractual upfront billings for future services that were paid during the fourth quarter of 2009.

*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 2009, 2008, and 2007, we purchased \$57.0 million, \$83.1 million, and \$209.4 million, respectively, and sold or had mature \$79.7 million, \$36.2 million, and \$379.0 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>2009</u>	<u>2008</u>	<u>2007</u>
Property and equipment	\$40,313	\$21,577	\$20,271
Client contracts	16,423	4,000	7,436

Of the \$40.3 million spent on property and equipment during 2009, approximately \$16 million was related to various network and computing equipment related to our data center transition efforts. The remaining expenditures consisted principally of: (i) statement production equipment to include our investments in new color print technologies; and (ii) computer hardware, software, and related equipment.

Our investments in client contracts for 2009, 2008, and 2007, relate primarily to: (i) cash incentives provided to clients to convert their customer accounts to, or retain their customer’s accounts on, our

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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 2009, 2008, and 2007, our: (i) investments in client contracts related to cash incentives were \$11.5 million, \$2.4 million, and \$5.9 million, respectively; and (ii) the deferral of costs related to conversion/set-up services provided under long-term processing contracts were \$4.9 million, \$1.6 million, and \$1.5 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 2009 and 2008 we repurchased \$30.0 million and \$29.7 million (par value) of our Convertible Debt Securities for \$26.7 million and \$22.4 million, respectively.

### Issuance of Common Stock.

Proceeds from the issuance of common stock for 2009, 2008, and 2007, were \$1.5 million, \$1.2 million, and \$2.2 million, respectively, and relates primarily to employee stock purchase plan purchases in 2009 and 2008 and the exercise of stock options in 2007.

### Repurchase of Common Stock.

During 2009, 2008, and 2007, we repurchased shares of our common stock under the guidelines of our Stock Repurchase Program for \$3.8 million, \$4.0 million, and \$307.6 million, respectively. In addition, outside of our Stock Repurchase Program, during 2009, 2008, and 2007, we repurchased from our employees and then cancelled approximately 195,000 shares, 136,000 shares, and 176,000 shares, of our common stock for \$2.8 million, \$1.8 million, and \$4.0 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, 2009, and the future periods in which such obligations are expected to be settled in cash (in thousands).

		Less than			More than
	Total	1 year	Years 2-3	Years 4-5	5 Years
Long-term debt	\$176,876	\$ 4,258	\$172,618	\$ —	\$ —
Capital and operating leases	43,379	10,826	17,704	8,176	6,673
Purchase obligations	172,496	49,413	60,119	51,139	11,825
Total	<u>\$392,751</u>	<u>\$64,497</u>	<u>\$250,441</u>	<u>\$59,315</u>	<u>\$ 18,498</u>

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 2 would decrease by approximately \$168 million, and there would be further contractual obligations and commercial commitments related to long-term debt after Year 2 of up to approximately \$224 million.

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The operating leases are discussed in Note 9 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 9 to our Consolidated Financial Statements), and data communication and business continuity planning services.

Of the total contractual obligations and commercial commitments above, approximately \$179 million is reflected on our Consolidated Balance Sheet and approximately \$214 million is not.

### *Off-Balance Sheet Arrangements*

None

### *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, 2009, we had cash, cash equivalents, and short-term investments of \$198.4 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 had a five-year, \$100 million senior secured revolving credit facility with a syndicate of U.S. financial institutions that expired in September 2009. Historically, we have not relied on a revolving credit facility as a key source of capital, evidenced by the fact we had no borrowings against the revolving credit facility during the five years it was outstanding. Although we currently do not believe a revolving credit facility is a critical source of capital for us in the near term, we are currently evaluating our options for a new revolving credit facility as part of our regular long-term capital planning efforts.

*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 2009, we repurchased 250,000 shares of our common stock for \$3.8 million (weighted-average price of \$15.13 per share). As of December 31, 2009, we have 5.7 million shares authorized for repurchase remaining under our Stock Repurchase Program. We continue to evaluate the best use of our capital going forward, which from time-to-time, may include additional share repurchases as market and business conditions warrant.
- Acquisitions. We have made five acquisitions in the last four 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, 2009, we have accrued \$2.3 million for contingent purchase price payments related to 2009 to be made in the first quarter of 2010. In addition, in the future, we could potentially be paying up to \$2.0 million in contingent purchase price payments related to 2010 in connection with the Quaero acquisition.
- Capital Expenditures. In 2009, we spent \$40.3 million on capital expenditures. At this time, we expect our 2010 capital expenditures to be approximately \$15 million, with approximately \$3 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, 2009, we have made no significant capital expenditure commitments.

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- 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 solutions. During 2009, we made client incentive payments of \$11.5 million. As of December 31, 2009, we did not have any material commitments for investments in client contracts which are payable by us only upon the successful conversion of certain additional customer accounts to our processing solutions.
- 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 \$170.3 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, during the next twelve months and based upon the December 31, 2009 par value, we expect our required debt service cash outlay related to the Convertible Debt Securities to be limited to annual interest payments of \$4.3 million.

If the Convertible Debt Securities are put back to us on June 15, 2011, we will have to settle the following obligations in cash: (i) \$170.3 million par value; and (ii) approximately \$42 million of deferred tax liabilities related to the outstanding securities.

As noted above, during 2009, we voluntarily repurchased \$30.0 million (par value) of our Convertible Debt Securities for \$26.7 million. This represents a weighted-average purchase price of approximately 88% of par value for the bonds we repurchased, and represents a pre-tax yield to us of approximately 8.5%, assuming these bonds were to be retired at the first put or call date in June 2011. 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. We expect to continue to evaluate the possibility of debt and equity repurchases in the future which includes actively evaluating options as it relates to the refinancing of our debt, considering the fact that there is a put option available to the bondholders in June 2011. 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 our current cash and short-term investments balance, together with cash expected to be generated from future operating activities, 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 which 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 original issue discount and deferred financing costs) and the estimated interest component of rental expense. Our consolidated ratio of earnings to fixed charges for 2009 was 4.51:1.00. See Exhibit 12.10 to this document for information regarding the calculation of our ratio of earnings to fixed charges.

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### 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, 2009, we are exposed to market risks related to 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.* 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. 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, 2009 and 2008 were \$163.5 million and \$83.9 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, 2009 and 2008 were \$34.9 million and \$57.3 million, respectively. The day-to-day management of our cash equivalents and short-term investments is performed by a large financial institution 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. At this time, we believe we have minimal liquidity risk associated with the short-term investments included in our portfolio.

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, 2009. 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, 2009.

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, 2009. 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, 2009, 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, 2009, 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, 2009 and 2008, 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, 2009, and our report dated February 23, 2010 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Denver, Colorado  
February 23, 2010



**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 (the Company) as of December 31, 2009 and 2008, 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, 2009. 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, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

As discussed in note 2 to the consolidated financial statements, effective January 1, 2009, the Company adopted Financial Accounting Standards Board (FASB) Staff Position (FSP) APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*, now included in FASB Accounting Standards Codification (ASC) 470, *Debt*, and FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, now included in FASB ASC 260, *Earnings per Share*, and retrospectively adjusted all periods presented in the consolidated financial statements referred to above.

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, 2009, 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 February 23, 2010 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Denver, Colorado  
February 23, 2010

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

	December 31, 2009	December 31, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 163,489	\$ 83,886
Short-term investments	34,888	57,331
Total cash, cash equivalents and short-term investments	198,377	141,217
Trade accounts receivable-		
Billed, net of allowance of \$2,036 and \$2,999	107,810	120,278
Unbilled and other	9,140	9,210
Deferred income taxes	16,826	12,755
Income taxes receivable	2,114	—
Other current assets	5,112	4,468
Total current assets	339,379	287,928
Property and equipment, net of depreciation of \$88,195 and \$80,854	56,799	42,594
Software, net of amortization of \$40,266 and \$36,385	12,157	9,835
Goodwill	107,052	103,971
Client contracts, net of amortization of \$122,666 and \$112,675	41,407	34,244
Other assets	4,920	6,199
Total assets	<u>\$ 561,714</u>	<u>\$ 484,771</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Client deposits	\$ 29,906	\$ 28,629
Trade accounts payable	26,856	22,943
Accrued employee compensation	26,598	22,997
Deferred revenue	26,307	11,487
Income taxes payable	—	4,301
Other current liabilities	9,314	12,896
Total current liabilities	118,981	103,253
Non-current liabilities:		
Long-term debt, net of unamortized original issue discount of \$12,853 and \$24,512	157,447	175,788
Deferred revenue	20,498	9,914
Income taxes payable	5,889	5,132
Deferred income taxes	42,198	20,338
Other non-current liabilities	4,591	5,659
Total non-current liabilities	230,623	216,831
Total liabilities	349,604	320,084
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; 7,566,384 and 9,415,691 shares reserved for employee stock purchase plan and stock incentive plans; 35,125,943 and 34,720,191 shares outstanding	636	629
Additional paid-in capital	408,722	400,626
Treasury stock, at cost, 28,456,808 and 28,206,808 shares	(675,623)	(671,841)
Accumulated other comprehensive income (loss):		
Unrealized gain on short-term investments, net of tax	10	241
Unrecognized pension plan losses and prior service costs, net of tax	(919)	(919)
Accumulated earnings	479,284	435,951
Total stockholders' equity	212,110	164,687
Total liabilities and stockholders' equity	<u>\$ 561,714</u>	<u>\$ 484,771</u>

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

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**CSG SYSTEMS INTERNATIONAL, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per share amounts)

	Year Ended December 31,		
	2009	2008	2007
<b>Revenues:</b>			
Processing and related services	\$464,970	\$439,975	\$382,070
Software, maintenance and services	35,747	32,082	37,191
Total revenues	<u>500,717</u>	<u>472,057</u>	<u>419,261</u>
<b>Cost of revenues (exclusive of depreciation, shown separately below):</b>			
Processing and related services	249,335	226,343	193,135
Software, maintenance and services	26,344	19,007	24,674
Total cost of revenues	<u>275,679</u>	<u>245,350</u>	<u>217,809</u>
<b>Other operating expenses:</b>			
Research and development	70,113	67,278	58,342
Selling, general and administrative	59,510	53,857	45,743
Depreciation	20,069	16,194	12,900
Restructuring charges	599	79	630
Total operating expenses	<u>425,970</u>	<u>382,758</u>	<u>335,424</u>
<b>Operating income</b>	<u>74,747</u>	<u>89,299</u>	<u>83,837</u>
<b>Other income (expense):</b>			
Interest expense	(5,660)	(7,132)	(6,797)
Amortization of original issue discount	(8,382)	(9,767)	(9,198)
Interest and investment income, net	1,194	4,998	16,529
Gain on repurchase of convertible debt securities	1,468	3,351	—
Other, net	2	15	221
Total other	<u>(11,378)</u>	<u>(8,535)</u>	<u>755</u>
<b>Income from continuing operations before income taxes</b>	<u>63,369</u>	<u>80,764</u>	<u>84,592</u>
Income tax provision	(21,507)	(27,514)	(29,942)
<b>Income from continuing operations</b>	<u>41,862</u>	<u>53,250</u>	<u>54,650</u>
<b>Discontinued operations:</b>			
Income from discontinued operations	—	—	547
Income tax benefit	1,471	323	61
Discontinued operations, net of tax	<u>1,471</u>	<u>323</u>	<u>608</u>
<b>Net income</b>	<u>\$ 43,333</u>	<u>\$ 53,573</u>	<u>\$ 55,258</u>
<b>Basic earnings per common share:</b>			
Income from continuing operations	\$ 1.22	\$ 1.53	\$ 1.33
Discontinued operations, net of tax	0.04	0.01	0.01
Net income	<u>\$ 1.26</u>	<u>\$ 1.54</u>	<u>\$ 1.34</u>
<b>Diluted earnings per common share:</b>			
Income from continuing operations	\$ 1.22	\$ 1.53	\$ 1.33
Discontinued operations, net of tax	0.04	0.01	0.01
Net income	<u>\$ 1.26</u>	<u>\$ 1.54</u>	<u>\$ 1.34</u>
<b>Weighted-average shares outstanding—Basic:</b>			
Common stock	33,228	33,207	39,670
Participating restricted stock	1,097	1,602	1,334
Total	<u>34,325</u>	<u>34,809</u>	<u>41,004</u>
<b>Weighted-average shares outstanding—Diluted:</b>			
Common stock	33,352	33,240	39,743
Participating restricted stock	1,097	1,602	1,334
Total	<u>34,449</u>	<u>34,842</u>	<u>41,077</u>

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, 2009, 2008 and 2007**  
**(in thousands)**

	Shares of Common Stock <u>Outstanding</u>	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
<b>BALANCE, January 1, 2007, as previously reported</b>	46,832	\$ 616	\$ 340,564	\$(360,259)	\$ 25	\$ (852)	\$ 337,640	\$ 317,734
Cumulative effect of retroactive restatement for Convertible Debt Securities (Note 2)	—	—	40,714	—	—	—	(12,017)	28,697
<b>BALANCE, January 1, 2007, as restated</b>	46,832	616	381,278	(360,259)	25	(852)	325,623	346,431
Comprehensive income:								
Net income	—	—	—	—	—	—	55,258	
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	—	—	—	—	—	—	—	55,665
Cumulative effect of restatement for income taxes	—	—	—	—	—	—	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
<b>BALANCE, December 31, 2007</b>	34,275	622	390,986	(667,858)	15	(435)	382,378	105,708
Comprehensive income:								
Net income	—	—	—	—	—	—	53,573	
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	—	—	—	—	—	—	—	53,315
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)
Repurchase of Convertible Debt Securities	—	—	(65)	—	—	—	—	(65)
Stock-based employee compensation expense	—	—	11,605	—	—	—	—	11,605
<b>BALANCE, December 31, 2008</b>	34,720	629	400,626	(671,841)	241	(919)	435,951	164,687

**CSG SYSTEMS INTERNATIONAL, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY—(Continued)**  
**For the Years Ended December 31, 2009, 2008 and 2007**  
**(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
Comprehensive income:								
Net income	—	—	—	—	—	—	43,333	
Unrealized loss on short-term investments, net of tax	—	—	—	—	(231)	—	—	
Comprehensive income	—	—	—	—	—	—	—	43,102
Repurchase of common stock pursuant to Board-approved stock repurchase program	(250)	—	—	(3,782)	—	—	—	(3,782)
Issuance of common stock pursuant to employee stock purchase plan	88	—	1,145	—	—	—	—	1,145
Exercise of stock options	47	—	332	—	—	—	—	332
Tax benefit of employee stock-based compensation plans	—	—	(2,329)	—	—	—	—	(2,329)
Issuance of restricted common stock pursuant to employee stock-based compensation plans	847	8	(8)	—	—	—	—	—
Cancellation of restricted common stock issued pursuant to employee stock-based compensation plans	(131)	—	—	—	—	—	—	—
Repurchase and cancellation of common stock issued pursuant to employee stock-based compensation plans	(195)	(1)	(2,779)	—	—	—	—	(2,780)
Repurchase of Convertible Debt Securities	—	—	(897)	—	—	—	—	(897)
Stock-based employee compensation expense	—	—	12,632	—	—	—	—	12,632
<b>BALANCE, December 31, 2009</b>	<u>35,126</u>	<u>\$ 636</u>	<u>\$ 408,722</u>	<u>\$(675,623)</u>	<u>\$ 10</u>	<u>\$ (919)</u>	<u>\$ 479,284</u>	<u>\$ 212,110</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,		
	2009	2008	2007
<b>Cash flows from operating activities:</b>			
Net income	\$ 43,333	\$ 53,573	\$ 55,258
Adjustments to reconcile net income to net cash provided by operating activities-			
Depreciation	20,069	16,194	12,900
Amortization	14,325	16,544	18,643
Amortization of original issue discount	8,382	9,767	9,198
Restructuring charge for abandonment of facilities and impairment of assets	—	—	308
Gain on short-term investments	(600)	(1,813)	(3,305)
Gain on repurchase of convertible debt securities	(1,468)	(3,351)	—
Deferred income taxes	18,492	12,480	10,963
Excess tax benefit of stock-based compensation awards	(145)	(238)	(892)
Stock-based employee compensation	12,632	11,605	11,102
Changes in operating assets and liabilities:			
Trade accounts and other receivables, net	12,550	(1,772)	2,849
Other current and non-current assets	(779)	1,729	37
Income taxes payable/receivable	(7,927)	5,369	1,889
Trade accounts payable and accrued liabilities	9,037	934	(4,623)
Deferred revenue	25,158	(6,374)	1,052
Net cash provided by operating activities	<u>153,059</u>	<u>114,647</u>	<u>115,379</u>
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment	(40,313)	(21,577)	(20,271)
Purchases of short-term investments	(57,036)	(83,093)	(209,436)
Proceeds from sale/maturity of short-term investments	79,700	36,245	379,008
Acquisition of businesses, net of cash acquired	(6,738)	(54,446)	(65,934)
Acquisition of and investments in client contracts	(16,423)	(4,000)	(7,436)
Net cash provided by (used in) investing activities	<u>(40,810)</u>	<u>(126,871)</u>	<u>75,931</u>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of common stock	1,477	1,175	2,150
Repurchase of common stock	(6,562)	(5,777)	(311,623)
Payments on acquired equipment financing	(992)	(589)	—
Repurchase of convertible debt securities	(26,714)	(22,353)	—
Excess tax benefit of stock-based compensation awards	145	238	892
Net cash used in financing activities	<u>(32,646)</u>	<u>(27,306)</u>	<u>(308,581)</u>
Net increase (decrease) in cash and cash equivalents	79,603	(39,530)	(117,271)
Cash and cash equivalents, beginning of period	83,886	123,416	240,687
Cash and cash equivalents, end of period	<u>\$163,489</u>	<u>\$ 83,886</u>	<u>\$ 123,416</u>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during the period for-			
Interest	\$ 4,715	\$ 6,231	\$ 6,167
Income taxes	9,463	9,483	16,971

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 provider of customer interaction management solutions to the North American market. We provide fully outsourced customer care and billing solutions to the cable and direct broadcast satellite (“DBS”) industry that combines the reliability and high-volume transaction processing capabilities of an enterprise server platform with the flexibility of client/server architecture. In addition to these critical business support services that we provide to our clients, our solutions also facilitate effective interactions between our clients and their end customers through various touch points, including electronic communication channels such as the Internet, interactive communications channels such as voice and text messaging, and through enhanced print communications. Our solutions help our clients improve their profitability by creating more compelling product offerings and an enhanced customer experience through more relevant and targeted interactions. Recently, we have broadened and enhanced our solutions to not only increase our capabilities within our core communication industry that we currently serve, but to also allow us to provide a greater focus on an increasing number of industries in business-to-consumer areas including utilities, healthcare, home security, financial services, and content distribution. 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.

The accompanying Consolidated Financial Statements are prepared in conformity with accounting principles generally accepted in the United States (“U.S.”).

We have evaluated all subsequent events that have occurred through February 23, 2010, the date of this report, which is concurrent with the date we filed these financial statements in our Form 10-K with the SEC.

### 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 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.

For multiple-element arrangements that are not subject to a higher level of authoritative literature, we 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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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 the guidance of the multiple-element arrangements revenue recognition literature, 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.

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, 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.

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. 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". 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 this situation, the 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 of the arrangement.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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, 2009 and 2008 relates mainly to our processing and related services, of which a significant portion of the 2009 balance can be attributed to: (i) prepayments for future services; and (ii) 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.

*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. The cost of postage that has been shown net of the postage reimbursements from our clients for 2009, 2008, and 2007 was \$264.8 million, \$251.8 million, and \$213.7 million, respectively.

*Accounting Pronouncements Adopted*. Effective January 1, 2009, we adopted new accounting pronouncements related to the accounting for convertible debt securities and the calculation of our earnings per share. These new accounting pronouncements were required to be applied retrospectively for all periods presented. As a result, the accompanying Consolidated Balance Sheet as of December 31, 2008 and the Consolidated Statements of Income and Cash Flows for the years ended December 31, 2008 and 2007, have been restated.

The new accounting pronouncement related to convertible debt securities requires that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement), which would include our senior subordinated convertible contingent debt securities due June 15, 2024, (the "Convertible Debt Securities"), 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. The new pronouncement 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 accounting pronouncement related to participating securities provides guidance on the calculation of earnings per share for share-based payment awards with rights to dividends or dividend equivalents. Under the new accounting pronouncement'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 ("EPS") pursuant to the 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, this new accounting pronouncement impacts how we calculate our basic and diluted EPS.

Upon adopting the new accounting pronouncement related to participating securities, basic EPS is computed by dividing net income available to common stockholders and participating securities (the numerators) by the respective weighted average number of shares outstanding during the period (the denominators) using the two-class method. Under the two-class method, undistributed earnings are allocated among each class of common stock and participating security prior to the calculation of EPS. Diluted EPS is calculated similarly, except that the calculation includes the effect of potentially dilutive stock options and non-participating restricted stock awards. As a result of the implementation of the new accounting pronouncement, we have adjusted our

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

EPS data presented on the face of the accompanying Consolidated Income Statements retroactively to conform with the provisions in the new accounting pronouncement. See the EPS section below for a reconciliation of the basic and diluted EPS numerators and denominators.

The adoption of the new accounting pronouncement related to our Convertible Debt Securities had the following cumulative effects on our January 1, 2007 stockholders' equity balances: (i) our accumulated earnings balance was reduced by \$12.0 million; and (ii) our additional paid-in capital balance was increased by \$40.7 million. The new accounting pronouncement related to participating securities impacts the manner in which basic and diluted EPS is calculated. The adoption of these new accounting pronouncements did not affect our actual or future cash flows. The effects of adopting these new accounting pronouncements on our Consolidated Balance Sheets and Consolidated Statements of Income were as follows:

*Consolidated Balance Sheets as of December 31 (in thousands):*

	2009		2008	
	As Computed	As Reported	As Originally Reported	As Reported
	Under Prior Accounting	Under New Accounting	Under Prior Accounting	Under New Accounting
Non-current assets (deferred financing costs)	\$ 222,542	\$ 222,335	\$ 197,286	\$ 196,843
Non-current liabilities:				
Long-term debt, net of unamortized OID	170,300	157,447	200,300	175,788
Deferred income taxes	37,001	42,198	11,190	20,338
Stockholders' equity:				
Additional paid-in capital	368,970	408,722	359,977	400,626
Accumulated earnings	511,587	479,284	461,679	435,951

*Consolidated Statements of Income (in thousands, except per share amounts):*

	2009		2008		2007	
	As Computed	As Reported	As Originally Reported	As Reported	As Originally Reported	As Reported
	Under Prior Accounting	Under New Accounting	Under Prior Accounting	Under New Accounting	Under Prior Accounting	Under New Accounting
Other income (expense):						
Interest expense	\$ (5,841)	\$ (5,660)	\$ (7,421)	\$ (7,132)	\$ (7,126)	\$ (6,797)
Amortization of OID	—	(8,382)	—	(9,767)	—	(9,198)
Gain on repurchase of convertible debt securities	3,237	1,468	7,001	3,351	—	—
Income from continuing operations before income taxes	73,339	63,369	93,892	80,764	93,461	84,592
Income tax provision	(24,903)	(21,507)	(32,444)	(27,514)	(33,298)	(29,942)
Income from continuing operations	48,436	41,862	61,448	53,250	60,163	54,650
Earnings per share from continuing operations:						
Basic	\$ 1.46	\$ 1.22	\$ 1.85	\$ 1.53	\$ 1.51	\$ 1.33
Diluted	\$ 1.44	\$ 1.22	\$ 1.84	\$ 1.53	\$ 1.50	\$ 1.33

*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, 2009, our cash equivalents consist primarily of commercial paper and institutional money market funds.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

*Short-term Investments and Other Financial Instruments* . Our financial instruments as of December 31, 2009 and 2008 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” and 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, 2009 and 2008 consisted of the following (in thousands):

	As of December 31,	
	2009	2008
Commercial paper	\$31,388	\$ 7,794
Certificates of deposit	3,500	—
Fixed rate corporate securities	—	3,000
Agency discount notes	—	46,537
<b>Total</b>	<b>\$34,888</b>	<b>\$57,331</b>

All short-term investments held by us as of December 31, 2009 and 2008 have contractual maturities of less than one year from the time of acquisition. Proceeds from the sale/maturity of short-term investments were \$79.7 million, \$36.2 million, and \$379.0 million, in 2009, 2008, and 2007, respectively.

The following table represents the fair value hierarchy based upon three levels of inputs, of which Levels 1 and 2 are considered observable and Level 3 is unobservable, for our cash equivalents and short-term investments measured at fair value (in thousands):

	December 31, 2009			December 31, 2008		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Money market funds	\$ 122,942	\$ —	\$ 122,942	\$ 40,938	\$ —	\$ 40,938
Commercial paper	—	56,641	56,641	—	31,383	31,383
Agency discount notes	—	—	—	—	53,737	53,737
Certificates of deposit	—	3,500	3,500	—	—	—
Fixed rate corporate securities	—	—	—	—	3,000	3,000
<b>Total</b>	<b>\$ 122,942</b>	<b>\$ 60,141</b>	<b>\$ 183,083</b>	<b>\$ 40,938</b>	<b>\$ 88,120</b>	<b>\$ 129,058</b>

As of December 31, 2009 and 2008, 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, with changes recognized in earnings each reporting period. As of December 31, 2009 and 2008, the fair value of our Convertible Debt Securities, based upon quoted market prices or recent sales activity, was approximately \$169 million and \$173 million, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$2,999	\$1,487	\$1,143
Additions/(reductions) to expense	(461)	1,527	231
Write-offs	(507)	(88)	(54)
Other	5	73	167
Balance, end of year	<u>\$2,036</u>	<u>\$2,999</u>	<u>\$1,487</u>

*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 computed using the straight-line method for financial reporting purposes, with the exception of certain statement production equipment, which is depreciated using the units-of-production method. Depreciation 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 expense all costs related to the development of the software until technological feasibility is established. Once technological feasibility is established, costs are then capitalized, until the general release of the software. For development of software to be used internally (e.g., processing systems software), we expense all costs prior to the application development stage.

During 2009, 2008, and 2007, we expended \$70.1 million, \$67.3 million, and \$58.3 million, respectively, on R&D projects. We did not capitalize any R&D costs in 2009, 2008, or 2007, 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, 2009 or 2008 accompanying Consolidated Balance Sheets.

*Realizability of Long-Lived Assets*. We evaluate our long-lived assets, other than goodwill, 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 evaluate our goodwill for impairment on an annual basis. In addition, we evaluate our goodwill on a more periodic basis (e.g., quarterly) if events occur or circumstances change that could indicate a potential 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.

*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

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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”).* Basic and diluted EPS amounts are presented on the face of the accompanying Consolidated Statements of Income. The amounts attributed to both common stock and participating restricted stock used as the numerators in both the basic and diluted EPS calculations are as follows (in thousands):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Income from continuing operations attributed to:			
Common stock	\$40,524	\$50,800	\$52,872
Participating restricted stock	1,338	2,450	1,778
Total	<u>\$41,862</u>	<u>\$53,250</u>	<u>\$54,650</u>
Discontinued operations, net of tax, attributed to:			
Common stock	\$ 1,424	\$ 308	\$ 588
Participating restricted stock	47	15	20
Total	<u>\$ 1,471</u>	<u>\$ 323</u>	<u>\$ 608</u>
Net income attributed to:			
Common stock	\$41,948	\$51,108	\$53,460
Participating restricted stock	1,385	2,465	1,798
Total	<u>\$43,333</u>	<u>\$53,573</u>	<u>\$55,258</u>

The weighted-average shares outstanding used in the basic and diluted EPS denominators related to common stock and participating restricted stock are as follows (in thousands):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Weighted-average shares outstanding—Basic:			
Common stock	33,228	33,207	39,670
Participating restricted stock	1,097	1,602	1,334
Total	<u>34,325</u>	<u>34,809</u>	<u>41,004</u>
Weighted-average shares outstanding—Diluted:			
Common stock	33,352	33,240	39,743
Participating restricted stock	1,097	1,602	1,334
Total	<u>34,449</u>	<u>34,842</u>	<u>41,077</u>

The reconciliation of the basic and diluted EPS denominators related to the common shares is included in the following table (in thousands):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Basic weighted-average common shares	33,228	33,207	39,670
Dilutive effect of common stock options	26	32	73
Dilutive effect of unvested restricted stock	98	1	—
Dilutive effect of Convertible Debt Securities	—	—	—
Diluted weighted-average common shares	<u>33,352</u>	<u>33,240</u>	<u>39,743</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Potentially dilutive common shares related to stock options and non-participating unvested shares of restricted stock of 0.2 million, 0.3 million, and 0.3 million, respectively, for 2009, 2008, and 2007, 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.

*Stock-Based Compensation* . Stock-based compensation represents the cost related to stock-based awards granted to employees and non-employee directors. We measure stock-based compensation cost at the grant date of the award, based on the estimated fair value of the award and recognize the cost (net of estimated forfeitures) over the requisite service period. Benefits of tax deductions in excess of recognized compensation expense, if any, are reported as a financing cash inflow rather than as an operating cash inflow. See Note 11 for further details regarding stock-based compensation.

*Income Taxes*. We account for income taxes using the asset and liability method. Under this method, income tax expense is recognized for the amount of taxes payable or refundable for the current year. In addition, deferred tax assets and liabilities are recognized for expected future tax consequences of temporary differences between the financial reporting and tax bases 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.

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

*Accounting Pronouncements Issued But Not Yet Effective*. In October 2009, the FASB issued a new pronouncement related to revenue arrangements with multiple deliverables. This new guidance requires a vendor to allocate revenue to each unit of accounting in many arrangements involving multiple deliverables based upon the relative selling price of each deliverable. It also changes the level of evidence of stand-alone selling price required to separate deliverables by allowing a vendor to make its best estimate of the stand-alone selling price of deliverables when more objective evidence of selling price is not available. The pronouncement also prohibits the use of the residual method of allocating arrangement consideration to deliverables, but instead, requires the use of the relative selling price method where the vendor must determine a stand-alone selling price for all deliverables that meet the separation criteria. The pronouncement's scope is limited to multiple element arrangements, and does not apply to deliverables within the scope of the software revenue recognition rules or other authoritative literature that addresses both separation and allocation. The provisions of this new pronouncement are effective for fiscal years beginning on or after June 15, 2010, and can be adopted prospectively to new or materially modified revenue arrangements entered into or materially modified after the effective date or retrospectively for all periods presented. We are currently evaluating when we will adopt this new pronouncement, as well as the impact that this new guidance will have on our consolidated results of operations and financial condition.

**3. Acquisitions**

*Quaero Corporation*. On December 31, 2008, we acquired Quaero Corporation (“Quaero”). Through December 31, 2009, we have made net cash purchase price payments related to the Quaero acquisition of \$14.4 million, with \$2.2 million of this amount being paid in 2009. Quaero was a marketing services provider with expertise in customer strategy, analytics, and marketing performance management. We acquired Quaero to broaden our solution suite with powerful customer intelligence capabilities, that will further assist our clients in

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

maximizing the value of their customer interactions. The Quaero acquisition has also allowed us to further diversify our revenue base and extend our reach into new industry verticals including financial services, pharmaceutical/healthcare, media/publishing, travel/hospitality, consumer, and high tech.

In addition to these cash purchase price payments, the Quaero merger agreement, as amended, includes provisions for contingent purchase price payments of up to \$2.5 million through the end of 2010, contingent upon meeting various product integration milestones. As of December 31, 2009, we have accrued a contingent purchase price amount of \$0.5 million that will be paid in the first quarter of 2010. The remaining \$2.0 million of contingent purchase price payments have not been reflected in the Quaero purchase price as of December 31, 2009 due to the uncertainty of payment, and 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.

There were no material changes to Quaero's purchase accounting estimated fair values of assets acquired and liabilities assumed during 2009. The Quaero goodwill amount of \$9.4 million as of December 31, 2009 has been assigned to a separate reporting unit within our one reportable segment. The Quaero goodwill and acquired intangible assets are deductible for income tax purposes.

*DataProse, Inc.* In April 2008, we acquired DataProse, Inc., ("DataProse") for a total cash purchase price of \$40.5 million. DataProse was a provider of statement presentment and direct mail services, 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 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.

There were no changes to DataProse's purchase accounting estimated fair values of assets acquired and liabilities assumed during 2009. The DataProse goodwill amount of \$28.7 million as of December 31, 2009 has been assigned to a separate reporting unit within our one reportable segment. DataProse goodwill and acquired intangible assets are deductible for income tax purposes.

*Prairie Voice Services, Inc.* In 2007, we acquired Prairie Voice Services, Inc., ("Prairie") which we subsequently renamed CSG Interactive Messaging, Inc., for a total cash purchase price of \$49.5 million to date, which includes accrued but not paid contingent purchase price amounts of \$1.8 million as of December 31, 2009. We paid contingent purchase price amounts of \$3.0 million in 2009. Prairie was a provider of inbound and outbound automated voice, text/SMS, email, and fax messaging services to manage: (i) workforce communications; (ii) collections; (iii) lead generation; (iv) automated order capture; (v) service outage notifications; and (vi) other business functions. We acquired Prairie to extend our capabilities within our core cable and DBS markets, while also providing an established customer base in new industry verticals such as financial services and telecommunications.

*ComTec, Inc.* In 2007, we acquired ComTec, Inc. ("ComTec") for a total cash purchase price of \$24.9 million. ComTec was a provider of print and electronic statement processing services. 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. In addition, the acquisition has increased our presence in our core cable and DBS markets, while also providing an established customer base in new industry verticals such as utilities, healthcare, home security, and financial services markets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. Segment Reporting and Significant Concentration

*Segment Information.* We have evaluated how our chief operating decision maker has organized our company for purposes of making operating decisions and assessing performance, and have concluded that as of December 31, 2009, we have one reportable segment.

*Products and Services.* Our primary product offerings include our core customer care and billing solution, ACP, and related services and software products, to include our Intelligent Customer Communications solutions. We generate a substantial percentage of our total revenues by providing our ACP processing, Intelligent Customer Communications, 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 our professional services principally to our existing base of customer care and billing 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, such as high-speed-data, telephony, and commercial services, to new and existing markets. Our solutions help our clients improve their profitability by creating more compelling product offerings and an enhanced customer experience through more relevant and targeted interactions.

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

*General Market Conditions.* Over the past few years, the U.S. has experienced a significant economic downturn and difficulties within the financial and credit markets. The timing, duration, and degree of an economic turnaround are uncertain and thus, these adverse economic conditions may 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. All companies are likely to be impacted by the current economic conditions to a certain degree, including CSG, our clients, and/or key vendors in our supply chain.

*Significant Clients and Industry Concentration .* Over the past decade, the North American communications industry has experienced significant consolidation, 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 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>2009</u>	<u>2008</u>	<u>2007</u>
Comcast	24%	27%	27%
DISH	18%	18%	20%
Time Warner	13%	14%	13%
Charter	9%	8%	9%

As of December 31, 2009 and 2008, the percentage of net billed accounts receivable balances attributable to these clients were as follows:

	<u>As of December 31,</u>	
	<u>2009</u>	<u>2008</u>
Comcast	19%	30%
DISH	26%	17%
Time Warner	9%	14%
Charter	13%	10%



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 their contracts with us, in whole or in part for any reason; (ii) significantly reduce the number of customer accounts processed on our solutions, 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.

5. Long-Lived Assets

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

	<u>Useful Lives (years)</u>	<u>2009</u>	<u>2008</u>
Computer equipment	3-5	\$ 59,344	\$ 35,242
Leasehold improvements	5-10	14,300	13,927
Operating equipment	3-10	59,783	61,226
Furniture and equipment	8	11,549	12,608
Capital projects in process	—	18	445
		<u>144,994</u>	<u>123,448</u>
Less—accumulated depreciation		<u>(88,195)</u>	<u>(80,854)</u>
Property and equipment, net		<u>\$ 56,799</u>	<u>\$ 42,594</u>

*Goodwill.* We do not have any intangible assets with indefinite lives other than goodwill. A rollforward of goodwill in 2009 and 2008 is as follows (in thousands):

January 1, 2008 balance	\$ 60,745
Goodwill acquired during period	37,932
Adjustments related to prior acquisitions	<u>5,294</u>
December 31, 2008 balance	103,971
Adjustments related to prior acquisitions	<u>3,081</u>
December 31, 2009 balance	<u>\$ 107,052</u>

The goodwill acquired in 2008 is related to the DataProse and Quaero business acquisitions. The adjustments related to prior acquisitions made in 2009 and 2008 are mainly due to the recording of contingent purchase price payments of \$3.4 million in 2009 for the Quaero and Prairie acquisition, and \$4.9 million in 2008 for the Prairie and Telution acquisitions.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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, 2009 and 2008, the carrying values of these assets were as follows (in thousands):

	2009			2008		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Investments in client contracts(1)	\$ 131,745	\$ (109,032)	\$ 22,713	\$ 120,326	\$ (104,636)	\$ 15,690
Capitalized costs(2)	14,371	(5,633)	8,738	8,635	(4,124)	4,511
Acquired client contracts(3)	17,957	(8,001)	9,956	17,958	(3,915)	14,043
Total client contracts	<u>\$ 164,073</u>	<u>\$ (122,666)</u>	<u>\$ 41,407</u>	<u>\$ 146,919</u>	<u>\$ (112,675)</u>	<u>\$ 34,244</u>

The aggregate amortization related to client contracts included in our operations for 2009, 2008, and 2007, was as follows (in thousands):

	2009	2008	2007
Investments in client contracts(1)	\$4,525	\$ 9,183	\$14,420
Capitalized costs(2)	1,077	2,246	1,057
Acquired client contracts(3)	4,087	2,293	856
Total client contracts	<u>\$9,689</u>	<u>\$13,722</u>	<u>\$16,333</u>

- (1) Investments in client contracts consist principally of 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, 2009, 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) Capitalized costs 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. Classification of the amortization of acquired client contracts generally follows where the acquired business' cost of revenues are categorized in the accompanying Consolidated Statements of Income.

The weighted-average remaining amortization period of client contracts as of December 31, 2009 was approximately 55 months. Based on the December 31, 2009 net carrying value of these intangible assets, the estimated amortization for each of the five succeeding fiscal years ending December 31 will be: 2010—\$10.9 million; 2011—\$9.9 million; 2012—\$9.1 million; 2013—\$4.5 million; and 2014—\$3.4 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Software

Software consists of: (i) software and similar intellectual property rights from various business combinations; and (ii) internal use software. As of December 31, 2009 and 2008, the carrying values of these assets were as follows (in thousands):

	2009			2008		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Acquired software(4)	\$44,079	\$ (38,252)	\$ 5,827	\$44,079	\$ (36,235)	\$7,844
Internal use software(5)	8,344	(2,014)	6,330	2,141	(150)	1,991
Total software	<u>\$52,423</u>	<u>\$ (40,266)</u>	<u>\$12,157</u>	<u>\$46,220</u>	<u>\$ (36,385)</u>	<u>\$9,835</u>

The aggregate amortization related to software included in our operations for 2009, 2008, and 2007, was as follows (in thousands):

	2009	2008	2007
Acquired software(4)	\$2,017	\$1,789	\$1,456
Internal use software(5)	1,894	156	—
Total software	<u>\$3,911</u>	<u>\$1,945</u>	<u>\$1,456</u>

- (4) Acquired software represents the software intangible assets acquired in the Quaero, DataProse, ComTec, Prairie, and Telution business acquisitions (see Note 3), and are being amortized over their estimated useful lives ranging from five to seven years.
- (5) Internal use software represents: (i) third-party software licenses; and (ii) the internal and external costs related to the implementation of the third-party software licenses. Internal use software is amortized over its estimated useful life ranging from twelve months to five years.

The weighted-average remaining amortization period of the software intangible assets as of December 31, 2009 was approximately 46 months. Based on the December 31, 2009 net carrying value of these intangible assets, the estimated amortization for each of the five succeeding fiscal years ending December 31 will be: 2010—\$4.5 million; 2011—\$4.4 million; 2012—\$3.0 million; and 2013—\$0.3 million; and 2014—zero.

6. Debt

*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 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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.

Holders 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); 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, 2009, 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 \$170.3 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. As of December 31, 2009, our conversion obligation did not exceed the par value of the Convertible Debt Securities.

During 2009, we repurchased \$30 million (par value) of our Convertible Debt Securities for \$26.7 million in the open public market, and recognized a gain on the repurchase of \$1.5 million. 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 \$3.4 million. This repurchased debt has been considered extinguished for accounting purposes.

As discussed in Note 2, effective January 1, 2009, we adopted a new accounting pronouncement that required us to refer back to the original issuance of our Convertible Debt Securities in June 2004, and record a \$67.6 million OID, which was the amount of the total proceeds of \$230 million that was attributable to the convertible equity component of the Convertible Debt Securities. A corresponding amount assigned to the OID was recorded to stockholders' equity (additional paid-in capital), net of deferred financing costs attributed to the equity component and net of income taxes. The OID is being amortized to book interest expense through June 15, 2011, which is the first date that the Convertible Debt Securities can be put back to us by the holders for cash. As of December 31, after the retrospective application of the new accounting pronouncement, the liability and equity components of the Convertible Debt Securities were as follows (in thousands):

	<u>2009</u>	<u>2008</u>
Liability component:		
Principal amount	\$170,300	\$200,300
Unamortized OID	(12,853)	(24,512)
Net carrying amount	<u>\$157,447</u>	<u>\$175,788</u>
Equity component (included within additional paid-in capital)	<u>\$ 39,752</u>	<u>\$ 40,649</u>

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The effective interest rate of the liability component for all periods presented is 8.0%, and the amount of interest expense recognized for the Convertible Debt Securities is as follows (in thousands):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Coupon interest (at 2.5%)	\$ 4,456	\$ 5,642	\$ 5,750
Amortization of OID	8,382	9,767	9,198
Total	<u>\$12,838</u>	<u>\$15,409</u>	<u>\$14,948</u>

*Deferred Financing Costs.* As of December 31, 2009, net deferred financing costs related to the Convertible Debt Securities were \$0.9 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. The net deferred financing costs are reflected in Other Assets in the accompanying Consolidated Balance Sheets. Interest expense for 2009, 2008, and 2007 includes amortization of deferred financing costs of \$0.7 million, \$0.9 million, and \$0.9 million, respectively. The weighted-average interest rate on our debt borrowings, including amortization of OID, amortization of deferred financing costs, and commitment fees on a revolving credit facility, for 2009, 2008, and 2007, was approximately 9%.

## 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):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current:			
Federal	\$ 1,745	\$14,159	\$17,310
State	940	1,801	1,845
	<u>2,685</u>	<u>15,960</u>	<u>19,155</u>
Deferred:			
Federal	16,253	11,012	7,754
State	2,569	542	3,033
	<u>18,822</u>	<u>11,554</u>	<u>10,787</u>
Total income tax provision	<u>\$21,507</u>	<u>\$27,514</u>	<u>\$29,942</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):

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Provision at Federal rate of 35%	\$22,179	\$28,267	\$29,608
State income taxes, net of Federal impact	2,281	1,523	3,170
Research and experimentation credits	(2,152)	(1,262)	(1,437)
Other	(801)	(1,014)	(1,399)
Total income tax provision	<u>\$21,507</u>	<u>\$27,514</u>	<u>\$29,942</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

*Deferred Income Taxes.* The components of our net deferred income tax assets (liabilities) as of December 31, 2009 and 2008 are as follows (in thousands):

	2009	2008
Current deferred income tax assets:		
Accrued expenses and reserves	\$ 12,525	\$ 9,050
Stock-based compensation	4,301	3,705
	<u>16,826</u>	<u>12,755</u>
Non-current deferred income tax assets (liabilities):		
Purchased research and development	7,254	10,845
Software	(1,200)	(1,058)
Client contracts and related intangibles	(3,949)	2,749
Goodwill	(1,456)	(481)
Net operating loss (NOL) carryforwards	3,213	7,348
Property and equipment	(14,946)	(8,910)
Contingent interest related to Convertible Debt Securities	(40,689)	(36,892)
Deferred revenue	8,014	3,849
Contingent payments	891	886
Other	670	1,326
	<u>(42,198)</u>	<u>(20,338)</u>
Valuation allowance	—	—
Net deferred income tax assets (liabilities)	<u>\$ (25,372)</u>	<u>\$ (7,583)</u>

We regularly assess the likelihood of the future realization of our 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, 2009, 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 deferred income tax assets.

As of December 31, 2009 we have: (i) an acquired Federal NOL carryforward of \$5.4 million, which will begin to expire in 2020 and can be utilized through 2027; and (ii) state NOL carryforwards of \$20.5 million, which will expire beginning in 2010 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

*Accounting for Uncertainty in Income Taxes.* 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.

On January 1, 2007, we adopted a new accounting pronouncement related to how tax benefits for uncertain tax positions are to be recognized, measured, and derecognized in the financial statements. This pronouncement also specifies how liabilities for uncertain tax position should be classified on the balance sheet. As the result of the adoption of this new guidance, 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; with a corresponding increase of \$1.5 million to our January 1, 2007 accumulated earnings balance.

A reconciliation of the beginning and ending balances of our liability for unrecognized tax benefits is as follows (in thousands):

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 4,672	\$4,534
Additions based on tax positions related to current year	1,289	1,019
Additions for tax positions of prior years	365	23
Reductions for tax positions of prior years	—	(22)
Lapse of statute of limitations	(2,195)	(882)
Balance, end of year	<u>\$ 4,131</u>	<u>\$4,672</u>

We recognize interest and penalty expense associated with our liability for unrecognized tax benefits as a component of income tax expense in our Consolidated Statements of Income. In addition to the \$4.1 million and \$4.7 million of liability for unrecognized tax benefits as of December 31, 2009 and 2008, respectively, we had \$0.4 million and \$0.4 million, respectively of income tax-related accrued interest. Included in the liability for unrecognized tax benefits as of December 31, 2009 and 2008, are zero and \$1.5 million, respectively, related to our discontinued operations. If recognized, the \$4.1 million of unrecognized tax benefits as of December 31, 2009, would favorably impact our effective tax rate in future periods.

We file income tax returns primarily in the U.S. Federal jurisdiction and in various state jurisdictions. As of December 31, 2009, the U.S. Federal statute of limitations has expired for years prior to 2006, and the statute of limitations has expired in our major state jurisdictions of Nebraska, Colorado and Florida for years prior to 1999, 2005, and 2006, respectively.

**8. 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 100% 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 2009, 2008, and 2007 was \$6.4 million, \$6.2 million, and \$6.1 million, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**9. 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: 2010—\$9.6 million, 2011—\$9.5 million, 2012—\$7.4 million, 2013—\$4.7 million, 2014—\$3.5 million, and thereafter—\$6.7 million. Total rent expense for 2009, 2008, and 2007, was \$12.5 million, \$11.3 million, and \$9.2 million, respectively.

*Service Agreements.* We outsource to First Data Corporation (“FDC”) the data processing and related computer services required for the operation of our outsourced 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 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 contract with FDC was scheduled to expire at the end of June 2010, but was recently amended to provide us options to continue the use of certain FDC data center services through December 31, 2010. Under our contract with FDC, 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 2009, 2008, and 2007 was \$53.1 million, \$48.3 million, and \$45.9 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 our FDC contract. The term of the Infocrossing service agreement is five years beginning on the date of full conversion.

*Warranties.* We generally warrant that our solutions and related offerings will conform to published specifications, or to specifications provided in an individual client arrangement, as applicable. The typical warranty period is 90 days from delivery of the solution 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.

*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, 2009, we believe we



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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, 2009, 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, 2009. 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.

**10. 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").

As of December 31, 2009, a summary of the shares repurchased under the Stock Repurchase Program is as follows (in thousands, except per share amounts):

	2009	2008	2007	2006	1999-2005	Total
Shares repurchased	250	250	13,181	2,485	13,130	29,296
Total amount paid	\$3,782	\$3,983	\$307,599	\$63,283	\$325,575	\$704,222
Weighted-average price per share	\$15.13	\$15.93	\$ 23.34	\$ 25.46	\$ 24.80	\$ 24.04

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of December 31, 2009, the total remaining number of shares available for repurchase under the Stock Repurchase Program totaled approximately 5.7 million shares.

In addition to the above mentioned stock repurchases, during 2009, 2008, and 2007, we repurchased and then cancelled approximately 195,000 shares, 136,000 shares, and 176,000 shares for \$2.8 million, \$1.8 million, and \$4.0 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.

11. Equity Compensation Plans

Stock Incentive Plans

Summary of Stock Incentive Plans . As of December 31, 2009, 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	7,138,778
Total stockholder approved	12,400,000	7,138,778
2001 Plan(3)	3,000,000	1,252
Total	15,400,000	7,140,030

- (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 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.

Restricted Stock . We generally issue new shares (versus treasury shares) to fulfill restricted stock award grants. Restricted stock awards are generally granted at no cost to the recipient. 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-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 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 has been approved by our stockholders. 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.

A summary of our unvested restricted stock activity during 2009 is as follows:

	2009	Weighted-Average Grant Date Fair Value
	Shares	
Unvested awards, January 1, 2009	1,614,569	\$ 18.17
Awards granted	846,661	14.48
Awards forfeited/cancelled	(116,996)	16.56
Awards vested	(592,517)	19.29
Unvested awards, December 31, 2009	<u>1,751,717</u>	<u>\$ 16.12</u>

The weighted-average grant date fair value of restricted stock shares granted during 2009, 2008, and 2007, was \$14.48 per share, \$12.22 per share, and \$25.08 per share, respectively. The total market value of restricted stock shares vesting during 2009, 2008, and 2007 was \$8.5 million, \$5.7 million, and \$11.7 million, respectively.

*Stock Options.* In 2003, we began primarily granting restricted stock awards instead of stock options to employees and non-employee directors under our equity compensation plans. Historically, stock option awards were granted with an exercise price equal to the fair value of our common stock as of the date of grant and typically vested over four years, with a maximum term of ten years. No stock options were awarded during 2009, 2008, or 2007.

A summary of our stock option activity during 2009 is as follows:

	2009		Weighted - Average Remaining Contractual Term	Aggregate Intrinsic Value(1)
	Shares	Exercise Price		
Outstanding at January 1, 2009	347,891	\$ 31.15		
Granted	—	—		
Exercised	(47,067)	\$ 11.41		
Expired	(20,550)	\$ 37.99		
Outstanding at December 31, 2009	<u>280,274</u>	<u>\$ 33.96</u>		
Options exercisable at December 31, 2009	<u>280,274</u>	<u>\$ 33.96</u>	<u>1.47 Years</u>	<u>\$568,015</u>

- (1) The aggregate intrinsic value represents stock options that were in-the-money as of December 31, 2009, 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, 2009.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The aggregate intrinsic value of stock options exercised, determined as of the date of option exercise, during 2009, 2008, and 2007 was approximately \$0.2 million, \$0.02 million, and \$0.8 million, respectively. Cash received from stock option exercises during 2009, 2008, and 2007 was \$0.5 million, \$0.1 million, and \$1.1 million, respectively.

***1996 Employee Stock Purchase Plan***

As of December 31, 2009, 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. Purchases are made at the end of each month. During 2009, 2008, and 2007, 88,368, 90,728, and 57,339 shares, respectively, were purchased under the plan for \$1.1 million (\$11.25 to \$16.46 per share), \$1.1 million, (\$9.37 to \$16.07 per share), and \$1.1 million, (\$12.51 to \$23.63 per share), respectively. As of December 31, 2009, 146,080 shares remain eligible for purchase under the plan.

***Stock-Based Compensation Expense***

We recorded stock-based compensation expense of \$12.6 million, \$11.6 million, and \$11.1 million, respectively, for 2009, 2008, and 2007. As of December 31, 2009, there was \$17.6 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 2009, 2008, and 2007, of \$4.9 million, \$4.4 million, and \$4.1 million, respectively. The actual income tax benefit realized for the tax deductions from stock option exercises and vesting of restricted stock for 2009, 2008, and 2007, totaled \$3.4 million, \$2.2 million, and \$4.8 million, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

## 12. Unaudited Quarterly Financial Data

	Quarter Ended			
	March 31	June 30	September 30	December 31
	(in thousands, except per share amounts)			
<b>2009:</b>				
Total revenues	\$123,546	\$124,836	\$ 124,548	\$ 127,787
Operating income(1)	21,579	19,587	17,307	16,274
Income from continuing operations before income taxes(2)	19,731	16,466	14,097	13,075
Income tax provision	(6,906)	(5,763)	(4,229)	(4,609)
Income from continuing operations(1)(2)	12,825	10,703	9,868	8,466
Discontinued operations, net of tax	—	—	1,471	—
Net income(1)(2)	12,825	10,703	11,339	8,466
Basic earnings per common share:				
Income from continuing operations(1)(2)	\$ 0.37	\$ 0.31	\$ 0.29	\$ 0.25
Discontinued operations, net of tax	—	—	0.04	—
Net income	\$ 0.37	\$ 0.31	\$ 0.33	\$ 0.25
Diluted earnings per common share:				
Income from continuing operations(1)(2)	\$ 0.37	\$ 0.31	\$ 0.29	\$ 0.24
Discontinued operations, net of tax	—	—	0.04	—
Net income	\$ 0.37	\$ 0.31	\$ 0.33	\$ 0.24
<b>2008:</b>				
Total revenues(3)	\$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(4)	20,703	18,753	17,889	23,419
Income tax provision	(7,375)	(6,914)	(5,985)	(7,240)
Income from continuing operations(4)	13,328	11,839	11,904	16,179
Discontinued operations, net of tax	—	—	323	—
Net income(4)	13,328	11,839	12,227	16,179
Basic earnings per common share:				
Income from continuing operations(4)	\$ 0.39	\$ 0.34	\$ 0.34	\$ 0.46
Discontinued operations, net of tax	—	—	0.01	—
Net income	\$ 0.39	\$ 0.34	\$ 0.35	\$ 0.46
Diluted earnings per common share:				
Income from continuing operations(4)	\$ 0.39	\$ 0.34	\$ 0.34	\$ 0.46
Discontinued operations, net of tax	—	—	0.01	—
Net income	\$ 0.39	\$ 0.34	\$ 0.35	\$ 0.46

- (1) In 2009, we began to transition our data processing and related computer services from FDC to Infocrossing (see Note 9). As a result, during the first, second, third, and fourth quarters of 2009, we incurred expenses of \$1.4 million, \$2.7 million, \$5.1 million, and \$6.3 million, respectively, or \$0.03, \$0.05, \$0.10, and \$0.12, per diluted share impact, related to these transition efforts.
- (2) The first quarter of 2009 results of operations includes a gain of \$1.5 million, or \$0.03 per diluted share, related to the repurchase of \$15.0 million of our Convertible Debt Securities (see Note 6).
- (3) During 2008, we completed the following acquisitions: (i) DataProse on April 30, 2008; and (ii) Quaero on December 31, 2008 (see Note 3).
- (4) The fourth quarter of 2008 results of operations include a gain of \$3.4 million, or \$0.07 per diluted share, related to the repurchase of \$29.7 million of our Convertible Debt Securities (see Note 6).

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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, 2009. 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 2009 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 2010 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 2010 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 2010 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.

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

See the Proxy Statement for our 2010 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 2010 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 44.

(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 79.

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.





**EXHIBIT INDEX**

<b><u>Exhibit Number</u></b>	<b><u>Description</u></b>
3.01(1)	Restated Certificate of Incorporation of the Company
3.02(9)	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(7)	Indenture dated as of June 2, 2004 between the Registrant and Deutsche Bank Trust Company Americas relating to the CODES
4.20(7)	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	Amended and Restated 1996 Employee Stock Purchase Plan, as adopted November 19, 2009
10.03(16)	CSG Systems International, Inc. 1996 Stock Incentive Plan, as amended August 14, 2007
10.04(16)	CSG Systems International, Inc. 2005 Stock Incentive Plan, as amended August 14, 2007
10.05(16)	CSG Systems International, Inc. Performance Bonus Program, as amended August 14, 2007
10.06(16)	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(12)	Indemnification Agreement between CSG Systems International, Inc. and Mr. Ronald Cooper, dated November 16, 2006
10.21*(20)	CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.22*(11)	CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and EchoStar Satellite L.L.C. effective November 1, 2005
10.22A*(13)	First and Second Amendment to CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and EchoStar Satellite L.L.C.
10.22B*(17)	Third Amendment to CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and EchoStar Satellite L.L.C.
10.22C*(18)	Fourth Amendment to CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and EchoStar Satellite L.L.C.
10.22D*(20)	Ninth Amendment to CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and DISH Network L.L.C.
10.22E(21)	Seventeenth Amendment to CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and DISH Network L.L.C.
10.22F*(22)	Tenth and Eleventh Amendment to CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and DISH Network L.L.C.
10.23*	CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Dish Network L.L.C.
10.24*(24)	CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable dated March 13, 2003

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<u>Exhibit Number</u>	<u>Description</u>
10.24A*(24)	ComTec Processing and Production Services Agreement
10.24B*(24)	Second Amendment to the Processing and Production Services Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.39(20)	CSG Systems, Inc. Wealth Accumulation Plan, as amended August 15, 2008
10.40*(6)	Third Amended and Restated Services Agreement between First Data Technologies, Inc. and CSG Systems, Inc. dated August 1, 2003
10.40A*(10)	First Amendment to Third Amended and Restated Services Agreement between First Data Technologies, Inc. and CSG Systems, Inc. dated June 28, 2005
10.40B	Second Amendment to the Third Amended and Restated Services Agreement between First Data Technologies, Inc. and CSG Systems, Inc. dated February 21, 2010
10.40C	Fifth Amendment to Service Agreement between First Data Technologies, Inc. and CSG Systems, Inc. dated February 21, 2010
10.41*(24)	Master Computer Services Agreement between Infocrossing, LLC and CSG Systems, Inc. dated December 15, 2008
10.41A*(24)	Work Order for Mainframe Computer Service between Infocrossing, LLC and CSG Systems, Inc. dated December 15, 2008
10.41B*(24)	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
10.46(19)	Restated Employment Agreement with Robert M. Scott, dated May 29, 2008
10.46A(20)	First Amendment to Restated Employment Agreement with Robert M. Scott, dated August 19, 2008
10.46B(23)	Second Amendment to Restated Employment Agreement with Robert M. Scott dated February 19, 2009
10.47(19)	Restated Employment Agreement with Randy R. Wiese, dated May 29, 2008
10.47A(20)	First Amendment to Restated Employment Agreement with Randy R. Wiese, dated August 19, 2008
10.48(19)	Restated Employment Agreement with Peter E. Kalan, dated May 29, 2008
10.48A(20)	First Amendment to Restated Employment Agreement with Peter E. Kalan, dated August 19, 2008
10.49(19)	Restated Employment Agreement with Joseph T. Ruble, dated May 29, 2008
10.49A(20)	First Amendment to Restated Employment Agreement with Joseph T. Ruble, dated August 19, 2008
10.50(5)	CSG Systems International, Inc. 2001 Stock Incentive Plan
10.51(23)	Employment Agreement with Bret C. Griess dated February 19, 2009
10.80(8)	Forms of Agreement for Equity Compensation
10.80A(15)	Forms of Agreement for Equity Compensation
10.80B(14)	Forms of Agreement for Equity Compensation

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<u>Exhibit Number</u>	<u>Description</u>
10.80C(16)	Forms of Agreement for Equity Compensation
10.81(20)	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 Quarterly Report on Form 10-Q for the period ended June 30, 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 September 30, 2003.
- (7) Incorporated by reference to the exhibit of the same number to the Registrant's Registration Statement No. 333-117427 on Form S-3.
- (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, 2004.
- (9) 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.
- (10) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2005.
- (11) 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.
- (12) 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.
- (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, 2006.
- (14) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2007.
- (15) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2007.
- (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 September 30, 2007.
- (17) 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.
- (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 March 31, 2008.

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- (19) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2008.
- (20) 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.
- (21) 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.
- (22) 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, 2008.
- (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 March 31, 2009.
- (24) Incorporated by reference to the exhibit of the same number to the Registrant's Annual Report on Form 10-K/A for the year ended December 31, 2008, filed on September 8, 2009.

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\* 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.

**CSG SYSTEMS INTERNATIONAL, INC.****AMENDED AND RESTATED 1996 EMPLOYEE STOCK PURCHASE PLAN**

## ARTICLE I

GENERAL

1.1 Purpose of the Plan. The purpose of the CSG Systems International, Inc. 1996 Employee Stock Purchase Plan (the "Plan") is to provide Eligible Employees of the Company and its Subsidiaries with a program for the regular purchase of Shares from the Company through periodic payroll deductions and dividend reinvestments, thereby giving Participants the opportunity to acquire a proprietary interest in the success of the Company. The Plan authorizes the sale and issuance of Shares pursuant to sub-plans adopted by the Company and, to the extent permitted under applicable law, by the Chief Executive Officer of the Company or his or her delegate which are designed to achieve desired tax or other objectives in particular locations outside of the United States.

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

- (a) "Adjusted Price" means an amount equal to eighty-five percent (85%) of the Fair Market Value on the last trading day of the Plan Month for which an Adjusted Price is being determined.
- (b) "Agent" means the independent agent appointed pursuant to Section 1.4.
- (c) "Company" means CSG Systems International, Inc., a Delaware corporation.
- (d) "Eligible Employee" means a person who is of majority age in his or her domicile state or other applicable jurisdiction and is a full-time or part-time employee of the Company or a Subsidiary, except that a temporary employee and an employee who has been designated by the Board of Directors of the Company as an executive officer of the Company or is otherwise subject to the provisions of Section 16(b) of the Securities Exchange Act of 1934 shall not be eligible to participate in the Plan.

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- (e) “Fair Market Value” means the last sale price of the Shares as quoted on The NASDAQ Stock Market on the trading day for which the determination is being made, or, in the event that no such sale takes place on such day, the average of the reported closing bid and asked prices on such day, or, if the Shares are listed on a national securities exchange, the last reported sale price on the principal national securities exchange on which the Shares are listed or admitted to trading on the trading day for which the determination is being made, or, if no such reported sale takes place on such day, the average of the closing bid and asked prices on such day on the principal national securities exchange on which the Shares are listed or admitted to trading, or, if the Shares are neither quoted on The NASDAQ Stock Market nor listed or admitted to trading on another national securities exchange, the average of the closing bid and asked prices in the over-the-counter market on the day for which the determination is being made as reported through The NASDAQ Stock Market, or, if bid and asked prices for the Shares on such day are not reported through The NASDAQ Stock Market, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm regularly making a market in the Shares selected for such purpose by the Chief Executive Officer of the Company, or, if none of the foregoing is applicable, the fair market value of the Shares as determined in good faith by the Chief Executive Officer of the Company in his sole discretion.
  - (f) “Participant” means an Eligible Employee who has elected to participate in the Plan pursuant to Section 2.1.
  - (g) “Plan Month” means each calendar month during the term of the Plan.
  - (h) “Shares” means shares of Common Stock, \$0.01 par value per share, of the Company.
  - (i) “Subsidiary” means a corporation or other entity of which not less than 50% of the voting shares or other voting interests are held by the Company or a Subsidiary, whether or not such corporation or other entity now exists or hereafter is organized or acquired by the Company or a Subsidiary. The plural form of such word is “Subsidiaries”.

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

1.4 Appointment and Removal of the Agent. The Company shall appoint an independent bank, trust company, brokerage firm, or other financial institution or an affiliate thereof to administer the Plan (including but not limited to the establishment of such procedures as reasonably may be necessary to accomplish such administration in a manner consistent with the purposes of the Plan), keep the records of the Plan reflecting the interests of Participants, hold

Shares acquired under the Plan on behalf of Participants, and generally act as the agent of Participants in the manner and to the extent provided in the Plan. The Agent may resign at any time by giving written notice of such resignation to the Company at least thirty (30) days prior to the effective date of such resignation. The Company may remove the Agent at any time by giving written notice of such removal to the Agent at least thirty (30) days prior to the effective date of such removal. In the event of the resignation or removal of the Agent, the Company promptly shall appoint a new Agent. The Company shall provide the names and addresses of all Participants to the Agent to facilitate direct communications by the Agent to the Participants.

1.5 Shares Available Under the Plan. The maximum number of shares which the Company may issue under the Plan on and after May 28, 2004, is the sum of (a) the number of Shares which were available for issuance under the Plan as of May 27, 2004, plus (b) 500,000 Shares; and the Company shall reserve and keep available for issuance under the Plan such maximum number of shares. In the event of an increase in the number of outstanding Shares by reason of a stock dividend or stock split, the number of Shares then remaining available for issuance under the Plan shall be increased proportionately.

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

## ARTICLE II

### PLAN PARTICIPATION

2.1 Enrollment and Payroll Deductions. Participation in the Plan is voluntary. An Eligible Employee may elect to participate in the Plan by completing and delivering to the Company enrollment and payroll deduction authorization forms prescribed by the Company authorizing periodic payroll deductions by the Company from such Eligible Employee's wages of the periodic amount specified by such Eligible Employee. Payroll deductions with respect to an Eligible Employee shall commence as soon as administratively practicable after the enrollment and payroll deduction authorization forms of such Eligible Employee are received and accepted by the Company. If a Participant's wages are paid on a biweekly schedule, then the biweekly payroll deduction amount specified by such Participant in his or her payroll deduction authorization form must be a minimum of \$10.00 and may not exceed \$500.00; in the case of Participants whose compensation is paid in a currency other than United States dollars, the applicable limits shall be the approximate equivalents of such minimum and maximum amounts fixed from time to time by the Company in administratively convenient units of such other currency. If a Participant's wages are paid on a schedule other than biweekly, then the periodic payroll deductions referred to in this Section 2.1 shall be made with respect to such Participant in accordance with such schedule as reflected on such Participant's payroll deduction authorization form; and the Company shall proportionately adjust the minimum and maximum permitted payroll deductions applicable to such Participant. A Participant may change his or her periodic payroll deduction amount by written notice to the Company in such form as the Company may specify; such change shall be effective as

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soon as administratively practicable after the change form is received and accepted by the Company. A Participant may cease participation in the Plan as of any payroll date by giving written notice of such cessation to the Company in such form as the Company may specify at least fifteen (15) days prior to such payroll date. The Agent shall continue to maintain the Plan account of a Participant who ceases participation in the Plan until such Participant instructs the Agent either to issue the Shares held in such Plan account to such Participant or to sell such Shares and remit the net proceeds of such sale to such Participant as provided in Section 2.5.

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

2.3 Allocation of Shares Among Participants . The Agent shall establish and maintain a separate Plan account for each Participant and shall allocate the Shares acquired by the Agent pursuant to Section 2.2 for a particular Plan Month among the Plan accounts of those Participants whose payroll deductions provided the funds used to acquire such Shares. Such allocation shall be made in the Plan records maintained by the Agent in proportion to the United States dollar amount of funds so provided by each Participant and, if fractional shares are involved, shall be made to three decimal places. Subject to the provisions of Section 2.5, the Agent shall hold in its name or the name of its nominee, for the benefit of all Participants, all shares acquired under the Plan. The Agent shall regularly make available to each Participant, either in written or electronic form, current information with respect to the Participant's Plan account showing acquisitions of Shares, dividends credited, sales or issuances of Shares, any applicable commissions or fees charged to such Participant, and the number of Shares then held.

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

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



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- (b) Stock Dividends and Stock Splits. Stock dividends and stock splits shall be credited to Participants having Shares allocated to their Plan accounts to the extent that such stock dividends and stock splits are attributable to such Shares.
  - (c) Stock Rights. If the Company makes available to its stockholders generally rights to subscribe to additional Shares or other securities, then such rights accruing on Shares held by the Agent under the Plan shall be sold by the Agent and the net proceeds of such sale shall be applied to the acquisition from the Company of additional Shares for Participants in the same manner as cash dividends are applied.

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

2.6 Voting Rights. A Participant will have the right to vote the Shares in his or her Plan account in accordance with the Agent's customary procedures for the voting of shares held in "street name" or other similar types of accounts; however, a Participant is not a stockholder of record of the Company with respect to any Shares held in such Participant's Plan account.

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

2.8 Termination of Eligibility. If a Participant ceases to be eligible to participate in the Plan for any reason, including but not limited to the termination of such Participant's employment

by the Company or a Subsidiary, then such Participant may no longer participate in the Plan through payroll deductions. If a Participant ceases to be eligible to participate in the Plan for a reason other than such Participant's death, then the Agent shall maintain such Participant's Plan account pending the Agent's receipt of instructions either from the Participant or from the Company as to the issuance or sale of the Shares in such Plan account in accordance with Section 2.5. If a Participant dies, then the Agent shall maintain the deceased Participant's Plan account pending the Agent's receipt of instructions as to the disposition of such Plan account from the duly authorized representative of the deceased Participant's estate.

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

2.10 Rules for Foreign Jurisdictions. Notwithstanding any other provisions of the Plan to the contrary, the Company and, to the extent permitted under applicable law, the Chief Executive Officer of the Company or his or her delegate may, in its or his or her sole discretion, amend or vary the terms of the Plan in order to conform such terms to the requirements of each non-U.S. jurisdiction where a Subsidiary is located or to meet the goals and objectives of the Plan with respect to the Eligible Employees employed in such non-U.S. jurisdiction. Each of the Company, and to the extent permitted under applicable law, the Chief Executive Officer of the Company or his or her delegate may, where it or he or she deems appropriate in its or his or her sole discretion, establish one or more sub-plans for such purposes. The Company and, to the extent permitted under applicable law, the Chief Executive Officer of the Company or his or her delegate may, in its or his or her sole discretion, establish administrative rules and procedures to facilitate the operation of the Plan in such non-U.S. jurisdictions. For purposes of clarity, the terms of the Plan which vary for a particular non-U.S. jurisdiction shall be reflected in a written addendum to the Plan for such non-U.S. jurisdiction.

### ARTICLE III

#### MISCELLANEOUS

3.1 Interpretation and Administration. The Chief Executive Officer of the Company or his or her delegate shall have the authority from time to time (a) to establish rules and regulations for the operation of the Plan, (b) to interpret the Plan, (c) to decide any and all questions which may arise in connection with the Plan, and (d) to modify any of the administrative provisions of the Plan to facilitate the proper and efficient administration of the Plan. Any delegate of the Chief Executive Officer of the Company for purposes of the Plan shall not make any discretionary decision which pertains directly to such delegate as a Participant and not to all Participants generally.

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3.2 Nonassignability. A Participant shall not have any right to sell, assign, transfer, pledge, or otherwise encumber or convey such Participant's Plan account or any interest therein except pursuant to Section 2.5. No Plan account shall be subject to attachment, garnishment, or seizure for the payment of any debts, judgments, alimony, child support, or separate maintenance owed by a Participant nor be transferable by operation of law in the event of a Participant's bankruptcy or insolvency.

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

3.4 Withholding; Payroll Taxes. To the extent required by applicable laws and regulations in effect at the time payroll deductions pursuant to the Plan are made from a Participant's wages, the Company or the Subsidiary by whom such Participant's wages are paid shall withhold from the remaining portion of such wages any taxes or other obligations required to be withheld from such wages by federal, state, local, or other laws by reason of such payroll deductions and the purchase of Shares under the Plan for the benefit of such Participant at a price less than Fair Market Value.

3.5 Transfer Upon Death. The Plan account of a Participant may be transferred by will or the laws of descent and distribution upon the death of such Participant, but the Company may require any transferee of a deceased Participant's Plan account promptly to elect either the issuance or the sale of all of the Shares in such Plan account pursuant to Section 2.5.

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

3.7 Plan Year. The plan year shall be the calendar year, except that the first plan year began on September 1, 1996, and ended on December 31, 1996.

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

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

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

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

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

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 (this "Agreement") is entered into between CSG Systems, Inc., a Delaware corporation with offices at 9555 Maroon Circle, Englewood, Colorado 80111 ("CSG"), and Dish Network L.L.C., a Colorado limited liability company with offices at 9601 S. Meridian Blvd, Englewood, Colorado, 80112 ("Customer") and shall be effective on January 1, 2010 (the "Effective Date").

WHEREAS, CSG and Customer are parties to a CSG Master Subscriber Management System Agreement entered into on November 5, 2005 (the "2005 Agreement"), and related amendments, statements of work, letters of authorization or other documents entered into by the parties pursuant to the 2005 Agreement (collectively, the "Prior Agreement"), and upon the Effective Date of this Agreement the terms and conditions of the Prior Agreement shall no longer govern the relationship of the parties except to the extent specifically provided in Section 34 of this Agreement.

WHEREAS, Customer desires to obtain from CSG, and CSG desires to provide to Customer, the services set forth below, which, along with any other CSG services subsequently provided by CSG to Customer under this Agreement, are collectively referred to herein as the "Services," and which are defined in Schedule A, including its Exhibits, attached hereto and incorporated herein.

WHEREAS, Customer desires to obtain from CSG, and CSG desires to grant to Customer, a license to use the software products set forth in Exhibit B-1 to Schedule B hereof (as further described in Section 12(b) and Exhibit B-1(a)), including, but not limited to, the Embedded Third-Party Software (as defined in Section 9), which, along with any other CSG products subsequently licensed by CSG to Customer under this Agreement, are collectively referred to herein as the "Products."

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

1. FEES AND EXPENSES. The Products and Services will be provided for the fees set forth in Schedule F. Customer shall also reimburse CSG for reasonable out-of-pocket expenses ("Reimbursable Expenses"), including travel and travel-related expenses that are consistent with CSG's standard travel reimbursement policies and are incurred by CSG in connection with CSG's performance of its obligations hereunder; \*\*\*\*\*

2. INVOICES AND PAYMENT.

(a) Payment; Offset. Customer shall pay Undisputed (defined below) amounts due hereunder within \*\*\*\*\*\_\*\*\*\* (\*\*\*) \*\*\*\*\* after the date of invoice via electronic funds transfer ("EFT") or automated clearing house ("ACH"). Notwithstanding anything to the contrary in this Agreement, CSG understands and agrees that any and all Undisputed payments, damages and liabilities due and payable to Customer by CSG under this Agreement or otherwise are subject to set-off by Customer against any and all Undisputed payments, damages and liabilities due and payable to CSG under this Agreement or otherwise. The parties further agree that any and all Undisputed payments, damages or liabilities due and payable to CSG by Customer under this Agreement are subject to set-off by CSG against any Undisputed payments, damages or liabilities due and payable to Customer under this Agreement. For purposes of this Agreement, "Undisputed" shall mean not disputed by either party in writing and in good faith. Any amount that is Undisputed that is not paid when due shall thereafter bear interest until paid at a rate equal to the \*\*\*\*\* or the maximum rate allowed by applicable law. Customer shall pay all amounts in U.S. currency.



4. **INCREASE IN FEES .** \*\*\* \*\*\*, In the event CSG's respective vendors increase the cost for paper, envelopes or Non-Embedded Third-Party Software by \*\*\*, the price paid by CSG as of the latter of the Effective Date or the date of the most recent fee increase for such product pursuant to this Section 4 (in either case, the "**Prior Price**"), CSG agrees to provide Customer with \*\*\*, written notice prior to each anniversary date of the Effective Date of the Agreement and shall increase corresponding fees to Customer by \*\*\*. Furthermore, the parties agree that the fees for postage are dependent upon the postage rates set by the United States Postal Service and CSG may increase the fees it charges to Customer for postage at any time upon written notice to Customer to account for variations in such rates. For the avoidance of doubt, the amount of the Monthly Processing Fee shall be as specified in Schedule F.
5. **SHIPMENT.** Unless otherwise mutually agreed to by the parties, CSG will use commercially reasonable efforts to make software available for electronic download by Customer with the use of an access code provided by CSG. Customer's license to the Products commences upon Customer's receipt of access to the Products. Upon timely notice by Customer to CSG, CSG will immediately replace, at CSG's expense, any Products that are lost or damaged while in route to, or when received by, Customer. At no additional cost or expense to Customer, CSG will comply with Customer's request for method of delivery of Products (including third-party software), whether via disc, tape, electronic download by Customer with the use of an access code provided by CSG, or other medium, so long as such format is available to CSG using commercially reasonable efforts.
6. **EQUIPMENT PURCHASE .**
- (a) 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 (the "**Required Equipment**") that are necessary at Customer's place of business in order for Customer to utilize the Services and the Products. 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 Customer's request and subject to the terms and conditions of Schedule B, CSG will consult with, assist and advise Customer regarding Customer's discharge of its responsibilities with respect to the Required Equipment, and CSG, in its sole discretion, may obtain for Customer, upon Customer's written request, any Required Equipment at CSG's then-current prices and on terms and conditions set forth in a separately executed purchase agreement. As of the Effective Date, the parties agree that (i) the Services and Products are functioning in an acceptable manner in relation to the Required Equipment identified in this section, (ii) CSG is not aware of any necessary changes or modifications to the Required Equipment that it has not already communicated to Customer as provided in Schedule M, and (iii) Customer shall be required to make changes to the Required Equipment solely in accordance with such plans for changes to the Products, Services, Deliverables and Required Equipment as the parties may mutually agree upon from time to time, provided that any such plans shall (A) expressly describe the Required Equipment that would be required for the execution thereof and (B) be approved by the Customer Contract Executive or the Vice-President of IT Operations. Such plans may include, but shall not be limited to, the software development lifecycle, change management process and work request form process.

- (b) If necessary for Customer to receive the Products and/or Services, CSG may provide, at Customer's option and expense, the required data communications line from CSG's data processing center to each of Customer's system site locations (the "**System Sites**"), which Customer may amend from time to time, as appropriate. Customer shall pay all fees and charges in connection with the installation and use of any peripheral equipment related to the data communications line in accordance with the fees set forth in Schedule F.

## 7. PRODUCTS WARRANTIES AND REMEDIES.

- (a) Limited Warranty. Except as otherwise provided herein (in Sections that include, but are not necessarily limited to, Sections 7, 8, and 9), CSG represents and warrants that, upon and continuing after delivery for a period of \*\*\*\*\* (\*\*) \*\*\*\*\* \*\*\*\* (the "**Warranty Period**") the Products and any third-party software provided by CSG under this Agreement set forth in Exhibit B-1(b) (the "**Non-Embedded Third-Party Software**," and together with the Embedded Third-Party Software (as defined in Section 9), the "**Third-Party Software**"), and any Deliverables (as defined in Exhibit A-2) provided by CSG under Exhibit A-2, will:
  - (i) conform to CSG's specifications set forth in the Documentation (as defined in Section 12(b)) or the specifications set forth in the applicable design document for a statement of work or ASH (as defined in Section 7 of Exhibit A-1) project, including, but not limited to, any specifications relating to the performance of the Embedded Third-Party Software and the interoperability of the Third-Party Software with the Products and Deliverables, and (ii) that the Products and Deliverables will perform in the Designated Environment (as defined in Section 11) as described in the Documentation. It is understood and agreed that, as it relates to the Non-Embedded Third-Party Software, the foregoing limited warranty shall apply solely with respect to the interoperability of such software with the Products and Deliverables. CSG also warrants that the Services (including, but not limited to, the Technical Services as described in Exhibit A-2) will be performed in accordance with customary industry standards, and in a professional and workmanlike manner by qualified professionals. Except as set forth in the first sentence of this Section 7(a), any Non-Embedded Third-Party Software provided by CSG under this Agreement, shall be provided AS IS, except if and to the extent that the licensor of the foregoing provides any warranty or other rights or protections (collectively, "**Protections**") to its or CSG's end-user customers. If such licensor does provide any such Protections, then CSG shall take such commercially reasonable actions as may be necessary to pass such Protections through to Customer. In addition, CSG represents and Customer acknowledges that (A) the Products, Deliverables and the Third-Party Software may not satisfy all of Customer's requirements and (B) the use of the Products, Deliverables and Third-Party Software may not be uninterrupted or error-free. Customer further acknowledges that the fees and other charges contemplated under this Agreement are based on the limited warranty, disclaimers and limitation of liability specified in this Agreement (including, but not limited to this Section 7 and Sections 8, 15, 16 and 17). The parties agree that any expired warranties for Products, Services or Deliverables under the Prior Agreement shall not renew or be revived as a result of the parties executing this Agreement.





9. **THIRD-PARTY LICENSES.** CSG may provide Customer and its Affiliates (as defined in Section 12 (a)) third-party software embedded within the Products (such software, which includes all third-party software provided to Customer by CSG that is not listed on Exhibit B-1(b), shall be referred to herein as the “**Embedded 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 (the “**Third-Party Licenses**”). CSG represents and Customer and its Affiliates acknowledges that Customer and its Affiliates receive no express or implied license under the Third-Party Licenses other than the right to use the Products, including, but not limited to, any Embedded Third-Party Software and Services, as provided by CSG, in the video, high speed data and direct broadcast satellite industries. Any modification of or addition to the Products, including, but not limited to, any Embedded Third-Party Software or Services or combination with other software, hardware or services not made, provided or authorized in writing by CSG may not be licensed under the Third-Party Rights, expressly or impliedly, and may subject Customer and its Affiliates and any third-party supplier or service provider to an infringement claim. Neither Customer and its Affiliates nor any third party will have any express or implied rights under the Third-Party Licenses with respect to any product or service provided by Customer and its Affiliates other than through the authorized use of the Products, third-party software or Services as provided by CSG.

10. **MAINTENANCE AND SUPPORT.**

(a) Standard Support Services . Following expiration of the Warranty Period throughout the applicable term of this Agreement as set forth in Section 18, CSG will provide Customer support and maintenance of the then-current version of each licensed Product which shall include any and all Updates (defined below), excluding any customization (“**Support Services**”) in accordance with the terms set forth in Schedule I. Included in the Support Services is support of the then-current version of the licensed Products via CSG’s Solution Support Center, account management, publication updates, and the fixes and updates that CSG makes generally available as part of its maintenance and support packages (the “**Updates**”) including, but not limited to, such support as may be necessary to maintain interoperability between the Products and Third-Party Software. For purposes of this Agreement, the “then-current version” includes all dot releases of the licensed Products that CSG has provided to Customer free of charge. If Customer is not utilizing the Products in a Designated Environment, Customer has added third-party applications, Customer has had custom modifications made to the Products or Services, then, unless such environment, applications or modifications have been approved by CSG or were created, added or made by or under instructions from CSG, Customer will be responsible for making all necessary modifications to such third-party applications to ensure they function properly with the Updates. Custom software modifications are not included in Support Services as Updates, but are covered as Technical Services under Exhibit A-2. The Support Services do not include maintenance and support of any customization or any other third-party software; however, CSG shall provide maintenance and support as part of the Support Services with respect to any modifications of Products made by CSG and with respect to the continued interoperability of the Products with the Third-Party Software. The maintenance and support for any customization will be provided pursuant to the terms, conditions and fees set forth in a separately executed statement of work. Other maintenance and support for Non-Embedded Third-Party Products is provided by the licensor of those products, and although CSG may assist in this maintenance and support with front-line support, CSG will have no liability with respect thereto and Customer must look solely to the licensor. To the extent that CSG makes available for general release products providing functionality previously existing in a Product, CSG will make such functionality available to Customer at no additional charge or expense.

(b) Limitation. Updates or Enhancements (as defined in Section 12(b)) to any Product will not include any upgrade or new version of the CSG Products 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 or Enhancements (ii) customize the Updates or Enhancements to satisfy Customer's particular requests or (iii) obtain Updates or Enhancements to any third-party product. If an Update or Enhancement replaces a prior version of a Product, Customer shall, at its option, destroy or promptly return to CSG such prior version and all archival copies upon installing the Update or Enhancement.

11. **DESIGNATED ENVIRONMENT.** "Designated Environment" means the combination of the other computer programs and hardware equipment that CSG specifies for use with the Products as set forth on CSG's customer extranet website, which can be accessed by Customer, and which, as of the Effective Date, is as set forth in Schedule N, or approved by CSG in writing or otherwise for Customer's use with the Products at the System Sites. Customer (or any third parties permitted access in accordance with Section 12 (d)(ii) below) may use the Products only in the Designated Environment and will be solely responsible for upgrading the Designated Environment in the event of a Permitted Change. CSG covenants and agrees to use commercially reasonable efforts to provide Customer at least \*\*\*\*\* (\*\*\*) \*\*\*\*\* prior notice to any Permitted Change. A "**Permitted Change**" shall mean any changes to the Designated Environment or any hardware and software that Customer may be required to maintain in order to use or access the Products, Services or Deliverables that are (a) in accordance with such plans as the parties may agree upon from time to time with respect to the Products, Services and Deliverables or customers use thereof, or (b) become necessary as a result of (i) a change or modification to Products, Services or the Designated Environment that is requested or initiated by Customer or with Customer's consent; (ii) a change necessary to maintain compliance with third-party software required in the Designated Environment, (iii) Customer's use of a new Product or Service which requires a new Designated Environment for such Product or Service, or (iv) a change necessary to permit CSG to remain in compliance with the terms and conditions of this Agreement. To the extent that Customer uses the Products outside the Designated Environment, CSG will have no obligation to continue maintaining and supporting the Products. Notwithstanding the previous sentence even if Customer operates CSG Products in a nonconforming environment, CSG covenants and agrees that it will use commercially reasonable efforts to support such hardware and software so long as the manufacturer/supplier thereof continues to provide general support thereof and Customer acknowledges that CSG shall have no liability under this Agreement for any Support Services provided in connection with such Products. As of the Effective Date, except as set forth on Schedule M, CSG is not aware of any condition or configuration that exists within the environment at Customer's System Site that would cause such environment to be in violation of the definition of a Designated Environment as set forth above, and within \*\*\*\*\* (\*\*\*) \*\*\*\*\* of the Effective Date, at Customer's request, CSG shall provide Customer with \*\*\* (\*\*\*) \*\*\*\*\* \*\* \*\*\*\*\* to Customer to assist Customer in conducting an assessment of Customer's environment. Any other use or transfer of the Products will require CSG's prior approval, which may be subject to additional charges. CSG will not have any responsibility or liability for malfunctions or any damage from modification to the Products not authorized by CSG or from use of the Products in connection with software or hardware not included in a the Designated Environment or provided by CSG. It is understood and agreed that Customer's failure to keep its environment in compliance with the Designated Environment (a "**DEG Failure**") shall not be deemed to be a material breach of this Agreement or the license granted hereunder; provided, however, that to the extent that CSG's performance under this Agreement is hindered due to such DEG Failure, such reduced level of performance shall not be deemed a material breach of this Agreement.

## 12. LICENSE GRANT.

- (a) License. CSG hereby grants Customer and its Affiliates a non-exclusive and non-transferable (except as set forth in Section 29) perpetual right (except as limited by Section 18), to use the Products at the System Sites and number of workstations set forth in Exhibit B-1 (except with respect to the Expanded License Software defined in subsection (b) below), in the Designated Environment, for the fees set forth in Schedule F, and subject to the terms and conditions of the Agreement. As used in this Agreement, the term “**Affiliate**” shall mean any person or entity controlling, controlled by or under common control with a party; and an entity shall be deemed to be controlled by another if the controlling entity has greater than fifty percent (50%) of the voting interests in the other entity or is legally able, by contract or otherwise, to direct the affairs and/or to control the composition of the other entity’s board of directors or equivalent body.
- (b) CSG Products. The term “Products” includes (i) the machine-readable object code version of the software products listed in Exhibit B-1 to Schedule B hereof (collectively, 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) the fixes, updates, upgrades or new versions of the Software or Documentation that CSG may provide to Customer under this Agreement (the “**Enhancements**”), and (iv) any copy of the Software, Documentation or Enhancements. “**Expanded License Software**” shall include Advanced Customer Service Representative® (ACSR®), ACSR® AOI, ACSR® module for High Speed Data, CSG Statement Express™, and CSG Screen Express®.
- (c) Use. Unless explicitly stated to the contrary herein, and in addition to the restrictions on use and/or terms and conditions set forth in Section (d) below, Customer and its Affiliates may use the Products only in object code form, and only for Customer’s and its Affiliates’ own internal purposes and business operations with the Services for providing accounting and billing services to its subscribers or services related thereto. Neither Customer nor its Affiliates will use the Products to provide any such service to or on behalf of any third parties in a service bureau capacity and will not permit any other person to use the Products, whether on a time-sharing, remote job entry or other multiple user arrangement. Customer and its Affiliates will not install the Software, Enhancements or Customization (as defined in Section (d) below) on a network or other multi-user computer system unless otherwise specified in the Exhibits to Schedule B, in which case the Designated Environment may be used to provide database or file services to other of Customer’s computers across the network, up to the number of user I.D.’s specified in Exhibit B-1. Backup and recovery plans or backup and recovery software is not included with the Products. Any of Customer’s or its Affiliates’ documents, data and files are and shall remain Customer’s or its Affiliates’ property; and therefore, Customer and its Affiliates are solely responsible for their own backup and recovery plan(s) for their data stored within the Designated Environment or utilized within the Products. Customer and its Affiliates may make only one back-up archival copy of the Software, Enhancements or Customization for each System Site. Customer and such Affiliates 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. Neither Customer nor its Affiliates shall otherwise copy, translate, modify, adapt, decompile, disassemble or reverse engineer the Products, except as and to the extent expressly authorized by applicable law. Neither Customer nor its Affiliates shall publish any results of benchmark tests run on the Products.

(d) Product Specific Terms and Conditions.

- (i) Expanded License. For the fees set forth in Schedule F, CSG hereby grants to Customer and its Affiliates a perpetual (except as limited by Section 18) non-exclusive, royalty-free license to use the Expanded License Software (as identified in Exhibit B-1) (the “**Expanded License**”), subject to the terms and conditions set forth below:
- A. Customer and its Affiliates may use the Expanded License Software in object code form only on workstations that are owned or leased by Customer or its Affiliates in the United States or those countries provided in Schedule C, in the Designated Environment for each Product as specified in this Agreement, and only for Customer’s or its Affiliates’ own internal business purposes in connection with the Services;
  - B. Upon the execution of the Agreement, Customer and its Affiliates may make an unlimited number of copies of the applicable Expanded License Software for its use under this Expanded License; provided however, that Customer shall reproduce all confidentiality and proprietary notices on all such copies;
  - C. This Expanded License is not transferable (except as set forth in Section 29), in whole or in part without CSG’s prior written consent;
  - D. Except as specifically provided in Subsection (ii)(C) below, Customer and its Affiliates will not use, or permit any other person to use, the Expanded License Software to provide any service to, on behalf of, or for the benefit of, any third party other than Customer’s or its Affiliates’ subscribers;
  - E. Except as specifically provided in Subsection (ii)(C) below, Customer and its Affiliates 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);
  - F. Customer and its Affiliates shall not otherwise copy, translate, modify, adapt, decompile, disassemble or reverse engineer the Expanded License Software;
  - G. The Expanded License granted under this Section is exclusive of any third-party software that may be required to operate the software, as identified in Exhibit B-1(b), for which Customer agrees to be solely responsible for procuring; and
  - H. Customer shall be responsible for paying CSG for any and all installation/startup services provided by CSG in relation to the Expanded Licenses granted in this Section. Such services shall be provided under a mutually agreeable statement of work.
  - I. Customer acknowledges and agrees that it is responsible for its Affiliates’ compliance with the terms and conditions of the Agreement, including, but not limited to, such Affiliates’ compliance with the terms of use of the Products, which include, but are not limited to, the Expanded License Software. Accordingly, Customer shall be liable to CSG for the acts and omissions of its Affiliates to the same extent that liability to CSG would accrue under this Agreement if such acts or omissions had been performed or made by Customer.

- (ii) Third-Party Access. CSG acknowledges and agrees that Customer and its Affiliates may desire to have third parties access and use copies of the Expanded License Software for the exclusive benefit of Customer and its Affiliates, and CSG hereby consents to such third-party access, provided that:
  - A. Such third party executes an agreement with CSG substantially similar in form to Exhibit B-1(c) of this Agreement;
  - B. Customer and its Affiliates takes all reasonably necessary precautions with such third parties to protect the intellectual property rights of the Expanded License Software;
  - C. Such third parties' use of the Expanded License Software is strictly in accordance with the limitations contained in the Agreement;
  - D. Customer and its Affiliates shall be responsible for the acts or omissions of such third parties with respect to their use of the Expanded License Software and shall defend, indemnify and hold harmless CSG from and against any and all third-party claims, suits, liabilities, expenses, attorneys' fees or damages for any breach by such third party of the terms of the Expanded Licenses or any terms of this Section; and
  - E. Customer shall be responsible for paying CSG for any and all installation/startup services provided by CSG in relation to the licenses granted in this Section. Such services shall be provided under a mutually agreeable statement of work.

### 13. INDEMNITY.

- (a) CSG Rights. CSG represents, warrants and covenants that as of the Effective Date and continuously during the term of this Agreement: (i) CSG owns or otherwise has the right to license to Customer, and shall own or otherwise have the right to license to Customer, all U.S. patents, copyrights, trade secrets and other proprietary rights in or to the Products, Services, Deliverables, including, but not limited to, the Embedded Third-Party Software; (ii) the Products, Services and Deliverables do not and will not infringe a U.S. patent, trademark, copyright, trade secret or any other proprietary right owned by a third party; and (iii) CSG possess the legal right and authority to execute and fully perform this Agreement and (iv) the execution of this Agreement will not violate any other material agreement or obligation by which CSG may be bound.
- (b) CSG Indemnity Obligation.
  - (i) CSG's Obligation to Defend. Except as set forth in Section 8, if an action is brought against Customer or its Affiliate(s) claiming that the Products, Services or Deliverables, in whole or in part, infringe a United States patent, copyright, trademark, trade secret or other proprietary right owned by a third person, CSG will defend Customer and its Affiliate(s) at CSG's expense and pay any losses, claims, liabilities, damages and costs (including attorney's fees) finally awarded to a third party and against Customer or its Affiliate(s) in the infringement action.

- (ii) Additional Remedy. If a claim described in this Section 13(b) may be or has been asserted, CSG shall, and Customer will permit CSG, at CSG's option and expense, to either (A) procure for Customer and its Affiliates the right to continue using the Products, Services or Deliverables, (B) replace or modify the Products, Services or Deliverables to eliminate the infringement while providing functionally equivalent performance or, if CSG cannot accomplish any of the foregoing remedies using commercially reasonable efforts, (C) accept the return of the Products, Services or Deliverables and refund to Customer the amount of the fees actually paid to CSG and allocable for such Product, Service or Deliverable, less amortization based on a 5-year straight-line amortization schedule and a pro rata share of any maintenance fees that Customer actually paid to CSG for the period that such Product, Service or Deliverable was not usable. In the event that CSG elects to provide the remedy described in clause 13(b)(ii)(C), Customer shall have the right to terminate the Agreement only as it applies to the returned Product, Service or Deliverable, immediately upon delivery of written notice to CSG and, except with respect to any portion of this Agreement that was not terminated, Customer shall have no further obligation to make any further payments to CSG under this Agreement for the returned Product, Service or Deliverable. CSG agrees that in the event CSG elects to provide the remedy described in clause 13(b)(ii)(C) with respect to an infringing Product, Service or Deliverable, CSG shall replace such Product, Service or Deliverable with a Product, Service or Deliverable that will provide functionality substantially similar to the returned Product, Service or Deliverable and, if CSG provides such a replacement, Customer shall continue to pay the fees provided in Schedule F, which include, but are not limited to, Guaranteed Fees and Print and Mail Minimums; provided, however, that if CSG elects to provide the remedy described in clause 13(b)(ii)(C) and pursuant thereto provides a replacement that does not provide substantially similar functionality as the replaced Product, Service or Deliverable, the parties shall negotiate in good faith to provide an equitable adjustment to such fees with respect to any documented loss of functionality which Customer used or had the right to use without paying an additional fee. Moreover, notwithstanding the limitation set forth in Section 13(c) below, Customer would have been unwilling to enter into this Agreement or to provide the consideration set forth herein, including, but not limited to, the Guaranteed Fees and Print and Mail Minimums, without the certainty of performance by CSG that is promised in this Agreement, including, but not limited to, CSG's agreement to provide Products, Services and Deliverables that provide the functionality described in this Agreement and therefore Customer's right to terminate the Agreement in accordance with its terms, including, but not limited to, Section 19 thereof, shall not be limited or abrogated by this Section 13(b)(ii) or any agreement with respect to an equitable adjustment with respect to, or the application of the limitations of Section 13(c) to a remedy provided pursuant to, Section 13(b)(ii)(C). Nothing in this Section 13(b)(ii) is intended to define what level of functionality provided by CSG or its Products, Services or Deliverables constitutes a material breach or to provide examples thereof.
  
- (c) Limitation on CSG's Indemnity Obligation. CSG shall have no indemnity obligation to Customer under this Section to the extent, but only to the extent, that the infringement claim results from (i) a correction or modification of the Product: (A) not provided or recommended by CSG, (B) not made under CSG's instructions, (C) that is not specifically provided for in the Documentation, and (D) made without CSG's knowledge and consent, if such claim could not have been maintained absent such correction or modification, (ii) the failure by Customer to promptly install an Update or Enhancement that (A) was provided by CSG other than pursuant to a statement of work or in connection with the use of ASH, and (B) would have provided performance functionally equivalent to the performance of the Product immediately prior to the installation of any such Update or Enhancement, but only if, and only for the time after, CSG shall have notified Customer in writing of the need to install such Update or Enhancement to avoid such infringement, or (iii) the combination of the Product with other items (A) not provided by CSG, (B) not combined under instructions from CSG, and (C) which could not have been reasonably anticipated by CSG to be used by Customer, or to be purchased by Customer pursuant to Section 6 herein, but only if such claim could not be maintained absent such combination. \*\*\*  
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For purposes of this Section, “ **Written Instructions** ” shall mean the requirements, solution or other direction given by CSG in writing pursuant to acknowledged procedures used by the parties which shall include, but not be limited to the software development lifecycle, change management process and work request form process. The foregoing shall not include Documentation.

- 14. DISCOVERY SUPPORT.** CSG acknowledges and agrees that from time to time in the course of its business, Customer or its Affiliate may have a legal obligation to preserve, collect and produce certain data that CSG maintains pursuant to this Agreement and/or produce such data in response to requests, inquiries or demands that may be made to Customer or its Affiliates from time to time by government agencies, courts or parties with which Customer or its Affiliate is engaged in litigation. CSG agrees to reasonably cooperate with Customer, to the fullest extent required by law, and with respect to any further or other request made by Customer, in complying with and responding to such inquires or demands as are made to Customer or its Affiliates with respect to data or other information relating to the business of Customer or its Affiliates that is or comes into the possession and/or custody of CSG (“ **Discovery Support** ”). During the term of this Agreement, CSG shall provide to Customer up to \*\*\*\* (\*) \*\*\*\*\* of Discovery Support per litigation to be used for the specific litigation. In the event additional Discovery Support is required in connection with a litigation, the fees for such Discovery Support shall be \*\*\*\*. \*\* \*\*\* \*\*\*\*\*, \*\*\* \*\*\*\*\* (excluding development hours, which may be charged at a different rate in accordance with Schedule F) for the time expended by CSG personnel in complying with any request of Customer under this section, but no other fees or other compensation shall apply for such personnel time. Customer agrees that should its request require investment in hardware or software by CSG or third-party vendor resources, CSG shall provide estimates and costs of providing same and Customer agrees to pay for such costs in the event it requests CSG to proceed. Unless otherwise specifically agreed to in a subsequent statement of work Annual Support Hours shall not be used for Discovery Support. CSG further acknowledges that such requests may require the collection and production of data with respect to subscribers that have been sold to an unrelated third party by Customer and agrees to collect and produce such information with respect to the period during which such subscribers were Active Subscribers (as defined in Schedule F) as long as CSG receives the approval of any acquiring entity to provide same. Customer agrees to indemnify, defend and hold CSG harmless against any and all losses and/or damages incurred by CSG that arise directly from third-party claims that result from CSG’s provision of Discovery Support specifically requested by Customer.

**15. COMPLIANCE.**

- (a) Compliance with Law; No Assumption of Obligations. Each party, and all Products, Services and Deliverables, shall comply with, and each party agrees that this Agreement and all Schedules and Exhibits hereto are subject to, all applicable federal, state, and local laws, rules and regulations, and all amendments thereto, now enacted or hereafter promulgated in force during the term of this Agreement. Nothing in this Agreement shall be construed as an assumption by either party of any of the other party’s obligations, responsibilities or liabilities under applicable law, regulations and rules.

- (b) Export Controls. CSG and Customer 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 of technologies and services that may be exported, and (iii) the conduct of transactions involving foreign parties. Such laws include, but not limited to, 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**”). Unless otherwise provided in this paragraph, Customer agrees that it shall neither export nor re-export CSG Products and Services. CSG agrees that it will be solely responsible for, in compliance with the applicable Export Laws, providing all applicable notices to and making all applicable filings (except in such cases where the Export Laws requires the foregoing to be filed by Customer) with any U.S. governmental authority that may be required with respect to the provision to Customer of the Products or Services. Customer agrees to comply with all applicable Export Laws in connection with Customer’s and/or an Outsourced Vendor’s (as defined below) use of the Products and Services under this Agreement. With respect to Customer’s obligation to comply with applicable Export Laws, CSG agrees to provide reasonable assistance to Customer by providing all necessary information, documentation, materials and technical data regarding the Products and Services to Customer, in a commercially reasonable time or such shorter period as may be required by law upon Customer’s request and free of charge, where such Customer reasonably determines that its receipt of such information, documentation, materials and/or technical data regarding the Products and/or Services is necessary in order to enable it to comply with applicable Export Laws. Further, Customer agrees that it shall not export or re-export Export Approved Products (as defined below) to a foreign country that is not an Export Approved Country (as defined below) without the prior written consent of CSG. Customer may export or re-export Export Approved Products to Export Approved Countries, in accordance with the Export Laws as defined in this subsection (b). The term “**Outsourced Vendor**” shall mean a third-party service provider of Customer located in the export-approved countries set forth on Schedule C. The terms “**Export Approved Country**” and “**Export Approved Products**” shall mean those countries and CSG Products identified in Schedule C.
- (c) Provisions Additive. The provisions of this Section 15 are in addition to any other legal compliance related provisions set forth in any Schedules or Exhibits to this Agreement in connection with any specific Products or Services.

- 16. EXCLUSION OF CERTAIN WARRANTIES.** EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, ALL WARRANTIES, CONDITIONS, REPRESENTATIONS, INDEMNITIES AND GUARANTEES OF EACH PARTY, INCLUDING, BUT NOT LIMITED TO, WITH RESPECT TO THE PRODUCTS, ANY THIRD-PARTY SOFTWARE, AND THE SERVICES, WHETHER EXPRESS OR IMPLIED, ARISING BY LAW, CUSTOM, PRIOR ORAL OR WRITTEN STATEMENTS BY EITHER PARTY, THEIR AGENTS OR OTHERWISE (INCLUDING, BUT NOT LIMITED TO ANY WARRANTY OF MERCHANTABILITY, SATISFACTION, OR FITNESS FOR PARTICULAR PURPOSE) ARE HEREBY OVERRIDDEN, EXCLUDED AND DISCLAIMED. CUSTOMER ACKNOWLEDGES AND AGREES THAT THE PRODUCTS AND SERVICES BEING PROVIDED ARE NOT WARRANTED TO BE ERROR-FREE BUT CSG REPRESENTS THAT IT WILL USE ALL COMMERCIALY REASONABLE EFFORTS TO CORRECT SUCH ERRORS.
- 17. NO CONSEQUENTIAL DAMAGES/LIMITATION OF LIABILITY.** UNDER NO CIRCUMSTANCES WILL EITHER PARTY OR THEIR AFFILIATES BE LIABLE FOR ANY DAMAGES OTHER THAN THE FOLLOWING UNDER A AND B BELOW (COLLECTIVELY, “**CLAIMS**”):
- A. DIRECT DAMAGES, OR

B. \*\*\*\*\*  
\*\*\*\*\*.

\*\*\*\*\*  
\*\*\*\*\*, NEITHER PARTY SHALL BE LIABLE FOR DAMAGES SUCH AS CONSEQUENTIAL, INDIRECT, SPECIAL, PUNITIVE OR INCIDENTAL DAMAGES OR OTHER LOST PROFITS, WHETHER FORESEEABLE OR UNFORESEEABLE, BASED ON THE OTHER PARTY’S CLAIMS OR THOSE OF THEIR AFFILIATES (INCLUDING, BUT NOT LIMITED TO, CLAIMS FOR LOSS OF DATA, GOODWILL, USE OF MONEY OR USE OF THE PRODUCTS, DELIVERABLES, OR SERVICES, THIRD-PARTY SOFTWARE, RESULTING REPORTS, THEIR ACCURACY OR THEIR INTERPRETATION, INTERRUPTION IN USE OR AVAILABILITY OF DATA, STOPPAGE OF OTHER 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 AGGREGATE LIABILITY THAT EITHER PARTY OR THEIR AFFILIATES MAY INCUR WITH RESPECT TO ALL CLAIMS ACCRUING \*\*\*\*\* (\*\*\*\*\* “\*\*\*\*\*”). \*\*\*\*\*  
(\*\*,\*\*,\*\*) (\*\*\*\*\* “\*\*\*\*\*”); \*\*\*\*\*  
\*\*\*\*\*  
(\*\*,\*\*,\*\*) (\*\*\*\*\* “\*\*\*\*\*”). \*\*\*\*\*

DESPITE THE FOREGOING EXCLUSIONS AND LIMITATIONS, THIS SECTION 17, INCLUDING, BUT NOT LIMITED TO, THE ANNUAL CAP AND THE PER CLAIM CAP, SHALL NOT (I) APPLY TO THE EXTENT THAT APPLICABLE LAW SPECIFICALLY REQUIRES LIABILITY, (II) APPLY TO THE EXTENT THAT THE LIABILITY ARISES OR RESULTS FROM FRAUD OR (III) BE CONSTRUED OR APPLIED SO AS TO LIMIT OR REDUCE:

- \* \*\*\*\*\*
- \* \*\*\*\*\*
- \* \*\*\*\*\* (\*\*\*\*\*).

\*\*\*\*\* \*\* (\*\*\*\*\*), NEITHER PARTY MAY BRING A CLAIM AGAINST THE OTHER MORE THAN \*\*\*\*\* (\*\*\*) \*\*\*\*\* FOLLOWING THE END OF: (X) THE PROCESSING TERM (INCLUDING THE EXTENDED TERM, IF APPLICABLE) IF SUCH CLAIM PERTAINS SOLELY TO THE PROCESSING SERVICES OR FEES THEREFOR; OR (Y) THE PRINT AND MAIL TERM (INCLUDING THE EXTENDED TERM, IF APPLICABLE) IF SUCH CLAIM PERTAINS SOLELY TO THE PRINT AND MAIL SERVICES OR PRINT-AND-MAIL-RELATED PRODUCTS, OR FEES THEREFOR.

**18. TERM.**

- (a) **Term.** This Agreement shall remain in effect until the latest to occur of the expiration or earlier termination of (i) the Print and Mail Term, (ii) the Processing Term, or if the Extended Agreement Option is exercised, (iii) the Extended Term (each as defined below).
- (b) **Print and Mail Term.** CSG's obligation to provide, and Customer's agreement to purchase, the Print and Mail Services described in Exhibit A-3 (the "**Print and Mail Services**") shall remain in effect until December 31, 2014 (the "**Print and Mail Term**") unless earlier terminated pursuant to Section 19 or extended pursuant to the exercise of the Extended Agreement Option as provided herein. The term for any specific license for any Products related to the Print and Mail Services shall expire or terminate upon the expiration or termination of any period during which CSG is required to provide Print and Mail Termination Assistance (as defined below).
- (c) **Processing Term.** Except for the Print and Mail Services, CSG's obligation to provide, and Customer's agreement to purchase, the Services and Products described in Schedules A and B (collectively "**Processing Services**") shall remain in effect until December 31, 2012, unless extended pursuant to the exercise of the Extended Agreement Option as provided herein or terminated earlier in accordance with Section 19 (the "**Processing Term**"). The term for any specific license for any Products related to the Processing Term shall expire or terminate upon the expiration or termination of any period during which CSG is required to provide Processing Termination Assistance (defined below), including, but not limited to, any such period that may occur following the Extended Term (defined below).
- (d) **Extended Option.** CSG and Customer shall negotiate in good faith to agree upon definitive terms of an option ("**Extended Agreement Option**") that will be exercisable by Customer on or prior to April 30, 2011 and will provide for, among other things, the extension of the Processing Term and Print and Mail Term for an additional period through December 31, 2015 (the "**Extended Term**") on terms substantially similar to those set forth in the non-binding term sheet set forth in Schedule L (the "**Extended Agreement Option Amendment**").

**19. TERMINATION.** This Agreement or any one or more of the Schedules attached hereto may be terminated as follows:

- (a) If either party materially or repeatedly breaches any material term or condition of this Agreement, except for Customer's obligation to pay fees, 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 \*\*\*\*\* (\*\*\*) \*\*\*\*\* promptly commence curing such breach and thereafter proceed with all due diligence to substantially cure such breach \*\*\*\*\* (\*\*\*) \*\*\*\*\* after receiving such written notice, 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 or Service, in accordance with Section 19(1) below.



- (g) In addition to the termination rights set forth in this Section 19, either party may terminate this Agreement pursuant to Section 28 below, and Customer may terminate this Agreement pursuant to Section 29.
- (h) Upon the termination or expiration of this Agreement or any portion thereof for any reason and the expiration or termination of any period during which CSG is required to provide Termination Assistance with respect to such termination, all rights granted to Customer under this Agreement with respect to the terminated Product or Service will cease, and Customer will promptly;
  - (i) remove all the Affected Products from the Designated Environment and all of Customer's other computer systems, storage media and other files; (ii) at Customer's option either destroy or return to CSG the Affected Products and all copies thereof; (iii) deliver to CSG an affidavit which certifies that Customer has complied with these termination obligations; and (iv) pay to CSG all Undisputed fees that are due pursuant to the terminated portion of this Agreement, including, but not limited to, the fees otherwise due and payable by Customer (including the Guaranteed Fees and Print and Mail Minimums, each as applicable), as set forth in Schedule F. For purposes of this subsection, "**Affected Products**" shall mean those Products which as a result of termination of Products or Services as provided in this Section 19, Customer is no longer provided a license. During any period during which CSG is required to provide Termination Assistance, the parties agree that each shall continue to perform their respective obligations under this Agreement.
- (i) (i) Upon termination of the Processing Term as provided in this section, neither party shall have any further obligations under this Agreement, except for Section 2, Section 25, Section 31, Section 35, Section 14, Customer's obligations under Section 19(h) and CSG's obligations under Section 19(j), Processing Termination Assistance as provided in Section 20, Customer's audit rights provided in Section 26, CSG's inspection rights provided in Section 27, and either party's obligations set forth in Sections 13 and 21 of this Agreement and any obligations that continue with respect to the Print and Mail Term and Print and Mail Services or pursuant to the operation of Section 22. Each party agrees to execute a mutually acceptable release with respect to claims arising in connection with the Processing Services in substantially the form attached hereto as Schedule K on the one (1) year anniversary of the effective date of termination or expiration of the Processing Term.
- (ii) Upon termination of the Print and Mail Term as provided in this section, neither party shall have any further obligations under this Agreement, except for Section 2, Section 25, Section 31, Section 35, Section 14, Customer's obligations under Section 19(h) and CSG's obligations under Section 19(j), Print and Mail Termination Assistance as provided in Section 20, Customer's audit rights provided in Section 26, CSG's inspection rights provided in Section 27, and either party's obligations set forth in Sections 13 and 21 of this Agreement and any obligations that continue with respect to the Processing Term and Processing Services or pursuant to the operation of Section 22. Each party agrees to execute a mutually acceptable release with respect to claims arising in connection with the Print and Mail Services in substantially the form attached hereto as Schedule K on the one (1) year anniversary of the effective date of termination or expiration of the Print and Mail Term.

- (j) Except as necessary to provide or receive the Processing Termination Assistance as defined in Section 20(b), upon the expiration or earlier termination of the Processing Term, the receiving party shall destroy all of the Confidential Information of the disclosing party pertaining to the provision of Processing Services. Notwithstanding the foregoing sentence, it is understood and acknowledged that during the Print and Mail Term, which may extend beyond the termination of the Processing Term, the disclosing party will continue to provide certain Confidential Information to the receiving party. During any portion of the Print and Mail Term during which the Processing Term has expired or been terminated, the receiving party shall be permitted to retain so much, but only so much, of the disclosing party's Confidential Information as is reasonably required to provide or receive the Print and Mail Services and Print and Mail Termination Assistance as defined in Section 20(c); and the receiving party shall destroy all other such Confidential Information. Promptly following the termination or expiration of both the Processing and Print and Mail Terms (including the Extended Term, if applicable) and the expiration or termination of any period during which CSG is required to provide Termination Assistance with respect to such termination, the receiving party shall destroy all of the Confidential Information of the disclosing party. Any time during the Processing Term or the Print and Mail Term, and upon the expiration or earlier termination of each such term, each receiving party shall provide, promptly upon the reasonable request of the disclosing party, a certification, executed by the receiving party's Chief Operations Officer, of any destruction of Confidential Information required under this Agreement.
- (k) If CSG terminates substantially all Processing Services as provided in this subsection (a), (b), (c) or (d), and Customer is Fully De-converted, Customer shall pay CSG the Guaranteed Fees; provided however if (i) CSG terminates Processing Services other than as a result of Customer's breach of its obligations pursuant to these Sections 19(a), (b), (c) or (d), or (ii) Customer terminates Processing Services pursuant to this Section 19(a) or Customer's termination rights set forth in Sections 28 or 29, then Customer shall not be required to pay the Guaranteed Fees (as defined in Schedule F). If CSG terminates all Print and Mail Services as provided in this subsection (a), (b), (c) or (d) Customer shall pay CSG the Print and Mail Minimums; provided however if (A) CSG terminates Print and Mail Services other than as a result of Customer's breach of its obligations pursuant to these Sections 19(a), (b), (c) or (d), or (B) Customer terminates Print and Mail Services pursuant to this Section 19(a), or Customer's termination rights set forth in Sections 28 or 29, then Customer shall not be required to pay the Print and Mail Minimums (as defined in Schedule F). The parties further agree that without the certainty, consideration and terms provided in this Section 19, neither party would have been willing to enter into this Agreement nor would CSG have been willing to provide the Products and Services at the fees set forth in the Agreement or Schedule F.
- (l) If a party is permitted pursuant to this Section 19 to terminate this Agreement in whole or in part, then, except as expressly set forth above in this Section 19, the terminating party shall provide written notice of such termination to the other party and such termination shall become effective as of the date set forth in such notice (the "**Termination Date**"); provided, however, in the event of a termination by CSG pursuant to subsections (a) through (d) that would effect a termination of the Processing Services or Print and Mail Services, then:
- (i) such Termination Date shall be a date no earlier than the date that is \*\*\* \*\*\*\*\* \*\*\*\*\* (\*\*\*) \*\*\*\*\* \*\*\*\* following the date of such notice and the following conditions shall apply:
- A. If CSG delivers a termination notice pursuant to 19(a) or 19(d), Customer shall be required to cure the breach that is the subject of the termination in advance of provision of Termination Assistance; or

- B. If CSG delivers a termination notice pursuant to Section 19(b), then Customer shall be required to promptly pay any and all Undisputed fees and expenses due and payable hereunder.
- (ii) Prior to the provision of Termination Assistance under subsection (i), Customer shall pay an amount equal to (A) all outstanding invoices due and payable pursuant to this Agreement, (B) a reasonable estimate of any applicable Guaranteed Fees, (C) to the extent Customer no longer uses Print and Mail Services, a reasonable estimate of the Print and Mail Minimums as provided in Schedule F, and (D) a reasonable estimate of the De-conversion Fees and Termination Assistance fees (as provided in Schedules E and F) that will be required for such Termination Assistance (collectively, the “**Termination Period Pre-payment**”). CSG shall include its calculation, with reasonable detail, of the Termination Period Pre-payment in any notice effecting a termination. Promptly upon the end of the period of Termination Assistance period for which a Termination Period Pre-payment has been made, the parties shall determine in good faith the actual amounts due, taking into account any applicable deposits, and promptly provide payments to account for any overpayment or underpayment.
- (iii) During the \*\*\* \*\*\*\*\* (\*\*\*) \*\*\*\*\* \*\* Termination Assistance; CSG shall not be required to provide (1) the remedies provided in Schedule G-1 entitled “Performance Remedies”; (2) warranties or remedies under Section 7 entitled “Products, Warranties and Remedies”; and (3) subject to CSG’s performance of its obligations pursuant to the final sentence of Section 19(h) above, the Annual Cap on liability shall be extended to CSG’s indemnification obligations and breach of confidentiality during the period in which Termination Assistance is provided to Customer.
- (iv) In the event of a termination by CSG pursuant to subsection (c), then such Termination Date shall be a date no earlier than the date that is \*\*\* \*\*\*\*\* (\*\*\*) \*\*\*\*\* following the date of such notice. Upon the Customer being Fully De-converted (as defined in Schedule F, Guaranteed Fees), Customer shall pay the fees as provided in subsection (k).
- (m) If either party delivers a notice to the other party that is notice of a circumstance or fact that could, if not resolved, result in termination of all or a portion of this Agreement, then such notice shall expressly state that the notified party’s failure to correct such circumstance or fact could result in such termination. If such notice does not expressly discuss termination, then the notifying party shall be required to provide further notice that does expressly discuss such termination and the notified party shall have no less than the applicable cure period specified for such circumstance or fact from its receipt of such notice to cure such circumstance or fact before any such termination can become effective.

**20. TERMINATION ASSISTANCE** . “Termination Assistance” shall mean reasonable termination assistance relating to the transition to another vendor or system as further described in Schedule E.

- (a) Termination by Customer for Certain Reasons . Upon termination of this Agreement or any part hereof by Customer for a material breach by CSG pursuant to Section 19(a), Section 19(c), Section 28 or Section 29, and provided that Customer has paid CSG any and all Undisputed fees and expenses due hereunder as of the date of termination CSG shall provide Termination Assistance for up to \*\*\* \*\*\*\*\* (\*\*\*) \*\*\*\*\* or as otherwise agreed by the parties pursuant to a subsequent statement of work.



- (b) Processing Termination. As requested by Customer, CSG will provide Customer reasonable Termination Assistance in connection with the Processing Services (“ **Processing Termination Assistance** ”) for up to \*\*\* \*\*\*\*\* \*\*\*\*\* (\*\*\*) \*\*\*\*\* \*\*\*\* during the Processing Term, provided that Customer has paid CSG any and all Undisputed fees and expenses due hereunder. In no event shall Processing Termination Assistance be provided to Customer after the Processing Term except in accordance with Section 20 (a) or as otherwise provided in Schedules E or F. Processing Termination Assistance shall be limited to the services specifically described in Schedule E under the section entitled “ **Processing Termination Assistance** ”. The parties agree that unless extended pursuant to an amendment to this Agreement, CSG shall cease all Processing Termination Assistance when Customer is Fully De-converted. For purposes of this Section 20, Fully De-converted shall have the same meaning as provided in Schedule F, section entitled Guaranteed Fees.
- (c) Print and Mail Termination Assistance. As requested by Customer, CSG will provide Customer reasonable Termination Assistance in connection with the Print and Mail Services (“ **Print and Mail Termination Assistance** ”) for up to \*\*\* \*\*\*\*\* \*\*\*\*\* (\*\*\*) \*\*\*\*\* \*\*\*\*, provided that Customer has paid CSG any and all Undisputed fees and expenses due hereunder. Print and Mail Termination Assistance shall include such services as may be reasonably required to accomplish a transition to another vendor, which shall include the services described in Schedule E under the section entitled “Print and Mail Termination Assistance”.

## 21. CONFIDENTIALITY.

- (a) Definition. Customer and CSG may reveal to each other information relating to each other’s business, the Products, Services and any third-party software provided hereunder, which is confidential (the “ **Confidential Information** ”), and Customer acknowledges that confidentiality restrictions are imposed by CSG’s licensors or vendors. Confidential Information shall include, but not limited to, all of Customer’s and CSG’s trade secrets, and all know-how, design, invention, plan or process and Customer’s data and information relating to Customer’s and CSG’s respective business operations, services, products, research and development, CSG’s vendors’ or licensors’ information and products, Customer’s customer lists and customer-related information (“ **Customer Lists** ”) and all other information that is marked “confidential” or “proprietary” prior to or upon disclosure, or which, if disclosed orally, is identified by the disclosing party at the time as being confidential or proprietary, or would logically be considered confidential by virtue of its relation to the subject matter hereof.
- (b) Restrictions. Each party shall use its best efforts to maintain the confidentiality of such Confidential Information and not show or otherwise disclose such Confidential Information to any third parties, including, but not limited to, independent contractors and consultants, without the prior written consent of the disclosing party. CSG shall use its best efforts to protect Customer’s Customer Lists, and shall, in any event, protect such lists with no less than the same level of care as it utilizes to protect its own customer lists. CSG shall not reveal any Customer List information to any third party without the express prior written consent of Customer, which Customer may withhold in its absolute discretion for any reason or for no reason at all. Each party shall use the Confidential Information solely for purposes of performing its obligations under this Agreement and for absolutely no other purpose. Each party shall indemnify the other for any loss or damage the other party may sustain as a result of the wrongful use or disclosure by such party (or any employee, agent, licensee, contractor, assignee or delegate of the other party) of its Confidential Information. Both parties recognize that Customer’s Customer Lists represent valuable information of Customer and breach of the obligations of confidentiality will result in substantial likelihood of irreparable harm and injury to Customer for which monetary damages would be an inadequate remedy, and which damages would be difficult to measure. Accordingly, CSG agrees that Customer shall have the right, in addition to any other remedies available, to obtain immediate injunctive relief, as well as other equitable relief allowed by a court of competent jurisdiction. The first sentence of Section 17 sets forth those sole circumstances under which CSG may be liable in connection with the unauthorized, unintended disclosure of Customer’s Customer Lists. Neither party will allow the removal or defacement of any confidentiality or proprietary notice placed on the other party’s documentation or products. The placement of copyright notices on these items will not constitute publication or otherwise impair their confidential nature.

- (c) Disclosure . Neither party shall have any obligation to maintain the confidentiality of any Confidential Information which; (i) is or becomes publicly available by other than unauthorized disclosure by the receiving party; (ii) is independently developed by the receiving party; or (iii) is received from a third party who has lawfully obtained such Confidential Information without a confidentiality restriction. In the event disclosure of a Customer List occurs as a result of an individual's access to CSG's system through Customer's systems, CSG shall not be liable. If required by any court of competent jurisdiction or other governmental authority, the receiving party may disclose to such authority, data, information or materials involving or pertaining to Confidential Information to the extent required by such order or authority, provided that the receiving party shall first have used its commercially reasonable efforts to obtain a protective order or other protection reasonably satisfactory to the disclosing party sufficient to maintain the confidentiality of such data, information or materials. In any such event, the receiving party shall disclose only that portion of such Confidential Information as is legally required to be furnished in its reasonable opinion. If an unauthorized use or disclosure of Confidential Information occurs, the parties will take all steps which may be available to recover the documentation and/or products and to prevent their subsequent unauthorized use or dissemination.
- (d) Limited Access . Each party shall limit the use and access of Confidential Information to such party's bona fide employees, agents and third-party vendors, 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 products and documentation under this Agreement; provided, however, that in no event shall CSG provide access to such information to a Competitor (as defined in Section 29). 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 confidence.

**22. SURVIVAL** . Notwithstanding any other provisions of this Agreement to the contrary, the terms and conditions of those Sections that would logically survive the termination or expiration of this Agreement shall survive.

**23. ESCALATION**. If (a) if either party believes that the other party is not assigning an adequate number of properly trained and qualified personnel to fulfill its responsibilities under the Agreement, or (b) a disagreement regarding a disputed payment is not resolved within \*\*\*\*\* (\*\*) \*\*\*\*\* \*\*\*\* of CSG's receipt of written notice of the disputed amount, then the parties agree that upon \*\*\*\*\* (\*) \*\*\*\*\* \*\*\*\* notice the parties shall escalate the matter within their respective organizations to be heard on the matter and reach a resolution. If communications at a particular level of escalation do not resolve the disagreement within \*\*\* (\*\*) \*\*\*\*\* \*\*\*\*, then either party may escalate the disagreement to the next higher level. The successive levels of escalation shall involve direct communication between the following personnel of each party: first, Customer's Operations Contact and such person's counterpart at CSG; next, Customer's Contract Executive and such person's counterpart at CSG; next, each party's Chief Operations Officer; and finally, each party's Chief Executive Officer.

- 24. NATURE OF RELATIONSHIP .** In performing hereunder, both parties are acting as independent contractors and neither party undertakes to perform any obligation of the other, whether regulatory or contractual, or to assume any responsibility for the other's business or operations. Each party understands and agrees that the other party may perform for or purchase similar goods and services from third parties and license same or similar products to or from third parties. Nothing in this Agreement shall be deemed to constitute a partnership or joint venture between CSG and Customer. Neither party shall hold itself 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. The parties agree that the rights, responsibilities and obligations provided in this Agreement are non-exclusive, however in exchange for non-exclusivity the parties have agreed, as set forth in Schedule F of this Agreement, that Customer makes a commitment as to Guaranteed Fees and Print and Mail Minimums for Products and Services. If, during the term of this Agreement, Customer purchases, is assigned or otherwise acquires entities which are utilizing billing or print and mail services of a third-party vendor, Customer shall not be required to convert such subscribers to CSG's billing or print and mail services.
- 25. OWNERSHIP.**
- (a) CSG Rights. Unless explicitly stated to the contrary in this Agreement, all trademarks, service marks, patents, copyrights, trade secrets and other proprietary rights in the Products, the Deliverables (as defined under Schedule B), the incorporated third-party software or any third-party software delivered by CSG (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. Customer will not take any action that jeopardizes CSG's or its licensor's proprietary rights or acquire pursuant to this Agreement any right in the Software Products, except the limited use or other rights specified herein. Except as otherwise agreed upon in writing between CSG and Customer, 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. Customer will obtain, at CSG's reasonable request and sole expense, 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.
- (b) Customer Rights. All trademarks, service marks, patents, copyrights, trade secrets and other proprietary rights of Customer are, and all Confidential Information, including, but not limited to, Customer's Information, is, and will remain the exclusive property of Customer, whether or not specifically recognized or perfected under applicable law. CSG will not take any action that jeopardizes Customer's proprietary rights, including, but not limited to, any rights to Customer's Information, and shall not acquire pursuant to this Agreement any right therein. Except as otherwise agreed upon in writing between CSG and Customer, Customer will own all rights in any copy, translation, modification, adaptation or derivation of Customer's proprietary rights and Customer's Information, including any improvement or development thereof. CSG will obtain, at Customer's reasonable request and sole expense, the execution of any instrument that may be appropriate to assign these rights to Customer or its designee or perfect these rights in Customer or its designee's name.





30. NOTICES.

- (a) Any notice or approval required or permitted under this Agreement will be in writing and will be sent by fax, courier or registered 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 fax (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 Customer:

DISH Network, L.L.C.  
 9601 S. Meridian Blvd.  
 Englewood, CO 80112  
 Tel: (\*\*\*) \*\*\*-\*\*\*\* Fax: (\*\*\*) \*\*\*-\*\*\*\*  
 \*\*\*\*\*

With a copy to: Chief Operating Officer

Tel: (\*\*\*) \*\*\*-\*\*\*\*  
 Fax: (\*\*\*) \*\*\*-\*\*\*\*

and copies to:  
 \*\*\*\*\*

Fax: (\*\*\*) \*\*\*-\*\*\*\* and  
 Chief Operations Officer  
 Fax: (\*\*\*) \*\*\*-\*\*\*\*  
 9601 S. Meridian Blvd.  
 Englewood, CO 80112

If to CSG:

CSG Systems, Inc.  
 9555 Maroon Circle  
 Englewood, CO 80112  
 Tel: (\*\*\*) \*\*\*-\*\*\*\* Fax: (\*\*\*) \*\*\*-\*\*\*\*  
 \*\*\*\*\*

- (b) Except as set forth in subsection (a) above, CSG may address communications concerning this Agreement (other than operational communications) with Customer’s designated individual for such matters (the “**Customer Contract Executive**”). The initial Customer Contract Executive as of the Effective Date is the Chief Information Officer. Customer may change the identity of the Customer Contract Executive upon notice to CSG.
- (c) Except as set forth in subsection (a) above, and in addition to the provisions of subsection (b) above, CSG may address operational communications concerning this Agreement with Customer’s designated individual for such matters (the “**Customer Operations Contact**”). The initial Customer Operations Contact as of the Effective Date is the Vice-President of Customer Management Organization. Customer may change the identity of the Customer Operations Contact upon notice to CSG.

31. APPLICABLE LAW, INJUNCTIVE RELIEF, MEDIATION.

- (a) Applicable Law. This Agreement shall be governed and construed in accordance with the laws of the State of Colorado, without reference to its conflicts of law rules. Exclusive jurisdiction for all disputes under or relating to this Agreement shall be in the county, state or federal courts located within the State of Colorado.
- (b) Injunctive Relief. In the event Customer applies for and receives injunctive relief obligating CSG to continue providing any Products, Services, or Deliverables beyond the termination of this Agreement, Customer shall \*\*\*\*\* beyond termination.

(c) Mediation. As a result, if any dispute arises under Section 2(b) of this Agreement that is not resolved by the escalation procedures set forth in Section 23, the parties agree that they will then attempt to resolve such dispute by submitting such dispute to neutral, non-binding mediation. The parties agree to act in good faith to participate in mediation, and to identify a mutually acceptable mediator. If a mediator cannot be agreed upon by the parties, each party shall designate a mediator and those mediators shall select a third mediator who shall act as the neutral mediator, assisting the parties in attempting to reach a resolution. All parties to the mediation shall share equally in its cost. If the dispute or claim is resolved successfully through the mediation, the resolution will be documented by a written agreement executed by all parties. If the mediation does not successfully resolve the dispute or claim, the mediator shall provide written notice to the parties reflecting the same.

**32. MISCELLANEOUS.** Any waiver or modification of this Agreement will not be effective unless executed in writing and signed by both parties. This Agreement will bind Customer's and CSG's successors-in-interest. If any provision of this Agreement is held to be unenforceable, in whole or in part, such holding will not affect the validity of the other provisions of this Agreement. This Agreement, together with the Schedules, Exhibits and attachments hereto which are hereby incorporated into this Agreement by this reference, constitutes the complete and entire statement of all conditions and representations of the agreement between CSG and Customer with respect to its subject matter and supersedes all prior or contemporaneous writings or understandings.

**33. 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 G.

**34. TERMINATION OF PRIOR AGREEMENT.**

- (a) The parties agree and acknowledge that pursuant to the Prior Agreement, CSG provided Products, Services and Deliverables to Customer, including but not limited to the Expanded Software, and that such Products, Services and Deliverables shall continue to be provided and purchased by the respective parties as set forth herein.
- (b) Upon the Effective Date of this Agreement, the Prior Agreement shall immediately terminate, except for any Undisputed amounts owed under such Prior Agreement (“ **Outstanding Fees** ”) and any statements of work, including any related change orders, or letters of authorization previously executed pursuant to the Prior Agreement but not yet completed or otherwise terminated, or under which any amount is owing by Customer to CSG (collectively, the “ **Outstanding SOWs** ”), shall become statements of work under this Agreement and shall be completed in accordance with the terms of such statements of work. Any Outstanding Fees will be invoiced by CSG (to the extent such fees have not been invoiced) and shall be paid by Customer pursuant to the terms of this Agreement. In addition, any 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 and pending, but unexecuted statements of work, as of the Effective Date, are set forth in Schedule J. If a pending but unexecuted statement of work listed on Schedule J is executed by the parties prior to the Effective Date, then such statement of work shall be deemed to be an Outstanding SOW without further action or amendment of this Agreement.

35. **RELEASE.** Each party hereby fully and forever releases and discharges (“**Releases**”) the other party and all of its Affiliates and its and their respective officers, directors, members, shareholders, partners, employees, agents and legal representatives (collectively, “**Releasees**”) from and against any and all claims, causes of action, liabilities or demands of any kind whatsoever, known or unknown by such party on the Effective Date, that either party may now have or may have in the future against the other’s Releasees arising from such party’s acts or omissions under the Prior Agreement. Notwithstanding the foregoing, the Release provided for hereunder shall not apply to: (a) outstanding payment of any Outstanding Fees, (b) any obligations to indemnify and defend the other party or its related persons pursuant to Section 13 of the Prior Agreement or otherwise, (c) product-related warranty obligations under the Prior Agreement that are in effect on the Effective Date, or (d) any Service Level Credits or Debits earned by either party under Schedule G (Performance Standards and Remedies) of the Prior Agreement.
36. **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, 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. CSG and Customer acknowledge that all statements of work, letters of authorization, and other agreement hereunder form an integral part of this Agreement.
37. **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. Any public disclosure which requires the consent of the other party pursuant to this Section 37. Publicity, shall be sent to the same individuals and address as provided in Section 30, and will be accepted, modified or denied \*\*\*\*\*  
\*\*\*\*\* (\*\*) \*\*\*\*\* \*\*\*\* of being sent by the requesting party.
38. **COUNTERPARTS.** This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same Agreement. A document signed and transmitted electronically, by facsimile machine or e-mail is to be treated as an original and shall have the same binding effect as an original signature on an original document. Notwithstanding the provision of signatures transmitted by facsimile and the treatment of such as an original signature, each party shall provide the other with actual original signatures as soon as reasonably practical on or promptly following the date of execution of this Agreement.



**39. SCHEDULES AND ATTACHMENTS.** The following Schedules and Exhibits are attached and incorporated herein, and each reference herein to the "Agreement" shall be construed to include the following:

- Schedule A and associated Exhibits – Services
- Schedule B and associated Exhibits – Products
- Schedule C – Export Approved Products and Export Approved Countries
- Schedule D – Product Installation
- Schedule E – Termination Assistance
- Schedule F – Fees
- Schedule G and associated Exhibits – Performance Standards and Remedies
- Schedule H – Business Continuity Plan/Disaster Recovery Plan
- Schedule I – Support Services
- Schedule J – Outstanding SOWs
- Schedule K – Release Agreement
- Schedule L – Extended Agreement Option Term Sheet
- Schedule M – Designated Environment and Required Equipment Variances
- Schedule N – Designated Environment

**40. Controlling Language in the Event of Conflicting Terms.** In the event of a conflict between the terms contained in the foregoing Sections of this Agreement and the terms contained in the Schedules and Exhibits attached hereto, the terms in the foregoing Sections of this Agreement shall control.

**41. Computation of Time Periods.** If the end of a period of time described in this Agreement would fall on a holiday or weekend, then the end of such period shall be deemed to be the next business day following such date.

**IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the Effective Date.**

**CSG Systems, Inc. ("CSG")**

**DISH Network, L.L.C.  
("Customer")**

**By:** /s/ Robert M. Scott  
**Name:** Robert M. Scott  
**Title:** Executive Vice President

**By:** /s/ Michael K. McClaskey  
**Name:** Michael K. McClaskey  
**Title:** Senior Vice President and Chief Information Officer

**SCHEDULE A**

**Services**

1. **Services.** Pursuant to the terms and conditions of the Agreement (including, but not limited to, the attached Exhibits), CSG agrees to provide to Customer, and unless indicated by a separate fee in Schedule F, Customer agrees to purchase the Services set forth below at the System Sites. The parties agree that for those Services and Additional Services, identified in Schedule F, provided under the Monthly Processing Fee (Section I. C) and/or AESP Statement Processing (Section III. A) are not optional, subject to limitations and qualifications as provided by the notes to the respective sections. For all other Services and Additional Services, the parties agree that the Customer has the option to purchase such Services for the fees as set forth in Schedule F. Further, for optional Services or Additional Services, Customer's use of the Services shall be deemed an exercise of its option.
2. **Reliance on Information.** In providing any Services, CSG shall be entitled to rely upon and act in accordance with any instructions, guidelines, data or information provided to CSG by Customer, which Customer designates in writing to CSG to provide such instructions, guidelines or information, and shall incur no liability in doing so. Customer shall indemnify, defend and hold CSG, its directors, officers and employees harmless from third-party claims, losses, actions, suits, proceedings or judgments, including, without limitation, costs and reasonable attorneys' fees, actually incurred by or assessed against such parties resulting, to the extent caused by (i) except for CSG's gross negligence or unlawful or intentional misconduct, the action or inaction of CSG in reasonable reliance on an instruction, approval, election, decision or action by Customer, its officers, directors, employees and agents relating to the Services, or (ii) CSG's reasonable reliance on information or data provided to CSG by Customer in connection with the Services.

**The following is an index of the Exhibits (A1-A5):**

**Service**

CCS Services  
Technical Services  
Print and Mail Services  
Credit Verification Services  
Card Account Update (sponsored by Visa)  
One Time and Recurring Credit Card Authorization Services  
Electronic Payment Services (Paybill Advantage)  
Check Verification

**Additional Services**

CSG SmartLink®  
CSG Workforce Express® Fleet Management Downstream Interface  
ODE Interface  
Integrated Operations Testing Environment  
Address Change Service (Postal Endorsement)  
Precision eCare™ - Consolidator Services (Module C)  
Monetary Payment Gateway  
Processing NCOALink® from CCS  
Cash Payment Gateway  
Account Verification Service ("AVS")  
Exchange Message Interface ("EMI") and Service Level Agreement ("SLA") Dashboards  
Sales Portal  
Mail Trace

**EXHIBIT A-1**

**CCS Services**

1. **CCS Services (for video and high speed data)** . CSG shall provide to Customer, and Customer agrees to purchase, the billing services for Customer's subscriber accounts using CSG's billing system, Communications Control System ("CCS") including, at Customer's option, CSG's Advanced Convergent Platform ("ACP"). The CCS Services will provide 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 user documents provided by CSG, which include: the User Guide, User Data File Manual, User Training Manual, Conversion Manual, Operations Guide, and Customer Bulletins issued by CSG (collectively, the "Documentation"). Customer's personnel shall enter payments and non-monetary changes on terminal(s) located at Customer's offices, or provide CSG payment information on magnetic tape or electronic record in CSG's format. CSG and Customer acknowledge and agree that the Documentation describing the CCS Services is subject to ongoing review and modification.
2. **Implementation/Conversion Services and Fees.** CSG shall provide services as described in Schedule D in connection with Customer's implementation of the Products (the "Implementation Services").
3. **De-conversion Services and Fees.** If during the term of this Agreement, Customer sells, transfers, assigns or disposes of any of the assets of or any ownership or management interest in any System Site (the "Disposed Site(s)"), Customer agrees to pay CSG the applicable De-conversion Fees (as defined in Schedule F), which may include the de-conversion tape fee and the fees for processing and de-converting subscribers, including on-line access fees, set forth in Schedule F, which amounts shall be due and payable \*\*\*\*\* (\*\*)  
\*\*\*\*\* prior to the intended de-conversion of any such Disposed Site(s) from the CCS Services. CSG shall be under no obligation or liability to provide any de-conversion tapes or records until all amounts due hereunder, and as otherwise provided in the Agreement, shall have been paid in full. Further the parties agree that any assistance provided by CSG for the purpose of Customer purchasing services similar to the Processing Services from another vendor shall be subject and pursuant to the terms and conditions outlined in Schedule E entitled "Termination Assistance".
4. **Optional and Ancillary Services.** At Customer's request, CSG shall provide optional and ancillary services, including but not limited to any described in Schedule F at those prices identified herein, or if no prices are identified then those prices agreed upon by Customer and CSG, or as may otherwise be set forth in Schedule F, and where applicable on the terms and conditions set forth in separately executed Schedules to the Agreement.
5. **Customer Information** . Any original documents, data and files provided to CSG hereunder by Customer ("Customer Data") are and shall remain Customer's property, and upon termination of this Agreement for any reason or de-conversion of any System Site, such Customer Data shall be returned to Customer by CSG, subject to the payment of CSG's then-current rates for processing and delivering the Customer Data, any applicable de-conversion fees required under Section 3 hereof and all unpaid charges for 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 Customer under the Agreement. Data to be returned to Customer includes: Subscriber Master File (including Work Orders, Converters and General Ledger), Computer-Produced Reports (reflecting activity during period of \*\* \*\*\*\*\*  
\*\*\* immediately prior to termination), House Master File, and any other related data or files held by CSG on behalf of Customer.
6. **Cycle E.** CSG shall provide Customer with service bureau access to a dedicated version of the CCS processing software ("Cycle E"). CSG and Customer agree that Cycle E functionality shall include the same functionality, in relation to the Products and Services, as expected to be provided to Customer by CSG, on June 8, 2002 at 12:00 p.m. (MST). CSG agrees to provide Customer with a dedicated processing environment ("Cycle E Processing Environment"). The Cycle E Processing Environment shall include \*\*\* (\*) \*\*\*\*\*  
\*\*\*\*\* ("\*\*\*\*\*"), \*\*\*\*\* (\*)\*\*\*\*\* \*\*\*\*\* (\*\* \*\*\*\*\* \*\*\*\*\* \*\* \*\*\*\*\* \*\* \*\*\*\*\*), \*\*\* (\*) \*\*\*\*\*® \*\*\*\*\*  
\*\*\*\*\* , \*\*\* (\*) \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* ("\*\*\*\*\*"). If Customer fails to exercise the Extended Agreement Option, the Cycle E will no longer be available after \*\*\*\*\* \*\* , \*\*\*\*\* . CSG will work with Customer on mutually agreeable timeframes.

**7. Annual Support Hours (“ASH”).**

- (a) For the fees set forth in Schedule F, CSG shall make available to Customer the following:
  - (i) 2010 ASH – \*\*\*\*\* \*, \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*, \*\*\*\*\*, CSG will provide \*,\*\*\*\*\* \*\* \* \*\* \*\* \* \*\* \* \*\*\*\*\* \*\*\*\*\* \*\* provided in Schedule F. CSG agrees to provide additional ASH above 5,000 upon Customer’s use or request for the rates set forth in Schedule F. Any unused ASH will be lost and Customer shall not be entitled to a refund of fees or credit in hours for any subsequent month.
  - (ii) 2011 & beyond ASH – Beginning \*\*\*\*\* \*, \*\*\*\*\*, \*\*\*\*\* \*\* \* \*\* \* \*\* \* \*\* \* \*\* \* \*\*\*\*\* \*\*, CSG will provide \*,\*\*\*\*\* \*\* \* \*\* \* \*\* \* \*\* \* \*\*\*\*\* \*\* provided in Schedule F. CSG agrees to provide additional ASH \*\*\*\*\* \*,\*\*\* upon Customer’s use or request for the rates set forth in Schedule F. Any unused ASH will be lost and Customer shall not be entitled to a refund of fees or credit in hours.
- (b) The Annual Support Hours are subject to the following terms and conditions:
  - (i) The hours expended by CSG in relation to, but not limited to, (A) project management, (B) analysis of business requirements, (C) development and programming, (D) system testing, (E) system maintenance, (F) system documentation, (G) release management, (H) operations support, and (I) passer activities, will be counted against the Annual Support Hours allotment. For the avoidance of doubt, Annual Support Hours shall not be used for de-conversion services.
  - (ii) Hours consumed for such purposes in excess of ASH provided pursuant to subsection (a) above shall be mutually agreed upon and shall be billable to Customer at the rate set forth in Schedule F.
  - (iii) The parties agree that the senior representatives from Customer’s IT Department and CSG’s Dish Network Strategic Business Unit shall meet on a quarterly basis to review and update Customer’s maintenance and support requirements in relation to Cycle E for the upcoming \*\*\*\*\* (\*) \*\*\*\*\*.
  - (iv) The fees for Annual Support Hours are set forth in Schedule F.
  - (v) Requests are subject to CSG’s reasonable and practicable business considerations.

**8. Enhanced Support Services.** The following support services when performed by CSG shall be charged against Customer’s monthly allotment of Annual Support Hours:

- (i) Project Management
  - Management of all product/code implementations
- (ii) Business Requirements Analysis
  - Gather and document all business requirements
  - Follow established Customer SDLC including providing LOEs and Proposals for Customer approval
  - Follow CSG development process
  - Obtain Customer approval (via LOE or Proposal) before charging hours to a project
- (iii) Development and Programming
  - Analysis, design, coding and testing of all Customer requested projects
- (iv) System Testing
  - Test all changes that impact Customer test or production environments
- (v) System Maintenance
  - IPLs
  - Server Maintenance
  - SPC Maintenance for Customer related projects
  - Code upgrades
  - Patch implementations



**EXHIBIT A-2**

**Technical Services**

1. **General.** Customer hereby hires CSG, and CSG hereby agrees, to provide Customer with the design, development and/or other consulting services described in a Statement of Work, as defined in Section 2, (collectively, the “Technical Services”) as its independent contractor.
2. **Technical Services.**
  - (a) **Statements of Work.** CSG and Customer will execute a statement of work containing reasonable definitive terms agreed between the parties (each a “Statement of Work”) with respect to each design, development and/or other consulting project that Customer wants CSG to undertake. CSG and Customer acknowledge that all Statements of Work will form an integral part of this Agreement.
  - (b) **Change Order**

A Statement of Work may be amended from time to time upon agreement of the Parties 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 Customer for a Change Order, CSG shall proceed to fulfill its obligations under the Statement of Work. CSG will not unreasonably reject requests for Change Orders by Customer.
  - (c) **Location and Access.** CSG may perform the Technical Services at Customer’s premises, CSG’s premises or such other premises that Customer and CSG may deem appropriate. Customer will permit CSG to have reasonable access to Customer’s premises, personnel and computer equipment for the purposes of performing the Technical Services at Customer’s premises.
  - (d) **Insurance.** CSG will be solely responsible for obtaining and maintaining appropriate insurance coverage for its activities under this Exhibit A-2, including, but not limited to, comprehensive general liability (bodily injury and property damage) insurance and professional liability insurance.
3. **Fees and Expenses.** Customer will pay CSG any Project Fees set forth in a Statement of Work, as well as any Reimbursable Expenses incurred in connection with Technical Services performed by CSG, in accordance with the terms and conditions of the Agreement.
4. **Intellectual Property.** All patents, copyrights, trade secrets or other proprietary rights in or to the work product that CSG may create for Customer under this Exhibit A-2 (the “Deliverables”), 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, are and will be the exclusive property of CSG, except as, and to the extent otherwise, specified in the applicable Statement of Work. During and after the term of this Agreement, CSG and Customer will execute the instruments that may be appropriate or necessary to give full legal effect to this Section 4. During the term of this Agreement, Customer provides to CSG a non-exclusive right to use Customer’s Intellectual Property (as defined in Section 5 of Exhibit A-3) to the extent necessary to provide the Services; provided, that any use of Customer’s Intellectual Property shall be consistent with Customer’s issued guidelines, which Customer may change at any time and from time to time in Customer’s sole discretion, but in any event with commercially reasonable notice to CSG. In the event Customer makes such a change to the issued guidelines and CSG is not provided commercially reasonable notice thereto, a delay may be caused with respect to CSG’s provision of Technical Services. Customer shall have no proprietary interest in CSG’s billing and management information software and technology and agrees that, unless specifically set forth in a Statement of Work, any Deliverable is 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, and in such case, Customer will have a perpetual, for the term of the Agreement, fully-paid right to use such Deliverable. Nothing in this Agreement will require Customer to utilize any Deliverable in its systems.
5. **Delivery of Items.** Upon the expiration or termination of this Agreement for any reason, Customer will promptly pay CSG the Project Fees and Reimbursable Expenses that may be due and outstanding for the Technical Services and Deliverables that CSG has performed, following which CSG and Customer will deliver to the other 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.

6. **DBS Product and Service Developments.** If, during the term of this Agreement, Customer requires development assistance in connection with functionality requirements in, among other things, the direct broadcast satellite industry that Customer determines are important to its business operations, CSG agrees that it shall assist Customer, taking into account all of CSG's reasonable and practicable business considerations with respect to an agreement involving the provision of any such development assistance. Such assistance performed by CSG would be performed on a time and materials basis, at the rates set forth in Schedule F and CSG shall use all commercially reasonable efforts to complete such efforts on an expeditious basis.
7. **Non-Solicitation.** During the term of this Agreement and for \*\*\*\*\* (\*\* ) \*\*\*\*\* after its termination, neither Customer nor CSG will, without the other party's prior approval, solicit or hire any employee of the other party (or its related persons) who has been directly involved in either party's performance under this Agreement.

**EXHIBIT A-3**

**Print and Mail Services**

1. **Services** . CSG will provide to Customer, and Customer will purchase from CSG, Print and Mail Services, excluding postage, up to the Print and Mail Minimums provided in Schedule F . Upon Customer attaining the minimums provided in the Print and Mail Minimums, Customer may purchase additional Print and Mail Services at its option. Such services to be performed by CSG are listed in Section III. A of Schedule F and are referred to as the “Print and Mail Services.”
2. **Postage** . CSG shall purchase the postage required to mail statements to Customer’s subscribers (“Subscriber Statements”), notification letters generated by CSG, past due notices and other materials mailed by CSG on behalf of Customer. Customer shall pay CSG for all postage expenses incurred in the performance of the Print and Mail Services in accordance with Schedule F .
3. **Customer Letters**. CSG shall provide Customer Letters in accordance with the fees set forth in Schedule F .
4. **Ancillary Services** . At Customer’s request, CSG shall provide the ancillary services described in Schedule F attached hereto (the “Ancillary Services”) for the fees set forth in Schedule F .
5. **Advanced Enhanced Statement Presentation Services** . CSG shall develop a customized billing statement (the “AESP Statement”) for Customer’s subscribers utilizing CSG’s advanced enhanced statement presentation (“AESP”) services. Customer agrees that CSG’s AESP services shall be CSG’s sole method of printing and mailing Subscriber Statements. The AESP Statements may include CSG’s or Customer’s intellectual property. “Customer’s Intellectual Property” means the trademarks, service marks, other indicia of origin, copyrighted material and art work owned or licensed by Customer that CSG may use in connection with designing, producing and mailing AESP Statements and performing its other obligations pursuant to this Agreement. “CSG’s Intellectual Property” means trademarks, service marks, other indicia of origin, copyrighted material and art work owned or licensed by CSG and maintained in CSG’s public library, where CSG maintains the primary Customer account records, that may be used in connection with designing, producing and mailing AESP Statements.
  - (a) **Development and Production of AESP Statements** . CSG will perform the design, development and programming services related to design and use of the AESP Statements (the “Work”), which will contain Customer’s and CSG’s Intellectual Property and include the Development Fee to be paid by Customer. CSG will create the work product deliverables (the “Work Product”) set forth in a separately executed and mutually agreed upon AESP Work Order (the “Work Order”) or Statement of Work. Except with respect to Customer’s Intellectual Property, Customer agrees that the Work and Work Product shall be the sole and exclusive property of CSG. 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 AESP Statements for Customer.
  - (b) **Supplies** . CSG will suggest and Customer will select the type and quality of the paper stock, carrier envelopes and remittance envelopes for the AESP Statements (the “Supplies”). CSG shall purchase such Supplies as may be necessary for production and mailing of the AESP Statements, notification letters, past due notices and other materials mailed by CSG on behalf of customer. CSG shall charge Customer the rates set forth in Schedule F for purchase of Supplies.
  - (c) **Right of Customer’s Intellectual Property** . Customer provides to CSG a non-exclusive right to use all of Customer’s Intellectual Property necessary to design, produce and mail the AESP Statements, directly or indirectly for the term of this Agreement. Customer represents and warrants that it owns or has licensed all of Customer’s Intellectual Property and has full power and authority to grant CSG the license set forth herein and that CSG’s use of Customer’s Intellectual Property on AESP Statements will not constitute a misuse or infringement of Customer’s Intellectual Property or an infringement of the rights of any third party. Customer will promptly advise CSG of the loss of Customer’s right to use any of Customer’s Intellectual Property, of all copyright and other notices that must be used in connection with Customer’s Intellectual Property, and of any restrictions on use of Customer’s Intellectual Property relevant to CSG’s activities hereunder. Any such loss may result in additional costs to Customer.





**EXHIBIT A-4**

**Financial Services**

1. **Services.** For the fees set forth in Schedule F, (a) CSG shall provide to Customer at Customer’s option, one or more of the following Services: (i) Credit Verification Services, (ii) Check Verification, and (b) CSG will provide to Customer, and Customer will purchase from CSG the following Services under the Monthly Processing Fee: (i) One Time and Recurring Credit Card Authorization Services, (ii) Lockbox, (iii) Paybill Advantage, (iv) and Card Account Updates. All Services identified in (a) and (b) above, shall be collectively referred to as (“Financial Services”).
2. **Compliance with Laws.** Both parties will comply in all material respects with all federal, state and local laws and regulations 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 Exhibit A-4. In addition both parties will comply in all material respects with all regulatory requirements and credit card industry standards, which shall include but not be limited to Bank Card Association, National Automated Clearing House Association (“NACHA”) and Payment Card Industry standards (“Industry Standards”) pertaining to consumer credit information, electronic processing and any other financial activity related to the Services provided by CSG under this Exhibit A-4. In the event of clear evidence of fraudulent activity by either party, all Services under this Exhibit A-4 may be discontinued immediately by the respective third party vendor.
3. **Records.** CSG shall maintain records of the transactions it performs under this Exhibit A-4 for a minimum of \*\*\*\*\*\_\*\*\*\*\* (\*\*) \*\*\*\*\*, but shall not be liable for any damage, loss of data, delays and errors in connection with Services provided under this Exhibit A-4 that are beyond its reasonable control.
4. **Third Party Financial Contractors.** Customer agrees and recognizes that in some instances its use of the Financial Services provided herein requires Customer to enter into an agreement or relationship with a card processor, ACH originator or credit bureau that may require additional requirements and terms and conditions.
5. **Territory.** Customer agrees and recognizes that the Financial Services provided herein may only be used in the United States or its territories.
6. **Interchange Liability Limitation.** CSG shall not be responsible for any interchange fees related to the Services identified in Exhibit A-4 (b) One-Time Credit Card Processing and A-4 (c) Recurring Credit Card Processing. \*\* \*\*\* \*\*\*\*\* \*\*\*\*\* \*\* \*\*\*\*\* \* \*\*\*\*\*, \*\*\*\*\* \*\*  
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7. **Intellectual Property.** Customer 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 Financial Services.

**EXHIBIT A-4(a)**

**Paybill Advantage®**  
**Electronic Payment Services Agreement**

1. **ELECTRONIC PAYMENT SERVICES.** CSG will provide to Customer, and Customer will purchase from CSG the data processing services, including reasonable backup security for Customer's data, to support electronic bill paying services as set forth in Section 2 below (the "Basic Services") for all accounts of Customer's subscribers that elect to utilize Customer's electronic bill payment services (for purpose of Financial Services the "EPS Subscribers").
2. **BASIC SERVICES.**
  - (a) **Consumer Debits.** Each EPS Subscriber will have the option to preauthorize a debit to either their checking account or savings account each month for a predetermined date of Customer's choosing. The third-party ACH originator will be responsible for the disbursement, remittance and settlement of all funds. CSG will create and submit a preauthorized payment disbursement file to the third-party ACH originator containing a debit record for EPS Subscribers who have preauthorized monthly debits to be made from checking or savings accounts on a day designated by Customer each month.
  - (b) **Credit of Remittances.** CSG will post to a Subscriber's CCS account a payment transaction for each processing EPS Subscriber on the EPS Subscriber's collection day. For purposes of this subparagraph (b), a EPS Subscriber's "collection day" shall mean: (i) for recurring EFT transactions, the day the EPS Subscriber's payment transaction posts to CCS; and (ii) for one-time EFT transactions, the day that the ACH transaction (via a payment batch) is released by CSG to the originating bank.
  - (c) **Recurring ACH Enrollment Process.** Customer is responsible for obtaining EPS Subscriber enrollment information that authorizes the Customer's bank to post debit transactions to the EPS Subscriber's bank checking account or savings account as required by the standards issued by NACHA. Customer will input EPS Subscriber type of account, bank account number, payment method, and bank routing information into the CCS system. CSG will initiate an ACH prenote the day the form is processed or the day after the form is processed if the form is entered after the daily cutoff time. A daily report will be generated for the Customer each business day for which input is processed showing that a prenote has been initiated. If the prenote process produces an error, the CCS system will automatically update the EPS Subscribers' payment status to reflect an error and add the error to a daily report. If the error was correctable by the receiving depository financial institution, the CCS system will automatically update the information on the CCS system. The first debit will be initiated on the appropriate date to effect the debit on the Customer's predetermined date.
  - (d) **Automatic Preauthorized Payments.** CSG and Customer's third-party ACH originator shall provide automatic payment deduction which will occur monthly on a date predetermined by Customer. CSG will submit a file to the ACH originator \*\*\*\*\* (\*) \*\*\*\*\* prior to the date the deduction is scheduled to take place. The EPS Subscriber payment amount submitted to the ACH originator will be the statement balance if the statement balance is less than the current balance or if the statement balance is greater than the current balance, then the current balance will be used. If the designated date for deduction falls on a weekend and/or holiday, the deduction will not occur until the next scheduled banking day.
  - (e) **Settlement.** Customer is responsible for ensuring for recurring EFT transactions, the ACH originator credits Customer's bank account. **Settlement of Returns.** Customer is responsible for ensuring the ACH originator settles daily returns against Customer's bank account.
  - (f) **Record Keeping.** Customer is responsible for maintaining EPS Subscriber authorization forms in accordance with any applicable government laws or regulations.

3. **ADDITIONAL SERVICES.** If Customer desires CSG to provide other services in addition to the Basic Services, the parties agree to negotiate in good faith with respect to the terms and conditions (including without limitation, pricing) on which such services shall be provided. Such services include, but are not limited to (i) special computer runs or reports, special accounting and information applications; and (ii) data processing and related forms and supplies and equipment other than those provided as standard pursuant to this Agreement (the "Additional Services"). The description of any such additional services, and any other terms and conditions related thereto, shall be set forth in an amendment to this Agreement signed and dated by both parties. Unless otherwise agreed in writing by the parties in such amendment any such additional services shall be subject to the terms of this Exhibit A-4(a).
4. **SUBSCRIBER AUTHORIZATION.** Customer shall obtain from each EPS Subscriber the proper documents authorizing automatic transfers to and from such EPS Subscriber's various bank accounts and provide a copy of the authorization to each EPS Subscriber. Customer will provide only valid authorizations for processing consistent with government laws and regulations as well as Industry Standards.
5. **SUBSCRIBER REPORTS.** If Customer requests that CSG provide Customer information regarding Customer's EPS Subscribers and to the extent permitted by Industry standards related banking information and payment data, then Customer shall pay CSG's then current rates (if applicable) for processing such information.
6. **COLLECTION OF DATA.** Customer shall update subscriber account information to provide necessary data for the Basic Services and any Additional Services and shall ensure through periodic checks and updates that the data is current and accurate at all times.
7. **ACH ORIGINATOR.** Customer acknowledges and agrees that this Exhibit A-4(a) is only between Customer and CSG and, that as a result, Customer gains no relationship with institutions used by CSG for ACH processing. CSG may contract with one or more financial institutions for ACH processing.
8. **ONE-TIME PAYMENTS .** All of the terms and conditions of this Exhibit A-4(a) and of the Agreement shall apply to Customer's use of the Service for one-time payments except as set forth below:
  - CSG will not initiate ACH prenotes for one-time payments. ACH prenotes will only be initiated for recurring, monthly payments.
  - With respect to one-time payments only, the EPS Subscriber payment amount submitted to the ACH originator will be determined by the EPS Subscriber.
  - With respect to one-time payments only, CSG will submit a file to the ACH originator on the date the payment is entered into the CCS system. However, if the designated date for deduction falls on a weekend or holiday, the deduction will not occur until the next scheduled banking day.

**EXHIBIT A-4(b)**

**One-Time Credit Card Processing**

1. **One-Time Credit Card Processing.** CSG will provide to Customer, and Customer will purchase from CSG, those data processing services which allow subscribers to charge deposits, pre-payments, monthly services, installation fees and pay-per-view (“PPV”) orders via credit card (the “OCCP Service”). Credit Card payments can be accepted online through CCS. 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 \*.\*\* \*\* \*\*\*\*\* \*\*\*. 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 use in connection with the One-Time Credit Card Processing Services are \*\*\*\*\* , \*\*\*, \*\*\*\*\* \*\* \*\*\*\*\* \*\*\*\*\* . Customer is responsible for establishing a merchant agreement with a CSG-approved bank\*. The merchant bank will assign all applicable merchant ID numbers. Customer must communicate their merchant ID information to CSG prior to using the OCCP 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 Card Processing Information.** Customer and CSG agree that all information and data accessed through the OCCP Service is “Confidential Information” and as such shall be kept strictly confidential in accordance with the Agreement.

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\* At this time, \*\*\*\*\* \*\* \*\*\*\*\* \*\* \*\* \*\*\*\*\* \*\*\*. Additional banks may be added by CSG at Customer’s request for additional fees through a mutually agreed upon Statement of Work

**EXHIBIT A-4(c)**

**Recurring Credit Card Processing**

1. **Recurring Credit Card Processing.** CSG will provide to Customer, and Customer will purchase from CSG, those data processing services which allow subscribers to have deposits, pre-payments, monthly services, installation fees and PPV orders automatically charged to their credit card on a monthly basis (the “RCCP 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. Customer will determine when the recurring credit card payment will be performed, either on the subscriber’s cycle date or a date between \*\*\* (\*\*) \*\*\* \*\*\*\*\* (\*\*) \*\*\*\*\* after the cycle date. 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 \*\*\*\*\* , \*\*\*\* , \*\*\*\*\* , \*\*\* \*\*\*\*\* \*\*\*\*\* . Customer is responsible for establishing a merchant agreement with a CSG approved merchant bank, currently Chase Card Services. Additional merchant banks may be added by CSG at Customer’s request for additional fees through a mutually agreed upon Statement of Work. The merchant bank will assign all applicable merchant ID numbers. Customer must communicate their merchant ID information to CSG prior to using the RCCP 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-approved merchant bank.
3. **Use of Card Processing Information.** Customer and CSG agree that all information and data accessed through the RCCP Service is “Confidential Information” and as such shall be kept strictly confidential in accordance with the Agreement.

**EXHIBIT A-4(d)**

**Credit Verification Services**

1. **Credit Verification Services.** CSG will provide to Customer, at Customer's option, those consumer credit information, scoring services or other data stored in the credit reporting database of CSG's provider of the Credit Verification Services (the "Vendor") that are identified as Basic Services in Exhibit A-4(d)(i) (the "Credit Verification Services") for all accounts of Customer's subscribers that elect to utilize Customer's Credit Verification Services.
2. **Use of Credit Information .** 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 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. Customer agrees that CSG shall not provide Credit Verification Services in a manner that is in violation of any agreement with CSG's vendor, but the foregoing shall not prohibit Customer's use of the Credit Verification Services in a manner consistent with Customer's third party vendor.
3. **Confidential Treatment.** 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.** Customer 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 Services.
  - (b) **Restrictions on Use.** Customer 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 the Vendor or its affiliates, whether registered or unregistered, without the Vendor's prior written consent.
  - (c) **Ownership of Credit Data.** Customer acknowledges 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 A-4(d) shall be deemed to convey to Customer any right, title or interest in or to the consumer credit information database or any part thereof.

**EXHIBIT A-4(d)(i)**

**Basic Services**

**Experian Interface:**

**Basic**

**ID Verification** - a one-position character and corresponding description, indicating the comparison results of *Input Name and SSN* to the *Response Name and Address* . Values are as follows:

- 0 ID matches to data supplied.
- 1 ID matches (plus other names).
- 2 ID does not match to data supplied.
- 3 ID flagged as deceased person
- 4 ID has never been issued
- 5 No record found

**Social Security Number** - Most recent SSN on file.

**Birth Date and Deceased Date** - Displays if SSN is identified as deceased or non-issued.

**Address Alert** - An optional one-character field with *values* as follows:

- Y Hit on Non-Residential Area.
- N No Hit on Non-Residential Address.
- X Not Requested - or - Address was Not Found.

**Public Alert** - one-position fields with descriptions which indicate:

- Bankruptcy
- Judgment
- Tax Lien
- Bankruptcy Dismissed or Discharged
- Judgment Satisfied or Vacated
- Tax lien Released

“Additional Names and Addresses Exist” Field.

This two-digit field displays the number of additional names and addresses found in the database for the input subscriber information. If this value is “01” or greater, a maximum of six additional names and addresses can be viewed.

**Enhanced**

The following fields are included in the above fields to create the Enhanced Service:

**Credit Score** - a five position code (four positions are numeric and the fifth position is an alpha value of N (Negative), P (Positive)), followed by a sixty (60) position treatment description as Customer defined in the CCS user data file.

\* Not all fields are available on every record.



**EXHIBIT A-4(e)**

**Card Account Update (also known as \*\*\*\* Relationship Manager Service)**

1. **Card Account Update.** CSG will provide to Customer, and Customer will purchase from CSG the data processing services that automatically refresh \*\*\*\* \*\* \*\*\*\*\* cardholder account numbers and expiration dates for merchants that use \*\*\*\* \*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* , \*\* (“Current Provider”) or such other provider as the parties may agree upon (in any case, the “Approved Provider”) for recurring credit card processing (the “Card Account Update Service”).
2. **Requirements.** Customer may use Current Provider or another Approved Provider for recurring credit card processing in order to utilize the Card Account Update Service. Customer also acknowledges that the Card Account Update Service must be used with either CCS or ACSR® systems. In addition, Current Provider or other Approved Provider will register Customer with and be responsible for the applicable card association(s) for the card account update service. Customer is required to have an Agreement with the Current Provider in order for CSG to provide the Card Account Update Service.
3. **Use of Card Processing Information.** Customer agrees that it shall keep all information and data accessed through the Card Account Update Service strictly confidential.
4. **Intellectual Property.**
  - a. **No License.** Customer 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.** Customer 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 \*\*\*\* , \*\*\*\* \*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* , \*\*\*\*\* , or their respective affiliates, whether registered or unregistered, without the prior written consent of the applicable party.
  - c. **Ownership of Credit Data.** Customer acknowledges that all information contained in the consumer credit information database is and will continue to be the exclusive property of the Approved Provider. Except for the uses specified in this Agreement, nothing contained in this Exhibit shall be deemed to convey to Customer any right, title or interest in or to the consumer credit information database or any part thereof.
5. **Data Accuracy.** Customer acknowledges that the Card Account Update Service is only accurate to the extent a credit card issuer participates in the service and that many credit card issuers do not participate in the service. Furthermore, Customer acknowledges 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, \*\*\*\* \*\* \*\*\*\*\* are the only credit card types offering the service of tracking and reporting replacement credit card numbers and expiration dates.
6. **Termination.** \*\*\*\* \*\* \*\*\*\*\* may terminate Customer’s participation in the Card Account Update Service, or terminate the service in its entirety, at any time. \*\*\*\* \*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* bankcard processing relationship with Customer, and thus the Card Account Update Service, may be terminated at any time pursuant to the terms and conditions set forth in a Merchant Bankcard Processing Agreement entered into between Customer and \*\*\*\* \*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* . CSG assumes no liability of any kind that arises out of the termination of Customer’s participation in the Card Account Update Service by either Visa or Bank of America Merchant Services.

\* At this time, \*\*\*\* \*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* , \*\* is authorized provider of the Card Account Update Service. Additional providers may be added by CSG at Customer’s request for additional fees through a mutually agreed upon Statement of Work.

**EXHIBIT A-4(f)**

**Check Verification**

1. **Check Verification.** CSG will provide to Customer, at Customer's option, CSG's Check Verification service, which provides service in routing transactions to and from the Customer-selected third party Check Verification Provider (the "CVP").
2. **Requirements.** CSG will develop, implement, and integrate the CVP's capability to validate check and bank information provided by Customer of its subscribers in connection with EFT payments that such subscribers attempt to make so that such information will be validated prior to any acceptance of those attempted payments through CSG's Advanced Customer Service Representative® Product ("ACSR®"), Customer's interactive voice response system ("IVR"), or the Internet. Customer will be responsible for integration and implementation of its front-end platforms utilizing CSG's standard XML protocol for the service, which front-end platforms shall include, but not be limited to, DishPromo, IVR and web self service platforms. CSG's Check Verification services will route EFT payment information to the CVP, take responses from the CVP and will provide appropriate disposition to the originating payment applications.
3. **Agreement with CVP Required.** Each party acknowledges that Customer must have an agreement in place with a CVP before CSG can provide the Check Verification Services to Customer. Customer has chosen a mutually acceptable third party CVP.
4. **Intellectual Property.** Customer 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 Check Verification service.

**EXHIBIT A-5**

**Additional Services**

**CSG SmartLink.** CSG SmartLink is an XML interface that provides a mechanism for customers to use the open standards of the Extensible Markup Language (“XML”) to communicate with core CSG’s CCS system. The XML technology allows a customer to build applications using these open standards. Message based XML is used for communicating upstream to and downstream from 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 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 Workforce Express Fleet Management Downstream Interface.** CSG Workforce Express Fleet Management Downstream Interface is an interface between Customer and CSG’s CCS system which allows selected work order data to flow from CCS to Customer as outlined in Section 3.2 of the Fleet Management System (“FMS”) Interface Specification, Version 1.0, Release Date: May 25, 2000. CSG’s use of the CSG Workforce Express Fleet Management Downstream Interface is restricted for the sole and exclusive purpose of interfacing with Customer’s Enterprise Application Integration (“EAI”) Bus. Any other use of the CSG’s Workforce Express Fleet Management Downstream Interface, including the data obtained thereby, is strictly prohibited. The CSG Workforce Express Fleet Management Downstream Interface must be certified in conjunction with Customer’s EAI Bus by CSG prior to the integration of the interface. All project management, certification, integration, workflow consulting and/or technical review services (including the applicable hourly fees as set forth in Section V of Schedule F ) shall be set forth in a mutually agreed upon Statement of Work.

**ODE Interface.** Customer use the open data exchange (“ODE”) interface at no charge, so long as Customer uses the ODE interface for the sole purpose of interfacing with Customer’s Dish-Promo application. Customer shall use commercially reasonable efforts to migrate from the ODE interface to the CSG SmartLink interface within a mutually agreed upon timeframe.

**Address Change Service (also known as Postal Endorsement).** An automated service used by the USPS to provide electronic address updates to its customers. Instead of receiving returned mail pieces to CSG’s location for address updates, the USPS will provide CSG with an address file, and CSG will automatically update the “bill to” information for Customer’s disconnected subscribers.

**Precision eCare™ - Consolidator Services (Module C).** Consolidator Services facilitate the distribution of subscriber statement information (e.g. bill), in an electronic summary record and electronic .pdf format, to multiple bill aggregation points (e.g. bank website, Internet portal or other personal financial website) as requested by the Subscriber.

**Monetary Payment Gateway.** The CSG Monetary Payment Gateway relieves Customer of complex batch handling, provides robust transaction replay and recall, validates subscribers and posts credit card, 1x EFT and cash payments to Subscriber accounts in CCS. The Monetary Payment Gateway supports complete batch management to target payments to appear on specific CCS reports and data tracking for reconciliation and viewing of real time monetary receipts.

**Processing NCOA Link® from CCS.** CSG provides an automated service in which CSG pulls a file of all print suppressed subscribers from CSG’s CCS system and processes that file against the NCOA link database provided by the United States Postal Service. CSG then automatically updates the “bill to” information for Customer’s print suppressed subscribers with address changes.

**Cash Payment Gateway.** CSG’s Cash Payment Gateway is a web standards compliant interface for the cash payment partners such as, which may include but shall not be limited to: \*\*\*\*\* \*\*\*\*\* , \*\*\*\_\*\*\*\* , \*\*\*\*\* , \*\*\* \*\*\*\*\*. The Cash Payment Gateway will relieve vendors from complex batch handling, provide robust transaction replay and recall, validate subscribers and post cash payments to subscriber’s accounts in CCS. The Cash 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. Customer is required to sign a release requesting access for the partners and cash payment partners are required to annually request secure access.

**AVS.** Customer provides discounts to current Customer subscribers when subscribers register on the DISHonline entertainment portal (<http://www.dishonline.com>). The AVS allows the portal to retrieve subscriber information including First Name, Last Name, Billing Address, Physical Address, Account Number, Dunning Group, Services list, Receivers list, and Smart Cards list, for any valid Customer subscriber.

**EMI and SLA Dashboards.** These Customer dashboard services are two distinct dashboard applications (SLA and EMI) that share common infrastructure elements including a database and access control. Both applications may be used by Customer personnel.

EMI Dashboard

The EMI Dashboard service provides easy web access to information about the status of EMI file transfers and acknowledgements between CSG, Customer, and Customer’s telecommunication partners.

SLA Dashboard

The SLA Dashboard service collects and presents various system performance measurements. Measurements include historical and near real time mainframe (Cycle E) measurements as well as CSG Smartlink measurements. This service presents these measurements in both graphical and tabular fashion through an easy to use web interface.

**Sales Portal.** The Sales Portal provides a mechanism for Customer direct sales personnel to view near real-time sales data. The basis for real-time data is CSG’s WFM and FMS which are messaging systems provided via CCS. The Sales Portal consists of several modules that provide various functions including processing of WFM messages, sales analysis, data presentation and access control.

**Integrated Operations Testing Environment.** Integrated Operations Testing Environment (“IOT”) is a cluster of regions dedicated to Customer for the purpose of testing, integration and development with CCS. The IOT will be hosted in a LPAR that is separate from the production LPAR and will consist of the following regions:

- Test and integration region (QT04) that will be sized to \*\*\*\*\*\_\*\*\*\* \*\*\*\*\* (\*\*\*) of production data.
- CSG Internal Statement testing region (QT03)
- Special Projects test and integration region (QT05)
  - (i) CSG agrees to provide an IOT MIPS capacity of \*\*\* (based on what is in test LPAR today) MIPS for test. MIPS should increase \* \*\*\* \*\* subscribers in test region. In the event that Customer wishes to increase the capacity, additional MIPS in excess of \*\*\* shall be provided for the fees set forth in Schedule F.
  - (ii) CSG agrees to provide Direct Access Storage Device capacity (“IOT DASD Capacity”) of \*\*\* \*\*. DASD should \*\*\*\*\* \* \*\* \*\* \*\* \*\* \*\* \*\*. In the event that Customer wishes to increase the capacity, additional DASD in \*\*\*\*\* \* \*\* \*\* \*\* \*\* \*\* shall be provided for the fees set forth in Schedule F.
  - (iii) QT04 will be supported by CSG \*\*\*\*\* \*\* (\*) \*\*\*\*\* \*\* \*\*, \*\*\*\*\* (\*) \*\*\*\*\* \*\* \*\*\*\*\* in accordance with the following:
    - (a) CSG shall use the daily scheduled build process except as set forth below. Real-time User Defined Fields (“UDF”) and code table builds will only be supported for production issue resolution or to prevent a delay in software implementation schedules. CSG will not support more than one real-time builds on a single day.
    - (b) Downsystem timeframes may vary, but CSG will use commercially reasonable efforts to complete Upsystem \*\*\*\*\* \* \*\* \*\* \*\* .
    - (c) Code patches will be made available as soon as possible for issues found in testing.



**SCHEDULE B**

**CSG Products**

The list of Products subject to the Agreement is set forth in Exhibit B-1(a).

“Expanded License Software” shall include: ACSR®, ACSR® AOI, ACSR® module for High Speed Data, CSG Statement Express™, and CSG Screen Express® (each as described in Exhibit B-1(a)).

For clarification purposes, CSG Statement Express™ is a CSG Product related to Print and Mail Services. Further, subject to the terms of the Agreement, the license for CSG Statement Express™ shall continue throughout the Print and Mail Term.

**EXHIBIT B-1**

**CSG Products and User I.D.**

**CSG Expanded License Software**

Advanced Customer Service Representative® (ACSR®)  
ACSR® module for High Speed Data  
ACSR® AOI  
CSG Statement Express™  
CSG Screen Express®

**CSG Products**

CSG Vantage®  
CSG Vantage Plus®

**User I.D.'s**

\*\*  
\*\*

**EXHIBIT B-1(a)**

**CSG Product Description**

**Advanced Customer Service Representative® (“ACSR®”)** . ACSR® provides an “easy to use” fully functional customer care tool that can be used to perform many account management functions. ACSR® is a graphical user interface for CSG’s CCS and ACP service bureau subscriber management systems. ACSR® significantly reduces training time and eliminates the need for customer service representatives (“CSRs”) to memorize transactions and codes. CSRs instead may access reference tools, help screens and subscriber data.

ACSR® also has the ability to analyze subscriber and work order history, setup and perform collection and delinquency treatment tasks, add, swap, perform equipment operations, track and handle complaints, and perform dispatching functions.

**ACSR® module for High Speed Data.** ACSR® module for High Speed Data allows customers, through the graphical user interface, to access subscriber information on CCS as it relates to Customer’s offering of high speed data services.

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

**CSG Screen Express®.** Integrated with CSG ACSR® and the call center’s Automatic Call Distributor (“ACD”) telephony switch, CSG Screen Express® provides incoming call/ACSR® screen synchronization at the CSR workstation. Linking with a resident ACD, the CTI server simultaneously routes the call to the CSR’s phone while bringing up the caller’s account information on the CSR’s desktop. In addition, CSG Screen Express® provides basic software-based operations of the CSR’s physical telephone through a direct *soft phone* feature that is integrated with the local / national phone switch.

**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 Customer Service Representatives before subscribers. CSG Statement Express™ works in either a stand-alone capacity or integrated with ACSR.

**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’s Vantage is a highly flexible decision support product that allows customers to generate customized reports based on their business needs. The product is often used for commission reporting, operational analysis and management, royalty reporting, campaign analysis, troubleshooting, and a variety of other applications designed to provide insight to market and customer behavior. In addition, Vantage features interactive applications that allow clients to target their customers (down to the individual subscriber level) through statement messaging and mass adjustment applications).

**CSG Vantage® Plus .** CSG Vantage® Plus reporting tool provides a web front end for the report management system (“RMS”) reporting system. CSG Vantage® Plus allows much greater flexibility in retrieving and presenting the RMS report data. Additionally, Customer will be able to administer the number of users on the system as well as which reports each user has access to. With CSG Vantage® Plus, Customer can view data in HTML format and download or export this data in comma separated value (i.e., “CSV”) format. Attachment 1 provides the reports that shall be made available to Customer as of the Effective Date. Increasing the number of Reports in Attachment 1 will be subject to additional fees as set forth in Schedule F.



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

*Execution Version*

**Attachment 1 to Exhibit B-1(a)**

**[Remainder of Attachment redacted for confidential treatment.]**

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**CONFIDENTIAL TREATMENT REQUESTED BY CSG SYSTEMS INTERNATIONAL, INC.**

**EXHIBIT B-1(b)**

**Third Party Software**

**[Remainder of Exhibit redacted for confidential treatment.]**

**EXHIBIT B-1(c)**

**CONFIDENTIALITY AGREEMENT**

**THIS CONFIDENTIALITY AGREEMENT** is made as of the \_\_\_ day of \_\_\_\_\_ between **CSG SYSTEMS, INC.**, a Delaware corporation with its principal offices at 9555 Maroon Circle, Englewood, CO 80111, U.S.A. (“CSG”) and **[Name of Company]**, with its principal offices at [ \_\_\_\_\_ ] (“Company”).

**RECITALS**

CSG and Company intend to discuss certain matters regarding potential business relationships, including opportunities regarding CSG’s software and systems (the “Products”) in certain areas.

In these discussions, CSG and Company may disclose to the other confidential and proprietary information and trade secrets for evaluation of the Products and any potential business relationship (the “Evaluation Process”).

As a result, CSG and Company agree on the following terms for disclosure and protection of their respective information.

- 1. DEFINITION OF CONFIDENTIAL INFORMATION.** “Confidential Information” means information developed, acquired or licensed that is maintained as confidential information or trade secrets, including products planning information, marketing strategies, plans, finance, operations, customer relationships, customer profiles, sales estimates, business plans, internal performance results relating to past, present or future business activities, scientific or technical information, designs, processes, procedures, formulas, or improvements, confidential or proprietary concepts, documentation, reports, data, specifications, computer software, source code, object code, flow charts, databases, inventions, information, know-how, show-how and trade secrets, whether or not patentable or copyrightable, and all documents, inventions, substances, engineering and laboratory notebooks, drawings, diagrams, specifications, bills of material, equipment, prototypes and models, and any other tangible embodiment of the foregoing.
- 2. IDENTIFICATION OF CONFIDENTIAL INFORMATION.** All information which is disclosed by the disclosing party to the receiving party and which is to be protected hereunder as Confidential Information of the disclosing party shall:
  - (a) if in writing or other tangible form, be labeled as proprietary and/or confidential, and
  - (b) if oral, be identified as proprietary and/or confidential at the time of disclosure and confirmed in writing by the disclosing party as confidential and/or proprietary within \*\*\*\*\* (\*\*) \*\*\*\*\* \*\*\*\* of the date of disclosure.
- 3. CONFIDENTIALITY.** CSG and Company agree, with respect to the other’s Confidential Information, for a period of three (3) years from the date of disclosure:
  - (a) to take reasonable precautions necessary to safeguard confidentiality of that Confidential Information, including those the party takes to protect its own Confidential Information and those the other party reasonably requests from time to time;
  - (b) not to disclose that Confidential Information to any person or entity except its employees who have a need to know and require access in connection with the Evaluation Process;
  - (c) to require that such employees (i) agree to comply with the use and non-disclosure restrictions applicable to such Confidential Information under this Agreement and (ii) acknowledge the disclosing party’s right to enforce these restrictions against the employee before disclosing that Confidential Information to any such employee; and

- (d) not to remove or deface any notice of confidentiality on the Confidential Information. The placement of a copyright notice on any Confidential Information will not constitute publication or otherwise impair its confidential nature.
4. **USE.** Each party will use the Confidential Information of the other party exclusively to evaluate the Products and evaluate potential business relationships. The Company will not copy the Products without CSG's prior written permission, and CSG and Company will not copy any of the other's Confidential Information without the other's prior written permission.
  5. **UNAUTHORIZED USE OR DISCLOSURE.** The unauthorized use or disclosure of either party's Confidential Information will cause the party irreparable harm, and any actual or threatened unauthorized use or disclosure will entitle the disclosing party to injunctive relief, without bond. If an unauthorized use or disclosure of either party's Confidential Information occurs, the recipient will immediately notify the disclosing party and take, at the recipient's expense, all steps which are reasonably necessary to recover the disclosing party's Confidential Information and to prevent its subsequent unauthorized use or dissemination, including availing itself of actions for seizure and injunctive relief. If the recipient fails to take these steps in a timely manner, the disclosing party may take them in its own or the recipient's name and at the recipient's expense.
  6. **LIMITATION.** Neither party will have any confidentiality obligation with respect to any portion of Confidential Information that (i) the recipient independently knew or develops without using the disclosing party's Confidential Information, (ii) the recipient lawfully obtains from a third party under no obligation of confidentiality, (iii) becomes available to the public other than as a result of an act or omission of the recipient or any of its employees or (iv) is required to be disclosed in a judicial or administrative proceeding after all reasonable legal remedies for maintaining such information in confidence have been exhausted including, but not limited to, giving the disclosing party as much advance notice of the possibility of such disclosure as is practical so that the disclosing party may attempt to stop such disclosure or obtain a protective order concerning such disclosure.
  7. **PRODUCTS.** The Company acknowledges that CSG or its licensors own the Products and all patents, copyrights, trade secrets, trademarks and other proprietary rights related to the Products, whether or not specifically recognized or protected under the laws of any country, and that this Agreement gives the Company no rights with respect to the Products or CSG's proprietary rights, except the limited rights specified in this Agreement. The Company will not take any action that jeopardizes CSG's or its licensors' proprietary rights or acquire any rights in the Products.
  8. **DISCUSSIONS.** CSG and Company will act in good faith. This Agreement does not obligate CSG or Company to enter into any discussions, agreements or business relationships. Any agreement that will bind the parties not set forth in this Agreement must be in writing and signed by an authorized representative of both parties. Oral agreements, promises and representations made between the parties but not contained in such a written agreement will not be binding.
  9. **RETURN OF CONFIDENTIAL INFORMATION.** CSG and Company will, on request by the other, (i) return the other party's Confidential Information and any tangible embodiment containing such Confidential Information, and (ii) deliver to the other party an affidavit which certifies that the party has complied with these termination obligations.
  10. **INDEMNITY.** Each party will indemnify the other party against any damages, loss, liability or expense (including lawyer's fees) that such other party may incur as a result of any violation of its confidentiality obligations hereunder, due to any act or omission of such party, its employees, agents or consultants. This Section will not be construed to limit or exclude any other claims or remedies that either party may assert under this Agreement or by law.
  11. **U.S. EXPORT CONTROLS.** The Company acknowledges that the Products and all related technical data are subject to controls under the U.S. Export Administration Regulations. The Company will not re-export or disclose the Products or any related technical data, or direct products thereof, to any country or person resident outside of the United States or Philippines (except to CSG and its employees), unless the Company obtains an appropriate authorization from CSG and the U.S. Department of Commerce.

- 12. **ASSIGNMENT.** Neither party may assign, delegate or otherwise transfer this Agreement or any of its rights or obligations hereunder without the other party's prior approval. Any attempt to do so without such approval will be void. Notwithstanding the foregoing, CSG may assign this Agreement, upon notice to Company, to a related or unrelated person in connection with a transfer of all or substantially of its stock or assets to a third party, and Company hereby consents to such assignment in advance
- 13. **GOVERNING LAW.** This Agreement and performance thereunder shall be governed by the laws of the State of Colorado, U.S.A, excluding its conflicts of laws rules.

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

**[NAME OF COMPANY] ("Company")**

**CSG SYSTEMS, INC. ("CSG")**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**SCHEDULE C**

**Export Approved Products And Export Approved Countries**

Foreign Countries	Products
***** ***** ***** ***** *****	* ACSR * ACSR (web-enabled)  * These products include the following software or product modules of which those available or used by Customer are indicated as "(Cycle E)": <ol style="list-style-type: none"><li>1. CIT</li><li>2. Leads Tracking</li><li>3. OWF</li><li>4. Enhanced Campaigns</li><li>5. Offer Management</li><li>6. Equipment (OPE) (Cycle E)</li><li>7. Billing Calculator</li><li>8. Credit Verification (Cycle E)</li><li>9. Risk Management (Cycle E)</li><li>10. ACSR Voice</li><li>11. EAR / AR (Cycle E)</li><li>12. Account Hierarchies (Cycle E)</li><li>13. Statement Express (Cycle E)</li><li>14. Outage Detection (Cycle E)</li><li>15. Enhanced Statement Screen</li><li>16. Screen Express (Cycle E)</li><li>17. AOI / AIT (Cycle E)</li><li>18. LOB indicators (HSD, Voice, Data), a/k/a ACSR HSD module</li><li>19. Unbilled Usage</li><li>20. Enhanced Call Routing</li></ol>

**SCHEDULE D**

**Product Installation**

The parties agree that any Products that are not installed as of the Effective Date shall be installed pursuant to a mutually agreed upon Statement of Work between the parties, which shall contain reasonable terms and be based on the fee structure set forth in Schedule F.







**SCHEDULE F**

**FEES**

**INDEX**

**CSG SERVICES.**

**I. Processing**

- A. Monthly Processing Fee for Non-Rated Video and Non-Rated High-Speed Data Services
- B. Guaranteed Fees
- C. Listing of Products and Services included in the Monthly Processing Fee
- D. On Line Storage Allowances and Overage Charges
- E. Ancillary Services for Non-Rated Video and Non-Rated High-Speed Data
- F. Account Hierarchies

**II. Interfaces**

- A. Audio response units (ARU) and automated number identification (ANI)
- B. Video
- C. CSG SmartLink

**III. Payment Procurement**

- A. Print and Mail Services
  - Annual Print and Mail Services Minimum Amount /Print and Mail Minimums
  - Listing of Products and Services included in the AESP Statement processing
  - Print and Mail Services
- B. Precision eCare™ - Consolidator Services (Module C)
- C. CSG Cash Payment Gateway
- D. CSG Monetary Payment Gateway
- E. Check Verification

**IV. Credit Management and Collections**

- A. Credit Verification (Experian Interface)
- B. Collections

**V. Technical Services**

**VI. Discovery Support Fees**

**VII. Additional training and documentation**

- A. Reserved
- B. Reserved
- C. On-site user training at Customer's requested location
- D. Vantage training
- E. Additional documentation

**CSG LICENSED PRODUCTS.**

**I. Product installation and other associated items**

- A. Expanded License Software
- B. Product installation and other associated items

**II. CSG – Vantage setup and database modifications and other services**

- A. Vantage

B. Vantage Plus

**THIRD-PARTY SOFTWARE THAT MAY BE PROCURED THROUGH CSG.**

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**CONFIDENTIAL TREATMENT REQUESTED BY CSG SYSTEMS INTERNATIONAL, INC.**

**DATA COMMUNICATIONS SERVICES.**

- I. Direct Connect**
- II. Network Services – timelines and pricing**

**EQUIPMENT INSTALLATION/TECHNICAL AND ENGINEERING SUPPORT SERVICES.**

- I. Equipment installation outside of normal work hours**
- II. Technical and Engineering support services**

**Definition of an Active Subscriber**

An “ **Active Subscriber** ” shall mean any subscriber residing in a revenue-generating system principle that is reported \*\* \*\*\* \*\*\*\*\* \*\*  
\*\*\*\*\* \*\* \*\*\* \*\*\*\*\* \*\* \*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\* \*\* \*\*\*\*\* \*\*\*\*\* \*\* \*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* , \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*  
\*\*\*\* \*\* \*\*\*\*\* \*\*\*\*\* \*\* \*\*\*\*\* \*\*\*\*\* \*\* \* \*\*\*\*\* \*\*\*\*\* \*\* \*\*\*\*\* \*\* “\*\*\*”

**Section References**

References in this Schedule F shall refer to Sections of this Schedule F except as otherwise indicated by the context thereof.

**CSG SERVICES**

**I. Processing**

[Remainder of section redacted for confidential treatment.]

**CSG SERVICES**

**II. Interfaces**

[Remainder of section redacted for confidential treatment.]

**CSG SERVICES**

**III. Payment Procurement**

[Remainder of section redacted for confidential treatment.]

**CSG SERVICES**

**IV. Credit Management and Collections**

[Remainder of section redacted for confidential treatment.]

**CSG SERVICES**

**V. Technical Services**

[Remainder of section redacted for confidential treatment.]

**CSG SERVICES**

**VI. Discovery Support Fees**

[Remainder of section redacted for confidential treatment.]

**CSG SERVICES**

**VII. Additional training and documentation**

[Remainder of section redacted for confidential treatment.]

**CSG LICENSED PRODUCTS**

**I. Product installation and other associated items**

[Remainder of section redacted for confidential treatment.]

**CSG LICENSED PRODUCTS**

**II. CSG Vantage setup and database modifications and other services**

[Remainder of section redacted for confidential treatment.]

**THIRD-PARTY SOFTWARE THAT MAY BE PROCURED THROUGH CSG**

[Remainder of section redacted for confidential treatment.]

**DATA COMMUNICATIONS SERVICES**

**I. Direct Connect into the CSG's Data Center**

[Remainder of section redacted for confidential treatment.]

**DATA COMMUNICATIONS SERVICES**

**II. Network Services - timelines and pricing**

[Remainder of section redacted for confidential treatment.]

**EQUIPMENT INSTALLATION/TECHNICAL AND ENGINEERING SUPPORT SERVICES**

[Remainder of section redacted for confidential treatment.]

**SCHEDULE G**

**Performance Standards And Remedies**

**1. Definitions .**

**[Remainder of Schedule redacted for confidential treatment.]**

**EXHIBIT G-1**

**Performance Remedies**

[Remainder of Exhibit redacted for confidential treatment.]



SCHEDULE H

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. Business-critical functions (computer resources, networks, processes, and facilities) are those which, if not operating, would cause significant adverse impacts upon the services or products provided by CSG to its clients.

For BCP and disaster recovery purposes, CSG 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 \*\*\*\*\* \*\* \*\*\*\*\* after declaration of a business disaster.
- All MARC II business functions are required to be operational from a BCP standpoint \*\*\*\*\* \*\*\*\*\* \*\* \*\*\*\*\* \*\* \*\*\*\*\* \*\* \*\*\*\*\* \*\* \*\*\*\*\* \*\*\*\*\* after declaration of a business disaster.
- All MARC III business functions are required to be operational from a BCP standpoint \*\*\*\*\* \*\*\*\*\* \*\* \*\*\*\*\* \*\* \*\*\*\*\* \*\* \*\*\*\*\* \*\* \*\*\*\*\* \*\*\*\*\*\_\*\*\* 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:

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CSG will maintain adequate BCP plans for each of the products and services listed above, and will test those plans on an annual basis for accuracy and adequacy.



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

*Execution Version*

Should the Customer wish to check the status of a problem, such Customer may contact the SSC representatives or Customer's Account Manager. In either case, the Customer should reference the tracking number.

Customer specifically acknowledges that the Support Services do not include provision of any services related to Customer's Designated Equipment.

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**CONFIDENTIAL TREATMENT REQUESTED BY CSG SYSTEMS INTERNATIONAL, INC.**

**SCHEDULE J**

**Outstanding SOWs**

[Remainder of Schedule redacted for confidential treatment.]

**SCHEDULE K**

**MUTUAL RELEASE AGREEMENT**

This Mutual Release Agreement (the “**Release**”) is made by and between CSG Systems, Inc., a Delaware corporation (“**CSG**”) and Dish Network L.L.C., a Colorado limited liability company (“**Customer**”). The above parties are collectively referred to as the “**Parties**.”

**RECITALS**

- (A) The parties entered into a Master Subscriber Management System Agreement effective January 1, 2010 (the “**Agreement**”).
- (B) The [insert applicable term: Processing Term, Print and Mail Term or Extended Term] has been terminated in accordance with Section 19 or otherwise as provided in the Agreement, the Parties have agreed to enter into this Release to resolve any potential litigation that could result from the Agreement, or its expiration or termination. By entering into this Release, the Parties make no admissions of liability or fact.
- (C) Capitalized terms used, but not defined, in this Release shall have the meanings given to such terms in the Agreement.

**AGREEMENT AND RELEASE**

In consideration of the foregoing and the following respective provisions and covenants, the Parties agree to a mutual release as follows:

- 1. Payments have been made in satisfaction of the obligations set forth in Section 19 of the Agreement.
- 2. Upon execution of the Release, and in consideration of the monies paid as set forth in paragraph 1 above and the promises made herein, except as set forth in paragraph 3 below, each Party hereby releases and forever discharges the other Party and its Affiliates, successor companies, and each past or present employee, agent, representative, officer, director, stockholder, attorney, of and from any and all claims arising out of the work, performance, payment or other obligations of the other Party in conjunction with [insert applicable term:: the Processing Services and fees therefore/the Print and Mail Services, print-and-mail-related Products and fees therefore/the Agreement, as amended] (collectively, the “**Released Claims**”).
- 3. The Parties do not by this Release intend, and this Release shall not be deemed, to release any claims of any kind whatsoever that have accrued or may accrue under Section 13 (Infringement) or Section 21 (Confidentiality) of the Agreement.
- 4. The Parties shall bear their own costs and attorneys’ fees related to this Release.
- 5. This Release shall be binding upon and for the benefit of the Parties and their respective successors, devisee, executors, Affiliates, representatives, assigns, officers, directors, partners, agents and employees.
- 6. The Parties expressly state that they have consulted their respective attorneys of record concerning all portions of this Release and have been fully advised by their attorneys with respect to their rights and obligations hereunder. Each Party has cooperated in the preparation of this Release, and therefore, any construction of the intent of the Parties or language hereof to be made by a court of law shall not be construed against any of the Parties.
- 7. This Release constitutes the entire agreement between the Parties with respect to the subject matter hereof and it is expressly understood and agreed that this Release may not be altered, amended, modified or otherwise changed in any respect or particular whatsoever except by a writing duly executed by an authorized representative of the Parties.

8. The Parties hereby agree and acknowledge that they will not claim at any time or place that this Release has been orally altered or modified or otherwise changed by oral communication of any kind or character.
9. The Parties acknowledge that this Release shall not be considered an admission of liability by any party for any purpose.
10. This Release may be executed in counterparts which, when taken together, shall constitute one original Release. Facsimile signatures will serve as originals for all purposes.
11. No representations, oral or otherwise, express or implied, other than those contained herein, have been made by any party hereto, and by executing this Release, each party hereby warrants that this Release is made and entered into without reliance upon any statements or representations of any party, hereby obligated or released, or in reliance upon any statements or representations made by any representatives, agents or employees of any of the Parties.
12. Each individual executing this Release represents and warrants that he/she is duly authorized to execute this Release, and that it is binding in accordance with its terms. The Parties warrant that they are the true holders of all rights and remedies which they purport to release, and that they have not assigned or transferred any of these rights or remedies to any other individuals and/or entities.

**APPROVED AS TO FORM AND CONTENT:**

**DATED:** \_\_\_\_\_

**CSG SYSTEMS, INC.**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Position: \_\_\_\_\_

**DATED:** \_\_\_\_\_

**DISH NETWORK L.L.C.**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Position: \_\_\_\_\_

SCHEDULE L
NON-BINDING
EXTENDED AGREEMENT OPTION TERM SHEET
TO THE
CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT
BETWEEN
CSG SYSTEMS, INC.
AND
DISH NETWORK, L.L.C.

The parties to the Agreement have agreed to negotiate in good faith to seek agreement upon definitive terms of an amendment to the Agreement that will provide an option (the "Extended Agreement Option," or the "Option") exercisable by Customer to, among other things, amend the Agreement (such amendment is hereinafter referred to as the "Amendment") to provide Customer with additional Products and Services from CSG, a change in the fees for such Products and Services, and extend the Processing Term and Print and Mail Term for an additional period through December 31, 2015. This non-binding term sheet contains a summary of key business terms that reflect the discussions held between the parties prior to the date of execution of the Agreement. Subject to further negotiation, as of the date of execution of the Agreement the parties anticipate that the definitive terms of the Option will be substantially similar to the terms set forth below. However, such terms are provided herein merely to facilitate further discussions and to reference some important and key business terms, but the resulting amendment, and not this term sheet, shall provide the binding terms and conditions of any agreement that may be reached between the parties with respect to the Extended Agreement Option. The terms and conditions included herein are a general summary and do not amend or create any new obligations on either party. Capitalized terms used but not defined herein shall have the meaning given to such terms in the Agreement.

Subject to further discussion and negotiation, the Parties anticipate that:

- 1. Term: The Extended Term will begin on the date the Option is exercised (the "Extended Option Date") and will end on December 31, 2015.
2. Expiration: Customer will have the right to exercise the Option until April 30, 2011.
3. Exclusivity: [Redacted text]





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- (b) If necessary for Customer to receive the Products and/or Services, Customer may purchase from CSG a data communications line from CSG's data processing center to each of Customer's system sites receiving Products and/or Services (" **System Sites** "), as appropriate. Customer shall pay all fees and charges in connection with the installation and use of any peripheral equipment related to the data communications line in accordance with the fees set forth in Schedule F.

8. **Designated Environment** : Section 11, entitled Designated Environment, would be deleted in its entirety and replaced with the following:

**Designated Environment** . " **Designated Environment** ," means the then-current combination of other computer programs and hardware equipment that CSG specifies for use by all of its customers with the Products and Services as set forth on CSG's customer extranet website (<https://my.csgsupport.com>) or succeeding site, which can be accessed by Customer upon request, or otherwise approved by CSG in writing for Customer's use of the Products and Services at the System Sites. Customer (or any third parties permitted access in accordance with Section 12(d)(ii) below) may use the Products only in the then-current Designated Environment; provided, however, that CSG will provide to Customer no less than \*\*\*\*\* (\*\*) \*\*\*\*\* prior written notice for any changes to the hardware and/or software in the Designated Environment solely related to (a) the operating system, or (b) CSG's Products or Services that are under CSG's sole and exclusive control, and to the extent applicable, CSG will provide to Customer prior written notice as soon as reasonably practicable for any other changes to the hardware and/or software in the Designated Environment. With respect to any other hardware and/or software identified in the Designated Environment that is licensed by CSG from a third party, CSG shall continue to include such hardware and/or software in the Designated Environment until such products are no longer supported by such third party. CSG shall promptly notify Customer upon learning that a third party vendor will cease supporting any particular hardware or software. CSG shall give \*\*\*\*\* (\*\*) \*\*\*\*\* prior written notice to Customer of changes to the Designated Environment that do not require Customer or its Subscribers to upgrade its computer programs or hardware equipment, and will notify Customer in writing of changes that would necessitate training of Customer's customer service representatives at least \*\*\*\*\* (\*\*) \*\*\*\*\* prior to the implementation of the change. In cases where CSG becomes aware that Customer is not operating its hardware or software in conformance with the Designated Environment, CSG will notify Customer of its knowledge of such nonconformance and support the Products within the non-compliant environment; however, the Parties agree that: (i) any support offered with respect to hardware or software operating outside the Designated Environment will be limited to the extent that the manufacturer or vendor of the hardware or software continues to provide general support for such hardware or software versions; and (ii) although CSG shall use commercially reasonable efforts to provide Support Services, CSG shall not be subject to damages that are directly related to malfunctions of the Products caused by Customer's use of the Products in such noncompliant environment. Customer further agrees that CSG will not have any responsibility or liability in connection with malfunctions or any damage resulting from any modifications to the Products not authorized by CSG. If Customer questions the necessity of upgrading to any new Designated Environment as requested by CSG, CSG shall meet with Customer to discuss the proposed changes in an effort to reach mutual agreement on the minimal level of changes to Customer's equipment that are necessary. It is understood and agreed that Customer's failure to keep its environment in compliance with the Designated Environment (a " **DEG Failure** ") shall not be deemed to be a material breach of this Agreement or the license granted hereunder; provided, however, that to the extent that CSG's performance under this Agreement is hindered due to such DEG Failure, such reduced level of performance shall not be deemed a material breach of this Agreement.



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(b) Section 20 entitled TERMINATION ASSISTANCE would be deleted in its entirety and replaced with the following:

The term "Termination Assistance" shall mean reasonable termination assistance relating to the transition to another vendor or system as further described in Schedule E. Upon expiration or earlier termination of this Agreement by either party for any reason, and provided that Customer has paid CSG any and all Undisputed fees and expenses due hereunder, CSG will provide Customer reasonable Termination Assistance, as provided by Schedule E, for up to \*\*\*\*\* from the effective date of termination relating to the transition to another vendor.

(c) In Section 26, entitled AUDIT, the first sentence would be deleted in its entirety and replaced with the following:

No more than once in any \*\*\*\*\* period during the term of this Agreement and for \*\*\*\*\* after its termination for any reason or expiration and upon not less than \*\*\*\*\* prior written notice to CSG, and during normal business hours, Customer may conduct an audit of CSG's records regarding Reimbursable Expenses and all other payments made by Customer to CSG to verify that Customer has paid the correct amounts during the preceding \*\*\*\*\* period.

(d) Section 27, entitled INSPECTION, the first sentence would be deleted in its entirety and replaced with the following:

No more than once in any \*\*\*\*\* period during the term of this Agreement and for \*\*\*\*\* after its termination or expiration for any reason, CSG or its representative (who shall execute a confidentiality agreement with Customer, in form reasonably acceptable to Customer) may, upon not less than \*\*\*\*\* prior written notice to Customer, and during normal business hours, inspect the files, computer processors, equipment and facilities of Customer which are relevant to this Agreement during Customer's normal business hours for the sole purpose to verifying Customer's compliance with this Agreement.

10. \*\*\*

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

*Execution Version*

**EXHIBIT 1**

**[Remainder of Exhibit redacted for confidential treatment.]**

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**CONFIDENTIAL TREATMENT REQUESTED BY CSG SYSTEMS INTERNATIONAL, INC.**

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

*Execution Version*

**EXHIBIT 1 (a)**

**[Remainder of Exhibit redacted for confidential treatment.]**

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**CONFIDENTIAL TREATMENT REQUESTED BY CSG SYSTEMS INTERNATIONAL, INC.**

**SCHEDULE M**

**Designated Environment and Required Equipment Variances**

[Remainder of Schedule redacted for confidential treatment.]

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

*Execution Version*

**SCHEDULE N**

**Designated Environment (as of the Effective Date)**  
**(SEE ATTACHED)**

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**CONFIDENTIAL TREATMENT REQUESTED BY CSG SYSTEMS INTERNATIONAL, INC.**

**CSG Vantage Designated Environment**  
**Effective Date 7/25/09**

**Last Reviewed 10/30/09 – no changes**

***Using Vantage in the ACSR and/or ACP Voice 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.

**Minimum PC Requirements**

IBM, Compaq, or Dell Pentium 166 MHz or better; 1 gig 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 XP (Professional)

Oracle 10g Release 2, 32-bit Client for Windows

Forest & Trees® Builder Edition 7.0 (plus maintenance)

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

- (1) Vantage will operate only on a PC.
- (2) 1 Gig 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) TCP/IP connectivity with an InterNIC registered TCP/IP address to CSG's Millennium Data Center in Englewood, CO. The Vantage

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**CSG Screen Express® Designated Environment**  
**Effective Date August 2009**

**Last Reviewed 11/1/09 – no changes**

workstation must exist on the TCP/IP network.

2 of 2

**CONFIDENTIAL TREATMENT REQUESTED BY CSG SYSTEMS INTERNATIONAL, INC.**



**Vantage ® Plus Designated Environment**  
**Effective Date 7/25/09**

**Last reviewed 10/30/09 – no changes**

CSG Vantage ® Plus may be accessed via Internet, or by direct line. Customer must have Internet Explorer 6.0 or higher installed. Customer is responsible for connectivity.

**Vantage ® Plus Hardware Requirements**

**PC Requirements**

IBM, Compaq, or Dell - Pentium 166 MHz or better; 1 Gig RAM or greater is recommended; 1.2 GB hard drive or larger (128 MB free space).

**Vantage ® Plus Software Requirements**

**Operating System Requirements**

Windows XP Professional

**Other Software**

Internet Explorer 6.0 or greater

Adobe Acrobat Reader ([www.adobe.com](http://www.adobe.com)) for PDF viewing and downloading

WinZip ([www.winzip.com](http://www.winzip.com)) or other decompression utility

**CSG Statement Express® Designated Environment**  
**Effective Date: 11/1/07**

Last reviewed 10/19/09 – no changes

**CSG Statement Express Client - Stand Alone Environment (1)**

**Platform Supported**

OnDemand Content Manager version 7.1.2.0  
See current Designated Environment requirements for Windows XP or Windows 2000

**Desktop Software Requirements**

IBM OnDemand

**Minimum Processor**

An IBM-compatible PC with an Intel Pentium or Celeron 500 MHz

**Minimum Free Disk Space**

100 MB of free hard disk space

**Minimum Memory**

128 MB of RAM  
256 MB of RAM is recommended when running Statement Express with multiple desktop applications

**Network Cards/Devices**

Ethernet or Token Ring network adapter

**Minimum Video Requirements**

A super-VGA and adapter with at least 1024x768x256 colors

**Printer**

Any MS Windows supported printer

**CSG Statement Express Client - ACSR Integrated API Version 2 (2)**

**Platform**

See current Designated Environment requirements for ACSR

**Desktop Software Requirements**

Adobe Acrobat Reader version 7.0 or higher (Requires Plug-ins)  
Internet Explorer 6.0 or higher

**Minimum Processor**

See current ACSR Designated Environment

**Minimum Free Disk Space**

See current Designated Environment requirements for ACSR.

**Minimum Memory**

See current Designated Environment requirements for ACSR

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**CSG Screen Express® Designated Environment**  
**Effective Date August 2009**

**Last Reviewed 11/1/09 – no changes**

- <sup>(1)</sup> Requires INTERNIC registered address.
- <sup>(2)</sup> Requires CSG ACSR and INTERNIC registered address.
- \* IBM OnDemand shall only be used with CSG Statement Express and the integrated applications and shall not be used with any other product or service of CSG or any other third party.

2 of 2

**CONFIDENTIAL TREATMENT REQUESTED BY CSG SYSTEMS INTERNATIONAL, INC.**

**CSG Screen Express® Designated Environment**  
**Effective Date August 2009**

**Last Reviewed 11/1/09 – no changes**

**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.**

**CSG Screen Express is inherent to the ACSR product and therefore requires the ACSR product to execute properly. Please refer to the ACSR DEG to ensure that all ACSR requirements are met before utilizing Screen Express.**

**Screen Express / ECR - CTI Server Requirements**

**CTI Server Environment:**

Windows Server Class machine – Dual P4 2.4 GHz or greater, 4 GB RAM, 80 GB available hard drive space, local network IP connectivity, Windows 2000 Server/2000 Advanced Server/2003 Server with latest service packs, IIS 5.0 or greater, MS .Net Framework 2.0, MS SQL 2000 or greater. Networking – server requires FTP access to outside (IntraNext Systems) and internet access.

(Drive space based on 60 days CDR retention)

**Screen Express Desktop Workstation**

Windows Workstation Class machine – P4 1200 MHz or greater, 512 MB RAM, 30 MB available hard drive space; Windows 2000 (+Pro)/Windows XP(+Pro)/Windows Vista Business/Ultimate, MS .Net Framework 2.0.

**Screen Express / ECR - supported ACD integrations**

**Aspect ACD** – CallCenter Software version 6.2 or greater. Requires one of the following configurations:

- Application Bridge Link (Ethernet)
- Contact Server 5.2 or greater.

**Avaya Communications ACD** – System Software version 6.0 or greater. Requires one of the following configurations:

- Legacy MAPD board and available ASAI link (ASAI-plus required for Adjunct routes in vectors)
- AES server with DLG (Definity LAN Gateway) license package (ASAI-plus required for Adjunct routes in vectors)
- AES server with dedicated TLink and basic TSAPI licenses equal to total number of monitored devices (agent phones, IVR ports, etc.) AES advanced TSAPI license required for Adjunct routes in vectors

**Nortel/Meridian ACD** – Any Nortel Meridian ACD Software Release 25.30 or greater/CS1000 system that supports and includes one of the following configurations:

- SCCS (Symposium Call Center Server) version 5.0 and Nortel TSP (TAPI Service Provider) 2.3 or greater, including TSP licensing equal to the total number of monitored devices (Screen Express seats, IVR ports, etc.)
- SCCS 5.0 and CCT (Communication Control Toolkit) 5.0 including above named TSP licensing
- CCMS (Contact Center Management Server) 6.0 and CCT 6.0 including above named TSP licensing

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**CSG Screen Express® Designated Environment**  
**Effective Date August 2009**

**Last Reviewed 11/1/09 – no changes**

**Aastra (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 an available OAI (Open Application Interface) Link.

**Siemens/Rolm** – HICOM 300 series (9751/9006 or greater) with CallBridge for Workgroups (CSTA version only).

**Additional Features and Notes**

**Enhanced Call Routing:** Current certification for this functionality exists with the following switch types. For additional switch integration please contact your account specialist.

**Aspect ACD** – CallCenter Software version 6.2 or greater. Requires one of the following configurations:

- Application Bridge Link (Ethernet)
- Contact Server 5.2 or greater.

**Avaya Communications ACD** – System Software version 6.0 or greater. Requires one of the following configurations:

- Legacy MAPD board and available ASAI link (ASAI-plus required for Adjunct routes in vectors)
- AES server with DLG (Definity LAN Gateway) license package (ASAI-plus required for Adjunct routes in vectors)
- AES server with dedicated TLink and basic TSAPI licenses equal to total number of monitored devices (agent phones, IVR ports, etc.) AES advanced TSAPI license required for Adjunct routes in vectors

**Outbound Dialer Integration:** Current certification exists on the following Dialers. For additional dialer integration please contact your account specialist.

- Avaya PDS Dialer (formerly Mosaix) using DDE connection
- Davox Dialer using IP socket connection

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**DirectNet Designated Environment**  
**Effective Date 7/1/09**

**Last reviewed 10/19/09 – no changes**

**DirectNet Hardware**

**Processors**

1ghz or greater

**Minimum PC Requirements**

Any PC running one of the following operating systems:

Windows XP

Windows Vista

**Other Software**

Internet Explorer 7.0

Microsoft Silverlight 2.0

Adobe Acrobat Reader 7 or higher ( [www.adobe.com](http://www.adobe.com) ) for PDF viewing and downloading

MS Word 2003 or 2007

1 of 1

**CONFIDENTIAL TREATMENT REQUESTED BY CSG SYSTEMS INTERNATIONAL, INC.**

**Precision eCare 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. Precision eCare also supports Kiosk services.

**Precision eBPP** - electronic bill presentment and payment, including for Kiosk

- Online (XML) Statements, Enhanced Statement Presentment (ESP)
- PDF Statements, Adobe Reader plug-in (Windows) 8.0+, English
- Internet Explorer (Windows) 7.0 & 8.0 (1), Safari (Windows/MAC) 3.0+, Firefox (Windows/MAC) 2.0+
- KIOSK Local Browser, Internet Explorer (Windows: XP) 7.0
- Required Enabled Browser Options, Java Script, Cookies, and 128-bit SSL Encryption Support

**Precision eCommerce** – online ordering (Formerly Self-Care)

- Internet Explorer (Windows) 7.0 & 8.0 (1), Safari (Windows/MAC) 3.0+, Firefox (Windows/MAC) 2.0+
- Required Enabled Browser Options, Java Script, Cookies, and 128-bit SSL Encryption Support

**The Administration Designated Environment for the customer:**

- Internet Explorer (Windows) 7.0 & 8.0 (1)
- Required Enabled Browser Options, Java Script, Cookies, and 128-bit SSL Encryption Support

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(1) Support for Internet Explorer 6.0 will expire March 1st 2010

\*\* Once an upgraded browser version is added to the DEG, Precision eCare will drop the oldest version of that browser by default.

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**ACSR® Windows Designated Environment  
for Cycle E environments only  
Effective Date: November 2009**

Last Reviewed 9/21/09

**The ACSR product includes:**

- ACSR 6.x

**Supported Operating Systems - ACSR Family of Products**

<b>Operating System</b>	<b><u>ACSR</u></b>
Windows Vista Business(1)	Yes
Windows XP Professional(2)	Yes

**(1) Windows Vista Business**

- Windows Vista Business is supported.
- Windows Vista Home edition is not supported.
- Proper installation of ACSR on Windows Vista requires the ACSRInstallUtility to be installed prior to installing ACSR. For best results it has been found that the UAC should be turned off while installing the Install utility and once completed the UAC can be turned on and the system should be re-started. This install utility will handle the permissions required to register the .dll and .ocx files used by the ACSR application.

**(2) Windows XP**

- Windows XP Professional is supported
- Windows XP Home edition not supported
- CSG strongly recommends running with the latest service pack as provided by Microsoft.
- 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, then the Microsoft compatible security template that opens up the default access control policy for the Users group must be installed. Installation of this template will allow ACSR to install and function correctly. For more information about this template, please contact Microsoft Support.
- 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.



**ACSR® Windows Designated Environment  
for Cycle E environments only  
Effective Date: November 2009**

Last Reviewed 9/21/09

**Server Requirements**

Currently Available Server Hardware	Master Distribution	Remote Distribution
	Server	Server
Sun Netra 210	X	X
Sun Fire X2200 M2's	X	X
Sun Enterprise T5240 (with customer- Configured LDOM's (virtual servers))	X	

- DVD drive is required for ALL Sun Servers.
- Server model, number of CPU's, memory and disk storage are based on customer's requirements.
- Server hardware not listed above should be reviewed by CSG.

**REQUIRED SERVER SOFTWARE**

**(The current version of all listed software will be used unless otherwise noted)**

	ACSR (Master ONLY)	ACSR (Remote Only)	ACSR W/CIT(1)
Sun Solaris v2.8 and v2.9 (v8 or v9) with current patches (kernel patch 117350-06 or higher) Sun Solaris 10(2)	X	X	X
Sun Solaris 10 x86-64bit AMD(3)	X	X	X
Samba software - versions available: 1.9.15p8 (requires ports 137, 138, & 139 open on customer firewall/switches)	X	X	X
3.1.14a (requires port 445 open on customer firewall/switches and Solaris v 2.8 or higher)			
Hewlett Packard JetAdmin for Solaris (bundled with HP JetDirect) v 10.34	X	X	X
Veritas Volume Manager current version			X

- (1) CSG no longer sells CIT in a non-hosted environment. Hosted CIT requires client to purchase CSG's "Third Party Communications Software"; Hosted CIT client does not need to purchase Oracle and Tuxedo licenses.
- (2) Sun Solaris 10 without containers.
- (3) Sun Solaris 10 x86 is currently only certified with Sun Fire X2100 M2.

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**ACSR ® Windows Designated Environment  
for Cycle E environments only  
Effective Date: November 2009**

Last Reviewed 9/21/09

**Printing**

CSG recognizes that printing reports is a crucial part of managing business and has provided the following section below when considering new printers for purchase or determine if existing printers can be compatible.

As there is a vast amount of printer manufacturers and models available and the different technologies used, CSG cannot certify nor guarantees that each model will work as expected. Clients are responsible for obtaining printers they wish to test as well as verifying all printing functionality. As a reference, listed below are printer manufacturers/models that at one point have been used by CSG clients or are upgrade equivalents.

Additional information on CSG Form types and on the process of setting up the print spooler is available upon request. Please contact your SBU Representative.

**Printer Guidelines / Recommendations**

- 1) Network Connectivity: Hewlett Packard External Jet direct EX module with SNMP capability (Printer interface external box required for system printing).
- 2) Printer RAM: Ensure the printer selected has the necessary RAM to support the job types and job sizes requested to be spooled for print.
- 3) Alebra Brixton OpenClient software for Solaris minimum release R4.1.3.5; Allows 3287 emulation for mainframe printer connections. Provides CSG the ability to troubleshoot print job data from the mainframe to the spooler (server disk).
- 4) Network Cards/Devices: Sun Network Interface Hardware required with third party network providers.

***Printers***

***Suggested printer manufacturers/ models:***

IBM 6500 all models (For reports) (with parallel port) (do not order with internal Ethernet card) (New by manufacturer) (Replaces several of the IBM 6400 models)

IBM 4247 model 003 (For reports) (with parallel port) (do not order with internal Ethernet card) (New by manufacturer) (Replaces the IBM 4226, 4230, and 4232 models)

Lexmark 4227 Plus - (work order printer)

Okidata ML 320 Turbo - (For cash register receipts)

LaserJet Printers (For screen prints) - Most LaserJet printers should be compatible.

**Please Note:** Additional software is needed to support printing

- 1) Current version of Rumba is required for all cash register receipt/ outage detection printing.

**ACSR® Windows Designated Environment  
for Cycle E environments only  
Effective Date: November 2009**

Last Reviewed 9/21/09

**Client Workstation Requirements**

**ACSR Client Workstation Hardware**

Product Type	Operating System	CPU		RAM	
		Minimum(3)	Optimal	Minimum(1)	Optimal
ACSR/ACP	Vista (Business)(1)/ XP (Professional)(2)	500 MHz	1.8 GHz	512 MB	1 GB

(1) **Windows Vista**

- Windows Vista Business supported.
- Windows Vista Home edition is not supported.
- Proper installation of ACSR on Windows Vista requires the ACSRInstallUtility to be installed prior to installing ACSR. For best results it has been found that the UAC should be turned off while installing the Install utility and once completed the UAC can be turned on and the system should be re-started. This install utility will handle the permissions required to register the .dll and .ocx files used by the ACSR application.

(2) **Windows XP**

- Windows XP Professional is supported
- Windows XP Home edition not supported
- CSG strongly recommends running with the latest service pack as provided by Microsoft.
- 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, then the Microsoft compatible security template that opens up the default access control policy for the Users group must be installed. Installation of this template will allow ACSR to install and function correctly. For more information about this template, please contact Microsoft Support.
- 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.

- (3) **Minimum Requirements** are specific to the ACSR application itself. Requirements do not take into consideration if additional desktop applications are loaded/running.

**ACSR® Windows Designated Environment  
for Cycle E environments only  
Effective Date: November 2009**

Last Reviewed 9/21/09

**ACSR Client Workstation Software**

<u>Operating Systems</u>	<u>Platform</u>	
	<u>Windows Vista (Business)(1)</u>	<u>Windows XP (Professional)(2)</u>
Microsoft Vista Business	X	
Microsoft XP Professional through Service Pack 2.0		X
<b>Host Access</b>		
Rumba version 7.4 (3)	X	X

**(1) Windows Vista**

- Windows Vista Business is supported.
- Windows Vista Home edition is not supported.
- Proper installation of ACSR on Windows Vista requires the ACSRInstallUtility to be installed prior to installing ACSR. For best results it has been found that the UAC should be turned off while installing the Install utility and once completed the UAC can be turned on and the system should be re-started. This install utility will handle the permissions required to register the .dll and .ocx files used by the ACSR application.

**(2) Windows XP**

- Windows XP Professional is supported.
- Windows XP Home edition not supported.
- CSG strongly recommends running with the latest service pack as provided by Microsoft.
- 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, then the Microsoft compatible security template that opens up the default access control policy for the Users group must be installed. Installation of this template will allow ACSR to install and function correctly. For more information about this template, please contact Microsoft Support.
- 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.

- (3) Clients utilizing IP Gateway do not need Rumba for ACSR. Rumba access required for CCS based transactions, report management, cash register receipt and outage detection printer support.**

**ACSR® Windows Designated Environment  
for Cycle E environments only  
Effective Date: November 2009**

Last Reviewed 9/21/09

<u>Database/Reporting</u>	<u>Platform</u>	
	<u>Windows Vista (Business)(1)</u>	<u>Windows XP (Professional)(2)</u>
Oracle SQL Net v2.1.4.1.4 runtime (for CIT; for PCs with Forest & Trees® reporting tool)	X	X
Forest & Trees® Builders Edition v7.0 or higher (Optional reporting tool for PCs performing reporting queries)	X	X
Oracle 10g Release 2, 32 - bit client (3)	X	X

**(1) Windows Vista**

- Windows Vista Business is supported.
- Windows Vista Home edition is not supported.
- Proper installation of ACSR on Windows Vista requires the ACSRInstallUtility to be installed prior to installing ACSR. For best results it has been found that the UAC should be turned off while installing the Install utility and once completed the UAC can be turned on and the system should be re-started. This install utility will handle the permissions required to register the .dll and .ocx files used by the ACSR application.

**(2) Windows XP**

- Windows XP Professional is supported.
- Windows XP Home edition not supported.
- CSG strongly recommends running with the latest service pack as provided by Microsoft.
- 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, then the Microsoft compatible security template that opens up the default access control policy for the Users group must be installed. Installation of this template will allow ACSR to install and function correctly. For more information about this template, please contact Microsoft Support.
- 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.

**(3) Oracle 9I client for Windows 9.2.04 will continue to be supported.**

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**ACSR® Windows Designated Environment  
for Cycle E environments only  
Effective Date: November 2009**

Last Reviewed 9/21/09

## **1 CSG Workforce Management® System Requirements**

CSG Workforce Management® is supported on two Microsoft Windows Operating Systems — Windows XP and Windows Vista. The minimum specification for each environment is listed below.

### **Minimum System Requirements for running CSG Workforce Management® on Windows XP**

- Service Pack 2 Installed
- Pentium 450 MHz processor (1 GHz is recommended)
- 256 MB of RAM (512 MB is recommended)
- 1.5 GB of available space on the hard disk
- CD-ROM or DVD-ROM drive
- Keyboard and a Microsoft Mouse or some other compatible pointing device
- Video Adapter and monitor with Super VGA (800x600) or higher resolution
- Sound card
- Speaker or headphones

### **Minimum System Requirements for running CSG Workforce Management® on Windows Vista**

- 2.8 GHz 32-bit (x86) or 64-bit (x64) processor
- 1 GB MB of RAM (2 GB RAM is recommended)
- 40 GB hard drive with at least 15 GB of available space
- Support for DirectX 9 graphics with:
  - WDDM Drive
  - 128 MB of graphics memory (minimum)
  - Pixel Shader 2.0 in hardware
  - 32 bits per pixel
- DVD-ROM drive
- Keyboard and a Microsoft Mouse or some other compatible pointing device
- Sound card and audio output

Note: CSG Workforce Management® will function on each supported operating system with these minimum hardware components. However, speed and performance are key issues when determining whether your computer is up to the task of performing with any of these operating systems.

### **Required Software for all Operating System Environments**

CSG Workforce Management® 6.1.0  
Internet Explorer 7.0  
Microsoft Excel  
Adobe Acrobat Reader

### **Citrix Compatibility**

CSG Workforce Management® 6.1.0 is also built to be used in a Citrix environment. A separate document is required to better understand the minimum system requirements for the Citrix environments.

**CSG Workforce Express® 6.1.0 Designated Environment**  
**Effective Date: September 26, 2009**

**2 CSG TechNet® Supported Platforms**

CSG TechNet® Platform	Operating System	Browser	TechNet		Signature			Credit Card Bar Code		Store & Forward
			Platform	Markup Lang	Bluetooth®	Capture	Receipt Printing	Swipe	Scanning	
Web Enabled Cell Phones		Openwave (4.1.x, 5.0.x, 6.0.x) NetFront v3.3 for Sprint PCS	.wml	WML 1.1 and greater						Nextel i265 Nextel i355 Nextel i615
	Windows Mobile 5.0 ***	MSIE 4.01 and greater	.htm	HTML 4.0 and greater	Bluetooth®	<input checked="" type="checkbox"/>	Citizen CMP-10 Zebra MZ-220	Citizen CMP-10BT	<input checked="" type="checkbox"/>	Requires 10MB of Free Program Memory on the device and Messaging and Security Feature Pack
	Windows Mobile 6.0	MSIE 4.01 and greater	.htm	HTML 4.0 and greater	Bluetooth®	<input checked="" type="checkbox"/>	Citizen CMP-10 Zebra MZ-220	Citizen CMP-10BT	<input checked="" type="checkbox"/>	Yes, requires 10MB of Free Program Memory on the device
	BlackBerry	Blackberry Browser 4.0 and greater	.wml	N/A						
Large Screen Devices	Microsoft Windows XP Tablet PC Edition 2005	MSIE 4.01 and greater	.htm .itab	HTML 4.0 and greater						
	Windows XP, Vista	MSIE 4.01 and greater	.htm .itab	HTML 4.0 and greater						

Please Note: The small screen device section has a number of possibilities that are offered in the marketplace today. CSG has tested a number of these devices and has found each one of them to be slightly different. The devices that we have tested include Symbol 9097, Symbol 7075, Smart Device PPC-6700 (Sprint & Verizon), and the Intermec 700c. If a device that you are looking to deploy in the field is not on the list of tested devices, CSG recommends that you contact our Product Management team to schedule a certification test effort prior to making a purchase decision.

The Zebra MZ-220 receipt printer that appears on this Designated Environment Guide must be specifically ordered using custom part number M2E-0UB00010-01 and includes Zebra V95.08.

\*\*\* Please Note: Windows Mobile 5.0 will no longer be supported as of February 1, 2011

Last Review Date: September 26, 2009

**CONFIDENTIAL TREATMENT REQUESTED BY CSG SYSTEMS INTERNATIONAL, INC.**

**SECOND AMENDMENT  
TO THE  
THIRD AMENDED AND RESTATED SERVICES AGREEMENT**

This Second Amendment (the "Second Amendment") to the Third Amended and Restated Services Agreement and entered into this 21<sup>st</sup> day of February, 2010 ("Effective Date"), by and between First Data Technologies, Inc. ("FDT") and CSG Systems, Inc. ("CSG").

**WITNESSETH:**

**WHEREAS**, CSG and FDT entered into a Third Amended and Restated Services Agreement dated as of August 2003, as previously amended (the "Service Agreement"); and

**WHEREAS**, CSG and FDT desire to hereby amend the Service Agreement as hereinafter more particularly set forth.

**NOW THEREFORE**, in consideration of the foregoing mutual promises contained herein, CSG and FDT hereby agree, as of the Effective Date, as follows:

1. Section 1.38 of the Service Agreement is hereby deleted in its entirety and replaced with the following:

“Original Term” means the period of time commencing on the Effective Date and ending June 30, 2010. The Original Term shall automatically extend for up to six successive one (1) month extension periods expiring no later than December 31, 2010, unless CSG provides FDT written notice at least forty-five (45) days prior to the expiration date of the Original Term or the then-current extension period that the Original Term will not be further extended. All references to June 30, 2010 shall be interpreted to mean through the end of the Original Term.”

2. As hereby amended and supplemented, the Third Amended and Restated Services Agreement shall remain in full force and effect.

**IN WITNESS WHEREOF**, each of the Parties hereto has caused this Amendment to the Third Amended and Restated Services Agreement to be executed as of the date first written above.

**CSG SYSTEMS, INC.**

Signed By: /s/ Bret C. Griess

Print Name: Bret C. Griess

Title: EVP

**FIRST DATA TECHNOLOGIES, INC.**

Signed By: /s/ Randall Roumillat

Print Name: Randall Roumillat

Title: SVP-GIO



**FIFTH AMENDMENT TO SERVICE AGREEMENT**

This Fifth Amendment (this "Amendment") to the Services Agreement made and entered into this 21st day of February, 2010 (the "Effective Date"), by and between First Data Technologies, Inc. ("FDT") and CSG Systems, Inc. ("CSG").

**WITNESSETH:**

**WHEREAS**, CSG and FDT entered into a Service Agreement dated as of December 1, 2000, as previously amended (the "Service Agreement"); and

**WHEREAS**, CSG and FDT desire to hereby amend the Service Agreement as hereinafter more particularly set forth.

**NOW THEREFORE**, in consideration of the foregoing mutual promises contained herein, CSG and FDT hereby agree, as of the Effective Date, as follows:

1. Section 1.33 of the Service Agreement is hereby deleted in its entirety and replaced with the following:

"'Original Term' means the period of time commencing on the Effective Date and ending June 30, 2010. The Original Term shall automatically extend for up to six successive one (1) month extension periods expiring no later than December 31, 2010, unless CSG provides FDT written notice at least forty-five (45) days prior to the expiration date of the Original Term or the then-current extension period that the Original Term will not be further extended. All references to June 30, 2010 shall be interpreted to mean through the end of the Original Term."

2. As hereby amended and supplemented, the Service Agreement shall remain in full force and effect.

**IN WITNESS WHEREOF**, each of the Parties hereto has caused this Amendment to the Services Agreement to be executed as of the date first written above.

**CSG SYSTEMS, INC.**

Signed By: /s/ Bret C. Griess

Print Name: Bret C. Griess

Title: EVP

**FIRST DATA TECHNOLOGIES, INC.**

Signed By: /s/ Randall Roumillat

Print Name: Randall Roumillat

Title: SVP-GIO

**CSG Systems International, Inc.**  
**Ratio of Earnings to Fixed Charges**  
(in thousands, except ratios)

	Year Ended December 31, 2009
Income from continuing operations before income taxes	\$ 63,369
Fixed Charges:	
Interest on long-term and short-term debt, including amortization of original issue discount and deferred financing costs	14,042
Interest element of rentals	4,034
Total fixed charges	18,076
Earnings before income taxes and fixed charges	81,445
Ratio of earnings to fixed charges	4.51

**CSG Systems International, Inc.****Subsidiaries of the Registrant  
As of December 31, 2009**

<u>Subsidiary</u>	<u>State or Country of Organization</u>
ComTecnet, Incorporated	New Jersey
DataProse, Inc.	California
CSG Systems, Inc.	Delaware
CSG Services, Inc.	Delaware
CSG Interactive Messaging, Inc.	Delaware
CSG International Holdings, LLC	Delaware
CSG Media, LLC	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 February 23, 2010, with respect to the consolidated balance sheets of CSG Systems International, Inc. as of December 31, 2009 and 2008, 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, 2009, and the effectiveness of internal control over financial reporting as of December 31, 2009, which reports appear in the December 31, 2009 annual report on Form 10-K of CSG Systems International, Inc.

Our report refers to changes to accounting for convertible debt and the calculation of earnings per share.

**KPMG LLP**

Denver, Colorado  
February 23, 2010

**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: February 23, 2010

/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: February 23, 2010

/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.

February 23, 2010

/s/ Peter E. Kalan

Peter E. Kalan

Chief Executive Officer and President

February 23, 2010

/s/ Randy R. Wiese

Randy R. Wiese

Executive Vice President and Chief Financial Officer