



FORM 10-Q

CSG SYSTEMS INTERNATIONAL INC - CSGS

Filed: November 08, 2007 (period: September 30, 2007)

Quarterly report which provides a continuing view of a company's financial position

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2007

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)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ☐ NO ☒

Shares of common stock outstanding at November 5, 2007: 35,514,437

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

	September 30, 2007	December 31, 2006
	(unaudited)	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 118,867	\$ 240,687
Short-term investments	58,461	174,803
Total cash, cash equivalents and short-term investments	177,328	415,490
Trade accounts receivable-		
Billed, net of allowance of \$1,589 and \$1,143	109,952	110,020
Unbilled and other	5,818	5,555
Deferred income taxes	10,494	8,927
Other current assets	7,784	5,636
Total current assets	311,376	545,628
Property and equipment, net of depreciation of \$70,115 and \$66,656	28,343	23,680
Software, net of amortization of \$34,013 and \$32,989	9,081	7,725
Goodwill	59,891	14,228
Client contracts, net of amortization of \$94,543 and \$82,486	35,131	36,024
Deferred income taxes	15,591	19,617
Other assets	6,848	6,594
Total assets	\$ 466,261	\$ 653,496
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Client deposits	\$ 26,887	\$ 23,645
Trade accounts payable	22,229	15,509
Accrued employee compensation	18,844	20,962
Deferred revenue	15,520	17,586
Income taxes payable	1,467	3,651
Other current liabilities	11,889	10,158
Total current liabilities	96,836	91,511
Non-current liabilities:		
Long-term debt	230,000	230,000
Deferred revenue	9,292	8,632
Income taxes payable	4,490	—
Other non-current liabilities	4,745	5,619
Total non-current liabilities	248,527	244,251
Total liabilities	345,363	335,762
Stockholders' equity:		
Preferred stock, par value \$.01 per share; 10,000,000 shares authorized; zero shares issued and outstanding	—	—
Common stock, par value \$.01 per share; 100,000,000 shares authorized; 37,136,239 and 46,831,643 shares outstanding	623	616
Additional paid-in capital	347,989	340,564
Treasury stock, at cost, 25,142,208 and 14,776,238 shares	(612,863)	(360,259)
Accumulated other comprehensive income (loss):		
Unrealized gain (loss) on short-term investments, net of tax	(4)	25
Unrecognized pension plan losses and prior service costs, net of tax	(852)	(852)
Accumulated earnings	386,005	337,640
Total stockholders' equity	120,898	317,734
Total liabilities and stockholders' equity	\$ 466,261	\$ 653,496

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

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

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
	(unaudited)		(unaudited)	
Revenues:				
Processing and related services	\$ 97,769	\$ 90,272	\$277,691	\$ 264,408
Software, maintenance and services	9,792	8,178	28,118	22,055
Total revenues	107,561	98,450	305,809	286,463
Cost of revenues:				
Processing and related services	50,607	44,867	138,571	129,457
Software, maintenance and services	6,016	5,829	18,615	15,555
Total cost of revenues	56,623	50,696	157,186	145,012
Gross margin (exclusive of depreciation)	50,938	47,754	148,623	141,451
Operating expenses:				
Research and development	15,415	12,097	43,254	32,872
Selling, general and administrative	10,566	10,449	32,313	32,037
Depreciation	3,422	2,600	9,328	7,651
Restructuring charges	(33)	78	545	2,368
Total operating expenses	29,370	25,224	85,440	74,928
Operating income	21,568	22,530	63,183	66,523
Other income (expense):				
Interest expense	(1,684)	(1,862)	(5,365)	(5,650)
Interest and investment income, net	3,707	6,046	14,317	15,993
Other, net	(2)	—	133	(52)
Total other	2,021	4,184	9,085	10,291
Income from continuing operations before income taxes	23,589	26,714	72,268	76,814
Income tax provision	(8,387)	(9,350)	(25,669)	(28,379)
Income from continuing operations	15,202	17,364	46,599	48,435
Discontinued operations:				
Loss from discontinued operations, includes net pretax loss on disposal in 2006 of \$6,000	—	(6,555)	—	(6,555)
Income tax benefit	—	2,795	269	2,795
Discontinued operations, net of tax	—	(3,760)	269	(3,760)
Net income	\$ 15,202	\$ 13,604	\$ 46,868	\$ 44,675
Basic earnings (loss) per common share:				
Income from continuing operations	\$ 0.39	\$ 0.37	\$ 1.12	\$ 1.04
Discontinued operations, net of tax	—	(0.08)	0.01	(0.08)
Net income	\$ 0.39	\$ 0.29	\$ 1.13	\$ 0.96
Diluted earnings (loss) per common share:				
Income from continuing operations	\$ 0.39	\$ 0.37	\$ 1.11	\$ 1.03
Discontinued operations, net of tax	—	(0.08)	0.01	(0.08)
Net income	\$ 0.39	\$ 0.29	\$ 1.12	\$ 0.95
Weighted-average shares outstanding:				
Basic	38,587	46,549	41,633	46,659
Diluted	38,969	47,154	41,999	47,228

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

CSG SYSTEMS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended	
	September 30, 2007	September 30, 2006
	(unaudited)	
Cash flows from operating activities:		
Net income	\$ 46,868	\$ 44,675
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation	9,328	7,651
Amortization	13,967	12,550
Restructuring charge for abandonment of facilities	308	401
Net pretax loss on disposition of discontinued operations	—	6,000
Gain on short-term investments	(3,061)	(567)
Deferred income taxes	9,154	9,740
Excess tax benefits from stock-based compensation awards	(870)	(2,845)
Stock-based employee compensation	8,126	9,114
Changes in operating assets and liabilities:		
Trade accounts and other receivables, net	7,310	(235)
Other current and non-current assets	1,200	(1,807)
Income taxes payable/receivable	5,385	11,128
Trade accounts payable and accrued liabilities	(478)	(8,103)
Deferred revenue	(1,406)	1,579
Net cash provided by operating activities	<u>95,831</u>	<u>89,281</u>
Cash flows from investing activities:		
Net payments from the disposition of discontinued operations	—	(6,436)
Purchases of property and equipment	(12,386)	(5,198)
Proceeds from sale of aircraft held for sale	—	7,376
Purchases of short-term investments	(189,536)	(183,716)
Proceeds from sale/maturity of short-term investments	309,800	98,100
Acquisition of businesses, net of cash acquired	(65,382)	(21,533)
Acquisition of and investments in client contracts	(6,914)	(6,549)
Net cash provided by (used in) investing activities	<u>35,582</u>	<u>(117,956)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock	1,786	7,431
Repurchase of common stock	(255,889)	(44,568)
Payments on acquired equipment financing	—	(481)
Excess tax benefits from stock-based compensation awards	870	2,845
Net cash used in financing activities	<u>(253,233)</u>	<u>(34,773)</u>
Net decrease in cash and cash equivalents	(121,820)	(63,448)
Cash and cash equivalents, beginning of period	240,687	346,113
Cash and cash equivalents, end of period	<u>\$ 118,867</u>	<u>\$ 282,665</u>
Supplemental disclosures of cash flow information:		
Net cash paid during the period for-		
Interest	\$ 3,193	\$ 3,195
Income taxes	10,790	5,265

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

**CSG SYSTEMS INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

1. GENERAL

We have prepared the accompanying unaudited condensed consolidated financial statements as of September 30, 2007 and December 31, 2006, and for the three and nine months ended September 30, 2007 and 2006, in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information, and pursuant to the instructions to Form 10-Q and the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of our management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of our financial position and operating results have been included. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto, together with Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in our Annual Report on Form 10-K for the year ended December 31, 2006, filed with the SEC. The results of operations for the three and nine months ended September 30, 2007, are not necessarily indicative of the expected results for the entire year ending December 31, 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in Preparation of Condensed Consolidated Financial Statements. The preparation of the accompanying Condensed Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

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 Condensed Consolidated Balance Sheets and are classified as current liabilities regardless of the contract period. We net the cost of postage against the postage reimbursements, and include the net amount in processing and related services revenues. The cost of postage that has been shown net of the postage reimbursements from our clients for the three months ended September 30, 2007 and 2006 was \$58.3 million and \$48.3 million, respectively, and for the nine months ended September 30, 2007 and 2006 was \$155.5 million and \$144.5 million, respectively.

Short-term Investments and Other Financial Instruments. Our financial instruments as of September 30, 2007 and December 31, 2006 include cash and cash equivalents, short-term investments, accounts receivable, accounts payable, and long-term debt. Because of their short maturities, the carrying amounts of cash equivalents, accounts receivable, and accounts payable approximate their fair value. Short-term investments are considered "available-for-sale" in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities", and thus are stated at fair value in our accompanying Condensed Consolidated Balance Sheets. As of September 30, 2007 and December 31, 2006, the fair value of our long-term debt, based upon quoted market prices, was approximately \$230 million and \$264 million, respectively. As of September 30, 2007 and December 31, 2006, the fair value of the contingent interest feature of our long-term debt, considered an embedded derivative, was \$0.1 million and \$0.3 million, respectively.

Income Taxes. Effective January 1, 2007, we adopted the provision of Financial Accounting Standards Board ("FASB") Interpretation 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). This interpretation clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes". FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure.

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As a result of the implementation of FIN 48, we recognized reductions in our liability for unrecognized income tax benefits related to our continuing operations and discontinued operations of \$0.3 million and \$1.2 million, respectively, which were accounted for as an increase to our January 1, 2007 retained earnings balance. As of January 1, 2007, the total amount of unrecognized income tax benefits related to our continuing operations and discontinued operations totaled \$2.7 million and \$2.1 million, respectively, which included \$0.4 million of income tax-related accrued interest. If recognized, the total amount of unrecognized income tax benefits as of the date of adoption related to our continuing operations, or \$2.7 million, would affect our continuing operations' effective tax rate. We recognize income-tax related interest and penalties as part of income tax expense. As of September 30, 2007 we have not had a significant change in our liability for unrecognized income tax benefits since we adopted FIN 48, and we do not anticipate a significant change within the next twelve months.

We file income tax returns primarily in the U.S. Federal jurisdiction and in various state jurisdictions. As of September 30, 2007, the U.S. Federal statute of limitations has expired for years before 2004, and the statute of limitations has expired in our major state jurisdictions of Nebraska, Colorado and Florida for years before 2003, 2002 and 2003, respectively.

Accounting Pronouncement Issued But Not Yet Effective. In February 2007, the FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115" ("SFAS 159"), which permits an entity to choose to measure various financial instruments and certain other items at fair value. The provisions of SFAS 159 will be effective for us on January 1, 2008. We are currently in the process of analyzing the impact of adopting SFAS 159, but do not expect its adoption to have a significant impact on our financial statements.

3. DISCONTINUED OPERATIONS

In December 2005, we closed on agreements to sell: (i) our Global Software Services business (the "GSS Business") to Comverse, Inc., a division of Comverse Technology, Inc.; and (ii) our plaNet Consulting business (the "plaNet Business") to a group of private investors led by the plaNet management team. As a result, we have activity reflected as discontinued operations in the accompanying Condensed Consolidated Statements of Income. Cash flows have not been segregated between continuing operations and discontinued operations in the accompanying Condensed Consolidated Statements of Cash Flows.

The sale of the GSS Business and the plaNet Business were both subject to the determination of final purchase price adjustments. The accounts receivable related to the final purchase price adjustments had been determined as of December 31, 2005, and those amounts, totaling approximately \$4 million, were collected in the first quarter of 2006. The costs to sell the GSS Business and the plaNet Business were accrued as of December 31, 2005, and those amounts, totaling \$4.4 million, were paid in the first quarter of 2006.

During the third quarter of 2006, we made a \$6 million payment to Comverse related to the settlement of a dispute over a joint tax election associated with the sale of the GSS Business. This payment to Comverse is considered a reduction in the purchase price previously paid by Comverse, and thus is reflected as part of the loss from discontinued operations for the three and nine months ended September 30, 2006. This settlement payment had not been anticipated by us, and we do not expect any similar purchase price adjustments in future periods.

There were no other material transactions related to discontinued operations during the three and nine months ended September 30, 2007 and 2006.

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4. STOCKHOLDERS' EQUITY AND EQUITY COMPENSATION PLANS

Stock Repurchase Program. We currently have a stock repurchase program, approved by our Board of Directors, authorizing us to repurchase up to 30 million shares of our common stock from time-to-time as market and business conditions warrant (the "Stock Repurchase Program").

A summary of the shares repurchased during the three and nine months ended September 30, 2007 and 2006 under the Stock Repurchase Program is as follows (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Shares repurchased	5,560	820	10,366	1,729
Total amount paid	\$129,746	\$21,884	\$252,603	\$42,768
Weighted-average price per share	\$ 23.34	\$ 26.69	\$ 24.37	\$ 24.73

As of September 30, 2007, the total shares repurchased under the Stock Repurchase Program since its inception in August 1999 is 26.0 million shares, at a total repurchase price of \$641.5 million (a weighted-average price of \$24.69 per share). As of September 30, 2007, the total remaining number of shares available for repurchase under the Stock Repurchase Program totaled 4.0 million shares.

Stock Repurchases for Tax Withholdings. In addition to the above mentioned stock repurchases, a summary of shares repurchased from our employees and then cancelled during the three and nine months ended September 30, 2007 and 2006 in connection with minimum tax withholding requirements resulting from the vesting of restricted stock under our stock incentive plans is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Shares repurchased	13	16	130	78
Total amount paid	\$ 298	\$ 397	\$3,346	\$1,801

Stock-Based Awards. Beginning in 2003, we began primarily granting restricted stock awards instead of stock options to employees and non-employee directors under our equity compensation plans. Historically, our restricted stock awards have vested annually over four years with no restrictions other than the passage of time (i.e., the shares are released upon calendar vesting with no further restrictions) ("Time-Based Awards"). Certain Time-Based Awards become fully vested upon a change in control, as defined, and the subsequent involuntary termination of employment, and certain shares have other acceleration of vesting provisions related to retirement. 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.

During the first quarter of 2007, we issued 96,250 restricted stock shares to key members of management (primarily members of executive management) that vest in equal installments over one to three years upon meeting either pre-established financial performance objectives or pre-established stock price objectives ("Performance-Based Awards"). The Performance-Based Awards were contingent upon stockholder approval of the financial performance and stock price objectives established in the awards and were approved by the stockholders at our May 2007 annual meeting. The Performance-Based Awards become fully vested upon a change in control, as defined, and the subsequent involuntary termination of employment. The fair value of the Performance-Based Awards (determined by using the closing market price of our common stock on the grant date) is charged to expense on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award is, in-substance, multiple awards.

A summary of our unvested restricted stock activity during the three and nine months ended September 30, 2007 is as follows:

	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2007
	Shares	Shares
Unvested awards, beginning	1,369,129	1,143,301
Awards granted	141,500	735,050
Awards forfeited/cancelled	(3,099)	(40,458)
Awards vested	(58,813)	(389,176)
Unvested awards, ending	1,448,717	1,448,717

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We recorded stock-based compensation expense of \$3.3 million and \$3.1 million for the three months ended September 30, 2007 and 2006, respectively, and \$8.1 million and \$9.1 million for the nine months ended September 30, 2007 and 2006, respectively.

5. EARNINGS PER COMMON SHARE

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

No reconciliation of the basic and diluted EPS numerators is necessary for the three and nine months ended September 30, 2007 and 2006, as net income is used as the numerator for each period. The reconciliation of the EPS denominators is included in the following table (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Basic common shares outstanding	38,587	46,549	41,633	46,659
Dilutive effect of stock options	68	191	82	253
Dilutive effect of unvested restricted stock	314	414	284	316
Dilutive effect of Convertible Debt Securities	—	—	—	—
Diluted common shares outstanding	<u>38,969</u>	<u>47,154</u>	<u>41,999</u>	<u>47,228</u>

For each of the three and nine month periods ended September 30, 2007 and 2006, 0.3 million of potentially dilutive common shares related to stock options and unvested shares of restricted stock were excluded from the computation of diluted EPS as their effect was antidilutive.

Upon conversion, we will settle the \$230 million principal amount of our Convertible Debt Securities in cash, and have the option to settle our conversion obligation, to the extent it exceeds the principal amount, in our common stock, cash or any combination of our common stock and cash. As a result, the Convertible Debt Securities have a dilutive effect only in those quarterly periods in which our average stock price exceeds the current effective conversion price of \$26.77 per share. The current effective conversion price of \$26.77 per share may be adjusted in the future for certain events, to include stock dividends, stock splits/reverse splits, the issuance of warrants to purchase our stock at a price below the then-current market price, cash dividends, and certain purchases by us of our common stock pursuant to a self-tender offer or exchange offer.

6. COMPREHENSIVE INCOME

The components of our comprehensive income were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net income	\$15,202	\$13,604	\$46,868	\$44,675
Other comprehensive loss, net of tax, if any:				
Unrealized loss on short-term investments	(13)	(10)	(29)	(46)
Comprehensive income	<u>\$15,189</u>	<u>\$13,594</u>	<u>\$46,839</u>	<u>\$44,629</u>

7. ACQUISITIONS

ComTec, Inc. On July 9, 2007, we acquired 100% of the voting equity interests of ComTec, Inc. ("ComTec") for: (i) \$21.7 million in cash (net of \$1.9 million in acquired cash), plus \$0.6 million in acquisition costs. ComTec is a provider of print and electronic statement processing services headquartered in Fairfield, New Jersey. We acquired ComTec to maximize customer interaction for clients by expanding our statement processing footprint and capabilities through the addition of enhanced statement production and electronic statement presentation hardware and software technologies, as well as for additional plant capacities. In addition, the acquisition increases our presence in our core video market, as well as in new industry verticals such as telecommunications, home security, healthcare, financial services, and utilities.

Prairie Voice Services, Inc. On August 10, 2007, we acquired 100% of the voting equity interests of Prairie Voice Services, Inc. ("Prairie") for: (i) \$40.3 million in cash (net of \$3.7 million in acquired cash), plus \$0.4 million in acquisition costs. Headquartered in Omaha, Nebraska, Prairie provides inbound and outbound automated voice, text/SMS, email and fax messaging services to manage: (i) workforce communications; (ii) collections; (iii) lead generation; (iv) automated order capture; (v) service outage notifications; and (vi) other business functions. We acquired Prairie to extend our suite of products and solutions to help our clients maximize the value of interactions with their customers. Additionally, this acquisition extends our reach into industry verticals such as financial services and telecommunications.

Preliminary Purchase Prices. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the dates of acquisition (in thousands), and the estimated lives of the acquired intangible assets. Amortization expense related to the acquired intangible assets is recognized on a straight-line basis, which approximates the pattern in which the economic benefits of the acquired intangible assets are expected to be received.

	ComTec		Prairie	
	Amount	Weighted-Average Estimated Lives (months)	Amount	Weighted-Average Estimated Lives (months)
Current assets (includes cash and cash equivalents of \$1,913 and \$3,703, respectively)	\$ 8,083		\$ 9,025	
Fixed assets	663		942	
Acquired software	1,030	60	1,350	60
Acquired client contracts and other	940	60	3,310	60
Goodwill	19,272		26,469	
Non-current net deferred income taxes assets	2,160		3,867	
Other non-current assets	95		1,131	
Total assets acquired	<u>32,243</u>		<u>46,094</u>	
Current liabilities	<u>8,015</u>		<u>1,666</u>	
Net assets acquired	<u>\$24,228</u>		<u>\$44,428</u>	

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In addition to the cash paid at closing, the ComTec stock purchase agreement includes provisions for additional contingent payments of up to \$2.5 million over the next 12 months upon the achievement of certain predetermined operating criteria. The Prairie stock purchase agreement provides for contingent payments of up to approximately \$6 million through the end of 2009, upon achievement of certain predetermined operating criteria. As of September 30, 2007, the additional purchase price payments have not been reflected in the ComTec or Prairie purchase prices. The contingent payments will be recorded as additional purchase price if and when the events associated with the contingencies are resolved or the outcome of the contingencies are determinable beyond a reasonable doubt.

The ComTec and Prairie goodwill amounts represent the excess of the cost of an acquired entity over the net amounts assigned to assets acquired and liabilities assumed, and have been assigned to our one reportable segment. The ComTec and Prairie goodwill and acquired intangible assets are not deductible for income tax purposes. In accordance with SFAS No. 109, "Accounting for Income Taxes", for the ComTec and Prairie acquisitions, we have recognized deferred tax liabilities of \$0.7 million and \$1.8 million, respectively, for the difference between the assigned book values and the tax bases of the acquired intangible assets, but have not recognized deferred tax liabilities for the difference between the assigned book value and the tax basis of goodwill. Included in the ComTec and Prairie net assets acquired are deferred income tax assets of \$2.9 million and \$4.7 million, respectively, related to Federal net operating loss ("NOL") carryforwards of \$8.1 million and \$13.5 million, respectively, which we believe are more likely than not to be realized over 20 years. The ComTec and Prairie Federal NOL carryforwards begin to expire in 2027.

The results of operations of ComTec and Prairie are included in the accompanying Condensed Consolidated Statements of Income for the periods subsequent to the acquisition dates. Pro forma information on our historical results of operations to reflect the acquisitions of ComTec and Prairie is not presented as ComTec's and Prairie's results of operations during prior periods are not material to our results of operations.

We are in the process of obtaining certain information that we believe is necessary to finalize the ComTec and Prairie purchase accounting, including the finalization of: (i) the valuations of the acquired intangible assets; (ii) closing balance sheet audits which may result in working capital adjustments, and thus adjustments of the total purchase prices; and (iii) the income tax attributes of the acquired assets. As of September 30, 2007, we are not expecting the working capital adjustments for ComTec or Prairie to be material and are not expecting significant changes to our preliminary purchase price allocations. We expect our purchase accounting for ComTec and Prairie to be completed by the end of 2007.

8. DEBT

Our long-term debt as of September 30, 2007 and December 31, 2006 consists of our Convertible Debt Securities. As of September 30, 2007: (i) none of the contingent conversion features have been achieved, and thus, the Convertible Debt Securities are not convertible by the holders; and (ii) we are in compliance with the provisions of the bond indenture related to the Convertible Debt Securities.

We have made no borrowings on our \$100 million 2004 Revolving Credit Facility. As of September 30, 2007, we: (i) are in compliance with the financial ratios and other covenants; and (ii) have the entire \$100 million available to us.

9. LONG-LIVED ASSETS

Goodwill. The changes in the carrying amount of goodwill for the nine months ended September 30, 2007, to include goodwill resulting from the ComTec and Prairie acquisitions (see Note 7), were as follows (in thousands):

January 1, 2007, balance	\$14,228
Adjustment to Telution acquired goodwill	(78)
Goodwill acquired from ComTec acquisition	19,272
Goodwill acquired from Prairie acquisition	<u>26,469</u>
September 30, 2007, balance	<u>\$59,891</u>

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Other Intangible Assets. Our intangible assets subject to ongoing amortization consist primarily of client contracts and software. As of September 30, 2007 and December 31, 2006, the carrying values of these assets were as follows (in thousands):

	September 30, 2007			December 31, 2006		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Client contracts	\$129,674	\$ (94,543)	\$35,131	\$118,510	\$ (82,486)	\$36,024
Software	43,094	(34,013)	9,081	40,714	(32,989)	7,725
Total	\$172,768	\$ (128,556)	\$44,212	\$159,224	\$ (115,475)	\$43,749

As discussed in Note 7, we acquired ComTec and Prairie during the three months ended September 30, 2007. In conjunction with these acquisitions, we acquired client contract and software intangible assets of \$4.3 million and \$2.4 million, respectively.

The total amortization expense related to intangible assets for the three months ended September 30, 2007 and 2006 was \$4.6 million and \$4.1 million, respectively, and for the nine months ended September 30, 2007 and 2006 was \$13.1 million and \$11.6 million, respectively. Based on the September 30, 2007 net carrying value of our intangible assets, the estimated total amortization expense for each of the five succeeding fiscal years ending December 31 are: 2007 – \$17.8 million; 2008 – \$18.8 million; 2009 – \$5.5 million; 2010 – \$5.4 million; and 2011 – \$4.8 million.

10. COMMITMENTS, GUARANTEES AND CONTINGENCIES

Product and Services Warranties. We generally warrant that our products and related offerings will conform to published specifications, or to specifications provided in an individual client arrangement, as applicable. The typical product warranty period is 90 days from delivery of the product or offering. For certain service offerings we provide a limited warranty for the duration of the services provided. We generally warrant that services will be performed in a professional and workmanlike manner. The typical remedy for breach of warranty is to correct or replace any defective deliverable, and if not possible or practical, we will accept the return of the defective deliverable and refund the amount paid under the client arrangement that is allocable to the defective deliverable. Our contracts also generally contain limitation of damage 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 out-sourced 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 September 30, 2007, we believe we have adequate reserves, based on our historical experience, to cover any reasonably anticipated exposure as a result of our nonperformance for any past or current arrangements with our clients. The amount of the reserve maintained for this purpose is not material.

Indemnifications Related to Sold Businesses. In conjunction with the sale of the GSS and plaNet businesses in December 2005, we provided certain indemnifications to the buyers of these businesses which are considered routine in nature (such as employee, tax, or litigation matters that occurred while these businesses were under our ownership). Under the provisions of these indemnification

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agreements, payment by us is conditioned on the other party making a claim pursuant to the procedures in the indemnification agreements, and we are typically allowed to challenge the other party's claims. In addition, certain of our obligations under these indemnification agreements are limited in terms of time and/or amounts, and in some cases, we may have recourse against a third party if we are required to make certain indemnification payments.

We estimated the fair value of these indemnifications at \$2.8 million as of the closing dates for the sale of the GSS and plaNet businesses. Since the sale of the GSS and plaNet businesses, we have made no indemnification payments, and as of September 30, 2007, the indemnification liability was \$2.8 million. It is not possible to predict the maximum potential amount of future payments we may be required to make under these indemnification agreements due to the conditional nature of our obligations and the unique facts and circumstances associated with each indemnification provision. We believe that if we were required to make payments in excess of the indemnification liabilities we have recorded, the resulting loss would not have a material effect on our financial condition or results of operations. If any amounts required to be paid by us would differ from the amounts initially recorded as indemnification liabilities as of the closing dates for the sale of the GSS and plaNet businesses, the difference would be reflected in the discontinued operations section of our Condensed Consolidated Statements of Income.

Indemnifications Related to Officers and the Board of Directors. We have agreed to indemnify certain of our officers and members of our Board of Directors if they are named or threatened to be named as a party to any proceeding by reason of the fact that they acted in such capacity. We maintain directors' and officers' (D&O) insurance coverage to protect against such losses. We have not historically incurred any losses related to these types of indemnifications, and are not aware of any pending or threatened actions or claims against any officer or member of our Board of Directors. As a result, we have not recorded any liabilities related to such indemnifications as of September 30, 2007. In addition, as a result of the insurance policy coverage, we believe the estimated fair value of these indemnification agreements is not significant.

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

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto (the "Financial Statements") included in this Form 10-Q and the audited consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2006 (our "2006 10-K").

Forward-Looking Statements

This report contains a number of forward-looking statements relative to our future plans and our expectations concerning the North American customer care and billing industry, as well as the communications industry it serves, and similar matters. These forward-looking statements are based on assumptions about a number of important factors, and involve risks and uncertainties that could cause actual results to differ materially from estimates contained in the forward-looking statements. Some of the risks that are foreseen by management are outlined within Part II 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.

Market Conditions of the Communications Industry

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

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

In addition, it is widely anticipated that communication service providers will continue their aggressive pursuit of providing convergent services. Traditional telephony service providers have recently entered the residential video market, a market dominated by our clients. Should these traditional telephony service providers be successful in their video strategy, it could threaten our clients' market share, and thus our revenues, as generally speaking, these telephony-centric companies do not currently use our products and services.

Management Overview of Quarterly Results

Our Company. We are a leading provider of outsourced billing, customer care and print and mail solutions and services supporting the North American cable and direct broadcast satellite markets. Our solutions support some of the world's largest and most innovative providers of bundled multi-channel video, Internet, and IP-based services. Our combination of solutions, services and expertise ensures that cable and satellite operators can continue to rapidly launch new service offerings, improve operational efficiencies, and deliver a high-quality customer experience in a competitive and ever-changing marketplace.

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Impact of Acquisitions. During the third quarter of 2007, we closed on the following two acquisitions: (i) ComTec, Inc. ("ComTec") on July 9, 2007; and (ii) Prairie Voice Services, Inc. ("Prairie") on August 10, 2007. These acquisitions are discussed in greater detail in Note 7 to our Financial Statements. These acquired businesses contributed approximately \$7 million of revenue in the third quarter of 2007, and are expected to contribute approximately \$17 million of revenue for the full year 2007. These acquired businesses were somewhat neutral to our results of operations in the third quarter of 2007, and are not expected to materially impact our results of operations for the full year 2007.

A summary of our results of operations for the third quarter of 2007 is as follows:

- Our revenues for the third quarter of 2007 were \$107.6 million, up 9.3% when compared to \$98.5 million for the same period in 2006, and up 8.1% when compared to \$99.5 million for the second quarter of 2007. A significant portion of the increase in revenue in the third quarter of 2007, when compared to these prior quarters, relates primarily to the ComTec and Prairie acquisitions, discussed above.
- Our operating expenses for the third quarter of 2007 were \$86.0 million, up 13.3% when compared to \$75.9 million for the same period in 2006, and up 9.8% when compared to \$78.3 million for the second quarter of 2007.
 - The year-over-year increase in operating expenses relates primarily to: (i) the impact of the acquisitions of the ComTec and Prairie businesses during the third quarter of 2007; and to a much lesser degree, (ii) an increase in wages, primarily as a result of increases in staff levels between periods to address our various growth initiatives, to include the significant investment we are making in research and development.
 - The increase in operating expenses between the second and third quarters of 2007 is primarily due to the acquisitions of the ComTec and Prairie businesses during the third quarter of 2007.
- Operating income for the third quarter of 2007 was \$21.6 million, or 20.1% of total revenues, as compared to \$22.5 million, or 22.9% of total revenues for the third quarter of 2006, and \$21.2 million, or 21.3% of total revenues for the second quarter of 2007. The decrease in operating income between periods is primarily due to the significant investment we are making in research and development and the impact of the acquired businesses in the third quarter of 2007.
- Income from continuing operations (net of tax) for the third quarter of 2007 was \$15.2 million, or \$0.39 per diluted share, a decrease of 12.5% when compared to \$17.4 million, or \$0.37 per diluted share, for the same period in 2006, and a decrease of 2.7% when compared to \$15.6 million, or \$0.37 per diluted share, for the second quarter of 2007.
 - The increase in earnings per diluted share in the third quarter of 2007, as compared to the second quarter of 2007 and the third quarter of 2006, is primarily due to a decrease in diluted shares outstanding as a result of significant share repurchases made under our stock repurchase program over the last several quarters.
- Net income for the third quarter of 2007 includes stock-based compensation expense of \$3.3 million, depreciation expense of \$3.4 million, and amortization of intangible assets of \$4.6 million. These non-cash charges totaled \$11.3 million (pretax impact), or \$0.19 per diluted share. Net income for the third quarter of 2006 includes stock-based compensation expense of \$3.1 million, depreciation expense of \$2.6 million, and amortization of intangible assets of \$4.1 million. These non-cash charges totaled \$9.8 million (pretax impact), or \$0.14 per diluted share.
- We continue to generate strong cash flows from our operations. As of September 30, 2007, we had cash, cash equivalents, and short-term investments of \$177.3 million, as compared to \$338.5 million as of June 30, 2007, and \$415.5 million as of December 31, 2006. The \$238.2 million decrease from year-end is attributed primarily to: (i) the repurchase of 10.4 million shares of our common stock for \$252.6 million; and (ii) approximately \$63 million in net cash paid for the acquisitions of the ComTec and Prairie businesses, offset to a certain degree by cash generated from our operations.

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Cash flows from operating activities for the third quarter of 2007 were \$35.7 million, compared to \$28.6 million for the third quarter of 2006, and \$24.5 million for the second quarter of 2007. See the "Liquidity" section below for further discussion.

Other key matters for the quarter were as follows:

- Total customer accounts processed on our systems as of September 30, 2007 were 45.1 million, an increase from 44.8 million as of September 30, 2006, and consistent with that of June 30, 2007.
- During the third quarter of 2007, we repurchased 5.6 million shares of our common stock for \$129.7 million (a weighted average price of \$23.34 per share). This brings our total share repurchases towards our planned \$350 million stock repurchase amount to \$295.0 million, leaving \$55.0 million left on this buyback commitment.

Significant Client Relationships

Client Concentration. As discussed above, the North American communications industry has experienced significant consolidation over the last few years, resulting in a large percentage of the market being served by a limited number of service providers with greater size and scale. Consistent with this market concentration, a large percentage of our revenues are generated from a limited number of clients. For the three months ended September 30, 2007 and June 30, 2007, approximately 70% of our total revenues were generated from our four largest clients, which include Comcast Corporation ("Comcast"), EchoStar Communications Corporation ("EchoStar"), Time Warner Inc. ("Time Warner"), and Charter Communications ("Charter"). Revenues from these clients represented the following percentages of our total revenues for the three months ended September 30, 2007, June 30, 2007, and September 30, 2006:

	Three Months Ended		
	September 30, 2007	June 30, 2007	September 30, 2006
Comcast (1) (2)	26%	28%	23%
EchoStar (1)	20%	21%	20%
Time Warner	14%	13%	13%
Charter	9%	9%	11%

- (1) The slight decrease in our percentage of revenues generated from Comcast and EchoStar for the three months ended September 30, 2007 when compared to the three months ended June 30, 2007, is primarily due to greater revenue diversification resulting from our recent acquisitions of the ComTec and Prairie businesses, discussed above.
- (2) The increase in our percentage of revenues generated from Comcast for the three months ended June 30, 2007, from September 30, 2006, is primarily due to the movement of additional customer accounts, who were already on our systems, to Comcast's ownership in the first quarter of 2007.

As of September 30, 2007, December 31, 2006, and September 30, 2006, the percentages of net billed accounts receivable balances attributable to our largest clients were as follows:

	As of		
	September 30, 2007	December 31, 2006	September 30, 2006
Comcast	30%	27%	24%
EchoStar (3)	23%	29%	28%
Time Warner	8%	10%	13%
Charter	9%	10%	10%

- (3) The decrease in percentage of accounts receivable from EchoStar as of September 30, 2007 compared to December 31, 2006 is due primarily to EchoStar having one less monthly invoice outstanding as of September 30, 2007.

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See our 2006 10-K for additional discussion of our business relationships and contractual terms with the above mentioned significant clients.

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

Stock-Based Compensation Expense

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

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Cost of processing and related services	\$ 945	\$ 1,097	\$2,397	\$ 3,301
Cost of software, maintenance and services	206	176	540	530
Research and development	400	436	899	1,120
Selling, general and administrative	1,723	1,376	4,217	4,163
Restructuring charges	—	—	73	—
Total stock-based compensation expense	<u>\$3,274</u>	<u>\$ 3,085</u>	<u>\$8,126</u>	<u>\$ 9,114</u>

Critical Accounting Policies

The preparation of our Financial Statements in conformity with accounting principles generally accepted in the U.S. ("GAAP") 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 condition and results of operations. The critical accounting policies were determined by considering accounting policies that involve the most complex or subjective decisions or assessments. The most critical accounting policies identified relate to: (i) revenue recognition; (ii) allowance for doubtful accounts receivable; (iii) impairment assessments of long-lived assets; (iv) loss contingencies; (v) income taxes; and (vi) capitalization of internal software development costs. These critical accounting policies and our other significant accounting policies are discussed in greater detail in our 2006 10-K.

Results of Operations

Total Revenues. Total revenues for the: (i) three months ended September 30, 2007 increased 9.3% to \$107.6 million, from \$98.5 million for the three months ended September 30, 2006; and (ii) nine months ended September 30, 2007 increased 6.8% to \$305.8 million, from \$286.5 million for the nine months ended September 30, 2006. The components of total revenues are discussed in more detail below.

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Processing and related services revenues. Processing and related services revenues for the: (i) three months ended September 30, 2007 increased \$7.5 million or 8.3% to \$97.8 million, from \$90.3 million for the three months ended September 30, 2006; and (ii) nine months ended September 30, 2007 increased \$13.3 million or 5.0% to \$277.7 million, from \$264.4 million for the nine months ended September 30, 2006.

- The increase in processing and related services revenues between the three months ended September 30, 2007 and 2006 relates primarily to the acquisitions of the ComTec and Prairie businesses during the third quarter of 2007. All ComTec and Prairie revenues fall within this revenue classification.
- The increase in processing and related services revenue between the nine months ended September 30, 2007 and 2006 is primarily due to the following: (i) the acquisitions of the ComTec and Prairie businesses during the third quarter of 2007; and (ii) increased utilization of new and existing products and services by our clients, to include such things as higher usage of marketing services and various ancillary customer care solutions, which include things such as order workflow tools, professional services, system interfaces, and reporting tools.

Additional information related to processing and related services revenues is as follows:

- Amortization of the client contracts intangible asset (reflected as a reduction of processing and related services revenues) for the: (i) three months ended September 30, 2007 and 2006 was \$3.6 million and \$3.3 million, respectively; and (ii) nine months ended September 30, 2007 and 2006 was \$10.8 million and \$9.9 million, respectively.
- Total customer accounts processed on our systems as of September 30, 2007 were 45.1 million, up slightly when compared to 44.8 million as of September 30, 2006, and consistent with that of June 30, 2007.

Software, Maintenance and Services Revenues. Software, maintenance and services revenues for the: (i) three months ended September 30, 2007 increased \$1.6 million, or 19.7% to \$9.8 million, from \$8.2 million for the three months ended September 30, 2006; and (ii) nine months ended September 30, 2007 increased \$6.0 or 27.5% million to \$28.1 million, from \$22.1 million for the nine months ended September 30, 2006. The increase between periods is related primarily to our emphasis to expand our professional services organization, to include the acquisition of Telution on March 1, 2006. Software, maintenance and services revenues for the three months ended June 30, 2007 were \$9.2 million.

Cost of Revenues. See our 2006 10-K for a description of the types of costs that are included in the individual line items for cost of revenues.

Cost of Processing and Related Services. The cost of processing and related services for the: (i) three months ended September 30, 2007 increased \$5.7 million, or 12.8% to \$50.6 million, from \$44.9 million for the three months ended September 30, 2006; and (ii) nine months ended September 30, 2007 increased \$9.1 million, or 7.0% to \$138.6 million, from \$129.5 million for the nine months ended September 30, 2006.

- The increase between the three months ended September 30, 2007 and 2006 is primarily due to acquisitions of the ComTec and Prairie businesses during the third quarter of 2007, as all of the ComTec and Prairie cost of revenues fall within this expense classification.
- The increase between the nine months ended September 30, 2007 and 2006 is primarily due to: (i) the acquisitions of the ComTec and Prairie businesses; and to a lesser degree, (ii) an increase in data processing costs as a result of additional enhancements being made to ACP and increased transactions by our customers.

The gross margin percentage for processing and related services was: (i) 48.2% for the three months ended September 30, 2007 compared to 50.3% for the three months ended September 30, 2006; and (ii) 50.1% for the nine months ended September 30, 2007 compared to 51.0% for the nine months ended September 30, 2006.

Cost of Software, Maintenance and Services. The cost of software, maintenance and services for the: (i) three months ended September 30, 2007 remained relatively consistent between periods, increasing \$0.2 million, or 3.2% to \$6.0 million, from \$5.8 million for the three months ended September 30, 2006; and (ii) nine months ended September 30, 2007 increased \$3.0 million, or 19.7% to \$18.6 million, from \$15.6 million for the nine months ended September 30, 2006. The increase in cost of software, maintenance and services between the nine months ended September 30, 2007 and 2006 is due primarily to an increase in employee-related costs as a result of an increase in personnel assigned internally to software maintenance projects and our emphasis to expand our professional services organization. Additionally, the increase in expense is reflective of the increase in revenues between these periods.

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The gross margin percentage for software, maintenance and services was: (i) 38.6% for the three months ended September 30, 2007, as compared to 28.7% for the three months ended September 30, 2006; and (ii) 33.8% for the nine months ended September 30, 2007, as compared to 29.5% for the nine months ended September 30, 2006. The increase in the gross margin percentages are primarily attributed to the change in the mix of these revenues between periods.

Gross Margin (Exclusive of Depreciation). The overall gross margin percentage (exclusive of depreciation) for the: (i) three months ended September 30, 2007 was 47.4%, compared to 48.5% for the three months ended September 30, 2006; and (ii) nine months ended September 30, 2007 was 48.6%, compared to 49.4% for the nine months ended September 30, 2006. The changes in the overall gross margin percentages between periods are due to the factors discussed above.

Research and Development ("R&D") Expense. R&D expense for the: (i) three months ended September 30, 2007 increased \$3.3 million, or 27.4% to \$15.4 million, from \$12.1 million for the three months ended September 30, 2006; and (ii) nine months ended September 30, 2007 increased \$10.4 million, or 31.6% to \$43.3 million, from \$32.9 million for the nine months ended September 30, 2006. The increase between periods is primarily due to an increase in employee-related costs, as more employees are being dedicated to R&D efforts. As a percentage of total revenues, R&D expense was: (i) 14.3% for the three months ended September 30, 2007 compared to 12.3% for the three months ended September 30, 2006; and (ii) 14.1% for the nine months ended September 30, 2007, compared to 11.5% for the nine months ended September 30, 2006. We did not capitalize any internal software development costs during the three and nine months ended September 30, 2007 and 2006.

Our more recent R&D efforts involve the ongoing evolution of our ACP platform and related software products, to include the integration of the acquired Telution assets and the utilization of new software technologies. The continued evolution of ACP is in response to market demands that our products have architectural flexibilities and features (e.g., service oriented architecture, or SOA) that are more easily integrated with other computer systems, which will enhance our ability to expand the capabilities and features of our products on a more timely basis, including those necessary to service new and expanded product offerings (e.g., Voice over IP, and voice and high-speed Internet services to small-medium businesses, or "commercial services", etc.). These R&D efforts will also allow us to separate certain software components that have historically been tightly integrated with the ACP platform, so as to allow such components to be marketed on a stand-alone basis where a specific client requirement and/or business need dictates, to include the possible use of our products across non-CSG customer care and billing systems. At this time, we expect our future R&D efforts to continue to focus on similar tasks as noted above. In the near term, we expect that the percentage of our total revenues spent on R&D to be relatively consistent with the first three quarters of 2007 which reflected R&D expenses as a percentage of total revenues of approximately 14%, with the level of our R&D spend highly dependent upon the opportunities that we see in our markets.

Selling, General and Administrative ("SG&A") Expense. SG&A expense for the: (i) three months ended September 30, 2007 remained consistent between periods, increasing \$0.2 million, or 1.1% to \$10.6 million, from \$10.4 million for the three months ended September 30, 2006; and (ii) nine months ended September 30, 2007 was \$32.3 million, relatively consistent when compared to \$32.0 million for the nine months ended September 30, 2006.

Depreciation Expense. Depreciation expense for the: (i) three months ended September 30, 2007 increased \$0.8 million, or 31.6%, to \$3.4 million, from \$2.6 million for the three months ended September 30, 2006; and (ii) nine months ended September 30, 2007 increased \$1.6 million, or 21.9% to \$9.3 million, from \$7.7 million for the nine months ended September 30, 2006. The capital expenditures during the three and nine months ended September 30, 2007 consisted principally of: (i) computer hardware and related equipment; (ii) statement processing equipment; and (iii) facilities and internal infrastructure items. 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.

Restructuring Charges. Restructuring charges included in total operating expenses, and the impact (net of related estimated income tax expense) these restructuring charges had on net income and diluted earnings per share, for the three and nine months ended September 30, 2007 and 2006 are as follows (in thousands, except diluted earnings per share):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Involuntary employee terminations	\$ —	\$ 56	\$ 193	\$ 1,668
Facility abandonments	(33)	21	279	744
Other	—	1	73	(44)
Total restructuring charges	\$ (33)	\$ 78	\$ 545	\$ 2,368
Impact of restructuring charges on results of operations:				
Net income	\$ (21)	\$ 51	\$ 351	\$ 1,493
Diluted earnings per share	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.03

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The involuntary employee termination expense during the nine months ended September 30, 2006 relates to retention and severance costs related to personnel working on the terminated FairPoint Communications, Inc. outsourced processing services contract.

Operating Income. Operating income for the: (i) three months ended September 30, 2007 was \$21.6 million, or 20.1% of total revenues, compared to \$22.5 million, or 22.9% of total revenues for the three months ended September 30, 2006; and (ii) nine months ended September 30, 2007 was \$63.2 million, or 20.7% of total revenues, compared to \$66.5 million, or 23.2% of total revenues for the nine months ended September 30, 2006. The decrease in operating income and operating margins between periods is primarily due to: (i) an overall increase in R&D expenditures, as discussed above, which is reflective of our commitment to expand our R&D and related support function expenses in order to address the opportunities we see with our clients' changing needs, and to a lesser degree, (ii) the impact of the ComTec and Prairie acquisitions during the third quarter.

Total non-cash charges related to depreciation, amortization, and stock-based compensation expense included in the determination of operating income for the: (i) three months ended September 30, 2007 and 2006 were \$11.3 million and \$9.8 million, respectively; and (ii) nine months ended September 30, 2007 and 2006 were \$30.5 million and \$28.4 million, respectively.

Income Tax Provision. The effective income tax rates for the three and nine months ended September 30, 2007 and 2006 are as follows:

Three Months Ended September 30,		Nine Months Ended September 30,	
2007	2006	2007	2006
36%	35%	36%	37%

At this time, we estimate that our overall effective income tax rate for the full year 2007 will range between 36% and 37%.

As of September 30, 2007, our \$26.1 million of net deferred income tax assets represented approximately 6% of total assets. We continue to believe that sufficient taxable income will be generated in the future in order to realize the benefit of these net deferred income tax assets. Our assumptions of future profitable operations are supported by our strong operating performances over the last several years.

Liquidity

Cash and Liquidity

As of September 30, 2007 our principal sources of liquidity included cash, cash equivalents, and short-term investments of \$177.3 million, compared to \$338.5 million as of June 30, 2007 and \$415.5 million as of December 31, 2006. We generally invest our excess cash balances in low-risk, short-term investments to limit our exposure to market risks. We have ready access to all of our cash, cash equivalents, and short-term investment balances.

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In addition to the above sources of liquidity, we also have a five-year, \$100 million senior secured revolving credit facility (the “2004 Revolving Credit Facility”) with a syndicate of U.S. financial institutions that expires in September 2009. The 2004 Revolving Credit Facility has a \$40 million sub-facility for standby and commercial letters of credit and a \$10 million sub-facility for same day advances. We have made no borrowings under the 2004 Revolving Credit Facility. Our ability to borrow under the 2004 Revolving Credit Facility is subject to a limitation of total indebtedness based upon the results of consolidated leverage and interest coverage ratio calculations, and a minimum liquidity requirement. As of September 30, 2007, we were in compliance with the financial ratios and other covenants of the 2004 Revolving Credit Facility, and had the entire \$100 million available to us.

Cash Flows From Operating Activities

We calculate our cash flows from operating activities in accordance with GAAP, beginning with net income, adding back the impact of non-cash items (e.g., depreciation, amortization, stock-based compensation, etc.), and then factoring in the impact of changes in working capital items. See our 2006 10-K for a description of the primary uses and sources of our cash flows from operating activities.

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

	Operations	Changes in Working Capital Assets and Liabilities	Net Cash Provided by Operating Activities – Quarter Totals
Cash Flows from Operating Activities:			
2006:			
March 31	\$ 25,872	\$ (3,894)	\$ 21,978
June 30 (1)	29,358	9,393	38,751
September 30	31,489	(2,937)	28,552
December 31	29,549	(680)	28,869
2007:			
March 31 (2)	27,199	8,464	35,663
June 30	28,217	(3,719)	24,498
September 30 (3)	28,404	7,266	35,670

- (1) Cash flows from operating activities for the second quarter of 2006 were positively impacted by favorable changes in working capital items during the quarter, primarily related to the reduction in the accounts receivable balance.
- (2) Cash flows from operating activities for the first quarter of 2007 were positively impacted by approximately \$10 million as we received an additional monthly processing invoice payment from a key client before quarter end. As a result, we received four monthly processing invoice payments from this key client during the first quarter of 2007, as compared to three monthly processing invoice payments in all other quarters presented above.
- (3) Cash flows from operating activities for the third quarter of 2007 were positively impacted by normal timing changes in certain operating assets and liabilities for the quarter.

We believe the table presented above demonstrates our ability to consistently generate strong cash flows and the importance of managing our working capital items. As the table above illustrates, the operations portion of our cash flows from operating activities remains relatively consistent between periods. The variations in our net cash provided by operating activities is primarily the result of the changes in our working capital assets and liabilities related to our operations.

Significant fluctuations in key working capital items between December 31, 2006 and September 30, 2007 that impacted our cash flows from operating activities are as follows:

Billed Trade Accounts Receivable

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

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

Quarter Ended	Gross	Allowance	Net Billed	DBO
2006:				
March 31	\$110,415	\$ (1,008)	\$109,407	60
June 30 (1)	97,404	(1,059)	96,345	63
September 30 (1)	108,707	(1,143)	107,564	62
December 31	111,163	(1,143)	110,020	64
2007:				
March 31 (2)	104,677	(1,577)	103,100	63
June 30	104,254	(1,619)	102,635	61
September 30 (3)	111,541	(1,589)	109,952	60

- (1) The change in gross and net billed trade accounts receivable between March 31, 2006, June 30, 2006, and September 30, 2006 relates primarily to fluctuations in the timing of invoicing and payments from certain clients at or around each quarter end.
- (2) The decrease in gross and net billed trade accounts receivable at March 31, 2007 is primarily due to the receipt of an additional monthly processing invoice payment from a key client of approximately \$10 million before quarter end.
- (3) The \$7.3 million increase in gross and net billed trade accounts receivable at September 30, 2007 is primarily due to the acquisitions of the ComTec and Prairie businesses.

Income Taxes Payable

The \$5.4 million of cash flows from operating activities related to income taxes payable/receivable for the nine months ended September 30, 2007, 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. During the nine months ended September 30, 2007 our cash flows from investing activities also included the acquisitions of the ComTec and Prairie businesses, discussed above.

Purchases/Sales of Short-term Investments. We generally invest our excess cash balances in low-risk, cash equivalents or short-term investments to limit our exposure to market risks. These cash equivalents and short-term investments are readily convertible back into cash. During the nine months ended September 30, 2007, we purchased \$189.5 million and sold (or had mature) \$309.8 million of short-term investments. We continually evaluate the appropriate mix of our investment of excess cash balances between cash equivalents and short-term investments in order to maximize our investment returns and will likely purchase and sell additional short-term investments in the future.

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Property and Equipment/Client Contracts. Our capital expenditures for the nine months ended September 30, 2007 and 2006 for property and equipment, and investments in client contracts, excluding the acquisitions of ComTec and Prairie in 2007 and Telution in 2006, were as follows (in thousands):

	Nine Months Ended September 30,	
	2007	2006
Property and equipment	\$ 12,386	\$ 5,198
Client contracts	6,914	6,549

The property and equipment expenditures during the first nine months of 2007 consisted principally of computer hardware and related equipment, statement production equipment, and facilities and internal infrastructure items.

The investments in client contracts for the nine months ended September 30, 2007 and 2006 relate primarily to client incentive payments (\$5.9 million and \$5.3 million respectively) and the deferral of costs related to conversion/set-up services provided under long-term processing contracts (\$1.0 million and \$1.2 million, respectively).

Cash Flows From Financing Activities

Our financing activities typically consist of activities with our common stock.

Repurchase of Common Stock. During the nine months ended September 30, 2007 and 2006, we repurchased shares of our common stock under the guidelines of the Stock Repurchase Program for \$252.6 million and \$42.8 million, respectively. In addition, outside of the Stock Repurchase Program, during the nine months ended September 30, 2007 and 2006, we repurchased from our employees and then cancelled approximately 130,000 shares and 78,000 shares of our common stock for \$3.3 million and \$1.8 million, respectively, in connection with minimum tax withholding requirements resulting from the vesting of restricted stock under our stock incentive plans.

Capital Resources

As of September 30, 2007, we had \$177.3 million of cash, cash equivalents, and short-term investments available to fund our operations, and we expect to generate material amounts of additional cash during the remainder of 2007. The following are the key items to consider in assessing our sources and uses of capital resources as of September 30, 2007:

- *Acquisitions.* During the third quarter of 2007, we acquired two businesses, ComTec and Prairie, for a total of approximately \$63 million in net cash at close. In addition to the cash paid at close, the ComTec stock purchase agreement provides for contingent payments of up to \$2.5 million over the next 12 months upon the achievement of certain predetermined operating criteria, and the Prairie stock purchase agreement provides for contingent payments of up to approximately \$6 million through the end of 2009 upon the achievement of certain predetermined operating criteria.
- *Stock Repurchase Program.* We currently have a Stock Repurchase Program, approved by our Board of Directors, authorizing us to repurchase up to 30 million shares of our common stock from time-to-time as market and business conditions warrant. During the first nine months of 2007, we repurchased 10.4 million shares of our stock, at a total price of \$252.6 million, or \$24.37 per share, under our Stock Repurchase Program. As a result, as of September 30, 2007, the remaining number of shares authorized for repurchase under the Stock Repurchase Program is 4.0 million shares.

In July 2006, we announced our intention to specifically repurchase \$350 million of our outstanding common stock under our Stock Repurchase Program and in August 2006, we established a new Rule 10b5-1 Plan to facilitate this repurchase amount. From August 2006 through September 30, 2007, we have repurchased 11.9 million shares of our common stock for \$295.0 million (a weighted-average price of \$24.70 per share) toward this planned repurchase amount, leaving \$55.0 million left to be repurchased towards this \$350 million target.

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The number of shares repurchased under our new Rule 10b5-1 Plan is primarily based upon predetermined factors established by management of our company. These factors are evaluated on a periodic basis for possible adjustment. Over time, there will likely be some variability around the share repurchases due to changing market conditions. Although the quarterly pace at which we repurchase our shares, and the ultimate time period to complete this planned share buyback amount, cannot be reasonably estimated due to various market factors, to include the impact of our stock price, it is reasonably likely that we will spend material amounts of our capital resources on our buyback program in the near term.

- *Purchases of Property and Equipment.* In the first nine months of 2007, we spent \$12.4 million on property and equipment. For 2007, we expect to spend approximately \$16 to \$17 million on capital expenditures. As of September 30, 2007, we have made no significant capital expenditure commitments.
- *Convertible Debt Securities.* Our Convertible Debt Securities bear interest at a rate of 2.5% per annum, which is payable semiannually in arrears on June 15 and December 15 of each year. The Convertible Debt Securities are callable by us for cash, on or after June 20, 2011. The Convertible Debt Securities can be put back to us by the holders for cash at June 15, 2011, 2016 and 2021, or upon a change of control, at a repurchase price equal to 100% of the principal amount of the Convertible Debt Securities, plus accrued interest. Holders of the Convertible Debt Securities can convert their securities: (i) at any time the price of our common stock trades over \$34.80 per share (130% of the \$26.77 effective conversion price) for a specified period of time; (ii) at any time the trading price of the Convertible Debt Securities fall below 98% of the average conversion value for the Convertible Debt Securities for a specified period of time; (iii) upon us exercising our right to redeem the Convertible Debt Securities at any time after June 20, 2011; (iv) at any time upon the occurrence of specified corporate transactions, to include a change in control (as defined in the Bond Indenture); and (v) if a certain level of dividends are declared, or a certain number of shares of our common stock are repurchased under a self-tender offer by us. We do not expect any of the conversion triggers to occur during the next 12 months. As a result, in the near-term, we expect our annual debt service costs related to the Convertible Debt Securities to be limited to the annual interest payments of \$5.8 million.

The Convertible Debt Securities are convertible into our common stock, under the specified conditions and settlement terms outlined above, at an initial conversion rate of 37.3552 shares per \$1,000 principal amount of Convertible Debt Securities, which is equal to an effective conversion price of \$26.77 per share. The Bond Indenture includes anti-dilution provisions for the holders such that the conversion rate (and thus, the effective conversion price) can be adjusted in the future for certain events, to include stock dividends, stock splits/reverse splits, the issuance of warrants to purchase our stock at a price below the then-current market price, cash dividends, and certain purchases by us of our common stock pursuant to a self-tender offer or exchange offer. A lower effective conversion price may have several impacts to us, including a greater potential for: (i) the occurrence of the conversion trigger based upon the price of our common stock; and (ii) the Convertible Debt Securities having an impact on our diluted earnings per share if our average common stock price exceeds the then-current effective conversion price. The repurchase of up to \$350 million of our outstanding common stock, as discussed above, will have no impact on the current effective conversion price, or any other terms in the Bond Indenture.
- *2004 Revolving Credit Facility.* The interest rate for borrowings under the 2004 Revolving Credit Facility, except for same day advances, is chosen at our option and is based upon a base rate or adjusted LIBOR rate, plus an applicable margin. The base rate represents the higher of a floating prime rate and a floating rate equal to 50 basis points in excess of the Federal Funds Effective Rate. The interest rate for same day advances is based upon base rate, plus an applicable margin. The applicable margins are dependent on our leverage ratio, as defined, and range from zero to 100 basis points for base rate loans and 125 to 225 basis points for LIBOR loans. As of September 30, 2007, we had made no borrowings under the 2004 Revolving Credit Facility, and at this time, we do not expect to make any borrowings under the 2004 Revolving Credit Facility during 2007. We pay a quarterly commitment fee on the unused portion of the 2004 Revolving Credit Facility. This rate is dependent on our leverage ratio and ranges from 25 to 50 basis points per annum. As of September 30, 2007, the commitment fee rate was 37.5 basis points per annum. As of the date of this filing, we have 100%, or \$100 million, of the 2004 Revolving Credit Facility available to us.

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In summary, we expect to: (i) as part of our growth strategy, continue to evaluate potential business and asset acquisitions, and investments in market share expansion with our existing and potential new clients; and (ii) continue to repurchase our outstanding common stock under our Stock Repurchase Program. We also expect to continue to make investments in client contracts, capital equipment, and R&D. We believe that: (i) our current cash, cash equivalents, and short-term investments balance, together with cash expected to be generated from future operating activities; (ii) the amount available under the 2004 Revolving Credit Facility; and (iii) other possible sources of additional debt available to us, will be sufficient to meet our anticipated cash requirements for at least the next 12 months.

Ratio of Earnings to Fixed Charges

The ratio of earnings to fixed charges is computed by dividing fixed charges into earnings. "Earnings" is defined as income before income taxes, plus fixed charges. "Fixed charges" consist of interest expense (including the amortization of deferred financing costs) and the estimated interest component of rental expense. Our consolidated ratio of earnings to fixed charges for the nine months ended September 30, 2007, was 10.28:1.00. See Exhibit 12.10 to this document for information regarding the calculation of our ratio of earnings to fixed charges.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

As discussed in our 2006 10-K, we are exposed to market risks related to changes in interest rates, and fluctuations and changes in the market value of our short-term investments. 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. We are exposed to interest rate risk related to long-term debt from two sources: our Convertible Debt Securities, and our 2004 Revolving Credit Facility.

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

The interest rate for borrowings under the 2004 Revolving Credit Facility, except for same day advances, is chosen at our option, and is based upon a base rate or adjusted LIBOR rate, plus an applicable margin. The base rate represents the higher of a floating prime rate and a floating rate equal to 50 basis points in excess of the Federal Funds Effective Rate. The interest rate for same day advances is based upon base rate, plus an applicable margin. The applicable margins are dependent on our leverage ratio, as defined, and range from zero to 100 basis points for base rate loans and 125 to 225 basis points for LIBOR loans. As of September 30, 2007, we had made no borrowings under the 2004 Revolving Credit Facility.

Market Risk Related to Cash Equivalents and Short-term Investments. Our cash and cash equivalents as of September 30, 2007, and December 31, 2006 were \$118.9 million and \$240.7 million, respectively. Our cash balances are typically "swept" into overnight money market accounts on a daily basis, and excess funds are invested in low-risk, somewhat longer term, cash equivalent instruments and short-term investments. We have minimal market risk for our cash and cash equivalents due to the relatively short maturities of the instruments.

Our short-term investments as of September 30, 2007 and December 31, 2006 were \$58.5 million and \$174.8 million, respectively. The day-to-day management of our cash equivalents and short-term investments is performed by two large financial institutions in the U.S., using strict and formal investment guidelines approved by our Board of Directors. Under these guidelines, short-term investments are limited to certain acceptable investments with: (i) a maximum maturity, (ii) a maximum concentration and diversification; and (iii) a minimum acceptable credit quality.

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

Item 4. *Controls and Procedures****(a) 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) 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), to determine whether any changes occurred during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, the CEO and CFO concluded that there has been no such change during the quarter covered by this report.

CSG SYSTEMS INTERNATIONAL, INC.
PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

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

Item 1A. *Risk Factors*

We or our representatives from time-to-time may make or may have made certain forward-looking statements, whether orally or in writing, including without limitation, any such statements made or to be made in MD&A contained in our various SEC filings or orally in conferences or teleconferences. We wish to ensure that such statements are accompanied by meaningful cautionary statements, so as to ensure, to the fullest extent possible, the protections of the safe harbor established in the Private Securities Litigation Reform Act of 1995.

Accordingly, the forward-looking statements are qualified in their entirety by reference to and are accompanied by the following meaningful cautionary statements identifying certain important risk factors that could cause actual results to differ materially from those in such forward-looking statements. This list of risk factors is likely not exhaustive. We operate in a rapidly changing and evolving market involving the North American communications industry (e.g., bundled multi-channel video, Internet, voice and IP-based services), and new risk factors will likely emerge. Management cannot predict all of the important risk factors, nor can it assess the impact, if any, of such risk factors on our business or the extent to which any risk factor, or combination of risk factors, may cause actual results to differ materially from those in any forward-looking statements. Accordingly, there can be no assurance that forward-looking statements will be accurate indicators of future actual results, and it is likely that actual results will differ from results projected in forward-looking statements and that such differences may be material.

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

The North American communications industry has experienced significant consolidation over the last few years, resulting in a large percentage of the market being served by a limited number of service providers with greater size and scale. Consistent with this market concentration, a large percentage of our revenues are generated from a limited number of clients, with approximately 70% of our revenues being generated from our four largest clients, which are (in order of size) Comcast, EchoStar, Time Warner, and Charter. See our 2006 10-K for a brief summary of our business relationship with each of these clients.

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

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

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

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

We May Not Be Able to Respond to the Rapid Technological Changes in Our Industry.

The market for customer care and billing systems is characterized by rapid changes in technology and is highly competitive with respect to the need for timely product innovations, new product introductions, and how they are delivered. As a result, we believe that our future success in sustaining and growing our revenues depends upon the continued market acceptance of our products, especially ACP and its components, and our ability to continuously adapt, modify, maintain, and operate our products to address the increasingly complex and evolving needs of our clients, without sacrificing the reliability or quality of the products. In addition, the market is demanding that our products have architectural flexibilities and features, (e.g., service oriented architecture, or SOA), that are more easily integrated with other computer systems, and that we are able to meet the demands for technological advancements to our products and services at a greater pace. Attempts to meet these demands subjects our R&D efforts to greater risks.

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

There is an inherent risk in the successful development, implementation, migration, and operations of our products and services as the technological complexities, and the pace at which we must deliver these products and services to market, continues to increase. The risk of making an error that causes significant operational disruption to a client increases proportionately with the frequency and complexity of changes to our products and services. There can be no assurance:

- of continued market acceptance of our products and services;
- that we will be successful in the development of product enhancements or new products that respond to technological advances or changing client needs at the pace the market demands; or
- that we will be successful in supporting the implementation, migration and/or operations of product enhancements or new products without causing a significant disruption to our clients' operations.

Our Business is Dependent on the North American Communications Industry.

We generate a significant portion of our revenues by providing products and services to the U.S. and Canadian communication industries. A decrease in the number of customers served by our clients, loss of business due to non-renewal of client contracts, industry and client consolidations, an adverse change in the economic condition of these industries, movement of customers from our systems to a competitor's system as a result of regionalization strategies by our clients, and/or changing consumer demand for services could have a material adverse effect on our results of operations. Additionally, our current clients' distribution methods could be disrupted by new entrants into the communications industry. There can be no assurance that new entrants into the communications market will become our clients. Also, there can be no assurance that communication providers will be successful in expanding into other segments of the converging communications industry. Even if major forays into new markets are successful, we may be unable to meet the special billing and customer care needs of that market.

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The Consolidation of the North American Communications Industry May Have a Material Adverse Effect on Our Results of Operations.

The North American communications industry is undergoing significant ownership changes at an accelerated pace. One facet of these changes is that communications service providers are consolidating, decreasing the potential number of buyers for our products and services. Such client consolidations carry with them the inherent risk that the consolidators may choose to move their purchased customers to a competitor's system. Should this consolidation result in a concentration of customer accounts being owned by companies with whom we do not have a relationship, or with whom competitors are entrenched, it could negatively affect our ability to maintain or expand our market share, thereby having a material adverse effect on our results of operations. In addition, service providers may choose to use their size and scale to exercise more severe pressure on pricing negotiations.

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

We Face Significant Competition in Our Industry.

The market for our products and services is highly competitive. We directly compete with both independent providers of products and services and in-house systems developed by existing and potential clients. In addition, some independent providers are entering into strategic alliances with other independent providers, resulting in either new competitors, or competitors with greater resources. Many of our current and potential competitors have significantly greater financial, marketing, technical, and other competitive resources than our company, many with significant and well-established domestic and international operations. There can be no assurance that we will be able to compete successfully with our existing competitors or with new competitors.

Client Bankruptcies Could Adversely Affect Our Business, and Any Accounting Reserves We Have Established May Not Be Sufficient.

In the past, certain of our clients have filed for bankruptcy protection. Companies involved in bankruptcy proceedings pose greater financial risks to us, consisting principally of possible claims of preferential payments for certain amounts paid to us prior to the bankruptcy filing date, as well as increased collection risk for accounts receivable, particularly those accounts receivable that relate to periods prior to the bankruptcy filing date. We consider such risks in assessing our revenue recognition and the collection of accounts receivable related to our clients that have filed for bankruptcy protection, and for those clients that are seriously threatened with a possible bankruptcy filing. We establish accounting reserves for our estimated exposure on these items. However, there can be no assurance that our accounting reserves related to this exposure will be adequate. Should any of the factors considered in determining the adequacy of the overall reserves change adversely, an adjustment to the accounting reserves may be necessary. Because of the potential significance of this exposure, such an adjustment could be material.

We May Incur Additional Material Restructuring Charges in the Future.

Since the third quarter of 2002, we have recorded restructuring charges related to involuntary employee terminations, various facility abandonments, and various other restructuring activities. The accounting for facility abandonments requires highly subjective judgments in determining the proper accounting treatment for such matters. We continually evaluate our assumptions, and adjust the related restructuring reserves based on the revised assumptions at that time. Moreover, 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 reasonable likelihood that we may incur additional material restructuring charges in the future.

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

Our future success depends in large part on the continued service of our key management, sales, product development, and operational personnel. We believe that our future success also depends on our ability to attract and retain highly skilled technical, managerial, operational, and marketing personnel, including, in particular, personnel in the areas of R&D and technical support. Competition for qualified personnel at times can be intense, particularly in the areas of R&D, conversions, software implementations,

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and technical support, especially now that market conditions are improved and the demand for such talent has increased. For these reasons, we may not be successful in attracting and retaining the personnel we require, which could have a material adverse effect on our ability to meet our commitments and new product delivery objectives.

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

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

Acquisitions involve a number of risks and difficulties, including: (i) expansion into new markets and business ventures; (ii) the requirement to understand local business practices; (iii) the diversion of management's attention to the assimilation of acquired operations and personnel; (iv) the desired retention of key personnel of the acquired business; 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 revenue targets; (b) the inability to achieve certain operating synergies; (c) charges related to purchased in-process R&D projects; (d) costs incurred to exit current or acquired contracts or activities; (e) costs incurred to service any acquisition debt; and (f) the amortization or impairment of intangible assets.

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

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

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

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

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

Our products and services are generally delivered through a variety of computing environments operated by us, which are collectively referred to herein as "Systems." We provide such computing environments through both out-sourced arrangements, such as our data processing arrangement with FDC, as well as internally operating numerous distributed servers in geographically dispersed environments. The end users are connected to our Systems through a variety of public and private communications networks, which are collectively referred to herein as "Networks." Our products and services are generally considered to be mission critical customer management systems by our clients. As a result, our clients are highly dependent upon the continuous 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." 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 increases 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's infrastructure.

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As a means to mitigate certain risks in this area of our business, we have done the following: (i) established policies and procedures related to planned changes to our Systems and Networks; (ii) implemented a business continuity plan, and test certain aspects of this plan on a periodic basis; and (iii) implemented a security and data privacy program (utilizing ISO 17799 as a guideline) designed to mitigate the risk of an unauthorized access to the Networks and Systems primarily through the use of network firewalls, procedural controls, intrusion detection systems and antivirus applications. In addition, we undergo periodic security reviews of certain aspects of our Networks and Systems by independent parties.

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

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

The following table presents information with respect to purchases of company common stock made during the three months ended September 30, 2007 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.

Period	Total Number of Shares Purchased ²	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plan or Programs ¹
July 1 – July 31	742,830	\$ 26.07	740,000	8,838,196
August 1 – August 31	3,696,044	23.18	3,689,500	5,148,696
September 1 – September 30	1,133,298	22.07	1,130,000	4,018,696
Total	5,572,172	\$ 23.34	5,559,500	

¹ Our Board of Directors have authorized us to repurchase up to 30 million shares of our common stock under the Stock Repurchase Program. The Stock Repurchase Program does not have an expiration date.

² The total number of shares purchased that are not part of the Stock Repurchase Program represents shares purchased and cancelled in connection with stock incentive plans.

Item 3. None

Item 4. None

Item 5. None

Item 6. *Exhibits*

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

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: November 8, 2007

CSG SYSTEMS INTERNATIONAL, INC.

/s/ Edward C. Nafus

Edward C. Nafus
Chief Executive Officer and President
(Principal Executive Officer)

/s/ Randy R. Wiese

Randy R. Wiese
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

INDEX TO EXHIBITS

Exhibit Number	Description
10.03	CSG Systems International, Inc. 1996 Stock Incentive Plan, as amended August 14, 2007
10.04	CSG Systems International, Inc. 2005 Stock Incentive Plan, as amended August 14, 2007
10.05	CSG Systems International, Inc. Performance Bonus Program, as amended August 14, 2007
10.06	CSG Systems International, Inc. 2001 Stock Incentive Plan, as amended August 14, 2007
10.39A	First Amendment to Wealth Accumulation Plan, as amended August 14, 2007
10.46C	Third Amendment to Employment Agreement with Edward C. Nafus, dated March 6, 2007
10.46D	Fourth Amendment to Employment Agreement with Edward C. Nafus, dated August 14, 2007
10.47A	First Amendment to Employment Agreement with Randy R. Wiese, dated March 6, 2007
10.47B	Second Amendment to Employment Agreement with Randy R. Wiese dated August 14, 2007
10.48B	Second Amendment to Employment Agreement with Peter E. Kalan, dated March 6, 2007
10.48C	Third Amendment to Employment Agreement with Peter E. Kalan, dated August 14, 2007
10.49A	First Amendment to Employment Agreement with Joseph T. Ruble, dated March 6, 2007
10.49B	Second Amendment to Employment Agreement with Joseph T. Ruble, dated August 14, 2007
10.70A	First Amendment to Employment Agreement with Robert M. Scott, dated March 6, 2007
10.70B	Second Amendment to Employment Agreement with Robert M. Scott, dated August 14, 2007
10.80C	Forms of Agreement for Equity Compensation
12.10	Statement regarding computation of Ratio of Earnings to Fixed Charges
31.01	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.02	Certification 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

[As amended August 14, 2007,
effective as of January 1, 2005]

**CSG SYSTEMS INTERNATIONAL, INC.
1996 STOCK INCENTIVE PLAN**

1. *Purpose.* The purpose of the CSG Systems International, Inc. 1996 Stock Incentive Plan (the “Plan”) is to foster and promote the long-term financial success of the Company and its Subsidiaries and thereby increase stockholder value by providing incentives to those officers and other key employees who are likely to be responsible for achieving such success.

2. *Certain Definitions.*

“*Board*” means the Board of Directors of the Company.

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

“*Committee*” shall have the meaning provided in Section 3 of the Plan.

“*Common Stock*” means the Common Stock, \$0.01 par value per share, of the Company.

“*Company*” means CSG Systems International, Inc., a Delaware corporation.

“*Disability*” means (i) with respect to the exercise of an Incentive Stock Option after termination of employment, a disability within the meaning of Section 22(e)(3) of the Code and (ii) for all other purposes, a mental or physical condition which, in the opinion of the Committee, renders a grantee unable or incompetent to carry out the job responsibilities which such grantee held or the tasks to which such grantee was assigned at the time the disability was incurred and which is expected to be permanent or for an indefinite duration exceeding one year.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended from time to time.

“*Fair Market Value*” means, as determined by the Committee, the last sale price of the Common Stock as quoted on the Nasdaq National Market System on the trading day for which the determination is being made, or, in the event that no such sale takes place on such day, the average of the reported closing bid and asked prices on such day, or, if the Common Stock of the Company is listed on a national securities exchange, the last reported sale price on the principal national securities exchange on which the Common Stock is listed or admitted to trading on the trading day for which the determination is being made, or, if no such reported sale takes place on such day, the average of the closing bid and asked prices on such day on the principal national securities exchange on which the Common Stock is listed or admitted to trading, or, if the Common Stock is not quoted on such National Market System nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices in the over-the-counter market

on the day for which the determination is being made as reported through Nasdaq, or, if bid and asked prices for the Common Stock on such day are not reported through Nasdaq, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm regularly making a market in the Common Stock selected for such purpose by the Committee, or, if none of the foregoing is applicable, then the fair market value of the Common Stock as determined in good faith by the Committee in its sole discretion.

“Incentive Stock Option” means any stock option intended to qualify as an “incentive stock option” within the meaning of Section 422 of the Code.

“Non-Qualified Stock Option” means any stock option that is not intended to be an Incentive Stock Option, including any stock option that provides (as of the time such option is granted) that it will not be treated as an Incentive Stock Option.

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

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

“Plan Year” means the twelve-month period beginning on January 1 and ending on December 31; provided, that the first Plan Year shall be a short Plan Year beginning on January 3, 1996, and ending on December 31, 1996.

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

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

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

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

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

“Subsidiary” means (i) as it relates to Incentive Stock Options, any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of the granting of the option, each of the corporations (other than the last corporation in the unbroken chain) owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain and (ii) for all other purposes, a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or by a Subsidiary, whether or not such corporation now exists or hereafter is organized or acquired by the Company or by a Subsidiary.

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

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

Subject to the applicable provisions of the Plan, the Committee shall have authority to interpret the provisions of the Plan and to decide all questions of fact arising in the application of such provisions; to select the officers and other key employees to whom awards or options shall be granted under the Plan; to determine whether and to what extent awards or options shall be granted under the Plan; to determine the types of awards and options to be granted under the Plan and the amount, size, terms and conditions of each such award or option; to determine the time when awards or options shall be granted under the Plan; to determine whether, to what extent and under what circumstances the payment of Common Stock and other amounts payable with respect to an award granted under the Plan shall be deferred either automatically or at the election of the grantee; to determine the Fair Market Value of the Common Stock from time to time; to authorize persons to execute on behalf of the Company any agreement required to be entered into under the Plan; to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as the Committee from time to time shall deem advisable; and to make all other determinations necessary or advisable for the administration of the Plan.

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

The Committee may delegate to any officer or officers of the Company any of the Committee's duties, powers, and authorities under the Plan upon such conditions and with such limitations as the Committee may determine; provided, that only the Committee may select for awards or options under the Plan, and make grants of awards or options under the Plan to, officers and other key employees of the Company or any Subsidiary who are subject to Section 16 of the Exchange Act at the time of such selection or the making of such a grant.

4. *Common Stock Subject to the Plan.* Subject to adjustment pursuant to Section 19, the maximum number of shares of Common Stock which may be issued under the Plan on and after May 20, 1999, is the sum of (a) the number of shares of Common Stock which were subject to outstanding Stock Options as of May 19, 1999, plus (b) the number of shares of Common Stock available for, but not yet subject to, the grant of an award or option under the Plan as of May 19, 1999, plus (c) 3,000,000 shares of Common Stock; and the Company shall reserve and keep available for issuance under the Plan such maximum number of shares, subject to adjustment

pursuant to Section 19. Such shares may consist in whole or in part of authorized and unissued shares or treasury shares or any combination thereof. The aggregate number of shares of Common Stock subject to or issuable in payment of (i) Stock Options, (ii) Stock Appreciation Rights, (iii) Stock Bonus Awards, (iv) Restricted Stock Awards or (v) Performance Unit Awards granted under the Plan in any Plan Year to any individual may not exceed 480,000, subject to adjustment pursuant to Section 19. Except as otherwise provided in the Plan, any shares subject to an option or right which expires for any reason or terminates unexercised as to such shares shall again be available for the grant of awards or options under the Plan. If any shares of Common Stock have been pledged as collateral for indebtedness incurred by an optionee in connection with the exercise of a Stock Option and such shares are returned to the Company in satisfaction of such indebtedness, then such shares shall again be available for the grant of awards or options under the Plan.

5. *Eligibility to Receive Awards and Options.* Awards and options may be granted under the Plan to those officers and other key employees of the Company or any Subsidiary who are responsible for or contribute to, or are likely to be responsible for or contribute to, the management, growth and success of the Company or any Subsidiary. The granting of an award or option under the Plan to an officer or other key employee of the Company or any Subsidiary shall conclusively evidence the Committee's determination that such grantee meets one or more of the criteria referred to in the preceding sentence. Directors of the Company or of any Subsidiary who are not employees of the Company or any Subsidiary shall not be eligible to participate in the Plan.

6. *Stock Options.* A Stock Option may be an Incentive Stock Option or a Non-Qualified Stock Option. To the extent that any Stock Option does not qualify as an Incentive Stock Option, it shall constitute a separate Non-Qualified Stock Option. Stock Options may be granted alone or in addition to other awards made under the Plan. Stock Options shall be evidenced by agreements in such form as the Committee shall approve from time to time. The agreements shall contain in substance the following terms and conditions and may contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem appropriate:

(a) *Type of Option.* Each option agreement shall identify the Stock Option represented thereby as an Incentive Stock Option or a Non-Qualified Stock Option, as the case may be.

(b) *Option Price.* The option exercise price per share shall not be less than the Fair Market Value of the Common Stock on the date the Stock Option is granted and in no event shall be less than the par value of the Common Stock.

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

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

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

In the event that an optionee ceases to be employed by the Company and all of its Subsidiaries by reason of such optionee's Disability, prior to the expiration of a Stock Option and without such optionee's having fully exercised such Stock

Option, such optionee or such optionee's legal representative shall have the right to exercise such Stock Option during its term within a period of six (6) months after such termination of employment to the extent that such Stock Option was exercisable at the time of such termination or within such other period and subject to such other terms and conditions as may be specified by the Committee.

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

To the extent that the aggregate Fair Market Value (determined as of the time the option is granted) of the Common Stock with respect to which Incentive Stock Options granted under the Plan (and all other plans of the Company and its Subsidiaries) become exercisable for the first time by any individual in any calendar year exceeds \$100,000, such Stock Options shall be treated as Non-Qualified Stock Options. No Incentive Stock Option shall be granted to any employee if, at the time the option is granted, the employee (in his or her own right or by reason of the attribution rules applicable under Section 424(d) of the Code) owns more than 10% of the total combined voting power of all classes of stock of the Company or any Parent Corporation or Subsidiary unless at the time such option is granted the option price is at least 110% of the Fair Market Value of the stock subject to such Stock Option and such Stock Option by its terms is not exercisable after the expiration of five years from the date of its grant.

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

(a) *Award.* A Stock Appreciation Right shall entitle the grantee, subject to such terms and conditions as the Committee may prescribe, to receive upon the exercise thereof an award equal to all or a portion of the excess of (i) the Fair Market Value of a specified number of shares of Common Stock at the time of the exercise of such right over (ii) a specified price which shall not be less than the Fair Market Value of the Common Stock at the time the right is granted or, if connected with a previously granted Stock Option, not less than the Fair Market Value of the Common Stock at the time such Stock Option was granted. Subject to the limitations set forth in Section 4, such award may be paid by the Company in cash, shares of Common Stock (valued at their then Fair Market Value) or any combination thereof, as the Committee may determine. Stock Appreciation Rights may be, but are not required to be, granted in connection with a previously or contemporaneously granted Stock Option.

In the event of the exercise of a Stock Appreciation Right, the number of shares reserved for issuance under the Plan shall be reduced by the number of shares covered by the Stock Appreciation Right as to which such exercise occurs.

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

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

In the event that a grantee of a Stock Appreciation Right ceases to be employed by the Company and all of its Subsidiaries by reason of such grantee's Disability, prior to the expiration of a Stock Appreciation Right and without such grantee's having fully exercised such Stock Appreciation Right, such grantee or such grantee's legal representative shall have the right to exercise such Stock Appreciation Right during its term within a period of six (6) months after such termination of employment to the

extent that such Stock Appreciation Right was exercisable at the time of such termination or within such other period and subject to such other terms and conditions as may be specified by the Committee.

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

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

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

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

(c) *Performance Targets.* The Committee shall establish with respect to each Performance Unit Award maximum and minimum performance targets to be achieved during the applicable performance period. The achievement of the maximum targets shall entitle a grantee to payment with respect to the full value of a Performance Unit Award. The achievement of less than the maximum targets, but in excess of the minimum targets, shall entitle a grantee to payment with respect to a portion of a Performance Unit Award according to the level of achievement of the applicable targets as specified by the Committee. To the extent the Committee deems necessary or appropriate to protect against the loss of deductibility pursuant to Section 162(m) of the Code, such targets shall be established in conformity with the requirements of Section 162(m) of the Code.

(d) *Performance Measures.* Performance targets established by the Committee shall relate to corporate, division, subsidiary, group or unit performance in terms of objective financial criteria or performance goals which satisfy the requirements of Section 162(m) of the Code or, with respect to grantees not subject to Section 162(m) of the Code, such other measures or standards of performance as the Committee may determine. Multiple targets may be used and may have the same or

different weighting, and the targets may relate to absolute performance or relative performance measured against other companies, businesses or indexes.

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

(f) *Payment of Performance Unit Awards.* Upon the conclusion of each performance period, the Committee shall determine the extent to which the applicable performance targets have been attained and any other terms and conditions have been satisfied for such period and shall provide such certification thereof as may be necessary to satisfy the requirements of Section 162(m) of the Code. The Committee shall determine what, if any, payment is due on a Performance Unit Award and, subject to the limitations set forth in Section 4, whether such payment shall be made in cash, shares of Common Stock (valued at their then Fair Market Value) or a combination thereof. Payment of a Performance Unit Award shall be made in a lump sum or in installments, as determined by the Committee, commencing as promptly as practicable after the end of the performance period unless such payment is deferred upon such terms and conditions as may be specified by the Committee.

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

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

9. *Restricted Stock Awards.* Restricted Stock Awards shall consist of shares of Common Stock restricted against transfer, subject to a substantial risk of forfeiture and to other terms and conditions intended to further the purpose of the Plan as the Committee may

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

(a) *Restriction Period.* The Common Stock covered by Restricted Stock Awards shall be subject to the applicable restrictions established by the Committee over such period as the Committee shall determine. To the extent the Committee deems necessary or appropriate to protect against the loss of deductibility pursuant to Section 162(m) of the Code, Restricted Stock Awards also may be subject to the attainment of one or more preestablished performance objectives which relate to corporate, subsidiary, division, group or unit performance in terms of objective financial criteria or performance goals which satisfy the requirements of Section 162(m) of the Code; provided, that any such preestablished financial criteria or performance goals subsequently may be adjusted by the Committee to reduce or eliminate, but not to increase, a Restricted Stock Award in order to take into account unforeseen events or changes in circumstances.

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

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

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

“This certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture provisions and restrictions against transfer) contained in the CSG Systems International, Inc. 1996 Stock Incentive Plan and a Restricted Stock Award Agreement entered into between the registered owner and CSG Systems International, Inc. Release from such terms and conditions may be obtained only in accordance with the provisions of such Plan and Agreement, a copy of each of which is on file in the office of the Secretary of CSG Systems International, Inc.”

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

(e) *Lapse of Restrictions.* Except for preestablished performance objectives established with respect to Restricted Stock Awards to grantees subject to Section 162(m) of the Code, the Committee may provide for the lapse of restrictions applicable to Common Stock subject to Restricted Stock Awards in installments and may waive such restrictions in whole or in part based upon such factors and such circumstances as the Committee shall determine. Upon the lapse of such restrictions, certificates for shares of Common Stock, free of the restrictive legend set forth in Section 9(c), shall be issued to the grantee or the grantee's legal representative. The Committee shall have authority to accelerate the expiration of the applicable restriction period with respect to all or any portion of the shares of Common Stock covered by a Restricted Stock Award except, with respect to grantees subject to Section 162(m) of the Code, to the extent such acceleration would result in the loss of the deductibility of such Restricted Stock Award pursuant to Section 162(m) of the Code.

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

10. *Stock Bonus Awards.* The Committee may grant a Stock Bonus Award to an eligible grantee under the Plan based upon corporate, division, subsidiary, group or unit performance in terms of preestablished objective financial criteria or performance goals or, with respect to participants not subject to Section 162(m) of the Code, such other measures or standards of performance (including but not limited to performance already accomplished) as the Committee may determine; provided, that any such preestablished financial criteria or performance goals subsequently may be adjusted to reduce or eliminate, but not to increase, a Stock Bonus Award in order to take into account unforeseen events or changes in circumstances.

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

11. *General Restrictions.* Each award or grant under the Plan shall be subject to the requirement that if at any time the Committee shall determine that (i) the listing, registration or qualification of the shares of Common Stock subject or related thereto upon any securities exchange or under any state or federal law, (ii) the consent or approval of any governmental regulatory body, or (iii) an agreement by the grantee of an award or grant with respect to the disposition of the shares of Common Stock subject or related thereto is necessary or desirable as a condition of, or in connection with, such award or grant or the issuance or purchase of shares of Common Stock thereunder, then such award or grant may not be consummated and any rights thereunder may not be exercised in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained upon conditions acceptable to the Committee. Awards or grants under the Plan shall be subject to such additional terms and conditions, not inconsistent with the Plan, as the Committee in its sole discretion deems necessary or desirable, including but not limited to such terms and conditions as are necessary to enable a grantee to avoid any short-swing profit capture liability under Section 16 of the Exchange Act.

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

13. *Rights of a Stockholder.* Unless otherwise provided by the Plan, the grantee of any award or grant under the Plan shall have no rights as a stockholder of the Company with respect to the shares of Common Stock subject or related to such award or grant unless and until certificates for such shares of Common Stock are issued to such grantee.

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

15. *Withholding.* The Company's obligation to (i) deliver shares of Common Stock or pay cash upon the exercise of any Stock Option or Stock Appreciation Right, (ii) deliver shares of Common Stock or pay cash in payment of any Performance Unit Award, (iii) deliver stock certificates upon the vesting of any Restricted Stock Award, and (iv) deliver shares of Common Stock upon the grant of any Stock Bonus Award shall be subject to applicable federal, state and local tax withholding requirements. In the discretion of the Committee, amounts required to be withheld for taxes may be paid by the grantee in cash or shares of Common Stock (either through the surrender of previously held shares of Common Stock or the withholding of shares of Common Stock otherwise issuable upon the exercise or payment of such Stock Option, Stock Appreciation Right or Award) having a Fair Market Value equal to the required tax withholding amount and upon such other terms and conditions as the Committee shall determine; provided, that any election by a grantee subject to Section 16(b) of the Exchange Act to pay any tax withholding in shares of Common Stock shall be subject to and must comply with any applicable rules under Section 16(b) of the Exchange Act.

16. *Indemnification.* No member of the Board or the Committee, nor any officer or employee of the Company or a Subsidiary acting on behalf of the Board or the Committee, shall be personally liable for any action, determination or interpretation taken or

made in good faith with respect to the Plan; and all members of the Board or the Committee and each and any officer or employee of the Company or any Subsidiary acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

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

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

19. *Adjustments.* In the event of any change in the outstanding shares of Common Stock, by reason of a stock dividend or distribution, stock split, recapitalization, merger, reorganization, consolidation, split-up, spin-off, combination of shares, exchange of shares or other change in corporate structure affecting the Common Stock, the Committee shall make appropriate adjustments in (a) the aggregate number of shares of Common Stock (i) reserved for issuance under the Plan, (ii) for which grants or awards may be made to an individual grantee and (iii) covered by outstanding awards and grants denominated in shares or units of Common Stock, (b) the exercise or other applicable price related to outstanding awards or grants and (c) the appropriate Fair Market Value and other price determinations relevant to outstanding awards or grants and shall make such other adjustments as may be equitable under the circumstances; provided, that the number of shares subject to any award or grant always shall be a whole number.

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

21. *Termination and Amendment.* The Board may terminate the Plan or amend the Plan or any portion thereof at any time, including but not limited to amendments to the Plan necessary to comply with the requirements of Section 16(b) of the Exchange Act,

Section 162(m) of the Code, Section 422 of the Code or regulations issued under any of such statutory provisions. The termination or any amendment of the Plan shall not, without the consent of a grantee, adversely affect such grantee's rights under an award or grant previously made to such grantee under the Plan. The Committee may amend the terms of any award or grant previously made under the Plan, prospectively or retroactively; but, except as otherwise expressly permitted by the Plan and subject to the provisions of Section 19, no such amendment shall adversely affect the rights of the grantee of such award or grant without such grantee's consent. Notwithstanding the foregoing provisions of this Section 21, stockholder approval of any action referred to in this Section 21 shall be required whenever necessary to satisfy the applicable requirements of Section 16(b) of the Exchange Act, Section 162(m) of the Code, Section 422 of the Code or any regulations issued under any of such statutory provisions.

22. *Severability.* With respect to participants subject to Section 16 of the Exchange Act, (i) the Plan is intended to comply with all applicable conditions of Rule 16b-3 or any successor to such rule, (ii) all transactions involving grantees who are subject to Section 16(b) of the Exchange Act are subject to such conditions, regardless of whether the conditions are expressly set forth in the Plan and (iii) any provision of the Plan that is contrary to a condition of Rule 16b-3 shall not apply to grantees who are subject to Section 16(b) of the Exchange Act. If any of the terms or provisions of the Plan, or awards or grants made under the Plan, conflict with the requirements of Section 162(m) or Section 422 of the Code with respect to awards or grants subject to or governed by Section 162(m) or Section 422 of the Code, as the case may be, then such terms or provisions shall be deemed inoperative to the extent they so conflict with the requirements of Section 162(m) or Section 422 of the Code, as the case may be. With respect to an Incentive Stock Option, if the Plan does not contain any provision required to be included in the Plan under Section 422 of the Code (as amended from time to time) or any successor to such section, then such provision shall be deemed to be incorporated in the Plan with the same force and effect as if such provision had been expressly set out in the Plan.

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

24. *Term of Plan.* The Plan shall become effective on January 3, 1996, and shall terminate for purposes of further grants on the first to occur of (i) December 31, 2005, or (ii) the effective date of the termination of the Plan by the Board pursuant to Section 21. No awards or options may be granted under the Plan after the termination of the Plan, but such termination shall not affect any awards or options outstanding at the time of such termination or the authority of the Committee to continue to administer the Plan apart from the making of further grants.

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

26. *Section 409A.*

(a) *Time and Form of Payment.* Notwithstanding anything contained in the Plan or in an award agreement to the contrary, the time and form of payment of an award that is subject to the limitations imposed by Section 409A of the Code shall be set forth in the applicable award agreement on or before the time at which the grantee of the award obtains a legally binding right to the award (or such other time permitted under Section 409A of the Code) and such time and form of payment shall comply with the requirements of Section 409A of the Code.

(b) *Delay in Payment.* Notwithstanding anything contained in the Plan or an award agreement to the contrary, if the grantee of the award is deemed by the Company at the time of such grantee's "separation from service" with the Company to be a "specified employee" as determined under Section 409A of the Code, any nonqualified deferred compensation to which such grantee is entitled under the Plan in connection with such separation from service shall not be paid or commence payment until the date which is the first business day following the six-month period after such grantee's separation from service (or if earlier, such grantee's death). Such delay in payment shall only be effected with respect to each separate payment to the extent required to avoid adverse tax treatment to such grantee under Section 409A of the Code. Any compensation which would have otherwise been paid during the delay period (whether in a lump sum or in installments) in the absence of this Section 26 shall be paid to such grantee or such grantee's Beneficiary in a lump-sum payment on the first business day following the expiration of the delay period.

(c) *Amendments.* Notwithstanding anything in the Plan to the contrary, the Plan and awards granted under the Plan are intended to be eligible for certain regulatory exceptions to the limitations of, or to comply with, the requirements of Section 409A of the Code. The Committee, in the exercise of its sole discretion and without the consent of the grantee of an award under the Plan, may amend or modify the terms of an award in any manner and delay the payment of any amounts payable pursuant to an award to the minimum extent necessary to reasonably comply with the requirements of Section 409A of the Code, provided that the Company shall not be required to assume any increased economic burden. No action so taken by the Committee with respect to the requirements of Section 409A of the Code shall be deemed to adversely affect the rights of a grantee of an award under the Plan with respect to an award or to require the consent of such grantee. The Committee reserves the right to make additional changes to the Plan and awards from time to time to the extent it deems necessary with respect to Section 409A of the Code.

CSG SYSTEMS INTERNATIONAL, INC.

2005 STOCK INCENTIVE PLAN

1. *Purpose.* The purpose of the CSG Systems International, Inc. 2005 Stock Incentive Plan (the “Plan”) is to foster and promote the long-term financial success of the Company and its Subsidiaries and thereby increase stockholder value by providing incentives to those officers and other key employees of the Company and its Subsidiaries who are likely to be responsible for achieving such financial success and by attracting and compensating knowledgeable and experienced non-employee directors of the Company whose services on the Board and its committees can assist such officers and other key employees in the achievement of such financial success.

2. *Certain Definitions.*

“*Board*” means the Board of Directors of the Company.

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

“*Committee*” shall have the meaning provided in Section 3 of the Plan.

“*Common Stock*” means the Common Stock, \$0.01 par value per share, of the Company.

“*Company*” means CSG Systems International, Inc., a Delaware corporation.

“*Disability*” means (i) with respect to the exercise of an Incentive Stock Option after termination of employment, a disability within the meaning of Section 22(e)(3) of the Code and (ii) for all other purposes, a mental or physical condition which, in the opinion of the Committee, renders a grantee unable or incompetent to carry out the job responsibilities which such grantee held or the tasks to which such grantee was assigned (or, in the case of a non-employee director of the Company, the services in such capacity which such non-employee director is expected to perform) at the time the disability was incurred and which is expected to be permanent or for an indefinite duration exceeding one year.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended from time to time.

“Fair Market Value” means, as determined by the Committee, the last sale price of the Common Stock as quoted on the Nasdaq National Market System on the trading day for which the determination is being made, or, in the event that no such sale takes place on such day, the average of the reported closing bid and asked prices on such day, or, if the Common Stock of the Company is listed on a national securities exchange, the last reported sale price on the principal national securities exchange on which the Common Stock is listed or admitted to trading on the trading day for which the determination is being made, or, if no such reported sale takes place on such day, the average of the closing bid and asked prices on such day on the principal national securities exchange on which the Common Stock is listed or admitted to trading, or, if the Common Stock is not quoted on such National Market System nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices in the over-the-counter market on the day for which the determination is being made as reported through Nasdaq, or, if bid and asked prices for the Common Stock on such day are not reported through Nasdaq, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm regularly making a market in the Common Stock selected for such purpose by the Committee, or, if none of the foregoing is applicable, then the fair market value of the Common Stock as determined in good faith by the Committee in its sole discretion.

“Incentive Stock Option” means any stock option intended to qualify as an “incentive stock option” within the meaning of Section 422 of the Code.

“Non-Qualified Stock Option” means any stock option that is not intended to be an Incentive Stock Option, including any stock option that provides (as of the time such option is granted) that it will not be treated as an Incentive Stock Option.

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

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

“Plan Year” means the twelve-month period beginning on January 1 and ending on December 31; provided, that the first Plan Year shall be a short Plan Year beginning on the date on which the Plan is approved by the stockholders of the Company and ending on December 31 of the calendar year during which such stockholder approval occurs.

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

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

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

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

“*Stock Option*” means any option to purchase Common Stock granted pursuant to Section 6.

“*Subsidiary*” means (i) as it relates to Incentive Stock Options, any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of the granting of the option, each of the corporations (other than the last corporation in the unbroken chain) owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain and (ii) for all other purposes, a corporation or other entity, domestic or foreign, of which not less than 50% of the voting shares or other voting interests are held by the Company or by a Subsidiary, whether or not such corporation or other entity now exists or hereafter is organized or acquired by the Company or by a Subsidiary. The plural form of such word is “Subsidiaries”.

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

The Committee shall have authority to grant to eligible employees of the Company and its Subsidiaries and to non-employee directors of the Company, pursuant to the terms of the Plan, (a) Stock Options, (b) Stock Appreciation Rights, (c) Restricted Stock Awards, (d) Performance Unit Awards, (e) Stock Bonus Awards, or (f) any combination of the foregoing; provided, that the Committee may not grant Incentive Stock Options, Performance Unit Awards or Stock Bonus Awards to non-employee directors of the Company.

Subject to the applicable provisions of the Plan, the Committee shall have authority to interpret the provisions of the Plan and to decide all questions of fact arising in the application of such provisions; to select the officers and other key employees of the Company and its Subsidiaries and the non-employee directors of the Company to whom awards or options shall be granted under the Plan; to determine whether and to what extent awards or options shall be granted under the Plan; to determine the types of awards and options to be granted under the Plan and the amount, size, terms and conditions of each such award or option; to determine the time when awards or options shall be granted under the Plan; to determine whether, to what extent and under what circumstances the payment of Common Stock and other amounts payable with respect to an award granted under the Plan shall be deferred either automatically or at the election of the grantee; to determine the Fair Market Value of the Common Stock from time to time; to authorize persons to execute on behalf of the Company any agreement required to be entered into under the Plan; to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as the Committee from time to time shall deem advisable; and to make all other determinations and take all other actions necessary or advisable for the administration of the Plan.

Unless otherwise expressly provided in the Plan or by applicable law, all decisions and determinations made by the Committee in the administration and interpretation of the Plan or with respect to any ambiguous or disputed terms of any award or option shall be made in the sole discretion of the Committee and shall be final and binding on all persons, including but not limited to the Company

and its Subsidiaries, the officers and other key employees of the Company and its Subsidiaries and the non-employee directors of the Company to whom awards and options are granted under the Plan, the heirs and legal representatives of such officers, key employees and non-employee directors, and the personal representatives and beneficiaries of the estates of such officers, key employees and non-employee directors.

The Committee may, in its sole discretion, vary the provisions of the Plan (except the provisions of Sections 4, 13, 14, 21 (other than to require a grantee's consent to an amendment of an outstanding option or award), and 24 of the Plan) in order to conform such provisions to the legal requirements of each non-U.S. jurisdiction where a Subsidiary is located or to accomplish the purpose of the Plan with respect to persons employed in such non-U.S. jurisdictions who are eligible to receive awards and options under the Plan. The Committee may, where it deems appropriate in its sole discretion, establish one or more sub-plans for such purposes; and the Committee may, in its sole discretion, establish administrative rules and procedures to facilitate the operation of the Plan or such sub-plans in such non-U.S. jurisdictions. For purposes of clarity, the terms of the Plan which will vary in a particular non-U.S. jurisdiction shall be reflected in a written addendum to the Plan for such non-U.S. jurisdiction.

The Committee may delegate to any officer or officers of the Company any of the Committee's duties, powers and authorities under the Plan upon such conditions and with such limitations as the Committee may determine; provided, that only the Committee may select for awards or options under the Plan, and make grants of awards or options under the Plan to, officers and other key employees of the Company or any Subsidiary who are subject to Section 16 of the Exchange Act at the time of such selection or the making of such a grant and non-employee directors of the Company.

4. *Common Stock Subject to the Plan.* Subject to adjustment pursuant to Section 19, the maximum number of shares of Common Stock which may be issued under the Plan is 12,400,000; and the Company shall reserve and keep available for issuance under the Plan such maximum number of shares, subject to adjustment pursuant to Section 19. Such shares may consist in whole or in part of authorized and unissued shares or treasury shares or any combination thereof. Shares awarded under the Plan as a Stock Bonus Award, Restricted Stock Award or Performance Unit Award shall be counted against the maximum number of shares of Common Stock which may be issued under the Plan as two shares for every one share granted as or issued in payment of such Award or by reference to which such Award is valued. Subject to adjustment pursuant to Section 19, the aggregate number of shares of Common Stock subject to or issuable in payment of (i) Stock Options, (ii) Stock Appreciation Rights, (iii) Stock Bonus Awards, (iv) Restricted Stock Awards, or (v) Performance Unit Awards granted under the Plan in any Plan Year to any individual may not exceed 480,000, with shares awarded under the Plan to such individual as a Stock Bonus Award, Restricted Stock Award or Performance Unit Award being counted against such aggregate number as two shares for every one share granted as or issued in payment of such Award or by reference to which such Award is valued. Except as otherwise provided in the Plan, any shares subject to a Stock Option or a Stock Appreciation Right which expires for any reason or terminates unexercised as to such shares shall again be available for the grant of awards or options under the Plan. Shares of Common Stock granted under the Plan as Restricted Stock Awards which are reacquired by the Company from the grantee pursuant to the terms of such grant shall not again be available for the grant of awards or options

under the Plan, and shares of Common Stock retained by the Company in full or partial payment of an option exercise price pursuant to Section 6(d)(ii)(B) or withheld by the Company in satisfaction of any federal, state or local tax withholding requirement shall not again be available for the grant of awards or options under the Plan. If a Stock Appreciation Right is exercised by a grantee and the Company pays the award to the grantee in whole or in part in shares of Common Stock, then the number of shares reserved for issuance under the Plan shall be reduced by the number of shares covered by the Stock Appreciation Right as to which such exercise occurs. If a Stock Appreciation Right is exercised by a grantee and the Company pays the award to the grantee entirely in cash, then the shares covered by the Stock Appreciation Right as to which such exercise occurs shall again be available for the grant of awards or options under the Plan.

5. *Eligibility to Receive Awards and Options.* Awards and options may be granted under the Plan to those officers and other key employees of the Company or any Subsidiary who are responsible for or contribute to, or are likely to be responsible for or contribute to, the management, growth and success of the Company or any Subsidiary and to non-employee directors of the Company. The granting of an award or option under the Plan to an officer or other key employee of the Company or any Subsidiary shall conclusively evidence the Committee's determination that such grantee meets one or more of the criteria referred to in the preceding sentence.

6. *Stock Options.* A Stock Option may be an Incentive Stock Option or a Non-Qualified Stock Option. To the extent that any Stock Option does not qualify as an Incentive Stock Option, it shall constitute a separate Non-Qualified Stock Option. Stock Options may be granted alone or in addition to other awards made under the Plan. Stock Options shall be evidenced by agreements in such form as the Committee shall approve from time to time. The agreements shall contain in substance the following terms and conditions and may contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem appropriate:

(a) *Type of Option.* Each option agreement shall identify the Stock Option represented thereby as an Incentive Stock Option or a Non-Qualified Stock Option, as the case may be.

(b) *Option Price.* The option exercise price per share shall not be less than the Fair Market Value of the Common Stock on the date the Stock Option is granted and in no event shall be less than the par value of the Common Stock.

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

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

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

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

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

The foregoing provisions of this Section 6(e) shall not be applicable to non-employee directors of the Company.

(f) *Rights Upon Termination of Service as a Non-Employee Director.* Unless the applicable option agreement provides otherwise, if an optionee who is a non-employee director of the Company ceases to be a director of the Company for any reason other than retirement from the Board under the circumstances described in the following paragraph of this Section 6(f) or death, then each outstanding but unexercised Stock Option held by such optionee shall continue to be exercisable only to the extent that it was exercisable at the time that such optionee ceased to be a director of the Company and only until the earlier of (i) three months after such optionee ceased to be a director of the Company or (ii) the expiration of the term of such Stock Option.

Unless the applicable option agreement provides otherwise, if an optionee who is a non-employee director of the Company ceases to be a director of the Company (other than by reason of death) and at the time of such occurrence (the "Retirement Date") is at least age 65 with ten or more years of service as a non-employee director of the Company or is at least age 70 with five or more years of service as a non-employee director of the Company, then each outstanding but unexercised Stock Option held by such optionee on the Retirement Date shall continue to be or become exercisable in accordance with its terms until the earlier of (i) five years after the Retirement Date or (ii) the expiration of the term of such Stock Option.

Unless the applicable option agreement provides otherwise, if an optionee who is a non-employee director of the Company dies, then each outstanding but unexercised Stock Option which had been held by such grantee for at least twelve months as of the date of such optionee's death automatically shall become exercisable in full (if not already exercisable) upon such optionee's

death. Each outstanding but unexercised Stock Option which becomes exercisable pursuant to the preceding sentence and each outstanding but unexercised Stock Option held by such optionee which was exercisable on the date of such optionee's death may be exercised by the legal representative of such optionee's estate or by the beneficiaries of such estate to whom such Stock Option is distributed until the earlier of (i) three years after the date of such optionee's death or (ii) the expiration of the term of such Stock Option.

The foregoing provisions of this Section 6(f) shall be applicable only to non-employee directors of the Company.

To the extent that the aggregate Fair Market Value (determined as of the time the option is granted) of the Common Stock with respect to which Incentive Stock Options granted under the Plan (and all other plans of the Company and its Subsidiaries) become exercisable for the first time by any individual in any calendar year exceeds \$100,000, such Stock Options shall be treated as Non-Qualified Stock Options. No Incentive Stock Option shall be granted to any employee if, at the time the option is granted, the employee (in his or her own right or by reason of the attribution rules applicable under Section 424(d) of the Code) owns more than 10% of the total combined voting power of all classes of stock of the Company or any Parent Corporation or Subsidiary unless at the time such option is granted the option price is at least 110% of the Fair Market Value of the stock subject to such Stock Option and such Stock Option by its terms is not exercisable after the expiration of five years from the date of its grant.

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

(a) *Award.* A Stock Appreciation Right shall entitle the grantee, subject to such terms and conditions as the Committee may prescribe, to receive upon the exercise thereof an award equal to all or a portion of the excess of (i) the Fair Market Value of a specified number of shares of Common Stock at the time of the exercise of such right over (ii) a specified price which shall not be less than the Fair Market Value of the Common Stock at the time the right is granted or, if connected with a previously granted Stock Option, not less than the Fair Market Value of the Common Stock at the time such Stock Option was granted. Subject to the limitations set forth in Section 4, such award may be paid by the Company in cash, shares of Common Stock (valued at their then Fair Market Value) or any combination thereof, as the Committee may determine. Stock Appreciation Rights may be, but are not required to be, granted in connection with a previously or contemporaneously granted Stock Option.

(b) *Term.* Each agreement shall state the period or periods of time within which the Stock Appreciation Right may be exercised, in whole or in part, subject to such terms and conditions prescribed for such purpose by the Committee; provided, that no Stock Appreciation Right shall be exercisable more than ten years after the date of its grant; and provided further, that each

Stock Appreciation Right granted under the Plan shall become exercisable one year after the date of its grant, unless the agreement specifically provides otherwise. The Committee shall have authority to accelerate previously established exercise rights, subject to the requirements set forth in the Plan, under such circumstances and upon such terms and conditions as the Committee shall deem appropriate.

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

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

In the event that a grantee of a Stock Appreciation Right ceases to be employed either by the Company or by a Subsidiary by reason of such grantee's death, prior to the expiration of a Stock Appreciation Right and without such grantee's having fully

exercised such Stock Appreciation Right, the personal representative of the grantee's estate or the person who acquired the right to exercise such Stock Appreciation Right by bequest or inheritance from such grantee shall have the right to exercise such Stock Appreciation Right during its term within a period of twelve months after the date of such grantee's death to the extent that such Stock Appreciation Right was exercisable at the time of such death or within such other period and subject to such other terms and conditions as may be specified by the Committee.

The foregoing provisions of this Section 7(c) shall not be applicable to non-employee directors of the Company.

(d) *Rights Upon Termination of Service as a Non-Employee Director.* Unless the applicable agreement provides otherwise, if a grantee of a Stock Appreciation Right who is a non-employee director of the Company ceases to be a director of the Company for any reason other than retirement from the Board under circumstances described in the following paragraph of this Section 7(d) or death, then each outstanding but unexercised Stock Appreciation Right held by such grantee shall continue to be exercisable only to the extent that it was exercisable at the time that such grantee ceased to be a director of the Company and only until the earlier of (i) three months after such grantee ceased to be a director of the Company or (ii) the expiration of the term of such Stock Appreciation Right.

Unless the applicable agreement provides otherwise, if the grantee of a Stock Appreciation Right who is a non-employee director of the Company ceases to be a director of the Company (other than by reason of death) and at the time of such occurrence (the "Retirement Date") is at least age 65 with ten or more years of service as a director of the Company or is at least age 70 with five or more years of service as a director of the Company, then each outstanding but unexercised Stock Appreciation Right held by such grantee on the Retirement Date shall continue to be or become exercisable in accordance with its terms until the earlier of (i) five years after the Retirement Date or (ii) the expiration of the term of such Stock Appreciation Right.

Unless the applicable agreement provides otherwise, if the grantee of a Stock Appreciation Right who is a non-employee director of the Company dies, then each outstanding but unexercised Stock Appreciation Right which had been held by such grantee for at least twelve months as of the date of such grantee's death automatically shall become exercisable in full (if not already exercisable) upon such grantee's death. Each outstanding but unexercised Stock Appreciation Right which becomes exercisable pursuant to the preceding sentence and each outstanding but unexercised Stock Appreciation Right held by such grantee which was exercisable on the date of such grantee's death may be exercised by the legal representative of such grantee's estate or by the beneficiaries of such estate to whom such Stock Appreciation Right is distributed until the earlier of (i) three years after the date of such grantee's death or (ii) the expiration of the term of such Stock Appreciation Right.

The foregoing provisions of this Section 7(d) shall be applicable only to non-employee directors of the Company.

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

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

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

(c) *Performance Targets.* The Committee shall establish with respect to each Performance Unit Award maximum and minimum performance targets to be achieved during the applicable performance period. The achievement of the maximum targets shall entitle a grantee to payment with respect to the full value of a Performance Unit Award. The achievement of less than the maximum targets, but in excess of the minimum targets, shall entitle a grantee to payment with respect to a portion of a Performance Unit Award according to the level of achievement of the applicable targets as specified by the Committee. To the extent the Committee deems necessary or appropriate to protect against the loss of deductibility pursuant to Section 162(m) of the Code, such targets shall be established in conformity with the requirements of Section 162(m) of the Code.

(d) *Performance Measures.* Performance targets established by the Committee shall relate to corporate, division, subsidiary, group or unit performance in terms of objective financial criteria or performance goals which satisfy the requirements of Section 162(m) of the Code or, with respect to grantees not subject to Section 162(m) of the Code, such other measures or standards of performance as the Committee may determine. Multiple targets may be used and may have the same or different weighting, and the targets may relate to absolute performance or relative performance measured against other companies, businesses or indexes.

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

(f) *Payment of Performance Unit Awards.* Upon the conclusion of each performance period, the Committee shall determine the extent to which the applicable performance targets have been attained and any other terms and conditions have been satisfied for such period and shall provide such certification thereof as may be necessary to satisfy the requirements of Section 162(m) of the Code. The Committee shall determine what, if any, payment is due on a Performance Unit Award and, subject to the limitations set forth in Section 4, whether such payment shall be made in cash, shares of Common Stock (valued at their then Fair Market Value) or a combination thereof. Payment of a Performance Unit Award shall be made in a lump sum or in installments, as determined by the Committee, commencing as promptly as practicable after the end of the performance period unless such payment is deferred upon such terms and conditions as may be specified by the Committee.

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

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

9. *Restricted Stock Awards.* Restricted Stock Awards shall consist of shares of Common Stock restricted against transfer, subject to a substantial risk of forfeiture and to other terms and conditions intended to further the purpose of the Plan as the Committee may determine, and shall be evidenced by agreements in such form as the Committee shall approve from time to time. The agreements shall contain in substance the following terms and conditions and may contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem appropriate:

(a) *Restriction Period.* The Common Stock covered by Restricted Stock Awards shall be subject to the applicable restrictions established by the Committee over such period as the Committee shall determine. To the extent the Committee deems necessary or appropriate to protect against the loss of deductibility pursuant to Section 162(m) of the Code, Restricted Stock Awards also may be subject to the attainment of one or more preestablished performance objectives which relate to

corporate, subsidiary, division, group or unit performance in terms of objective financial criteria or performance goals which satisfy the requirements of Section 162(m) of the Code; provided, that any such preestablished financial criteria or performance goals subsequently may be adjusted by the Committee to reduce or eliminate, but not to increase, a Restricted Stock Award in order to take into account unforeseen events or changes in circumstances affecting the Company such as but not limited to changes in laws, regulations or accounting principles, mergers, acquisitions or divestitures, or other extraordinary, unusual or nonrecurring items or events.

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

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

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

“This certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture provisions and restrictions against transfer) contained in the CSG Systems International, Inc. 2005 Stock Incentive Plan and a Restricted Stock Award Agreement entered into between the registered owner and CSG Systems International, Inc. Release from such terms and conditions may be obtained only in accordance with the provisions of such Plan and Agreement, a copy of each of which is on file in the office of the Secretary of CSG Systems International, Inc.”

The Committee may require the grantee of a Restricted Stock Award to enter into an escrow agreement providing that the certificates representing the shares covered by such Restricted Stock Award will remain in the physical custody of an escrow agent until all restrictions are removed or expire and may require that the certificates held in such escrow be accompanied by a stock power, endorsed in blank by the grantee, relating to the Common Stock covered by such certificates. The Company also may use a book-entry system of uncertificated shares to administer grants of Restricted Stock Awards and to effect any withholding required by Section 15.

(e) *Lapse of Restrictions.* Except for preestablished performance objectives established with respect to Restricted Stock Awards to grantees subject to Section 162(m) of the Code, the Committee may provide for the lapse of restrictions applicable to Common Stock subject to Restricted Stock Awards in installments and may waive such restrictions in whole or in part based upon such factors and such circumstances as the Committee shall determine. Upon the lapse of such restrictions, subject to the provisions of Section 15, certificates for shares of Common Stock, free of the restrictive legend set forth in Section 9(d), shall be issued to the grantee or the grantee's legal representative automatically in the case of certificated shares or upon the request of the grantee in the case of uncertificated shares. The Committee shall have authority to accelerate the expiration of the applicable restriction period with respect to all or any portion of the shares of Common Stock covered by a Restricted Stock Award except, with respect to grantees subject to Section 162(m) of the Code, to the extent such acceleration would result in the loss of the deductibility of such Restricted Stock Award pursuant to Section 162(m) of the Code.

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

10. *Stock Bonus Awards.* The Committee may grant a Stock Bonus Award to an eligible grantee under the Plan based upon corporate, division, subsidiary, group or unit performance in terms of preestablished objective financial criteria or performance goals or, with respect to participants not subject to Section 162(m) of the Code, such other measures or standards of performance (including but not limited to performance already accomplished) as the Committee may determine; provided, that any such preestablished financial criteria or performance goals subsequently may be adjusted to reduce or eliminate, but not to increase, a Stock Bonus Award in order to take into account unforeseen events or changes in circumstances affecting the Company such as but not limited to changes in laws, regulations or accounting principles, mergers, acquisitions or divestitures, or other extraordinary, unusual or nonrecurring items or events.

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

11. *General Restrictions.* Each award or grant under the Plan shall be subject to the requirement that if at any time the Committee shall determine that (i) the listing, registration or qualification of the shares of Common Stock subject or related thereto upon any securities exchange or under any state or federal law, (ii) the consent or approval of any governmental regulatory body, or (iii) an agreement by the grantee of an award or grant with respect to the disposition of the shares of Common Stock subject or related thereto is necessary or desirable as a condition of, or in connection with, such award or grant or the issuance or purchase of shares of Common Stock thereunder, then such award or grant may not be consummated and any rights thereunder may not be exercised in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained upon conditions acceptable to the Committee. Awards or grants under the Plan shall be subject to such additional terms and conditions, not inconsistent with the Plan, as the Committee in its sole discretion deems necessary or desirable, including but not limited to such terms and conditions as are necessary to enable a grantee to avoid any short-swing profit recapture liability under Section 16 of the Exchange Act.

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

13. *Rights of a Stockholder.* Unless otherwise provided by the Plan, the grantee of any award or grant under the Plan shall have no rights as a stockholder of the Company with respect to the shares of Common Stock subject or related to such award or grant unless and until certificates for such shares of Common Stock are issued to such grantee or until uncertificated shares have been credited to an account established for such grantee.

14. *No Right to Continue Employment or Service as a Director.* Nothing in the Plan or in any agreement entered into pursuant to the Plan shall confer upon any grantee who is an employee of the Company or any Subsidiary the right to continue in the employment of the Company or any Subsidiary or affect any right which the Company or any Subsidiary may have to terminate the employment of such grantee with or without cause. Nothing in the Plan or in any agreement entered into pursuant to the Plan shall confer upon any grantee who is a non-employee director of the Company the right to continue to serve as a director of the Company.

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

Market Value equal to the required tax withholding amount and upon such other terms and conditions as the Committee shall determine; provided, that any election by a grantee subject to Section 16(b) of the Exchange Act to pay any tax withholding in shares of Common Stock shall be subject to and must comply with any applicable rules under Section 16(b) of the Exchange Act.

16. *Indemnification.* No member of the Board or the Committee, and no officer or employee of the Company or a Subsidiary acting on behalf of the Board or the Committee, shall be personally liable for any action, determination or interpretation taken or made in good faith with respect to the Plan or any award or option granted under the Plan; and all members of the Board or the Committee and each and any officer or employee of the Company or any Subsidiary acting on their behalf shall, to the fullest extent permitted by law, be fully indemnified and held harmless by the Company in respect of any such action, determination or interpretation.

17. *Non-Assignability.* No award or grant under the Plan shall be assignable or transferable by the recipient thereof except by will, by the laws of descent and distribution or, in the case of awards or grants other than Incentive Stock Options, pursuant to a qualified domestic relations order. No right or benefit under the Plan shall be liable for the debts, liabilities, or alimony or child support obligations of the person entitled to such right or benefit, either by assignment, attachment or any other method, and shall not be subject to be taken by the creditors or alimony or child support obligees of the person entitled to such right or benefit by any process whatsoever.

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

19. *Adjustments.* In the event of any change in the outstanding shares of Common Stock, by reason of a stock dividend or distribution, stock split, recapitalization, merger, reorganization, consolidation, split-up, spin-off, combination of shares, exchange of shares or other change in corporate structure affecting the Common Stock, the Committee shall make appropriate adjustments in (a) the aggregate number of shares of Common Stock (i) reserved for issuance under the Plan, (ii) for which grants or awards may be made to an individual grantee, and (iii) covered by outstanding awards and grants denominated in shares or units of Common Stock, (b) the exercise or other applicable price related to outstanding awards or grants, and (c) the appropriate Fair Market Value and other price determinations relevant to outstanding awards or grants and shall make such other adjustments as may be equitable under the circumstances; provided, that the number of shares subject to any award or grant always shall be a whole number.

20. *Terms of Payment.* Subject to any other applicable provisions of the Plan and to any applicable laws, whenever payment by a grantee is required with respect to shares of Common Stock which are the subject of an award or grant under the Plan, the Committee

shall determine the time, form and manner of such payment, including but not limited to lump-sum payments and installment payments upon such terms and conditions as the Committee may prescribe. Installment payment obligations of a grantee may be evidenced by full-recourse, limited-recourse or non-recourse promissory notes or other instruments, with or without interest and with or without collateral or other security as the Committee may determine.

21. *Termination and Amendment.* The Board may terminate the Plan or amend the Plan or any provision thereof at any time, including but not limited to amendments to the Plan necessary to comply with the requirements of Section 16(b) of the Exchange Act, Section 162(m) of the Code, Section 422 of the Code or regulations issued under any of such statutory provisions. The termination or any amendment of the Plan shall not, without the consent of a grantee, adversely affect such grantee's rights under an award or grant previously made to such grantee under the Plan. The Committee may amend the terms of any award or grant previously made under the Plan, prospectively or retroactively; but, subject to the provisions of Section 19, no such amendment shall (i) except as otherwise expressly permitted by the Plan, adversely affect the rights of the grantee of such award or grant without such grantee's consent or (ii) without stockholder approval, reduce the exercise price of an outstanding Stock Option or Stock Appreciation Right or cancel or amend an outstanding Stock Option or Stock Appreciation Right for the purpose of repricing, replacing or regranting such Stock Option or Stock Appreciation Right with an exercise price that is less than the original exercise price of such Stock Option or Stock Appreciation Right. Notwithstanding the foregoing provisions of this Section 21, stockholder approval of any action referred to in this Section 21 shall be required whenever necessary to satisfy the applicable requirements of Section 16(b) of the Exchange Act, Section 162(m) of the Code, Section 422 of the Code or any regulations issued under any of such statutory provisions or the applicable requirements of any market or exchange on which shares of the Common Stock are listed or traded.

22. *Severability.* With respect to participants subject to Section 16 of the Exchange Act, (i) the Plan is intended to comply with all applicable conditions of Rule 16b-3 or any successor to such rule, (ii) all transactions involving grantees who are subject to Section 16(b) of the Exchange Act are subject to such conditions, regardless of whether the conditions are expressly set forth in the Plan, and (iii) any provision of the Plan that is contrary to a condition of Rule 16b-3 shall not apply to grantees who are subject to Section 16(b) of the Exchange Act. If any of the terms or provisions of the Plan, or awards or grants made under the Plan, conflict with the requirements of Section 162(m) or Section 422 of the Code with respect to awards or grants intended to be subject to or governed by Section 162(m) or Section 422 of the Code, as the case may be, then such terms or provisions shall be deemed to be inoperative to the extent they so conflict with the requirements of Section 162(m) or Section 422 of the Code, as the case may be. With respect to an Incentive Stock Option, if the Plan does not contain any provision required to be included in the Plan under Section 422 of the Code (as amended from time to time) or any successor to such section, then such provision shall be deemed to be incorporated in the Plan with the same force and effect as if such provision had been expressly set out in the Plan.

23. *Effect on Other Plans.* Participation in the Plan shall not affect the eligibility of an employee or a non-employee director of the Company to participate in any other benefit or incentive plan of the Company or any Subsidiary. Any awards made pursuant to

the Plan shall not be taken into account in determining the benefits provided or to be provided under any other plan of the Company or any Subsidiary unless otherwise specifically provided in such other plan.

24. *Term of Plan.* The Plan shall become effective on the date of its approval by the stockholders of the Company and shall terminate for purposes of further grants on the first to occur of (i) December 31, 2014, or (ii) the effective date of the termination of the Plan by the Board pursuant to Section 21. No awards or options may be granted under the Plan after the termination of the Plan, but such termination shall not affect any awards or options outstanding under the Plan at the time of such termination or the authority of the Committee to continue to administer the Plan apart from the making of further grants.

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

26. *Section 409A.*

(a) *Time and Form of Payment.* Notwithstanding anything contained in the Plan or in an award agreement to the contrary, the time and form of payment of an award that is subject to the limitations imposed by Section 409A of the Code shall be set forth in the applicable award agreement on or before the time at which the grantee of the award obtains a legally binding right to the award (or such other time permitted under Section 409A of the Code) and such time and form of payment shall comply with the requirements of Section 409A of the Code.

(b) *Delay in Payment.* Notwithstanding anything contained in the Plan or an award agreement to the contrary, if the grantee of the award is deemed by the Company at the time of such grantee's "separation from service" with the Company to be a "specified employee" as determined under Section 409A of the Code, any nonqualified deferred compensation to which such grantee is entitled under the Plan in connection with such separation from service shall not be paid or commence payment until the date which is the first business day following the six-month period after such grantee's separation from service (or if earlier, such grantee's death). Such delay in payment shall only be effected with respect to each separate payment to the extent required to avoid adverse tax treatment to such grantee under Section 409A of the Code. Any compensation which would have otherwise been paid during the delay period (whether in a lump sum or in installments) in the absence of this Section 26 shall be paid to such grantee or such grantee's Beneficiary in a lump-sum payment on the first business day following the expiration of the delay period.

(c) *Amendments.* Notwithstanding anything in the Plan to the contrary, the Plan and awards granted under the Plan are intended to be eligible for certain regulatory exceptions to the limitations of, or to comply with, the requirements of Section 409A of the Code. The Committee, in the exercise of its sole discretion and without the consent of the grantee of an award under the Plan, may amend or modify the terms of an award in any manner and delay the payment of any amounts payable pursuant to an award to the minimum extent necessary to reasonably comply with the requirements of Section 409A of

the Code, provided that the Company shall not be required to assume any increased economic burden. No action so taken by the Committee with respect to the requirements of Section 409A of the Code shall be deemed to adversely affect the rights of a grantee of an award under the Plan with respect to an award or to require the consent of such grantee. The Committee reserves the right to make additional changes to the Plan and awards from time to time to the extent it deems necessary with respect to Section 409A of the Code.

CSG SYSTEMS INTERNATIONAL, INC.
PERFORMANCE BONUS PROGRAM

1. Purpose.

The purpose of the CSG Systems International, Inc. Performance Bonus Program (the "Program") is to provide for annual cash bonus awards (a "Bonus Award") under the Program for (i) the persons designated as executive officers of CSG Systems International, Inc. (the "Company") by the Board of Directors of the Company and (ii) any other employee of the Company or its subsidiaries who is or may be a "covered employee" of the Company or its subsidiaries as defined in Section 162(m)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), that constitute performance-based compensation within the meaning of Section 162(m)(4)(C) of the Code and Treasury Regulations § 1.162-27. For purposes of the Program, "Participant" means a person referred to in the first sentence of this Section 1. Bonus Awards under the Program shall be paid for services performed by a Participant during a calendar year.

2. Administration.

(a) The Program shall be administered by the Compensation Committee (the "Committee") of the Company's Board of Directors (the "Board"). No member of the Committee shall be eligible to participate in the Program. The Committee at all times shall be comprised of two or more members who are "outside directors" for purposes of Section 162(m)(4)(C)(i) of the Code.

(b) The Committee shall have the power and discretionary authority to adopt, amend, and rescind any rules, regulations, and procedures which the Committee deems necessary or appropriate for the operation and administration of the Program and to interpret and rule on any questions relating to any provision of the Program. However, the Committee shall not take any action that would result in the payment of compensation under the Program to any Participant who is a "covered employee" as defined in Section 162(m)(3) of the Code if such payment would not be "performance-based compensation" within the meaning of Section 162(m) of the Code, as reasonably determined by the Committee.

(c) The decisions of the Committee (including but not limited to decisions as to whether a Participant is entitled to payment of a Bonus Award in whole or in part or not at all) shall be final, conclusive, and binding on all parties, including the Company and each Participant.

(d) The Board from time to time may amend, suspend, or terminate the Program, in whole or in part; provided, that no payment which becomes due under the Program as a result of an amendment of the Program that requires stockholder approval to satisfy the requirements of Section 162(m) of the Code shall be made until the Company has obtained such stockholder approval.

3. Performance Goals.

(a) Not later than ninety (90) days after the beginning of each calendar year, the Committee shall establish in writing (i) one or more Performance Goals (as defined in Section 3(c)) that must be attained in order for a Participant to receive a Bonus Award for such calendar year and (ii) the method, in terms of an objective formula or standard, for computing the amount of the Bonus Award to be paid to a Participant if the applicable Performance Goals are attained. Subject to and consistent with the provisions of the preceding sentence, the Committee shall determine the potential Bonus Award which a Participant shall be eligible to receive for a particular calendar year and may establish terms and conditions in addition to (but not in lieu of) the attainment of Performance Goals that a Participant must satisfy in order to receive such Bonus Award. Actual and potential Bonus Awards and such additional terms and conditions need not be uniform among Participants. The Committee shall have the discretion to revise the amount of a Bonus Award payable to a Participant upon the attainment of Performance Goals solely for the purpose of reducing the amount of or eliminating such Bonus Award. A Participant's level of satisfaction of any additional terms and conditions established by the Committee for such Participant's receipt of a Bonus Award shall be relevant only for the purpose of potentially reducing the amount of or eliminating such Participant's Bonus Award and may not be used to increase such Participant's Bonus Award beyond that which would be payable based solely upon the Company's attainment of applicable Performance Goals.

(b) The maximum individual Bonus Award payable to a Participant for any calendar year shall be equal to 200% of the annual base salary of such Participant as of the last day of such calendar year; provided, however, that in no event may a Participant's maximum Bonus Award under the Program for any calendar year exceed \$3,000,000 or such lesser amount as is established by the Committee for such calendar year.

(c) A "Performance Goal" is an objective performance goal based entirely on one or more of the following business criteria applicable to the Company: net income, adjusted net income, operating income, adjusted operating income, revenue, adjusted revenue, earnings, adjusted earnings, gross margin, return on stockholders' equity, stock price, earnings per share, adjusted earnings per share, and cash flow. Except as provided in Section 3(d), Performance Goals for a calendar year may not be changed once established by the Committee; however, the Committee retains discretion to reduce or eliminate a Participant's Bonus Award as provided in Section 3(a). Performance Goals may be particular to an individual Participant or to a subsidiary or other business unit of the Company or may be based upon the performance of the Company and its subsidiaries as a whole. Performance Goals may vary from Participant to Participant and from calendar year to calendar year.

(d) If, after the Committee has established a Performance Goal for a particular calendar year, the Company or any of its subsidiaries (i) acquires or disposes of any assets, business division, subsidiary, or other business operations, (ii) discontinues any business operations, or (iii) incurs any restructuring charge or any item of extraordinary loss or expense (each event in the preceding clauses (i), (ii), and (iii) being referred to as a "Subsequent Event") and such Subsequent Event has a materially positive or negative effect upon the attainment of such Performance Goal as originally established, then the Committee shall adjust such original Performance Goal so that such Performance Goal as adjusted is comparable to what such Performance Goal would have been had the Committee taken such Subsequent Event into account when the Committee originally established such Performance Goal.

(e) Notwithstanding any other provision of the Program, the Committee shall have the discretion to pay a Bonus Award to a Participant regardless of the attainment of a Performance Goal in the event of such Participant's death or termination of employment on account of a long-term disability as determined by the Committee.

4. Communication.

The Committee promptly shall inform each Participant in writing of the Performance Goals applicable to such Participant for a particular calendar year and (subject to the provisions of the Program) the terms and conditions of such Participant's participation in the Program for such calendar year.

5. Certification.

Prior to the payment of any Bonus Award, the Committee shall certify in writing that the applicable Performance Goals have been attained. No payment shall be made under the Program in the absence of such certification; however, the attainment or failure to attain Performance Goals under the Program shall not preclude the payment of compensation, including discretionary payments, to a Participant under any other plan, program, agreement, or arrangement of the Company or its subsidiaries, whether now existing or established after the adoption of the Program, on the basis of goals or criteria separate from the business criteria set forth in Section 3(c) or pursuant to the terms of such other plan, program, agreement, or arrangement.

6. Payment of Bonus Awards.

The Company shall pay the Bonus Awards for a calendar year in cash as soon as practicable after the certification of the attainment of the Performance Goals pursuant to Section 5 and the final determination of the amount of each Bonus Award to be paid; provided, that, so long as such certification and determination have occurred, the Company shall pay the Bonus Awards for a calendar year not later than March 15 of the following calendar year; and provided further, that payment of part or all of any Bonus Award shall be deferred by the Company in accordance with the terms of any separate deferred compensation agreement or arrangement applicable to a Participant. As a further condition of the payment of a Participant's Bonus Award for a particular calendar year, such Participant must be employed by the Company or its subsidiaries on the last day of such calendar year. The Committee may provide, as a further condition of the payment of a Participant's Bonus Award for a particular calendar year, that the Participant must be employed by the Company or its subsidiaries on the date of the Committee's certification of the Company's attainment of the Performance Goals for such calendar year or on any other date subsequent to the last day of such calendar year. Notwithstanding the foregoing, to the extent the payment of the Bonus Award is not subject to any separate deferred compensation agreement, the Bonus Award shall be paid in a cash lump-sum payment made during the calendar year immediately following the calendar year to which the Bonus Award relates (or such other time permitted under Section 409A of the Code).

7. Effective Date of Program.

The Program shall be effective January 1, 2007, subject to approval by the holders of a majority of the shares of common stock of the Company present or represented by proxy at the 2007 annual meeting of stockholders of the Company. No payment shall be made under the Program unless the stockholders of the Company have approved the Program as required by Section 162(m) of the Code and Treasury Regulations § 1.162-27 prior to such payment. The Program shall continue until terminated by the Board but shall be resubmitted to stockholders from time to time as required by Section 162(m) of the Code and Treasury Regulations § 1.162-27.

8. Miscellaneous.

(a) Participants in the Program are unsecured general creditors of the Company, with no secured or preferential right to any assets of the Company or any other entity for payment of Bonus Awards under the Program.

(b) A Participant shall have no right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate, or convey in advance of actual receipt the amounts, if any, payable to such Participant under the Program. No part of any amounts payable to a Participant under the Program shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debt, judgment, alimony, or separate maintenance owed by such Participant or any other person or be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

(c) The Program does not constitute a contract of employment between the Company or any of its subsidiaries and any Participant and does not entitle any Participant to continued employment with the Company or any of its subsidiaries.

(d) The Company and its subsidiaries shall have the right to deduct from all amounts payable to a Participant under the Program any taxes required by law or other amounts authorized by the Participant to be withheld from payments under the Program.

(e) The Company and its subsidiaries reserve the right from time to time to establish, implement, and modify compensation plans, programs, agreements, and arrangements other than and in addition to the Program for persons who are Participants in the Program.

(f) The Program shall be construed and interpreted according to the laws of the State of Delaware, except as preempted by federal law, and without regard to conflict of law principles.

9. Section 409A.

Notwithstanding anything in the Program to the contrary, the Program and Bonus Awards made under the Program are intended to be eligible for certain regulatory exceptions to the limitations of, or to comply with, the requirements of Section 409A of the Code. The Committee, in the exercise of its sole discretion and without the consent of the Participant, may amend or modify a Bonus Award in any manner and delay the payment of any amounts payable pursuant to a Bonus Award to the minimum extent necessary to reasonably comply with the requirements of Section 409A of the Code; provided, that the Company shall not be required to assume

any increased economic burden. No action so taken by the Committee with respect to the requirements of Section 409A of the Code shall be deemed to adversely affect a Participant's right with respect to a Bonus Award or to require the consent of such Participant. The Committee shall have the right to make additional changes to Bonus Awards from time to time to the extent it deems necessary with respect to Section 409A of the Code.

[As amended August 14, 2007,
effective as of January 1, 2005]

**CSG SYSTEMS INTERNATIONAL, INC.
2001 STOCK INCENTIVE PLAN**

1. *Purpose.* The purpose of the CSG Systems International, Inc. 2001 Stock Incentive Plan (the “Plan”) is to foster and promote the long-term financial success of the Company and its Subsidiaries and thereby increase stockholder value by providing incentives to certain key employees who are likely to be responsible for achieving such success. In furtherance of such purpose, the Plan authorizes the sale and issuance of Common Stock pursuant to sub-plans which are designed to achieve desired tax or other objectives in particular locations outside of the United States.

2. *Certain Definitions.*

“*Board*” means the Board of Directors of the Company.

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

“*Committee*” shall have the meaning provided in Section 3 of the Plan.

“*Common Stock*” means the Common Stock, \$0.01 par value per share, of the Company.

“*Company*” means CSG Systems International, Inc., a Delaware corporation.

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

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended from time to time.

“*Fair Market Value*” means, as determined by the Committee, the last sale price of the Common Stock as quoted on the Nasdaq National Market System on the trading day for which the determination is being made, or, in the event that no such sale takes place on such day, the average of the reported closing bid and asked prices on such day, or, if the Common Stock of the Company is listed on a national securities exchange, the last reported sale price on the principal national securities exchange on which the Common Stock is listed or admitted to trading on the trading day for which the determination is being made, or, if no such reported sale takes place on such day, the average of the closing bid and asked prices on such day on the principal national securities exchange on which the Common Stock is listed or admitted to trading, or, if the Common Stock is not quoted on such National Market System nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices in the over-the-counter market

on the day for which the determination is being made as reported through Nasdaq, or, if bid and asked prices for the Common Stock on such day are not reported through Nasdaq, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm regularly making a market in the Common Stock selected for such purpose by the Committee, or, if none of the foregoing is applicable, then the fair market value of the Common Stock as determined in good faith by the Committee in its sole discretion.

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

“*Performance Unit Award*” means an award granted pursuant to Section 8.

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

“*Restricted Stock Award*” means an award of Common Stock granted pursuant to Section 9.

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

“*Stock Appreciation Right*” means an award granted pursuant to Section 7.

“*Stock Bonus Award*” means an award of Common Stock granted pursuant to Section 10.

“*Stock Option*” means any option to purchase Common Stock granted pursuant to Section 6.

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

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

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

Subject to the applicable provisions of the Plan, the Committee shall have authority to interpret the provisions of the Plan and to decide all questions of fact arising in the application of such provisions; to select the key employees to whom awards or options shall be granted under the Plan; to determine whether and to what extent awards or options shall be granted under the Plan; to determine the types of awards and options to be granted under the Plan and the amount, size, terms, and conditions of each such award or

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

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

Notwithstanding any other provisions of the Plan to the contrary, the Committee may, in its sole discretion, amend or vary the terms of the Plan in order to conform such terms to the requirements of each non-U.S. jurisdiction where a Subsidiary is located or to accomplish the purpose of the Plan with respect to persons employed in such non-U.S. jurisdictions who are eligible to receive awards and options under the Plan. The Committee may, where it deems appropriate in its sole discretion, establish one or more sub-plans for such purposes; and the Committee may, in its sole discretion, establish administrative rules and procedures to facilitate the operation of the Plan or such sub-plans in such non-U.S. jurisdictions. For purposes of clarity, the terms of the Plan which will vary in a particular non-U.S. jurisdiction shall be reflected in a written addendum to the Plan for such non-U.S. jurisdiction.

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

4. *Common Stock Subject to the Plan.* Subject to adjustment pursuant to Section 19, the maximum number of shares of Common Stock which may be issued under the Plan is 3,000,000; and the Company shall reserve and keep available for issuance under the Plan such maximum number of shares, subject to adjustment pursuant to Section 19. Such shares may consist in whole or in part of authorized and unissued shares or treasury shares or any combination thereof. The aggregate number of shares of Common Stock subject to or issuable in payment of (i) Stock Options, (ii) Stock Appreciation Rights, (iii) Stock Bonus Awards, (iv) Restricted Stock Awards, or (v) Performance Unit Awards granted under the Plan in any Plan Year to any individual may not exceed 100,000, subject to adjustment pursuant to Section 19. Except as otherwise provided in the Plan, any shares subject to an option or right which expires for any reason or terminates unexercised as to such shares shall again be available for the grant of awards or options under the Plan. If any shares of Common Stock have been pledged as collateral for indebtedness incurred by an optionee in connection with the exercise of a Stock Option and such shares are returned to the Company in satisfaction of such indebtedness, then such shares shall again be available for the grant of awards or options under the Plan.

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

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

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

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

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

(d) *Payment for Shares.* The Committee may permit all or part of the payment of the option exercise price to be made (i) in cash, by check or by wire transfer or (ii) in shares of Common Stock (A) which already are owned by the optionee and which are surrendered to the Company in good form for transfer or (B) which are retained by the Company from the shares of the Common Stock which would otherwise be issued to the optionee upon the optionee's exercise of the Stock Option. Such shares shall be valued at their Fair Market Value on the date of exercise of the Stock Option. In lieu of payment in fractions of shares, payment of any fractional share amount shall be made in cash or check payable to the Company. The Committee also may

provide that the exercise price may be paid by delivering a properly executed exercise notice in a form approved by the Committee together with irrevocable instructions to a broker to promptly deliver to the Company the amount of the applicable sale or loan proceeds required to pay the exercise price. No shares of Common Stock shall be issued to any optionee upon the exercise of a Stock Option until the Company receives full payment therefor as described above.

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

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

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

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

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

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

(c) *Rights upon Termination of Employment.* In the event that a grantee of a Stock Appreciation Right ceases to be employed by the Company and all of its Subsidiaries for any reason other than such grantee's death or Disability, any rights of the grantee under any Stock Appreciation Right then in effect immediately shall terminate; provided, that the grantee (or the grantee's legal representative) shall have the right to exercise the Stock Appreciation Right during its term within a period of three (3) months after such termination of employment to the extent that the Stock Appreciation Right was exercisable at the time of such termination or within such other period and subject to such other terms and conditions as may be specified by the Committee. Notwithstanding the foregoing provisions of this Section 7(c), the grantee (and the grantee's legal representative) shall not have any rights under any Stock Appreciation Right, and the Company shall not be obligated to pay or deliver any cash, Common Stock or any combination thereof (or have any other obligation or liability) under any Stock Appreciation Right,

if the Committee shall determine that (i) the employment of the grantee with the Company or any Subsidiary has been terminated for cause or (ii) the grantee has engaged or may engage in employment or activities competitive with the Company or any Subsidiary or contrary, in the opinion of the Committee, to the best interests of the Company or any Subsidiary. In the event of such determination, the grantee (and the grantee's legal representative) shall have no right under any Stock Appreciation Right regardless of whether the grantee (or the grantee's legal representative) shall have delivered a notice of exercise prior to the Committee's making of such determination. Any Stock Appreciation Right may be terminated entirely by the Committee at the time of or at any time subsequent to a determination by the Committee under this Section 7(c) which has the effect of eliminating the Company's obligations under such Stock Appreciation Right.

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

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

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

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

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

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

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

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

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

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

In the event that a grantee of a Performance Unit Award ceases to be employed by the Company and all of its Subsidiaries by reason of such grantee's death or Disability, any rights of such grantee under any Performance Unit Award then in effect whose performance period has not ended shall terminate immediately; provided, that the Committee may authorize the

payment to such grantee or such grantee's legal representative of all or any portion of such Performance Unit Award to the extent earned under the applicable performance targets, even though the applicable performance period has not ended, upon such terms and conditions as may be specified by the Committee.

9. *Restricted Stock Awards.* Restricted Stock Awards shall consist of shares of Common Stock restricted against transfer, subject to a substantial risk of forfeiture and to other terms and conditions intended to further the purpose of the Plan as the Committee may determine, and shall be evidenced by agreements in such form as the Committee shall approve from time to time. The agreements shall contain in substance the following terms and conditions and may contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem appropriate:

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

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

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

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

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

The Committee may require the grantee of a Restricted Stock Award to enter into an escrow agreement providing that the certificates representing the shares covered by such Restricted Stock Award will remain in the physical custody of an escrow

agent until all restrictions are removed or expire. The Committee also may require that the certificates held in such escrow be accompanied by a stock power, endorsed in blank by the grantee, relating to the Common Stock covered by such certificates.

(e) *Lapse of Restrictions.* The Committee may provide for the lapse of restrictions applicable to Common Stock subject to Restricted Stock Awards in installments and may waive such restrictions in whole or in part based upon such factors and such circumstances as the Committee shall determine. Upon the lapse of such restrictions, certificates for shares of Common Stock, free of the restrictive legend set forth in Section 9(c), shall be issued to the grantee or the grantee's legal representative. The Committee shall have authority to accelerate the expiration of the applicable restriction period with respect to all or any portion of the shares of Common Stock covered by a Restricted Stock Award.

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

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

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

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

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

13. *Rights of a Stockholder.* Unless otherwise provided by the Plan, the grantee of any award or grant under the Plan shall have no rights as a stockholder of the Company with respect to the shares of Common Stock subject or related to such award or grant unless and until certificates for such shares of Common Stock are issued to such grantee.

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

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

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

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

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

19. *Adjustments.* In the event of any change in the outstanding shares of Common Stock, by reason of a stock dividend or distribution, stock split, recapitalization, merger, reorganization, consolidation, split-up, spin-off, combination of shares, exchange of shares, or other change in corporate structure affecting the Common Stock, the Committee shall make appropriate adjustments in (a) the aggregate number of shares of Common Stock (i) reserved for issuance under the Plan, (ii) for which grants or awards may be made to an individual grantee, and (iii) covered by outstanding awards and grants denominated in shares or units of Common Stock, (b) the exercise or other applicable price related to outstanding awards or grants, and (c) the appropriate Fair Market Value and other price determinations relevant to outstanding awards or grants and shall make such other adjustments as may be equitable under the circumstances; provided, that the number of shares subject to any award or grant always shall be a whole number.

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

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

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

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

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

25. *Section 409A.*

(a) *Time and Form of Payment.* Notwithstanding anything contained in the Plan or in an award agreement to the contrary, the time and form of payment of an award that is subject to the limitations imposed by Section 409A of the Code shall be set forth in the applicable award agreement on or before the time at which the grantee of the award obtains a legally binding right to the award (or such other time permitted under Section 409A of the Code) and such time and form of payment shall comply with the requirements of Section 409A of the Code.

(b) *Delay in Payment.* Notwithstanding anything contained in the Plan or an award agreement to the contrary, if the grantee of the award is deemed by the Company at the time of such grantee's "separation from service" with the Company to be a "specified employee" as determined under Section 409A of the Code, any nonqualified deferred compensation to which such grantee is entitled under the Plan in connection with such separation from service shall not be paid or commence payment until the date which is the first business day following the six-month period after such grantee's separation from service (or if earlier, such grantee's death). Such delay in payment shall only be effected with respect to each separate payment to the extent required to avoid adverse tax treatment to such grantee under Section 409A of the Code. Any compensation which would have otherwise been paid during the delay period (whether in a lump sum or in installments) in the absence of this Section 26 shall be paid to such grantee or such grantee's Beneficiary in a lump-sum payment on the first business day following the expiration of the delay period.

(c) *Amendments.* Notwithstanding anything in the Plan to the contrary, the Plan and awards granted under the Plan are intended to be eligible for certain regulatory exceptions to the limitations of, or to comply with, the requirements of Section 409A of the Code. The Committee, in the exercise of its sole discretion and without the consent of the grantee of an award under the Plan, may amend or modify the terms of an award in any manner and delay the payment of any amounts payable pursuant to an award to the minimum extent necessary to reasonably comply with the requirements of Section 409A of the Code, provided that the Company shall not be required to assume any increased economic burden. No action so taken by the Committee with respect to the requirements of Section 409A of the Code shall be deemed to adversely affect the rights of a grantee of an award under the Plan with respect to an award or to require the consent of such grantee. The Committee reserves the right to make additional changes to the Plan and awards from time to time to the extent it deems necessary with respect to Section 409A of the Code.

[Adopted August 14, 2007]

**FIRST AMENDMENT TO
CSG SYSTEMS, INC.
WEALTH ACCUMULATION PLAN**
(As previously amended on November 17, 2005)

CSG SYSTEMS, INC., a Delaware corporation ("Systems") sponsors the CSG Systems, Inc. Wealth Accumulation Plan, which was amended in its entirety on November 17, 2005 (the "Plan"). This First Amendment to the Plan, as previously amended on November 17, 2005, is effective as of January 1, 2005 (the "Effective Date"), to the extent required for compliance under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

RECITALS

- A. Article IX of the Plan generally permits the board of directors of Systems to amend the Plan at any time in whole or in part.
- B. The Plan provides for nonqualified deferred compensation within the meaning of Section 409A of the Code, which generally became effective as of January 1, 2005.
- C. The Internal Revenue Service has issued final regulations under Section 409A of the Code. Nonqualified deferred compensation plans are required to comply with the documentation requirements established in the final regulations by December 31, 2007.
- D. Systems desires to amend the Plan during the transition period established by the Internal Revenue Service to comply with the requirements of Section 409A of the Code for amounts deferred after December 31, 2004, and to protect the prior tax law treatment for amounts deferred prior to January 1, 2005.

AMENDMENT

The Plan is hereby amended as follows:

I. Grandfathered Amounts. The terms of the Plan as set forth on October 3, 2004, shall apply to all Deferral Accounts, or portion thereof, that are both earned and vested (as defined in Section 409A of the Code and the final regulations thereunder) on December 31, 2004 (the "Grandfathered Amounts"). The Grandfathered Amounts shall be administered and distributed in accordance with the terms of each applicable Deferral Agreement and the Plan as set forth on October 3, 2004, except to the extent any subsequent modification will not increase the benefit available on December 31, 2004 or any other change permitted under Section 409A of the Code. Notwithstanding the foregoing, the Plan is modified as follows in a manner which is not a material modification for purposes of the final Treasury regulations issued pursuant to Section 409A of the Code:

- 1. Systems may, from time to time, establish or contribute to a trust from which benefits under the Plan are to be paid in accordance with Treas. Reg. § 1.409A-6(a)(4)(i)(A);

2. Systems may, from time to time, modify distributions or amend the Plan with respect to payments to an individual other than the service provider to the extent necessary to comply with a domestic relations order with respect to such payments in accordance with Treas. Reg. § 1.409A-6(a)(4)(i)(C);

3. Notwithstanding Article VII or a Deferral Agreement to the contrary, if a Participant's vested Deferral Benefit is less than the applicable annual deferral limit pursuant to Section 402(g)(1)(B) of the Code (\$15,500 in 2007) on the date of the Participant's death [or Termination of Employment], then the distribution elections set forth in the applicable Deferral Agreements shall be disregarded and the Participant's entire vested Deferral Benefit shall be paid in a lump sum distribution within 30 days after the beginning of the first calendar quarter that is at least six months after the Participant's death or Termination of Employment in accordance with Treas. Reg. § 1.409A-6(a)(4)(i)(E).

This First Amendment is not intended to be treated as a material modification of the Plan or any Deferral Agreement with respect to the Grandfathered Amounts.

II. Non-Grandfathered Amounts. The Plan is amended as set forth below with respect to any portion of a Deferral Account that includes a deferral of compensation prior to, but not both earned and vested on, December 31, 2004, and any deferral of compensation on or after January 1, 2005 (the "Non-Grandfathered Amounts").

1. Article II, Definitions, is amended by adding thereto new Sections 2.26 and 2.27 reading in their entirety as follows:

"2.26 Employer(s). "Employer(s)" means Systems and any of its subsidiaries or parent corporation (now in existence or hereafter formed or acquired) that have been selected by the Committee to participate in the Plan and have adopted the Plan as a participating employer. Effective as of August 1, 2007, the participating Employers include CSG Systems International, Inc."

"2.27 Termination of Employment. "Termination of Employment" means the separation from service with all Employers, voluntarily or involuntarily, for any reason other than Disability or death, as determined in accordance with Section 409A of the Code."

2. Section 4.3, Compensation Which May Be Deferred, is amended by adding the following new sentence at the end of such Section:

"Notwithstanding the foregoing, any exercise of discretion by the Compensation Committee of the Board of Directors of International to increase the maximum permitted deferral amount for any Plan Year for any one of more Eligible Executives shall only be effective with respect to one or more prospective calendar years (or such other period permitted under Section 409A of the Code)."

3. Section 5.3, Employer Credits, is amended by adding the following new sentence at the end of such Section:

“Notwithstanding the foregoing, any exercise of discretion by Systems to make a supplemental credit to the Employer Credits Sub-Accounts of Participants for any Plan Year shall be only effective with respect to one or more prospective calendar years (or such other period permitted under Section 409A of the Code).”

4. Section 7.4, Accelerated Distribution, is amended by adding the following new sentence at the end of such Section:

“If the written request of the Participant or Beneficiary for a distribution from the Plan on account of an Unforeseeable Emergency is approved, the approved amount shall be distributed in a lump sum payment to the Participant or Beneficiary within 90 days immediately following the approval by the Committee or its delegate (or at such other time permitted under Section 409A of the Code).”

5. Section 7.5, Method of Benefit Payment, is amended by adding the following new sentences at the end of such Section:

“To the extent the Deferral Benefit is to be paid in a lump sum, the amount shall be distributed in a lump-sum payment to the Participant or Beneficiary within 90 days immediately following the Termination of Employment or death of the Participant, as applicable. To the extent the Deferral Benefit is to be paid in substantially equal monthly payments, each such payment shall constitute a separate payment for purposes of Section 409A of the Code. The first such installment payment shall be paid on the first business day of the calendar month immediately following the calendar month in which the Termination of Employment or death of the Participant occurred (or at such other time permitted under Section 409A of the Code). Each subsequent installment payment shall be paid on the first business day of each subsequent calendar month during the payment period specified in the applicable Deferral Agreement.”

6. Section 7.7, Delay in Payment, is added to Article VII of the Plan reading in its entirety as follows:

“7.7 Delay in Payment. Notwithstanding anything contained in the Plan or a Deferral Agreement to the contrary, if the Participant is deemed by Systems at the time of the Participant’s “separation from service” with the Employers to be a “specified employee” as determined under Section 409A of the Code, then any nonqualified deferred compensation to which the Participant is entitled under the Plan in connection with such separation from service shall not be paid or commence payment until the date which is the first business day following the six-month period after the Participant’s separation from service (or if earlier, the Participant’s death). Such delay in payment shall only be effected with respect to each separate payment to the extent required to avoid adverse tax treatment to the Participant under Section 409A of the Code. Any compensation which would have otherwise been paid during the delay period (whether in a lump-sum or in installments) in the absence of this Section 7.7 shall be paid to the Participant or his Beneficiary in a lump-sum payment on the first business day following the expiration of the delay period.”

7. The following Section 10.17, Section 409A, is added to Article X of the Plan reading in its entirety as follows:

“10.17 Section 409A. Notwithstanding anything in the Plan to the contrary, the Plan and any amounts payable under the Plan are intended to be eligible for certain regulatory exceptions to the limitations of, or to comply with, the requirements of Section 409A of the Code. The Committee, in the exercise of its sole discretion and without the consent of the Participant, may amend or modify the terms of a Deferral Agreement in any manner and delay the payment of any amounts payable to the minimum extent necessary to reasonably comply with the requirements of Section 409A of the Code; provided, that the Participant’s employer shall not be required to assume any increased economic burden. No action so taken by the Committee with respect to the requirements of Section 409A of the Code shall be deemed to adversely affect a Participant’s rights with respect to an award or to require the consent of such Participant. The Committee reserves the right to make additional changes to the Plan from time to time to the extent it deems necessary with respect to Section 409A of the Code.”

8. Article XI, Claims Procedure, is added to the Plan reading in its entirety as follows:

“ARTICLE XI
CLAIMS PROCEDURES”

11.1 Filing a Claim. All claims shall be filed in writing by the Participant, his or her beneficiary, or the authorized representative of the claimant, by completing the procedures that the Committee requires. The procedures shall be reasonable and may include the completion of forms and the submission of documents and additional information. All claims under this Plan shall be filed in writing with the Committee according to the Committee’s procedures no later than one year after the occurrence of the event that gives rise to the claim. If the claim is not filed within the time described in the preceding sentence, the claim shall be barred.

11.2 Review of Initial Claim.

(a) Initial Period for Review of the Claim. The Committee shall review all materials and shall decide whether to approve or deny the claim. If a claim is denied in whole or in part, written notice of denial shall be furnished by the Committee to the claimant within a reasonable time after the claim is filed but not later than 90 days after the Committee receives the claim. The notice shall set forth the specific reason(s) for the denial, reference to the specific provisions on which the denial is based, a description of any additional material or information necessary for the claimant to perfect his claim and an explanation of why such material or information is necessary, and a description of the review procedures, including the applicable time limits and a statement of the claimant’s right to bring a civil action under ERISA section 502(a) following a denial of the appeal.

(b) Extension. If the Committee determines that special circumstances require an extension of time for processing the claim, it shall give written notice to the claimant and the extension shall not exceed 90 days. The notice shall be given before the expiration of the 90-day period described in Section 19(b)(i) above and shall indicate the special circumstances requiring the extension and the date by which the Committee expects to render its decision.

11.3 Appeal of Denial of Initial Claim. The claimant may request a review upon written application, may review pertinent documents, and may submit issues or comments in writing. The claimant must request a review within the reasonable period of time prescribed by the Committee. In no event shall such a period of time be less than 60 days.

11.4 Review of Appeal.

(a) Initial Period for Review of the Appeal. The Committee shall conduct all reviews of denied claims and shall render its decision within a reasonable time, but not less than 60 days of the receipt of the appeal by the Committee. The claimant shall be notified of the Committee's decision in a notice, which shall set forth the specific reason(s) for the denial, reference to the specific plan provisions on which the denial is based, a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the claimant's claim, and a statement of the claimant's right to bring a civil action under ERISA section 502(a) following a denial of the appeal.

(b) Extension. If the Committee determines that special circumstances require an extension of time for reviewing the appeal, it shall give written notice to the claimant and the extension shall not exceed 60 days. The notice shall be given before the expiration of the 60-day period described in subsection (b)(i) above and shall indicate the special circumstances requiring the extension and the date by which the Committee expects to render its decision.

11.5 Form of Notice to Claimant. The notice to the claimant shall be given in writing or electronically and shall be written in a manner calculated be understood by the claimant. If the notice is given electronically, it shall comply with the requirements of Department of Labor Regulation § 2520.104b-1(c)(1)(i), (iii), and (iv)."

THIRD AMENDMENT TO EMPLOYMENT AGREEMENT

This Third Amendment to Employment Agreement is made and entered into on the 6 day of March 2007, among CSG SYSTEMS INTERNATIONAL, INC. ("CSGS"), a Delaware corporation, CSG SYSTEMS, INC. ("Systems"), a Delaware corporation, and EDWARD C. NAFUS (the "Executive"). CSGS and Systems collectively are referred to in this First Amendment and the Employment Agreement as the "Companies".

* * *

WHEREAS, the Companies and the Executive entered into an Employment Agreement dated November 17, 1998 (the "Employment Agreement"), a First Amendment thereto dated January 11, 2005 (the "First Amendment"), and a Second Amendment thereto dated March 8, 2005 (the "Second Amendment"); and

WHEREAS, the Companies and the Executive desire to amend the Employment Agreement as herein set forth;

NOW, THEREFORE, in consideration of the foregoing recitals and the agreements of the parties contained in this document, the Companies and the Executive agree as follows:

1. Paragraph 2 of the Employment Agreement hereby is amended in its entirety so as to read as follows:

"2. Term of Employment. The employment of the Executive under this agreement shall begin on the date of this agreement and shall continue until the first to occur of (a) the Executive's death, (b) the effective date of the Executive's voluntary resignation as an employee of the Companies, (c) the effective date of the termination of the Executive's employment by the Companies by reason of the Executive's disability pursuant to Paragraph 10(b) of this agreement, (d) the effective date of the termination of the Executive's employment by the Companies for cause pursuant to Paragraph 10(c) of this agreement, (e) the effective date of the termination of the Executive's employment by the Companies for any reason other than cause or the Executive's death or disability pursuant to Paragraph 10(d) or Paragraph 10(e) of this agreement, or (f) the effective date of the termination of the Executive's employment pursuant to Paragraph 10(f) of this agreement. Upon the termination of the employment of the Executive under this agreement, the applicable provisions of Paragraph 10 of this agreement shall become effective; and the Companies and the Executive thereupon and thereafter shall comply with the applicable provisions of Paragraph 10 of this agreement."

2. Upon the execution of this Third Amendment to Employment Agreement, any subsequent reference to the Employment Agreement shall mean the Employment Agreement as amended by the First Amendment, the Second Amendment, and this Third Amendment to Employment Agreement. As amended by the First Amendment, the Second Amendment, and this Third Amendment to Employment Agreement, the Employment Agreement shall remain in full force and effect according to its terms.

IN WITNESS WHEREOF, each of the parties has caused this Third Amendment to Employment Agreement to be executed as of the date first set forth above.

CSG SYSTEMS INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ Robert M. Scott
Robert M. Scott, Executive Vice
President and Chief Operating Officer

CSG SYSTEMS, INC., a Delaware
corporation

By: /s/ Robert M. Scott
Robert M. Scott, Executive Vice
President and Chief Operating Officer

/s/ Edward C. Nafus
Edward C. Nafus

FOURTH AMENDMENT TO EMPLOYMENT AGREEMENT

This Fourth Amendment to Employment Agreement is made and entered into on the 14th day of August, 2007, among CSG SYSTEMS INTERNATIONAL, INC. ("CSGS"), a Delaware corporation, CSG SYSTEMS, INC. ("Systems"), a Delaware corporation and EDWARD C. NAFUS (the "Executive"), CSGS and Systems collectively are referred to in this Fourth Amendment and the Employment Agreement as the "Companies."

WHEREAS, the Companies and the Executive entered into an Employment Agreement dated November 17, 1998 (the "Employment Agreement"), a First Amendment thereto dated January 11, 2005 (the "First Amendment"), a Second Amendment thereto dated March 8, 2005 (the "Second Amendment"), and a Third Amendment thereto dated March 6, 2007 (the "Third Amendment"); and

WHEREAS, the Companies and the Executive desire to amend the Employment Agreement solely for the purpose of bringing the Employment Agreement into compliance with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), as herein set forth;

NOW, THEREFORE, in consideration of the foregoing recitals and the agreements of the parties contained in this document, the Companies and the Executive agree as follows:

1. Effective as of January 1, 2005, Paragraph 10 of the Employment Agreement is hereby amended by adding thereto at the end thereof a new subparagraph (n) reading as follows:

"(n) Section 409A: Time and Form of Payments and Benefits. The parties intend that each payment and benefit provided to the Executive upon his termination of employment pursuant to Paragraph 10 hereof shall be eligible for certain regulatory exceptions to the limitations imposed on deferred compensation by Section 409A of the Code or shall comply with the requirements of Section 409A of the Code. The purpose of this subparagraph (n) is solely to amend this agreement to comply with, or be eligible for one or more exceptions from, the requirements of Section 409A of the Code.

- (i) Time and Form of Payment. Each of the following amounts payable to the Executive under this agreement shall constitute a separate payment for purposes of Section 409A of the Code:
 - (1) Each pay period installment of Base Salary payable to the Executive pursuant to subparagraphs 10(d)(i) or 10(f)(iii) (each such installment, a "Salary Continuation Payment").
 - Each Salary Continuation Payment shall be paid in accordance with the payroll payment schedule of the Companies in effect on the effective date of the Executive's termination of employment with the Companies.

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- (2) Any annual incentive bonus payable to the Executive pursuant to subparagraphs 10(d)(ii), 10(f)(iii) or 10(g)(iii) and the amount payable, if any, in excess of the minimum annual incentive bonus payable pursuant to subparagraph 10(e)(ii) ("Full Termination Year Bonus").
- Any Full Termination Year Bonus shall be paid during the calendar year immediately following the calendar year in which the effective date of the Executive's termination of employment with the Companies occurs, such payment to be made on the date when such bonuses are normally paid by the Companies (but in no event after the end of the calendar year immediately following the calendar year in which the Executive's termination of employment with the Companies is effective).
- (3) Any pro rata portion of the Executive's annual incentive bonus for the calendar year of the Executive's termination of employment pursuant to subparagraphs 10(a)(ii) or 10(b)(ii) ("Pro-Rated Termination Year Bonus").
- Any Pro-Rated Termination Year Bonus shall be paid during the calendar year immediately following the calendar year in which the effective date of the Executive's termination of employment with the Companies occurs, such payment to be made on the date when such bonuses are normally paid by the Companies (but in no event after the end of the calendar year immediately following the calendar year in which the Executive's termination of employment with the Companies is effective).
- (4) Any Base Salary amount payable pursuant to subparagraphs 10(e)(i) or 10(f)(iii) ("Lump Sum Salary").
- Any Lump Sum Salary shall be paid not later than 30 days following the effective date of the Executive's termination of employment with the Companies.
- (5) Any minimum annual incentive bonus for the calendar year in which the Executive terminates employment pursuant to subparagraphs 10(e)(ii) or 10(f)(iii) ("Lump Sum Bonus").
- Any Lump Sum Bonus shall be paid not later than 30 days following the effective date of the Executive's termination of employment with the Companies.

-
- (6) Any amounts payable as a percentage of the Executive's Base Salary pursuant to subparagraphs 10(d)(iii) or 10(f)(iii) ("Percentage Base Amount").
- Any Percentage Base Amount shall be paid on the date that is one year after the effective date of the Executive's termination of employment with the Companies.
- (7) Any amounts payable as a percentage of the Executive's Base Salary pursuant to subparagraphs 10(e)(iii) or 10(f)(iii) ("Lump Sum Percentage Base Amount").
- Any Lump Sum Percentage Base Amount shall be paid not later than 30 days after the effective date of the Executive's termination of employment with the Companies.
- (8) Any amounts payable to the Executive pursuant to subparagraph 10(1) as an "Additional Payment" and any "Gross-Up Payment" (the "Preliminary Gross-Up Payment").
- Any Preliminary Gross-Up Payment shall be paid not later than 30 days following the effective date of the Executive's termination of employment with the Companies.
- (9) Any amounts payable to the Executive pursuant to subparagraph 10(1) as a "further Gross-Up Payment" (the "Adjustment Gross-Up Payment").
- Any Adjustment Gross-Up Payment shall be paid during the calendar year immediately following the calendar year in which the effective date of the Executive's termination of employment with the Companies occurs.
- (ii) Continuation of Benefits. Subparagraphs 10(b)(iv), 10(d)(v), 10(e), 10(f) and 10(m) provide for continued participation by the Executive in designated health and welfare benefit programs of the Companies for a specified period. The parties intend that any in-kind benefits or reimbursement of expenses incurred by the Executive with respect to the continuation of benefits satisfy the requirements for a fixed schedule of payments with respect to such benefits or payments as required by Treas. Reg. § 1.409A-3(i)(1)(iv). To the extent such continued participation by the Executive involves any payment for continued coverage by the Executive and reimbursement to the Executive, the amount of any such reimbursement shall be paid to the Executive (or his beneficiary) by December 31 of the calendar year following the year in which the Executive pays the actual cost of continued coverage. The amount of

expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. Further, the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

- (iii) Six-Month Delay in Payment. Notwithstanding anything contained in this Employment Agreement to the contrary, if the Executive is deemed by the Companies at the time of the Executive's "separation from service" with the Companies to be a "specified employee," any compensation or benefits to which the Executive becomes entitled under this Employment Agreement in connection with such separation shall not be paid or commence until the date which is the first business day following the six month period after the Executive's separation from service (or if earlier, the Executive's death). Such delay in payment shall only be effected with respect to each separate payment or benefit to the extent required to avoid adverse tax treatment to the Executive, including (without limitation) the additional 20% tax for which the Executive would otherwise be liable under Section 409A(a)(1)(B) of the Code in the absence of such delay in payment. Upon the expiration of the delay period, any compensation or benefits which would have otherwise been paid during the delay period (whether in a single sum or in installments) in the absence of this subparagraph shall be paid to the Executive or his beneficiary in a single sum payment.
- (iv) Key Definitions. For purposes of Paragraph 10 of this Employment Agreement, the terms "separation from service" and "specified employee," and, solely with respect to subparagraph 10(b)(iv), the term "disability," shall have the meanings ascribed to such terms pursuant to Section 409A of the Code and the related treasury regulations and other applicable guidance.

2. Effective as of January 1, 2005, the Employment Agreement is amended by adding thereto a new Paragraph 29 reading as follows:

"29. Section 409A. The parties intend that any amounts payable and benefits provided under this agreement and the exercise of authority or discretion hereunder by the Companies or by the Executive (i) shall be eligible for certain regulatory exceptions to the limitations imposed on deferred compensation by Section 409A of the Code or (ii) shall comply with the provisions of Section 409A of the Code and the Treasury regulations relating thereto, in each case so as not to subject the Executive to the payment of additional taxes and interest that may be imposed under Section 409A of the Code. To the extent that any amount payable or benefit provided under this agreement would trigger the additional tax or interest imposed under Section 409A of the Code, this agreement shall be modified to avoid such additional tax or interest and to preserve, to the nearest extent reasonably possible, the intended benefit to the Executive."

3. Upon the execution of this Fourth Amendment to Employment Agreement, any subsequent reference to the Employment Agreement shall mean the Employment Agreement as amended by the First Amendment, the Second Amendment, the Third Amendment, and this Fourth Amendment to Employment Agreement. As amended by the First Amendment, the Second Amendment, the Third Amendment, and this Fourth Amendment to Employment Agreement, the Employment Agreement shall remain in full force and effect according to its terms.

IN WITNESS WHEREOF, each of the parties has caused this Fourth Amendment to Employment Agreement to be executed as of the date first set forth above.

CSG SYSTEMS INTERNATIONAL, INC., a
Delaware corporation

By: /s/ Joseph T. Ruble
Joseph T. Ruble, Executive Vice President

CSG SYSTEMS, INC., a Delaware corporation

By: /s/ Joseph T. Ruble
Joseph T. Ruble, Executive Vice President

/s/ Edward C. Nafus
Edward C. Nafus

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment to Employment Agreement is made and entered into on 6 day of March, 2007, among CSG SYSTEMS INTERNATIONAL, INC. (“CSGS”), a Delaware corporation, CSG SYSTEMS, INC. (“Systems”), a Delaware corporation, and RANDY R. WIESE (the “Executive”). CSGS and Systems collectively are referred to in this First Amendment and the Employment Agreement as the “Companies”.

* * *

WHEREAS, the Companies and the Executive entered into an Employment Agreement dated April 25, 2006 (the “Employment Agreement”); and

WHEREAS, the Companies and the Executive desire to amend the Employment Agreement as herein set forth;

NOW, THEREFORE, in consideration of the foregoing recitals and the agreements of the parties contained in this document, the Companies and the Executive agree as follows:

1. Paragraph 2 of the Employment Agreement hereby is amended in its entirety so as to read as follows:

“2. Term of Employment. The employment of the Executive under this agreement shall begin on the date of this agreement and shall continue until the first to occur of (a) the Executive’s death, (b) the effective date of the Executive’s voluntary resignation as an employee of the Companies, (c) the effective date of the termination of the Executive’s employment by the Companies by reason of the Executive’s disability pursuant to Paragraph 10(b) of this agreement, (d) the effective date of the termination of the Executive’s employment by the Companies for cause pursuant to Paragraph 10(c) of this agreement, (e) the effective date of the termination of the Executive’s employment by the Companies for any reason other than cause or the Executive’s death or disability pursuant to Paragraph 10(d) or Paragraph 10(e) of this agreement, or (f) the effective date of the termination of the Executive’s employment pursuant to Paragraph 10(f) of this agreement. Upon the termination of the employment of the Executive under this agreement, the applicable provisions of Paragraph 10 of this agreement shall become effective: and the Companies and the Executive thereupon and thereafter shall comply with the applicable provisions of Paragraph 10 of this agreement.”

2. Subparagraphs (d) and (e) of Paragraph 10 of the Employment Agreement hereby are amended in their entirety so as to read as follows:

“(d) Termination Without Cause Prior to a Change of Control. If, prior to the occurrence of a Change of Control, the Companies terminate the Executive’s employment under this agreement for any reason other than cause or the Executive’s death or disability, then the Executive shall be entitled to receive the following compensation, benefits, and other payments from the Companies:

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- (i) The Base Salary through that date which is one (1) year after the effective date of such termination (the "Ending Date"), to be paid at the same times that the Base Salary would have been paid if such termination had not occurred; provided, that if the Executive commences employment with another employer, whether as an employee or as a consultant, prior to the Ending Date (for purposes of this Paragraph 10, the "Other Employment"), then such payments of the Base Salary shall be reduced from time to time by the aggregate amount of salary, cash bonus, and consulting fees received or receivable by the Executive from the Other Employment for services performed by him during the period from the commencement of the Other Employment through the Ending Date;
 - (ii) The Executive's annual incentive bonus for the calendar year in which such termination occurs (computed as if the Executive were employed by the Companies throughout such calendar year), to be paid at the same time that such incentive bonus would have been paid if such termination had not occurred and to be no less than the Executive's annual incentive bonus for the calendar year immediately preceding the calendar year in which such termination occurs;
 - (iii) An amount equal to fifty percent (50%) of the Base Salary in effect on the effective date of such termination, such amount to be paid, without interest, one year after the effective date of such termination.
 - (iv) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the effective date of such termination;
 - (v) Continued participation in the following benefit plans or programs of the Companies which may be in effect from time to time and in which the Executive was participating as of the effective date of such termination, to the extent that such continued participation by the Executive is permitted under the terms and conditions of such plans (unless such continued participation is restricted or prohibited by applicable governmental regulations governing such

plans), until the first to occur of the Ending Date or (separately with respect to the termination of each benefit) the provision of a substantially equivalent benefit to the Executive by another employer of the Executive:

- (1) Group medical and hospital insurance,
- (2) Group dental insurance,
- (3) Group life insurance, and
- (4) Group long-term disability insurance;

and

- (vi) Any other benefits payable to the Executive upon his termination without cause, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the effective date of such termination.

(e) **Termination Without Cause After a Change of Control.** If, after the occurrence of a Change of Control, the Companies or any Permitted Assignee terminates the Executive's employment under this agreement for any reason other than cause or the Executive's death or disability, then the Executive shall be entitled to receive from the Companies and the Permitted Assignee, if any (all of whom shall be jointly and severally liable therefor), all of the compensation, benefits, and other payments from the Companies which are described and provided for in subparagraph (d) of this Paragraph 10 (as modified by this subparagraph (e)); provided, however, that (i) for purposes of this subparagraph (e) the Ending Date shall be two (2) years after the effective date of such termination, and the aggregate Base Salary payable under subparagraph (d)(i) (as modified by this subparagraph (e)) for all periods through the Ending Date shall be paid to the Executive in a lump sum without regard to Other Employment not later than thirty (30) days after the effective date of such termination, (ii) the minimum annual incentive bonus payable under subparagraph (d)(ii) shall be paid to the Executive not later than thirty (30) days after the effective date of such termination (with any balance of such annual incentive bonus being payable as provided in such subparagraph (d)(ii)), and (iii) the amount payable under subparagraph (d)(iii) (as modified by this subparagraph (e)) shall be one hundred percent (100%) of the Base Salary in effect on the effective date of such termination and shall be paid to the Executive in a lump sum not later than thirty (30) days after the effective date of such termination."

3. Upon the execution of this First Amendment to Employment Agreement, any subsequent reference to the Employment Agreement shall mean the Employment Agreement as amended by this First Amendment to Employment Agreement. As amended by this First Amendment to Employment Agreement, the Employment Agreement shall remain in full force and effect according to its terms.

IN WITNESS WHEREOF, each of the parties has caused this First Amendment to Employment Agreement to be executed as of the date first set forth above.

CSG SYSTEMS INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ Edward C. Nafus
Edward C. Nafus, President and
Chief Executive Officer

CSG SYSTEMS, INC., a Delaware
corporation

By: /s/ Edward C. Nafus
Edward C. Nafus, President and
Chief Executive Officer

/s/ Randy R. Wiese
Randy R. Wiese

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

This Second Amendment to Employment Agreement is made and entered into on the 14th day of August, 2007, among CSG SYSTEMS INTERNATIONAL, INC. ("CSGS"), a Delaware corporation, CSG SYSTEMS, INC. ("Systems"), a Delaware corporation and RANDY R. WIESE (the "Executive"). CSGS and Systems collectively are referred to in this Fourth Amendment and the Employment Agreement as the "Companies."

WHEREAS, the Companies and the Executive entered into an Employment Agreement dated April 25, 2006 (the "Employment Agreement"), and a First Amendment thereto dated March 6, 2007 (the "First Amendment"); and

WHEREAS, the Companies and the Executive desire to amend the Employment Agreement solely for the purpose of bringing the Employment Agreement into compliance with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), as herein set forth;

NOW, THEREFORE, in consideration of the foregoing recitals and the agreements of the parties contained in this document, the Companies and the Executive agree as follows:

1. Effective as of January 1, 2005, Paragraph 10 of the Employment Agreement is hereby amended by adding thereto at the end thereof a new subparagraph (m) reading as follows:

"(m) Section 409A: Time and Form of Payments and Benefits. The parties intend that each payment and benefit provided to the Executive upon his termination of employment pursuant to Paragraph 10 hereof shall be eligible for certain regulatory exceptions to the limitations imposed on deferred compensation by Section 409A of the Code or shall comply with the requirements of Section 409A of the Code. The purpose of this subparagraph (m) is solely to amend this agreement to comply with, or be eligible for one or more exceptions from, the requirements of Section 409A of the Code.

- (i) Time and Form of Payment. Each of the following amounts payable to the Executive under this agreement shall constitute a separate payment for purposes of Section 409A of the Code:
 - (1) Each pay period installment of Base Salary payable to the Executive pursuant to subparagraphs 10(d)(i) or 10(f)(iii) (each such installment, a "Salary Continuation Payment").
 - Each Salary Continuation Payment shall be paid in accordance with the payroll payment schedule of the Companies in effect on the effective date of the Executive's termination of employment with the Companies.
 - (2) Any annual incentive bonus payable to the Executive pursuant to subparagraphs 10(d)(ii), 10(f)(iii) or 10(g)(iii) and the amount payable, if any, in excess of the minimum annual incentive bonus payable pursuant to subparagraph 10(e)(ii) ("Full Termination Year Bonus").

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- Any Full Termination Year Bonus shall be paid during the calendar year immediately following the calendar year in which the effective date of the Executive's termination of employment with the Companies occurs, such payment to be made on the date when such bonuses are normally paid by the Companies (but in no event after the end of the calendar year immediately following the calendar year in which the Executive's termination of employment with the Companies is effective).
- (3) Any pro rata portion of the Executive's annual incentive bonus for the calendar year of the Executive's termination of employment pursuant to subparagraphs 10(a)(ii) or 10(b)(ii) ("Pro-Rated Termination Year Bonus").
- Any Pro-Rated Termination Year Bonus shall be paid during the calendar year immediately following the calendar year in which the effective date of the Executive's termination of employment with the Companies occurs, such payment to be made on the date when such bonuses are normally paid by the Companies (but in no event after the end of the calendar year immediately following the calendar year in which the Executive's termination of employment with the Companies is effective).
- (4) Any Base Salary amount payable pursuant to subparagraphs 10(e)(i) or 10(f)(iii) ("Lump Sum Salary").
- Any Lump Sum Salary shall be paid not later than 30 days following the effective date of the Executive's termination of employment with the Companies.
- (5) Any minimum annual incentive bonus for the calendar year in which the Executive terminates employment pursuant to subparagraphs 10(e)(ii) or 10(f)(iii) ("Lump Sum Bonus").
- Any Lump Sum Bonus shall be paid not later than 30 days following the effective date of the Executive's termination of employment with the Companies.
- (6) Any amounts payable as a percentage of the Executive's Base Salary pursuant to subparagraphs 10(d)(iii) or 10(f)(iii) ("Percentage Base Amount").

-
- Any Percentage Base Amount shall be paid on the date that is one year after the effective date of the Executive's termination of employment with the Companies.
 - Any Lump Sum Percentage Base Amount shall be paid not later than 30 days after the effective date of the Executive's termination of employment with the Companies.
- (8) Any amounts payable to the Executive pursuant to subparagraph 10(1) as an "Additional Payment" and any "Gross-Up Payment" (the "Preliminary Gross-Up Payment").
- Any Preliminary Gross-Up Payment shall be paid not later than 30 days following the effective date of the Executive's termination of employment with the Companies.
- (9) Any amounts payable to the Executive pursuant to subparagraph 10(1) as a "further Gross-Up Payment" (the "Adjustment Gross-Up Payment").
- Any Adjustment Gross-Up Payment shall be paid during the calendar year immediately following the calendar year in which the effective date of the Executive's termination of employment with the Companies occurs.
- (ii) Continuation of Benefits. Subparagraphs 10(b)(iv), 10(d)(v), 10(e), and 10(f) provide for continued participation by the Executive in designated health and welfare benefit programs of the Companies for a specified period. The parties intend that any in-kind benefits or reimbursement of expenses incurred by the Executive with respect to the continuation of benefits satisfy the requirements for a fixed schedule of payments with respect to such benefits or payments as required by Treas. Reg. § 1.409A-3(i)(1)(iv). To the extent such continued participation by the Executive involves any payment for continued coverage by the Executive and reimbursement to the Executive, the amount of any such reimbursement shall be paid to the Executive (or his beneficiary) by December 31 of the calendar year following the year in which the Executive pays the actual cost of continued coverage. The amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. Further, the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(iii) Six-Month Delay in Payment. Notwithstanding anything contained in this Employment Agreement to the contrary, if the Executive is deemed by the Companies at the time of the Executive's "separation from service" with the Companies to be a "specified employee," any compensation or benefits to which the Executive becomes entitled under this Employment Agreement in connection with such separation shall not be paid or commence until the date which is the first business day following the six month period after the Executive's separation from service (or if earlier, the Executive's death). Such delay in payment shall only be effected with respect to each separate payment or benefit to the extent required to avoid adverse tax treatment to the Executive, including (without limitation) the additional 20% tax for which the Executive would otherwise be liable under Section 409A(a)(1)(B) of the Code in the absence of such delay in payment. Upon the expiration of the delay period, any compensation or benefits which would have otherwise been paid during the delay period (whether in a single sum or in installments) in the absence of this subparagraph shall be paid to the Executive or his beneficiary in a single sum payment.

(iv) Key Definitions. For purposes of Paragraph 10 of this Employment Agreement, the terms "separation from service" and "specified employee," and, solely with respect to subparagraph 10(b)(iv), the term "disability," shall have the meanings ascribed to such terms pursuant to Section 409A of the Code and the related treasury regulations and other applicable guidance.

2. Effective as of January 1, 2005, the Employment Agreement is amended by adding thereto a new Paragraph 29 reading as follows:

"29. Section 409A. The parties intend that any amounts payable and benefits provided under this agreement and the exercise of authority or discretion hereunder by the Companies or by the Executive (i) shall be eligible for certain regulatory exceptions to the limitations imposed on deferred compensation by Section 409A of the Code or (ii) shall comply with the provisions of Section 409A of the Code and the Treasury regulations relating thereto, in each case so as not to subject the Executive to the payment of additional taxes and interest that may be imposed under Section 409A of the Code. To the extent that any amount payable or benefit provided under this agreement would trigger the additional tax or interest imposed under Section 409A of the Code, this agreement shall be modified to avoid such additional tax or interest and to preserve, to the nearest extent reasonably possible, the intended benefit to the Executive."

3. Upon the execution of this Fourth Amendment to Employment Agreement, any subsequent reference to the Employment Agreement shall mean the Employment Agreement as amended by the First Amendment, the Second Amendment, the Third

Amendment, and this Fourth Amendment to Employment Agreement. As amended by the First Amendment, the Second Amendment, the Third Amendment, and this Fourth Amendment to Employment Agreement, the Employment Agreement shall remain in full force and effect according to its terms.

IN WITNESS WHEREOF, each of the parties has caused this Second Amendment to Employment Agreement to be executed as of the date first set forth above.

CSG SYSTEMS INTERNATIONAL, INC., a
Delaware corporation

By: /s/ Edward C. Nafus
Edward C. Nafus, President and Chief
Executive Officer

CSG SYSTEMS, INC., a Delaware corporation

By: /s/ Edward C. Nafus
Edward C. Nafus, President and Chief
Executive Officer

/s/ Randy R. Wiese 8/14/07
Randy R. Wiese

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

This Second Amendment to Employment Agreement is made and entered into on the 6 day of March, 2007, among CSG SYSTEMS INTERNATIONAL, INC. ("CSGS"), a Delaware corporation, CSG SYSTEMS, INC. ("Systems"), a Delaware corporation, and PETER E. KALAN (the "Executive"). CSGS and Systems collectively are referred to in this First Amendment and the Employment Agreement as the "Companies".

* * *

WHEREAS, the Companies and the Executive entered into an Employment Agreement dated January 18, 2001 (the "Employment Agreement") and a First Amendment thereto dated May 23, 2006 (the "First Amendment"); and

WHEREAS, the Companies and the Executive desire to amend the Employment Agreement as herein set forth;

NOW, THEREFORE, in consideration of the foregoing recitals and the agreements of the parties contained in this document, the Companies and the Executive agree as follows:

1. Paragraph 2 of the Employment Agreement hereby is amended in its entirety so as to read as follows:

"2. Term of Employment. The employment of the Executive under this agreement shall begin on the date of this agreement and shall continue until the first to occur of (a) the Executive's death, (b) the effective date of the Executive's voluntary resignation as an employee of the Companies, (c) the effective date of the termination of the Executive's employment by the Companies by reason of the Executive's disability pursuant to Paragraph 10(b) of this agreement, (d) the effective date of the termination of the Executive's employment by the Companies for cause pursuant to Paragraph 10(c) of this agreement, (e) the effective date of the termination of the Executive's employment by the Companies for any reason other than cause or the Executive's death or disability pursuant to Paragraph 10(d) or Paragraph 10(e) of this agreement, or (f) the effective date of the termination of the Executive's employment pursuant to Paragraph 10(f) of this agreement. Upon the termination of the employment of the Executive under this agreement, the applicable provisions of Paragraph 10 of this agreement shall become effective; and the Companies and the Executive thereupon and thereafter shall comply with the applicable provisions of Paragraph 10 of this agreement."

2. Paragraph 15 of the Employment Agreement hereby is amended in its entirety so as to read as follows:

"15. Change of Control. For purposes of this agreement, a "Change of Control" shall be deemed to have occurred upon the happening of any of the following events:

- (a) CSGS is merged or consolidated into another corporation, and immediately after such merger or consolidation becomes effective the holders of a majority of the outstanding shares of voting capital stock of CSGS immediately prior to the effectiveness of such merger or consolidation do not own (directly or indirectly) a majority of the outstanding shares of voting capital stock of the surviving or resulting corporation in such merger or consolidation;

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- (b) any person, entity, or group of persons within the meaning of Sections 13(d) or 14(d) of the Securities Exchange Act of 1934 (the “1934 Act”) and the rules promulgated thereunder becomes the beneficial owner (within the meaning of Rule 13d-3 under the 1934 Act) of thirty percent (30%) or more of the outstanding voting capital stock of CSGS;
 - (c) the Common Stock of CSGS ceases to be publicly traded because of an issuer tender offer or other “going private” transaction (other than a transaction sponsored by the then current management of CSGS);
 - (d) CSGS dissolves or sells or otherwise disposes of all or substantially all of its property and assets (other than to an entity or group of entities which is then under common majority ownership (directly or indirectly) with CSGS);
 - (e) in one or more substantially concurrent transactions or in a series of related transactions, CSGS directly or indirectly disposes of a portion or portions of its business operations (collectively, the “Sold Business”) other than by ceasing to conduct the Sold Business without its being acquired by a third party (regardless of the entity or entities through which CSGS conducted the Sold Business and regardless of whether such disposition is accomplished through a sale of assets, the transfer of ownership of an entity or entities, a merger, or in some other manner) and either (i) the fair market value of the consideration received or to be received by CSGS for the Sold Business is equal to at least fifty percent (50%) of the market value of the outstanding Common Stock of CSGS determined by multiplying the average of the closing prices for the Common Stock of CSGS on the thirty (30) trading days immediately preceding the date of the first public announcement of the proposed disposition of the Sold Business by the average of the numbers of outstanding shares of Common Stock on such thirty (30) trading days or (ii) the revenues of the Sold Business during the most recent four (4) calendar

quarters ended prior to the first public announcement of the proposed disposition of the Sold Business represented fifty percent (50%) or more of the total consolidated revenues of CSGS during such four (4) calendar quarters; or

- (f) during any period of two consecutive years or less, individuals who at the beginning of such period constituted the Board of Directors of CSGS cease, for any reason, to constitute at least a majority of the Board of Directors of CSGS, unless the election or nomination for election of each new director of CSGS who took office during such period was approved by a vote of at least seventy-five percent (75%) of the directors of CSGS still in office at the time of such election or nomination for election who were directors of CSGS at the beginning of such period.”

3. Upon the execution of this Second Amendment to Employment Agreement, any subsequent reference to the Employment Agreement shall mean the Employment Agreement as amended by the First Amendment and by this Second Amendment to Employment Agreement. As amended by the First Amendment and by this Second Amendment to Employment Agreement, the Employment Agreement shall remain in full force and effect according to its terms.

IN WITNESS WHEREOF, each of the parties has caused this Second Amendment to Employment Agreement to be executed as of the date first set forth above.

CSG SYSTEMS INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ Edward C. Nafus
Edward C. Nafus, President and
Chief Executive Officer

CSG SYSTEMS, INC.,
a Delaware corporation

By: /s/ Edward C. Nafus
Edward C. Nafus, President and Chief Executive
Officer

/s/ Peter E. Kalan
Peter E. Kalan

THIRD AMENDMENT TO EMPLOYMENT AGREEMENT

This Third Amendment to Employment Agreement is made and entered into on the 14th day of August, 2007, among CSG SYSTEMS INTERNATIONAL, INC. ("CSGS"), a Delaware corporation, CSG SYSTEMS, INC. ("Systems"), a Delaware corporation and PETER E. KALAN (the "Executive"). CSGS and Systems collectively are referred to in this Fourth Amendment and the Employment Agreement as the "Companies."

WHEREAS, the Companies and the Executive entered into an Employment Agreement dated January 18, 2001 (the "Employment Agreement"), a First Amendment thereto dated May 23, 2006 (the "First Amendment"), and a Second Amendment thereto dated March 6, 2007 (the "Second Amendment"); and

WHEREAS, the Companies and the Executive desire to amend the Employment Agreement solely for the purpose of bringing the Employment Agreement into compliance with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), as herein set forth;

NOW, THEREFORE, in consideration of the foregoing recitals and the agreements of the parties contained in this document, the Companies and the Executive agree as follows:

1. Effective as of January 1, 2005, Paragraph 10 of the Employment Agreement is hereby amended by adding thereto at the end thereof a new subparagraph (m) reading as follows:

"(m) Section 409A; Time and Form of Payments and Benefits. The parties intend that each payment and benefit provided to the Executive upon his termination of employment pursuant to Paragraph 10 hereof shall be eligible for certain regulatory exceptions to the limitations imposed on deferred compensation by Section 409A of the Code or shall comply with the requirements of Section 409A of the Code. The purpose of this subparagraph (m) is solely to amend this agreement to comply with, or be eligible for one or more exceptions from, the requirements of Section 409A of the Code.

- (i) Time and Form of Payment. Each of the following amounts payable to the Executive under this agreement shall constitute a separate payment for purposes of Section 409A of the Code:
 - (1) Each pay period installment of Base Salary payable to the Executive pursuant to subparagraphs 10(d)(i) or 10(f)(iii) (each such installment, a "Salary Continuation Payment").
 - Each Salary Continuation Payment shall be paid in accordance with the payroll payment schedule of the Companies in effect on the effective date of the Executive's termination of employment with the Companies.
 - (2) Any annual incentive bonus payable to the Executive pursuant to subparagraphs 10(d)(ii), 10(f)(iii) or 10(g)(iii) and the amount payable, if any, in excess of the minimum annual incentive bonus payable pursuant to subparagraph 10(e)(ii) ("Full Termination Year Bonus").

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- Any Full Termination Year Bonus shall be paid during the calendar year immediately following the calendar year in which the effective date of the Executive's termination of employment with the Companies occurs, such payment to be made on the date when such bonuses are normally paid by the Companies (but in no event after the end of the calendar year immediately following the calendar year in which the Executive's termination of employment with the Companies is effective).
- (3) Any pro rata portion of the Executive's annual incentive bonus for the calendar year of the Executive's termination of employment pursuant to subparagraphs 10(a)(ii) or 10(b)(ii) ("Pro-Rated Termination Year Bonus").
- Any Pro-Rated Termination Year Bonus shall be paid during the calendar year immediately following the calendar year in which the effective date of the Executive's termination of employment with the Companies occurs, such payment to be made on the date when such bonuses are normally paid by the Companies (but in no event after the end of the calendar year immediately following the calendar year in which the Executive's termination of employment with the Companies is effective).
- (4) Any Base Salary amount payable pursuant to subparagraphs 10(e)(i) or 10(f)(iii) ("Lump Sum Salary").
- Any Lump Sum Salary shall be paid not later than 30 days following the effective date of the Executive's termination of employment with the Companies.
- (5) Any minimum annual incentive bonus for the calendar year in which the Executive terminates employment pursuant to subparagraphs 10(e)(ii) or 10(f)(iii) ("Lump Sum Bonus").
- Any Lump Sum Bonus shall be paid not later than 30 days following the effective date of the Executive's termination of employment with the Companies.

-
- (6) Any amounts payable as a percentage of the Executive's Base Salary pursuant to subparagraphs 10(d)(iii) or 10(f)(iii) ("Percentage Base Amount").
- Any Percentage Base Amount shall be paid on the date that is one year after the effective date of the Executive's termination of employment with the Companies.
- (7) Any amounts payable as a percentage of the Executive's Base Salary pursuant to subparagraphs 10(e)(iii) or 10(f)(iii) ("Lump Sum Percentage Base Amount").
- Any Lump Sum Percentage Base Amount shall be paid not later than 30 days after the effective date of the Executive's termination of employment with the Companies.
- (8) Any amounts payable to the Executive pursuant to subparagraph 10(1) as an "Additional Payment" and any "Gross-Up Payment" (the "Preliminary Gross-Up Payment").
- Any Preliminary Gross-Up Payment shall be paid not later than 30 days following the effective date of the Executive's termination of employment with the Companies.
- (9) Any amounts payable to the Executive pursuant to subparagraph 10(1) as a "further Gross-Up Payment" (the "Adjustment Gross-Up Payment").
- Any Adjustment Gross-Up Payment shall be paid during the calendar year immediately following the calendar year in which the effective date of the Executive's termination of employment with the Companies occurs.
- (ii) Continuation of Benefits. Subparagraphs 10(b)(iv), 10(d)(v), 10(e), and 10(f) provide for continued participation by the Executive in designated health and welfare benefit programs of the Companies for a specified period. The parties intend that any in-kind benefits or reimbursement of expenses incurred by the Executive with respect to the continuation of benefits satisfy the requirements for a fixed schedule of payments with respect to such benefits or payments as required by Treas. Reg. § 1.409A-3(i)(1)(iv). To the extent such continued participation by the Executive involves any payment for continued coverage by the Executive and reimbursement to the Executive, the amount of any such reimbursement shall be paid to the Executive (or his beneficiary) by December 31 of the calendar year following the year in which the Executive pays the actual cost of continued coverage. The amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the

expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. Further, the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

- (iii) Six-Month Delay in Payment. Notwithstanding anything contained in this Employment Agreement to the contrary, if the Executive is deemed by the Companies at the time of the Executive's "separation from service" with the Companies to be a "specified employee," any compensation or benefits to which the Executive becomes entitled under this Employment Agreement in connection with such separation shall not be paid or commence until the date which is the first business day following the six month period after the Executive's separation from service (or if earlier, the Executive's death). Such delay in payment shall only be effected with respect to each separate payment or benefit to the extent required to avoid adverse tax treatment to the Executive, including (without limitation) the additional 20% tax for which the Executive would otherwise be liable under Section 409A(a)(1)(B) of the Code in the absence of such delay in payment. Upon the expiration of the delay period, any compensation or benefits which would have otherwise been paid during the delay period (whether in a single sum or in installments) in the absence of this subparagraph shall be paid to the Executive or his beneficiary in a single sum payment.
- (iv) Key Definitions. For purposes of Paragraph 10 of this Employment Agreement, the terms "separation from service" and "specified employee," and, solely with respect to subparagraph 10(b)(iv), the term "disability," shall have the meanings ascribed to such terms pursuant to Section 409A of the Code and the related treasury regulations and other applicable guidance.

2. Effective as of January 1, 2005, the Employment Agreement is amended by adding thereto a new Paragraph 29 reading as follows:

"29. Section 409A. The parties intend that any amounts payable and benefits provided under this agreement and the exercise of authority or discretion hereunder by the Companies or by the Executive (i) shall be eligible for certain regulatory exceptions to the limitations imposed on deferred compensation by Section 409A of the Code or (ii) shall comply with the provisions of Section 409A of the Code and the Treasury regulations relating thereto, in each case so as not to subject the Executive to the payment of additional taxes and interest that may be imposed under Section 409A of the Code. To the extent that any amount payable or benefit provided under this agreement would trigger the additional tax or interest imposed under Section 409A of the Code, this agreement shall be modified to avoid such additional tax or interest and to preserve, to the nearest extent reasonably possible, the intended benefit to the Executive."

3. Upon the execution of this Fourth Amendment to Employment Agreement, any subsequent reference to the Employment Agreement shall mean the Employment Agreement as amended by the First Amendment, the Second Amendment, the Third Amendment, and this Fourth Amendment to Employment Agreement. As amended by the First Amendment, the Second Amendment, the Third Amendment, and this Fourth Amendment to Employment Agreement, the Employment Agreement shall remain in full force and effect according to its terms.

IN WITNESS WHEREOF, each of the parties has caused this Third Amendment to Employment Agreement to be executed as of the date first set forth above.

CSG SYSTEMS INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ Edward C. Nafus
Edward C. Nafus, President and Chief Executive
Officer

CSG SYSTEMS, INC.,
a Delaware corporation

By: /s/ Edward C. Nafus
Edward C. Nafus, President and Chief Executive
Officer

/s/ Peter E. Kalan
Peter E. Kalan

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment to Employment Agreement is made and entered into on the 6th day of March, 2007, among CSG SYSTEMS INTERNATIONAL, INC. ("CSGS"), a Delaware corporation, CSG SYSTEMS, INC. ("Systems"), a Delaware corporation, and JOSEPH T. RUBLE (the "Executive"), CSGS and Systems collectively are referred to in this First Amendment and the Employment Agreement as the "Companies".

* * *

WHEREAS, the Companies and the Executive entered into an Employment Agreement dated January 18, 2001 (the "Employment Agreement"); and

WHEREAS, the Companies and the Executive desire to amend the Employment Agreement as herein set forth;

NOW, THEREFORE, in consideration of the foregoing recitals and the agreements of the parties contained in this document, the Companies and the Executive agree as follows:

1. Paragraph 2 of the Employment Agreement hereby is amended in its entirety so as to read as follows:

"2. Term of Employment. The employment of the Executive under this agreement shall begin on the date of this agreement and shall continue until the first to occur of (a) the Executive's death, (b) the effective date of the Executive's voluntary resignation as an employee of the Companies, (c) the effective date of the termination of the Executive's employment by the Companies by reason of the Executive's disability pursuant to Paragraph 10(b) of this agreement, (d) the effective date of the termination of the Executive's employment by the Companies for cause pursuant to Paragraph 10(c) of this agreement, (e) the effective date of the termination of the Executive's employment by the Companies for any reason other than cause or the Executive's death or disability pursuant to Paragraph 10(d) or Paragraph 10(e) of this agreement, or (f) the effective date of the termination of the Executive's employment pursuant to Paragraph 10(f) of this agreement. Upon the termination of the employment of the Executive under this agreement, the applicable provisions of Paragraph 10 of this agreement shall become effective; and the Companies and the Executive thereupon and thereafter shall comply with the applicable provisions of Paragraph 10 of this agreement."

2. Paragraph 15 of the Employment Agreement hereby is amended in its entirety so as to read as follows:

"15. Change of Control. For purposes of this agreement, a "Change of Control" shall be deemed to have occurred upon the happening of any of the following events;

- (a) CSGS is merged or consolidated into another corporation, and immediately after such merger or consolidation becomes effective the holders of a majority of the outstanding shares of voting capital stock of CSGS immediately

prior to the effectiveness of such merger or consolidation do not own (directly or indirectly) a majority of the outstanding shares of voting capital stock of the surviving or resulting corporation in such merger or consolidation;

- (b) any person, entity, or group of persons within the meaning of Sections 13(d) or 14(d) of the Securities Exchange Act of 1934 (the “1934 Act”) and the rules promulgated thereunder becomes the beneficial owner (within the meaning of Rule 13d-3 under the 1934 Act) of thirty percent (30%) or more of the outstanding voting capital stock of CSGS;
- (c) the Common Stock of CSGS ceases to be publicly traded because of an issuer tender offer or other “going private” transaction (other than a transaction sponsored by the then current management of CSGS);
- (d) CSGS dissolves or sells or otherwise disposes of all or substantially all of its property and assets (other than to an entity or group of entities which is then under common majority ownership (directly or indirectly) with CSGS);
- (e) in one or more substantially concurrent transactions or in a series of related transactions, CSGS directly or indirectly disposes of a portion or portions of its business operations (collectively, the “Sold Business”) other than by ceasing to conduct the Sold Business without its being acquired by a third party (regardless of the entity or entities through which CSGS conducted the Sold Business and regardless of whether such disposition is accomplished through a sale of assets, the transfer of ownership of an entity or entities, a merger, or in some other manner) and either (i) the fair market value of the consideration received or to be received by CSGS for the Sold Business is equal to at least fifty percent (50%) of the market value of the outstanding Common Stock of CSGS determined by multiplying the average of the closing prices for the Common Stock of CSGS on the thirty (30) trading days immediately preceding the date of the first public announcement of the proposed disposition of the Sold Business by the average of the numbers of outstanding shares of Common Stock on such thirty (30) trading days or (ii) the revenues of the Sold Business during the most recent four (4) calendar quarters ended prior to the first public announcement of the proposed disposition of the Sold Business represented fifty percent (50%) or more of the total consolidated revenues of CSGS during such four (4) calendar quarters; or
- (f) during any period of two consecutive years or less, individuals who at the beginning of such period constituted the Board of Directors of CSGS cease, for any reason, to constitute at least a majority of the Board of Directors of

CSGS, unless the election or nomination for election of each new director of CSGS who took office during such period was approved by a vote of at least seventy-five percent (75%) of the directors of CSGS still in office at the time of such election or nomination for election who were directors of CSGS at the beginning of such period.”

3. Upon the execution of this First Amendment to Employment Agreement, any subsequent reference to the Employment Agreement shall mean the Employment Agreement as amended by this First Amendment to Employment Agreement. As amended by this First Amendment to Employment Agreement, the Employment Agreement shall remain in full force and effect according to its terms.

IN WITNESS WHEREOF, each of the parties has caused this First Amendment to Employment Agreement to be executed as of the date first set forth above.

CSG SYSTEMS INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ Edward C. Nafus
Edward C. Nafus, President and Chief Executive
Officer

CSG SYSTEMS, INC.,
a Delaware corporation

By: /s/ Edward C. Nafus
Edward C. Nafus, President and Chief Executive
Officer

/s/ Joseph T. Ruble
Joseph T. Ruble

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

This Second Amendment to Employment Agreement is made and entered into on the 14th day of August 2007, among CSG SYSTEMS INTERNATIONAL, INC. ("CSGS"), a Delaware corporation, CSG SYSTEMS, INC. ("Systems"), a Delaware corporation and JOSEPH T. RUBLE (the "Executive"). CSGS and Systems collectively are referred to in this Fourth Amendment and the Employment Agreement as the "Companies."

WHEREAS, the Companies and the Executive entered into an Employment Agreement dated January 18, 2001 (the "Employment Agreement"), and a First Amendment thereto dated March 6, 2007 (the "First Amendment"); and

WHEREAS, the Companies and the Executive desire to amend the Employment Agreement solely for the purpose of bringing the Employment Agreement into compliance with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), as herein set forth;

NOW, THEREFORE, in consideration of the foregoing recitals and the agreements of the parties contained in this document, the Companies and the Executive agree as follows:

1. Effective as of January 1, 2005, Paragraph 10 of the Employment Agreement is hereby amended by adding thereto at the end thereof a new subparagraph (m) reading as follows:

"(m) Section 409A: Time and Form of Payments and Benefits. The parties intend that each payment and benefit provided to the Executive upon his termination of employment pursuant to Paragraph 10 hereof shall be eligible for certain regulatory exceptions to the limitations imposed on deferred compensation by Section 409A of the Code or shall comply with the requirements of Section 409A of the Code. The purpose of this subparagraph (m) is solely to amend this agreement to comply with, or be eligible for one or more exceptions from, the requirements of Section 409A of the Code.

(i) Time and Form of Payment. Each of the following amounts payable to the Executive under this agreement shall constitute a separate payment for purposes of Section 409A of the Code:

(1) Each pay period installment of Base Salary payable to the Executive pursuant to subparagraphs 10(d)(i) or 10(f)(iii) (each such installment, a "Salary Continuation Payment").

- Each Salary Continuation Payment shall be paid in accordance with the payroll payment schedule of the Companies in effect on the effective date of the Executive's termination of employment with the Companies.

(2) Any annual incentive bonus payable to the Executive pursuant to subparagraphs 10(d)(ii), 10(f)(iii) or 10(g)(iii) and the amount payable, if any, in excess of the minimum annual incentive bonus payable pursuant to subparagraph 10(e)(ii) ("Full Termination Year Bonus").

-
- Any Full Termination Year Bonus shall be paid during the calendar year immediately following the calendar year in which the effective date of the Executive's termination of employment with the Companies occurs, such payment to be made on the date when such bonuses are normally paid by the Companies (but in no event after the end of the calendar year immediately following the calendar year in which the Executive's termination of employment with the Companies is effective).
- (3) Any pro rata portion of the Executive's annual incentive bonus for the calendar year of the Executive's termination of employment pursuant to subparagraphs 10(a)(ii) or 10(b)(ii) ("Pro-Rated Termination Year Bonus").
- Any Pro-Rated Termination Year Bonus shall be paid during the calendar year immediately following the calendar year in which the effective date of the Executive's termination of employment with the Companies occurs, such payment to be made on the date when such bonuses are normally paid by the Companies (but in no event after the end of the calendar year immediately following the calendar year in which the Executive's termination of employment with the Companies is effective).
- (4) Any Base Salary amount payable pursuant to subparagraphs 10(e)(i) or 10(f)(iii) ("Lump Sum Salary").
- Any Lump Sum Salary shall be paid not later than 30 days following the effective date of the Executive's termination of employment with the Companies.
- (5) Any minimum annual incentive bonus for the calendar year in which the Executive terminates employment pursuant to subparagraphs 10(e)(ii) or 10(f)(iii) ("Lump Sum Bonus").
- Any Lump Sum Bonus shall be paid not later than 30 days following the effective date of the Executive's termination of employment with the Companies.
- (6) Any amounts payable as a percentage of the Executive's Base Salary pursuant to subparagraphs 10(d)(iii) or 10(f)(iii) ("Percentage Base Amount").

-
- Any Percentage Base Amount shall be paid on the date that is one year after the effective date of the Executive's termination of employment with the Companies.
- (7) Any amounts payable as a percentage of the Executive's Base Salary pursuant to subparagraphs 10(e)(iii) or 10(f)(iii) ("Lump Sum Percentage Base Amount").
- Any Lump Sum Percentage Base Amount shall be paid not later than 30 days after the effective date of the Executive's termination of employment with the Companies.
- (8) Any amounts payable to the Executive pursuant to subparagraph 10(1) as an "Additional Payment" and any "Gross-Up Payment" (the "Preliminary Gross-Up Payment").
- Any Preliminary Gross-Up Payment shall be paid not later than 30 days following the effective date of the Executive's termination of employment with the Companies.
- (9) Any amounts payable to the Executive pursuant to subparagraph 10(1) as a "further Gross-Up Payment" (the "Adjustment Gross-Up Payment").
- Any Adjustment Gross-Up Payment shall be paid during the calendar year immediately following the calendar year in which the effective date of the Executive's termination of employment with the Companies occurs.
- (ii) Continuation of Benefits. Subparagraphs 10(b)(iv), 10(d)(v), 10(e), and 10(f) provide for continued participation by the Executive in designated health and welfare benefit programs of the Companies for a specified period. The parties intend that any in-kind benefits or reimbursement of expenses incurred by the Executive with respect to the continuation of benefits satisfy the requirements for a fixed schedule of payments with respect to such benefits or payments as required by Treas. Reg. § 1.409A-3(i)(1)(iv). To the extent such continued participation by the Executive involves any payment for continued coverage by the Executive and reimbursement to the Executive, the amount of any such reimbursement shall be paid to the Executive (or his beneficiary) by December 31 of the calendar year following the year in which the Executive pays the actual cost of continued coverage. The amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. Further, the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

- (iii) Six-Month Delay in Payment. Notwithstanding anything contained in this Employment Agreement to the contrary, if the Executive is deemed by the Companies at the time of the Executive's "separation from service" with the Companies to be a "specified employee," any compensation or benefits to which the Executive becomes entitled under this Employment Agreement in connection with such separation shall not be paid or commence until the date which is the first business day following the six month period after the Executive's separation from service (or if earlier, the Executive's death). Such delay in payment shall only be effected with respect to each separate payment or benefit to the extent required to avoid adverse tax treatment to the Executive, including (without limitation) the additional 20% tax for which the Executive would otherwise be liable under Section 409A(a)(1)(B) of the Code in the absence of such delay in payment. Upon the expiration of the delay period, any compensation or benefits which would have otherwise been paid during the delay period (whether in a single sum or in installments) in the absence of this subparagraph shall be paid to the Executive or his beneficiary in a single sum payment.
- (iv) Key Definitions. For purposes of Paragraph 10 of this Employment Agreement, the terms "separation from service" and "specified employee," and, solely with respect to subparagraph 10(b)(iv), the term "disability," shall have the meanings ascribed to such terms pursuant to Section 409A of the Code and the related treasury regulations and other applicable guidance.

2. Effective as of January 1, 2005, the Employment Agreement is amended by adding thereto a new Paragraph 29 reading as follows:

"29. Section 409A. The parties intend that any amounts payable and benefits provided under this agreement and the exercise of authority or discretion hereunder by the Companies or by the Executive (i) shall be eligible for certain regulatory exceptions to the limitations imposed on deferred compensation by Section 409A of the Code or (ii) shall comply with the provisions of Section 409A of the Code and the Treasury regulations relating thereto, in each case so as not to subject the Executive to the payment of additional taxes and interest that may be imposed under Section 409A of the Code. To the extent that any amount payable or benefit provided under this agreement would trigger the additional tax or interest imposed under Section 409A of the Code, this agreement shall be modified to avoid such additional tax or interest and to preserve, to the nearest extent reasonably possible, the intended benefit to the Executive."

3. Upon the execution of this Fourth Amendment to Employment Agreement, any subsequent reference to the Employment Agreement shall mean the Employment Agreement as amended by the First Amendment, the Second Amendment, the Third

Amendment, and this Fourth Amendment to Employment Agreement. As amended by the First Amendment, the Second Amendment, the Third Amendment, and this Fourth Amendment to Employment Agreement, the Employment Agreement shall remain in full force and effect according to its terms.

IN WITNESS WHEREOF, each of the parties has caused this Second Amendment to Employment Agreement to be executed as of the date first set forth above.

CSG SYSTEMS INTERNATIONAL, INC., a
Delaware corporation

By: /s/ Edward C. Nafus
Edward C. Nafus, President and Chief Executive
Officer

CSG SYSTEMS, INC., a Delaware corporation

By: /s/ Edward C. Nafus
Edward C. Nafus, President and Chief Executive
Officer

/s/ Joseph T. Ruble
Joseph T. Ruble

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment to Employment Agreement is made and entered into on the 6th day of March, 2007, among CSG SYSTEMS INTERNATIONAL, INC. ("CSGS"), a Delaware corporation, CSG SYSTEMS, INC. ("Systems"), a Delaware corporation, and ROBERT M. SCOTT (the "Executive"). CSGS and Systems collectively are referred to in this First Amendment and the Employment Agreement as the "Companies".

* * *

WHEREAS, the Companies and the Executive entered into an Employment Agreement dated June 6, 2005 (the "Employment Agreement"); and

WHEREAS, the Companies and the Executive desire to amend the Employment Agreement as herein set forth;

NOW, THEREFORE, in consideration of the foregoing recitals and the agreements of the parties contained in this document, the Companies and the Executive agree as follows:

1. Paragraph 2 of the Employment Agreement hereby is amended in its entirety so as to read as follows:

"2. Term of Employment. The employment of the Executive under this agreement shall begin on the date of this agreement and shall continue until the first to occur of (a) the Executive's death, (b) the effective date of the Executive's voluntary resignation as an employee of the Companies, (c) the effective date of the termination of the Executive's employment by the Companies by reason of the Executive's disability pursuant to Paragraph 10(b) of this agreement, (d) the effective date of the termination of the Executive's employment by the Companies for cause pursuant to Paragraph 10(c) of this agreement, (e) the effective date of the termination of the Executive's employment by the Companies for any reason other than cause or the Executive's death or disability pursuant to Paragraph 10(d) or Paragraph 10(e) of this agreement, or (f) the effective date of the termination of the Executive's employment pursuant to Paragraph 10(f) of this agreement. Upon the termination of the employment of the Executive under this agreement, the applicable provisions of Paragraph 10 of this agreement shall become effective; and the Companies and the Executive thereupon and thereafter shall comply with the applicable provisions of Paragraph 10 of this agreement."

2. Subparagraphs (d) and (e) of Paragraph 10 of the Employment Agreement hereby are amended in their entirety so as to read as follows:

"(d) Termination Without Cause Prior to a Change of Control. If, prior to the occurrence of a Change of Control, the Companies terminate the Executive's employment under this agreement for any reason other than cause or the Executive's death or disability, then the Executive shall be entitled to receive the following compensation, benefits, and other payments from the Companies:

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- (i) The Base Salary through that date which is one (1) year after the effective date of such termination (the "Ending Date"), to be paid at the same times that the Base Salary would have been paid if such termination had not occurred; provided, that if the Executive commences employment with another employer, whether as an employee or as a consultant, prior to the Ending Date (for purposes of this Paragraph 10, the "Other Employment"), then such payments of the Base Salary shall be reduced from time to time by the aggregate amount of salary, cash bonus, and consulting fees received or receivable by the Executive from the Other Employment for services performed by him during the period from the commencement of the Other Employment through the Ending Date;
 - (ii) The Executive's annual incentive bonus for the calendar year in which such termination occurs (computed as if the Executive were employed by the Companies throughout such calendar year), to be paid at the same time that such incentive bonus would have been paid if such termination had not occurred and to be no less than the Executive's annual incentive bonus for the calendar year immediately preceding the calendar year in which such termination occurs;
 - (iii) An amount equal to fifty percent (50%) of the Base Salary in effect on the effective date of such termination, such amount to be paid, without interest, one year after the effective date of such termination.
 - (iv) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the effective date of such termination;
 - (v) Continued participation in the following benefit plans or programs of the Companies which may be in effect from time to time and in which the Executive was participating as of the effective date of such termination, to the extent that such continued participation by the Executive is permitted under the terms and conditions of such plans (unless such continued participation is restricted or prohibited by applicable governmental regulations governing such

plans), until the first to occur of the Ending Date or (separately with respect to the termination of each benefit) the provision of a substantially equivalent benefit to the Executive by another employer of the Executive:

- (1) Group medical and hospital insurance,
- (2) Group dental insurance,
- (3) Group life insurance, and
- (4) Group long-term disability insurance;

and

- (vi) Any other benefits payable to the Executive upon his termination without cause, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the effective date of such termination.

(e) **Termination Without Cause After a Change of Control.** If, after the occurrence of a Change of Control, the Companies or any Permitted Assignee terminates the Executive's employment under this agreement for any reason other than cause or the Executive's death or disability, then the Executive shall be entitled to receive from the Companies and the Permitted Assignee, if any (all of whom shall be jointly and severally liable therefor), all of the compensation, benefits, and other payments from the Companies which are described and provided for in subparagraph (d) of this Paragraph 10 (as modified by this subparagraph (e)); provided, however, that (i) for purposes of this subparagraph (e) the Ending Date shall be two (2) years after the effective date of such termination, and the aggregate Base Salary payable under subparagraph (d)(i) (as modified by this subparagraph (e)) for all periods through the Ending Date shall be paid to the Executive in a lump sum without regard to Other Employment not later than thirty (30) days after the effective date of such termination, (ii) the minimum annual incentive bonus payable under subparagraph (d)(ii) shall be paid to the Executive not later than thirty (30) days after the effective date of such termination (with any balance of such annual incentive bonus being payable as provided in such subparagraph (d)(ii)), and (iii) the amount payable under subparagraph (d)(iii) (as modified by this subparagraph (e)) shall be one hundred percent (100%) of the Base Salary in effect on the effective date of such termination and shall be paid to the Executive in a lump sum not later than thirty (30) days after the effective date of such termination."

3. Upon the execution of this First Amendment to Employment Agreement, any subsequent reference to the Employment Agreement shall mean the Employment Agreement as amended by this First Amendment to Employment Agreement. As amended by this First Amendment to Employment Agreement, the Employment Agreement shall remain in full force and effect according to its terms.

IN WITNESS WHEREOF, each of the parties has caused this First Amendment to Employment Agreement to be executed as of the date first set forth above.

CSG SYSTEMS INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ Edward C. Nafus
Edward C. Nafus, President and
Chief Executive Officer

CSG SYSTEMS, INC., a Delaware
corporation

By: /s/ Edward C. Nafus
Edward C. Nafus, President and
Chief Executive Officer

/s/ Robert M. Scott
Robert M. Scott

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

This Second Amendment to Employment Agreement is made and entered into on the 14th day of August, 2007, among CSG SYSTEMS INTERNATIONAL, INC. ("CSGS"), a Delaware corporation, CSG SYSTEMS, INC. ("Systems"), a Delaware corporation and ROBERT M. SCOTT (the "Executive"). CSGS and Systems collectively are referred to in this Fourth Amendment and the Employment Agreement as the "Companies."

"WHEREAS, the Companies and the Executive entered into an Employment Agreement dated June 6, 2005 (the "Employment Agreement"), and a First Amendment thereto dated March 6, 2007 (the "First Amendment"); and

"WHEREAS, the Companies and the Executive desire to amend the Employment Agreement solely for the purpose of bringing the Employment Agreement into compliance with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), as herein set forth;

NOW, THEREFORE, in consideration of the foregoing recitals and the agreements of the parties contained in this document, the Companies and the Executive agree as follows:

1. Effective as of January 1, 2005, Paragraph 10 of the Employment Agreement is hereby amended by adding thereto at the end thereof a new subparagraph (m) reading as follows:

"(m) Section 409A: Time and Form of Payments and Benefits. The parties intend that each payment and benefit provided to the Executive upon his termination of employment pursuant to Paragraph 10 hereof shall be eligible for certain regulatory exceptions to the limitations imposed on deferred compensation by Section 409A of the Code or shall comply with the requirements of Section 409A of the Code. The purpose of this subparagraph (m) is solely to amend this agreement to comply with, or be eligible for one or more exceptions from, the requirements of Section 409A of the Code.

- (i) Time and Form of Payment. Each of the following amounts payable to the Executive under this agreement shall constitute a separate payment for purposes of Section 409A of the Code:
 - (1) Each pay period installment of Base Salary payable to the Executive pursuant to subparagraphs 10(d)(i) or 10(f)(iii) (each such installment, a "Salary Continuation Payment").
 - Each Salary Continuation Payment shall be paid in accordance with the payroll payment schedule of the Companies in effect on the effective date of the Executive's termination of employment with the Companies.
 - (2) Any annual incentive bonus payable to the Executive pursuant to subparagraphs 10(d)(ii), 10(f)(iii) or 10(g)(iii) and the amount payable, if any, in excess of the minimum annual incentive bonus payable pursuant to subparagraph 10(e)(ii) ("Full Termination Year Bonus").

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- Any Full Termination Year Bonus shall be paid during the calendar year immediately following the calendar year in which the effective date of the Executive's termination of employment with the Companies occurs, such payment to be made on the date when such bonuses are normally paid by the Companies (but in no event after the end of the calendar year immediately following the calendar year in which the Executive's termination of employment with the Companies is effective).
- (3) Any pro rata portion of the Executive's annual incentive bonus for the calendar year of the Executive's termination of employment pursuant to subparagraphs 10(a)(ii) or 10(b)(ii) ("Pro-Rated Termination Year Bonus").
- Any Pro-Rated Termination Year Bonus shall be paid during the calendar year immediately following the calendar year in which the effective date of the Executive's termination of employment with the Companies occurs, such payment to be made on the date when such bonuses are normally paid by the Companies (but in no event after the end of the calendar year immediately following the calendar year in which the Executive's termination of employment with the Companies is effective).
- (4) Any Base Salary amount payable pursuant to subparagraphs 10(e)(i) or 10(f)(iii) ("Lump Sum Salary").
- Any Lump Sum Salary shall be paid not later than 30 days following the effective date of the Executive's termination of employment with the Companies.
- (5) Any minimum annual incentive bonus for the calendar year in which the Executive terminates employment pursuant to subparagraphs 10(e)(ii) or 10(f)(iii) ("Lump Sum Bonus").
- Any Lump Sum Bonus shall be paid not later than 30 days following the effective date of the Executive's termination of employment with the Companies.
- (6) Any amounts payable as a percentage of the Executive's Base Salary pursuant to subparagraphs 10(d)(iii) or 10(f)(iii) ("Percentage Base Amount").

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- Any Percentage Base Amount shall be paid on the date that is one year after the effective date of the Executive's termination of employment with the Companies.
- (7) Any amounts payable as a percentage of the Executive's Base Salary pursuant to subparagraphs 10(e)(iii) or 10(f)(iii) ("Lump Sum Percentage Base Amount").
- Any Lump Sum Percentage Base Amount shall be paid not later than 30 days after the effective date of the Executive's termination of employment with the Companies.
- (8) Any amounts payable to the Executive pursuant to subparagraph 10(1) as an "Additional Payment" and any "Gross-Up Payment" (the "Preliminary Gross-Up Payment").
- Any Preliminary Gross-Up Payment shall be paid not later than 30 days following the effective date of the Executive's termination of employment with the Companies.
- (9) Any amounts payable to the Executive pursuant to subparagraph 10(1) as a "further Gross-Up Payment" (the "Adjustment Gross-Up Payment").
- Any Adjustment Gross-Up Payment shall be paid during the calendar year immediately following the calendar year in which the effective date of the Executive's termination of employment with the Companies occurs.
- (ii) Continuation of Benefits. Subparagraphs 10(b)(iv), 10(d)(v), 10(e), and 10(f) provide for continued participation by the Executive in designated health and welfare benefit programs of the Companies for a specified period. The parties intend that any in-kind benefits or reimbursement of expenses incurred by the Executive with respect to the continuation of benefits satisfy the requirements for a fixed schedule of payments with respect to such benefits or payments as required by Treas. Reg. § 1.409A-3(i)(1)(iv). To the extent such continued participation by the Executive involves any payment for continued coverage by the Executive and reimbursement to the Executive, the amount of any such reimbursement shall be paid to the Executive (or his beneficiary) by December 31 of the calendar year following the year in which the Executive pays the actual cost of continued coverage. The amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. Further, the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(iii) Six-Month Delay in Payment. Notwithstanding anything contained in this Employment Agreement to the contrary, if the Executive is deemed by the Companies at the time of the Executive's "separation from service" with the Companies to be a "specified employee," any compensation or benefits to which the Executive becomes entitled under this Employment Agreement in connection with such separation shall not be paid or commence until the date which is the first business day following the six month period after the Executive's separation from service (or if earlier, the Executive's death). Such delay in payment shall only be effected with respect to each separate payment or benefit to the extent required to avoid adverse tax treatment to the Executive, including (without limitation) the additional 20% tax for which the Executive would otherwise be liable under Section 409A(a)(1)(B) of the Code in the absence of such delay in payment. Upon the expiration of the delay period, any compensation or benefits which would have otherwise been paid during the delay period (whether in a single sum or in installments) in the absence of this subparagraph shall be paid to the Executive or his beneficiary in a single sum payment.

(iv) Key Definitions. For purposes of Paragraph 10 of this Employment Agreement, the terms "separation from service" and "specified employee," and, solely with respect to subparagraph 10(b)(iv), the term "disability," shall have the meanings ascribed to such terms pursuant to Section 409A of the Code and the related treasury regulations and other applicable guidance.

2. Effective as of January 1, 2005, the Employment Agreement is amended by adding thereto a new Paragraph 29 reading as follows:

"29. Section 409A. The parties intend that any amounts payable and benefits provided under this agreement and the exercise of authority or discretion hereunder by the Companies or by the Executive (i) shall be eligible for certain regulatory exceptions to the limitations imposed on deferred compensation by Section 409A of the Code or (ii) shall comply with the provisions of Section 409A of the Code and the Treasury regulations relating thereto, in each case so as not to subject the Executive to the payment of additional taxes and interest that may be imposed under Section 409A of the Code. To the extent that any amount payable or benefit provided under this agreement would trigger the additional tax or interest imposed under Section 409A of the Code, this agreement shall be modified to avoid such additional tax or interest and to preserve, to the nearest extent reasonably possible, the intended benefit to the Executive."

3. Upon the execution of this Fourth Amendment to Employment Agreement, any subsequent reference to the Employment Agreement shall mean the Employment Agreement as amended by the First Amendment, the Second Amendment, the Third

Amendment, and this Fourth Amendment to Employment Agreement. As amended by the First Amendment, the Second Amendment, the Third Amendment, and this Fourth Amendment to Employment Agreement, the Employment Agreement shall remain in full force and effect according to its terms.

IN WITNESS WHEREOF, each of the parties has caused this Second Amendment to Employment Agreement to be executed as of the date first set forth above.

CSG SYSTEMS INTERNATIONAL, INC., a
Delaware corporation

By: /s/ Edward C. Nafus
Edward C. Nafus, President and
Chief Executive Officer

CSG SYSTEMS, INC., a Delaware corporation

By: /s/ Edward C. Nafus
Edward C. Nafus, President and
Chief Executive Officer

/s/ Robert M. Scott
Robert M. Scott

This exhibit contains a form of agreement used by the company to grant restricted stock awards under the company's 2001 Stock Incentive Plan. Readers should note that these are forms of agreements only and particular agreements with employees may contain terms that differ but not in material respects.

RESTRICTED STOCK AWARD AGREEMENT

Name of Grantee (the "Grantee"): _____

Date of Restricted Stock Award (the "Award Date"): _____

Number of Shares Covered by Restricted Stock Award (the "Award Shares"): _____

This Restricted Stock Award Agreement (this "Agreement") is entered into as of the Date of Restricted Stock Award set forth above (the "Award Date") by and between CSG SYSTEMS INTERNATIONAL, INC., a Delaware corporation (the "Company"), and the Grantee named above (the "Grantee").

* * *

WHEREAS, the Company has adopted a 2001 Stock Incentive Plan (the "Plan"); and

WHEREAS, pursuant to the Plan, as of the Award Date the Company granted to Grantee a Restricted Stock Award (the "Award") covering the number of shares of the Common Stock of the Company (the "Common Stock") set forth above (the "Award Shares") and is executing this Agreement with Grantee for the purpose of setting forth the terms and conditions of the Award;

NOW, THEREFORE, in consideration of the premises and the covenants and conditions contained herein, the Company and Grantee agree as follows:

1. Award of Restricted Shares.

(a) The Company hereby confirms the grant of the Award to Grantee as of the Award Date. The Award is subject to all of the terms and conditions of this Agreement.

(b) Promptly after the execution of this Agreement, the Company will cause the transfer agent for the Common Stock (the "Transfer Agent") to

- (i) either establish a separate account in its records in the name of Grantee (the "Restricted Stock Account") and credit the Award Shares to the Restricted Stock Account as of the Award Date or credit the Award Shares to a previously existing Restricted Stock Account of Grantee as of the Award Date and
- (ii) confirm such actions to Grantee in writing.

2. Vesting of Award Shares.

(a) Twenty-five percent (25%) of the Award Shares (rounded to the nearest whole number) automatically will vest in Grantee on each of the first four (4) anniversaries of the Award Date (each such anniversary being referred to in this Agreement as a "Vesting Date"); provided, however, that no Award Shares shall vest in Grantee on a particular Vesting Date unless Grantee has been continuously employed by the Company from the Award Date until such Vesting Date.

(b) For purposes of this Agreement, a "Termination of Employment" of Grantee means the effective time when the employer-employee relationship between Grantee and the Company terminates for any reason whatsoever.

(c) In determining the existence of continuous employment of Grantee by the Company or the existence of an employer-employee relationship between Grantee and the Company for purposes of this Agreement, the term "Company" shall include a Subsidiary (as defined in the Plan); and neither a transfer of Grantee from the employ of the Company to the employ of a Subsidiary nor the transfer of Grantee from the employ of a Subsidiary to the employ of the Company or another Subsidiary shall be deemed to be a Termination of Employment of Grantee.

(d) After the Grantee has become vested in any of the Award Shares and, if applicable, after the cancellation of certain of the Award Shares as provided for in Section 12(b) has occurred, the Company will instruct the Transfer Agent to remove all restrictions on the transfer, assignment, pledge, encumbrance, or other disposition of the then remaining vested Award Shares in the Restricted Stock Account. Grantee thereafter shall be free to deal with and dispose of such remaining vested Award Shares in Grantee's sole discretion and may request the Transfer Agent to issue a certificate for such remaining vested Award Shares in Grantee's name free of any restrictions.

3. Cancellation of Unvested Award Shares.

Subject to the provisions of Section 15, if applicable, upon a Termination of Employment of Grantee, all of the rights and interests of Grantee in any of the Award Shares which have not vested in Grantee pursuant to Section 2 prior to such Termination of Employment of Grantee automatically shall completely and forever terminate; and, at the direction of the Company, the Transfer Agent shall remove from the Restricted Stock Account and cancel all of such unvested Award Shares.

4. Employment.

Nothing contained in this Agreement (i) obligates the Company or a Subsidiary to continue to employ Grantee in any capacity whatsoever or (ii) prohibits or restricts the Company or a Subsidiary from terminating the employment of Grantee at any time or for any reason whatsoever. In the event of a Termination of Employment of Grantee, Grantee shall have only the rights set forth in this Agreement with respect to the Award Shares.

5. Change in Capitalization.

If at any time that any of the Award Shares have not vested in Grantee there is any non-cash dividend of securities or other property or rights to acquire securities or other property, any liquidating dividend of cash and/or property, or any stock dividend or stock split or other change in the character or amount of any of the outstanding securities of the Company, then in such event any and all new, substituted, or additional securities or other property to which Grantee may become entitled by reason of Grantee's ownership of such unvested Award Shares immediately and automatically shall become subject to this Agreement, shall be delivered to the Transfer Agent or to an independent Escrow Agent selected by the Company to be held by the Transfer Agent or such Escrow Agent pursuant to the terms of this Agreement (including but not limited to the provisions of Sections 3 and 8), and shall have the same status with respect to vesting and transfer as the unvested Award Shares upon which such dividend was paid or with respect to which such new, substituted, or additional securities or other property was distributed. Any cash or cash equivalents received pursuant to the first sentence of this Section 5 shall be invested in conservative short-term interest-bearing securities, and interest earned thereon also shall have the same status with respect to vesting and transfer as the unvested Award Shares with respect to which such cash or cash equivalents were received. Cash dividends (other than liquidating dividends) paid on such unvested Award Shares shall be paid to Grantee and shall not be subject to vesting or to the first sentence of this Section 5.

6. Representations of Grantee.

Grantee hereby represents and warrants to the Company as follows:

(a) Grantee had full legal power, authority, and capacity to execute and deliver this Agreement and to perform Grantee's obligations under this Agreement; and this Agreement is a valid and binding obligation of Grantee, enforceable in accordance with its terms, except that the enforcement of this Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect relating to creditors' rights generally and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law).

(b) Grantee is aware of the public availability on the Internet at www.sec.gov of the Company's periodic and other filings made with the United States Securities and Exchange Commission.

7. Representations and Warranties of the Company.

The Company hereby represents and warrants to Grantee as follows:

(a) The Company is a corporation duly organized, validly existing, and in good standing under the laws of Delaware and has all requisite corporate power and authority to enter into this Agreement, to issue the Award Shares to Grantee, and to perform its obligations under this Agreement.

(b) The execution and delivery of this Agreement by the Company have been duly and validly authorized; and all necessary corporate action has been taken to make this Agreement a valid and binding obligation of the Company, enforceable in accordance with its terms, except that the enforcement of this Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect relating to creditors' rights generally and to general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law).

(c) When issued to Grantee as provided for in this Agreement, the Award Shares will be duly and validly issued, fully paid, and non-assessable.

8. Restriction on Sale or Transfer of Award Shares.

None of the Award Shares that have not vested in Grantee pursuant to Section 2 (and no beneficial interest in any of such Award Shares) may be sold, transferred, assigned, pledged, encumbered, or otherwise disposed of in any way (including a transfer by operation of law); and any attempt to make any such sale, transfer, assignment, pledge, encumbrance, or other disposition shall be null and void and of no effect.

9. Enforcement.

The Company and Grantee acknowledge that the Company's remedy at law for any breach or violation or attempted breach or violation of the provisions of Section 8 will be inadequate and that, in the event of any such breach or violation or attempted breach or violation, the Company shall be entitled to injunctive relief in addition to any other remedy, at law or in equity, to which the Company may be entitled.

10. Violation of Transfer Provisions.

Neither the Company nor the Transfer Agent shall be required to transfer on the stock records of the Company maintained by either of them any Award Shares which have been sold, transferred, assigned, pledged, encumbered, or otherwise disposed of in violation of any of the provisions of this Agreement or to treat as the owner of such Award Shares or accord the right to vote or receive dividends to any purported transferee or pledgee to whom such Award Shares shall have been so sold, transferred, assigned, pledged, encumbered, or otherwise disposed of in violation of any of the provisions of this Agreement.

11. Section 83(b) Election.

Grantee shall have the right to make an election pursuant to Treasury Regulation § 1.83-2 with respect to the Award Shares and, if Grantee makes such election, promptly will furnish to the Company a copy of the form of election Grantee has filed with the Internal Revenue Service for such purpose and evidence that such an election has been made in a timely manner.

12. Withholding.

(a) Upon Grantee's making of the election referred to in Section 11 with respect to any of the Award Shares, Grantee shall pay to or provide for the payment to or withholding by the Company of all amounts which the Company is required to withhold from Grantee's compensation for federal, state, or local tax purposes by reason of or in connection with such election. Notwithstanding any provision of this Agreement to the contrary, neither the Company nor the Transfer Agent shall be obligated to release from the Restricted Stock Account any of the Award Shares with respect to which Grantee has made such election and which have vested in Grantee until Grantee's obligations under this Section 12 have been satisfied.

(b) Upon the vesting in Grantee of any of the Award Shares as to which the election referred to in Section 11 was not made by Grantee, the Company shall compute as of the applicable vesting date the amounts which the Company is required to withhold from Grantee's compensation for federal, state, or local tax purposes by reason of or in connection with such vesting, based upon the Fair Market Value (as defined in the Plan) of such Award Shares. After making such computation, the Company shall direct the Transfer Agent to remove from the Restricted Stock Account and cancel that number of the Award Shares whose Fair Market Value (as defined in the Plan) as of the applicable vesting date is equal to the aggregate of such amounts required to be withheld by the Company; provided, that for such purpose the number of Award Shares to be removed from the Restricted Stock Account and cancelled shall be rounded up to the nearest whole Award Share. After the actions prescribed by the preceding provisions of this Section 12(b) have been taken, the Company when required by law to do so shall pay to the applicable tax authorities in cash the amounts required to have been withheld from Grantee's compensation by reason of or in connection with the vesting referred to in the first sentence of this Section 12(b), with any excess amount resulting from such rounding being treated as federal income tax withholding; and Grantee shall have (i) no further obligation with respect to such amounts required to be withheld and (ii) no further rights or interests in the Award Shares withdrawn from the Restricted Stock Account and cancelled pursuant to this Section 12(b), unless the Company has miscomputed such amounts or the number of such Award Shares.

13. Voting and Other Stockholder Rights.

Grantee shall have the right to vote with respect to all of the Award Shares which are outstanding and credited to the Restricted Stock Account as of a record date for determining stockholders of the Company entitled to vote, whether or not such Award Shares are vested in Grantee as of such record date. Except as expressly limited or restricted by this Agreement and except as otherwise provided in this Agreement, Grantee shall have all of the rights of a stockholder of the Company with respect to all of the Award Shares which are outstanding and credited to the Restricted Stock Account at a particular time, whether or not such Award Shares are vested in Grantee at such time.

14. Application of Plan.

The relevant provisions of the Plan relating to Restricted Stock Awards and the authority of the Committee under the Plan shall be applicable to this Agreement to the extent that this Agreement does not otherwise expressly address the subject matter of such provisions.

15. Change of Control.

(a) Notwithstanding the provisions of Section 2(a) and Section 3, all Award Shares which have not previously vested in Grantee pursuant to Section 2(a) automatically shall vest in Grantee upon an involuntary (on the part of Grantee) Termination of Employment of Grantee without Cause after the occurrence of a Change of Control.

(b) For purposes of this Agreement, a “Change of Control” shall be deemed to have occurred upon the happening of any of the following events:

- (1) The Company is merged or consolidated into another corporation or entity, and immediately after such merger or consolidation becomes effective the holders of a majority of the outstanding shares of voting capital stock of the Company immediately prior to the effectiveness of such merger or consolidation do not own (directly or indirectly) a majority of the outstanding shares of voting capital stock or other equity interests having voting rights of the surviving or resulting corporation or other entity in such merger or consolidation;
- (2) any person, entity, or group of persons within the meaning of Sections 13(d) or 14(d) of the Securities Exchange Act of 1934 (the “1934 Act”) and the rules promulgated thereunder becomes the beneficial owner (within the meaning of Rule 13d-3 under the 1934 Act) of thirty percent (30%) or more of the outstanding voting capital stock of the Company;
- (3) the Common Stock of the Company ceases to be publicly traded because of an issuer tender offer or other “going private” transaction (other than a transaction sponsored by the then current management of the Company);
- (4) the Company dissolves or sells or otherwise disposes of all or substantially all of its property and assets (other than to an entity or group of entities which is then under common majority ownership (directly or indirectly) with the Company);
- (5) in one or more substantially concurrent transactions or in a series of related transactions, the Company directly or indirectly disposes of a portion or portions of its business operations (collectively, the

“Sold Business”) other than by ceasing to conduct the Sold Business without its being acquired by a third party (regardless of the entity or entities through which the Company conducted the Sold Business and regardless of whether such disposition is accomplished through a sale of assets, the transfer of ownership of an entity or entities, a merger, or in some other manner) and either (i) the fair market value of the consideration received or to be received by the Company for the Sold Business is equal to at least fifty percent (50%) of the market value of the outstanding Common Stock of the Company determined by multiplying the average of the closing prices for the Common Stock of the Company on the thirty (30) trading days immediately preceding the date of the first public announcement of the proposed disposition of the Sold Business by the average of the numbers of outstanding shares of Common Stock on such thirty (30) trading days or (ii) the revenues of the Sold Business during the most recent four (4) calendar quarters ended prior to the first public announcement of the proposed disposition of the Sold Business represented fifty percent (50%) or more of the total consolidated revenues of the Company during such four (4) calendar quarters; or

- (6) during any period of two consecutive years or less, individuals who at the beginning of such period constituted the Board of Directors of the Company cease, for any reason, to constitute at least a majority of the Board of Directors of the Company, unless the election or nomination for election of each new director of the Company who took office during such period was approved by a vote of at least seventy-five percent (75%) of the directors of the Company still in office at the time of such election or nomination for election who were directors of the Company at the beginning of such period.

(c) Definition of “Cause”. For purposes of this agreement, “Cause” shall mean only (i) the Grantee’s confession or conviction of theft, fraud, embezzlement, or other crime involving dishonesty, (ii) the Grantee’s certification of materially inaccurate financial or other information pertaining to the Company or a Subsidiary (as defined in the Plan) with actual knowledge of such inaccuracies on the part of the Grantee, (iii) the Grantee’s refusal or willful

failure to cooperate with an investigation by a governmental agency pertaining to the financial or other business affairs of the Company or a Subsidiary (as defined in the Plan) unless such refusal or willful failure is based upon a written direction of the Board or the written advice of counsel, (iv) the Grantee's excessive absenteeism (other than by reason of physical injury, disease, or mental illness) without a reasonable justification and failure on the part of the Grantee to cure such absenteeism within twenty (20) days after the Grantee's receipt of a written notice from the Board or the Chief Executive officer of the Company setting forth the particulars of such absenteeism, (v) material failure by the Grantee to comply with a lawful directive of the Board or the Chief Executive Officer of the Company and failure to cure such non-compliance within twenty (20) days after the Grantee's receipt of a written notice from the Board or the Chief Executive Officer of the Company setting forth in reasonable detail the particulars of such non-compliance, (vi) a material breach by the Grantee of any of the Grantee's fiduciary duties to the Company or a Subsidiary (as defined in the Plan) and, if such breach is curable, the Grantee's failure to cure such breach within twenty (20) days after the Grantee's receipt of a written notice from the Board or the Chief Executive Officer of the Company setting forth in reasonable detail the particulars of such breach, or (vii) willful misconduct or fraud on the part of the Grantee in the performance of his duties as an employee of the Company or a Subsidiary (as defined in the Plan).

(d) If the vesting of any Award Shares is accelerated pursuant to Section 15(a) and such accelerated vesting causes Grantee to become liable for any excise tax on "excess parachute payments" (within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended, and any regulations thereunder) and any interest or penalties thereon (such excise tax, interest, and penalties, collectively, the "Tax Penalties"), then the Company promptly shall make a cash payment (the "Cash Payment") to Grantee in an amount equal to the Tax Penalties. The Company also promptly shall make an additional cash payment to Grantee in an amount rounded to the nearest \$100.00 which is equal to any additional income, excise, and other taxes (using the individual tax rates applicable to Grantee for the year for which such Tax Penalties are owed) for which Grantee will be liable as a result of the Grantee's receipt of the Cash Payment (the additional cash payment provided for in this sentence being referred to as a "Gross-Up Payment"). In addition, Grantee shall be entitled to promptly receive from the Company a further Gross-Up Payment in respect of each prior Gross-Up Payment until the amount of the last Gross-Up Payment is less than \$100.00.

16. General Provisions.

(a) No Assignments. Grantee may not sell, transfer, assign, pledge, encumber, or otherwise dispose of any of Grantee's rights or obligations under this Agreement without the prior written consent of the Company; and any such attempted sale, transfer, assignment, pledge, encumbrance, or other disposition shall be void.

(b) Notices. All notices, requests, consents, and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given and made upon personal delivery to the person for whom such item is intended (including by a reputable overnight delivery service which shall be deemed to have effected personal delivery) or upon deposit, postage prepaid, registered or certified mail, return receipt requested, in the United States mail as follows:

(i) if to Grantee, addressed to Grantee at Grantee's address shown on the stockholder records maintained by the Transfer Agent or at such other address as Grantee may specify by written notice to the Transfer Agent, or

(ii) if to the Company, addressed to the Chief Financial Officer of the Company at the principal office of the Company or at such other address as the Company may specify by written notice to Grantee.

Each such notice, request, consent, and other communication shall be deemed to have been given upon receipt thereof as set forth above or, if sooner, three (3) business days after deposit as described above. An address for purposes of this Section 16(b) may be changed by giving written notice of such change in the manner provided in this Section 16(b) for giving notice. Unless and until such written notice is received, the addresses referred to in this Section 16(b) shall be deemed to continue in effect for all purposes of this Agreement.

(c) Choice of Law. This Agreement shall be governed by and construed in accordance with the internal laws, and not the laws of conflicts of laws, of the State of Delaware.

(d) Severability. The Company and Grantee agree that the provisions of this Agreement are reasonable and shall be binding and enforceable in accordance with their terms and, in any event, that the provisions of this Agreement shall be enforced to the fullest extent permitted by law. If any provision of this Agreement for any reason shall be adjudged to be unenforceable or invalid, then such unenforceable or invalid provision shall not affect the enforceability or validity of the remaining provisions of this Agreement, and the Company and Grantee agree to replace such unenforceable or invalid provision with an enforceable and valid arrangement which in its economic effect shall be as close as possible to the unenforceable or invalid provision.

(e) Parties in Interest. All of the terms and provisions of this Agreement shall be binding upon, inure to the benefit of, and be enforceable by the respective heirs, personal representatives, successors, and assigns of the Company and the Grantee; provided, that the provisions of this Section 16(e) shall not authorize any sale, transfer, assignment, pledge, encumbrance, or other disposition of the Award Shares which is otherwise prohibited by this Agreement.

(f) Modification, Amendment, and Waiver. No modification, amendment, or waiver of any provision of this Agreement shall be effective against the Company or Grantee unless such modification, amendment, or waiver is in writing and states that it is intended to modify, amend, or waive a specific provision of this Agreement and, in the case of the Company, such modification, amendment, or waiver has been authorized by the Committee. The failure of the Company or Grantee at any time to enforce any of the provisions of this Agreement shall not be construed as a waiver of such provisions and shall not affect the right of the Company or Grantee thereafter to enforce each and every provision of this Agreement in accordance with its terms.

(g) Integration. This Agreement constitutes the entire agreement of the Company and Grantee with respect to the subject matter of this Agreement and supersedes all

prior negotiations, understandings, and agreements, written or oral, with respect to such subject matter.

(h) Headings. The headings of the sections and paragraphs of this Agreement have been inserted for convenience of reference only and do not constitute a part of this Agreement.

(i) Counterparts. This Agreement may be executed in counterparts with the same effect as if both the Company and Grantee had signed the same document. All such counterparts shall be deemed to be an original, shall be construed together, and shall constitute one and the same instrument.

(j) Further Assurances. The Company and Grantee agree to use their best efforts and act in good faith in carrying out their obligations under this Agreement. The Company and Grantee also agree to execute and deliver such additional documents and to take such further actions as reasonably may be necessary or desirable to carry out the purposes and intent of this Agreement.

IN WITNESS WHEREOF, the Company and Grantee have executed this Restricted Stock Award Agreement as of the Award Date.

COMPANY:

CSG SYSTEMS INTERNATIONAL, INC.,
a Delaware corporation

GRANTEE:

(Name)

By: _____
Title: _____

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

	Nine Months Ended September 30, 2007 (unaudited)
Income from continuing operations before income taxes	<u>\$ 72,268</u>
Fixed Charges:	
Interest on long-term and short-term debt including amortization of debt expense	5,365
Interest element of rentals	<u>2,418</u>
Total fixed charges	<u>7,783</u>
Earnings before income taxes and fixed charges	<u>\$ 80,051</u>
Ratio of earnings to fixed charges	<u>10.28</u>

**CERTIFICATIONS PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Edward C. Nafus, certify that:

1. I have reviewed this report on Form 10-Q 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 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:
 - (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: November 8, 2007

/s/ Edward C. Nafus

Edward C. Nafus
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 report on Form 10-Q 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 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:
 - (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: November 8, 2007

/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 Quarterly Report on Form 10-Q (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.

Edward C. Nafus, 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.

November 8, 2007

/s/ Edward C. Nafus

Edward C. Nafus
Chief Executive Officer and President

November 8, 2007

/s/ Randy R. Wiese

Randy R. Wiese
Executive Vice President and Chief Financial Officer

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