

# CSG SYSTEMS INTERNATIONAL INC

## FORM 10-K (Annual Report)

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

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2013

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-27512

**CSG SYSTEMS INTERNATIONAL, INC .**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation or organization)

**47-0783182**  
(I.R.S. Employer  
Identification No.)

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

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

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

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

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

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

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

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

Indicate by 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, 2013, was \$709,173,309.

Shares of common stock outstanding at February 24, 2014: 34,206,638

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Proxy Statement for its 2014 Annual Meeting of Stockholders to be filed on or prior to April 30, 2014, are incorporated by reference into Part III of the Form 10-K.

CSG SYSTEMS INTERNATIONAL, INC.

2013 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”) is one of the world’s largest and most established business support solutions providers primarily serving the communications industry. Our proven approach and solutions are based on our broad and deep experience in serving clients in the communications industry as their businesses have evolved from a single product offering 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 world-class solutions.

Our solutions help service providers streamline and scale operations, introduce and adapt products and services to meet customer demands, and address the challenges and opportunities brought about by change. Our broad suite of solutions helps our clients improve their business operations by creating more compelling product offerings and an enhanced customer experience through more relevant and targeted interactions, while at the same time, more efficiently managing the service provider’s cost structure. Over the years, we have focused our research and development (“R&D”) and acquisition investments on expanding our solution set to address the ever expanding needs of communications service providers to provide a differentiated, real-time, and personal experience for their consumers. This extensive suite of solutions includes revenue management, content management and monetization, customer interaction management and business intelligence.

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 Small Cap 600 company.

#### Industry Overview

*Background.* We provide business support solutions to the world’s leading communications service providers, as well as clients in several complex and highly competitive industries. 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 market, through acquisition and organic growth, we have broadened and enhanced our solutions to extend our business both globally and to a number of other industries including content distribution, media and entertainment, financial services and utilities

*Market Conditions of the Communications Industry.* As the majority of our clients operate within the global communications industry sector, the economic state of this industry directly impacts our business. The global communications industry has undergone significant fluctuations in growth rates and capital investment cycles in the past decade due to various economic and geo-political factors. Current economic indices suggest a slow stabilization of the industry, but it is impossible to predict whether this stabilization will persist or be subject to future instability. In addition, consolidation amongst providers continues as service providers look for ways to expand their markets and increase their revenues.

The impact of these market factors has resulted in spending cautiousness and in some cases, a delay in decision making by telecom providers. Large transformational projects have been side-lined while operators continue to monitor the business environment in which they operate. Globally, mature operators are looking for ways to control costs and streamline operations, while operators in emerging markets are focusing on capitalizing on the growth of new services and the explosion of connected devices. Regardless of the specific situation, companies continue to have an increased focus on investing in those solutions and services that have a demonstrable short-term return on investments, generate new revenues, and help them evolve their businesses.

*Market Trends of Communications Industry.* The communications industry is experiencing heightened competition and a dramatic shift in purchasing power to the consumer as the consumer now has more choices for content, devices, and providers than ever before. There are four key trends that are emerging as communication service providers (“CSPs”) try to evolve and compete in this highly complex ecosystem.

The first trend relates to an increased pressure for CSPs to find new revenue sources, while also addressing their cost structure as their business evolves. CSPs are seeing a decline in revenues and profits associated with their traditional services like wireline voice and video as a result of new or increased competition and the requirement to provide the same quality of service in order to maintain the customers that they have. In order to offset these declining revenues and profits, CSPs are launching new and unproven revenue generating services with minimal capital investment, while also looking for ways to improve their cost structure. The result of these scenarios is that many CSPs are “capping” their investments on their traditional systems and looking for cost savings opportunities related to these systems, while launching “new” services with highly-flexible, lower cost solutions.

The second trend that CSPs are embracing in numerous facets of the operations includes the emergence of cloud computing. The benefits associated with the cloud—lower total cost of ownership, predictable costs and lower upfront capital expenditure—are moving from the more early service offerings, like salesforce automation and human resource systems, to other facets of operations. For example, CSPs are now moving content to the cloud as a way to provide greater flexibility to experiment with bringing new services online. New offerings can be “turned on” and “turned off” quickly and enable a “fail fast” mentality.

The third trend CSPs are facing relates to the purchasing experience. Consumers have been become accustomed to and value a simplified purchasing experience, much like they do with online apps, music or video downloads. In addition, communications services like voice, video or data are being commoditized as a result of being bundled in an “all-you-can eat” package. In order to improve the overall customer experience, CSPs are simplifying their requirements for billing and related services by moving much of the flexibility and nimbleness required for service activation and delivery into the network or the device, in essence, literally putting more control in the customers’ hands.

And finally, the last trend that is beginning to emerge is the evolution of the CSPs to a more digital lifestyle services provider. In an “always-on” and connected digital society, some CSPs will desire to be the key source for access and content in a highly personalized experience based on individual consumer needs, desires and consumption history. These providers will look beyond their own network and provide ubiquitous access. The “brand” and the “experience” become much more important to these providers as that is what consumers are expected to base their purchasing decisions on. They will no longer be competing solely with the traditional communication companies, but will also be competing against well-known brands like Apple, Amazon and Google for the consumer’s share of wallet.

Overall, these market trends drive the demand for scalable, flexible, and cost-efficient customer interaction management solutions, which we believe will provide us with revenue opportunities. As a result, we have historically invested a significant amount of our revenues in R&D and have acquired companies that enable us to expand our offerings in a more timely and efficient manner. 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 combined with our rich domain expertise provide the industry with proven solutions to improve their profitability and customers’ experiences.

## **Business Strategy**

Our goal is to be the most trusted provider of world-class software and services to service providers around the world who depend upon the timely and accurate processing of complex, high-volume transactions to operate their business and deliver a superior customer experience. We believe that by successfully executing on this goal we can grow our revenues and earnings, and therefore, create long-term value, not only for our clients and our employees, but for our stockholders as well. Our strategic focus to accomplish this goal is as follows:

*Create Recurring Relationships Within Our Core Communications Industry .* Our relentless, relationship-driven, customer-focused business approach is built on a foundation of respect, integrity, and collaboration. As a result, we enjoy long-term relationships with many of the world’s leading service providers based on a true partnership aimed at helping providers enable sustainable growth, create efficiencies, and deliver differentiated services to their customers.

*Expand Our Product and Services Portfolio Through Continuous Innovation.* We believe that our product technology and pre-integrated suite of software solutions gives service providers a competitive advantage. We continually add new, relevant capabilities to what we do as a company, both in terms of our people and our solutions. By doing this, we build very strong recurring relationships which are difficult for our competitors to displace.

*Increase Our Value Proposition Through Continuous Improvement.* As discussed earlier, the demands of consumers are significantly increasing as devices and networks continue to feed an insatiable appetite for content, information, and entertainment. In order to continue to help providers better compete in an environment in which network consumption is outpacing revenue generation, we continue to focus on being cost efficient in delivering our solutions, while helping our clients efficiently and effectively manage their business.

*Deliver On Our Commitments.* Our products and services are business critical. We help our clients manage the entire customer lifecycle, from acquisition to servicing to billing for their end customers. As a result, it is imperative that we deliver on our commitments. For over 25 years, we have been helping blue-chip companies manage periods of explosive and sustained market growth and change – helping them drive revenues, improve their profitability, and deliver positive customer experiences. Our track record of doing what we say we are going to do has enabled us to become embedded in our clients’ operations and be a trusted advisor and integral member of their teams.

*Bring New Skills and Talents to Market.* In order to help our clients manage the pace of change, we invest in our people so that they are prepared to bring the highest quality technical skills, interpersonal skills, and managerial skills to our business and our clients.

In summary, all of our efforts are aimed at helping our clients compete more effectively and successfully in an ever-changing market.

## Description of Business

*Key Clients .* We work with the leading communication providers located around the world. A partial list of those service providers as of December 31, 2013 is included below:

AT&T	Optus
Charter Communications, Inc.	Telefonica
Comcast Corporation (“Comcast”)	Telstra Australia
Cox Communications	Time Warner Cable, Inc. (“Time Warner”)
DISH Network Corporation (“DISH”)	Trader Media Group
ESPN	U.S. Government
Mediacom Communications	Verizon
MTN South Africa & Nigeria	Vivo

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 and our heritage in serving the North American cable and satellite markets, a large percentage of our historical revenues have been generated from our three largest clients, as shown in the table below. Clients that represented 10% or more of our revenues for 2013 and 2012 were as follows (in millions, except percentages):

	2013		2012	
	Amount	% of Revenues	Amount	% of Revenues
Comcast	\$ 144	19%	\$ 150	20%
DISH	113	15%	103	14%
Time Warner	78	11%	75	10%

See the Significant Client Relationships section of our MD&A for additional information regarding our business relationships with these key clients.

*Research and Development .* Our clients around the world are facing competition from new entrants and at the same time, are deploying new services at a rapid pace and 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 \$110.0 million and \$112.9 million, respectively, for 2013 and 2012, or approximately 15% of total revenues for each year. In the near term, we expect that our R&D investment activities will be relatively consistent with that of 2013, with the level of our total 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 products and services help companies with complex transaction-centric business models manage the opportunities and challenges associated with accurately capturing, managing, generating, and optimizing the revenue associated with the immense volumes of customer interactions and then manage the intricate nature of those customer relationships. Our primary product solutions include the following:

- **Cable and Satellite Care and Billing:** Our billing and customer care platform, Advanced Convergent Platform (“ACP”), is the premier system for cable and satellite providers in North America. ACP, a pre-integrated platform delivered in a private hosted cloud environment, is relied upon every single day by almost 50 million consumers of voice, video, and data services, and is used by more than 75,000 of our clients’ customer service agents, and 36,500 of our clients’ field force technicians, dispatchers and routers.
- **Convergent Rating and Billing:** Our Singleview suite provides an integrated customer care, billing and real-time rating and charging solution for the global marketplace delivered in either a cloud or stand-alone environment. This solution is a real-time charging, billing, and customer care solution designed from the ground up for convergent markets. Singleview inherently improves support and promotes optimization as a result of the single view of the customer across all services and transactions. As a result, the capabilities of the Singleview suite extend beyond the communications industry to other transaction-intensive markets including financial services, logistics, and transportation.
- **Mediation and Data Management:** Our Total Service Mediation (“TSM”) provides a comprehensive framework enabling network operators to achieve maximum efficiency with the lowest cost for all interactions between the network and other business support solution applications and related processes. The TSM framework supports offline and real-time mediation requirements as well as service activation. Recognized for its high performance and exceptional throughput, TSM provides the event processing foundation to manage today’s exploding network traffic.
- **Wholesale Settlement and Routing:** Our market-leading Wholesale Business Management Solution (“WBMS”) is a comprehensive and powerful settlements system delivered in either a cloud or stand-alone environment. It handles every kind of traffic – from simple voice to the most advanced data and content services – in a single, highly-integrated platform. It helps operators around the globe improve profits, meet strict regulatory and audit compliance requirements, and comply with the broadest range of global standards.
- **Customer Interaction Management:** Our customer interaction management solutions help deliver a unique, personal and relevant quality experience across all customer touch points – whether that is text, e-mail, web, print, or other communications methods. We are an industry leader in interaction management solutions, processing more than one billion interactive voice, SMS/text, print, e-mail, web, and fax messages each year on behalf of our clients.
- **Business Intelligence:** Our suite of business intelligence services delivers a comprehensive approach to improving the customer experience, increasing sales opportunities, and optimizing business.
- **Content Management & Monetization:** Our Content Direct solutions help manage, deliver, and monetize content to help build brand loyalty and create differentiated offerings for network operators, content aggregators, or content developers. Our Content Direct solutions enable content providers to manage subscriber preferences and offer digital content anytime, anywhere, to any device through a variety of models – direct, subscriber or subsidized.
- **Enterprise Security:** A new software and services solution introduced in 2014 focused on enterprise security solutions designed to help clients combat the increasing frequency, sophistication and unpredictability of cyber attacks. The offering uses adaptive, flexible automation and orchestrations solutions to enable real-time responses and scalable change management.

In summary, we offer a fully integrated, cloud-based revenue and customer management solution, complemented with world-class applications software and customized software solutions, allowing us to provide one of the most comprehensive, flexible, pre-integrated products and services solutions to the communications market. We believe this pre-integrated approach and multiple delivery models allows our clients to bring new product offerings to market quickly and provide high-quality customer service in a cost effective manner. In addition, we also license certain software products (e.g., WBMS, TSM, and Singleview) and provide expert professional services to implement, configure, and maintain these software products.

Historically, a substantial percentage of our total revenues have been generated from ACP and Customer Interaction Management solutions. These products and services are expected to provide a large percentage of our total revenues in the foreseeable future as well.



*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 six different businesses over the last six years, with the most recent acquisitions highlighted as follows:

*Volubill.* In December of 2013, we acquired certain key assets of Volubill, a leading supplier of integrated, real-time policy and charging solutions to mobile, satellite and fixed broadband operators. With this acquisition, we expanded our current billing and revenue management portfolio with enhanced charging and policy capabilities that enable communications service providers to monetize their network and provide an improved customer experience.

*Ascade.* In July of 2012, we acquired one of the leading providers of trading and routing to the telecom industry, independent Swedish software provider, Ascade Holdings AB (“Ascade”). With this acquisition, we expanded our solution offering to include trading and routing solution capabilities and added approximately 75 wholesale billing customers to our client list. The acquisition expanded and strengthened our geographic presence by bringing product specialists and support resources to our combined 300+ wholesale customers worldwide.

*Intec.* In November of 2010, we acquired Intec Telecom Systems PLC (“Intec”) to expand our business support solutions footprint and capabilities. With this acquisition, we added the leading mediation (TSM) and wholesale billing solution (WBMS) to our product suite, as well as a pre-paid/post-paid convergent customer care and billing solution (Singleview). In addition, the acquisition increased our presence, as well as our domain expertise, in the wireless and wireline industries worldwide. The addition of Intec enabled us to support flexible delivery models, from on-site software delivery to outsourced processing models, supported by complementary services offerings, and provided us an infrastructure to expand our business globally.

*Professional Services.* We employ professional services experts globally who bring a wide-ranging expertise – including solution architecture, project management, systems implementation, and business consultancy – to every project. We apply a methodology to each of our engagements, leveraging consistent world-class processes, best-practice programs, and systemized templates for all engagements.

*Managed Services.* We expanded our managed services capabilities and expertise to international operators in early 2013. For our managed services clients, we assume long-term responsibility for delivering our software solutions and related operations under a defined scope and specified service levels, generally using our clients’ infrastructure and premises.

*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 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”) and Customer Support Services (“CSS”), which we operate 24 hours a day, seven days a week. Clients call a telephone number, and through an automated voice response unit, have their calls directed to the appropriate SSC or CSS 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 clients primarily within our geographically dispersed, 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.

*Competition.* The market for business support solutions products and services in the communications industry, as well as in other industries we serve, is highly competitive. We compete with both independent providers and in-house developers of customer management systems. We believe that our most significant competitors in our primary markets are Amdocs Limited, Comverse Inc., NEC Corporation, and Oracle Corporation; network equipment providers such as Ericsson, Huawei, and Alcatel-Lucent; and internally-developed solutions. Some of our actual and potential competitors have substantially greater financial, marketing, and technological resources than us and in some instances we may actually partner and collaborate with our competitors on large opportunities and projects.

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.”

## **Iran Threat Reduction and Syria Human Rights Act**

The Iran Threat Reduction and Syria Human Rights Act of 2012 (“TRA”), which was signed into law on August 10, 2012, requires disclosure regarding certain activities relating to Iran undertaken by us or our affiliates.

*Background.* Our policy is to conduct business in compliance with all laws and regulations, wherever we do business. We strive to comply with U.S. export control and economic sanction laws, regulations and requirements relating to Iran. We have established a Total Compliance Program and a Code of Conduct for all of our employees. The Code of Conduct requires all of our employees to abide by legal regulations that govern our business, including compliance with national and international laws relating to trade restrictions. Our revised Code of Conduct, released in May 2012, confirms that such restrictions include U.S. and international economic sanctions, as well as export control laws, antiboycott laws, anti-corruption laws and data privacy laws. We do not have a subsidiary or other affiliate organized under the laws of Iran. We do not have any employees based in Iran.

*Nature and Extent of the Activity.* On July 13, 2012 (prior to the enactment of the TRA), we acquired Ascade AB (“Ascade”), a Sweden-based provider of trading and routing software and services solutions that help clients generate revenue and maximize customer and partner relationships. Ascade supplies business support systems to more than 100 customers across the global telecommunications industry. Until we acquired Ascade on July 13, 2012 Ascade was headquartered in Sweden.

Ascade’s offerings include a service known as “Assure.” Assure allows mobile carriers to verify quality and detect fraud in network traffic. The solution is provided to telecommunications companies as a service. The service is currently used by approximately 80 non-Iranian telecommunications service providers. Customers using Assure are able to test approximately 410 mobile networks in approximately 130 countries.

To allow for testing of networks, Ascade enters into contracts with individuals acting as “hosts.” Ascade provides one or more functioning devices to the host and directs the host to obtain cellular services from one or more networks available in their location. To test call quality and detect fraud for Ascade customers, calls are then placed to the hosted cellular devices. Ascade’s customers decide which networks they want to test.

Ascade has not entered into any contracts with the Government of Iran or entities owned or controlled by the government of Iran. At the time of acquisition, Ascade was party to an agreement with a non-Iranian individual residing in Iran (the “Agreement”) in connection with the Assure network testing. Under the terms of the Agreement, the individual was required to acquire and activate subscriber identity module (“SIM”) cards and obtain cellular services from three Iranian mobile telecommunications providers, two of which the Government of Iran maintains either majority or total ownership. The Agreement provided that Ascade was to pay the individual a hosting service fee of 750 euros per year and reimburse the individual for the costs of acquiring the SIM cards and obtaining cellular services. We have terminated the Agreement. A voluntary disclosure has been submitted to the Department of the Treasury, Office of Foreign Assets Control (“OFAC”) regarding the Agreement.

*Gross Revenues and Net Profits Attributable to the Activity.* No gross revenues or net profits are directly attributable to the Agreement. The services provided under the Agreement are only an insignificant component of the overall aggregated Assure solution, and are not sold as a separate, identifiable component of the Assure solution to our clients. The gross revenues and net profits of the overall Assure service, however, are not material to our overall financial results (less than 1% of our total revenues).

*Whether We or Our Affiliates Intend to Conduct Future Activities.* We and our affiliates have either suspended or terminated all known activities in Iran and will not undertake future activities without prior U.S. governmental authorization.

## Employees

As of December 31, 2013, we had a total of 3,398 employees, a decrease of 144 employees when compared to the number of employees we had as of December 31, 2012, with the decrease primarily related to actions taken during 2013 to better align our workforce around our long-term growth initiatives. Our success is dependent upon our ability to attract and retain qualified employees. None of our employees are subject to a collective bargaining agreement, but are subject to various foreign employment laws and regulations based on the country in which they are employed. 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.csgi.com](http://www.csgi.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.

### 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 rapidly changing and evolving markets throughout the world addressing the complex needs of communication service providers, financial institutions, and many others, and new risk factors will likely emerge. Further, as we enter new market sectors such as financial services, as well as new geographic markets, 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 Position and Results of Operations.***

Over the past decade, the worldwide 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, we generate over 40% of our revenues from three clients, which are (in order of size) Comcast, DISH, and Time Warner, that each individually accounted for 10% or more of our total revenues. 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 position and results of operations and/or trading price of our common stock.

Our industry is highly competitive, and as a result, 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.

***Variability of Our Quarterly Revenues and Our Failure to Meet Revenue and Earnings Expectations Would Negatively Affect the Market Price for Our Common Stock.***

Variability in quarterly revenues and operating results are inherent characteristics of the software and professional services industries. Common causes of a failure to meet revenue and operating expectations in these industries include, among others:

- The inability to close and/or recognize revenue on one or more material transactions that may have been anticipated by management in any particular period;
- The inability to renew timely one or more material maintenance agreements, or renewing such agreements at lower rates than anticipated; and
- The inability to complete timely and successfully an implementation project and meet client expectations, due to factors discussed in greater detail below.

Software license, professional services, and maintenance revenues are a significant percentage of our total revenues. As our total revenues grow, so too does the risk associated with meeting financial expectations for revenues derived from our software licenses, professional services, and maintenance offerings. As a result, there is a proportionately increased likelihood that we may fail to meet revenue and earnings expectations of the investment community. Should we fail to meet analyst expectations, by even a relatively small amount, it would most likely have a disproportionately negative impact upon the market price of our common stock.

***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 acquired 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) costs incurred to exit current or acquired contracts or activities; (d) costs incurred to service any acquisition debt; and (e) the amortization or impairment of acquired 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.

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

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 our Systems or Networks and loss of confidential information such as credit card numbers and related information could have a longer and more significant impact on our 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 an immediate, negative impact upon our financial position 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 processing services to our clients, we process, transmit, and store confidential and personally identifiable information, including social security numbers and financial information. Our treatment of such information is subject to contractual restrictions and federal, state, and foreign data privacy laws and regulations. We use various data encryption strategies and have implemented measures to protect against unauthorized access to such information, and comply with these laws and regulations. These measures include standard industry practices such as periodic security reviews of our systems by independent parties, network firewalls, procedural controls, intrusion detection systems, and antivirus applications. Because of the inherent risks and complexities involved in protecting this information, these measures may fail to adequately protect this information. 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 position, and results of operations.

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

The market for business support 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 expand, 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; (ii) the integration of acquired assets and their widely distributed, complex worldwide operations; and (iii) the integration of other acquired technologies such as rating, wholesale billing, and data analytics, as well as creating an integrated suite of customer care and billing solutions, which are portable to new verticals such as utilities, 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. Our attempts to meet these demands subjects our R&D efforts to greater risks.

As a result, substantial R&D and product investment will be required to maintain the competitiveness of our solutions in the market. Technical problems may arise in developing, maintaining, integrating, 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, integration, and operation 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 data processing that we perform on behalf of our clients, increases proportionately with the frequency and complexity of changes to our solutions and new delivery models. 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, integration, and/or operations of enhancements or new solutions.

***Our International Operations Subject Us to Additional Risks.***

We currently conduct a portion of our business outside the U.S. We are subject to certain risks associated with operating internationally including the following items:

- Product development not meeting local requirements;
- Fluctuations in foreign currency exchange rates for which a natural or purchased hedge does not exist or is ineffective;
- Staffing and managing foreign operations;
- Longer sales cycles for new contracts;
- Longer collection cycles for client billings or accounts receivable, as well as heightened client collection risks, especially in countries with highly inflationary economies and/or restrictions on the movement of cash out of the country;
- Trade barriers;
- Governmental sanctions;
- Complying with varied legal and regulatory requirements across jurisdictions;
- Reduced protection for intellectual property rights in some countries;
- Inability to recover value added taxes and/or goods and services taxes in foreign jurisdictions;
- Political instability and threats of terrorism; and
- A potential adverse impact to our overall effective income tax rate resulting from, among other things:
  - Operations in foreign countries with higher tax rates than the U.S.;
  - The inability to utilize certain foreign tax credits; and
  - The inability to utilize some or all of losses generated in one or more foreign countries.

One or more of these factors could have a material adverse effect on our international operations, which could adversely impact our results of operations and financial position.

***Our International Operations Require Us To Comply With Applicable U.S. and International Laws and Regulations.***

Doing business on a worldwide basis requires our company and our subsidiaries to comply with the laws and the regulations of the U.S. government and various international jurisdictions. These regulations place restrictions on our operations, trade practices and trade partners. In particular, our international operations are subject to U.S. and foreign anti-corruption laws and regulations such as the Foreign Corrupt Practices Act (“FCPA”), the U.K. Anti-Bribery Act and economic sanction programs administered by OFAC.

The FCPA prohibits us from providing anything of value to foreign officials for the purposes of influencing official decisions or obtaining or retaining business. In addition, the FCPA imposes accounting standards and requirements on publicly traded U.S. corporations and their foreign affiliates, which are intended to prevent the diversion of corporate funds to the payment of bribes and other improper payments, and to prevent the establishment of “off books” slush funds from which such improper payment can be made. As part of our business, we regularly deal with state-owned business enterprises, the employees of which are considered foreign officials for purposes of the FCPA. In addition, some of the international locations in which we operate lack a developed legal system and have higher than normal levels of corruption. We inform our personnel and third-party sales representatives of the requirements of the FCPA and other anti-corruption laws, including, but not limited to their reporting requirements. We have also developed and will continue to develop and implement systems for formalizing contracting processes, performing due diligence on agents and improving our recordkeeping and auditing practices regarding these regulations. However, there is no guarantee that our employees, third-party sales representatives or other agents have not or will not engage in conduct undetected by our processes and for which we might be held responsible under the FCPA or other anti-corruption laws.

Economic sanctions programs restrict our business dealings with certain countries and individuals. From time to time, certain of our foreign subsidiaries have had limited business dealings with entities in jurisdictions subject to OFAC-administered sanctions. As a result of our worldwide business, we are exposed to a heightened risk of violating anti-corruption laws and OFAC regulations. Violations of these laws and regulations are punishable by civil penalties, including fines, injunctions, asset seizures, debarment from government contracts and revocations or restrictions of licenses, as well as criminal fines and imprisonment.

We have encountered the following matters:

- We received an administrative subpoena from OFAC, dated February 27, 2012, requesting documents and information related to the possibility of direct or indirect transactions with or to Iranian entities. We have conducted an internal review to identify transactions by us involving the subject matter of the subpoena as well as with any other sanctioned or embargoed entity or jurisdiction. On July 13, 2012, we delivered to OFAC a response to the administrative subpoena.
- On July 13, 2012, we submitted an initial voluntary disclosure to OFAC relating to certain business dealings in Syria. On October 5, 2012, we submitted a voluntary disclosure relating to these business dealings.
- On August 8, 2013, we submitted an initial voluntary disclosure to OFAC relating to certain business dealings in Iran and another sanctioned/embargoed country. On December 9, 2013, we submitted a voluntary disclosure relating to these business dealings.

These business dealings represented an insignificant amount of our consolidated revenues and income, and generally consisted of software licenses and related services. We cannot predict the ultimate outcome of these matters or the total costs which may be involved. We believe there is a likelihood that a loss may be realized related to these matters, but that no reasonable estimate of the loss can be made. In addition, as set forth in the MD&A section of this report, we have disclosed certain activities relating to Iran undertaken by us or our affiliates as required by the TRA.

***Our Use of Open Source Software May Subject Us to Certain Intellectual Property-Related Claims 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 use or incorporate open source software into their products have, from time to time, faced claims challenging their use, ownership and/or licensing rights associated with that open source software. As a result, we could be subject to suits by parties claiming certain rights to 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, support, or controls with respect to origin of the software. Use of open source software also complicates compliance with export-related laws. 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 position, and results of operations.



***A Reduction in Demand for Our Key Business Support Solutions Could Have a Material Adverse Effect on Our Financial Position 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 position and results of operations. Likewise, a large percentage of revenues derived from our software license and services business have been derived from wholesale billing, retail billing and mediation products which are typically associated with large implementation projects. A sudden downward shift in demand for these products or for our professional services associated with these products could have a material adverse effect on our financial position 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 clients' underlying business processes. In addition, the complexity of the implementation work increases when the arrangement includes additional vendors participating in the overall project, including, but not limited to, prime and subcontractor relationships with our company. 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 Dependent Upon the Economic and Market Condition of the Global Communications Industry.***

Since the majority of our clients operate within the global communications industry sector, the economic state of this industry directly impacts our business. The global communications industry has undergone significant fluctuations in growth rates and capital investment cycles in the past decade. Current economic indices suggest a slow stabilization of the industry, but it is impossible to predict whether this stabilization will persist or be subject to future instability. In addition, consolidation amongst providers continues as service providers look for ways to expand their markets and increase their revenues.

Continued consolidation, a significant retrenchment in investment by communications providers, or even a material slowing in growth (whether caused by economic, geo-political, competitive, or consolidation factors) could cause delays or cancellations of sales and services currently included in our forecasts. This could cause us to either fall short of revenue expectations or have a cost model that is misaligned with revenues, either or both of which could have a material adverse effect on our financial position and results of operations.

We expect to continue to generate a significant portion of our future revenues from our North American cable and satellite operators. These clients operate in a highly competitive environment. Competitors range from traditional wireline and wireless providers to new entrants like new digital lifestyle service providers such as Hulu, YouTube, Google, Netflix, Apple, and Amazon. Should these competitors be successful in their 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. In addition, demand for spectrum, network bandwidth and content continues to increase and any changes in the regulatory environment could have a significant impact to not only our clients' businesses, but in our ability to help our clients be successful.

***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.



***Failure to Protect Our Intellectual Property Rights or Claims by Others That We Infringe Their Intellectual Property Rights Could Substantially Harm Our Business, Financial Position and Results of Operations.***

We rely on a combination of trade secret, copyright, trademark, and patent laws in the U.S. 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, which may complicate our assertion of 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 U.S. 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 clients, 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 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 position, and results of operations could be adversely impacted. Our failure to adequately establish, maintain, and protect our intellectual property rights could have a material adverse impact on our business, financial position, and results of operations.

***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 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 risk of collection 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 our ability to collect 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 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 increased during economic downturns and with expanded global operations, that we may incur material restructuring charges in the future.

***Substantial Impairment of Goodwill and Other Long-lived Assets in the Future May Be Possible.***

As a result of various acquisitions and the growth of our company over the last several years, we have approximately \$234 million of goodwill, and \$134 million of long-lived assets other than goodwill (principally, property and equipment, software, and client contracts). These long-lived assets are subject to ongoing assessment of possible impairment summarized as follows:

- 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.
- Long-lived assets other than goodwill 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.

We utilize our market capitalization and/or cash flow models as the primary basis to estimate the fair value amounts used in our goodwill and other long-lived asset impairment valuations. If an impairment was to be recorded in the future, it could materially impact our results of operations in the period such impairment is recognized, but such an impairment charge would be a non-cash expense, and therefore would have no impact on our cash flows.

***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, professional services, and operational personnel. We believe that our future success also depends on our ability to attract and retain highly skilled technical, managerial, operational, and sales and marketing personnel, including, in particular, personnel in the areas of R&D, professional services, 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. This risk is heightened with a widely dispersed customer base and employee populations. 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.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

As of December 31, 2013, we were operating in nearly 40 leased sites around the world, representing approximately 620,000 square feet.

Our corporate headquarters is located in Englewood, Colorado. In addition, we lease office space in the United States in Alexandria, Virginia; Atlanta, Georgia; Bloomfield, New Jersey; Burlington, Massachusetts; Charlotte, North Carolina; Chicago, Illinois; Columbia, Maryland; Fairfield, Connecticut; New York, New York; Omaha, Nebraska; Oxnard, California; Philadelphia, Pennsylvania; and San Antonio, Texas. The leases for these office facilities expire in the years 2014 through 2024. We also maintain leased facilities internationally in Australia, Brazil, Canada, Denmark, France, Germany, India, Ireland, Lebanon, Malaysia, Philippines, Poland, Russia, Saudi Arabia, Singapore, South Africa, Sweden, United Arab Emirates, and the U.K. The leases for these international office facilities expire in the years 2014 through 2022. 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.

Additionally, we lease two statement production and mailing facilities totaling approximately 176,000 square feet. These facilities are located in: (i) Omaha, Nebraska; and (ii) Wakulla County, Florida. The leases for these facilities expire in the 2018 and 2019, respectively.

We believe that our facilities are adequate for our current needs and that additional suitable space will be available as required. We also believe that we will be able to either: (i) extend our current leases as they terminate; or (ii) find alternative space without experiencing a significant increase in cost. See Note 11 to our 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.

As previously disclosed, we have encountered the following matters:

- We received an administrative subpoena from OFAC, dated February 27, 2012, requesting documents and information related to the possibility of direct or indirect transactions with or to Iranian entities. We have conducted an internal review to identify transactions by us involving the subject matter of the subpoena as well as with any other sanctioned or embargoed entity or jurisdiction. On July 13, 2012, we delivered to OFAC a response to the administrative subpoena.
- On July 13, 2012, we submitted an initial voluntary disclosure to OFAC relating to certain business dealings in Syria. On October 5, 2012, we submitted a voluntary disclosure relating to these business dealings.
- On August 8, 2013, we submitted an initial voluntary disclosure to OFAC relating to certain business dealings in Iran and another sanctioned/embargoed country. On December 9, 2013, we submitted a voluntary disclosure relating to these business dealings.

These business dealings represented an insignificant amount of our consolidated revenues and income, and generally consisted of software licenses and related services. We cannot predict the ultimate outcome of these matters or the total costs which may be involved. We believe there is a likelihood that a loss may be realized related to these matters, but that no reasonable estimate of the loss can be made.

Other than the OFAC matters described above, we are not presently a party to any material pending or threatened legal proceedings.

**Item 4. Mine Safety Disclosures**

Not applicable.

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**Executive Officers of the Registrant**

As of December 31, 2013, our executive officers were Peter E. Kalan (Chief Executive Officer and 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), Bret C. Griess (Executive Vice President and Chief Operating Officer), and Michael J. Henderson (Executive Vice President, Sales and Marketing).

We have employment agreements with each of the executive officers.

***Peter E. Kalan***

***President and Chief Executive Officer***

Mr. Kalan, 54, currently serves as President and Chief Executive Officer for CSG. He joined the Company in January 1997, was appointed as Chief Financial Officer in August 2000, and named an Executive Vice President in 2004. In April 2005, he became Executive Vice President of Business and Corporate Development. In December 2007, Mr. Kalan was appointed Chief Executive Officer and President and a member of the Board of Directors. Prior to joining the Company, he was the Chief Financial Officer at Bank One, Chicago. He also held various other financial management positions with Bank One in Texas and Illinois from 1985 through 1996. Mr. Kalan holds a B.A. degree in Business Administration from the University of Texas at Arlington.

***Randy R. Wiese***

***Executive Vice President and Chief Financial Officer***

Mr. Wiese, 54, serves as Executive Vice President and Chief Financial Officer for CSG. Mr. Wiese 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, and serves as a board member for the Habitat for Humanity Board—Omaha Chapter. He holds a B.S. 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, 53, serves as Executive Vice President, General Counsel Corporate Secretary and Chief Administrative Officer for CSG, responsible for global oversight of the legal, strategy, corporate development, human resources, corporate communications, and real estate functions. Mr. Ruble 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 and Chief Administrative Officer. 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 J.D. from Catholic University of America and a B.S. degree from Ohio University.

***Bret C. Griess***

***Executive Vice President and Chief Operating Officer***

Mr. Griess, 45, serves as Executive Vice President and Chief Operating Officer for CSG, responsible for the Company's product development, global operations, and professional services functions. Mr. Griess joined CSG in 1996 as a project manager and held a variety of positions in Operations and Information Technology, until being appointed Executive Vice President of Operations in February 2009 and Chief Operating Officer in March 2011. 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. Mr. Griess holds an M.A. degree in Management and a B.S. degree in Management from Bellevue University in Nebraska, an A.A.S. degree from the Community College of the Air Force, and an A.S. degree in Business Administration degree from Brevard Community College in Florida.

***Michael J. Henderson***

***Executive Vice President, Sales and Marketing***

During 2013, Mr. Henderson, 56, served as Executive Vice President of Sales and Marketing for CSG, responsible for overseeing all new sales development, marketing strategies, and management of account relationships. Mr. Henderson assumed this role when he joined CSG in 2010. Prior to joining CSG, he served as Chief Sales Officer with Call Genie from 2008 to 2010, and as a partner with BVM Consulting, LLC from 2007 until 2008. Mr. Henderson was President for Telcordia Technologies' Global Solutions division from 2004 to 2007, and was at ADC's Software Systems division as Executive Vice President of Global Sales and Marketing from 1999 until 2004. He also was co-founder and Chief Executive Officer of PCI, a venture-backed software company, and held senior executive positions with Nortel, Frontier Corporation, and Volt Delta Resources. Mr. Henderson earned an M.B.A. in Marketing and Finance from the University of Rochester and a B.S. in Management Information Systems from the University of Arizona.

On January 15, 2014, Mr. Henderson accepted a position as General Manager and President of CSG Systems International, Inc.'s enterprise security business, a non-executive officer position.

**Board of Directors of the Registrant**

Information related to our Board of Directors (the "Board") as of December 31, 2013, is provided below.

***Donald B. Reed***

Mr. Reed, 69, was elected to the Board in May 2005 and has served as the Company's non-executive Chairman of the Board since January 2010. Mr. Reed is retired, having served as Chief Executive Officer of Cable & Wireless Global from May 2000 to January 2003. Cable & Wireless Global, a subsidiary of Cable & Wireless plc, is a provider of internet protocol (IP) and data services to business customers in the United States, United Kingdom, Europe and Japan. 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. He serves as Chairman of the Board for Oceus Networks and was formerly a Director on the board for Idearc Media (formerly Verizon Yellow Pages) during the past five years. Mr. Reed holds a B.S. degree in History from Virginia Military School.

***Peter E. Kalan***

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

***David G. Barnes***

Mr. Barnes, 52, was appointed to the Board in February 2014. He currently serves as the Chief Financial Officer and a Director for MWH Global, a private, employee-owned global provider of environmental engineering, construction and strategic consulting services. From 2006 to 2008, he was Executive Vice President of Western Union Financial Services. From 2004 to 2006, Mr. Barnes served as Chief Financial Officer of Radio Shack Corporation. From 1999 to 2004, he was Vice President, Treasurer and U.S. Chief Financial Officer for Coors Brewing Company. Mr. Barnes holds an M.B.A. degree from the University of Chicago and a B.A. degree from Yale University.

***Ronald H. Cooper***

Mr. Cooper, 57, was elected to the Board in November 2006. He most recently served as the President and Chief Executive Officer of Clear Channel Outdoor Americas, Inc. from 2009 through 2012. Prior to this position, Mr. Cooper was a Principal at Tufts Consulting LLC from 2006 through 2009. 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, 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, New England Cable Television Association and Outdoor Advertising Association of America. Mr. Cooper holds a B.A. degree from Wesleyan University.

***John L. M. Hughes***

Mr. Hughes, 62, was appointed to the Board in March 2011. Mr. Hughes previously served as Chairman of the Board for Intec Telecom Systems plc for nearly six years until the company was acquired by us in 2010. Mr. Hughes currently serves as Chairman of the Board for Spectris plc, Telety Group plc and Sepura plc, and for privately-held Just-Eat Group Holdings Limited. He also is a Director on the board for privately-held Scorpion Ventures Limited. During the past five years, Mr. Hughes was formerly a Director on the boards of the public companies of Parity Group plc, NICE-Systems Ltd., Chloride Group plc, Barco N.V. and Vitec Group plc. Mr. Hughes has been an advisor to Oakley Corporate Finance since 2012 and previously served as an advisor to Advent International, a private equity fund, from 2008 to 2011. Prior to his board positions, from 2000 to 2004, Mr. Hughes served as Executive Vice President and Chief Operating Officer for Thales Group, a leading European provider of complex systems for the defense, aerospace and commercial markets. Prior to 2000, he served as President of GSM/UMTS Wireless Networks of Lucent Technologies, and as the Director of Convex Global Field Operations and Vice President and Managing Director of Convex Europe, a division of Hewlett-Packard Company. Mr. Hughes holds a B.S. degree in Electrical and Electronic Engineering from the University of Hatfield Polytechnic (now the University of Hertfordshire).

***Janice I. Obuchowski***

Ms. Obuchowski, 62, was elected to the Board in November 1997. Ms. Obuchowski is the founder and President of Freedom Technologies, Inc., a research and consulting firm providing public policy and strategic advice to companies in the communications sector, government agencies and international clients, since 1992. She was previously Chairman and Founder of Frontline Wireless, Inc., a public safety network start-up from 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 Radiocommunication 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 serves as a Director on the boards for Orbital Sciences Corporation and Inmarsat. She also has served on several non-profit boards. She holds a J.D. degree from Georgetown University and a B.A. degree from Wellesley College, and also attended the University of Paris.

***Bernard W. Reznicek***

Mr. Reznicek, 77, was elected to the Board in January 1997 and served as the Company's non-executive Chairman of the Board from 2005 until 2009. Mr. Reznicek provides consulting services as President and Chief Executive Officer of Premier Enterprises and serves as Chairman of the Board for Erra, Inc., a privately-held clean technology company. Mr. Reznicek also serves as a Director on the board for Central States Indemnity Company of Omaha, a Berkshire Hathaway company, where he served as an executive for the company from 1997 to 2003. He was formerly a Director on the boards for INFOGROUP Inc. and Pulte Group, Inc. during the past five years. 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 Chief Financial Officer and then later President and Chief Executive Officer of Omaha Public Power District. He also served as Dean of the College of Business for Creighton University. Mr. Reznicek holds an M.B.A. degree from the University of Nebraska-Lincoln and a B.S.B.A. degree from Creighton University.

***Frank V. Sica***

Mr. Sica, 63, has served as a director of the Company since its formation in 1994. Mr. Sica 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, where he 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 was previously Managing Director for Morgan Stanley Merchant Banking Division. He currently serves as a Director on the boards of JetBlue Airways, Kohl's Corporation and Safe Bulkers, Inc., and formerly served as Director on the board for NorthStar Realty Finance Corporation during the past five years. Mr. Sica holds an M.B.A. degree from the Tuck School of Business at Dartmouth College and a B.A. degree from Wesleyan University.

***Donald V. Smith***

Mr. Smith, 71, was elected to the Board in January 2002. Mr. Smith 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. From 1978 to 1988, he served as Principal with Morgan Stanley & Co. Inc., where he headed their valuation and reorganization services. He is also on the board of directors of several non-profit organizations. Mr. Smith holds an M.B.A. degree from the Wharton Graduate School of the University of Pennsylvania and a B.S. degree from the United States Naval Academy.

***James A. Unruh***

Mr. Unruh, 73, was elected to the Board in June 2005. Mr. Unruh 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, including serving as its Chairman and Chief Executive Officer from 1990 to 1997. From 1982 to 1986, Mr. Unruh held various executive positions, including Senior Vice President-Finance and Chief Financial Officer with Burroughs Corporation, a predecessor of Unisys Corporation. Prior to 1982, Mr. Unruh was Chief Financial Officer with Memorex Corporation and also held various executive positions with Fairchild Camera and Instrument Corporation, including Chief Financial Officer. Mr. Unruh currently serves as Director on the boards for Prudential Financial, Inc. and Tenet Healthcare Corporation, and formerly served as Director on the boards for Qwest Communications International, Inc. and CenturyLink, Inc. during the past five years. He holds an M.B.A. degree from the University of Denver and a B.S. degree from Jamestown College.



## 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.

<b>2013</b>	<b>High</b>	<b>Low</b>	<b>Dividends Declared</b>
First quarter	\$ 21.84	\$ 18.04	\$ —
Second quarter	22.06	19.93	0.15
Third quarter	25.80	21.67	0.15
Fourth quarter	29.81	23.80	0.15

<b>2012</b>	<b>High</b>	<b>Low</b>	<b>Dividends Declared</b>
First quarter	\$ 17.35	\$ 14.64	\$ —
Second quarter	17.31	13.85	—
Third quarter	23.33	16.99	—
Fourth quarter	23.06	17.00	—

On February 24, 2014, the last sale price of our common stock as reported by NASDAQ was \$27.31 per share. On January 31, 2014, the number of holders of record of common stock was 166.

#### Dividends

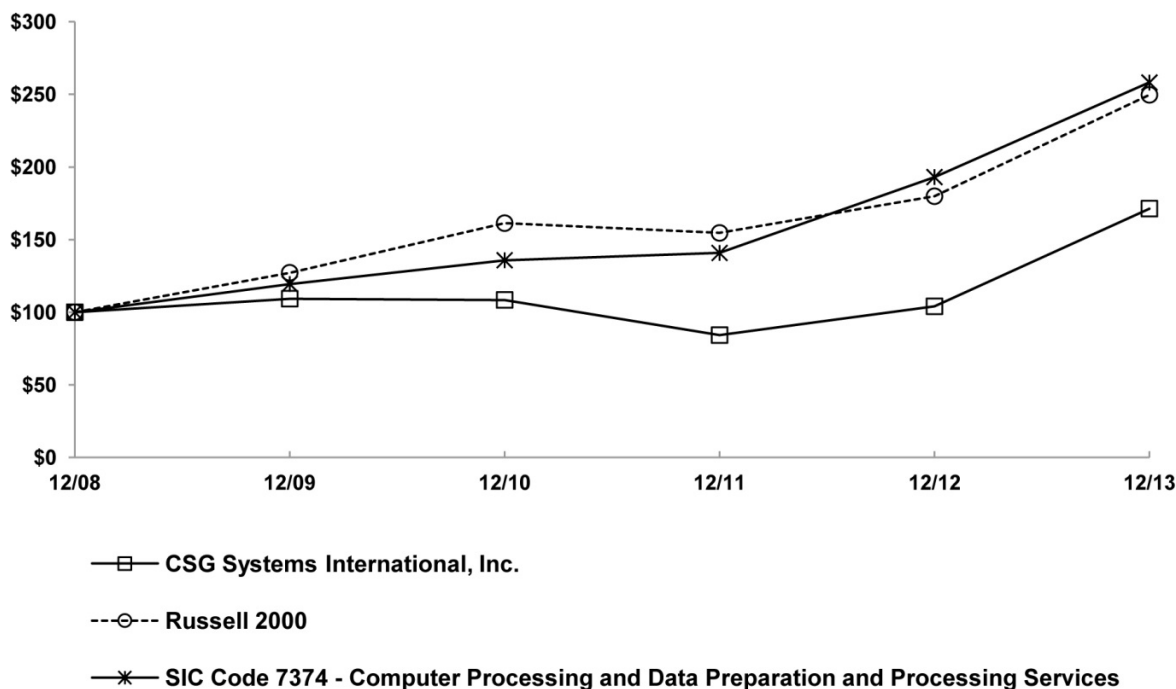
In June 2013, our Board approved the initiation of a quarterly cash dividend to be paid to our stockholders for the first time in our history. Quarterly cash dividends of \$0.15 per quarter were paid to stockholders in July, September, and December of 2013. Going forward, we expect to pay dividends each year in March, June, September, and December, with the amount and timing subject to the Board's approval.

The payment of dividends are subject to the covenants of our Credit Agreement, and has certain impacts to our senior subordinated convertible contingent debt (the 2010 Convertible Notes). See Note 6 to our Financial Statements for additional discussion of our long-term debt.



## Stock Price Performance

The following graph compares the cumulative total stockholder return on our common stock, the Russell 2000 Index, and our Standard Industrial Classification (“SIC”) Code Index: Data Preparation and Processing Services during the indicated five-year period. The graph assumes that \$100 was invested on December 31, 2008, in our common stock and in each of the two indexes, and that all dividends, if any, were reinvested.



	As of December 31,					
	2008	2009	2010	2011	2012	2013
CSG Systems International, Inc.	\$ 100.00	\$ 109.27	\$ 108.41	\$ 84.20	\$ 104.06	\$ 171.31
Russell 2000 Index	100.00	127.17	161.32	154.59	179.86	249.69
Data Preparation and Processing Services	100.00	119.42	135.79	140.78	193.05	258.17

## Equity Compensation Plan Information

The following table summarizes certain information about our equity compensation plans as of December 31, 2013:

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	—	\$ —	4,777,387

Of the total number of securities remaining available for future issuance, 4,216,246 shares can be used for various types of stock-based awards, as specified in the equity compensation plan, with the remaining 561,141 shares to be used for our employee stock purchase plan. See Note 13 to our Financial Statements for additional discussion of our equity compensation plans.

## Issuer Repurchases of Equity Securities

The following table presents information with respect to purchases of our common stock made during the fourth quarter of 2013 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 <sup>1</sup></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	1,375	\$ 26.20	—	2,130,881
November 1 - November 30	486	28.07	—	2,130,881
December 1 - December 31	10,425	29.72	—	2,130,881
Total	<u>12,286</u>	<u>\$ 29.26</u>	<u>—</u>	

<sup>1</sup> 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.

## 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 Financial Statements. The information below is not necessarily indicative of the results of future operations.

	Year Ended December 31,				
	2013(1)	2012 (2)	2011 (3)	2010 (3)	2009
(in thousands, except per share amounts)					
<b>Statements of Income Data:</b>					
Revenues (4)	\$ 747,468	\$ 756,866	\$ 734,731	\$ 549,379	\$ 500,717
Cost of revenues (exclusive of depreciation, shown separately below)	377,165	383,816	365,650	289,804	275,679
Other operating expenses:					
Research and development	110,008	112,938	111,142	78,050	70,113
Selling, general and administrative (3)	152,553	138,783	128,346	82,586	59,510
Depreciation (5)	18,633	22,286	25,435	22,428	20,069
Restructuring charges (3)(11)	12,405	2,469	7,873	2,169	599
Total operating expenses	670,764	660,292	638,446	475,037	425,970
Operating income (4)(5)	76,704	96,574	96,285	74,342	74,747
Other income (expense):					
Interest expense (3)(6)(7)(8)	(11,621)	(15,983)	(17,026)	(6,976)	(5,660)
Amortization of original issue discount	(5,352)	(4,954)	(5,206)	(6,893)	(8,382)
Interest and investment income, net	689	855	764	754	1,194
Gain (loss) on repurchase of convertible debt securities (8)	-	-	-	(12,714)	1,468
Loss on foreign currency transactions (3)	-	-	-	(14,023)	-
Other, net	1,099	732	1,155	(817)	2
Total other	(15,185)	(19,350)	(20,313)	(40,669)	(11,378)
Income from continuing operations before income taxes	61,519	77,224	75,972	33,673	63,369
Income tax provision	(10,168)	(28,345)	(33,690)	(11,244)	(21,507)
Income from continuing operations	51,351	48,879	42,282	22,429	41,862
Discontinued operations (9):					
Income from discontinued operations	-	-	-	-	-
Income tax benefit	-	-	-	-	1,471
Discontinued operations, net of tax	-	-	-	-	1,471
Net income	\$ 51,351	\$ 48,879	\$ 42,282	\$ 22,429	\$ 43,333
<b>Diluted net income per common share:</b>					
Income from continuing operations	\$ 1.56	\$ 1.51	\$ 1.28	\$ 0.67	\$ 1.22
Discontinued operations, net of tax	-	-	-	-	0.04
Net income	\$ 1.56	\$ 1.51	\$ 1.28	\$ 0.67	\$ 1.26
<b>Weighted-average diluted shares outstanding:</b>					
Common stock	32,873	32,459	32,833	32,822	33,352
Participating restricted stock	-	17	189	543	1,097
Total	32,873	32,476	33,022	33,365	34,449
<b>Other Data (at Period End) :</b>					
Number of ACP clients' customers processed	49,489	48,870	48,837	48,913	48,645
<b>Balance Sheet Data (at Period End):</b>					
Cash, cash equivalents and short-term investments	\$ 210,837	\$ 169,321	\$ 158,830	\$ 215,550	\$ 198,377
Working capital (3)	268,569	228,623	212,575	171,085	224,281
Goodwill (2)(3)	233,599	233,365	220,013	209,164	107,052
Total assets (3)	868,980	846,941	814,897	879,698	561,714
Total debt (3)(6)(7)(8)	265,050	274,698	309,744	374,687	157,447
Total treasury stock (10)	738,372	728,243	714,893	704,963	675,623
Total stockholders' equity	366,104	326,639	274,714	237,078	212,110
<b>Cash Flow Data:</b>					
Cash flows from operating activities (12)	\$ 126,634	\$ 127,442	\$ 60,959	\$ 121,309	\$ 153,059

- (1) During 2013, we entered into new agreements with Comcast and Time Warner to extend our relationships with these significant clients for an additional four years. Collectively, these two clients made up 30% of our total 2013 revenues. These new agreements included pricing discounts that became effective March 1, 2013 for Comcast and April 1, 2013 for Time Warner, and are reflected in our 2013 results of operations. See the Significant Client Relationship section in our MD&A for additional discussion of these contract renewals.
- (2) On July 13, 2012, we acquired the Ascade business, and as a result, approximately six months of Ascade's operations are included in our 2012 results. See Note 3 to our Financial Statements and the MD&A Basis of Discussion – Impact of Divestitures and Acquisitions section in our MD&A for discussion of the Ascade acquisition. The overall cost of the acquisition was approximately \$19 million and we incurred approximately \$0.3 million of acquisition-related expenses, which are reflected in selling, general and administrative costs (“SG&A”).
- (3) On November 30, 2010, we completed the Intec acquisition, and as a result, one month of Intec's operations are included in our 2010 results and a full twelve months of Intec's operations are included in our 2011, 2012, and 2013 results. The overall cost of the acquisition was approximately \$400 million, which includes the purchase price of approximately \$364 million, (or approximately \$255 million, net of cash acquired of \$109 million) acquisition-related expenses of \$26.2 million, and debt issuance costs of \$10.2 million. The \$26.2 million of acquisition-related charges consist of: (i) \$10.2 million of investment banking, legal, accounting and other professionals services, and are reflected in SG&A costs; (ii) \$2.0 million of restructuring charges related primarily to changes in senior management of Intec after the closing of the transaction; and (iii) \$14.0 million of non-operating losses related primarily to foreign currency financial instrument transactions, which are reflected in other income (expense). We financed the Intec acquisition by borrowing against our Credit Agreement, which consisted of a \$200 million, five-year term loan and a \$100 million, five-year revolving loan facility, with the remaining purchase price satisfied by using our existing cash.
- (4) During late 2010, we acquired the Intec businesses as part of our growth and diversification strategy which resulted in top line revenue growth for 2011 and 2010 of 34%, and 10%, respectively. Due to the pricing adjustments detailed in (1) above, we did not experience top line revenue growth in 2013.
- (5) In the first quarter of 2009, we began to transition our outsourced data center processing services from First Data Corporation to Infocrossing. As a result, during 2010 and 2009, we incurred \$20.5 million and \$15.5 million of expense, respectively, related to these efforts, of which \$18.3 million and \$13.6 million, respectively, are included in cost of processing and related services and \$2.2 million and \$1.9 million, respectively, are included in depreciation in our Statements of Income.
- (6) In November 2012, we refinanced our Credit Agreement in order to take advantage of improved market conditions. As a result, under the refinanced Credit Agreement, we: (i) borrowed \$150 million, thus paying down \$18 million of outstanding debt; (ii) extended the term from 2015 to 2017; and (iii) reduced the interest rate over current levels by 175 basis points. See Note 6 to our Financial Statements for additional discussion of our Credit Agreement.
- (7) In March 2010, we completed an offering of \$150 million of 3.0% senior subordinated convertible notes due March 1, 2017 to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. We used the proceeds, along with available cash, cash equivalents and short-term investments to: (i) repurchase \$119.9 million (par value) of our 2004 Convertible Debt Securities for \$125.0 million (see Note 9 below); and (ii) repurchase 1.5 million shares of our common stock for \$29.3 million under our existing Stock Repurchase Program (see Note 11 below). See Note 6 to our Financial Statements for additional discussion of our long-term debt.
- (8) In 2010, and 2009 we repurchased \$145.2 million (par value) and \$30.0 million (par value) of our 2004 Convertible Debt Securities for \$151.0 million and \$26.7 million, respectively, and recognized a gain (loss) on the repurchases of \$(12.7) million and \$1.5 million, respectively. In June 2011, holders of \$24.1 million par value of our 2004 Convertible Debt Securities exercised their put option and we paid the par value and accrued interest to extinguish the securities. In June 2011, we exercised our option to call the remaining \$1.0 million par value of our 2004 Convertible Debt Securities, and extinguished the debt in July 2011.
- (9) We sold our Global Software Services (“GSS”) business in 2005, and any subsequent activity related to the GSS business is reflected as discontinued operations for all periods presented in our Consolidated Statements of Income.
- (10) In August 1999, our Board approved our Stock Repurchase Program which authorized us to purchase shares of our common stock from time-to-time as business conditions warrant. During 2013, 2012, 2011, 2010, and 2009, we repurchased 0.5 million, 0.8 million, 0.8 million, 1.5 million, and 0.3 million shares, respectively, for \$10.1 million, \$13.3 million, \$9.9 million, \$29.3 million, and \$3.8 million, respectively. As of December 31, 2013, 2.1 million shares of the 35.0 million shares authorized under the Stock Repurchase Program remain available for repurchase. See Note 12 to our Financial Statements for additional discussion of the Stock Repurchase Program.
- (11) During 2013, 2012, 2011, 2010, and 2009 we recorded restructuring charges related to involuntary employee terminations, facility abandonments, and various other restructuring activities. These initiatives resulted in restructuring charges of \$12.4 million, \$2.5 million, \$7.9 million, \$2.2 million, and \$0.6 million, respectively. See Note 8 to our Financial Statements for a discussion of these restructuring activities.
- (12) Our cash flows from operating activities for 2011 were negatively impacted by the following items: (i) the change in the monthly invoice timing for DISH, which had a negative \$20 million impact; (ii) the payment of approximately \$8 million of Intec acquisition-related expenses, that were accrued as of December 31, 2010; (iii) the \$6 million payment of deferred income tax liabilities associated with the 2004 Convertible Debt Securities that became payable as a result of the debt being retired; and (iv) changes in working capital items, to include a year-over-year increase in accounts receivable and decrease in employee compensation payable.

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

### 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.

### MD&A Basis of Discussion - Impact of Divestitures and Acquisitions

Our Consolidated Statements of Income ("Income Statements" or "Income Statement") for the years ended December 31, 2013 and 2012 reflect the results of operations for the following acquisitions and divestitures:

- On December 31, 2013, we sold our marketing analytics business marketed under the Quaero brand, which generated approximately \$11 million of revenue in both 2013 and 2012. As part of this transaction, we retained certain clients, thus we expect that approximately \$2 million of this revenue will recur in 2014.
- On December 3, 2013, we acquired certain key assets of Volubill, which had a minimal impact to our 2013 results of operations due to the timing of the acquisition. We currently expect revenues from Volubill for 2014 to be approximately \$5 million.
- On July 1, 2013, we sold a small print operation, which generated revenues of approximately \$5 million and \$8 million, respectively, in 2013 and 2012.
- On July 13, 2012, we acquired Ascade, which generated revenues of approximately \$14 million and \$9 million, respectively, in 2013 and 2012.

As a result of these acquisitions and divestitures, amounts may not be comparable between years due to the timing of the transactions. The comparable differences have been described below where relevant or significant.

As a result of the divestitures of the two businesses mentioned above, 2014 revenue levels will be approximately \$14 million lower as compared to our 2013 revenues generated from these businesses. This, however, will be partially offset by the \$5 million of revenues expected to be generated from the Volubill acquisition. We expect that the 2013 acquisition and divestiture activity will have a minimal impact to earnings in 2014.

The Ascade and Volubill acquisitions are discussed in greater detail in Note 3 to our Financial Statements.

### Management Overview

*Results of Operations.* A summary of our results of operations for 2013 and 2012, and other key performance metrics are as follows (in thousands, except percentages and per share amounts):

	Year Ended December 31,	
	2013	2012
Revenues	\$ 747,468	\$ 756,866
Operating results:		
Operating income	76,704	96,574
Operating income margin	10.3%	12.8%
Diluted earnings per share ("EPS")	\$ 1.56	\$ 1.51
Supplemental data:		
ACP customer accounts (end of period)	49,489	48,870
Acquisition-related charges	\$ 62	\$ 344
Restructuring charges	12,405	2,469
Stock-based compensation	14,796	13,431
Amortization of acquired intangible assets	19,220	22,717
Amortization of OID	5,352	4,954

*Revenues.* Our revenues for 2013 were \$747.5 million, a decrease of 1% when compared to \$756.9 million for 2012. The decrease in total revenues can be attributed to the impact of the pricing discounts associated with the Comcast and Time Warner contract renewals discussed in further detail below, and to a lesser degree, the divestiture of a small print operation, mentioned above. The impact of these revenue reductions have been partially offset by the full year impact of the revenues from the Ascade acquisition and growth in other areas of our business.

*Operating Results.* Operating income for 2013 was \$76.7 million, or a 10.3% operating income margin percentage, compared to \$96.6 million, or a 12.8% operating income margin percentage, for 2012. The year-over-year decreases in operating income and operating income margin percentage are mainly driven by an additional \$9.9 million of restructuring charges in 2013, increased SG&A costs for 2013, and the impact of the Comcast and Time Warner pricing discounts in early 2013.

*Diluted EPS.* Diluted EPS for 2013 was \$1.56 compared to \$1.51 for 2012, with the increase primarily related to an unusually low effective income tax rate (“ETR”) for 2013 of 17%. The 2013 ETR benefited primarily from the recognition of incremental R&D income tax credits claimed for development activities from previous years and by the reduction of certain tax allowances related to foreign operations. The lower tax rate provided a benefit of approximately \$13 million, or \$0.42 per diluted share, to 2013. Additionally, diluted EPS for 2013, when compared to diluted EPS for 2012, was negatively impacted by restructuring charges of \$12.4 million, or \$0.31 per diluted share, for 2013 compared to \$2.5 million, or \$0.05 per diluted share, for 2012.

*Balance Sheet and Cash Flows.* As of December 31, 2013, we had cash, cash equivalents, and short-term investments of \$210.8 million, as compared to \$169.3 million as of December 31, 2012, with the increase mainly due to our strong cash flow generation. Cash flows from operating activities for 2013 were \$126.6 million, compared to \$127.4 million for 2012, as discussed in further detail in the Liquidity section.

### **Significant Client Relationships**

*Comcast .* Comcast continues to be our largest client. For 2013 and 2012, revenues from Comcast were \$144 million and \$150 million, respectively, representing approximately 19% and 20% of our total revenues.

On March 26, 2013, we entered into a new agreement with Comcast to extend our relationship for an additional four years through February 28, 2017. The new agreement was effective March 1, 2013, and included a pricing discount over their previous contract rates, which was expected to reduce 2013 revenues for the comparable services by approximately 10%, when considering the discount was in effect for ten months of 2013. However, as a result of the increased level of products and services purchased by Comcast during the year, our overall 2013 revenues declined by only 4% when compared to 2012.

In exchange for these pricing discounts, the new agreement provides us with the following:

- minimum commitments for the number of Comcast customer accounts to be processed on our systems, which over the term of the new agreement, are expected to be greater and more consistent annually than the customer account commitments contained in the previous agreement; and
- the exclusive right to provide print and mail services for those customer accounts processed on our systems.

The agreement also provides Comcast with the option to extend the agreement for two consecutive one-year terms by exercising renewal options no later than September 1, 2016 for the first extension option, and September 1, 2017 for the second extension option.

Consistent with the previous agreement, the fees to be generated under the new agreement will be based primarily on monthly charges for processing and related services per Comcast customer account, and various other ancillary services based on actual usage. Certain of the per-unit fees include volume-based pricing tiers, and are subject to annual inflationary price escalators.

A copy of the new Comcast agreement and related amendments, with confidential information redacted, is included in the exhibits to our periodic filings with the SEC.

*DISH.* DISH is our second largest client. For 2013 and 2012, revenues from DISH were \$113 million and \$103 million, respectively, representing approximately 15% and 14% of our total revenues. Our agreement with DISH runs through December 31, 2017.

The DISH agreement and related amendments, with confidential information redacted, is included in the exhibits to our periodic filings with the SEC.

*Time Warner.* Time Warner is our third largest client. For 2013 and 2012, revenues from Time Warner were \$78 million and \$75 million, respectively, representing approximately 11% and 10% of our total revenues.

On December 28, 2012, we entered into a contract renewal with Time Warner to extend our relationship for an additional four years through March 31, 2017. The new agreement was effective April 1, 2013, and included a pricing discount over their previous contract rates, which was expected to reduce 2013 revenues for the comparable services by approximately 7.5%, when considering the discount was in effect for nine months of 2013. However, as a result of the increased level of products and services purchased by Time Warner during the year, our 2013 revenues actually increased by 4% when compared to 2012.

The new agreement provides us with commitments from Time Warner to purchase a minimum level of certain products and services over the contract term. These minimum financial commitments are calculated in a similar manner, and are relatively consistent with the annual amounts in the previous agreement.

The new agreement also provides Time Warner with the option to extend the term of the new agreement for one additional year through March 31, 2018, by exercising the renewal option on or before September 30, 2016.

Consistent with the previous agreement, the fees to be generated under the new agreement will be based primarily on monthly charges for processing and related services per Time Warner customer account, and various other ancillary services based on actual usage. Certain of the per unit fees include volume-based pricing tiers, and are subject to annual inflationary price escalators.

The Time Warner processing agreement and related amendments, 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 our Income Statement (in thousands):

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cost of processing and related services	\$ 2,342	\$ 2,550	\$ 2,588
Cost of software and services	897	687	472
Cost of maintenance	253	195	150
Research and development	1,621	1,435	1,637
Selling, general and administrative	9,683	8,564	7,305
Total stock-based compensation expense	<u>\$ 14,796</u>	<u>\$ 13,431</u>	<u>\$ 12,152</u>

See Notes 2 and 13 to our Financial Statements for additional discussion of our stock-based compensation expense.

### Amortization of Acquired Intangible Assets

Amortization of acquired intangible assets is included in the following captions in our Income Statement (in thousands):

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cost of processing and related services	\$ 2,109	\$ 3,120	\$ 3,303
Cost of maintenance	17,111	19,597	19,413
Selling, general and administrative	—	—	5
Total amortization of acquired intangible assets	<u>\$ 19,220</u>	<u>\$ 22,717</u>	<u>\$ 22,721</u>

See Note 5 to our Financial Statements for additional discussion of our amortization of acquired intangible assets.

### 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 Financial Statements.



We have identified the most critical accounting policies that affect our financial position 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 goodwill and other long-lived assets; (iv) income taxes; (v) business combinations and asset purchases, and (vi) loss contingencies. These critical accounting policies, as well as our other significant accounting policies, are disclosed in the notes to our 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 software license arrangements.

Our software and services revenue relates primarily to: (i) software license sales; and (ii) professional services to implement the software. Our maintenance revenue relates primarily to support of our software once it has been implemented.

The accounting for software license arrangements, especially when software is sold in a multiple-element arrangement, can be complex and may require considerable judgment. Key factors considered in accounting for software license and related services include the following criteria: (i) the identification of the separate elements of the arrangement; (ii) the determination of whether any undelivered elements are essential to the functionality of the delivered elements; (iii) the assessment of whether the software, if hosted, should be accounted for as a services arrangement and thus outside the scope of the software revenue recognition literature; (iv) the determination of vendor specific objective evidence ("VSOE") of fair value for the undelivered element(s) of the arrangement; (v) the assessment of whether the software license fees are fixed or determinable; (vi) the determination as to whether the fees are considered collectible; and (vii) the assessment of whether services included in the arrangement represent significant production, customization or modification of the software. The evaluation of these factors, and the ultimate revenue recognition decision, requires significant judgments to be made by us. The judgments made in this area could have a significant effect on revenues recognized in any period by changing the amount and/or the timing of the revenue recognized. In addition, because software licenses typically have little or no direct, incremental costs related to the recognition of the revenue, these judgments could also have a significant effect on our results of operations.

The initial sale of our software products generally requires significant production, modification or customization and thus falls under the guidelines of contract accounting. In these software license arrangements, the elements of the arrangements are typically a software license, professional services, and maintenance. When we have VSOE of fair value for the maintenance, which we generally do, we allocate a portion of the total arrangement fee to the maintenance element based on its VSOE of fair value, and the balance of the arrangement fee is subject to contract accounting using the percentage-of-completion ("POC") method of accounting. Under the POC method of accounting, software license and professional services revenues are typically recognized as the professional services related to the software implementation project are performed. We are using hours performed on the project as the measure to determine the percentage of the work completed.

In certain instances, we sell software license volume upgrades, which provide our clients the right to use our software to process higher transaction volume levels. In these instances, if: (i) maintenance is the only undelivered element of the software arrangement; (ii) we have VSOE of fair value for the maintenance related to the volume upgrade; and (iii) we meet the other revenue recognition criteria, we recognize the software license revenue on the effective date of the volume upgrade.

A portion of our professional services revenues does not include an element of software delivery (e.g., business consulting services, etc.), and thus, do not fall within the scope of specific authoritative accounting literature for software arrangements. In these cases, revenues from fixed-price, professional service contracts are recognized using a method consistent with the proportional performance method, which is relatively consistent with our POC methodology. Under a proportional performance model, revenue is recognized by allocating revenue between reporting periods based on relative service provided in each reporting period, and costs are generally recognized as incurred. We utilize an input-based approach (i.e., hours worked) for purposes of measuring performance on these types of contracts. Our input measure is considered a reasonable surrogate for an output measure. In instances when the work performed on fixed price agreements is of relatively short duration, or if we are unable to make reasonably dependable estimates at the outset of the arrangement, we use the completed contract method of accounting whereby revenue is recognized when the work is completed.

Our use of the POC and proportional performance methods of accounting on professional services engagements requires estimates of the total project revenues, total project costs and the expected hours necessary to complete a project. Changes in estimates as a result of additional information or experience on a project as work progresses are inherent characteristics of the POC and proportional performance methods of accounting as we are exposed to various business risks in completing these engagements. The estimation process to support these methods of accounting is more difficult for projects of greater length and/or complexity. The judgments and estimates made in this area could: (i) have a significant effect on revenues recognized in any period by changing the amount and/or the timing of the revenue recognized; and/or (ii) impact the expected profitability of a project, including whether an overall loss on an arrangement has occurred. To mitigate the inherent risks in using the POC and proportional performance methods of accounting, we track our performance on projects and reevaluate the appropriateness of our estimates as part of our monthly accounting cycle.

Revenues from professional services contracts billed on a time-and-materials basis are recognized as the services are performed and as amounts due from clients are deemed collectible and contractually non-refundable.

Maintenance revenues are recognized ratably over the software maintenance service period. Our maintenance consists primarily of client and product support, technical updates (e.g., bug fixes, etc.), and unspecified upgrades or enhancements to our software products. If specified upgrades or enhancements are offered in an arrangement, which is rare, they are accounted for as a separate element of the software arrangement.

Revenues are recognized only if we determine that the collection of the fees included in an arrangement is considered probable (i.e., we expect the client to pay all amounts in full when invoiced). In making our determination of collectibility for revenue recognition purposes, we consider a number of factors depending upon the specific aspects of an arrangement, which may include, but is not limited to, the following items: (i) an assessment of the client's specific credit worthiness, evidenced by its current financial position and/or recent operating results, credit ratings, and/or a bankruptcy filing status (as applicable); (ii) the client's current accounts receivable status and/or its historical payment patterns with us (as applicable); (iii) the economic condition of the industry in which the client conducts the majority of its business; and/or (iv) the economic conditions and/or political stability of the country or region in which the client is domiciled and/or conducts the majority of its business. The evaluation of these factors, and the ultimate determination of collectibility, requires significant judgments to be made by us. The judgments made in this area could have a significant effect on revenues recognized in any period by changing the amount and/or the timing of the revenue recognized.

*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 follows: (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; (iv) the economic condition and/or political stability of the country or region in which the client is domiciled and/or conducts the majority of its business; and (v) a deterioration in a client's financial condition, evidenced by weak financial position and/or continued poor operating results, reduced credit ratings, and/or a bankruptcy filing. In addition to the specific allowance, we maintain a general allowance for all our accounts receivable which are not covered by a specific allowance. The general allowance is established based on such factors, among others, as: (i) the total balance of the outstanding accounts receivable, including considerations of the aging categories of those accounts receivable; (ii) past history of uncollectible accounts receivable write-offs; and (iii) the overall creditworthiness of the client base. Our credit risk is heightened due to our concentration of clients within the global communications industry, and the fact that a large percentage of our outstanding accounts receivable are further concentrated with our largest clients. A considerable amount of judgment is required in assessing the realizability of accounts receivable. Should any of the factors considered in determining the adequacy of the overall allowance change significantly, an adjustment to the provision for doubtful account receivables may be necessary. Because of the overall significance of our gross billed account receivables balance (\$178.5 million as of December 31, 2013); such an adjustment could be material.

#### *Impairment Assessments of Goodwill and Other Long-Lived Assets.*

*Goodwill.* Goodwill is required to be tested for impairment on an annual basis. We have elected to do our annual test for possible impairment as of July 31 of each year. In addition to this annual requirement, goodwill is required to be evaluated for possible impairment on a periodic basis (e.g., quarterly) if events occur or circumstances change that could indicate a possible impairment may have occurred. 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, 2013, we had goodwill of approximately \$226.4 million, which was assigned to a single reporting unit. Since we had only a single reporting unit, we used our public market capitalization as our primary means to estimate the fair value for that single reporting unit. Since our market capitalization exceeded the carrying value of our single reporting unit by a significant margin, we concluded there was no impairment of goodwill.

We believe that our approach for testing our goodwill for impairment was appropriate. However, if we experience a significant drop in our market capitalization due to company performance, and/or broader market conditions, it may result in an impairment loss. If a goodwill impairment was to be recorded in the future, it would likely materially impact our results of operations in the period such impairment is recognized, but such an impairment charge would be a non-cash expense, and therefore would have no impact on our cash flows, or on the financial position 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 (or group of long-lived assets) 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 or 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 includes the U.S. (including both Federal and state income taxes) and numerous foreign countries.

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 under revenue arrangements is based on fair value estimates made by us.

For larger and/or more complex acquisitions, we utilize the services of an appraiser or valuation expert to assist us in the assignment of value to individual assets and liabilities. 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 may be: (i) amortized over their estimated useful life (e.g., acquired software); (ii) not amortized at all (e.g., goodwill); and (iii) re-measured to fair value at a future reporting date until the acquisition accounting is finalized and/or a contingency is resolved (e.g., contingent consideration, preliminary measurements of assets or liabilities, etc.), the assigned values could have a material impact on our results of operations in current and future periods.

*Loss Contingencies.* In the ordinary course of business, we are subject to claims (and potential claims) related to various items including but not limited to the following: (i) legal and regulatory matters; (ii) client and vendor contracts; (iii) product and service delivery matters; and (iv) labor matters. Accounting and disclosure requirements for loss contingencies requires us to assess the likelihood of any adverse judgments in or outcomes to these matters, as well as the potential ranges of probable losses. A determination of the amount of reserves for such contingencies, if any, for these contingencies is based on an analysis of the issues, often with the assistance of legal counsel. The evaluation of such issues, and our ultimate accounting and disclosure decisions, are by their nature, subject to various estimates and highly subjective judgments. Should any of the factors considered in determining the adequacy of any required reserves change significantly, an adjustment to the reserves may be necessary. Because of the potential significance of these issues, such an adjustment could be material.

## **Detailed Discussion of Results of Operations**

*Total Revenues.* Total revenues for: (i) 2013 decreased 1% to \$747.5 million, from \$756.9 million for 2012; and (ii) 2012 increased 3% to \$756.9 million, from \$734.7 million for 2011.

- The 1% year-over-year decrease between 2013 and 2012 can be attributed to the impact of the pricing discounts associated with the Comcast and Time Warner contract renewals, and to a lesser degree, the divestiture of a small print operation, discussed above. The impact of these revenue reductions have been offset by the full year impact of the revenues from the Ascade acquisition and growth in other areas of our business.
- The 3% year-over-year increase between 2012 and 2011 can be primarily attributed to increased client spending on various ancillary services and increased software sales, and to a lesser degree, the revenues from our Ascade acquisition in July 2012.

The components of total revenues, discussed in more detail below, are as follows:

	Year Ended December 31,		
	2013	2012	2011
Revenues:			
Processing and related services	\$ 537,453	\$ 544,649	\$ 524,666
Software and services	118,988	124,242	118,835
Maintenance	91,027	87,975	91,230
Total revenues	<u>\$ 747,468</u>	<u>\$ 756,866</u>	<u>\$ 734,731</u>

*Processing and Related Services Revenues.* Processing and related services revenues for: (i) 2013 decreased 1% to \$537.5 million, from \$544.6 million for 2012; and (ii) 2012 increased 4% to \$544.6 million, from \$524.7 million for 2011.

- The year-over-year decrease between 2013 and 2012 can be attributed to the impact of the pricing discounts associated with the Comcast and Time Warner contract renewals, discussed in the Significant Client Relationships section above, and to a lesser degree, by approximately \$3 million of divested revenues from the sale of a small print operation on July 1, 2013. The impact of these revenue reductions have been partially offset by the growth in other areas of our business.
- The year-over-year increase between 2012 and 2011 is almost entirely due to increased client spending on various ancillary services.

Additional information related to processing revenues is as follows:

- Total customer accounts on our ACP managed service solution as of December 31, 2013, 2012, and 2011, were 49.5 million, 48.9 million, and 48.8 million, respectively.
- Amortization of the investments in client contracts intangible asset (reflected as a reduction of processing revenues) for 2013, 2012, and 2011 was \$6.2 million, \$7.6 million, and \$7.5 million, respectively.

*Software and Services Revenues.* Software and services revenues for: (i) 2013 decreased 4% to \$119.0 million, from \$124.2 million for 2012; and (ii) 2012 increased 5% to \$124.2 million, from \$118.8 million for 2011.

- The year-over-year decrease from 2013 to 2012 is attributed primarily to the expected fluctuations in our software and professional services business. During 2013, we experienced lower software sales than in 2012, however, this decrease was offset to a certain degree by the full year impact of the Ascade revenues.
- The year-over-year increase from 2012 to 2011 is attributed to the additional revenues generated as a result of the Ascade acquisition and increased software sales. However, these increases were offset to a certain degree by lower professional services revenues due to the timing and level of projects each year.

*Maintenance Revenues.* Maintenance revenues for: (i) 2013 increased 3% to \$91.0 million, from \$88.0 million for 2012; and (ii) 2012 decreased 4% to \$88.0 million, from \$91.2 million for 2011.

- The year-over-year increase from 2013 to 2012 is mainly attributed to the full year impact of the Ascade maintenance revenues.
- The year-over-year decrease from 2012 to 2011 is primarily due to the timing of maintenance renewals and related revenue recognition, offset to a certain degree by the additional maintenance revenues generated as a result of the Ascade acquisition.

*Total Operating Expenses.* Our operating expenses for: (i) 2013 increased 2% to \$670.8 million, from \$660.3 million for 2012; and (ii) 2012 increased 3% to \$660.3 million, from \$638.4 million for 2011.

- The \$10.5 million increase in total expenses between 2013 and 2012 can be mainly attributed to the \$9.9 million increase in restructuring expenses we incurred in 2013 and the full year impact of the expenses from the Ascade business. These increases were partially offset by a one-time benefit of approximately \$3 million from the favorable resolution of an expense item in 2013. In addition, a \$3.8 million impairment charge was recorded in 2012, with no such charge recorded in 2013.
- Of the total \$21.9 million increase in total operating expenses between 2012 and 2011, approximately 40% of this increase is attributed to the additional expenses from the acquired Ascade business. The remaining increase can be mainly attributed to increased data processing costs and increased compensation costs, primarily related to higher incentive compensation in 2012, as we underperformed to our financial incentive targets for 2011.

The components of total expenses are discussed in more detail below.

*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 intangibles. 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) 2013 decreased 2% to \$253.8 million, from \$258.4 million for 2012; and (ii) 2012 increased 6% to \$258.4 million, from \$244.8 million for 2011. Total processing and related services cost of revenues as a percentage of our processing and related services revenues for 2013, 2012, and 2011 were 47.2%, 47.4%, and 46.7%, respectively.

- The year-over-year decrease in cost of processing and related services between 2013 and 2012 is mainly due to: (i) the \$3.8 million impairment charge recorded in 2012, discussed below; (ii) a one-time benefit recorded in the fourth quarter of 2013 of approximately \$3 million resulting from the favorable resolution of an expense item; and (iii) the disposition of a small print operation. These decreases were offset to a certain degree by expected increases in data processing and employee-related costs.
- The year-over-year increase in cost of processing and related services between 2012 and 2011 is mainly attributed to increased data processing capacity as our clients' businesses continued to grow and become more complex. Additionally, during 2012, we recorded an impairment charge of \$3.8 million to cost of processing and related services associated with the cancellation of a managed services arrangement where we had previously capitalized conversion/set-up services costs.

*Cost of Software and Services (Exclusive of Depreciation).* The cost of software and services revenues consists principally of the following: (i) various product support organizations (e.g., product management and delivery, etc.); (ii) professional services organization; (iii) facilities and infrastructure costs related to these organizations; and (iv) third-party software costs and/or royalties related to certain software products. 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 and services for: (i) 2013 decreased slightly to \$84.2 million, from \$85.6 million for 2012; and (ii) 2012 increased 3% to \$85.6 million, from \$82.8 million for 2011, with the increase primarily attributed to the Ascade acquisition.

Total cost of software and services as a percentage of our software and services revenues for 2013, 2012, and 2011 were 70.8%, 68.9%, and 69.7%, respectively. Variability in revenues and operating results are inherent characteristics of companies that sell software licenses and perform professional services. Our revenues for software licenses and professional services may fluctuate, depending on various factors, including the timing of executed contracts and revenue recognition, and the delivery of contracted services or products. However, the costs associated with software and professional services revenues are not subject to the same degree of variability (i.e., these costs are generally fixed in nature within a relatively short period of time), and thus, fluctuations in our cost of software and services as a percentage of our software and services revenues will likely occur between periods.

*Cost of Maintenance (Exclusive of Depreciation).* The cost of maintenance 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 maintenance, etc.); (iii) facilities and infrastructure costs related to these organizations; and (iv) amortization of acquired intangibles.

The cost of maintenance for: (i) 2013 was \$39.2 million, relatively consistent when compared to \$39.9 million for 2012; and (ii) 2012 increased 5% to \$39.9 million, from \$38.0 million for 2011. The increase between 2011 and 2012 is mainly attributed to the Ascade acquisition, to include \$1.0 of amortization expense related to the Ascade acquired intangible assets. Total cost of maintenance as a percentage of our maintenance revenues for 2013, 2012, and 2011 were 43.0%, 45.3%, and 41.7%, respectively.

*R&D Expense (Exclusive of Depreciation).* R&D expense for: (i) 2013 decreased 3% to \$110.0 million, from \$112.9 million for 2012; and (ii) 2012 increased 2% to \$112.9 million, from \$111.1 million for 2011.

- The decrease in R&D expense between 2013 and 2012 is primarily a result of the reassignment of resources previously allocated to development projects to other areas of the business.
- Of the \$1.8 million increase in R&D expense between 2012 and 2011, nearly 60% of this increase can be attributed to the additional R&D expense from the acquired Ascade business.



Our R&D efforts are focused on the continued evolution of our solutions that enable service providers worldwide to provide a more personalized customer experience while turning transactions into revenues. This includes the continued investment in our BSS solutions aimed at improving a providers' time-to-market, flexibility, scalability, and total cost of ownership.

As a percentage of total revenues, R&D expense for 2013, 2012, and 2011 was 14.7%, 14.9%, and 15.1%, respectively. We expect that our R&D investment activities in the near-term will be relatively consistent with those of the past few years, with the level of 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) 2013 increased 10% to \$152.6 million, from \$138.8 million for 2012; and (ii) 2012 increased 8% to \$138.8 million, from \$128.3 million for 2011.

- The increase in SG&A expense between 2013 and 2012 is primarily due to additional investments we are making in our enterprise security and international managed services offerings, in addition to the full year impact of the additional SG&A cost related to the Ascade business.
- The increase in SG&A expense between 2012 and 2011 can be mainly attributed to: (i) the SG&A costs of the acquired Ascade business; (ii) increased compensation costs, primarily related to incentive compensation programs; and to a much lesser degree, (iii) increased legal fees related to the OFAC inquiry discussed in Note 11 to our Financial Statements; and (iv) accounting fees related to global tax planning.

As a percentage of total revenues, SG&A expense for 2013, 2012, and 2011 was 20.4%, 18.3%, and 17.5%, respectively. As anticipated, our SG&A costs as a percentage of our revenues increased in 2013 and 2012 as a result of the investments that we are making in our business, to include our enterprise security and international managed services offerings, and the acquisition of the Ascade business.

*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 2013, 2012, and 2011, was \$18.6 million, \$22.3 million, and \$25.4 million, respectively. These decreases in depreciation expense is primarily the result of certain assets becoming fully depreciated.

*Restructuring Charges*. In 2013, 2012, and 2011, we implemented various cost reduction and efficiency initiatives that resulted in restructuring charges of \$12.4 million, \$2.5 million, and \$7.9 million, respectively. These initiatives included: (i) reducing our workforce to further align it around our long-term growth initiatives; (ii) the divestitures of our Quaero marketing analytics business and a small print operation; (iii) the termination of our previously frozen defined benefit pension plan; (iv) the consolidation of facility locations; and (iv) and the consolidation of our print facilities. We completed these initiatives in order to better align and allocate our resources around our long-term growth initiatives. See Note 8 to our Financial Statements for additional information regarding these restructuring initiatives.

*Operating Income*. Operating income and operating income margin for: (i) 2013 was \$76.7 million, or 10.3% of total revenues, compared to \$96.6 million, or 12.8% of total revenues for 2012; and (ii) 2012 was \$96.6 million, or 12.8% of total revenues, compared to \$96.3 million, or 13.1% of total revenues for 2011.

- The decreases in operating income and operating income margin between years are driven mainly by the increases in restructuring and SG&A costs and the impact of the Comcast and Time Warner pricing discounts, discussed above.
- Operating income between 2012 and 2011 was relatively consistent between periods, increasing \$0.3 million. However, operating income margin decreased 0.3 percentage points mainly due to the increases in data processing and employee-related costs, discussed above.

*Interest Expense and Amortization of Original Issue Discount ("OID")*. Our interest expense relates primarily to our 2004 Convertible Debt Securities, which were retired in July 2011, our 2010 Convertible Notes, and our Credit Agreement. See Note 6 to our Financial Statements for additional discussion of our long-term debt, to include the non-cash interest expense related to the amortization of the convertible debt OID.

Interest expense for: (i) 2013 decreased to \$11.6 million, from \$16.0 million for 2012; and (ii) 2012 decreased to \$16.0 million, from \$17.0 million for 2011.

- The decrease in interest expense between 2013 and 2012 can be primarily attributed to the debt refinancing we did in November 2012, which reduced the interest rate over the current levels by 175 basis points, and due to a lower average debt balance outstanding.

- The decrease in interest expense between 2012 and 2011 can be primarily attributed to the lower average debt balance outstanding in 2012 as compared to 2011.

*Income Tax Provision.* Our effective income tax rates for 2013, 2012, and 2011 were as follows:

2013(1)	2012(2)	2011(3)
17%	37%	44%

- (1) Our 2013 effective income tax rate was positively impacted by the following items:
- The recognition approximately \$6 million of R&D tax credits that we generated in 2012 but were recorded in the first quarter of 2013. As a result of the American Taxpayer Relief Act of 2012 being signed into law on January 2, 2013, we were unable to include these credits in the determination of our 2012 effective income tax rate, as a change in tax law is accounted for in the period of enactment. Thus, the benefit of these credits is reflected in our 2013 effective income tax rate.
  - The recognition of incremental R&D income tax credits claimed for development activities from previous years, which provided a benefit of approximately \$5 million.
  - The reduction of certain tax allowances related mainly to foreign operations, offset by increases in tax reserves for uncertainties, provided for the remaining net benefit of approximately \$2 million.
- (2) During 2012, our effective income tax rate was positively impacted by the following items: (i) certain tax improvement initiatives we implemented in 2012; (ii) an improvement in the income tax expense related to our foreign operations; and (iii) a benefit related to the passage of new state legislation that required us to alter the method of how we source our revenues for state income tax purposes.
- (3) Our 2011 effective income tax rate was higher than our historical levels of at or below the statutory U.S. Federal income tax rate as a result of losses in certain foreign tax jurisdictions for the year. Under current accounting rules, we could not take a tax benefit for those losses at that time, as we could not carry the losses back to earlier tax periods or could not assume the losses would be able to be netted against future taxable income, which had the effect of increasing our effective income tax rate for the year.

## Liquidity

*Cash and Liquidity.* As of December 31, 2013, our principal sources of liquidity included cash, cash equivalents, and short-term investments of \$210.8 million, compared to \$169.3 million as of December 31, 2012. We generally invest our excess cash balances in low-risk, short-term investments to limit our exposure to market and credit risks.

As part of our Credit Agreement, we have a \$100 million senior secured revolving loan facility (“Revolver”) with a syndicate of financial institutions that expires in November 2017 (see Note 6 to our Financial Statements). As of December 31, 2013, there were no borrowings outstanding on the Revolver. The Credit Agreement contains customary affirmative covenants and financial covenants. As of December 31, 2013, and the date of this filing, we believe that we are in compliance with the provisions of the Credit Agreement.

Our cash, cash equivalents, and short-term investment balances as of the end of the indicated periods were located in the following geographical regions (in thousands):

	December 31, 2013	December 31, 2012
Americas (principally the U.S.)	\$ 187,596	\$ 137,291
Europe, Middle East and Africa	18,665	28,763
Asia Pacific	4,576	3,267
Total cash, equivalents and short-term investments	<u>\$ 210,837</u>	<u>\$ 169,321</u>

We generally have ready access to substantially all of our cash, cash equivalents, and short-term investment balances, but may face limitations on moving cash out of certain foreign jurisdictions due to currency controls. As of December 31, 2013, we had \$4.5 million of cash restricted as to use to collateralize outstanding letters of credit.

*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 or non-operating activity (e.g., depreciation, amortization, amortization of OID, impairments, 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 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 less predictable.

The primary use of our cash is to fund our operating activities. Over half 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 our operating expenses consist of: (i) data processing and related services and communication lines for our outsourced processing business; (ii) postage, paper, envelopes, and related supplies for our statement processing solutions; (iii) hardware and software; 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 2012 and 2013 net cash flows from operating activities, broken out between operations and changes in operating assets and liabilities, for the indicated quarterly 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>2012:</b>			
March 31	\$ 28,890	\$ 19,299	\$ 48,189
June 30	29,898	6,681	36,579
September 30	32,608	(8,954)	23,654
December 31	34,886	(15,866)	19,020
Year-to-date total	<u>\$ 126,282</u>	<u>\$ 1,160</u>	<u>\$ 127,442</u>
<b>2013:</b>			
March 31	\$ 41,320	\$ (18,776)	\$ 22,544
June 30	31,308	7,494	38,802
September 30	29,634	(4,398)	25,236
December 31	30,396	9,656	40,052
Year-to-date total	<u>\$ 132,658</u>	<u>\$ (6,024)</u>	<u>\$ 126,634</u>

We believe the above table illustrates our ability to consistently generate strong cash flows from operations, 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 a consistently strong measure for us. The variations in our net cash provided by operating activities are related mostly to the changes in our operating assets and liabilities (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 2013 and 2012 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 significant 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.

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):

Quarter Ended	Gross	Allowance	Net Billed	DBOs
<b>2012:</b>				
March 31	\$ 173,834	\$ (2,925)	\$ 170,909	61
June 30	166,194	(2,802)	163,392	62
September 30	177,055	(2,918)	174,137	61
December 31	195,090	(3,147)	191,943	62
<b>2013:</b>				
March 31	\$ 182,711	\$ (3,618)	\$ 179,093	64
June 30	176,271	(3,750)	172,521	65
September 30	177,800	(3,043)	174,757	65
December 31	180,870	(2,359)	178,511	64

The increase in gross and net billed accounts receivable in the fourth quarter of 2012 can be primarily attributed to the fluctuations in the timing of client payments at year-end and to several billing milestones being met towards the end of the quarter. All other 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.

As a global provider of software and professional services, a portion of our accounts receivable balance relates to clients outside the U.S. As a result, this diversity in the geographic composition of our client base impacts our DBO as longer billing cycles (i.e., billing terms and cash collection cycles) are an inherent characteristic of international software and professional services transactions. For example, our ability to bill (i.e., send an invoice) and collect arrangement fees may be dependent upon, among other things: (i) the completion of various client administrative matters, local country billing protocols and processes (including local cultural differences), and/or non-client administrative matters; (ii) us meeting certain contractual invoicing milestones; or (iii) the overall project status in certain situations in which we act as a subcontractor to another vendor on a project.

#### Unbilled Trade Accounts Receivable

Revenue earned and recognized prior to the scheduled billing date of an item is reflected as unbilled accounts receivable. Our unbilled accounts receivable as of the end of the indicated periods are as follows (in thousands):

	2013	2012
March 31	\$ 26,836	\$ 23,311
June 30	35,426	24,568
September 30	41,347	23,061
December 31	38,365	28,463

The December 31, 2013 unbilled accounts receivable balance is the result of several transactions with various milestone and contractual billing dates which have not yet been reached. Unbilled accounts receivable are an inherent characteristic of certain software and professional services transactions and may fluctuate between quarters, as these type of transactions typically have scheduled invoicing terms over several quarters, as well as certain milestone billing events.

#### Other Current and Non-Current Assets

The \$7.2 million of cash flows used in operating activities related to other current and non-current assets is primarily due to an increase in our non-trade receivables related to: (i) the two divestitures we completed in the second half of 2013; and (ii) the one-time benefit of approximately \$3 million from the favorable resolution of an expense item, all discussed above.

#### Income Taxes Payable/Receivable

The \$4.6 million of cash flows provided by operating activities related to income taxes payable/receivable for 2013, is primarily due to the timing of our estimated Federal and state income tax payments.

*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, during 2013, we sold our marketing analytics business and a small print operation which resulted in net proceeds from the disposition of \$4.5 million, and acquired certain key assets of Volubill for \$2.9 million, net of cash acquired. Additionally, in 2012, we acquired the Ascade business for \$19.1 million, net of cash acquired. These activities are included in our cash flows from investing activities.

Purchases/Sales of Short-term Investments.

During 2013, 2012, and 2011 we purchased \$183.6 million, \$65.4 million, and \$37.8 million, respectively, and sold or had mature \$89.7 million, \$42.1 million, and \$43.5 million, respectively, of short-term investments. We continually evaluate the possible uses of our excess cash balances and will likely purchase and sell 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>2013</u>	<u>2012</u>	<u>2011</u>
Property and equipment	\$ 30,076	\$ 33,221	\$ 22,197
Client contracts	7,092	4,629	9,133

Our capital expenditures for these periods consisted principally of investments in: (i) computer hardware, software, and related equipment; (ii) facilities and internal infrastructure items; and (iii) statement production equipment.

Our investments in client contracts for 2013, 2012, and 2011 relate primarily to: (i) cash incentives provided to clients to convert their customer accounts to, or retain their customer's accounts on, our customer care and billing systems; and (ii) direct and incremental costs incurred for conversion/set-up services related to long-term processing or managed services arrangements where we are required to defer conversion/set-up services fees and recognize those fees as the related processing services are performed. For 2013, 2012, and 2011 our: (i) investments in client contracts related to cash incentives were \$6.5 million, \$0.5 million, and \$1.7 million, respectively; and (ii) the deferral of costs related to conversion/set-up services provided under long-term processing contracts were \$0.6 million, \$4.1 million, and \$7.4 million, respectively.

*Cash Flows From Financing Activities*. Our financing activities typically consist of various debt-related transactions and activities with our common stock, which are discussed below.

Issuance of Common Stock.

Proceeds from the issuance of common stock for 2013, 2012, and 2011 were \$1.6 million, \$1.9 million, and \$1.5 million, respectively, and relates primarily to employee stock purchase plan purchases.

Repurchase of Common Stock.

During 2013, 2012, and 2011, we repurchased approximately 500,000, 823,000, and 750,000 shares of our common stock under the guidelines of our Stock Repurchase Program for \$10.1 million, \$13.3 million, and \$9.9 million, respectively. In addition, outside of our Stock Repurchase Program, during 2013, 2012, and 2011, we repurchased from our employees and then cancelled approximately 264,000 shares, 197,000 shares, and 232,000 shares, of our common stock for \$5.4 million, \$3.2 million, and \$4.4 million, respectively, in connection with minimum tax withholding requirements resulting from the vesting of restricted stock under our stock incentive plans.

Cash Dividends Paid on Common Stock.

During 2013, the Board approved dividend payments totaling \$15.2 million, of which \$14.5 million has been paid through December 31, 2013 (with the remaining amount attributed to unvested incentive shares to be paid upon vesting).

Long-term debt.

During 2013, we made a total of \$15 million of principal repayments on our long-term debt balance to bring the total Term Loan balance outstanding as of December 31, 2013 to \$135 million.

During 2012, we repaid a total of \$40 million of our long-term debt balance to bring the total Term Loan balance outstanding as of December 31, 2012 to \$150 million. Additionally, in connection with the refinancing of the Credit Agreement in 2012, we paid deferred financing costs of \$2.5 million.

During 2011, we: (i) repaid the \$35 million outstanding balance of the Revolver; (ii) paid \$25.1 million of 2004 Convertible Debt Securities, primarily as a result of the holders exercising their put option; and (iii) made \$10.0 million of repayments on the Term Loan.

See Note 6 to our Financial Statements for additional discussion of our long-term debt.

### Contractual Obligations and Other Commercial Commitments and Contingencies

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

The following table summarizes our significant contractual obligations and commercial commitments as of December 31, 2013, and the future periods in which such obligations are expected to be settled in cash (in thousands).

	Total	Less than 1 year	Years 2-3	Years 4-5	More than 5 Years
Long-term debt	\$ 309,939	\$ 22,978	\$ 59,333	\$ 227,628	\$ -
Leases	89,536	15,550	24,732	20,226	29,028
Purchase obligations	200,510	65,877	101,773	22,450	10,410
Other obligations	28,720	5,744	11,488	11,488	-
<b>Total</b>	<b>\$ 628,705</b>	<b>\$ 110,149</b>	<b>\$ 197,326</b>	<b>\$ 281,792</b>	<b>\$ 39,438</b>

Our long-term debt obligations are discussed in more detail in Note 6 to our Financial Statements. The contractual obligation amounts reflected for our long-term debt is based upon the following assumptions:

- (i) our 2010 Convertible Notes are outstanding through their maturity date of March 1, 2017; upon settlement, our cash obligation will not exceed their principal amount; and interest paid through their life is at a rate of 3.0% per annum;
- (ii) as it relates to our Credit Agreement, we make no more than the mandatory quarterly amortization payments on the term loan; there are no mandatory prepayments required on the term loan; and the interest paid throughout the life of the term loan is based upon the interest rate applicable as of December 31, 2013, as impacted by the interest rate swap contracts (discussed in Note 7 to our Financial Statements).

The operating leases are discussed in Note 11 to our Financial Statements. Our purchase obligations consist primarily of our expected minimum base fees under the Infocrossing service agreement (discussed in Note 11 to our Financial Statements), and data communication and business continuity planning services.

The other obligations reflect the requirement for us to pay cash of approximately \$29 million ratably over five years related to the deferred income tax liabilities associated with our repurchase of the 2004 Convertible Debt Securities as discussed in Note 9 to our Financial Statements.

Of the total contractual obligations and commercial commitments above, approximately \$334 million is reflected on our Balance Sheet.

### 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, 2013, we had cash, cash equivalents, and short-term investments of \$210.8 million, of which approximately 88% is in U.S. Dollars and held in the U.S. We have \$4.5 million of restricted cash, used primarily to collateralize outstanding letters of credit. For the remainder of the monies denominated in foreign currencies and/or located outside the U.S., we do not anticipate any material amounts being unavailable for use in running our business.
- 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 and act as a source of funds for our capital resource needs.
- Revolving Loan Facility. We have a \$100 million senior secured revolving loan facility with a syndicate of financial institutions that expires in November 2017 (or December 2016 if certain conditions exist—see Note 6 to our Financial Statements for additional details). As of the date of this filing, we have \$100 million of the revolving loan facility available to us.

### *Uses/Potential Uses of Capital Resources.* Below are the key items to consider in assessing our uses/potential uses of capital resources:

- Common Stock Repurchases. We have made repurchases of our common stock in the past under our Stock Repurchase Program. During the year ended December 31, 2013, we repurchased 0.5 million shares of our common stock for \$10.1 million (weighted-average price of \$20.23 per share) under our Stock Repurchase Program. As of December 31, 2013, we have 2.1 million shares authorized for repurchase remaining under our Stock Repurchase Program. Our Credit Agreement places certain limitations on our ability to repurchase our common stock. 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.
- Cash Dividends. On June 25, 2013, our Board approved the initiation of a quarterly cash dividend to be paid to our stockholders. During the year ended December 31, 2013, the Board approved dividend payments totaling \$15.2 million, of which \$14.5 million had been paid through December 31, 2013 (with the remaining amount attributed to unvested incentive shares to be paid upon vesting). In February 2014, our Board approved the next quarterly cash dividend payment of \$0.15 per share of common stock to be paid on March 27, 2014. Going forward, we expect to pay cash dividends each year in March, June, September, and December, with the amount and timing subject to the Boards' approval.
- Acquisitions. 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. Most recently, in December 2013, we acquired certain key assets of Volubill where we paid cash related to the transaction of approximately \$3 million.
- Capital Expenditures. During 2013, we spent \$30.1 million on capital expenditures. At this time, we expect our 2014 capital expenditures to be relatively consistent with that of 2013. As of December 31, 2013, we have made no significant capital expenditure commitments.
- Investments in Client Contracts. In the past, we have provided incentives to new or existing U.S. processing clients to convert their customer accounts to, or retain their customer's accounts on, our customer care and billing solutions. During the year ended December 31, 2013, we made client incentive payments of \$7.1 million. As of December 31, 2013, we had commitments to make \$6 million of client incentive payments, \$3.0 million in 2014 and \$1.5 million in 2015 and 2016, respectively.
- Long-Term Debt Service. As of December 31, 2013, our long-term debt consisted of: (i) 2010 Convertible Notes with a par value of \$150.0 million; and (ii) Credit Agreement term loan borrowings of \$135 million. During the next twelve months, there are no scheduled conversion triggers on our 2010 Convertible Notes, and therefore, our expected cash debt service at this time related to the 2010 Convertible Notes is the \$4.5 million of interest payments. Over the next 12 months, the mandatory repayments and the cash interest expense (based upon current interest rates) for our Credit Agreement are approximately \$15.0 million and \$3.5 million, respectively. We have the ability to make prepayments on our Credit Agreement without penalty.
- We continue to evaluate the best use of our capital going forward, which from time-to-time, may include common stock repurchases, repurchases of our 2010 Convertible Notes, and/or prepayments on our Credit Agreement, as market and business conditions warrant.

In summary, we expect to continue to have material needs for capital resources going forward, as noted above. We believe that our current cash, cash equivalents and short-term investments balances and our revolving loan facility, together with cash expected to be generated in the future from our current operating activities, will be sufficient to meet our anticipated capital resource 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.

#### **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, 2013, we are exposed to various market risks, including changes in interest rates, fluctuations and changes in the market value of our cash equivalents and short-term investments, and changes in foreign currency exchange rates. We have not historically entered into derivatives or other financial instruments for trading or speculative purposes.

##### *Interest Rate Risk.*

*Market Risk Related to Long-Term Debt.* The interest rate on our 2010 Convertible Notes is fixed, and thus, as it relates to our convertible debt borrowings, we are not exposed to changes in interest rates.

The interest rates under our Credit Agreement are based upon an adjusted LIBOR rate plus an applicable margin, or an alternate base rate plus an applicable margin. Refer to Note 6 to our Financial Statements for further details of our long-term debt.

As of December 31, 2013, we are a party to an interest rate swap contract with the objective of managing our exposure to fluctuations in interest rate movements, thereby eliminating the variability of cash flows on a certain portion of the interest payments related to our variable-rate debt. See Note 7 to our Financial Statements for further details on the interest rate swap contract.

As a result of the interest rate swap contract, as of December 31, 2013, we were exposed to fluctuations in interest rate movements on \$95.0 million of our Term Loan. We expect our exposure amount to fluctuate as the interest rate swap contract expires and the balance due under the Credit Agreement is repaid through mandatory repayments or prepayments.

A hypothetical adverse change of 10% in the December 31, 2013 adjusted LIBOR rate would not have had a material impact upon our results of operations.

##### *Market Risk Related to Cash Equivalents and Short-term Investments.*

Our cash and cash equivalents as of December 31, 2013 and 2012 were \$82.7 million and \$133.7 million, respectively. Certain of our cash balances are “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. Our cash equivalents are invested primarily in institutional money market funds, commercial paper, and time deposits held at major banks. 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, 2013 and 2012 were \$128.2 million and \$35.6 million, respectively. Currently, we utilize short-term investments as a means to invest our excess cash only in the U.S. The day-to-day management of our 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.

##### *Foreign Currency Exchange Rate Risk .*

Due to foreign operations around the world, our balance sheet and income statement are exposed to foreign currency exchange risk due to the fluctuations in the value of currencies in which we conduct business. While we attempt to maximize natural hedges by incurring expenses in the same currency in which we contract revenue, the related expenses for that revenue could be in one or more differing currencies than the revenue stream.

During the year ended December 31, 2013, we generated approximately 87% of our revenues in U.S. dollars. We expect that, in the foreseeable future, we will continue to generate a very large percentage of our revenues in U.S. dollars.



As of December 31, 2013 and 2012, the carrying amounts of our monetary assets and monetary liabilities on the books of our non-U.S. subsidiaries in currencies denominated in a currency other than the functional currency of those non-U.S. subsidiaries are as follows (in thousands, in U.S. dollar equivalents):

	December 31, 2013		December 31, 2012	
	Monetary Liabilities	Monetary Assets	Monetary Liabilities	Monetary Assets
Pounds sterling	\$ (39)	\$ 3,075	\$ (36)	\$ 1,439
Euro	(41)	5,618	(40)	5,090
U.S. Dollar	(191)	18,996	(94)	23,719
Other	(8)	2,686	(20)	3,311
Totals	<u>\$ (279)</u>	<u>\$ 30,375</u>	<u>\$ (190)</u>	<u>\$ 33,559</u>

A hypothetical adverse change of 10% in the December 31, 2013 exchange rates would not have had a material impact upon our results of operations.

**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, 2013. 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 (1992)*.

Based on our assessment, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2013.

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, 2013. That report appears immediately following.

## 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, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* 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, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* 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. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013, and our report dated February 28, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Omaha, Nebraska  
February 28, 2014

## 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. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013. 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, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CSG Systems International, Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Omaha, Nebraska  
February 28, 2014

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

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 82,686	\$ 133,747
Short-term investments	128,151	35,574
Total cash, cash equivalents and short-term investments	210,837	169,321
Trade accounts receivable:		
Billed, net of allowance of \$2,359 and \$3,147	178,511	191,943
Unbilled	38,365	28,463
Deferred income taxes	15,085	22,244
Income taxes receivable	3,815	6,469
Other current assets	28,762	21,915
Total current assets	475,375	440,355
Non-current assets:		
Property and equipment, net of depreciation of \$129,522 and \$120,643	35,061	39,429
Software, net of amortization of \$77,504 and \$68,496	43,565	38,372
Goodwill	233,599	233,365
Client contracts, net of amortization of \$75,382 and \$182,182	55,191	75,303
Deferred income taxes	7,447	2,596
Income taxes receivable	1,930	1,291
Other assets	16,812	16,230
Total non-current assets	393,605	406,586
Total assets	\$ 868,980	\$ 846,941
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Current liabilities:		
Current maturities of long-term debt	\$ 15,000	\$ 15,000
Client deposits	30,431	33,807
Trade accounts payable	33,376	30,473
Accrued employee compensation	58,434	61,083
Deferred revenue	47,131	47,691
Income taxes payable	2,814	2,116
Other current liabilities	19,620	21,562
Total current liabilities	206,806	211,732
Non-current liabilities:		
Long-term debt, net of unamortized original issue discount of \$19,950 and \$25,302	250,050	259,698
Deferred revenue	9,221	6,504
Income taxes payable	1,909	1,168
Deferred income taxes	20,274	21,674
Other non-current liabilities	14,616	19,526
Total non-current liabilities	296,070	308,570
Total liabilities	502,876	520,302
Stockholders' equity:		
Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued and outstanding	-	-
Common stock, par value \$.01 per share; 100,000 shares authorized; 5,441 and 6,904 shares reserved for employee stock purchase plan and stock incentive plans; 33,745 and 33,734 shares outstanding	658	653
Additional paid-in capital	473,190	461,497
Treasury stock, at cost, 32,030 and 31,530 shares	(738,372)	(728,243)
Accumulated other comprehensive income (loss):		
Unrealized gain on short-term investments, net of tax	41	3
Unrecognized pension plan losses and prior service costs, net of tax	-	(1,761)
Unrecognized loss on change in fair value of interest rate swap contracts, net of tax	(98)	(658)
Cumulative foreign currency translation adjustments	1,674	2,274
Accumulated earnings	629,011	592,874
Total stockholders' equity	366,104	326,639
Total liabilities and stockholders' equity	\$ 868,980	\$ 846,941

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



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

	Year Ended December 31,		
	2013	2012	2011
<b>Revenues:</b>			
Processing and related services	\$ 537,453	\$ 544,649	\$ 524,666
Software and services	118,988	124,242	118,835
Maintenance	91,027	87,975	91,230
Total revenues	<u>747,468</u>	<u>756,866</u>	<u>734,731</u>
<b>Cost of revenues (exclusive of depreciation, shown separately below):</b>			
Processing and related services	253,756	258,380	244,776
Software and services	84,222	85,562	82,834
Maintenance	39,187	39,874	38,040
Total cost of revenues	<u>377,165</u>	<u>383,816</u>	<u>365,650</u>
<b>Other operating expenses:</b>			
Research and development	110,008	112,938	111,142
Selling, general and administrative	152,553	138,783	128,346
Depreciation	18,633	22,286	25,435
Restructuring charges	12,405	2,469	7,873
Total operating expenses	<u>670,764</u>	<u>660,292</u>	<u>638,446</u>
Operating income	<u>76,704</u>	<u>96,574</u>	<u>96,285</u>
<b>Other income (expense):</b>			
Interest expense	(11,621)	(15,983)	(17,026)
Amortization of original issue discount	(5,352)	(4,954)	(5,206)
Interest and investment income, net	689	855	764
Other, net	1,099	732	1,155
Total other	<u>(15,185)</u>	<u>(19,350)</u>	<u>(20,313)</u>
Income before income taxes	61,519	77,224	75,972
Income tax provision	(10,168)	(28,345)	(33,690)
Net income	<u>\$ 51,351</u>	<u>\$ 48,879</u>	<u>\$ 42,282</u>
<b>Weighted-average shares outstanding - Basic:</b>			
Common stock	32,117	32,142	32,624
Participating restricted stock	-	17	189
Total	<u>32,117</u>	<u>32,159</u>	<u>32,813</u>
<b>Weighted-average shares outstanding - Diluted:</b>			
Common stock	32,873	32,459	32,833
Participating restricted stock	-	17	189
Total	<u>32,873</u>	<u>32,476</u>	<u>33,022</u>
<b>Earnings per common share:</b>			
Basic	\$ 1.60	\$ 1.52	\$ 1.29
Diluted	\$ 1.56	\$ 1.51	\$ 1.28

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

**CSG SYSTEMS INTERNATIONAL, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in thousands)

	<u>Year Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net income	\$ 51,351	\$ 48,879	\$ 42,282
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	(600)	4,272	(2,866)
Unrealized holding gains (losses) on short-term investments arising during period	38	2	(3)
Defined benefit pension plan:			
Net loss arising from period (net of tax effect of \$(119), \$(62), and \$(629))	(183)	(119)	(972)
Amortization of net actuarial loss included in net periodic pension cost (net of tax effect of \$28, \$97, and \$48)	43	152	75
Final settlement of pension plan liability (net of tax effect of \$1,214, \$0, and \$0)	1,901	-	-
Net change in defined benefit pension plan	<u>1,761</u>	<u>33</u>	<u>(897)</u>
Cash flow hedges:			
Unrealized gains (losses) on change in fair value of interest rate swap contracts (net of tax effect of \$724, \$128, and \$(387))	1,140	200	(684)
Reclassification adjustment for gains (losses) included in net income (net of tax effect of \$(368), \$(153), and \$41)	(580)	(240)	66
Net change in cash flow hedges	<u>560</u>	<u>(40)</u>	<u>(618)</u>
Other comprehensive income (loss), net of tax	<u>1,759</u>	<u>4,267</u>	<u>(4,384)</u>
Total comprehensive income, net of tax	<u>\$ 53,110</u>	<u>\$ 53,146</u>	<u>\$ 37,898</u>

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

**CSG SYSTEMS INTERNATIONAL, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(in thousands)

	<b>Year Ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Common stock:</b>			
Balance, beginning of period	\$ 653	\$ 645	\$ 641
Issuance of restricted common stock pursuant to employee stock-based compensation plans	8	8	7
Cancellation of restricted common stock pursuant to employee stock-based compensation plans	-	-	(1)
Repurchase and cancellation of common stock pursuant to employee stock-based compensation plans	(3)	-	(2)
Balance, end of period	<u>658</u>	<u>653</u>	<u>645</u>
<b>Paid-in capital:</b>			
Balance, beginning of period	461,497	449,376	439,712
Issuance of common stock pursuant to employee stock purchase plan	1,347	1,394	1,442
Exercise of stock options	244	502	44
Repurchase and cancellation of common stock pursuant to employee stock-based compensation plans	(5,346)	(3,208)	(4,433)
Issuance of restricted common stock pursuant to employee stock-based compensation plans	(8)	(8)	(7)
Cancellation of unvested restricted common stock pursuant to employee stock-based compensation plans	-	-	1
Stock-based compensation expense	14,796	13,431	12,152
Stock-based compensation income tax benefits	660	10	465
Balance, end of period	<u>473,190</u>	<u>461,497</u>	<u>449,376</u>
<b>Treasury Stock:</b>			
Balance, beginning of period	(728,243)	(714,893)	(704,963)
Repurchase of common stock pursuant to Board-approved stock repurchase program	(10,129)	(13,350)	(9,930)
Balance, end of period	<u>(738,372)</u>	<u>(728,243)</u>	<u>(714,893)</u>
<b>Accumulated Earnings:</b>			
Balance, beginning of period	592,874	543,995	501,713
Net Income	51,351	48,879	42,282
Declaration of cash dividends	(15,214)	-	-
Balance, end of period	<u>629,011</u>	<u>592,874</u>	<u>543,995</u>
<b>Accumulated Other Comprehensive Income:</b>			
Balance, beginning of period	(142)	(4,409)	(25)
Net unrealized gains (losses) on short-term investments	38	2	(3)
Net unrealized gains (losses) on pension plan and prior service costs	1,761	33	(897)
Net unrealized gains (losses) on change in fair value of interest rate swap contracts	560	(40)	(618)
Foreign currency translation	(600)	4,272	(2,866)
Balance, end of period	<u>1,617</u>	<u>(142)</u>	<u>(4,409)</u>
<b>Total stockholders' equity:</b>			
Balance, end of period	<u>\$ 366,104</u>	<u>\$ 326,639</u>	<u>\$ 274,714</u>
<b>Shares:</b>			
Balance, beginning of period	33,734	33,822	34,121
Repurchase of common stock pursuant to Board-approved stock repurchase program	(500)	(823)	(750)
Issuance of common stock pursuant to employee stock purchase plan	68	94	103
Exercise of stock options	20	40	3
Issuance of restricted common stock pursuant to employee stock-based compensation plans	840	873	746
Cancellation of unvested restricted common stock pursuant to employee stock-based compensation plans	(153)	(77)	(170)
Repurchase and cancellation of common stock pursuant to employee stock-based compensation plans	(264)	(195)	(231)
Balance, end of period	<u>33,745</u>	<u>33,734</u>	<u>33,822</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,		
	2013	2012	2011
<b>Cash flows from operating activities:</b>			
Net income	\$ 51,351	\$ 48,879	\$ 42,282
Adjustments to reconcile net income to net cash provided by operating activities-			
Depreciation	18,633	22,286	25,435
Amortization	37,819	44,178	42,173
Amortization of original issue discount	5,352	4,954	5,206
Impairment of client contract	-	3,783	-
(Gain) loss on short-term investments and other	910	(107)	(60)
Loss on disposition of business operations	3,017	-	-
Loss on termination of pension plan	3,221	-	-
Deferred income taxes	(1,764)	(10,707)	3,977
Excess tax benefit of stock-based compensation awards	(677)	(415)	(828)
Stock-based employee compensation	14,796	13,431	12,152
Changes in operating assets and liabilities, net of acquired amounts:			
Trade accounts receivable, net	(2,319)	(9,481)	(30,141)
Other current and non-current assets	(7,163)	(1,715)	1,799
Income taxes payable/receivable	4,556	(6,543)	7,573
Trade accounts payable and accrued liabilities	(994)	18,474	(20,074)
Deferred revenue	(104)	425	(28,535)
Net cash provided by operating activities	<u>126,634</u>	<u>127,442</u>	<u>60,959</u>
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment	(30,076)	(33,221)	(22,197)
Purchases of short-term investments	(183,575)	(65,355)	(37,798)
Proceeds from sale/maturity of short-term investments	89,688	42,063	43,450
Acquisition of businesses, net of cash acquired	(2,926)	(19,085)	-
Acquisition of and investments in client contracts	(7,092)	(4,629)	(9,133)
Proceeds from the disposition of business operations	4,530	-	-
Net cash used in investing activities	<u>(129,451)</u>	<u>(80,227)</u>	<u>(25,678)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of common stock	1,591	1,896	1,486
Payment of cash dividends	(14,454)	-	-
Repurchase of common stock	(15,478)	(16,558)	(14,365)
Payments on acquired equipment financing	(2,723)	(1,698)	(1,587)
Proceeds from long-term debt	-	150,000	-
Payments on long-term debt	(15,000)	(190,000)	(70,149)
Payments of deferred financing costs	-	(2,450)	(205)
Excess tax benefit of stock-based compensation awards	677	415	828
Net cash used in financing activities	<u>(45,387)</u>	<u>(58,395)</u>	<u>(83,992)</u>
Effect of exchange rate fluctuations on cash	<u>(2,857)</u>	<u>(1,806)</u>	<u>(2,414)</u>
Net decrease in cash and cash equivalents	(51,061)	(12,986)	(51,125)
Cash and cash equivalents, beginning of period	133,747	146,733	197,858
Cash and cash equivalents, end of period	<u>\$ 82,686</u>	<u>\$ 133,747</u>	<u>\$ 146,733</u>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during the period for-			
Interest	\$ 9,440	\$ 13,124	\$ 13,921
Income taxes	6,149	43,739	22,836

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 business support solutions provider primarily serving the communications industry. Our broad suite of solutions helps our clients improve their business operations by creating more compelling product offerings and an enhanced customer experience through more relevant and targeted interactions, while at the same time, more efficiently managing the service provider’s cost structure. Over the years, we have focused our research and development (“R&D”) and acquisition investments on expanding our solution set to address the expanding needs of communications service providers to provide a differentiated, real-time, and personal experience for their consumers. Our suite of solutions includes revenue management, content management and monetization, customer interaction management, as well as analytics and intelligence. We are a S&P SmallCap 600 company.

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

### 2. Summary of Significant Accounting Policies

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

*Reclassifications .* Maintenance revenues, as well as the cost of maintenance revenues, previously included in software, maintenance and service revenues and software, maintenance and services costs of revenues, respectively, have been presented separately in the Consolidated Statements of Income (“Income Statements” or “Income Statement”) for each of the years in the three-year period ended December 31, 2013. In addition, certain other 2012 and 2011 amounts have been reclassified to conform to the 2013 presentation.

*Translation of Foreign Currency.* Our foreign subsidiaries use the local currency of the countries in which they operate as their functional currency. Their assets and liabilities are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. Revenues, expenses, and cash flows are translated at the average rates of exchange prevailing during the period. Foreign currency translation adjustments are included in comprehensive income in stockholders’ equity. Foreign currency transaction gains and losses are included in the determination of net income.

*Use of Estimates in Preparation of Our Financial Statements.* The preparation of our 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 our 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 position 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; (v) business combinations and asset purchases; and (vi) loss contingencies.

*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.

#### Processing and Related Services.

Our processing and related services revenue relates to: (i) the outsourced, customer care and billing processing and related services provided to our North American cable and satellite clients; and (ii) the managed services provided to clients which utilize our software. Under managed services agreements, we may operate certain of our software products on behalf of our clients: (i) out of a client’s data center; (ii) out of a data center we own and operate; or (iii) out of a third-party data center we contract with for such services. Managed services can also include us providing other services, such as transitional services, fulfillment, remittance processing, operational consulting, back office, and end user billing services.

We contract for our processing and related services using long-term agreements whose terms have typically ranged from three to ten years. The long-term processing agreements include multiple services delivered each month, to include such things as: (i) billing and data processing services; (ii) credit management and collection services; and (iii) customer statement invoice printing and mailing services. The fees for these deliverables typically are billed to our clients monthly based upon actual monthly volumes and/or usage of services (e.g., the number of client customers processed on our systems, the number of transactions processed on our systems, and/or the quantity and content of the monthly statements and mailings processed through our systems) or on a fixed monthly fee. We recognize processing and related services revenue on a monthly basis as we provide the services.

### Software, services, and maintenance.

Our software and services revenue relates primarily to: (i) software license sales; and (ii) professional services to implement the software. Our maintenance revenue relates primarily to support of our software once it has been implemented.

The accounting for software license arrangements, especially when software is sold in a multiple-element arrangement, can be complex and requires considerable judgment. Key factors considered in accounting for software license and related services include the following criteria: (i) the identification of the separate elements of the arrangement; (ii) the determination of whether any undelivered elements are essential to the functionality of the delivered elements; (iii) the assessment of whether the software, if hosted, should be accounted for as a services arrangement and thus outside the scope of the software revenue recognition literature; (iv) the determination of vendor specific objective evidence (“VSOE”) of fair value for the undelivered element(s) of the arrangement; (v) the assessment of whether the software license fees are fixed or determinable; (vi) the determination as to whether the fees are considered collectible; and (vii) the assessment of whether services included in the arrangement represent significant production, customization or modification of the software. The evaluation of these factors, and the ultimate revenue recognition decision, requires significant judgments to be made by us. The judgments made in this area could have a significant effect on revenues recognized in any period by changing the amount and/or the timing of the revenue recognized. In addition, because software licenses typically have little or no direct, incremental costs related to the recognition of the revenue, these judgments could also have a significant effect on our results of operations.

The initial sale of software products generally requires significant production, modification or customization and thus falls under the guidelines of contract accounting. In these software license arrangements, the elements of the arrangements are typically a software license, professional services, and maintenance. When we have VSOE of fair value for the maintenance, which we generally do, we allocate a portion of the total arrangement fee to the maintenance element based on its VSOE of fair value, and the balance of the arrangement fee is subject to contract accounting using the percentage-of-completion (“POC”) method of accounting. Under the POC method of accounting, software license and professional services revenues are typically recognized as the professional services related to the software implementation project are performed. We are using hours performed on the project as the measure to determine the percentage of the work completed.

In certain instances, we sell software license volume upgrades, which provide our clients the right to use our software to process higher transaction volume levels. In these instances, if: (i) maintenance is the only undelivered element of the software arrangement; (ii) we have VSOE of fair value for the maintenance related to the volume upgrade; and (iii) we meet the other revenue recognition criteria, we recognize the software license revenue on the effective date of the volume upgrade.

A portion of our professional services revenues does not include an element of software delivery (e.g., business consulting services, etc.), and thus, do not fall within the scope of specific authoritative accounting literature for software arrangements. In these cases, revenues from fixed-price, professional service contracts are recognized using a method consistent with the proportional performance method, which is relatively consistent with our POC methodology. Under a proportional performance model, revenue is recognized by allocating revenue between reporting periods based on relative service provided in each reporting period, and costs are generally recognized as incurred. We utilize an input-based approach (i.e., hours worked) for purposes of measuring performance on these types of contracts. Our input measure is considered a reasonable surrogate for an output measure. In instances when the work performed on fixed price agreements is of relatively short duration, or if we are unable to make reasonably dependable estimates at the outset of the arrangement, we use the completed contract method of accounting whereby revenue is recognized when the work is completed.

Our use of the POC and proportional performance methods of accounting on professional services engagements requires estimates of the total project revenues, total project costs and the expected hours necessary to complete a project. Changes in estimates as a result of additional information or experience on a project as work progresses are inherent characteristics of the POC and proportional performance methods of accounting as we are exposed to various business risks in completing these engagements. The estimation process to support these methods of accounting is more difficult for projects of greater length and/or complexity. The judgments and estimates made in this area could: (i) have a significant effect on revenues recognized in any period by changing the amount and/or the timing of the revenue recognized; and/or (ii) impact the expected profitability of a project, including whether an overall loss on an arrangement has occurred. To mitigate the inherent risks in using the POC and proportional performance methods of accounting, we track our performance on projects and reevaluate the appropriateness of our estimates as part of our monthly accounting cycle.

Revenues from professional services contracts billed on a time-and-materials basis are recognized as the services are performed and as amounts due from clients are deemed collectible and contractually non-refundable.

Maintenance revenues are recognized ratably over the software maintenance period. Our maintenance consists primarily of client and product support, technical updates (e.g., bug fixes, etc.), and unspecified upgrades or enhancements to our software products.. If specified upgrades or enhancements are offered in an arrangement, which is rare, they are accounted for as a separate element of the software arrangement.



*Deferred Revenue and Unbilled Accounts Receivable* . Client payments and billed amounts due from clients in excess of revenue recognized are recorded as deferred revenue. Deferred revenue amounts expected to be recognized within the next twelve months are classified as current liabilities. Revenue recognized prior to the scheduled billing date is recorded as unbilled accounts receivable.

*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 (“Balance Sheets” or “Balance Sheet”) and are classified as current liabilities regardless of the contract period. We net the cost of postage against the postage reimbursements for those clients where we require advance deposits, and include the net amount in processing and related services revenues.

*Cash and Cash Equivalents*. We consider all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. As of December 31, 2013 and 2012, our cash equivalents consist primarily of institutional money market funds, commercial paper, and time deposits held at major banks.

As of December 31, 2013 and 2012, we had \$4.5 million and \$3.5 million, respectively, of restricted cash that serves to collateralize outstanding letters of credit. This restricted cash is included in cash and cash equivalents in our Balance Sheet.

*Short-term Investments and Other Financial Instruments* . Our financial instruments as of December 31, 2013 and 2012 include cash and cash equivalents, short-term investments, accounts receivable, accounts payable, interest rate swap contracts, and 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 and certain of our cash equivalents are considered “available-for-sale” and are reported at fair value in our 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.

Primarily all short-term investments held by us as of December 31, 2013 and 2012 have contractual maturities of less than two years from the time of acquisition. Our short-term investments at December 31, 2013 and 2012 consisted almost entirely of fixed income securities. Proceeds from the sale/maturity of short-term investments in 2013, 2012, and 2011 were \$89.7 million, \$42.1 million, and \$43.5 million, 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 financial assets and liabilities measured at fair value (in thousands):

	December 31, 2013			December 31, 2012		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Assets:</b>						
<b>Cash equivalents:</b>						
Money market funds	\$ 13,761	\$ —	\$ 13,761	\$ 23,119	\$ —	\$ 23,119
Commercial paper	—	19,629	19,629	—	35,856	35,856
<b>Short-term investments:</b>						
Corporate debt securities	—	76,786	76,786	—	34,826	34,826
Municipal bonds	—	29,106	29,106	—	—	—
U.S. government agency bonds	—	18,050	18,050	—	748	748
Asset-backed securities	—	4,209	4,209	—	—	—
Total	\$ 13,761	\$ 147,780	\$ 161,541	\$ 23,119	\$ 71,430	\$ 94,549
<b>Liabilities:</b>						
Interest rate swap contracts (1)	\$ —	\$ 154	\$ 154	\$ —	\$ 1,069	\$ 1,069
Total	\$ —	\$ 154	\$ 154	\$ —	\$ 1,069	\$ 1,069

(1) As of December 31, 2013, the fair value of the interest rate swap contract was classified on our Balance Sheet in other current liabilities. As of December 31, 2012, the fair value of the interest rate swap contracts were classified on our Balance Sheet in other non-current liabilities.

Valuation inputs used to measure the fair values of our money market funds were derived from quoted market prices. The fair values of all other financial instruments are based upon pricing provided by third-party pricing services. These prices were derived from observable market inputs.

We have chosen not to measure our debt at fair value, with changes recognized in earnings each reporting period. The following table indicates the carrying value and estimated fair value of our debt as of the indicated periods (in thousands):

	December 31, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Credit Agreement (carrying value including current maturities)	\$ 135,000	\$ 135,000	\$ 150,000	\$ 150,000
Convertible debt (par value)	150,000	199,800	150,000	158,400

The fair value for our Credit Agreement was estimated using a discounted cash flow methodology, while the fair value for our convertible debt was estimated based upon quoted market prices or recent sales activity, both of which are considered Level 2 inputs.

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

We generally 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):

	2013	2012	2011
Balance, beginning of year	\$ 3,147	\$ 2,421	\$ 1,837
Additions (reductions) to expense	(354)	1,039	844
Write-offs	(280)	(174)	(239)
Other	(154)	(139)	(21)
Balance, end of year	\$ 2,359	\$ 3,147	\$ 2,421

*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 Income Statements 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 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. For development of software to be used internally (e.g., processing systems software), we expense all costs prior to the application development stage.

During 2013, 2012, and 2011, we expended \$110.0 million, \$112.9 million, and \$111.1 million, respectively, on R&D projects. We did not capitalize any R&D costs in 2013, 2012, or 2011, 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, 2013 or 2012 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 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 our Income Statements.

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 EPS pursuant to the two-class method. Unvested restricted stock awards under our stock incentive plans, granted prior to August 2008, contain nonforfeitable rights to cash dividends. As a result, 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.

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>2013</u>	<u>2012</u>	<u>2011</u>
Net income attributed to:			
Common stock	\$ 51,351	\$ 48,853	\$ 42,040
Participating common restricted stock	—	26	242
Total	<u>\$ 51,351</u>	<u>\$ 48,879</u>	<u>\$ 42,282</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>2013</u>	<u>2012</u>	<u>2011</u>
Weighted-average shares outstanding – Basic:			
Common stock	32,117	32,142	32,624
Participating common restricted stock	—	17	189
Total	<u>32,117</u>	<u>32,159</u>	<u>32,813</u>
Weighted-average shares outstanding – Diluted:			
Common stock	32,873	32,459	32,833
Participating common restricted stock	—	17	189
Total	<u>32,873</u>	<u>32,476</u>	<u>33,022</u>

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Basic weighted-average common shares	32,117	32,142	32,624
Dilutive effect of common stock options	1	11	19
Dilutive effect of non-participating restricted common stock	550	306	190
Dilutive effect of 2010 Convertible Notes	205	—	—
Diluted weighted-average common shares	<u>32,873</u>	<u>32,459</u>	<u>32,833</u>

Potentially dilutive common shares related to stock options and non-participating unvested incentive shares of restricted stock of zero, 0.3 million, and 0.2 million, respectively, in each of the years 2013, 2012, and 2011, were excluded from the computation of diluted EPS as their effect was antidilutive.

The 2010 Convertible Notes have a dilutive effect in those quarterly periods in which our average stock price exceeds the current effective conversion price (see Note 6).

*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.

*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.

### 3. Acquisitions

#### Ascade

On July 13, 2012, we acquired Ascade Holdings AB (“Ascade”) for approximately \$19 million in cash (the “Ascade Acquisition”). Ascade was an independent Swedish software company which provided trading and routing software solutions to telecommunications companies globally. Ascade’s trading and routing software solution, has been combined with our Wholesale Business Management Solution (“WBMS”) suite to strengthen our global leadership position in the telecommunications wholesale marketplace.

*Summary of Purchase Price Allocation*. The application of the acquisition method of accounting for business combinations requires the use of significant estimates and assumptions in the determination of the fair value of assets acquired and liabilities assumed.

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

Trade accounts receivable	\$	3,049
Other current assets		2,701
Fixed assets		137
Acquired customer relationships and other intangible assets		5,640
Acquired technology assets		3,590
Goodwill		8,955
Total assets acquired		24,072
Accounts payable and accrued employee compensation		2,294
Deferred revenue		2,154
Other current liabilities		380
Total liabilities assumed		4,828
Net assets acquired	\$	19,244

*Unaudited Pro Forma Information*. The results of operations for the Ascade businesses are included in the accompanying Income Statements for the periods subsequent to the respective acquisition dates.

Pro forma information on our historical results of operations to reflect the acquisition of Ascade is not presented as Ascade’s results of operations during prior periods are not material to our results of operations.

#### Volubill

On December 3, 2013, we acquired certain key assets of Volubill, including the shares of two Volubill subsidiaries, for approximately \$3 million. Volubill was an independent global company and leading supplier of integrated real-time policy and charging solutions to mobile, satellite, and fixed broadband operators. The products acquired from Volubill will enhance the Company’s existing offerings in revenue management, service personalization, and customer management provided to the telecommunications marketplace.

*Summary of Purchase Price Allocation*. The application of the acquisition method of accounting for business combinations requires the use of significant estimates and assumptions in the determination of the fair value of assets acquired and liabilities assumed.

The estimated fair values of the assets acquired and liabilities assumed from Volubill at the date of acquisition are provisional and have not been finalized as of December 31, 2013; however, we do not anticipate that any such values will be material to our Balance Sheet.

*Unaudited Pro Forma Information.* The results of the Volubill operations acquired are included in the accompanying Income Statement for the period subsequent to the acquisition date.

Pro forma information on our historical results of operations to reflect the Volubill acquisition is not presented as the results of operations related to the Volubill acquisition were not material to our results of operations.

#### 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, 2013, we have one reportable segment.

*Products and Services.* Our products and services help companies with complex transaction-centric business models manage the opportunities and challenges associated with accurately capturing, managing, generating, and optimizing the revenue associated with the immense volumes of customer interactions and then manage the intricate nature of those customer relationships. Our core billing and customer care and business optimization platform, Advanced Convergent Platform (“ACP”), is a pre-integrated platform, delivered in an outsourced managed services environment. We generate a substantial percentage of our revenues by providing our ACP processing and Customer Interaction Management solutions, and related software products (e.g., Advanced Customer Service Representative, Workforce Express, etc.) to the North American cable and satellite markets. Additionally, we license certain software products (e.g., WBMS, Total Service Mediation, and Singleview) and provide our professional services to implement these software products, increase the efficiency and productivity of our clients’ operations, and allow clients to effectively roll out new products as well as attract and retain customers.

*Geographic Regions.* For 2013 and 2012, 85% and 87%, respectively, of our revenues were attributable to our operations in the Americas. We use the location of the client as the basis of attributing revenues to individual regions.

Financial information relating to our operations by geographic region is as follows (in thousands):

##### Total Revenues:

	2013	2012	2011
Americas (principally the U.S.)	\$ 633,163	\$ 652,008	\$ 627,231
Europe, Middle East and Africa (principally Europe)	80,527	73,113	75,938
Asia Pacific	33,778	31,745	31,562
Total revenues	<u>\$ 747,468</u>	<u>\$ 756,866</u>	<u>\$ 734,731</u>

##### Property and Equipment:

	As of December 31,	
	2013	2012
Americas (principally the U.S.)	\$ 27,115	\$ 34,796
Europe, Middle East and Africa	4,280	2,238
Asia Pacific	3,666	2,395
Total property and equipment	<u>\$ 35,061</u>	<u>\$ 39,429</u>

*Significant Clients and Industry Concentration .* A large percentage of our historical revenues have been generated from our three largest clients, which are Comcast Corporation (“Comcast”), DISH Network Corporation (“DISH”), and Time Warner Cable Inc. (“Time Warner”).

Revenues from these clients represented the following percentages of our total revenues for the following years:

	2013	2012	2011
Comcast	19%	20%	19%
DISH	15%	14%	13%
Time Warner	11%	10%	10%

As of December 31, 2013 and 2012, the percentage of net billed accounts receivable balances attributable to these clients were as follows:

	As of December 31,	
	2013	2012
Comcast	21%	19%
DISH	14%	19%
Time Warner	9%	14%

We expect to continue to generate a significant percentage of our future revenues from a limited number of clients, including Comcast, DISH, and Time Warner. There are inherent risks whenever a large percentage of total revenues are concentrated with a limited number of clients. 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 position 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):

	Useful Lives (years)	2013		2012	
Computer equipment	3-5	\$	89,605	\$	76,924
Leasehold improvements	5-10		15,793		14,415
Operating equipment	3-5		48,759		58,684
Furniture and equipment	3-8		10,426		9,990
Capital projects in process	—		—		59
			164,583		160,072
Less—accumulated depreciation			(129,522)		(120,643)
Property and equipment, net		\$	35,061	\$	39,429

*Goodwill.* We do not have any intangible assets with indefinite lives other than goodwill. A rollforward of goodwill in 2013 and 2012 is as follows (in thousands):

January 1, 2012 balance	\$ 220,013
Goodwill acquired during period	8,955
Revisions related to prior acquisitions	(59)
Effects of changes in foreign currency exchange rates	4,456
December 31, 2012 balance	233,365
Adjustments for the dispositions of business operations	(1,967)
Revisions related to prior acquisitions	(164)
Effects of changes in foreign currency exchange rates	2,365
December 31, 2013 balance	\$ 233,599

The goodwill acquired in 2012 is related to the Ascade Acquisition discussed in Note 3. On July 1, 2013, we sold a small print operation, which resulted in an adjustment to our goodwill balance of \$1.4 million. The net proceeds from this disposition were \$1.7 million and the gain from the sale was not material. Additionally, on December 31, 2013, we sold our marketing analytics business, which resulted in an adjustment to our goodwill balance of \$0.6 million. The net proceeds from this disposition were \$2.8 million and the loss from the sale was approximately \$3 million.

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



## Client Contracts

Client contracts consist of the following: (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, 2013 and 2012, the carrying values of these assets were as follows (in thousands):

	2013			2012		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Investments in client contracts (1)	\$ 27,370	\$ (20,345)	\$ 7,025	\$ 118,473	\$ (112,225)	\$ 6,248
Capitalized costs (2)	5,003	(3,340)	1,663	16,288	(11,054)	5,234
Acquired client contracts (3)	98,200	(51,697)	46,503	122,724	(58,903)	63,821
Total client contracts	<u>\$ 130,573</u>	<u>\$ (75,382)</u>	<u>\$ 55,191</u>	<u>\$ 257,485</u>	<u>\$ (182,182)</u>	<u>\$ 75,303</u>

The decrease in the gross carrying amount and accumulated amortization of our client contracts between 2012 and 2013 is due primarily to the removal of fully-amortized assets related to client incentives for the Comcast and Time Warner contracts that came to end of term during the first quarter of 2013.

The aggregate amortization related to client contracts included in our operations for 2013, 2012, and 2011, was as follows (in thousands):

	2013	2012	2011
Investments in client contracts (1)	\$ 6,181	\$ 7,591	\$ 7,521
Capitalized costs (2)	2,365	4,172	3,296
Acquired client contracts (3)	14,999	17,017	17,126
Total client contracts	<u>\$ 23,545</u>	<u>\$ 28,780</u>	<u>\$ 27,943</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, 2013, have termination dates that range from 2014 through 2020. Amortization of the investments in client contracts related to client incentives is reflected as a reduction in processing and related services revenues in our Income Statements.
- (2) Capitalized costs related to client conversion/set-up services related to long-term processing or managed services arrangements are generally amortized proportionately over the contract period that the processing or managed services are expected to be provided, and are primarily reflected in cost of processing and related services in our Income Statements.
- (3) Acquired client contracts represent assets acquired in our prior business acquisitions. Acquired client contracts are being amortized over their estimated useful lives ranging from five to ten years based on the approximate pattern in which the economic benefits of the intangible assets are expected to be realized. Classification of the amortization of acquired client contracts generally follows where the acquired business' cost of revenues are categorized in our Income Statements.

The weighted-average remaining amortization period of client contracts as of December 31, 2013 was approximately 74 months. Based on the December 31, 2013 net carrying value of these intangible assets, the estimated amortization for each of the five succeeding fiscal years ending December 31 will be: 2014 – \$18.6 million; 2015 – \$10.8 million; 2016 – \$8.1 million; 2017 – \$6.4 million; and 2018 – \$4.4 million.

## Software

Software consists of: (i) software and similar intellectual property rights from various business combinations; and (ii) internal use software.

As of December 31, 2013 and 2012, the carrying values of these assets were as follows (in thousands):

	2013			2012		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Acquired software (4)	\$ 67,975	\$ (53,820)	\$ 14,155	\$ 67,088	\$ (51,724)	\$ 15,364
Internal use software (5)	53,094	(23,684)	29,410	39,780	(16,772)	23,008
Total software	<u>\$ 121,069</u>	<u>\$ (77,504)</u>	<u>\$ 43,565</u>	<u>\$ 106,868</u>	<u>\$ (68,496)</u>	<u>\$ 38,372</u>

The aggregate amortization related to software included in our operations for 2013, 2012, and 2011, was as follows (in thousands):

	2013	2012	2011
Acquired software (4)	\$ 4,221	\$ 5,700	\$ 5,595
Internal use software (5)	7,633	6,985	5,637
Total software	<u>\$ 11,854</u>	<u>\$ 12,685</u>	<u>\$ 11,232</u>

- (4) Acquired software represents the software intangible assets acquired in our prior business acquisitions, which are being amortized over their estimated useful lives ranging from five to ten 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 ten years.

The weighted-average remaining amortization period of the software intangible assets as of December 31, 2013 was approximately 84 months. Based on the December 31, 2013 net carrying value of these intangible assets, the estimated amortization for each of the five succeeding fiscal years ending December 31 will be: 2014 – \$10.7 million; 2015 – \$7.9 million; 2016 – \$6.0 million; 2017 – \$5.0 million; and 2018 – \$4.0 million.

## 6. Debt

As of December 31, 2013 and 2012, our long-term debt was as follows (in thousands):

	2013	2012
<i>2012 Credit Agreement:</i>		
Term loan, due November 2017 (or December 2016 if certain conditions exist – see below), interest at adjusted LIBOR plus 2.00% (combined rate of 2.25% at December 31, 2013)	\$ 135,000	\$ 150,000
\$100 million revolving loan facility, due November 2017 (or December 2016 if certain conditions exist – see below), interest at adjusted LIBOR plus applicable margin	—	—
<i>Convertible Debt Securities:</i>		
2010 Convertible Notes – senior subordinated convertible notes; due March 1, 2017; cash interest at 3.0%; net of unamortized OID of \$19,950 and \$25,302, respectively	130,050	124,698
	265,050	274,698
Current portion of long-term debt	(15,000)	(15,000)
Total long-term debt, net	<u>\$ 250,050</u>	<u>\$ 259,698</u>

*2012 Credit Agreement.* In 2012, we entered into an amended and restated \$250 million credit agreement with several financial institutions (the “2012 Credit Agreement”), to replace the credit agreement we entered into in 2010 in conjunction with the Intec Acquisition (the “2010 Credit Agreement”). This refinancing was done to take advantage of improved market conditions since the time we entered into the 2010 Credit Agreement. The primary advantages of replacing the 2010 Credit Agreement with the 2012 Credit Agreement were as follows: (i) increased the term from 2015 to 2017; (ii) reduced the interest rate over current levels by 175 basis points; and (iii) generally improved the financial covenants. The refinancing met the requirements to be accounted for as a debt modification and, thus, no gain or loss was recognized.

The 2012 Credit Agreement provides borrowings by us in the form of: (i) a \$150 million aggregate principal five-year term loan (the “2012 Term Loan”); and (ii) a \$100 million aggregate principal five-year revolving loan facility (the “2012 Revolver”). With the \$150 million proceeds from the 2012 Term Loan, and \$18 million of our existing cash, we repaid the outstanding term loan balance under the 2010 Credit Agreement.

The interest rates under the 2012 Credit Agreement are based upon an adjusted LIBOR rate plus an applicable margin, or an alternate base rate plus an applicable margin. The applicable margin for the 2012 Term Loan and 2012 Revolver based upon an adjusted LIBOR rate ranges from 2.00% - 2.75%, depending on our then-current leverage ratio. We have the option of selecting the length of time (ranging from one to six months) that we lock in the LIBOR contract rate. The applicable margin for the 2012 Term Loan and 2012 Revolver based upon an alternate base rate ranges from 1.00% - 1.75%, depending on our then-current leverage ratio. As of December 31, 2013, our combined interest rate (LIBOR plus applicable margin) for the Term Loan is 2.25% per annum effective through March 13, 2014. We pay a commitment fee of 0.375% on the average daily unused amount of the 2012 Revolver. At December 31, 2013, we had no borrowing outstanding on our 2012 Revolver and had the entire \$100 million available to us.

The 2012 Credit Agreement includes mandatory principal repayments (payable quarterly) in each year of the agreement, with the remaining principal balance due at maturity. During 2013, we made \$15 million mandatory principal repayments on the 2012 Term Loan. The 2012 Credit Agreement has no prepayment penalties and requires mandatory repayments under certain circumstances, including: (i) asset sales or casualty proceeds; and (ii) proceeds of debt or preferred stock issuances. The 2012 Credit Agreement also provides for an early termination date of December 1, 2016, if our 2010 Convertible Notes are still outstanding and we do not have combined unrestricted cash and cash equivalents and unused availability under the 2012 Revolver of at least \$200 million in the aggregate as of that date.

The 2012 Credit Agreement contains customary affirmative covenants such as: (i) filing of quarterly and annual reports and (ii) maintenance of credit ratings. In addition, the Credit Agreement has customary negative covenants that places limits on our ability to: (i) incur additional indebtedness; (ii) create liens on our property; (iii) enter into sale and leaseback transactions; (iv) make investments; (v) enter into mergers and consolidations; (vi) sell assets; (vii) declare dividends or repurchase shares; (viii) engage in certain transactions with affiliates; (ix) prepay certain indebtedness, including our 2010 Convertible Notes; and (x) issue capital stock of subsidiaries. We must also meet certain financial covenants to include: (i) a maximum total leverage ratio; (ii) a maximum secured leverage ratio; (iii) a minimum interest coverage ratio; and (iv) a limitation on capital expenditures. As of December 31, 2013 we were in compliance with the financial ratios and other covenants related to the 2012 Credit Agreement.

In conjunction with the 2012 Credit Agreement, we also entered into a security agreement in favor of a financial institution as collateral agent (the “Security Agreement”). Under the Security Agreement and 2012 Credit Agreement, all of CSG’s domestic subsidiaries have guaranteed our obligations, and CSG and such subsidiaries have pledged substantially all of our assets to secure the obligations under the 2012 Credit Agreement and such guarantees.

In conjunction with the closing of the 2012 Credit Agreement, we incurred financing costs totaling approximately \$2.8 million, of which \$2.5 million are being amortized to interest expense using the effective interest method over the related term of the 2012 Credit Agreement. The remaining \$0.3 million was reflected as interest expense in 2012.

*2010 Convertible Notes.* In 2010, we completed an offering of \$150 million of 3.0% senior subordinated convertible notes due March 1, 2017 (the “2010 Convertible Notes”) to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The 2010 Convertible Notes are unsecured obligations, subordinated to any future senior indebtedness and senior to any future junior subordinated debt. The 2010 Convertible Notes were issued at a price of 100% of their par value and bear interest at a rate of 3.0% per annum, which is payable semiannually in arrears on March 1 and September 1 of each year.

The 2010 Convertible Notes are convertible into our common stock, under the specified conditions and settlement terms outlined below. As a result of us declaring a cash dividend in June 2013, August 2013 and November 2013, the initial conversion rate of 40.8998 shares of our common stock per \$1,000 par value of the 2010 Convertible Notes (equivalent to an initial conversion price of approximately \$24.45 per share) has been adjusted to 41.6555 shares of our common stock per \$1,000 par value of the 2010 Convertible Notes (equivalent to a conversion price of \$24.01 per share of our common stock). The Indenture related to the 2010 Convertible Notes (“Notes Indenture”) includes anti-dilution provisions for the holders such that the conversion rate (and thus the initial conversion price) can be adjusted in the future for certain events, to include stock dividends, the issuance of rights, options or warrants to purchase our common stock at a price below the then-current market price, and certain distributions of common stock, property or rights, options or warrants to acquire our common stock to all or substantially all holders of our common stock. Additionally, the conversion rate may be adjusted prior to the maturity date in connection with the occurrence of specified corporate transactions for a “make-whole” premium as set forth in the Notes Indenture.

Prior to September 1, 2016, holders of the 2010 Convertible Notes can convert their securities: (i) at any time the price of our common stock trades over \$31.21 per share (130% of the \$24.01 conversion price) for a specified period of time; (ii) at any time the trading price of the 2010 Convertible Notes falls below 98% of the average conversion value for the 2010 Convertible Notes for a specified period of time; and (iii) at any time upon the occurrence of specified corporate transactions, to include a change of control (as defined in the Notes Indenture). On or after September 1, 2016, the holders of the 2010 Convertible Notes can elect to convert their securities at any time, with the settlement occurring on March 1, 2017. As of December 31, 2013, none of the contingent conversion features have been achieved, and thus, the 2010 Convertible Notes are not convertible by the holders.

Upon conversion of the 2010 Convertible Notes, we will settle our conversion obligation as follows: (i) we will pay cash for 100% of the par value of the 2010 Convertible Notes that are converted; and (ii) to the extent the value of 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. Although not convertible as of December 31, 2013, our conversion obligation exceeded the par value of the 2010 Convertible Notes by approximately \$34 million.

The OID related to the 2010 Convertible Notes of \$38.4 million, as a result of an effective interest rate of the liability component of 7.75% compared to the cash interest rate of 3.0%, is being amortized to interest expense through March 1, 2017, the maturity date of the 2010 Convertible Notes.

*Estimated Maturities on Long-Term Debt .*

The estimated maturities of our long-term debt, based upon: (1) the mandatory repayment schedule for the 2012 Term Loan; and (2) the expected remaining life of the 2010 Convertible Notes, is as follows (in thousands):

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Thereafter</u>
2012 Term Loan	\$ 15,000	\$ 22,500	\$ 22,500	\$ 75,000	\$ —
2010 Convertible Notes	—	—	—	150,000	—
Total long-term debt repayments	<u>\$ 15,000</u>	<u>\$ 22,500</u>	<u>\$ 22,500</u>	<u>\$ 225,000</u>	<u>\$ —</u>

*Deferred Financing Costs.* As of December 31, 2013, net deferred financing costs related to the 2012 Credit Agreement were \$5.9 million, and are being amortized to interest expense over the related term of the 2012 Credit Agreement (through December 2017). As of December 31, 2013, net deferred financing costs related to the 2010 Convertible Notes were \$1.8 million, and are being amortized to interest expense through maturity (March 2017). The net deferred financing costs are reflected in Other Assets in our Balance Sheets. Interest expense for 2013, 2012 and 2011 includes amortization of deferred financing costs of \$2.6 million, \$2.7 million, and \$3.0 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 loan facility, for 2013, 2012, and 2011, was approximately 5%, 6%, and 7%, respectively.

## 7. Derivatives

*Interest Rate Swap Contracts.* In 2011, we entered into certain interest rate swap contracts with the objective of managing our exposure to fluctuations in interest rate movements, thereby eliminating the variability of cash flows on certain portions of the interest payments related to our long-term debt obligations.

As of December 31, 2013, a summary of our remaining interest rate swap contract is as follows (dollars in thousands):

	<u>Beginning of Term</u>	<u>End of Term</u>	<u>Weighted-Average Notional Amount Over Remaining Term</u>	<u>Fixed Rate</u>
2013 Swap	March 13, 2013	March 13, 2014	\$ 40,000	2.181%

As of December 31, 2012, a summary of our remaining interest rate swap contracts is as following (dollars in thousands):

	<u>Beginning of Term</u>	<u>End of Term</u>	<u>Weighted-Average Notional Amount Over Remaining Term</u>	<u>Fixed Rate</u>
2012 Swap	March 13, 2012	March 13, 2013	\$ 70,000	1.085%
2013 Swap	March 13, 2013	March 13, 2014	51,000	2.181%

We have designated our interest rate swap contracts as cash flow hedges. Swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty over the lives of the contracts in exchange for us making fixed-rate payments to the counterparty over the lives of the contracts without exchange of the underlying notional amount.

Changes in the fair value of these interest rate swap contracts, designated as hedging instruments of the variability of cash flows associated with floating-rate, long-term debt obligations, are reported in accumulated other comprehensive income ("AOCI") in the stockholders' equity section of our Balance Sheet. These amounts subsequently are reclassified into interest expense as a yield adjustment of the hedged debt obligation in the same period in which the related interest on the floating-rate debt obligations affects earnings. The amount of losses reclassified from AOCI to income/loss (effective portions) in 2013, 2012, and 2011 were not material. The estimated net losses on the interest rate swap contracts that will be reclassified into earnings within the next twelve months are not expected to be material. Our interest rate swap contracts qualify as effective relationships, and as a result, hedge ineffectiveness was not material during 2013, 2012 or 2011.

As of December 31, 2013, the fair value of the interest rate swap contract, reflected in other current liabilities in our Balance Sheet, was \$0.2 million with the gain, net of tax, reflected as a reduction in other comprehensive income. As of December 31, 2012, the fair value of the interest rate swap contracts, reflect in other non-current liabilities in our Balance Sheet, was \$1.1 million with the loss, net of tax, reflected as a reduction in other comprehensive income.

We are exposed to credit-related losses in the event of non-performance by the counterparty to the interest rate swap contracts. The counterparty to the interest rate swap contracts is a major institution with investment grade credit ratings. We evaluated the counterparty credit risk before entering into the interest rate swap contracts and will continue to closely monitor the financial markets and the risk that the counterparty will default on its obligations. This credit risk is generally limited to the unrealized gains in such contracts, should the counterparty fail to perform as contracted.

We do not use derivative financial instruments for speculative purposes.

## 8. Restructuring Charges

Restructuring charges are expenses that generally result from cost reduction initiatives and/or significant changes to our business, to include such things as involuntary employee terminations, divestitures of businesses, and facility consolidations and abandonments. The following are the key restructuring activities we incurred over the last three years that have impacted our results from operations:

- During 2011 we completed the following restructuring initiatives:
  - Beginning in the second quarter of 2011, we implemented various cost reduction and efficiency initiatives, resulting in restructuring charges of \$3.0 million, primarily in the following areas:
    - We reduced our resources in account services to better leverage our enhanced and expanded professional services talent across the global organization and to ensure we are focusing a greater portion of our efforts on our next generation solutions like ACP, Singleview, and WBMS.
    - We consolidated our print facilities from four to three locations.
  - During the fourth quarter of 2011, we reduced our workforce by approximately 100 employees across many functions and geographies of our business. We did this in order to better align and allocate our resources as we continue to evolve and invest in those areas where we have identified growth opportunities. As a result, we incurred restructuring charges related to these involuntary terminations of \$4.9 million.
- During 2012, we implemented the following cost reduction and efficiency initiatives:
  - We abandoned one of our current office facilities, resulting in a restructuring charge of \$0.5 million.
  - We recorded \$0.6 million of restructuring expenses related primarily to members of Ascade management leaving following the successful close of the transaction.
  - We reduced our workforce by approximately 40 employees, primarily in North America, as a result of organizational changes, elimination of positions, and reskilling of certain roles. As a result, we recorded \$1.0 million of restructuring expenses.
- During 2013 we completed the following restructuring activities:
  - In 2013, we reduced our workforce by approximately 160 employees world-wide. These actions were taken to further align our workforce around our long-term growth initiatives. As a result, we incurred restructuring charges related to these involuntary terminations of \$5.6 million.
  - We disposed of a small print operation and our marketing analytics business, resulting in \$3.6 million of restructuring charges, including a \$3 million loss from the sale.
  - We terminated our previously frozen defined benefit pension plan resulting in \$3.2 million of restructuring expense.

The restructuring activities discussed above resulted in restructuring charges for 2013, 2012, and 2011 of \$12.4 million, \$2.5 million, and \$7.9 million, respectively, which have been reflected as a separate line item in our Income Statements.

The activity in the business restructuring reserves during 2013, 2012, and 2011 is as follows (in thousands):

	Termination Benefits	Facilities Abandonment	Disposition of Business Operations	Other	Total
January 1, 2011, balance	\$ 1,164	\$ —	\$ —	\$ —	\$ 1,164
Charged to expense during year	7,046	567	—	260	7,873
Cash payments	(4,439)	—	—	(198)	(4,637)
Other	—	(78)	—	(62)	(140)
December 31, 2011, balance	3,771	489	—	—	\$ 4,260
Charged to expense during year	1,835	630	—	4	2,469
Cash payments	(3,704)	—	—	(4)	(3,708)
Other	15	(666)	—	—	(651)
December 31, 2012, balance	1,917	453	—	—	2,370
Charged to expense during year	5,577	—	3,588	3,240	12,405
Cash payments	(3,741)	—	(555)	(19)	(4,315)
Adjustment for the loss on the disposition of business operations	—	—	(3,033)	—	(3,033)
Adjustment for the loss on termination of pension plan	—	—	—	(3,221)	(3,221)
Other	(36)	(453)	—	—	(489)
December 31, 2013, balance	\$ 3,717	\$ —	\$ —	\$ —	\$ 3,717

All of the business restructuring reserves as of December 31, 2013 were included in current liabilities.

## 9. Income Taxes

*Income Tax Provision/(Benefit)*. The components of net income from continuing operations before income taxes are as follows (in thousands):

	2013	2012	2011
Domestic	\$ 63,278	\$ 103,917	\$ 89,791
Foreign	(1,759)	(26,693)	(13,819)
Total	\$ 61,519	\$ 77,224	\$ 75,972

The income tax provision related to continuing operations consists of the following (in thousands):

	2013	2012	2011
Current:			
Federal	\$ 7,260	\$ 32,121	\$ 25,096
State	453	4,133	111
Foreign	4,273	2,658	3,554
	11,986	38,912	28,761
Deferred:			
Federal	1,130	(832)	3,190
State	2,329	(3,977)	384
Foreign	(5,277)	(5,758)	1,355
	(1,818)	(10,567)	4,929
Total income tax provision	\$ 10,168	\$ 28,345	\$ 33,690

Included in the deferred state income tax provision amount for 2012 in the table above is \$(3.1) million related to the impact of an enacted state income tax law change.



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>2013</u>	<u>2012</u>	<u>2011</u>
Provision at Federal rate of 35%	\$ 21,532	\$ 27,028	\$ 26,590
State income taxes, net of Federal impact	1,808	101	322
Research and experimentation credits	(16,683)	(3,651)	(3,036)
Tax uncertainties	4,878	1,333	—
Section 199 manufacturing deduction	(2,263)	(4,246)	(972)
Foreign rate differential	1,133	3,108	3,564
Valuation allowance for deferred tax assets	(3,312)	3,550	3,395
Other impact of foreign operations	2,088	672	3,470
Other	987	450	357
Total income tax provision	<u>\$ 10,168</u>	<u>\$ 28,345</u>	<u>\$ 33,690</u>

We have undistributed earnings of approximately \$32 million from certain foreign subsidiaries. We intend to indefinitely reinvest these foreign earnings, therefore, a provision has not been made for income taxes that might be payable upon remittance of such earnings. Determination of the amount of unrecognized deferred tax liability on unremitted foreign earnings is not practicable because of the complexities of the hypothetical calculation.

Our research and experimentation (R&D) credits increased from 2012 to 2013 primarily due to the recording of approximately \$6 million of R&D credits generated in 2012 but recorded in 2013, due to the timing of the execution of the American Taxpayer Relief Act of 2012, and the recognition of approximately \$5 million of incremental R&D credits due to revised calculations for development activities in 2009 and 2010. The 2012 R&D credit amount above is the result of a revised calculation for 2011. The 2013 provision for valuation allowance for deferred tax assets includes an approximately \$6 million reduction of certain tax allowances related to our ability to realize certain foreign net operating losses.

*Deferred Income Taxes.* Net deferred income tax liabilities as of December 31, 2013 and 2012 are as follows (in thousands):

	<u>2013</u>	<u>2012</u>
Deferred income tax assets	\$ 68,829	\$ 90,374
Deferred income tax liabilities	(48,830)	(64,320)
Valuation allowance	(17,741)	(22,888)
Net deferred income tax liabilities	<u>\$ 2,258</u>	<u>\$ 3,166</u>

The components of our net deferred income tax assets (liabilities) as of December 31, 2013 and 2012 are as follows (in thousands):

	2013	2012
<b>Net current deferred income tax assets:</b>		
Accrued expenses and reserves	\$ 12,429	\$ 19,322
Stock-based compensation	3,929	4,354
Total current deferred income tax assets	16,358	23,676
Less: valuation allowance	(1,273)	(1,432)
Net current deferred income tax assets	<u>\$ 15,085</u>	<u>\$ 22,244</u>
<b>Net non-current deferred income tax assets:</b>		
Client contracts and related intangibles	\$ (952)	\$ (8,229)
NOL carryforwards	11,505	15,482
Property and equipment	4,097	12,999
Deferred revenue	1,209	1,700
Facility abandonment	189	606
Other	678	44
Total non-current deferred income tax assets	16,726	22,602
Less: valuation allowance	(9,279)	(20,006)
Net non-current deferred income tax assets	<u>\$ 7,447</u>	<u>\$ 2,596</u>
<b>Net non-current deferred income tax liabilities:</b>		
Purchased R&D	\$ -	\$ 222
Software	88	269
Client contracts and related intangibles	(4,104)	393
Goodwill	(3,846)	(4,207)
NOL carryforwards	27,500	25,276
Property and equipment	(4,812)	(13,609)
Convertible debt securities	(35,116)	(37,415)
Deferred revenue	4,470	4,858
Contingent payments	836	836
Facility abandonment	1,892	1,413
Other	7	1,740
Total non-current deferred income tax liabilities	(13,085)	(20,224)
Less: valuation allowance	(7,189)	(1,450)
Net non-current deferred income tax liabilities	<u>\$ (20,274)</u>	<u>\$ (21,674)</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, 2013, 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 100% of the benefit of our U.S. Federal deferred income tax assets, thus no valuation allowance has been established. As of December 31, 2013, we have deferred income tax assets related to state and foreign income tax jurisdictions of approximately \$2.1 million and \$33.2 million, respectively, and have established valuation allowances against those deferred income tax assets of approximately \$1.8 million and \$15.9 million, respectively.

As of December 31, 2013 and 2012, we have an acquired U.S. Federal NOL carryforward of approximately \$50 million which will begin to expire in 2019 and can be utilized through 2030. The acquired U.S. Federal NOL carryforward is attributable to the pre-acquisition periods of acquired subsidiaries. The annual utilization of this U.S. Federal NOL carryforward is limited pursuant to Section 382 of the Internal Revenue Code of 1986, as amended. In addition, as of December 31, 2013 and 2012, we have: (i) state NOL carryforwards of approximately \$50 million and \$54 million, respectively, which will expire beginning in 2014 and end in 2034; and (ii) foreign subsidiary NOL carryforwards of approximately \$90 million and \$89 million, respectively, which will expire beginning in 2016, with a portion of the losses available over an indefinite period of time.

Our 2004 Convertible Debt Securities, which we fully extinguished in 2011, were subject to special U.S. Treasury regulations governing contingent payment debt instruments. These regulations allowed 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 represented the estimated yield on comparable non-contingent, non-convertible, fixed-rate debt instruments with terms and conditions otherwise similar to the 2004 Convertible Debt Securities. This interest expense tax deduction was greater than the interest expense reflected in the accompanying Income Statements, thus creating a deferred income tax liability. The extinguishment of the 2004 Convertible Debt

Securities resulted in: (i) the holders of the 2004 Convertible Debt Securities not having the ability to achieve the 9.09% target yield, and (ii) a requirement for us to pay an amount equal to the cumulative deferred income tax liability to the U.S. tax authorities (without interest or penalties). During the third and fourth quarters of 2011, we paid cash of approximately \$6 million related to the deferred income tax liabilities associated with the 2004 Convertible Debt Securities repurchased in June and July of 2011. Beginning in 2014, we will pay cash of approximately \$29 million ratably over five years related to the deferred income tax liabilities associated with the 2004 Convertible Debt Securities repurchased in 2009 and 2010.

*Accounting for Uncertainty in Income Taxes.* We are required to estimate our income tax liability in each jurisdiction in which we operate, including U.S. Federal, state and foreign income tax jurisdictions. 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.

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 4,029	\$ 4,114	\$ 954
Additions based on tax positions related to current year	1,292	276	—
Additions for tax positions of prior years	4,597	933	3,249
Reductions for tax positions of prior years	(401)	(764)	(89)
Lapse of statute of limitations	-	(530)	—
Balance, end of year	<u>\$ 9,517</u>	<u>\$ 4,029</u>	<u>\$ 4,114</u>

We recognize interest and penalty expense associated with our liability for unrecognized tax benefits as a component of income tax expense in our Income Statements. In addition to the \$9.5 million, \$4.0 million, and \$4.1 million of liability for unrecognized tax benefits as of December 31, 2013, 2012, and 2011, we had \$0.3 million, \$0.2 million, and \$0.1 million, respectively, of income tax-related accrued interest. If recognized, the \$9.5 million of unrecognized tax benefits as of December 31, 2013, would favorably impact our effective tax rate in future periods.

We file income tax returns in the U.S. Federal jurisdiction, various U.S. state and local jurisdictions, and many foreign jurisdictions. The U.S., U.K., and Australia are the main taxing jurisdictions in which we operate. The years open for audit vary depending on the taxing jurisdiction. As of December 31, 2013, the U.S. Internal Revenue Service had commenced an audit of our 2010 tax year. In addition, the U.S. Federal statute of limitations has expired for periods prior to 2010, and the statute of limitations has expired in our major state jurisdictions of Nebraska, Colorado and Florida for years prior to 2002, 2009, and 2010, respectively. In 2012, we completed our audit in the U.K. for the accounting periods beginning October 1, 2005 and ending September 30, 2010. We have been audited in Australia for years prior to 2007. In addition, the statute of limitations has expired in Australia for years prior to 2009.

## 10. Employee Retirement Benefit Plans

*Defined Contribution-Type Plans.* We sponsor defined contribution plans covering substantially all our U.S.-based 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 2013, 2012, and 2011 was \$9.7 million, \$9.0 million, and \$8.9 million, respectively. We also have defined contribution-type plans for certain of our non-U.S.-based employees. The total contributions made to these plans in 2013, 2012, and 2011 were \$4.8 million, \$4.6 million, and \$3.2 million, respectively.

## 11. Commitments, Guarantees and Contingencies

*Operating Leases.* We lease certain office and production facilities under noncancellable operating leases, with the longest lease that runs through September 2024. 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, with the longest lease that runs through March 2016. Future aggregate minimum lease payments under these facilities and operating equipment agreements are as follows: 2014 - \$15.5 million; 2015 - \$13.5 million; 2016 - \$11.2 million; 2017 - \$10.5 million; 2018 - \$9.7 million; and thereafter - \$29.0 million. Total rent expense for 2013, 2012, and 2011 was \$20.0 million, \$18.3 million, and \$17.3 million, respectively.

*Service Agreements.* We have an agreement with Infocrossing LLC (“Infocrossing”), a Wipro Limited company, to provide us outsourced data center services. The term of the Infocrossing agreement runs through June 30, 2017. We outsource the data processing and related computer services required for the operation of our outsourced ACP processing services. Our ACP proprietary software and other software applications are run in an outsourced data center environment in order to obtain the necessary computer processing 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 outsourced data center environment through a combination of private and commercially-provided networks. Our ACP processing services are generally considered to be mission critical customer management systems by our clients. As a result, we are highly dependent upon Infocrossing for system availability, security, and response time.

*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, 2013, we believe we have adequate reserves, based on our historical experience, to cover any reasonably anticipated exposure as a result of our nonperformance for any past or current arrangements with our clients.

*Indemnifications Related to Officers and the Board of Directors.* We have agreed to indemnify members of our Board of Directors and certain of our officers 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, 2013. 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.

In addition, we have encountered the following matters:

- We received an administrative subpoena from the U.S. Department of the Treasury, Office of Foreign Assets Control (“OFAC”), dated February 27, 2012, requesting documents and information related to the possibility of direct or indirect transactions with or to Iranian entities. We have conducted an internal review to identify transactions by us involving the subject matter of the subpoena as well as with any other sanctioned or embargoed entity or jurisdiction. On July 13, 2012, we delivered to OFAC a response to the administrative subpoena.
- On July 13, 2012, we submitted an initial voluntary disclosure to OFAC relating to certain business dealings in Syria. On October 5, 2012, we submitted a voluntary disclosure relating to these business dealings.
- On August 8, 2013, we submitted an initial voluntary disclosure to OFAC relating to certain business dealings in Iran and another sanctioned/embargoed country. On December 9, 2013, we submitted a voluntary disclosure relating to these business dealings.

These business dealings represented an insignificant amount of our consolidated revenues and income, and generally consisted of software licenses and related services. We cannot predict the ultimate outcome of these matters or the total costs which may be involved. We believe there is a likelihood that a loss may be realized related to these matters, but that no reasonable estimate of the loss can be made.

Other than the OFAC matters described above, we are not presently a party to any material pending or threatened legal proceedings.

## 12. Stockholders' Equity

*Stock Repurchase Program.* We currently have a stock repurchase program, approved by our Board of Directors (the "Board"), 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, 2013, a summary of the shares repurchased under the Stock Repurchase Program is as follows (in thousands, except per share amounts):

	2013	2012	2011	2010	1999-2009	Total
Shares repurchased	500	823	750	1,500	29,296	32,869
Total amount paid	\$ 10,129	\$ 13,349	\$ 9,930	\$ 29,340	\$ 704,222	\$ 766,970
Weighted-average price per share	\$ 20.23	\$ 16.23	\$ 13.24	\$ 19.56	\$ 24.04	\$ 23.33

As of December 31, 2013, the total remaining number of shares available for repurchase under the Stock Repurchase Program totaled approximately 2.1 million shares.

In addition to the above mentioned stock repurchases, during 2013, 2012, and 2011, we repurchased and then cancelled approximately 264,000 shares, 197,000 shares, and 232,000 shares for \$5.4 million, \$3.2 million, and \$4.4 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.

*Cash Dividend.* On June 25, 2013, our Board approved the initiation of a quarterly cash dividend to be paid to our stockholders. The Board approved cash dividends of \$0.15 per share of common stock in June, August, and November to be paid to stockholders in July, September, and December, respectively. This resulted in a total cash dividend for the year ended December 31, 2013 of \$0.45 per share of common stock, totaling \$15.2 million, of which \$14.5 million had been paid through December 31, 2013 (with the remaining amount attributed to unvested incentive shares to be paid upon vesting).

In February 2014, our Board approved the next quarterly cash dividend payment of \$0.15 per share of common stock to be paid on March 27, 2014.

*Convertible Debt Securities.* Under GAAP, convertible debt securities that may be settled in cash upon conversion (including partial cash settlement) must 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 carrying amount of the equity component related to our convertible debt securities outstanding, included within additional paid-in capital, net of tax, as of December 31, 2013 and 2012 was \$22.9 million.

## 13. Equity Compensation Plans

### *Stock Incentive Plans*

*Stock Incentive Plan.* As of December 31, 2013, we have a stock incentive plan whereby 15.8 million shares 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 Stock Incentive Plan (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. As of December 31, 2013, 4.2 million shares were available for issuance.

*Restricted Stock.* We generally issue new shares (versus treasury shares) to fulfill restricted stock award grants. Restricted stock awards are granted at no cost to the recipient. Historically, our restricted stock awards have vested annually primarily over four years

with no restrictions other than the passage of time (i.e., the shares are released upon calendar vesting with no further restrictions) (“Time-Based Awards”). Unvested Time-Based Awards are typically forfeited and cancelled upon termination of employment with our company. Certain Time-Based Awards become fully vested (vesting accelerates) 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.

We also issue 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 (vesting accelerates) 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, taking into consideration the probability of vesting, 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 2013 is as follows (shares in thousands):

	2013	
	Shares	Weighted-Average Grant Date Fair Value
Unvested awards, January 1, 2013	1,956	\$ 17.63
Awards granted	955	19.75
Awards forfeited/cancelled	(197)	18.37
Awards vested	(792)	17.74
Unvested awards, December 31, 2013	<u>1,922</u>	<u>\$ 18.57</u>

The weighted-average grant date fair value per share of restricted stock shares granted during 2013, 2012, and 2011 was \$19.75, \$16.58, and \$18.87, respectively. The total market value of restricted stock shares vesting during 2013, 2012, and 2011 was \$16.2 million, \$10.6 million, and \$13.5 million, respectively.

#### ***1996 Employee Stock Purchase Plan***

As of December 31, 2013, we have an employee stock purchase plan whereby 1.7 million shares of our common stock have been reserved for sale to our U.S. 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 2013, 2012, and 2011, 68,845 shares, 93,352 shares, and 102,147 shares, respectively, were purchased under the plan for \$1.4 million (\$16.01 to \$24.99 per share), \$1.4 million (\$12.24 to \$19.12 per share), and \$1.4 million (\$10.74 to \$18.05 per share), respectively. As of December 31, 2013, 561,141 shares remain eligible for purchase under the plan.

#### ***Stock-Based Compensation Expense***

We recorded stock-based compensation expense of \$14.8 million, \$13.4 million, and \$12.2 million, respectively, for 2013, 2012, and 2011. As of December 31, 2013 there was \$23.8 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 2.4 years.

We recorded a deferred income tax benefit related to stock-based compensation expense during 2013, 2012, and 2011, of \$4.6 million, \$4.6 million, and \$4.4 million, respectively. The actual income tax benefit realized for the tax deductions from stock option exercises and vesting of restricted stock for 2013, 2012, and 2011, totaled \$5.4 million, \$4.0 million, and \$5.1 million, respectively.



## 14. Unaudited Quarterly Financial Data

	Quarter Ended			
	March 31	June 30	September 30	December 31

(in thousands, except per share amounts)

### 2013 (1)(2):

Total revenues	\$ 180,632	\$ 186,107	\$ 186,180	\$ 194,549
Total cost of revenues (exclusive of depreciation)	93,354	94,758	94,898	94,155
Operating income (3)	18,035	21,681	20,553	16,435
Income before income taxes (3)	13,544	18,862	16,631	12,482
Income tax benefit (provision) (4)	1,354	(6,790)	(1,331)	(3,401)
Net income (3)(4)	14,898	12,072	15,300	9,081
Basic earnings per common share (3)(4)	\$ 0.46	\$ 0.38	\$ 0.48	\$ 0.28
Diluted earnings per common share (3)(4)	0.46	0.37	0.47	0.27

### 2012 (5):

Total revenues	\$ 185,007	\$ 183,851	\$ 190,001	\$ 198,007
Total cost of revenues (exclusive of depreciation)	89,969	92,520	100,411	100,916
Operating income (6)	28,952	23,745	21,728	22,149
Income before income taxes (6)	23,612	18,842	17,114	17,656
Income tax provision (4)	(11,806)	(6,972)	(7,701)	(1,866)
Net income (4)(6)	11,806	11,870	9,413	15,790
Basic earnings per common share (4)(6)	\$ 0.36	\$ 0.37	\$ 0.29	\$ 0.49
Diluted earnings per common share (4)(6)	0.36	0.37	0.29	0.48

- (1) During 2013, we entered into new agreements with Comcast and Time Warner to extend our relationships with these significant clients for an additional four years. These new agreements included pricing discounts that became effective March 1, 2013 for Comcast and April 1, 2013 for Time Warner, and are reflected in our 2013 results of operations.
- (2) On July 1, 2013, we sold a small print and mail facility and certain of its business operations. As a result of this sale, our third and fourth quarter results reflect the divestiture of approximately \$3 million of revenue.
- (3) During the first and fourth quarters of 2013 we incurred restructuring expenses of \$0.9 and \$11.5 million, respectively, or \$0.03 and \$0.25 per diluted share (see Note 8).
- (4) Fluctuations in our effective income tax rate between quarters generally relates to the accounting for discrete income tax items in any given quarter, and revisions of estimates for certain income tax components during the year.
  - For 2013: Our effective income tax rates for the first, second, third, and fourth quarters of 2013 were (10)%, 36%, 8%, and 27%, respectively. The negative rate in the first quarter of 2013 reflects the benefit of approximately \$6 million of R&D tax credits that we generated in 2012, but were unable to include in the determination of our 2012 effective tax rate as the legislation was not signed into law until 2013. The lower income tax rates for the third and fourth quarter were mainly driven by incremental R&D income tax credits claimed for development activities from previous years and by the reduction of certain tax allowances related mainly to foreign operations, offset by increases in tax reserves for uncertainties, which provided a benefit of approximately \$6 million and \$2 million, respectively.
  - For 2012: Our effective income tax rates for the first, second, third, and fourth quarters of 2012 were 50%, 37%, 45%, and 11%, respectively. The lower rate in the second quarter of 2012 can be attributed to the benefit recognized during the quarter related to new state legislation that was passed which required us to alter the method of how we source our revenues, while the lower rate in the fourth quarter of 2012 is a result of higher incentive credits compared to previous estimates as well as the resolution of a foreign income tax audit.
- (5) In July 2012, we completed the Ascade acquisition (See Note 3), and as a result, Ascade's results of operations are included in our third and fourth quarter 2012 results. Additionally, in conjunction with the Ascade acquisition, during the second quarter of 2012 we incurred \$0.3 million, or \$0.01 per diluted share impact, of acquisition-related charges.
- (6) During the first, second, and fourth quarters of 2012 we incurred restructuring expenses of \$0.7 million, \$0.1 million, and \$1.7 million, respectively, or \$0.01, \$0.00, and \$0.05 per diluted share (see Note 8).



**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, 2013. 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 were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during the fourth quarter of 2013 that have 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 2014 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 2014 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 2014 Annual Meeting of Stockholders, from which information required by this Item is incorporated herein by reference, with the exception of the equity compensation plan information which is presented in Item 5, “Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities”, and is incorporated herein by reference.

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

See the Proxy Statement for our 2014 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 2014 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 43.

(2) Financial Statement Schedules:

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

(3) Exhibits

Exhibits are listed in the Exhibit Index on page 78.

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

Exhibit Number	Description
2.10(21)	Implementation Agreement between CSG Systems International, Inc. and Intec
3.01(1)	Restated Certificate of Incorporation of the Company
3.02(7)	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(5)	Indenture dated as of June 2, 2004 between the Registrant and Deutsche Bank Trust Company Americas relating to the CODES
4.20(5)	Registration Rights Agreement dated as of June 2, 2004 between the Registrant and Lehman Brothers Inc.
4.25(17)	Letter agreement dated March 18, 2010 by and between CSG Systems International, Inc. and Quantum Partners Ltd. regarding \$119,896,000 aggregate principal amount of CSG's 2.5% Senior Subordinated Convertible Contingent Debt Securities due 2024
4.30(18)	Purchase Agreement dated February 24, 2010, by and between CSG Systems International, Inc., and Barclays Capital Inc., J.P. Morgan Securities Inc., and UBS Securities LLC
4.40(18)	Indenture dated March 1, 2010 between CSG Systems International, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee
4.50(22)	\$300,000,000 Amended and Restated Credit Agreement dated as of September 24, 2010, as Amended and Restated as of November 24, 2010, among CSG Systems International, Inc., as Borrower, The Guarantors Party Hereto, The Lenders Party Hereto, UBS Securities LLC and RBC Capital Markets as Joint Lead Arrangers and Joint Bookmanagers, RBS Capital Markets, as Syndication Agent, UBS Securities LLC, as Documentation Agent, UBS AG, Stamford Branch, as Issuing Bank, Administrative Agent and Collateral Agent, and UBS Loan Finance LLC, as Swingline Lender
4.60(32)	\$250,000,000 Amended and Restated Credit Agreement dated as of November 9, 2012, among CSG Systems International, Inc., as Borrower, The Guarantors Party Hereto, The Lenders Party Hereto, RBC Capital Markets, Wells Fargo Securities, LLC, HSBC Bank USA, National Association and BBVA Compass, as Join Lead Arrangers and Joint Bookmanagers, Wells Fargo Bank, National Association, as Syndication Agent, HSBC Bank USA, National Association and BBVA Compass, as Co-Documentation Agents, Royal Bank of Canada, as Administrative Agent and Collateral Agent, and Royal Bank of Canada, as Issuing Bank and Swingline Lender
10.02(24)	Second Amended and Restated 1996 Employee Stock Purchase Plan, as adopted on May 17, 2011
10.04(24)	CSG Systems International, Inc. 2005 Stock Incentive Plan, as adopted on May 17, 2011
10.05(24)	CSG Systems International, Inc. Performance Bonus Program, as adopted on May 17, 2011
10.06(11)	CSG Systems International, Inc. 2001 Stock Incentive Plan, as amended August 14, 2007
10.15(19)	Form of Indemnification Agreement between CSG Systems International, Inc. and Directors and Executive Officers
10.16(8)	Indemnification Agreement between CSG Systems International, Inc. and Mr. Ronald Cooper, dated November 16, 2006
10.21*(13)	CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.21A*(22)	Fifth Amendment to the Restated and Amended CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.21B*(23)	Sixth Amendment to the Restated and Amended CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Comcast Cable Communications Management, LLC

<b>Exhibit Number</b>	<b>Description</b>
10.21C*(25)	Seventh Amendment to the Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.21D*(30)	Eighth Amendment to the Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.21E*(30)	Ninth Amendment to the Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.21F*(30)	Tenth Amendment to the Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.21G*(30)	Eleventh Amendment to the Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.21H*(30)	Twelfth Amendment to the Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.21I*(31)	Thirteenth Amendment to the Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.21J*(31)	Fourteenth Amendment to the Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.21K*(31)	Fifteenth Amendment to the Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.21L*(31)	Sixteenth Amendment to the Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.21M*(32)	Seventeenth Amendment to the Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.21N*(32)	Eighteenth Amendment to the Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.21O*(32)	Twentieth Amendment to the Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.21P*(33)	Nineteenth Amendment to the Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.21Q*(33)	Twenty-First Amendment to the Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.21R*(33)	Twenty-Second Amendment to the Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.21S*(33)	Twenty-Third Amendment to the Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.22*(33)	CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.22A*(34)	First Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.22B*(35)	Second Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.22C*(35)	Third Amendment to the Restated and Amended CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.22D*(35)	Fourth Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC

Exhibit Number	Description
10.22E*	Fifth Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.22F*	Sixth Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.22G*	Seventh Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.22H*	CD Addendum to CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC
10.23*(16)	CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Dish Network L.L.C.
10.23A*(19)	Third Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Dish Network, L.L.C.
10.23B*(22)	Fourth Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Dish Network, L.L.C.
10.23C*(23)	Tenth Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and DISH Network, L.L.C.
10.23D*(25)	Eleventh Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Dish Network L.L.C.
10.23E*(25)	Twelfth Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Dish Network L.L.C.
10.23F*(25)	Thirteenth Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Dish Network L.L.C.
10.23G*(25)	Fourteenth Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Dish Network L.L.C.
10.23H*(26)	Fifteenth Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Dish Network L.L.C.
10.23I*(30)	Sixteenth Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Dish Network L.L.C.
10.23J*(29)	Seventeenth Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Dish Network L.L.C.
10.23K*(29)	Eighteenth Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Dish Network L.L.C.
10.23L*(28)	Nineteenth Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Dish Network L.L.C.
10.23M*(29)	Twentieth Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Dish Network L.L.C.
10.23N*(28)	Twenty-first Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Dish Network L.L.C.
10.23O*(30)	Twenty-second Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Dish Network L.L.C.
10.23P*(30)	Twenty-third Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Dish Network L.L.C.
10.23Q*(30)	Twenty-fourth Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Dish Network L.L.C.



<b>Exhibit Number</b>	<b>Description</b>
10.23R*(31)	Twenty-fifth Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Dish Network L.L.C.
10.23S*(31)	Twenty-sixth Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Dish Network L.L.C.
10.23T*(32)	Twenty-seventh Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Dish Network L.L.C.
10.23U*(32)	Twenty-eighth Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Dish Network L.L.C.
10.23V*(32)	Twenty-ninth Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Dish Network L.L.C.
10.23W*(32)	Thirtieth Amendment to the CSG Master Subscriber Management System Agreement Between CSG Systems, Inc. and Dish Network L.L.C.
10.23X*(34)	Thirty-First Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and DISH Network L.L.C.
10.23Y*(34)	Thirty-Second Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and DISH Network L.L.C.
10.23Z*(34)	Thirty-Third Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and DISH Network L.L.C.
10.23AA*(34)	Thirty-Fourth Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and DISH Network L.L.C.
10.23AB*(35)	Thirty-Fifth Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and DISH Network L.L.C.
10.23AC*(35)	Thirty-Sixth Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and DISH Network L.L.C.
10.23AD*	Thirty-Seventh Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and DISH Network L.L.C.
10.23AE*	Thirty-Ninth Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and DISH Network L.L.C.
10.24*(15)	CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable dated March 13, 2003
10.24A*(15)	ComTec Processing and Production Services Agreement
10.24B*(15)	Second Amendment to the Processing and Production Services Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24C*(22)	Forty-ninth Amendment of the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24*D(25)	Third Amendment to the Processing and Production Services Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24E*(25)	Fifty-First Amendment of the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24F*(25)	Fifty-Third Amendment of the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24G*(30)	Fifty-Seventh Amendment of the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24H*(30)	Sixty-First Amendment of the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable Inc.

Exhibit Number	Description
10.24I*(31)	Fifty-Sixth Amendment of the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24J*(31)	Sixty-third Amendment of the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24K*(31)	Sixty-fifth Amendment of the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24L*(32)	Forty-eighth Amendment of the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24M*(32)	Fifty-ninth Amendment of the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24N*(32)	Sixty-seventh Amendment of the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24O*(32)	Sixty-eighth Amendment of the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24P(32)	Second Amendment to Affiliate Addendum (Corporate National Sales Division)
10.24P*(33)	Sixtieth Amendment to the CSG Master Subscriber Management Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24Q(32)	Fourth Amendment to Affiliate Addendum Carolina Region
10.24Q*(33)	Seventieth Amendment to the CSG Master Subscriber Management Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24R(33)	First Amendment to Affiliate Addendum Media Sales Division between CSG Systems, Inc. and Time Warner Cable Inc.
10.24S*(34)	Sixty-Ninth Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24T*(35)	Seventy-Third Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24U*(35)	Seventy-Sixth Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24V*	Fifty-Eighth Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24W*	Seventy-Second Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24X*	Seventy-Fifth Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24Y*	Seventy-Seventh Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.24Z*	Eighty-Second Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Time Warner Cable Inc.
10.39(13)	CSG Systems, Inc. Wealth Accumulation Plan, as amended August 15, 2008
10.44(3)	CSG Systems International, Inc. Stock Option Plan for Non-Employee Directors
10.47(12)	Restated Employment Agreement with Randy R. Wiese, dated May 29, 2008
10.47A(13)	First Amendment to Restated Employment Agreement with Randy R. Wiese, dated August 19, 2008
10.48(12)	Restated Employment Agreement with Peter E. Kalan, dated May 29, 2008

Exhibit Number	Description
10.48A(13)	First Amendment to Restated Employment Agreement with Peter E. Kalan, dated August 19, 2008
10.49(12)	Restated Employment Agreement with Joseph T. Ruble, dated May 29, 2008
10.49A(13)	First Amendment to Restated Employment Agreement with Joseph T. Ruble, dated August 19, 2008
10.50(4)	CSG Systems International, Inc. 2001 Stock Incentive Plan
10.51(14)	Employment Agreement with Bret C. Griess dated February 19, 2009
10.52(23)	Restated Employment Agreement with Michael J. Henderson, dated March 16, 2011
10.80(6)	Forms of Agreement for Equity Compensation
10.80A(10)	Forms of Agreement for Equity Compensation
10.80B(9)	Forms of Agreement for Equity Compensation
10.80C(11)	Forms of Agreement for Equity Compensation
10.81(13)	Forms of Agreement for Equity Compensation
10.82(23)	Forms of Agreement for Equity Compensation
10.83(33)	Forms of Agreement for Equity Compensation
10.83(35)	Forms of Agreement for Equity Compensation
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
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

- (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 Quarterly Report on Form 10-Q for the period ended June 30, 2002.
- (5) Incorporated by reference to the exhibit of the same number to the Registrant's Registration Statement No. 333-117427 on Form S-3.
- (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, 2004.
- (7) 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.
- (8) 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.
- (9) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2007.

- (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, 2007.
- (11) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2007.
- (12) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2008.
- (13) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2008.
- (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, 2009.
- (15) 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.
- (16) Incorporated by reference to the exhibit of the same number to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009.
- (17) Incorporated by reference to the exhibit of the same number to the Registrant's Current Report on Form 8-K for the event dated March 18, 2010.
- (18) Incorporated by reference to the exhibit of the same number to the Registrant's Current Report on Form 8-K for the event dated February 24, 2010.
- (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 March 31, 2010.
- (20) Incorporated by reference to the exhibit of the same number to the Registrant's Current Report on Form 8-K for the event dated July 13, 2010.
- (21) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2010.
- (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, 2010.
- (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, 2011.
- (24) Incorporated by reference to the exhibit of the same number to the Registrant's Current Report on Form 8-K for the event dated May 17, 2011.
- (25) 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, 2011.
- (26) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2011.
- (27) 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, 2011.
- (28) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2012.
- (29) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q/A for the period ended March 31, 2012, filed on August 29, 2012.
- (30) 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, 2012.
- (31) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2012.
- (32) 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, 2012.
- (33) Incorporated by reference to the exhibit of the same number to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2013.
- (34) 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, 2013.
- (35) 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, 2013.

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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.

**FIFTH AMENDMENT  
TO THE  
CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT  
BETWEEN  
CSG SYSTEMS, INC.  
AND  
COMCAST CABLE COMMUNICATIONS MANAGEMENT, LLC**

**This fifth AMENDMENT** (the "Amendment") is made by and between **CSG Systems, Inc.** ("CSG") and **Comcast Cable Communications Management, LLC** ("Customer"). The Effective Date of this Amendment is the date last signed below. CSG and Customer entered into a certain CSG Master Subscriber Management System Agreement (CSG document #2501940) with an effective date of March 1, 2013 (the "Agreement") and now desire to amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the Parties, any subsequent reference to the Agreement between the Parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

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

1. Customer desires to use and CSG agrees to provide CSG's Stored Payment Instruments (hereinafter "Stored Payment Instruments" or "SPI") services. CSG will provide Stored Payment Instruments to Customer pursuant to the terms of the Agreement and as further described in Attachment 1, attached hereto and incorporated herein by reference, and, in accordance with the terms set forth in Attachment 1.
2. (a) Schedule C of the Agreement entitled "Recurring Services" is hereby amended by adding the following to the list of Services:  
  
 Stored Payment Instruments.....Exhibit C-3(f)
- (b) Additionally, Schedule C-3, "Financial Services," is hereby amended by adding Exhibit C-3(f), "Stored Payment Instruments," attached to this Amendment at Attachment 1, and incorporated herein by reference.
3. As a result, upon execution of this Amendment and pursuant to the terms and conditions of the Agreement, which includes Exhibit C-3(f), "Stored Payment Instruments," Schedule F, Fees, Section III. Payment Procurement, of the Agreement shall be amended to add a new Subsection I. entitled "Stored Payment Instruments" as follows:

**CSG SERVICES**

**III. Payment Procurement**

**I. Stored Payment Instruments**

Description of Item/Unit of Measure	Frequency	Fee
1. SPI Setup/Implementation Fees (Note 1) (Note 6)	*** *****	*****
2. ***** SPI Transaction Fees (Note 2) (Note 4) (Note 5)		
• ** * ***** SPI Transactions	*****	\$ *****
• ***** to ***** SPI Transactions	*****	\$ *****
• *****+ SPI Transactions	*****	\$ *****
3. Payment Profile Storage Fees (Note 2) (Note 3) (Note 5)		
• ** * ***** Payment Instruments	*****	\$ *****
• ***** to ***** Payment Instruments	*****	\$ *****
• *****+ Payment Instruments	*****	\$ *****
4. SPI Test Environment Setup/Implementation Fees (Note 7)	*** *****	*****
5. ***** Test Environment Maintenance Fees (per each test system requested) (Note 8)	*****	\$ *****
6. Customization Fees (Note 9)	*** *****	*****

**Note 1:** SPI Setup and Implementation Fees shall be set forth in a mutually agreed upon statement of work.

**Note 2:** \*\*\*\*\* SPI Transaction Fees and Payment Profile Storage Fees are \*\*\*\*\*.

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

**Note 3:** For purposes of SPI, “storage” means storage of each Payment Profile that will be accessible to Customer’s customer service representatives (“CSRs”) and Subscribers; each Payment Profile will contain \*\*\* (\*) Stored Payment Instrument.

**Note 4:** An SPI transaction occurs when a Stored Payment Instrument \* \* \* \* \* (“SPI Transaction”).

**Note 5:** The SPI \* \* \* \* \* Transaction Fees and Payment Profile Storage Fees will be subject to \* \* \* \* \* pursuant to Section \*\*\* of the Agreement.

**Note 6:** Customer shall have \*\*\* (\*) or more separate agreements with payment instrument processors and, as such, shall incur additional fees outside of this Amendment and the Agreement.

**Note 7:** CSG will implement Stored Payment Instrument into the SPI test environment.

**Note 8:** Customer may terminate the SPI Test Environment Maintenance Fee upon \* \* \* \* \* prior written notice (email shall be sufficient) to CSG and Customer shall have no further obligation for any Support Services following such termination, etc.

**Note 9:** Customizations to Customer’s Precision eCare® may be requested by Customer pursuant to fees and terms specified in a Statement of Work.

**4. Schedule H, SUPPORT SERVICES FOR THE PRODUCTS, shall be amended by adding the new Section VII. as follows:**

**“VII. Non-production Customer Test Environment Support**

Support of CSG non-production test environments are provided by the CSG International Service Desk (ISD).

**The following support will be provided for the non-production Customer Test Environments:**

- Customer test systems are active \* \* \* \* \* excluding published \* \* \* \* \* and \* \* \* \* \*
- Issues can be reported to the ISD anytime but will only be worked between the hours of \* : \* \* \* \* . \* : \* \* \* \* \* \* \* , \* \* \* \* \* through \* \* \* \* \* , unless otherwise outlined in a different agreement
- CSG will communicate information to Customer related to changes occurring in the non-production Customer Test Environment
- Non-production Customer Test Environments run the current production software codebase except during the period known as ‘ \* \* \* \* \* - \* \* \* \* \* ’ which occurs approximately \* \* \* \* \* (\*) \* \* \* \* \* prior to production releases.

\* There will be no \* \* \* \* \* , \* \* \* \* \* or \* \* \* \* \* unless otherwise agreed to by the parties. In the event internal CSG resources are working on Customer’s production environment items, production matters will take priority over non-production test systems

\*Non-production Customer Test Environments run the current production software codebase except during the period known as ‘ \* \* \* \* \* - \* \* \* \* \* ’ which occurs approximately \* \* \* \* \* (\*) \* \* \* \* \* prior to production releases. During the ‘ \* \* \* \* \* - \* \* \* \* \* ’ time period, non-production customer test environments will be updated with the development testing codebase.”



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

**THIS AMENDMENT is executed on the day and year last signed below (“Effective Date”).**

**COMCAST CABLE COMMUNICATIONS MANAGEMENT, LLC (“CUSTOMER”),**      **CSG SYSTEMS, INC. (“CSG”)**

By: /s/ Peter Kiriacoulacos

By: /s/ Michael J Henderson

Name: Peter Kiriacoulacos

Name: Michael J. Henderson

Title: Executive Vice President & Chief Procurement Officer

Title: EVP Sales & Marketing

Date: 10-17-13

Date: 9/23/13

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**SIXTH AMENDMENT  
TO THE  
CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT  
BETWEEN  
CSG SYSTEMS, INC.  
AND  
COMCAST CABLE COMMUNICATIONS MANAGEMENT, LLC**

**This SIXTH AMENDMENT** (the "Amendment") is made by and between **CSG Systems, Inc .** ("CSG") and **Comcast Cable Communications Management, LLC** ("Customer"). The Effective Date of this Amendment is the date last signed below. CSG and Customer entered into a certain CSG Master Subscriber Management System Agreement (CSG document #2501940) with an effective date of March 1, 2013 (the "Agreement") and now desire to amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

**CSG and Customer agree to the following:**

Whereas, pursuant to the fees specified in Schedule F, "Fees," of the Agreement, CSG currently provides original and duplicate "Statement Archival on CD-ROM or DVD" to Customer pursuant to that Section of Schedule F titled "CSG SERVICES," Subsection III. entitled, "Payment Procurement," Subsection VII.A., entitled "Duplicate CD-ROM and DVD"; and

Whereas, Statement Archival will be provided via Advanced Function Presentation ("AFP") file transfer protocol of statement images through Customer's third party vendor.

**Now, therefore, CSG and Customer agree to the following upon execution of this Amendment:**

1. Customer desires to use and CSG agrees to provide AFP file transfer of statement images and, further, to no longer use CD-ROMs or DVDs for archival of Customer's statements. As a result, Subsection III.A.VII.A. of Schedule F of the Agreement is deleted in its entirety .
2. As a result, CSG will no longer create and/or deliver physical CD ROM/DVDs for Customer's statements and will no longer be obligated to retain and distribute CD ROM/DVDs produced prior to the Effective Date. CSG will retain Customer's production statement data for a period of \*\*\*\*\* (\*\*) \*\*\*\*\* from creation of such production statement in order for CSG to provide Support Services pursuant to the Agreement.
3. Currently, Customer has selected a \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\* whom CSG provides production statement data. In the event Customer requests that CSG provide such production statement data to \*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* of its choice or elects to use a CSG web statement application for statement archiving, it may be necessary for CSG and Customer to execute an amendment to the Agreement and/or Statement of Work to implement and provide such services.
4. Schedule C, Recurring Services, of the Agreement shall be amended by adding the following to the list of Recurring Services:

AFP Statement Image File Transfer.....Exhibit C-29

Additionally, Schedule C, Recurring Services, of the Agreement is further amended by adding thereto the attached Exhibit C-29.



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

5. Therefore, Subsection A.VII.A. of Subsection III., Payment Procurement, to CSG SERVICES of Schedule F shall be amended to include the following as a replacement for the deleted Subsection III.A.VII.A. of Schedule F referenced in Section 1 above and, accordingly, CSG shall invoice Customer and Customer shall pay the fees therefor:

**CSG SERVICES**

**III. Payment Procurement**

**A. Direct Solutions (print and mail)**

Description of Item/Unit of Measure	Frequency	Fee
<b>VII. Other print and mail ancillary service fees:</b>		
<b>A. AFP Statement Image File Transfer (Note 1)</b>		
1. File Transfer Set Up	***_****	*****
2. Statement Image Archive File Transfer	*****	***** ** **

**Note 1:** Upon implementation of AFP Statement Image File Transfer into production, pursuant to that certain Statement of Work to be executed by the parties (CSG document no. 2503309) ("AFP Statement Image File transfer SOW"), CSG shall provide AFP Statement Image File Transfer in lieu of statement archives on CD ROM/DVD, as an item \*\*\*\*\* \*\* \*\* \*\*.

6. As a further result, the Agreement shall be amended such that, upon implementation of AFP Statement Image File Transfer pursuant to the AFP Statement Image File Transfer SOW, all references to "CD-ROM/DVD Archival for Statements," shall be deleted; provided, however, Customer's CD-ROM/DVD Archival for Statements shall be made available to Customer by CSG until \*\*\*\*\* \*\* \*\* \*\* \*\* \*\*, after which time, Customer's CD-ROM/DVD Archival for Statements shall no longer be available.

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

**COMCAST CABLE COMMUNICATIONS MANAGEMENT, LLC ("CUSTOMER")**

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

By: /s/ Bruce D Wilson

By: /s/ Michael J Henderson

Name: Bruce D. Wilson

Name: Michael J. Henderson

Title: Vice President Finance

Title: EVP Sales & Marketing

Date: 12/17/13

Date: 11/14/13



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

EXHIBIT C-29

AFP Statement Image File Transfer

**AFP Statement Image File Transfer.** CSG will provide AFP Statement Image File Transfer to Customer's chosen third party archives service provider. Archived statements processed are available for view, excluding statement backers and advertisement pages. The daily AFP statement file will be available to Customer and/or its third party archives service provider in the outgoing directory for a period of \*\*\*\*\* (\*\*)

\*\*\*. Thereafter, files are archived.

Advanced Function Printing (AFP) is an architecture and family of associated printer software and hardware that provides document and information presentation control independent of specific applications and devices. The AFP architecture-based system of hardware and software allows for creating, formatting, viewing, retrieving, printing, and distributing information on a wide variety of printer and display devices. It is an integrated data stream for generating fully composed pages of data. Traditional line-mode print applications compose a line at a time down the page (typically continuous form pages), whereas AFP composes the entire page before printing. In AFP, page elements such as text, images, bar codes, page segments, and overlays, can be specified in any order at any position in the page. This is called all points addressability. Advanced Function Presentation data stream (AFPDS) is a printer-independent data stream that composes full pages within a document. Many of the page elements that can be used with AFP are special objects called resources.

**SEVENTH AMENDMENT  
TO THE  
CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT  
BETWEEN  
CSG SYSTEMS, INC.  
AND  
COMCAST CABLE COMMUNICATIONS MANAGEMENT, LLC**

**This SEVENTH AMENDMENT** (the "Amendment") is made by and between **CSG Systems, Inc.** ("CSG") and **Comcast Cable Communications Management, LLC** ("Customer"). The Effective Date of this Amendment is the date last signed below. CSG and Customer entered into a certain CSG Master Subscriber Management System Agreement (CSG document #2501940) with an effective date of March 1, 2013 (the "Agreement") and now desire to amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the Parties, any subsequent reference to the Agreement between the Parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

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

- 1. CSG and Customer agree to amend the Agreement to provide pricing for Tier 2 Processing Level through Tier 8 Processing Level for CSG Smartlink/Smartlink BOS Environment and Transactions Per Second ("TPS"). Therefore, Schedule F, Fees, CSG Licensed Products, the fee table under Subsection II.B., CSG Smartlink/Smartlink BOS Environment and Transactions Per Second ("TPS"), shall be deleted in its entirety and replaced with the following:**

**II.B. CSG Smartlink/Smartlink BOS Environment and Transactions Per Second ("TPS")**

Description of Item/Unit of Measure	Frequency	Fee
<b>I. ***** Fees based on Transactions per Second ("TPS") (Note 1-3)</b>		
a.Tier 1 Processing Level (supporting ** * * * * TPS)	*****	\$ *****
b.Tier 2 Processing Level (supporting ** * * * * TPS)	*****	\$ *****
c.Tier 3 Processing Level (supporting ** * * * * TPS)	*****	\$ *****
d.Tier 4 Processing Level (supporting ** * * * * TPS)	*****	\$ *****
e.Tier 5 Processing Level (supporting ** * * * * TPS)	*****	\$ *****
f.Tier 6 Processing Level (supporting ** * * * * TPS)	*****	\$ *****
g.Tier 7 Processing Level (supporting ** * * * * TPS)	*****	\$ *****
h.Tier 8 Processing Level (supporting ** * * * * TPS)	*****	\$ *****

2. CSG and Customer agree that the pricing for Tier 2 Processing Level will be effective as of \*\*\*\* \* \* \*\*\*\*.
3. CSG and Customer agree that the incremental Tier 1 to Tier 2 Processing Level fee amounts for the \*\*\*\*\* of \*\*\*\*\* and \*\*\*\*\* \*\*\*\*, will be paid by means of the \*\*\*\*\* \* \* \*\_\*\*\*\*\* \*\*\*\*\* as described in Article 3 SERVICES, Section 3.4 Services Commitment, of the Agreement.

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

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

**COMCAST CABLE COMMUNICATIONS MANAGEMENT, LLC CSG SYSTEMS, INC. (“CSG”)  
 (“CUSTOMER”)**

By: /s/ Peter Kiriacoulacos

By: /s/ Joseph T Ruble

Name: Peter Kirlacoulacos

Name: Joseph T. Ruble

Title: Executive Vice President & Chief Procurement Officer

Title: EVP, CAO & General Counsel

Date: 12-20-13

Date: 18 Dec 2013

**CD ADDENDUM  
TO  
CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT  
BETWEEN  
CSG SYSTEMS, INC.  
AND  
COMCAST CABLE COMMUNICATIONS MANAGEMENT, LLC**

This **CD ADDENDUM** (this “**CD Addendum**”) is made by and between **CSG Systems, Inc.**, a Delaware corporation (“**CSG**”), and **Comcast Cable Communications Management, LLC**, a Delaware limited liability company (“**Comcast**”), on behalf of itself and its Affiliates (collectively, “**Customer**”). This CD Addendum is made and entered into as of the date last signed below and is effective as of September 1, 2013 (the “**CD Addendum Effective Date**”). CSG and Customer entered into a certain CSG Master Subscriber Management System Agreement (Document #2501940) effective as of March 1, 2013 (the “**Agreement**”), and now desire to describe the terms and conditions under which CSG will make available certain specialized products and related services to Customer, as further set forth in this CD Addendum and Order Documents (as defined below) executed hereunder. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this CD Addendum shall have the meaning set forth in the Agreement. Upon execution of this CD Addendum by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this CD Addendum. Except as amended by this CD Addendum, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

WHEREAS, CSG provides via CSG’s Affiliate, CSG Media, LLC (“**Media**”), certain proprietary content monetization and management software known as the “Content Direct System,” which software is made available as a Software as a Service (commonly known as “**SaaS**”);

WHEREAS, Customer has requested that CSG make available to Customer under the Agreement the Content Direct System and certain services related to the Content Direct System; and

WHEREAS, the Parties are entering into this CD Addendum to prescribe the terms and conditions by which CSG shall make available to Customer the Content Direct System and related services pursuant to one or more CD Service Orders (as defined below), Letters of Agreement and/or Statements of Work.

**NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, CSG and Customer agree to the following as of the CD Addendum Effective Date:**

Content Direct System Specific Terms:

1. Attachment A; Scope and Conflict. This CD Addendum, including but not limited to, the terms of Attachment A hereto and its attached Schedules and Exhibits (collectively, “**Attachment A**”) specifically applies to CSG’s performance and/or provision of Content Direct Services (as defined in Attachment A) to Customer, which Content Direct Services shall be deemed an optional and ancillary service and product under Schedule F of the Agreement. Unless otherwise expressly provided in this CD Addendum, in no event will any terms, conditions or fees set forth in this CD Addendum apply to CSG’s performance of the Agreement other than with respect to Content Direct Services, or to CSG’s provision and/or performance of Recurring Services or any optional and ancillary services or product under the Agreement that are not Content Direct Services. Except as provided in this CD Addendum, all other terms of the Agreement which are not in conflict with this CD Addendum shall be given full force and effect (including with respect to each party’s performance under this CD Addendum). In the event of a conflict between the terms of the Agreement and the terms of this CD Addendum, the terms of this CD Addendum shall control and take precedence with respect to CSG’s provision of Content Direct Services. In the event of conflict between the terms of an Order Document (as defined below) and the terms of the Agreement and/or this CD Addendum, the terms of the Order Document shall control and take precedence with respect to CSG’s provision of Content Direct Services.
  2. Agreement Remains in Effect. Except as expressly provided in this CD Addendum, including all Attachments, Schedules and Exhibits hereto, the Agreement shall continue in full force and effect.
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**\*\*\*Confidential Treatment Requested and the Redacted Material has been separately filed with the Commission.**

3. Miscellaneous. This CD Addendum shall be governed by the laws of the State of New York, without reference to (i) conflict of laws principles or the choice of law doctrine, (ii) the UN Convention for Contracts for the International Sale of Goods, (iii) the Uniform Commercial Code, as currently or as may be enacted, codified or amended in any jurisdiction, and (iii) the Uniform Computer Information Transactions Act (prepared by the National Conference of Commissioners on Uniform State Laws) as currently or as may be enacted, codified or amended in any jurisdiction. Customer and CSG agree that any dispute and/or action at law or in equity arising out of or relating to this CD Addendum shall be subject to Sections 11.2 and 11.5 of the Agreement. This CD Addendum may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute a single instrument.

Attachment A – General Terms and Conditions – CD Services

CD Schedule A – Form of CD Service Order

CD Schedule B – Content Direct Services

CD Schedule C – CD Hosting, CD Support Services, Performance Standards and Remedies

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

**COMCAST CABLE COMMUNICATIONS MANAGEMENT,  
LLC**

**CSG SYSTEMS, INC.**

By: /s/ Peter Kirlacoulacos

By: /s/ Joseph T Ruble

Name: Peter Kirlacoulacos

Name: Joseph T. Ruble

Title: Executive Vice President & Chief Procurement Officer

Title: EVP, CAO & General Counsel

Date: 12/18/13

Date: 28 October 2013

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ATTACHEMENT A

General Terms and Conditions - CD Services

1. **Definitions.** Except as otherwise provided in this Section 1 or this Attachment A, capitalized terms used in this CD Addendum shall have the meanings ascribed to such terms in the Agreement.

“**Authorized Approver**” means the representative designated by Customer and/or the applicable Comcast Subscriber Entity (ies) on a per Order Document basis to accept or reject CD Services, act as a contact and otherwise interact with CSG with respect to a given Content Direct System deployment.

“**Billing Period**” means the approximately \*\*\*\*\* (\*\*) \*\*\* period for which CSG bills Customer for certain Content Direct Services provided under a CD Service Order. As of the CD Addendum Effective Date, the Billing Period is measured from \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* on the \*\*\*\*\* of a given \*\*\*\*\* \*\*\*\*\* to \*\*.\*.\*.\* \*\* \*\*\*\*\* \*\*\*\*\* on the \*\*\*\*\* of the following \*\*\*\*\* \*\*\*\*\* . CSG may alter the specific days and duration of the Billing Period by providing Customer not less than (\*\*) \*\*\*\*\* advance written notice of such change; provided, in no event shall a Billing Period be less than \*\*\*\*\* (\*\*) \*\*\*\*\*.

“**CD Hourly Rate**” means the applicable hourly rate for the person performing the applicable CD Technical Service or CD Support Services (if, as per the express terms of this CD Addendum or an Order Document, an additional fee may be assessed with respect to the provision of such CD Support Services). \*\*\* \*\* \*\*\*\*\* \*\* \*\* \*\* \*\* \*\*\*\*\* \*\* \*\* \*\*\*\*\*.

“**CD Order Term**” means the term of a CD Service Order as defined in such CD Service Order.

“**CD Services**” means the Content Direct Services, CD Technical Services and CD Support Services.

“**CD Software**” means software code and computer programs underlying the CD Services provided by CSG to Customer pursuant to an executed Order Document.

“**CD Technical Services**” means any consulting, conversion, implementation, encoding, encryption, training or other services performed by CSG pursuant to a Statement of Work or Managed Services but does not include the Content Direct Services.

“**Comcast Subscribing Entity**” means the specific Comcast entities (including Customer Affiliate(s)) identified in an Order Document that are granted rights to use the Content Direct System and related Content Direct Services prescribed under such Order Document.

“**Compatible Interfaces**” shall have meaning assigned to such term in CD Schedule B.

“**Consumer**” means an end user client of a Customer Service or any other individual, officer, employee or contractor of Customer who accesses and/or uses the Content Direct System for other than administrative or operational purposes.

“**Consumer Experience**” means a Consumer – facing implementation of the Content Direct System, such as a Player, Storefront (including HTML storefront “widgets”), redemption site, local media manager/download manager, and streaming application. The specific Consumer Experiences CSG will make available to Customer shall be identified in an executed CD Service Order.

“**Consumer Information**” means (a) any PII (as defined in Section 10.4 of the Agreement) regarding a Consumer, (b) to the extent applicable, any Customer Proprietary Network Information (“**CPNI**”), as defined in 47 USC Section 222 ,or (b) personal data that is (i) provided to or collected by CSG in connection with a Consumer’s use of the Content Direct System, and (ii) sufficient to personally identify a Consumer, directly or indirectly, in particular by reference to an identification number or to one or more factors specific to such Consumer’s physical, physiological, mental, economic, cultural or social identity, including, by way of example, financial account numbers, credit or debit card numbers (with or without access or pin numbers, if collected), personal addresses, social security numbers, passport numbers and/or driver’s license numbers.

“**Content Direct Services**” means those services performed by CSG or its agent to provide access to the Content Direct System as described in an executed CD Service Order but does not include any CD Technical Services.

“**Content Direct System**” means the specific configuration of Content Direct Application Server Modules, Content Direct Web Services and Content Direct user applications described in CD Schedule B or an Order Document and provided by CSG to Customer pursuant to a CD Service Order executed under this CD Addendum and the related and implementing software, servers, hardware and technologies used by CSG to make the foregoing available via the Internet, as further specified in the Documentation. The Content Direct System includes two environments: (1) the Production Environment, and (2) the Sandbox Environment. The Content

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

Direct System shall not include \*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\* The specific Content  
Direct System provided to Customer shall be denoted in each CD Service Order executed under this CD Addendum.

**“Content Direct System Data”** means non-personally identifiable performance data and usage statistics concerning the Content Direct System collected or compiled by CSG in connection with system-wide, aggregated use of the Content Direct System. For the avoidance of doubt, Content Direct System Data shall exclude information that constitutes Consumer Information, Usage Data and any data from which identifying information about a Customer or any Consumer can be discerned.

**“Content Direct Web Services”** means the set of application programming interfaces (APIs) exposing capabilities of the Content Direct Application Service Modules that enable Customer to build Customer Applications and integrate into the Content Direct System. The Content Direct Web Services APIs are accessible via either SOAP, POX over HTTP or JSON over HTTP. Not all Content Direct Web Services APIs are available via all access mechanisms; the Content Direct Online Web Services Guide (password protected with user credentials and accessible at \*\*\*\*\* provides complete information on the availability of the Content Direct Web Services.

**“Customer Application”** means a Customer-owned application developed by Customer or its third party agent or subcontractor that either accesses the features and functions of the Content Direct System through the Content Direct Web Services or otherwise integrates with the Content Direct System

**“ Customer Content ”** means that data, proprietary content and content owned or licensed by Customer, including Customer Intellectual Property, that is published on or displayed through the Content Direct Services by Customer (or at Customer’s request) or is provided by Customer to CSG so that CSG may configure the Content Direct System for Customer’s use. To the extent identified in an Order Document, Customer Content will also include Digital Entertainment Content owned by Customer or licensed by Customer from a Third Party Content Owner (as defined in Section 10(c) of this CD Addendum). For the avoidance of doubt, Customer Content does not include any Consumer Information or Usage Data.

For clarity, **“ Customer’s Intellectual Property ”** has the same meaning that it has in the Agreement, and includes, but is not limited to, Customer Site(s) and Customer Content.

**“ Customer Services ”** means any goods, products or services (digital or physical), including, if and as prescribed by an Order Document, Digital Entertainment Content, promoted or made available for trial, rental, sale, redemption or license by or through Customer or its Affiliate that access or use any feature or function of, on or through the Content Direct System or related Services for purposes of processing, selling, redeeming, or managing any of such goods, products or services. Customer Services may be sold or licensed in a variety of forms and models, including by way of example only, subscriptions (daily, weekly, monthly, quarterly, etc.), on demand, electronic sell-through, redemption and digital download.

**“ Customer Site ”** means any Customer device (including a Set-Top Box (“STB”)), website, application, software, product or service on which the Content Direct System is embedded and/or provided to Consumers, but excludes all elements of the Content Direct System, including without limitation all Content Direct User Applications.

**“Digital Entertainment Content”** means digital versions of audiovisual works, sound recordings, literary works, and/or pictorial works as those terms are defined in 17 U.S.C. § 101, commercially distributed to the public as entertainment, together with any (i) associated and information input into the Content Direct System and (ii) other data or information published with such works. Non-exclusive examples of Digital Entertainment Content include movies, television titles, sporting events and original programming.

**“Documentation”** means the published online user manuals and documentation located at \*\*\*\*\* as of the Effective Date and as updated by CSG from time to time in connection with the release of Fixes to the Content Direct System. CSG shall provide notice to Customer of any changes to the Documentation and, if a Fix included in a quarterly release (versus a Fix released to address an Exception) requires Customer to modify its configuration of the Content Direct System, or change the method by which Customer configures the Content Direct System, CSG shall provide Customer reasonable advance notice to Customer of such configuration modification, whether through actual notice to Customer’s project manager(s) (via release notes or other communication) or revised Documentation.

**“ Exception ”** means any problem, defect, or failure of a Deliverable to conform to any applicable acceptance criteria defined in an SOW or the Documentation. For purposes of clarification, a problem, defect or failure of a Deliverable shall not be deemed an Exception if such problem, default or failure of such Deliverable to conform to the acceptance criteria is caused by Customer’s failure to comply with its obligations or responsibilities as set forth in an Order Document, the Documentation or the Agreement.

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**“Go-Live Date”** means the first to occur of: (i) date on Customer deploys or causes to be deployed a given deployment of the Content Direct System (or, if the relevant application is only a portion of the Content Direct System, then the applicable portion thereof) into the Production Environment and (ii) \*\*\*\*\* (\*\*) \*\*\*\* after CSG tenders the prescribed Content Direct System to Customer in the form and manner consistent with the terms of such SOW .

**“Order Document”** means a CD Service Order, Statement of Work or LOA executed under the Agreement solely related to CSG’s provision of the Content Direct Services or any CD Technical Services related to the configuration, use or discontinuance of the Content Direct Services.

**“Performance Testing Environment”** means an optional, dedicated and secured environment of the Content Direct System separate and distinct from the Sandbox Environment and Production Environment whereby Customer can execute performance testing (i.e., stress testing or high volume transaction tests) against the Content Direct Web Services.

**“Production Environment”** means the shared, live production environment on which the Customer may utilize the Content Direct System with Consumers.

**“Sandbox BU”** means a secured and partitioned instance (referred to as a business unit or “BU”) of the Sandbox Environment of the Content Direct System.

**“Sandbox Environment”** means a shared non-production environment made available by CSG to allow Customer to develop and/or test Content Direct System updates or releases that are pre-production, or for such other required configurations or designs to be determined between the Parties. The Sandbox Environment, at the discretion of CSG, may maintain a smaller hardware foot-print, or be virtualized within a CSG datacenter, but will at a minimum make available the then-current release of the Content Direct System available on the Production Environment.

**“Storefront”** means one or more of the Consumer Experiences identified in a CD Service Order, which indicates the Storefront solution(s) included in the Content Direct Services made available under such CD Service Order.

For the avoidance of doubt, **“Usage Data”** , as defined in Section 10.6 of the Agreement, shall include statistics and data (i) provided to or collected by CSG in connection with a Consumer’s use of the Content Direct System, and (ii) relating to a Consumer’s account activity, including the browsing, accessing and/or purchasing of Customer Services or other information collected from or about or otherwise regarding Consumers, whether in individual or aggregate form, that is sufficient to personally identify a Consumer or to identify such Consumer as an end user client of Customer. Usage Data may include Consumer Information.

## **2. CD Service Order; Customer Rights under CD Service Order**

(a) This CD Addendum and the applicable terms of the Agreement prescribe the general terms and conditions of CSG’s performance and provision of the CD Services to Customer. Customer’s right to access and utilize the Content Direct System and Content Direct Services requires Customer to execute with CSG a CD Service Order under this CD Addendum. As used herein, a **“CD Service Order”** means a document that specifies the fees, terms and conditions of Customer’s rights and obligations to use, and CSG’s obligation to provide, the Content Direct System and Content Direct Services as made available by this CD Addendum, executed by CSG and Customer as sequentially numbered orders to this CD Addendum (i.e., CD Service Order No. 1, CD Service Order No. 2, etc.). Each CD Service Order shall be in the form mutually agreed by the Parties, but shall follow the form attached hereto as CD Schedule A and at a minimum include the following provisions: (i) the specific Comcast Subscriber Entities granted rights to use the Content Direct System under such CD Service Order, (ii) the specific project and purpose for which such Content Direct System may be used, (iii) the Content Direct System modules and applications to be utilized by Customer for a given deployment, (ii) the grant of rights to Customer to utilize the configured Content Direct System, which grant of rights shall apply in lieu of the grant of license(s) set forth in Section 3.9 and Schedule B of the Agreement, (iii) the fees applicable to Customer’s use of the Content Direct System and the related Content Direct Services (which fees may, for the avoidance of doubt, be increased pursuant to Section 5.4 of the Agreement), (iv) the CD Order Term and (v) the Authorized Approvers.

(b) Notwithstanding any provision to the contrary in the Agreement, but subject to Section 12.7 of the Agreement, the Content Direct System and Content Direct Services described in a CD Service Order may be only be used and accessed (i) by the specific Comcast Subscriber Entities and (ii) for the specific commercial project or Customer Services, in each case identified in such CD Service Order. Customer acknowledges that the fees prescribed in a CD Service Order for a given Content Direct System are unique to that deployment, and a separate CD Service Order (which may include the same, additional or different fees) is required to be executed for each Content Direct System deployment. Nothing in the foregoing shall preclude the Parties from amending a CD Service Order to add additional elements of the Content Direct System or Third Party Products or, by way of example, to require the Parties to execute separate CD Service Orders to add additional Campus Properties.

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### 3. Pre-Existing Content Direct Agreements.

Notwithstanding anything to the contrary in Section 1.6 or Schedule B of the Agreement, the Parties acknowledge that (i) \*\* \*\*\*\*\* \*\*\*, and the successor (whether via assignment, transfer or operation by law, and including \*\*\*\*\* \*\* \* \*\*\*\*\* \*\*\*\*\*\*) to \*\* \*\*\*\*\* \*\*\*\*\* \* Master Services Agreement (CSG Doc. No. \*\*\*\*\*\*) with Media effective as of \*\*\*\* \* \* (the “\*\* \*\*\*\*\* \*\*”) and (ii) any entity that becomes an Affiliate of Comcast after the CD Addendum Effective Date (a “**New Affiliate**”) that has a separate, effective agreement with CSG or any of its Affiliates for the purchase of CD Services (a “**New Affiliate Agreement**”; a New Affiliate Agreement and the \*\* \*\*\*\*\* \*\* collectively referred to as a “**Pre-Existing CD Agreement**”) may not purchase any CD Services under this CD Addendum. Instead, \*\* \*\*\*\*\* \*\*\*\*\* (and its successor) and such New Affiliates’ purchase of CD Services (or comparable services) shall be solely governed by the fees, terms and conditions of such party’s Pre-Existing CD Agreement.

### 4. Media as Provider of CD Services.

The CD Services performed under this CD Addendum and any Order Document executed under this CD Addendum shall be performed by Media, on behalf of CSG. Consistent with Section 12.5 of the Agreement, CSG acknowledges and agrees that it is responsible for Media’s compliance with the terms and conditions of the Agreement (including, but not limited to, this CD Addendum and any Order Document executed hereunder). Accordingly, CSG shall be liable to Customer for the acts and omissions of Media to the same extent that liability to Customer would accrue under the Agreement (as supplemented or modified by this CD Addendum) as if such acts or omissions had been performed or made by CSG. As used in this CD Addendum, “CSG” shall be deemed a reference to both CSG and Media.

### 5. Content Direct Services and CD Maintenance Services; Restrictions.

This Section 5 shall apply to the CD Services in lieu of Sections 2 through 4 of Schedule B of the Agreement.

Subject to the terms and conditions of a CD Service Order and the Agreement (including this CD Addendum) and for the fees described in an applicable CD Service Order, Customer agrees to procure from CSG, and CSG agrees to provide to Customer:

(a) the Content Direct Services as described in and made available under a CD Service Order executed by CSG and Customer pursuant to this CD Addendum. CSG shall provide Customer with unique and confidential access codes permitting remote access to utilize the Content Direct System via the Content Direct Web Services, or web-enabled user interface. Customer shall not, and shall not authorize or permit any third party to, (i) disclose Customer’s unique access codes to any entity other than Customer’s authorized employees and contractors, and (ii) use the Content Direct System for purposes other than permitted in this CD Addendum. Customer shall be responsible for the improper use or disclosure of any of Customer’s unique access codes by Customer’s employees, contractors or any third party that accesses the Content Direct System through the Customer’s unique access codes; provided Customer shall not be responsible for such improper use or disclosure, including but not limited to any third party access, resulting from the acts or omissions of CSG, CSG’s subcontractors or another CSG client. Unless otherwise provided in a CD Service Order, the Content Direct Services are provided in the English (US) language.

(b) maintenance and support for the Content Direct System and Content Direct Services in accordance with the terms set forth in CD Schedule C and this Section 5(a) of this CD Addendum (“**CD Support Services**”). CD Support Services include any fixes, updates, upgrades or modifications to the Content Direct System made during the term of this CD Addendum to the Content Direct System pursuant to CD Schedule C (“**Fix(es)**”). However, unless specifically provided in an Order Document, CD Support Services do not include and CSG shall have no obligation to provide (i) custom modifications to the Content Direct System as requested by Customer, (ii) maintenance and support of, or the required implementation of updates to, any customization to the Content Direct System deployed by Customer, where such customizations are not specifically identified in an Order Document as being “supported” by CSG, (iii) maintenance and support of any third-party products not provided by CSG that are utilized by Customer in connection with its use of the Content Direct System, (iv) modifications to the Content Direct System required to enable it to function properly with updates, upgrades or modifications to Customer or its third party vendor and agent system, (v) maintenance and support (including configuration, monitoring, or backup) of any systems, equipment, hardware, software and networks of Customer or its Affiliates regardless of whether each of the foregoing are owned and operated by such party or owned and operated by a third party on such party’s behalf, or (vi) any new product, service or application that is not a Fix of the Content Direct System that CSG makes generally available as a separately priced item. CD Support Services do not include management of Customer’s day-to-day operational issues such as (x) software and system configuration, (y) monitoring and maintaining Customer’s hardware, network and Third Party Software, and (iii) performing necessary backups of Customer’s data. In addition, CSG shall not be obligated to fix any problem with the Content Direct Service or be responsible for a Service Interruption (as defined in Section 1 of CD Schedule C of this CD Addendum) if such Service Interruption is caused by the following circumstances:



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- i. Customer has used the Content Direct Service other than for its intended purpose as indicated in the Agreement, this CD Addendum, an applicable Order Document and/or Documentation;
  - ii. Customer has altered, damaged, modified or incorporated the Content Direct Service into other software in a manner not approved by CSG;
  - iii. The problem was caused by Customer's or a third party's software, equipment or systems (including, if applicable and by way of example only, a Customer Application, but excluding any software or equipment of CSG's permitted subcontractors), not provided or approved by CSG;
  - iv. The problem was caused by Customer's accessing of the Content Direct System or Content Direct Services on any hardware, operating system or network environment not supported by CSG, as defined by the Documentation; and/or
  - v. The problem is attributable to the Customer's failure to use Compatible Interfaces (as defined on CD Schedule B).
- If Customer requests that CSG provide maintenance and support or similar services that are excluded from the above definition of CD Support Services, the parties may enter into an SOW authorizing CSG to provide the additional maintenance and support and similar services.

(c) Customer shall not, nor authorize or permit any third party to (i) disclose Customer's unique access codes to any entity other than Customer's authorized employees and contractors, (ii) use the Content Direct System for purposes other than permitted in this CD Addendum or an applicable Order Document, (iii) perform any of the acts set forth in Section 8 of Schedule B of the Agreement, unless explicitly provided herein, (iv) alter, enhance or otherwise modify or create derivative works of or from the Content Direct System; (v) attempt to derive the source code of the Content Direct System; or (vi) remove or destroy any proprietary markings, confidential legends or any trademarks or trade names of Media or its licensors placed upon or contained within the Content Direct System, Software, Documentation or Deliverables; or (vi) knowingly insert, or knowingly allow to be inserted, and will use all commercial efforts to prevent insertion into the Content Direct System, and the medium in which Customer Content is provided to CSG by Customer or its agents, any program, information, code and commands, including viruses, bombs, worms, backdoors or Trojan horses, (x) that are designed to cause the Content Direct System or any Third Party Products to malfunction, self-destruct or deny services, (y) that are designed to cause damage to or degrade performance of any computer, network or any information, program or data contained therein or (z) that are designed to enable unauthorized access to the Content Direct System, any CD Software, any Third Party Products or any hardware systems containing the foregoing. Customer shall be responsible for the improper use or disclosure of any of Customer's unique access codes by Customer's employees, contractors or any third party that accesses the Content Direct System through the Customer's unique access codes; provided Customer shall not be responsible for any third party access resulting from the acts or omissions of CSG, Media, CSG's subcontractors or another CSG client

(d) Customer will comply with the Content Direct Web Services Standards. As used herein, "**Content Direct Web Services Standards**" mean those rules, specifications and standards that relate to Customer's use of the Content Direct Web Services to integrate with the Content Direct System, as referenced in the Documentation.

(e) Customer acknowledges that neither the Production Environment nor the Sandbox E nvironment are intended or engineered to perform high volume "stress" or performance testing against the Content Direct System and absent CSG's prior written approval (which approval shall not be unreasonably withheld but may, for the avoidance of doubt, take into account CSG's other customers' known and/or anticipated use of such environments) Customer shall not, nor authorize or permit any third party to perform Performance Testing. "**Performance Testing**" in the Sandbox E nvironment or the Production Environment shall mean greater than \*\*\*\*\* (\*\*). \*\*\*\*\*  
\*\*\*\*\* (\*\*). \*\*\*\*\* (\*\*). Customer may request that CSG make available a dedicated environment for Performance Testing (a "Performance Testing Environment"), which environment shall be made available at (i) \*\*\*\*\* (\*\*). \*\*\*\*\* (\*\*). increments, (ii) a fee of US\$\*\*\*\*\* per \*\*\*\*\* (\*\*). \*\*\*\*\* (\*\*). period (use for less than \*\*\*\*\* (\*\*). \*\*\*\*\* (\*\*). shall not result in any proration of fees) and (iii) delivered pursuant to the dates, terms and conditions set forth in an SOW executed by the Parties. Customer acknowledges that any conduct of Performance Testing within the Production Environment or Sandbox Environment is a breach of this Addendum, but shall not constitute a breach under the Agreement giving rise to CSG's right to terminate the Agreement, and can adversely affect the Content Direct System, which may also affect third parties. If Customer conducts Performance Testing in violation of this Section 5(e), or otherwise exceeds the scope of Performance Testing authorized by CSG, Customer agrees (A) that CSG shall have the right, without notice, to temporarily suspend Customer's access to the environment in which such Performance Testing was conducted and (B) to indemnify, defend, reimburse and hold CSG harmless for and from any and all damages incurred by CSG as a result of Customer's unapproved Performance Testing.

If Customer CSG discovers unauthorized Performance Testing conducted by Customer or any third party using Customer's business unit(s), CSG agrees to (A) use its commercially reasonable best efforts to promptly mitigate any adverse consequences







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For the avoidance of doubt, all applicable fees shall apply to CD Transition Services performed (1) upon expiration or termination of this CD Addendum or a CD Service Order for \*\*\*\*\* and (2) after the Initial Transition Period. If Customer requests CSG to perform any other services to Customer beyond the CD Transition Services and the return of Customer's information set forth in Section 9 (a), such additional services (collectively, "Additional CD Services") CSG may provide such Additional CD Services at its discretion at the \*\*\*\*\* and the Parties will enter into a Statement of Work or other agreement to document the specific Additional CD Services to be provided and the applicable fees. Customer acknowledges that conditions precedent to CSG's performance of any CD Transition Services or Additional CD Services (excluding, for the avoidance of doubt, the return of data and information pursuant to Section 9(a)) are Customer's obligations to pay CSG any amounts outstanding, due or payable to CSG for the CD Services as of the effective date of the expiration or termination of this CD Addendum or the applicable CD Service Order (including any SOW).

**10. Representations and Warranties.**

The terms of this Section 10 shall apply only to the CD Services, and will apply in lieu of Sections 8.1 and 8.2 of the Agreement. Section 8.3 shall apply to the provision of CD Services.

(a) CSG represents and warrants that the CD Technical Services will be performed with reasonable skill and care, in a diligent, professional and workmanlike manner, consistent with generally accepted industry standards for similar services. As Customer's sole and exclusive remedy and CSG's sole obligation for breach of this limited warranty, CSG shall use commercially reasonable efforts to correct or replace any defective Deliverable or re-perform such defective CD Technical Services at \*\*\*\*\* and as soon as reasonably practical.

(b) CSG represents and warrants that the Content Direct System and Content Direct Services as delivered by CSG ( i) comply in all material respects with the applicable Documentation and specifications, including the terms of the Agreement, and (ii) perform in the manner for which they were intended as specified in the applicable Documentation and specifications and any requirements document explicitly referenced or included in an Order Document for such purposes. The foregoing warranty shall not apply to the extent any non-compliance or defect is an Excluded Problem (as defined in CD Schedule C.) Subject to the following sentence, as Customer's sole and exclusive remedy and CSG's sole obligation for breach of this limited warranty, CSG shall use commercially reasonable efforts to cause the Content Direct System and Content Direct Services to conform to the above warranty as soon as reasonably practical, including the remedy of any defects identified by Customer consistent with CD Schedule C. Solely if and to the extent that Customer's claims arising from a breach of this Section 10(b) can be remedied by the (x) correction of any Exceptions or errors in the Content Direct System, Content Direct Services or any Deliverables, (y) replacement of any Deliverables or element of the Content Direct System or (z) re-performance of the Content Direct Services (i.e., transactions), CSG shall be afforded an opportunity of no less than \*\*\* (\*\*) \*\*\*\*\* (or, such other period mutually agreed upon and, if such claim relates to a Deliverable subject to a pending Statement of Work, the period set forth in such Statement of Work or otherwise agreed upon by the Parties) to remedy such Exceptions or errors. If within such \*\*\* (\*\*) \*\*\*\*\* or other applicable period CSG cannot remedy such Exceptions or errors or re-perform such Content Direct Services, then Customer may seek other remedies available under this CD Addendum and the Agreement with respect to such claims.

(c) CSG provides any Third Party Software that is not Embedded Third Party Software AS IS. Other than as expressly set forth in an Order Document and this Section 10, Customer acknowledges that the Content Direct System, Content Direct Services and any such Third Party Software may not satisfy all of Customer's requirements and the use of the Content Direct System, Content Direct Services and such Third Party Software may not be uninterrupted or error-free. CSG further represents and warrants that it has not knowingly inserted, or knowingly allowed to be inserted, and will use all commercial efforts to prevent insertion into the Content Direct System, and the medium in which the Content Direct System and other materials are provided to Customer by CSG, any program, information, code and commands, including viruses, bombs, worms, backdoors or Trojan horses, (i) that are designed to cause the Content Direct System or any of Customer's software or hardware systems to malfunction, self-destruct or deny services, (y) that are designed to cause damage to or degrade performance of any computer, network or any information, program or data contained therein or (z) that are designed to enable unauthorized access to any of Customer's software or hardware systems.

**11. Customer's Additional Indemnity Obligation.**

In addition to Customer's indemnity obligations under Article 7 of the Agreement, including Section 7.7 of the Agreement, Customer shall defend at its own expense, indemnify and hold harmless CSG from and against all third party claims and related damages based



on a claim that a Customer Site, excluding elements thereof provided by CSG, and CSG’s use (including scaling or other modification directed or authorized by Customer in writing), publication, display, distribution, sale or processing of any Customer Content, Customer Service or Customer Intellectual Property (including, if and as applicable, any of the foregoing owned by a person other than Customer (a “**Third Party Content Owner**”)) as authorized under this CD Addendum infringes a copyright, trademark, trade secret or validly issued patent, misappropriates a third party’s intellectual property rights in such material or otherwise violates a third party’s license in and to such Customer Content, Customer Service or Customer Intellectual Property. Customer’s indemnification obligation under this Section 11 is subject to Section 7.8(b) of the Agreement.

**12. No Consequential Damages/Limitation of Liability.** The terms provided in this Section 12 are exclusive to the provision of CD Services under the Agreement and each Order Document, and the terms of Section 9.2 of the Agreement are not applicable to the provision of CD Services under this CD Addendum, including any act or omission by CSG, Customer and/or their respective Affiliates or subcontractors.

(A) EXCEPT FOR \*\*\*\*\* AND \*\*\*\*\* (\*) AND \*\* OF THIS CD AMENDMENT OR A BREACH BY EITHER PARTY OF \*\*\*\*\* OF THE AGREEMENT OR \*\*\*\*\* OF THIS CD ADDENDUM, UNDER NO CIRCUMSTANCES WILL EITHER PARTY OR THEIR RELATED PERSONS, LICENSORS OR VENDORS BE LIABLE TO THE OTHER FOR ANY CONSEQUENTIAL, INDIRECT, SPECIAL, PUNITIVE OR INCIDENTAL DAMAGES OR LOST PROFITS, WHETHER FORESEEABLE OR UNFORESEEABLE.

(B) EXCEPT FOR FEES PAYABLE OR DUE AND OWING, DAMAGE OR LIABILITIES RELATED TO (I) A \*\*\*\*\* OF THE AGREEMENT WITH RESPECT TO A CLAIM \*\*\*\*\* (II) \*\*\*\*\* (III) \*\*\*\*\* OR (IV) \*\*\*\*\* (\*) – (\*) OF \*\*\*\*\* (\*) OR \*\*\*\*\* (\*) OF THIS ADDENDUM, EACH PARTY’S TOTAL AGGREGATE LIABILITY FOR ANY DAMAGES ARISING OUT OF OR RELATED TO THIS CD AMENDMENT WILL NOT EXCEED THE \*\*\*\*\* (THE “CD LIABILITY CAP”). THE EXISTENCE OF ONE OR MORE CLAIMS WILL NOT ENLARGE THE FOREGOING CD LIABILITY CAP. THE EXCLUSIONS AND LIMITATIONS OF DAMAGES SET FORTH IN THIS CD AMENDMENT, INCLUDING THIS SECTION 12, SHALL (I) APPLY REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT, STRICT LIABILITY OR OTHERWISE AND (II) BE INDEPENDENT OF, AND SHALL SURVIVE, ANY FAILURE OF THE ESSENTIAL PURPOSE OF ANY WARRANTY OR EXCLUSIVE OR LIMITED REMEDY STATED HEREIN, AND SHALL APPLY EVEN IF CSG HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

**13. Third-Party Software**

Customer acknowledges that the Content Direct System and Content Direct Services may incorporate or integrate with certain Third Party Software. Certain Embedded Third Party Software is identified in CD Schedule B and any additional Embedded Third Party Software to be utilized with a given Content Direct System deployment shall be identified in the applicable Order Document. If a Content Direct System to be deployed will utilize Third Party Software that is not Embedded Third Party Software, such Third Party Software shall be identified in the applicable Order Document(s) related to such Content Direct System. Except as specifically provided in an Order Document, CSG’s obligations and Customer’s remedies with respect to Embedded Third Party Software shall be subject to the terms and conditions of the Agreement and this CD Addendum. Similarly, except as specifically provided in an Order Document, Customer’s right and obligations with respect to Third Party Software that is not Embedded Third Party Software shall be subject to the license terms that accompany such Third Party Software and provided CSG has the necessary rights, CSG shall pass through all warranties and indemnities provided by any licensor of any Third Party Software. CSG agrees to use its commercially reasonable efforts to assert any claims it may have against a licensor of any Third Party Software consistent with CSG’s agreement with such licensor.

**14. Privacy, Data Transfer and Security Obligations**

(a) Customer acknowledges and agrees that CSG’s obligations and Customer’s remedies under this CD Addendum related to the unauthorized access, disclosure or use of Consumer Information or Usage Data processed, stored or otherwise made available to CSG under this CD Addendum, including a Security Breach (as defined below), shall be specifically governed and limited by Section 12 of this CD Addendum (provided nothing shall preclude Customer from seeking injunctive or other equitable relief pursuant to Section 11.2 of the Agreement). For the avoidance of doubt, nothing in this CD Addendum shall impact, limit, restrict or impair CSG’s general obligations with respect to Confidential Information of Customer under Article 10 of the Agreement.

(b) The Parties acknowledge that in order for CSG to provide Customer with the CD Services, it will be necessary for Customer to disclose to CSG certain Consumer Information, which Consumer Information will be processed, transmitted and stored (subject to the terms of this CD Addendum and applicable law) in the United States. The Parties further acknowledge that with respect to the Consumer Information, (i) Customer acts as a “data controller” (or an equivalent term under applicable law) with respect to all Consumer Information and (ii) CSG acts as a “data processor” (or an equivalent term under applicable law), on behalf of and pursuant to, the instructions of Customer in order to comply with its obligations under this CD Addendum and under applicable law.

(c) CSG acknowledges that the Consumer Information and Usage Data to which it will have access pursuant to this CD Addendum (if any) constitutes Customer Confidential Information and that CSG in no way possesses or shall gain possession of any ownership or other proprietary rights with respect to such PII.

(d) CSG shall: (i) comply with its obligations under all applicable laws and regulations regarding the collection, use, protection, storage, transmission, duplication and disclosure of Consumer Information and Usage Data, including (to the extent applicable with respect to the CD Services provided by CSG under this CD Addendum and an Order Document), but not limited to, Section 631 of the Cable Communications Policy Act of 1984, as amended (47 U.S.C. Sec. 551) and 47 U.S.C. Section 222, as amended, (ii) comply and maintain annual compliance with the Visa Cardholder Security Information Program and PCI Data Security Standards (the “PCI Standards”) and will, upon Customer’s request, provide evidence of such compliance, (iii) implement and maintain reasonable and appropriate organizational, technical and other security measure to protect the confidentiality of Consumer Information, and Usage Data and prevent any unauthorized or unlawful processing, alteration, display, publication or disclosure of, and access to, such Consumer Information and Usage Data (including, but not limited to, maintenance of all Consumer Information and Usage Data that is collected, stored or otherwise maintained by CSG in a secure environment that meets generally accepted industry standards (e.g., the Visa Cardholder Security Information Program and PCI Data Security Standards (the “PCI Standards”)) and ensuring that all such information is stored and transmitted in encrypted or otherwise secure form), (iv) not duplicate, copy, reproduce or use any Consumer Information (or any portion thereof) or Usage Data other than for back-up purposes and as required to perform the CD Services under this CD Addendum; (v) limit access to the Consumer Information and Usage Data to those of its and Media’s employees and contractors who have a bona fide need to access in connection with the performance of CSG’s obligations hereunder and who are bound by confidentiality restrictions or practices that are materially similar to those herein and Article 10 of the Agreement; (vi) only use Consumer Information and Usage Data for the purposes of fulfilling its obligations under this CD Addendum and each Order Document executed hereunder, and CSG will not disclose or otherwise process such Consumer Information and Usage Data except upon Customer’s instructions in writing; and (vii) promptly notify Customer in writing and obtain Customer’s consent before sharing any Consumer Information and Usage Data with any government authorities (unless such concurrent or direct disclosure is expressly required under applicable law, in which case CSG shall cooperate with Customer in a commercially reasonable manner (consistent with and subject to Section 11.6 of the Agreement, as applicable) to quash such process or otherwise to limit the scope of any required disclosure) or other third parties; provided, that CSG shall not require Customer’s consent to disclose or transfer Consumer Information or Usage Data (as applicable) to a third party (including, as applicable, the provider of CSG’s Payment Gateway Services) that is specifically identified in an Order Document as being a permitted recipient of such Consumer Information or Usage Data (foregoing clauses (i) through (vii) collectively referred to as the “Security Measures”). To the extent applicable Law requires notice be provided to an individual or entity (e.g., a Consumer or Customer’s business to business customers) with which Customer has contractual privity following a privacy or security issue, including a Security Breach, Customer agrees to provide reasonably prompt notice (but in any event consistent with applicable Law) to such parties following receipt of notice from CSG of the Security Breach.

(e) CSG shall be liable for a breach of the provisions of this Section 13 and Article 10 of the Agreement, regardless of whether such breach was caused by CSG and its employees or any CSG subcontractor.

(f) CSG represents that it adheres to the U.S.-European Union (EU) Safe Harbor Framework (“Safe Harbor”) that protects the transfer of certain Consumer Information from the EU and Switzerland, respectively, to the U.S, and has received acknowledgment from the U.S. Department of Commerce that CSG is self-certified under the Safe Harbor (the “Safe Harbor Certification”). CSG agrees to maintain and adhere to such Safe Harbor Certification during the Term. If at any time CSG no longer participates in, or meets the requirements of, Safe Harbor, CSG shall provide Customer with prompt written notice to Customer, at which time the Parties shall engage in good faith negotiations to execute an amendment to this CD Addendum that incorporates terms and conditions that protect Consumer Information to the same extent as Safe Harbor.

(g) To the extent that CSG is authorized by Customer to gain remote access to Customer’s networks or equipment for purposes of performing its obligations hereunder, CSG shall ensure that (a) such access is restricted to authorized employees; (b) it provides Customer with a list of all such authorized employees at Customer’s request; (c) such remote access is used solely for purposes of fulfilling CSG’s obligations under this CD Addendum; (d) such remote access is obtained through a secure connection; (e) CSG

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uses such remote access capability only to access equipment or software that is directly involved in and necessary to CSG's performance of its obligations hereunder and does not access through Customer's networks or equipment any third party systems, databases, equipment or software; and (f) subject to subsection (l) below, CSG complies with the provisions of Schedule N to the Agreement. Upon Customer's written request (email acceptable), CSG will provide updates on the results of periodic security audits of its access system and methods (subject to the restrictions of Schedule N to the Agreement) and will change authentication elements periodically to maintain the integrity and security of CSG's access as long as such access and change does not cause a disruption to CSG's business.

(h) In the event of a breach of security of any system, website, database, equipment or storage medium or facility that results in unauthorized access to Consumer Information or Usage Data by any third party (including any employee or subcontractor of CSG that is not authorized to access such information), CSG shall notify the Customer promptly, and in no event more than \*\*\*\*\* (\*\*) \*\*\*\*\*, after taking any immediate measures necessary to prevent further access and make best efforts to resecure its systems as soon as possible. In addition, in the event of the unauthorized access to, disclosure of or use of Consumer Information or Usage Data in violation of Section 10.7 of the Agreement or this Section 14 to the extent caused by the acts or omissions of CSG (a "Security Breach"), CSG shall indemnify, defend at its own expense and hold Customer harmless from any third party claims asserted against Customer (excluding a claim asserted by Customer's Affiliate) resulting from such Security Breach (collectively, an "Indemnified Security Breach Claim"). The Parties acknowledge that CSG's liability for an Indemnified Security Breach Claim shall be only be to the extent of CSG's acts or omissions with respect to such claim, and CSG's indemnification obligation with respect to an Indemnified Security Breach Claim under this Section 14 is subject to \*\*\*\*\* \*\* \*\*\*\*\*. The parties acknowledge that any claim by Customer of damages incurred directly by Customer for a Security Breach (i.e., other than third party claims asserted against Customer that are addressed under an Indemnified Security Breach Claim) shall not be subject to indemnification by CSG but instead shall be subject to a contract claim for damages by Customer for CSG's breach of this Section 14 (a "Direct Security Breach Claim"). If CSG is responsible for a Security Breach and applicable law requires CSG or Customer to provide (A) notification to public authorities, individuals, or other persons, or (B) undertake other remedial measures (including, without limitation, notice, credit monitoring services and the establishment of a call center to respond to inquiries (each of the foregoing a "Remedial Action")), then CSG shall, at CSG's cost, undertake such Remedial Actions, subject to the limits and exclusions set forth in \*\*\*\*\* \*\* \*\*\*\*\*. If it is ultimately determined that the release of Consumer Information or Usage Data was caused by Customer or its employees, subcontractors or agents, then Customer shall be responsible for the costs and expenses relative to such Remedial Actions attributable to such person(s) and Customer shall also promptly reimburse CSG for the related costs and expenses incurred by CSG to comply with this Section 14.

(i) CSG shall use Content Direct System Data internally to monitor, support, maintain and improve the Content Direct Services and the Content Direct System, and shall not lease, sell or otherwise commercially exploit the Content Direct System Data.

(j) CSG shall provide \*\* \*\*\*\*\* on an annual basis a Service Organization Report for facilities controlled by CSG and/or its Affiliates, including, but not limited to, Media, that store, transmit, or process Consumer Information or Usage Data in connection with CSG's provision of CD Services. For purposes of this CD Addendum, a "Service Organization Report" or "SOR" is a report or reports of controls, generally accepted in the industry, in the areas of financial reporting, security, privacy, confidentiality, system availability or processing integrity for the services provided by a hosted solutions provider, service organization, service bureau or other similarly structured provider of software and hardware solutions. CSG shall provide Customer access to a copy of the most current SOR(s) that relate to the CD Services provided by CSG to Customer; provided that Customer acknowledges that each SOR is CSG's Confidential Information and is subject to the terms and conditions of Article 10 of the Agreement. CSG will use good faith efforts to assist in resolving any issues that may arise between Customer and any independent service auditor firm regarding Customer's access to such SOR(s). For the avoidance of doubt, Customer may not distribute or provide CSG's SOR(s) to third parties without CSG's prior written consent.

(k) If a security audit conducted by Customer pursuant to Schedule N of the Agreement evidences that a CSG subcontractor is out of compliance with the confidentiality provisions contained in this Section 14 or Article 10 of the Agreement, then Customer shall have the right to cause CSG to cease using such contractor on any matters in which such subcontractor may come into contact with any Consumer Information, Usage Data or other Customer Confidential Information.

(l) If Customer wishes CSG to adopt, implement or comply with a new Customer business practice standard (as such term is referenced in Schedule N to the Agreement) (including the proposed deployment of new or additional security measures, equipment, software and internal processes or procedures) that is not otherwise required by the Agreement, including Section 14 of this CD Addendum, Customer shall provide CSG written notice (which may include an email) of such proposal and include in same notice the nature of such Customer proposed revision, modification or addition (a "Customer Policy Modification"). If CSG does not object to a Customer Policy Modification, CSG shall comply with the Customer Policy Modification as soon as commercially practicable after CSG receives written notice thereof. Except for compliance with applicable Law and the PCI Standards, with which CSG is

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

required \*\* \*\*\* \*\*\*\*\* \*\* to comply, in the event CSG objects to a Customer Policy Modification, (a) CSG shall send written notice (which may include an email) of objection to Customer within \*\*\*\*\* (\*\*) \*\*\*\*\* after receipt of such Customer Policy Modification from Customer, and (b) such notice will describe in reasonable detail the nature of CSG's objection. If CSG objects on the basis that such Customer Policy Modification is (x) prohibited by CSG's certification with the PCI Standards, (y) inconsistent with applicable Law or (z) CSG's network architecture and controls, then the Parties will engage in good faith discussions to develop an alternative solution that addresses the substantive effect of the Customer Policy Modification and CSG's concerns with such proposal. If CSG objects to the Customer Policy Modification for any other reason, including, without limitation, on the basis of CSG having to incur material out-of-pocket costs in connection with implementing the Customer Policy Modification, then the Parties will negotiate in good faith for Customer to reimburse CSG for the costs to implement such Customer Policy Modification, and, upon the agreement of which, CSG shall promptly comply with such Customer Policy Modification as soon as commercially practicable. Upon receipt of any notice of objection from CSG as noted above, the Parties will work together in good faith to mutually agree on a resolution of such objection.

#### **14. Destruction/Return of Information**

The parties acknowledge that CSG may comply with Section 10.10 of the Agreement with respect to Consumer Information and Usage Data if such data is permanently (a) purged (i.e., deletion using random data overwrite) or (b) anonymized (i.e., within CSG's structured data construct, to delete or obfuscate the particular fields containing Consumer Information and Usage Data while preserving the record of the audiovisual materials (including the title, description or subject matter of such materials) acquired by a Consumer), using industry standard practices, thereby permanently preventing anyone (including CSG, its permitted subcontractors and any third party) from accessing any PII and/or reconstructing from such information retained in the systems of CSG and its subcontractors which audiovisual materials were acquired by a Consumer through such systems.

#### **15. Discontinuance**

The Discontinuance Fees, if any, applicable to Customer's commitment of CD Services shall be as prescribed in each CD Service Order.

#### **16. Business Continuity/Disaster Recovery Plan**

The CSG Systems, Inc. Business Continuity/Disaster Recovery Plan set forth in Attachment A to Exhibit C-1 of the Agreement is hereby amended to add the CD Services to the list of \*\*\*\*\* services.

#### **17. CD Services Performance Standards and Remedies**

The terms of CD Schedule C attached hereto shall apply to the CD Services in lieu of Schedule L of the Agreement.

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CD Schedule A

**Form of CD Service Order**

**CD Service Order No. \_\_**

**[Insert CD Service Order Title]**

This CD Service Order No. \_\_ (this "CD Order") is entered into effective as of [Insert Date] (the "CD Order Effective Date") and shall be governed by the terms and conditions of the CSG Master Subscriber Management System Agreement (Document #2501940) effective as of March 1, 2013 between CSG Systems, Inc. ("CSG") and Comcast Cable Communications Management, LLC ("Comcast"), as amended to date (the "Agreement"). This CD Order is a "CD Service Order" subject to the terms of the CD Addendum to the Agreement, and is entered into by CSG and [Insert Signatory, whether Customer or an Affiliate] ("Customer"). CSG and Customer are sometimes individually referred to herein as a "Party" and collectively as the "Parties". All capitalized terms used but not defined in this CD Order shall have the meaning assigned to such terms in the Agreement [and the DECE Documents].

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The following documents are attached to this Order and made a part hereof:

- Schedule 1 – Content Direct System and Content Direct Services Description
- Schedule 5 – Fees

1.0 Comcast Subscriber Entity[(ies)]; Content Direct System and Content Direct Services.

(a) The following Comcast Subscriber [Entity(ies)] are authorized to utilize the Content Direct System, Content Direct Services and Third Party Products prescribed by this CD Order:

[insert entities]

(b) Subject to the Fees, terms, conditions and restrictions of the Agreement and this CD Order, Customer agrees to procure from CSG, and CSG agrees to provide Customer the Content Direct Services and Third Party Products prescribed on Schedule 1 hereto. If Customer wishes to utilize additional (or less) Content Direct Services and/or Third Party Products during the CD Order Term (as defined in Section 2.0 below), the Parties shall enter into an amendment or Change Order to this CD Order to reflect the actual Content Direct System functionality, Content Direct Services and/or Third Party Products in use by Customer under this CD Order and to clarify the Fees applicable thereto.

2.0 CD Order Term. The initial term of this CD Order shall commence on the CD Order Effective Date and expire \_\_ (\_\_\_) years from the Go-Live Date of the Content Direct Services prescribed under this CD Order (the "Initial CD Order Term"). Upon expiration of the Initial CD Order Term, this CD Order shall automatically renew for successive \*\*\* \*\* periods on identical terms and conditions (each a "Renewal CD Order Term"; the Initial CD Order Term and any applicable Renewal CD Order Term(s) are collectively referred to as the "CD Order Term"), unless either of CSG or Customer notifies the other Party in writing of its intent to not renew such CD Order Term no less than \*\*\*\*\* days prior to the expiration of the then-current CD Order Term.

3.0 Initial Statement of Work. In connection with Customer's initial configuration of the Content Direct System, CSG shall perform the configuration, setup, application training and other services as identified in Statement of Work No. \_\_ with a project title of "\_\_\_\_\_" (CSG Document No. \_\_\_\_\_) ("SOW No. \_").

4.0 Projected Project Start Date and Targeted Go-Live Date. As described in SOW No. \_\_, the Parties estimate the project described by SOW No. \_\_ to commence as of [insert date] and the Targeted Go-Live Date is [insert date].

5.0 Fees; Payments. Customer agrees to pay CSG the Fees prescribed by this CD Order, including those Fees set forth in Schedule 5 hereto. Amounts due under this CD Order shall be paid by Customer in accordance with Article 5 of the Agreement.

6.0 Transfer of Consumer Information. Subject to the provisions of the Agreement, including, without limitation Section 14 of the CD Addendum, CSG may transfer Consumer Information to \*\*\*\*\*, CSG's current \*\*\*\*\*, solely for the purpose of allowing \*\*\*\*\* to process credit card transactions under this CD Order.

7.0 Identification of Additional Excluded Systems. As provided in Section 4 of CD Schedule C of the CD Addendum, the Parties agree that the following shall be deemed "Excluded Systems":

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

8.0 Authorized Approver; Customer Contact Information; Notices. The Authorized Approver[s] for this CD Order [is/are] identified below. Section 12.10 of the Agreement is hereby supplemented by providing the following contact persons for Customer and Authorized Approver:

Authorized Approver: [Name]  
[Telephone]  
[Email]

[Add Additional Authorized Approver(s) as necessary]

Customer Project Manager: [Name]  
[Telephone]  
[Email]

Customer Billing Contact: [Name]  
[Telephone]  
[Email]

**IN WITNESS WHEREOF**, the Parties have executed this Order by their duly authorized representatives, effective as of the Order Effective Date.

**CSG SYSTEMS, INC.**

**COMCAST CABLE COMMUNICATIONS MANAGEMENT,  
LLC**

By: [SAMPLE—DO NOT EXECUTE]  
Name:  
Title:  
Date:

By: [SAMPLE—DO NOT EXECUTE]  
Name:  
Title:  
Date:

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

**Schedule 1 to CD Service Order No. \_\_**

Content Direct System and Content Direct Services

CSG will provide the Content Direct System and Third Party Products described in this Schedule 1.

[Insert Description of Content Direct System and Third Party Products provided under this CD Order.]

*(End of Schedule 1 )*

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

Schedule 5 to **CD Service Order No. \_\_**

Fees

Customer's use of the Content Direct System and Content Direct Services, as prescribed on Schedule 1 of this CD Order, is subject to the following Fees:

[Insert applicable Fees and if Payment Processor Gateway Service, specify CSG Gateway Transactions or Customer Gateway Transactions.]

( *End of Schedule 5* )

\*\*\*\*\*End of CD Schedule A \*\*\*\*\*

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

## CD Schedule B

### Content Direct Services

The Content Direct System is packaged as a set of Content Direct Application Server Modules that provide their capabilities through a set of Content Direct Web Services to Content Direct User Applications. The Content Direct System is more specifically defined in the Documentation, and the below general descriptions are qualified in their entirety by reference to the Documentation. The specific Content Direct System configuration made available by CSG to Customer shall be as set forth in each CD Service Order executed by the Parties. Customer acknowledges that the Content Direct System shall not include the telecommunications connections to and from the Internet, the Compatible Interfaces (as defined below), the Customer Site and, if provisioned, a Performance Testing Environment.

CSG shall provide the Content Direct System and Content Direct Services to Customer in English (U.S.). If Customer requests the Content Direct System or Content Direct Services to be provided in a language other than English (U.S.), such provision shall be subject to \*\*\*\*\* and the Parties will specify the fees, terms and conditions of such implementation(s) in the applicable Order Document(s).

The Content Direct Application Server Modules deployed for a given Content Direct System deployment shall be described in the applicable CD Service Order.

The Content Direct Web Services made available for a given Content Direct System shall be described in the applicable CD Service Order.

The Content Direct Back-Office User Applications made available for a given Content Direct System shall be described in the applicable CD Service Order.

### Embedded Third Party Software

**Payment Processor Gateway Service.** The Content Direct Services are integrated with a payment processor gateway partner for effective and secure credit card payment processing. The payment processor gateway encrypts Consumer Information to ensure that information passes securely between the Content Direct Services and Customer's credit card processing partner to authorize credit cards and settle credit card transactions for deposit of funds with the Customer's designated merchant bank (the "Payment Processor Gateway Service"). CSG will provide the Payment Processor Gateway Service to Customer as part of the Content Direct Services; provided Customer must establish its own relationship with its merchant bank.

Customer has two options to process authorization, reversal, refund and settlement transactions attempted and processed through the Payment Processor Gateway Service for bank/credit cards, debit cards and similar payments (each, a "Gateway Transaction"): (i) Customer may use CSG's payment processing relationship with \*\*\*\*\* in which case each Gateway Transaction shall be referred to as a "CSG Gateway Transaction", or (ii) Customer may establish and use its own payment processing relationship with \*\*\*\*\* in which case each Gateway Transaction shall be referred to as a "Customer Gateway Transaction". Each CD Service Order shall specify whether Customer is processing CSG Gateway Transactions or Customer Gateway Transactions, and any change shall require the Parties to execute an amendment to such CD Service Order.

Each CSG Gateway Transaction shall be subject to \* \* \* \* \*, and \* \* \* \* \* shall be charged for Customer's processing of a Customer Gateway Transaction.

Payment Processor and bank interchange fees and other related card and bank processing fees are not included in the fees for CSG Gateway Transactions and are additional charges billed by third parties. CSG Gateway Transactions will be invoiced to Customer on a \*\*\*\*\* basis.

Customer acknowledges that if it processes Customer Gateway Transaction and the Payment Processor Gateway Service is unable to process a Customer Gateway Transaction caused by \*\*\*\*\* or any party other than CSG (a "Payment Processing Interruption"), then CSG shall have no responsibility or liability to Customer for such Payment Processing Interruption, and Customer's sole and exclusive remedy shall be with \*\*\*\*\*.

**Taxing** . The Content Direct Services are integrated with taxing software from \*\*\*\*\* ("\*\*\*\*\*"). Customer will not be charged for the use of the standard U.S. and International Sales and Use Module from \*\*\*\*\*. If Customer needs taxing capabilities other than the standard U.S. and International Sales and Use Module, or Customer requests to utilize taxing software from a provider other than \*\*\*\*\* , the Parties will negotiate the fees, terms and conditions applicable to such additional taxing software and configuration.

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**Compatible Interfaces**

The means by which Customer can access the Content Direct System and Content Direct Services as of the Effective Date, including the Content Direct Web Services, are set forth below (the “ **Compatible Interfaces** ”). CSG may update the Compatible Interfaces from time to time in its reasonable discretion by providing Customer advance notice consistent with good industry practices, provided CSG shall not cease supporting any item identified below without providing at least \*\*\*\*\* (\*\* ) \*\*\*\* prior written notice to Customer.

The Back Office Applications (as described on this CD Schedule B ) of the Content Direct System can be accessed through the public Internet via a PC/Mac on all standard browsers (properly configured) that support the \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*.

Content Direct Web Services are accessed through a \*\*\*\* \* \*\* \*\*\*\*\* running over \*\*\*\*\*.

It is assumed that all Customer-initiated connectivity to the Production Environment and Sandbox Environment will be coming through a TCP/IP enabled broadband connection.

CSG supports the below browsers on \*\*\*\* \* \*\* \*\*\*\*\* through which Consumers can, with any applicable browser plug-in ( e.g., Silverlight or Flash) based on the Consumer Experience, access the CSG Consumer Experiences:

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\*\*\*\*\* \*

- \*\*\*\*\* \*\*\*\*\*
- \*\*\*\*\* \*\*\*\*\*
- \*\*\*\*\* \*\*\*\*\*
- \*\*\*\*\* \*\*\*\*\*

\*\*\* \*\*

- \*\*\*\*\* \*\*\*\*\*
- \*\*\*\*\* \*\*\*\*\*

\*\*\*\*\*End of CD Schedule B\*\*\*\*\*

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

CSG Contact and Escalation List

The table below identifies the contact information for all levels of CD Support Services. All critical issues requiring escalation are managed through the Solution Support Center who will contact the appropriate on-call personnel:

Support Level	Contact Name/Title	Contact Information	Operating Hours/Staffing Levels
Level 1	Solution Support Center (SSC)	Phone: ***** (*****) Web: *****	*****
Level 1 Escalation	Manager of the SSC	Escalation from SSC analyst	*****
Level 2	Operations	Escalation from SSC	***** *****: ***** ***** *****: ***** ***** ***** *****
Level 2 Escalation	On-Call Analyst	Escalation from SSC	***** *****: ***** ***** *****: ***** ***** ***** *****
Level 3	SME ( e.g., Development, QA, PS, etc.)	Escalation from Level 2 (Operations)	***** *****: ***** ***** *****: ***** ***** ***** *****
Level 3 Escalation	On-Call SME	Escalation from Level 2 (Operations)	***** *****: ***** ***** *****: ***** ***** ***** *****
Management Escalation	Operations Manager	Escalation from Level 2 (Operations) on-call	***** *****: ***** ***** *****: ***** ***** ***** *****
Senior Management Escalation	Operations Director	Escalation from MS Manager	***** *****: ***** ***** *****: ***** ***** ***** *****





6. \*\*\*\*\*

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\*\*\*\*\* (\*) \*\*\*\*\*  
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\*\*\*\*\* End of CD Schedule C \*\*\*\*\*

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

**This THIRTY-SEVENTH AMENDMENT** (this " **Amendment** ") is made by and between **CSG Systems, Inc.** , a Delaware corporation (" **CSG** "), and **DISH Network L.L.C.** , a Colorado limited liability company (" **Customer** "). This Amendment shall be effective as of the date last signed below (the " **Effective Date** "). CSG and Customer entered into a certain CSG Master Subscriber Management System Agreement (Document no. 2301656) effective as of January 1, 2010 (the " **Agreement** "), and now desire to further amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

**CSG and Customer agree as follows as of the Effective Date:**

- 1. CSG SERVICES, Section III.A.II.C., entitled "SmartColor Printing" of Schedule F of the Agreement shall be amended to include Account Hierarchy statement volumes with SmartColor Printing and, as a result, Note 23 is hereby amended and restated as follows:**

" **Note 23** . SmartColor Printing fees are in addition to all other fees under Schedule F , including fees for Statement Processing described in Section III.A.II. above. SmartColor Printing will be deployed to all Customer statements (including English and Spanish, but excluding Customer Letter volumes). Customer commits to printing SmartColor Printing on a \*\*\*\*\* \*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* (the "SmartColor Printing Minimum"). If Customer notifies CSG of their desire to discontinue SmartColor Printing and, at the time SmartColor Printing is discontinued, Customer has not met the SmartColor Printing Minimum, CSG shall invoice Customer for the number of \*\*\*\*\* \*\*\*\*\* necessary to meet the SmartColor Printing Minimum \*\*\*\*\* by the \*\*\*\*\* \*\* provided in Section III.A.II.C above. The change to 24# paper weight will not result in a change to fees."

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

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

By: /s/ Michael K McClaskey

Name: Michael K. McClaskey

Title: Senior Vice President and Chief Information Officer

Date: 10/28/13

**CSG SYSTEMS, INC.**

By: /s/ Joseph T Ruble

Name: Joseph T. Ruble

Title: EVP, CAO & General Counsel

Date: 28 October 2013



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

**This THIRTY-NINTH AMENDMENT** (this " **Amendment** ") is made by and between **CSG Systems, Inc.** , a Delaware corporation (" **CSG** "), and **DISH Network L.L.C.** , a Colorado limited liability company (" **Customer** "). Following execution by the parties, this Amendment shall be effective as of January 1, 2014 (the " **Effective Date** "). CSG and Customer entered into a certain CSG Master Subscriber Management System Agreement (Document #2301656) effective as of January 1, 2010 (the " **Agreement** "), and now desire to further amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

CSG and Customer agree as follows as of the Effective Date:

In connection with Customer's migration to CSG's Advanced Convergent Platform (" **ACP** "), CSG provides Customer with a dedicated environment which consists of the common code base more particularly described in the Custom Roadmap as provided in the Agreement and shall not include any additional CSG Products and Services not identified in the Agreement (" **Cycle D** "). Customer desires to receive, and CSG agrees to provide, the option for Customer to \*\*\*\*\* to allow for scheduling consistent with Customer's \*\*\*\*\*.

1. The parties agree that Customer's use of Cycle D is based upon and subject to the following assumptions and conditions:
  - (a) Shared third party products and vendor services, including but not limited to Direct Net, financial institutions, electronic funds transfer (" **EFT** "), credit card, regulatory, or United States Postal Services (for purposes of this Amendment, " **Third Party Vendor Products and Services** "), will be handled in Cycle D as they were in \*\*\*\*\*. In addition, Third Party Vendor Products and Services will require separate necessary deployment of functionality in conjunction with, and as regularly scheduled in, the Cycle A/B release.
  - (b) The fees agreed to in this Amendment for \*\*\*\*\* for Customer's Integrated Operations Testing (" **IOT** ") environments (\*\*\*\*\*/\*\*\*\*\*/\*\*\*\*\*) and Cycle D production environments are based upon the Products and Services provided by CSG as of the Effective Date of this Amendment.
  
2. The parties agree that Customer shall have the right to \*\*\*\*\* only, subject to the following conditions:
  - (a) Customer shall provide written notice of the desire to exercise its right for a \*\*\*\*\*\_\*\*\*\* (\*) \*\*\*\*\* to the Cycle A/B \*\*\*\*\* . Customer shall include \*\*\*\*\* for the \*\*\*\*\* within its notice for the IOT environments as well as the Cycle D production environment. Upon Customer providing notice as described in this subsection, the parties shall mutually agree to a \*\*\*\*\* during the \*\*\*\*\*\_\*\*\*\* (\*) \*\*\*\*\* prior to the Cycle A/B \*\*\*\*\* . "\*\*\*\*\*" means the timeframe from the \*\*\*\*\* of the \*\*\*\*\* in IOT environments \*\*\*\*\* into production.



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

- (b) CSG reserves the right to review and approve Cycle D support and maintenance system changes for code fixes to production during the \*\*\*\*\*. Depending on the code fix, CSG may need to apply the fix to the current production version that Customer \*\*\*\*\* or back-port the fix to the \*\*\*\*\* that Customer is \*\*\*\*\*. In the event that CSG does not \*\*\*\*\* , CSG and Customer agree to follow the escalation process outlined in Section 23, entitled "Escalation" of the Agreement, to resolve the matter.
  - (c) Customer shall implement the current version of the production code into all IOT environments within \*\*\*\*\* (\*) \*\*\*\*\* of the same version of cycle A/B production code being released into Cycle D.
  - (d) Customer shall implement the current version of Cycle A/B production code into the Cycle D production environment within \*\*\*\*\*- \*\*\*\*\* (\*) \*\*\*\*\* of the A/B release production date.
  - (e) Releases that are subject to a \*\*\*\*\* (each a "\*\*\*\*\* ") in accordance with this Amendment shall not be implemented in Cycle D production environment \*\*\*\*\* (\*) \*\*\*\*\* for Cycle A/B.
  - (f) The Cycle D production environment \*\*\*\*\* (\*) \*\*\*\*\* the Cycle A/B code base.
  - (g) Priority/Severity 3 or lower production issues will not be addressed during any \*\*\*\*\* in Cycle D and IOT environments. Production issues resolved during any \*\*\*\*\* will be applied to Cycle A/B code to be implemented with Cycle D bundle release into production. Priority/Severity 1 or 2 production issues found in Cycle D during the applicable \*\*\*\*\* that require code changes will be performed on an issue by issue basis for implementation in Cycle D. \*\*\*\*\* code issues discovered and code implemented in the new release Cycle A/B code will also be applied to Customer's applicable IOT environments prior to release and shall also be delivered to production once the latest release has been implemented in Cycle D.
  - (h) Incident Report (" IR ") support throughout the \*\*\*\*\* will be analyzed and handled on an individual time and materials basis for the standard rate of Annual Support Hours. CSG will make available to Customer a list of known defects and the associated timeframe for repairing the defect.
  - (i) CSG and Customer agree that \*\*\*\*\* may require additional Annual Support Hours, which may exceed \*\*\*\*\* . Customer may request detail of Annual Support Hours charged to understand the hours billed to Customer.
  - (j) The CSG standard implementation and validation process for code release installs will be performed during the Cycle D implementation.
  - (k) Customer agrees to provide CSG with written notice of any Priority/Severity 1 issues, as such are defined in the Agreement, applicable to the Cycle D production release prior to release in production. In the event that Customer and CSG agree that a Priority/Severity 1 issue exists prior to release in the Cycle D production environment, CSG agrees not to implement the code into production until the Severity 1 issue is resolved or reduced to a Severity 2 or 3 issue. In the event that Customer and CSG do not mutually agree as to the severity level or resolution of the issue, CSG and Customer agree to resolve the matter by following the process outlined in Section 23, entitled "Escalation" in the Agreement. The obligations provided herein shall not be exclusive to any other provisions relating to the parties for Priority/Severity issues resolution.
3. **SCHEDULE H**, entitled "CSG Systems, Inc. Business Continuity/Disaster Recovery Plan" will only apply to CSG production systems running on the particular CSG production code applicable to Customer at the time of disaster or recovery exercise.
  4. CSG and Customer agree to amend **SCHEDULE F**, FEES, CSG SERVICES, Section I.E.4, entitled "Database Maintenance and Programming Request," as follows:

Description of Item/Unit of Measure	Frequency	Fee
3) ***** Cycle D Releases (***** (*) ***** payments in 2014)	***** *****	\$ *****

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

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

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

**CSG SYSTEMS, INC.**

By: /s/ Michael K McClaskey

By: /s/ Peter E Kalan

Name: Michael K. McClaskey

Name: Peter E. Kalan

Title: Senior Vice President and Chief Information Officer

Title: President & CEO

Date: 12/20/13

Date: 12/24/13

FIFTY-EIGHTH AMENDMENT  
TO THE  
CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT  
BETWEEN  
CSG SYSTEMS, INC.  
AND  
TIME WARNER CABLE INC.

This **Fifty-eighth Amendment** (the "Amendment") is made by and between **CSG Systems, Inc.**, a Delaware corporation ("CSG"), and **Time Warner Cable Inc.** ("TWC"). CSG and TWC entered into a certain CSG Master Subscriber Management System Agreement executed March 13, 2003, and effective as of April 1, 2003, as amended (the "Agreement"), and now desire to further amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment, shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Upon execution by the parties, the effective date of this Amendment is **September 4, 2013** (the "Effective Date"). Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

**CSG and TWC agree to the following as of the Effective Date (as defined below):**

1. (a) **Use.** TWC desires to use and CSG agrees to provide CSG's CSG Statement Express™ API service ("Statement Express API Service") (as described in Section 3 of this Amendment) which may be used by Customers and/or their third party contractors in the United States and the Export Approved Countries for Customers' statement archival retrieval purposes for the term of the Agreement (and any Termination Assistance Period, as defined in the Agreement), conditioned upon use of Print and Mail Services by such Customers under this Agreement, unless the Statement Express API Service is earlier terminated as provided herein. Use of the Statement Express API Service by any Customer is optional. Notwithstanding the terms of the Agreement, Participating Affiliates are not required to execute an amendment to such Participating Affiliate's Affiliate Addendum to use the Statement Express API Service. In addition to TWC's termination rights set forth in Article 6 of the Agreement, TWC shall also have the right to \*\*\*\*\*' \*\*\*\* \*\* \*\*\*\*\* \*\* \*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\* \*\*\*\*\* \*\*\*\* \*\*\*\*\* \*\*\*\* \*\*\*\*\* to CSG in accordance with 6.1 (f) of the Agreement (as if "TWC" were substituted for "Participating Affiliate" therein and without reference to any Affiliate Addendum).
  - (b) **Designated Environment.** Current DEG requirements for Statement Express API Service are attached hereto as Exhibit A and incorporated herein by this reference, in accordance with the terms of the Agreement.
  - (c) **Technical Services.** Upon a Customer's request, during the term of this Agreement and any Termination Assistance Period, CSG personnel will assist such Customer with any reasonable Technical Services that such Customer reasonably requests in connection with the Statement Express API Service, including in relation to the Customer-side integration of any Other Medium (as defined below) and/or Third Party Systems, pursuant to a Statement of Work signed by the applicable Customer and CSG for the then current Fees for the provision of Technical Services provided in Schedule F of the Agreement under the Statement Express API Service fee section.
  - (d) **Deconversion.** In the event TWC divests a cable system CSG agrees to provide de-conversion services in accordance with Article 3.1 (c) of the Agreement and as part of such de-conversion services, the following shall be added to the list of master files and data in Section 3.1 (c)(i):
    - \*\*\*\*\* (for the \*\*\*\*\* , pursuant to \*\*\*\*\* , \*\*\*\*\* , \*\*\*\*\* , \*\*\*\*\* , \*\*\*\*\* , of Schedule F)
2. Schedule P of the Agreement is hereby amended to add the Statement Express API Service as an Export Approved Service.
3. Schedule C, Basic Services and Additional Services and Associated Exhibits, of the Agreement is amended to add the Statement Express API Service as an Additional Service and to add the following description of the Statement Express API Service:



“ **Statement Express API Service.** Statement Express API Service electronically retrieves ESP® Statements of Customers’ Subscribers (the "Statements") in the form of a .pdf image exactly as a hard copy version of the Statement would appear to the applicable Subscriber, including customized statement messages and advertisements (“PDF Images”). PDF Images of the Statements are available within \*\*\*\*\* (\*\* ) \*\*\*\*\* of composition or, in the case of Subscribers that receive electronic copies, immediately following such composition. Statement Express API works in either an application programming interface capacity or integrated with ACSR®.

Statement Express API Service will enable PDF Images of the Statements to be accessed from CSG data repository databases, for both a production and a shared customer acceptance testing ("CAT") test environment, via any Third Party Systems and any such other mediums as TWC and the Participating Affiliates may elect from time to time including, but not limited to, website and desktop applications, wireless devices, etc. (“Other Mediums”). The Statement Express API Service is in addition to the statement retrieval functionality that is provided via any other Product or Service under this Agreement. All updates and enhancements of the Statement Express API shall be made available \*\* \*\* \*\*\*\*\* to TWC and the Participating Affiliates immediately upon release by CSG and are included within this definition of “Statement Express API Service.”

4. As a result, a new subsection E is hereby added to Schedule F (“Fees”) of the Agreement, under “CSG Services,” “Section II. Interfaces,” to include the following fees for the Statement Express API Service. For clarification purposes, the fees listed below have already been subject to Section 5.4 Adjustment to Fees; therefore CSG shall not adjust any of the fees specified below prior to \*\*\*\*\* \*\* \*\*\*\*\*.

**“E. Statement Express API Service:**

Description of Item/Unit of Measure	Frequency	Fee
<b>E.Statement Express API Service (Notes 2 – 6) (Note 8)</b>		
1.Implementation of Statement Express API with a CAT Test Environment Interface ( <b>Note 1</b> )	***.****	\$ *****
2.Interface Development and Technical Services ( <b>Note 7</b> )	*** *****	*****
3. Support Services Fee (** ***** *****) ( <b>Note 3</b> )	*****	\$ *****

**Note 1:** Implementation of the Statement Express API for both a production and CAT test environment is set forth in a Statement of Work (CSG document no.2303175).

**Note 2 :** Following implementation of the Statement Express API pursuant to Note 1 above, CSG shall ensure that any fix, update, modification, enhancement or upgrade and/or new version of the Statement Express API (“Statement Express API Update”) shall maintain \*\*\*\*\* \*\* \*\*\*\*\* of the date of such Statement Express API Update, and, in addition, CSG shall not implement a Statement Express API Update without first ensuring that such Statement Express API Update \*\*\*\*\* \*\* \*\*\*\*\* as of the date of such Statement Express API Update, at \*\* \*\*\*\*\* \*\* \*\*\*\*\*.

**Note 3:** During the term of this Agreement and any Termination Assistance Period, CSG shall provide Support Services for the Statement Express API Service, including any interfaces following implementation as contemplated in Note 7 below, and problems shall be reported and resolved, in accordance with the priority levels set forth in Section II of Schedule H of the Agreement, provided, however, to the extent Customers pay any fees for maintenance of Statement Express pursuant to Section I.H of Schedule F, TWC shall \*\*\*\*\* pursuant to Section I.H. of Schedule F against the Support Services Fee incurred hereunder. Specifically, any Support Services Fees incurred hereunder shall be \*\*\*\*\* \*\* \*\*\*\*\* for Statement Express, if applicable, for such calendar year.

**Note 4:** Customers will receive a \*\*\*\*\* \*\* \*\*\*\*\* (\*\*\*\*\* ) PDF \*\*\*\*\* \*\* \*\*\*\*\* for Statements (“PDF Statement Pulls”) \*\*\*\*\* via the Statement Express API, which, for the avoidance of doubt, excludes any statement image pulls through ACSR (“Initial API Capacity”), \*\* \*\* \*\*\*\*\*. For purposes of clarity, any PDF Statement Pulls through the Statement Express API in conjunction with ACSR will not count toward the PDF Statement Pulls, either in terms of Initial API Capacity or any excess over and above the Initial API Capacity. If Customers’ aggregate monthly volume of PDF Statement Pulls increases to \*\*\*\*\* \*\* \*\*\*\*\* of the Initial API Capacity, CSG shall notify TWC in writing (email shall be sufficient). If during any \*\*\*\*\* \*\* \*\*\*\*\* , Customers’ aggregate \*\*\*\*\* PDF Statement Pull \*\*\*\*\* the Initial API Capacity, CSG shall \*\*\*\*\* \*\* \*\*\*\*\* of \$\*\*\*\*\* \*\* \*\*\*\*\* for each increment of \*\*\*\*\* \*\* \*\*\*\*\* (\*\*\*\*\* ) PDF Statement Pulls \*\*\*\*\* in \*\*\*\*\* of the Initial API Capacity (“Statement Express API Fees”).

**Note 5:** Effective immediately following implementation of the Statement Express API Service, PDF Image history for all Statements shall be available for the then-current month and the immediately prior \*\*\* (\*) \*\*\*\*\*; unless a Customer has notified CSG that it chooses to elect Option II under Section I, Call Center, subsection H, Statement Express, of Schedule F, after which \*\*\*\*\* (\*) \*\*\*\*\* of PDF Image history shall be available through the Statement Express API Service upon accumulation of the same.

**Note 6:** Following implementation of the Statement Express API Service pursuant to the Statement of Work referenced in Note 1 above, revisions requested by Customers to the Statement Express API Service will require a separate mutually agreed upon Statement of Work, which will include fees on a time and materials basis at a rate not to exceed the then-current Technical Services rate under Schedule F of the Agreement, or, if mutually agreed, on a fixed fee basis for the fee set forth in such Statement of Work.

**Note 7:** Interface Development and Technical Services. Interface development and technical services requested by any Customer in relation to the client-side integration of any Other Medium and/or Third Party Systems shall be set forth in a mutually agreed upon Statement of Work pursuant to Note 6 above.

**Note 8:** For avoidance of doubt, solely to the extent Customers continue to use CSG Statement Express™ and subject to Note 3 above, each such Customer shall be subject to terms and conditions of CSG Statement Express™ set forth in the Agreement to the extent applicable, including annual per workstation maintenance and per data frame archival storage fees pursuant to Schedule F, "CSG Products"; Section I. Call Center; Item H, "Statement Express" of the Agreement (“Archival Data Fees”), provided, however, for avoidance of doubt, if a Customer elects Option II under Section I, Call Center, subsection H, Statement Express, of Schedule F, \*\*\*\*\* (\*\* ) \*\*\*\*\* of PDF Image history shall be available through both the Statement Express API Service and CSG Statement Express upon

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

accumulation of same without duplication of the Archival Data Fees charge. Notwithstanding the foregoing, other than with respect to the Statement Express API Fees, Archival Data Fees to the extent applicable, and implementation and testing fees as contemplated in the Statement of Work referenced in Note 1 above, no additional fees, recurring or otherwise, shall apply solely as a result of any Customer's use of the Statement Express API."

- 5. Schedule L entitled "Disaster Recovery Plan" shall be amended to add Statement Express API Service under \*\*\*\* \*.
- 6. Schedule K of the Agreement is hereby amended as follows:

(a) A new subparagraph (a)(xii) is inserted as follows:

"(xii) Statement Express API \*\*\*\*\*. \*\*\*\*\* for each Statement Express API Service \*\*\*\*\* shall be \*\*\*\*\* (\*) \*\*\*\*\* or \*\*\*\*\*\_\*\*\*\*\* (\*\*) of the time, measured on a \*\*\*\*\* and documented in a \*\*\*\*\* available commencing \*\*\*\*\* (\*\*) \*\*\*\*\* following the Execution Date of the Fifty-eighth Amendment (as such date is defined therein) pursuant to and in accordance with Section (b)(i) below. For purposes of this subsection (xii) \*\*\*\*\* for each \*\*\*\*\* is measured from the \*\*\*\*\* \*\*\*\*\* This \*\*\*\*\* does not include any \*\*\*\*\*."

(b) A new subparagraph (a)(xiii) is inserted as follows:

"(xiii) Statement Express API Service.

(1)CSG shall complete the implementation services for the Statement Express API Service pursuant to that certain Statement of Work (CSG document no. 2303175) immediately after which, the Statement Express API Service shall be available for use by all Subscribers, employees, agents and customer service representatives of each Customer through Customer's selected Third Party Systems and/or Other Mediums.

(2)Each Statement shall be viewable via the applicable Customer's selected Third Party Systems and/or Other Mediums, within \*\*\*\*\* (\*\*) \*\*\*\*\* of \*\*\*\*\* or in the case of Subscribers that receive electronic copies, immediately following such composition.

(3)The Statement Express API Service will be available \*\*\*\*\* (\*\*) of the time, on a \*\*\*\*\* , excluding \*\*\*\*\* for up to \*\*\*\*\* (\*) \*\*\*\*\* per \*\*\*\*\* to occur during CSG's \*\*\*\*\* for Statement Express API which shall be published no less than \*\*\*\*\* (\*\*) \*\*\*\*\* in advance. In the event CSG's \*\*\*\*\* for \*\*\*\*\* is expected to exceed \*\*\*\*\* (\*) \*\*\*\*\* in a \*\*\*\*\* , CSG shall provide TWC and each Customer with \*\*\*\*\* (\*\*) days' prior notice. However, unless mutually agreed to by both parties, in no other event shall the \*\*\*\*\* of \*\*\*\*\* exceed \*\*\*\*\* (\*\*) \*\*\*\*\* . For purposes of this paragraph (xiii)(3), \*\*\*\*\* does not include \*\*\*\*\* beyond the \*\*\*\*\* . The \*\*\*\*\* is defined as the \*\*\*\*\* , its \*\*\*\*\* and all other \*\*\*\*\* and the \*\*\*\*\* ; provided, however, that it shall \*\*\*\*\* or any \*\*\*\*\* for \*\*\*\*\*."

(c) A new subparagraph (b)(iii)(G) is inserted as follows:

"G. \*\*\*\*\* for \*\*\*\*\* in (a)(xii) and (a)(xiii). If during the term of this Agreement, CSG does not meet \*\*\*\*\* (\*) \*\*\*\*\* set forth in subparagraph (a)(xii) and (a)(xiii), then for \*\*\*\*\* , \*\*\*\*\* \$\*\*\*\*\* \*\*\*\*\* in the \*\*\*\*\* in which the \*\*\*\*\* . In the event a \*\*\*\*\* during the \*\*\*\*\* , the \*\*\*\*\* . For example, if the \*\*\*\*\* , CSG \*\*\*\*\* \$\*\*\*\*\* . The \*\*\*\*\* set forth in the preceding sentence \*\*\*\*\* to such Customer's \*\*\*\*\* ."

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

**IN WITNESS WHEREOF** each of CSG and Customer cause this Amendment to be executed below by its duly authorized representative as of the date indicated below (the "Execution Date"). The parties acknowledge and agree that to the extent either CSG or Customer has been performing, prior to the Execution Date, in connection with the elements described in this Amendment, except as otherwise specifically set forth herein, this Amendment and the Agreement shall retroactively govern each party's performance in connection with the subject matter hereof commencing as of the Effective Date. Notwithstanding the foregoing, if any invoices have been issued under this Amendment prior to the Execution Date, the payment date for such invoices shall be \*\*\*\*\*\_\*\*\*\*\* (\*\*) \*\*\*\*\* after the last party has executed this Amendment.

**TIME WARNER CABLE INC. ("TWC")CSG SYSTEMS, INC. ("CSG")**

By: /s/ Scott Cannada

By: /s/ Michael J Henderson

Name: Scott Cannada

Name: Michael J. Henderson

Title: Vice President

Title: EVP Sales & Marketing

Date: October 28, 2013

Date: 11/4/13

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**EXHIBIT A**

**Current DEG Requirements for Statement Express API Service\***

<b>CSG Statement Express ® Designated Environment Effective Date: 7/26/2013</b>
<b>Reviewed on 7/26/2013:</b> no changes
<b>Reviewed on 4/29/2013:</b> no changes
<b>Reviewed on 10/30/12:</b> no changes
<b>Reviewed on 7/26/12:</b> no changes
<b>Reviewed on 4/26/12:</b> no changes
<b>Reviewed on 1/27/12:</b> no changes
<b>Reviewed 10/26/11</b> no changes
<b>Reviewed 7/27/11:</b> no changes
<b>Reviewed 4/27/11:</b> no changes
<b>Change effective 1/7/11:</b>
<ul style="list-style-type: none"> <li>• Stand Alone Environment option was deleted</li> </ul>
<b>Reviewed 10/29/10</b> – no changes
<b>Changes effective 5/7/10:</b>
<ul style="list-style-type: none"> <li>• Stand Alone Environment Platform: IBM Content Manager OnDemand versions later than 7.1.2.0 are now supported. Stand Alone Environment/Platform changed from Windows XP or 2000 to Windows XP SP2 or later, or Windows Vista or later.</li> <li>• Stand Alone Environments /Minimum Processor changed from IBM-compatible PC with Intel Pentium or Celeron 500 MHz to all Intel and AMD processors capable of running supported Windows operating systems (32-bit and x64 -based systems)</li> </ul>

<b>CSG Statement Express Client - ACSR Integrated API (1)</b>
<b>Platform</b>
See current Designated Environment requirements for ACSR
<b>Desktop Software Requirements</b>
Adobe Acrobat Reader version 7.0 or higher (Requires Plug-ins)
Internet Explorer 6.0 or higher
<b>Minimum Processor</b>
See current ACSR Designated Environment
<b>Minimum Free Disk Space</b>
See current Designated Environment requirements for ACSR
<b>Minimum Memory</b>
See current Designated Environment requirements for ACSR
(1) Requires CSG ACSR and INTERNIC registered address

\* The DEG requirements specified in the attached are subject to change from time to time, in accordance with the terms of the Agreement.

**SEVENTY-SECOND AMENDMENT  
TO THE  
CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT  
BETWEEN  
CSG SYSTEMS, INC.  
AND  
TIME WARNER CABLE INC.**

This Seventy-second Amendment (the "Amendment") is made by and between **CSG Systems, Inc.**, a Delaware corporation ("CSG"), and **Time Warner Cable Inc.** ("TWC"). CSG and TWC entered into a certain CSG Master Subscriber Management System Agreement executed March 13, 2003, and effective as of April 1, 2003, as amended (the "Agreement"), and now desire to further amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment, shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

Whereas, the parties, under the Fifty-ninth Amendment (CSG document no. 2310701) (the "Amendment"), amended the Agreement to provide for, among other matters, revised pricing terms of Additional Statement Page; and

Whereas, the parties have identified an error in the Additional Statement Page monthly fees specified in Section 20(g) of the Amendment; and

Whereas, as a result of discussions between CSG and TWC, the parties agree to amend the Agreement as provided herein.

Now Therefore, CSG and TWC agree to the following upon the Contract Anniversary Date:

1. Schedule F of the Agreement, "Fee Schedule," "CSG SERVICES," Section III.A. Direct Solutions (Print and Mail), subsection II.B. Additional Statement Page Fee Table shall be amended as follows:

Description of Item/Unit of Measure	Frequency	Fee
II. Statement Processing:		
B. Additional Statement Page: (Duplex, Black Print Only). Includes laser imaging, mail handling, and automated insertion of statement page. Excludes Materials. (per physical page per system principle) (Note 5)	*****\$	*****

2. All other terms of Section 20(g) of the Amendment shall remain in full force and effect.

THIS AMENDMENT is executed as of the day and year last signed below (the Effective Date").

TIME WARNER CABLE INC. ("CUSTOMER")

CSG SYSTEMS, INC. ("CSG")

By: /s/ Matthew Zelesko

By: /s/ Michael J Henderson

Name: Matthew Zelesko

Name: Michael J. Henderson

Title: Senior Vice President

Title: EVP Sales & Marketing

Date: September 30, 2013

Date: 10/7/13

**SEVENTY-FIFTH AMENDMENT  
TO THE  
CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT  
BETWEEN  
CSG SYSTEMS, INC.  
AND  
TIME WARNER CABLE INC.**

Upon execution by the parties, this Seventy-fifth Amendment (the "Amendment") is made by and between **CSG Systems, Inc.**, a Delaware corporation ("CSG"), and **Time Warner Cable Inc.** ("TWC"), effective as of August 1, 2013 (the "Effective Date"). CSG and TWC entered into a certain CSG Master Subscriber Management System Agreement executed March 13, 2003, and effective as of April 1, 2003, as amended (the "Agreement"), and now desire to further amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment, shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

**CSG and TWC agree as follows as of the Effective Date:**

**1. TWC hereby requests and CSG agrees to provide, CSG SmartVideo video bill services ("CSG SmartVideo") for (i) TWC and Participating Affiliates for Connected Subscribers and (ii) any non-Connected Subscribers for which TWC and/or its Affiliates receive printing services from CSG but billing processing services from a third party billing processor (for purposes of this Amendment, the "Non-ACP Subscribers"), through CSG's vendor ("SmartVideo Vendor"), pursuant to the terms and conditions stated herein and the Agreement. Upon execution of this Amendment, the Agreement is amended as follows:**

(a) Exhibit C-4, CSG Care Express® – Service Bureau, Additional Services, is hereby amended by adding the following new paragraph to the end of Section 2, Additional Services:

"Notwithstanding the foregoing, CSG will provide, and each Customer may purchase from CSG, CSG SmartVideo services, as more particularly described in Attachment C – SmartVideo. As a prerequisite to receiving CSG SmartVideo services hereunder, TWC must be using CSG's Precision eBPP® services for the Connected Subscribers. For avoidance of doubt, in no event are any other modules and/or elements of Care Express necessary as pre-requisites for receipt of the CSG SmartVideo services."

(b) Schedule C, Basic Services and Additional Services and Associated Exhibits of the Agreement is hereby amended by adding the following to the Section entitled "Additional Services":

CSG SmartVideo.....C-4 Attachment C

(c) Additionally, Schedule C-4, "CSG Care Express - Service Bureau" is hereby modified by adding a new attachment, "Attachment C: SmartVideo" in the form attached to this Amendment as Attachment 1, and incorporated herein by this reference.

In no event will any provision of this Amendment alter or in any way change any provisions under the print and mail agreements for the Non-ACP Subscribers between CSG and TWC, which are identified below, as such agreements may be amended and/or superseded from time to time.

- Comtec Processing and Production Services Agreement (2294594) effective June 18, 2003, by and between CSG Systems, Inc., successor in interest to ComTec Incorporated, and Time Warner Cable Inc., as amended, including, but not limited to, the following Affiliate Addendums thereunder:
  - o Affiliate Addendum (Northeast Region) (2298138) effective June 2, 2009, as amended;

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- Affiliate Addendum (Midwest Region) (2305970) effective March 2, 2012, as amended;
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Exhibit C-4:

Attachment C

CSG SmartVideo

**SERVICE DESCRIPTION**

CSG's SmartVideo offering provides a hosted service that generates videos viewable by Customers Connected and Non-ACP Subscribers utilizing data elements provided by CSG's billing system, CSG's statement platform(s) and/or Customer. The videos will contain a standard set of dynamic and customer care related scenes as mutually agreed in the applicable implementation Statement of Work for CSG SmartVideo (the "Video Scenes"), and will leverage data elements to personalize the Video Scenes.

CSG will create, edit, manage and deliver personalized video bills to Connected Subscribers and Non-ACP Subscribers via email from TWC's email platform(s) and/or TWC's online web portal. The Video Scenes will include both dynamic and Video Scenes from which CSG will create, edit, manage and deliver the statement videos to Customer for delivery to Customer's Connected and Non-ACP Subscribers ("Statement Videos").

The CSG SmartVideo Statement Videos may be made available by Customers for purposes of explaining the elements of each Connected Subscriber's and Non-ACP Subscriber's bill to new subscribers, as applicable, and/or current Connected Subscribers and Non-ACP Subscribers, that have requested and are receiving new and/or additional services from TWC. In its sole discretion, TWC will determine who, in terms of both Connected Subscribers and Non-ACP Subscribers, will receive the SmartVideo statement videos.

Customers will have the option to include customer satisfaction surveys, approved by Customers in advance, integrated in the Video Scenes. If Customers elect to use such customer satisfaction surveys, reporting provided for CSG SmartVideo services shall include responses to same.

The CSG SmartVideo Statement Videos and any supplemental components will be implemented in a mutually agreed upon Statement of Work. Additional information regarding the CSG SmartVideo offering is available to Customer in the CSG's Product and Service documentation located at <https://my.csgsupport.com> or upon request.

**ADDITIONAL TERMS**

- 1. Permitted Subcontractor.** TWC hereby agrees and acknowledges that, in connection with CSG's provision of the CSG SmartVideo services, CSG's SmartVideo Vendor may have access to certain TWC Confidential Information, solely as necessary to provide the applicable CSG SmartVideo Services. TWC approves of the CSG SmartVideo Vendor as Permitted Subcontractor under the Agreement, provided, however, in no event does such approval waive CSG's obligations under the Agreement with respect to Permitted Subcontractors.
  - 2. Disaster Recovery.** Schedule L, Disaster Recovery Plan, of the Agreement is amended to add CSG SmartVideo services under the \*\*\*\* classification.
  - 3. Support.** CSG shall provide support for CSG SmartVideo services and problems shall be reported and resolved, in accordance with \*\*\*\*\* \* \*\*\*\*\* as set forth in Section II of Schedule H of the Agreement. CSG's support obligations shall continue through the earlier of (a) termination or expiration of the Agreement (and any Termination Assistance Period, as defined in the Agreement) or (b) such time as all Customers cease use of CSG SmartVideo services.
  - 4. Term and Termination.** CSG SmartVideo services shall be provided for an initial term of \*\*\*\*\* (\*\*) \*\*\*\*\* from the Effective Date and shall automatically renew for additional \*\*\* (\*) \*\*\*\*\* terms unless CSG provides TWC with written notice of non-renewal at least \*\*\*\*\* (\*\*) \*\*\*\*\* before the end of the then current term. In addition, CSG may terminate the CSG SmartVideo services if its agreement with SmartVideo Vendor terminates for any reason. In such event of such termination, promptly following knowledge of same by CSG, CSG shall provide TWC with written notice that the CSG SmartVideo services will terminate with the anticipated termination date specified in such notice. In the event the termination by CSG is due to CSG no longer having an agreement with SmartVideo Vendor (i.e., due to an uncured material breach by SmartVideo Vendor and/or CSG) or either CSG or SmartVideo Vendor elects to not renew, CSG agrees to promptly provide a refund to TWC of Video View Fees paid for any unused Video Views applicable to the then current CSG SmartVideo Consumption Period. In addition, should a termination of CSG's SmartVideo services be the result of CSG no longer having an agreement with SmartVideo Vendor and the termination of such agreement is solely due to CSG's uncured breach, in the \*\*\*\*\* (\*\*) \*\*\*\*\* following implementation of CSG SmartVideo services pursuant to an implementation Statement of Work, in addition to reimbursing TWC for unused Video
-



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

Views as set forth above, CSG shall promptly provide a \*\*\*\*\* \*\* \*\*\* of \*\*\*\*\* \*\*\*\*\* (\*\*\*) of the implementation services fees paid by TWC pursuant to such implementation Statement of Work(s) for Connected Subscribers and/or Non-ACP Subscribers, as applicable.

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Attachment 2

SmartVideo SLAs

1. Schedule K of the Agreement is hereby amended as follows:

(a) A new subparagraph (a)(xi) relating to CSG SmartVideo services, is hereby added as follows:

“(xi) CSG SmartVideo Services Availability. CSG SmartVideo services will be available \*\*\*\*\*\_\*\*\* \*\*\*\*\* (\*\*\*) of the time, during each \*\*\*\*\* \*\*\*\*\*, excluding \*\*\*\*\* for up to \*\*\*\*\* (\*) \*\*\*\*\* \*\*\*, to occur on \*\*\*\*\* \*\*\*, and \*:\*\*\* \*\*\*, eastern time; provided, however, that unless mutually agreed to by both parties, in no other event shall the \*\*\*\*\* \*\*\*\*\* (\*) \*\*\*\*\* \*\*\* .

For purposes of determining whether the CSG has met its CSG SmartVideo performance standard, the following definitions shall apply:

**Definitions:**

“ \*\*\*\*\* ” means a \*\*\*\*\* (\*\*\*) \*\*\*\*\* preceding the date of CSG’s \*\*\*\*\* for CSG SmartVideo services.

“ \*\*\*\*\* ” means the \*\*\*\*\* by \*\*\*\*\* from \*\*\* \*\*\*\*\* (\*\*\*) the \*\*\*\*\* (\*) \*\*\*\*\* during a \*\*\*\*\* in which the CSG SmartVideo services were in the \*\*\*\*\* . For example: in a \*\*\*\*\* (\*\*\*) \*\*\*\*\* , there are \*\*\*\*\* . Taking \*\*\*\*\* (\*) \*\*\*\*\* (\*\*\*) for \*\*\*\*\* , the \*\*\*\*\* in \*\*\*\*\* (\*) \*\*\*\*\* is \*\*\*\*\* . If the CSG SmartVideo services are unavailable, as documented in the \*\*\*\*\* provided to TWC, for a total of \*\*\*\*\* , then the \*\*\*\*\* is \*\*\*\*\* ((\*\*\*\*\*\_\*\*\*\*\*)/\*\*\*\*\* = \*\*\*\*\* ) ; i.e., the \*\*\*\*\*\_\*\*\* \*\*\*\*\* (\*\*\*) availability performance standard has \*\*\*\*\* for the \*\*\*\*\* and TWC shall be entitled to \*\*\*\*\* defined in "\*\*\*\*\*" provision herein below.

“ \*\*\*\*\* ” means any instance in which Video Views are \*\*\* \*\*\*\*\* for viewing from the SmartVideo \*\*\*\*\* due to a \*\*\*\*\* of or \*\*\*\*\* with the \*\*\*\*\* .”

(b) A new subparagraph (b)(iii)(F) relating to CSG SmartVideo services, is hereby added as follows:

“(F) \*\*\*\*\* in (a)(xi): In any instances in which the \*\*\*\*\* does \*\*\*\*\* set forth in Section (a)(xi), then CSG \*\*\*\*\* an \*\*\*\*\* (\*) of \*\*\*\*\* for the \*\*\*\*\* in which CSG \*\*\*\*\* by \*\*\*\*\* (s) then in \*\*\*\*\* .

**SEVENTY-SEVENTH AMENDMENT  
TO THE  
CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT  
BETWEEN  
CSG SYSTEMS, INC.  
AND  
TIME WARNER CABLE INC.**

This Seventy-seventh Amendment (the "Amendment") is made by and between **CSG Systems, Inc.**, a Delaware corporation ("CSG"), and **Time Warner Cable Inc.** ("TWC"). CSG and TWC entered into a certain CSG Master Subscriber Management System Agreement executed March 13, 2003 (CSG document no. 1926320), and effective as of April 1, 2003, as amended (the "Agreement"), and now desire to further amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment, shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

WHEREAS, CSG currently provides Customers with Intelligent AR service for Connected Subscribers of certain systems/principals pursuant to the Sixty-first Amendment executed by the parties, effective as of June 29, 2012 (CSG document no. 2311951) (the "61st Amendment"); and

WHEREAS, TWC desires to receive and, CSG desires to provide its Intelligent AR service for (i) all Customers' Connected Subscribers and (ii) any subscribers of TWC and/or its Affiliates for which TWC and/or its Affiliates receive bill processing services from a third party billing processor.

**NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, CSG and TWC agree to the following as of the Effective Date:**

**1. TWC hereby requests and CSG agrees to provide its Intelligent AR service (i) for Customers' Connected Subscribers within system/principal \*\*\*\*-.\*\*\*\*; and (ii) for any Non-ACP Subscribers (as defined below).**

**a) As a result, the "Services Description" section of Schedule C, "Basic Services and Additional Services and Associated Exhibits," entitled "Customer Intelligence - Intelligent Accounts Receivables," of the Agreement shall be deleted in its entirety and replaced by the following:**

" **Customer Intelligence – Intelligent Accounts Receivables ("Intelligent AR").** Intelligent AR is a service offering by which CSG will perform analytics and predictive models on the payment data of (i) Participating Affiliates' Connected Subscribers and (ii) TWC's and/or its Affiliates' subscribers for which TWC and/or its Affiliates receive bill processing services from a third party billing processor (for purposes of the Intelligent AR service, the "Non-ACP Subscribers"). Intelligent AR will generate predictive behavior scoring profiles based on payment behavior data ("Output Data"). CSG will deliver the Output Data to Customers and such Output Data will allow Customers to configure and classify payment groups for each and/or both of the Connected Subscribers and the Non-ACP Subscribers. Such Output Data shall be based on the \*\*\*\* \* of historical payment data for the Connected Subscribers and/or Non-ACP subscribers, as applicable, and shall be provided by (a) CSG for Connected Subscribers and (b) Customers for Non-ACP Subscribers. Customer Data provided to CSG and Output Data delivered to Customers hereunder shall be transferred via TWC's FTP site in accordance with processes determined by TWC from time to time, or as otherwise mutually agreed by the parties. For avoidance of doubt, CSG will retain the \*\*\*\* \* of historical data for Non-ACP Subscribers on a rolling basis for purposes of the Intelligent AR service, \*\* \* . Further, solely with respect to Connected Subscribers, CSG will integrate the predicted payment groups on a \*\*\*\* \* basis with CSG's Enhanced Accounts Receivables ("EAR"). For Non-ACP Subscribers, CSG will provide the Output Data to Customers on a \*\*\*\* \* basis."

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

b) As a result, "Intelligent Accounts Receivable" of "Schedule F, "Fees," of the Agreement shall be deleted in its entirety and replaced with the following:

Intelligent Accounts Receivable

Description of Item/Unit of Measure	Frequency	Fee
<b>A. Intelligent Accounts Receivable for Connected Subscribers</b>		
1.Implementation Fee for Connected Subscribers	*** ***)	\$ *****)
2.Intelligent AR Support Service for Connected Subscribers (Note 2)	*****)	\$ *****)
3.Additional Capacity Fee for Connected Subscribers (Note 3)	*****)	\$ *****)
<b>B. Intelligent Accounts Receivable for Non-ACP Subscribers</b>		
1.Implementation Fee for Non-ACP Subscribers (Note 5)	*** ***)	*****)
2.Intelligent AR Support Services for Non-ACP Subscribers (Note 5)	*****)	\$ *****)
3.Additional Capacity Fee for Non-ACP Subscribers (Note 6)	*****)	\$ *****)

Note 1 : The parties acknowledge and agree that implementation services for Connected Subscribers were performed pursuant to that certain Statement of Work (CSG document no. 2311952) executed by the parties on June 29, 2012 and the Implementation Fee for Connected Subscribers has been invoiced by CSG and paid by TWC prior to execution of this Amendment. For avoidance of doubt, implementation services for Participating Affiliate's system/principal \*\*\*\*\*) is included within such Implementation Fee and CSG shall provide implementation services for system/principal \*\*\*\*\*) pursuant to a mutually agreed Statement of Work or authorization letter upon TWC's request, \*\*\*)

Note 2 : CSG shall provide Intelligent AR Support Services for Connected Subscribers; problems shall be reported and resolved, in accordance with the priority levels set forth in Section II. of Schedule H of the Agreement. Support Services shall commence after implementation of Intelligent AR as contemplated in Note 1 above. Support Services shall include up to \*\*\*\*\*) of analytics support ("Analytics Support") for Connected Subscribers. Analytics Support shall consist of \*\*\*\*\*) and \*\*\*\*\*)

\*\*\*\*\*) Analytics Support in excess of such \*\*\*\*\*) shall be billed at TWC's then current hourly rate for Technical Services. CSG shall notify TWC when \*\*\*\*\*) of the Analytics Support hours for Participating Affiliate Subscribers have been exhausted in any given \*\*\*\*\*). Commencing in \*\*\*\*), such Support Services Fee shall be subject to increase pursuant to Section 5.4 of the Agreement.

Note 3: Initial capacity for Connected Subscribers includes up to \*\*\*\*\*) an Additional Capacity Fee of \$\*\*\*\*\*) will apply for incremental capacity of each \*\*\*\*\*) processed using Intelligent AR in any \*\*\*\*\*) (i.e., for \*\*\*\*\*) up to \*\*\*\*\*). The specified Support Services Fee Connected Subscribers, plus any Additional Capacity Fee, if applicable, shall be invoiced in \*\*\*\*\*) on a \*\*\*\*\*) based on Intelligent AR service provided by CSG for the prior calendar \*\*\*\*\*). Commencing in 2014, this Additional Capacity Fee is subject to increase pursuant to Section 5.4 of the Agreement.

Note 4: Implementation of Intelligent AR Service for Non-ACP Subscribers will be pursuant to that certain Statement of Work to be executed by CSG and TWC (CSG document no. 2501841).

Note 5: CSG shall provide Intelligent AR Support Services for Non-ACP Subscribers; problems shall be reported and resolved, in accordance with the priority levels set forth in Section II. of Schedule H of the Agreement. Support Services shall commence after implementation of Intelligent AR as contemplated in Note 4 above. Support Services shall include up to \*\*\*\*\*) of Analytics Support for Non-ACP Subscribers. Analytics Support shall consist of \*\*\*\*\*)

\*\*\*\*\*) Analytics Support in excess of such \*\*\*\*\*) shall be billed at TWC's then current hourly rate for Technical Services. CSG shall notify TWC when \*\*\*\*\*) of the Analytics Support hours for Non-ACP Subscribers have been exhausted in any given \*\*\*\*\*). Following the first anniversary date after implementation of Intelligent AR for Non-ACP Subscribers as contemplated in Note 4 above, this Support Services Fee is subject to increase pursuant to Section 5.4 of the Agreement.

Note 6: Initial capacity for Non-ACP Subscribers includes up to \*\*\*\*\*) the Additional Capacity Fee of \$\*\*\*\*\*) for incremental capacity of each \*\*\*\*\*) Non-ACP Subscribers processed using Intelligent AR in any \*\*\*\*\*) (i.e., for \*\*\*\*\*) on a \*\*\*\*\*) based on Intelligent AR service provided by CSG related to Non-ACP Subscribers for the prior calendar \*\*\*\*\*). Following the first anniversary date after implementation of Non-ACP Subscriber Intelligent AR service as contemplated in Note 4 above, this Additional Capacity Fee is subject to increase pursuant to Section 5.4 of the Agreement.

- For avoidance of doubt, any and all analysis, scores, reports, records or data created, derived, compiled or added by CSG to any Customer Data of TWC and/or any Participating Affiliates Connected Subscribers and/or any Non-ACP Subscribers of TWC and/or any Affiliates in connection with the Intelligent AR service, in any case, irrespective of the form, is the exclusive property and Confidential Information of TWC (the "TWC Data") and deemed to be Customer Data under the Agreement. In no event shall CSG retain, store and/or supplement any of its databases with any such TWC Data, in whole or in part, except in connection with any CSG Products and Services provided to TWC and Participating Affiliates with respect to Connected Subscribers and solely as required for purposes of providing the Intelligent AR service with respect to Non-ACP Subscribers of TWC and/or any Affiliates, nor shall CSG utilize any external information and/or any databases of any third party for purposes of providing the Intelligent AR service or share any such TWC Data with any third parties without obtaining the prior written consent of TWC, signed by an authorized officer of TWC. Upon expiration or termination of the Agreement, including any Termination Assistance Period, CSG shall include all TWC Data for the then current past \*\*\*\*\*) from the date of such expiration or termination identified in any Deconversion Notice.
- Any Affiliate and Participating Affiliates may use and receive the Intelligent AR service without (a) incurring any additional fees hereunder and (b) without any requirement that such Intelligent AR service be (i) set forth in any such Participating Affiliate's Affiliate Addendum and/or (ii) that any such Affiliate execute a Participating Affiliate Addendum. Any Affiliate that elects to use the Intelligent AR service for Non-ACP Subscribers shall be deemed to be a Customer and a Participating Affiliate under the Agreement with respect to their use of such Intelligent AR service, provided, however,



**EIGHTY-SECOND AMENDMENT  
TO THE  
CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT  
BETWEEN  
csg SYSTEMS, INC.  
AND  
TIME WARNER CABLE INC.**

This Eighty-second (the "Amendment") is made by and between **CSG Systems, Inc.**, a Delaware corporation ("CSG"), and **Time Warner Cable Inc.** ("TWC"). CSG and TWC entered into a certain CSG Master Subscriber Management System Agreement executed March 13, 2003, and effective as of April 1, 2003, as amended (the "Agreement"), and now desire to further amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

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

1. Customers desire to use and CSG agrees to create and implement certain SQL queries, CSG Vantage® ("Vantage") detail tables and summary tables (the "Reference Tables") for Customers' Connected Subscribers in the system principal agents listed in Attachment A for generation of an Accounts Receivable Segmentation Report (the "Report"). Up to \*\*\*\* (\*) \*\*\*\*\* of the Reference Tables shall be stored by CSG on TWC's dedicated Vantage environment. TWC's existing dedicated Vantage environment will be expanded to add \*\*\*\* (\*) \*\*\*\*\* of storage capacity ("Additional Storage") to host the Reference Tables. For avoidance of doubt, any data contained in the Reference Tables, regardless of whether such data is marked or stated as confidential or proprietary, shall be deemed to be Confidential Information of TWC and subject to the terms and conditions of the Agreement. Further, the Additional Storage is not intended to store any Personal Information and therefore, TWC is solely responsible for ensuring that no Personal Information is contained in any of the Reference Tables.

CSG shall provide TWC with Vantage user capabilities for \*\*\* (\*) \*\*\*\*, designated by TWC as the schema owner ("Schema Owner"). Within the schema, the Schema Owner will have all administrator rights and privileges, including the capability to run \*\*\*\* (\*) \*\*\*\*\* grant/discontinue access to any users of Customer ("Customer Users") and/or the Third Party User, and grant/discontinue the capability of Customer Users and/or the Third Party User to perform ongoing maintenance activities to the SQL queries, and Reference Tables. For avoidance of doubt, no additional Vantage licenses are required in connection with the Schema Owner and/or the Customer Users. Notwithstanding the foregoing, each Customer User must have a Vantage license to utilize the capabilities granted by the Schema Owner and each such Customer User's number of sessions hereunder will be dictated by such Customer User's applicable Vantage license. Further, the Schema Owner may add, remove and/or change the capabilities of Customer Users and the Third Party User, in whole or in part, at any time and from time to time hereunder at no additional charge. In addition, TWC may change the Schema Owner at any time and from time to time hereunder, at no additional charge, by notifying CSG in writing (e-mail is acceptable).

Upon the termination, cancellation, or expiration of the Agreement for any reason and the expiration of the Termination Assistance Period, or upon the request of TWC, the Reference Tables contained in the Additional Storage, together with any copies made thereof, in addition to any media upon which such Reference Tables are stored, whether electronic, magnetic, hard copy or in any other form, shall be returned to TWC, or, if requested by TWC, destroyed in a commercially reasonable manner and certified destroyed by CSG in writing. By way of clarification, the parties acknowledge and agree that the Reference Tables and related copies, as described above in this paragraph, shall be delivered to TWC, as Custom Data Files pursuant to a mutually agreed Statement of Work for the then current Technical Services rate provided in Schedule F and pursuant to and in accordance with Section 6.2(c) of the Agreement.

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**CSG Systems International, Inc.**  
**Subsidiaries of the Registrant**  
**As of December 31, 2013**

<u>Subsidiary</u>	<u>State or Country of Organization</u>
Ascade AB	Sweden
CSG International PTE Ltd	Singapore
Ascade Holdings AB	Sweden
Ascade Middle East FZ-LLC	United Arab Emirates
Billing Intec Uruguay S.A.	Uruguay
Comtecnet Incorporated	New Jersey
CSG Interactive Messaging, Inc.	Delaware
CSG International Australia Pty Limited	Australia
CSG International Holdings, LLC	Delaware
CSG International (NZ) Limited	New Zealand
CSG International Pty Limited	Australia
CSG International Sdn Bhd	Malaysia
CSG Media LLC	Delaware
CSG Services, Inc.	Delaware
CSG Systems International, Inc.	Delaware
CSG Systems U.K. Limited	United Kingdom
CSG Systems, Inc.	Delaware
DataProse, Inc.	California
Digiquant, Inc.	Delaware
Digiquant Malaysia Sdn. Bhd	Malaysia
Digiquant Sweden AB	Sweden
Inception to Implementation (M) Sd. Bhd	Malaysia
Independent Technology Billing Solutions S de RL de CV	Mexico
Independent Technology Systems (India) Pvt. Ltd.	India
Independent Technology Systems Limited	United Kingdom
Independent Technology Systems Scandinavia AB	Sweden
Independent Technology Systems SL Unipersonal	Spain
Intec (Guernsey) 1 Limited	Guernsey
Intec (Guernsey) 2 Limited	Guernsey
Intec Billing (Holding) Canada Ltd	Canada
Intec Billing Canada Ltd.	Canada
Intec Billing Ireland	Ireland
Intec Billing Nigeria Limited	Nigeria
Intec Billing, Inc.	Delaware
Intec Telecom Systems (France) SARL	France
Intec Telecom Systems (Singapore) Pte Ltd.	Singapore
Intec Telecom Systems Denmark A/S	Denmark
Intec Telecom Systems Deutschland GmbH	Germany
Intec Telecom Systems do Brasil Limitada	Brazil
Intec Telecom Systems Italia SpA	Italy
Intec Telecom Systems Limited	United Kingdom
Intec Telecom Systems South Africa (Pty) Limited	South Africa
Intec USA, Inc.	Delaware
P.T. CSG International Indonesia	Indonesia
Telmate ApS	Denmark
Telution, Inc.	Delaware
Volubill Danmark APS	Denmark
Volubill, 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, 333-117928, 333-125584, 333-176579, and 333-176580) of CSG Systems International, Inc. of our reports dated March 7, 2013, with respect to the consolidated balance sheets of CSG Systems International, Inc. as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013, and the effectiveness of internal control over financial reporting as of December 31, 2013, which reports appear in the December 31, 2013 annual report on Form 10-K of CSG Systems International, Inc.

**/s/KPMG LLP**

Omaha, Nebraska  
February 28, 2014

**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 28, 2014

/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 28, 2014

/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 28, 2014

Peter E. Kalan  
Chief Executive Officer and President

February 28, 2014

/s/ Randy R. Wiese  
Randy R. Wiese  
Executive Vice President and Chief Financial Officer