

**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 June 30, 2021

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.)

**6175 S. Willow Drive, 10<sup>th</sup> Floor**  
**Greenwood Village, Colorado 80111**  
(Address of principal executive offices, including zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value \$0.01 Per Share	CSGS	NASDAQ Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of July 30, 2021, there were 32,742,574 shares of the registrant's common stock outstanding.

CSG SYSTEMS INTERNATIONAL, INC.  
FORM 10-Q for the Quarter Ended June 30, 2021

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

<u>ASSETS</u>	June 30, 2021	December 31, 2020
<b>Current assets:</b>		
Cash and cash equivalents	\$ 163,768	\$ 188,699
Short-term investments	48,325	51,598
Total cash, cash equivalents and short-term investments	212,093	240,297
Settlement and merchant reserve assets	142,684	166,031
Trade accounts receivable:		
Billed, net of allowance of \$3,546 and \$3,628	223,228	226,623
Unbilled	43,583	37,785
Income taxes receivable	8,170	2,167
Other current assets	48,186	41,688
Total current assets	677,944	714,591
<b>Non-current assets:</b>		
Property and equipment, net of depreciation of \$117,113 and \$105,073	81,261	81,759
Operating lease right-of-use assets	100,881	110,756
Software, net of amortization of \$147,369 and \$139,836	23,818	26,453
Goodwill	274,843	272,322
Acquired customer contracts, net of amortization of \$110,438 and \$105,778	52,995	48,012
Customer contract costs, net of amortization of \$46,370 and \$39,893	46,799	47,238
Deferred income taxes	9,500	10,205
Other assets	23,643	20,664
Total non-current assets	613,740	617,409
Total assets	\$ 1,291,684	\$ 1,332,000
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>Current liabilities:</b>		
Current portion of long-term debt, net of unamortized discounts of \$2,032 and zero	\$ 242,968	\$ 14,063
Operating lease liabilities	23,303	22,651
Customer deposits	32,418	39,992
Trade accounts payable	31,852	29,834
Accrued employee compensation	76,851	86,289
Settlement and merchant reserve liabilities	141,130	165,064
Deferred revenue	54,956	52,357
Income taxes payable	937	6,627
Other current liabilities	18,824	19,383
Total current liabilities	623,239	436,260
<b>Non-current liabilities:</b>		
Long-term debt, net of unamortized discounts of \$880 and \$5,346	104,120	337,154
Operating lease liabilities	85,599	95,926
Deferred revenue	14,288	17,275
Income taxes payable	2,508	2,436
Deferred income taxes	10,941	5,109
Other non-current liabilities	11,209	15,445
Total non-current liabilities	228,665	473,345
Total liabilities	851,904	909,605
<b>Stockholders' equity:</b>		
Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued and outstanding	-	-
Common stock, par value \$.01 per share; 100,000 shares authorized; 32,797 and 32,713 shares outstanding	704	700
Additional paid-in capital	477,010	470,557
Treasury stock, at cost; 36,275 and 35,980 shares	(907,601)	(894,126)
Accumulated other comprehensive income (loss):		
Unrealized gains on short-term investments, net of tax	-	13
Cumulative foreign currency translation adjustments	(29,294)	(31,151)
Accumulated earnings	898,961	876,402
Total stockholders' equity	439,780	422,395
Total liabilities and stockholders' equity	\$ 1,291,684	\$ 1,332,000

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

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

	Quarter Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Revenue	\$ 255,134	\$ 240,321	\$ 508,253	\$ 485,938
Cost of revenue (exclusive of depreciation, shown separately below)	132,938	138,153	266,480	269,359
Other operating expenses:				
Research and development	32,754	29,263	64,966	59,600
Selling, general and administrative	49,250	44,999	98,065	89,383
Depreciation	6,266	5,634	12,379	11,199
Restructuring and reorganization charges	1,760	2,497	2,820	3,463
Total operating expenses	<u>222,968</u>	<u>220,546</u>	<u>444,710</u>	<u>433,004</u>
Operating income	<u>32,166</u>	<u>19,775</u>	<u>63,543</u>	<u>52,934</u>
Other income (expense):				
Interest expense	(3,633)	(4,040)	(7,225)	(8,253)
Amortization of original issue discount	(784)	(740)	(1,556)	(1,470)
Interest and investment income, net	84	303	208	832
Other, net	(100)	(1,048)	(655)	(1,117)
Total other	<u>(4,433)</u>	<u>(5,525)</u>	<u>(9,228)</u>	<u>(10,008)</u>
Income before income taxes	27,733	14,250	54,315	42,926
Income tax provision	(8,412)	(3,884)	(15,363)	(11,046)
Net income	<u>\$ 19,321</u>	<u>\$ 10,366</u>	<u>\$ 38,952</u>	<u>\$ 31,880</u>
Weighted-average shares outstanding:				
Basic	31,875	32,100	31,859	32,047
Diluted	31,993	32,258	32,070	32,308
Earnings per common share:				
Basic	\$ 0.61	\$ 0.32	\$ 1.22	\$ 0.99
Diluted	0.60	0.32	1.21	0.99

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

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

	Quarter Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Net income	\$ 19,321	\$ 10,366	\$ 38,952	\$ 31,880
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	2,212	2,671	1,857	(12,413)
Unrealized holding gains (losses) on short-term investments arising during period	(7)	52	(13)	28
Other comprehensive income (loss), net of tax	2,205	2,723	1,844	(12,385)
Total comprehensive income, net of tax	<u>\$ 21,526</u>	<u>\$ 13,089</u>	<u>\$ 40,796</u>	<u>\$ 19,495</u>

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

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

	Shares of Common Stock Outstanding	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings	Total Stockholders' Equity
<b>For the Six Months Ended June 30, 2021:</b>							
<b>BALANCE, January 1, 2021</b>	32,713	\$ 700	\$ 470,557	\$ (894,126)	\$ (31,138)	\$ 876,402	\$ 422,395
Comprehensive income:							
Net income	-	-	-	-	-	19,631	
Unrealized loss on short-term investments, net of tax	-	-	-	-	(6)	-	
Foreign currency translation adjustments	-	-	-	-	(355)	-	
Total comprehensive income							19,270
Repurchase of common stock	(252)	(1)	(5,202)	(6,518)	-	-	(11,721)
Issuance of common stock pursuant to employee stock purchase plan	16	-	619	-	-	-	619
Issuance of restricted common stock pursuant to stock-based compensation plans	487	5	(5)	-	-	-	-
Cancellation of restricted common stock issued pursuant to stock-based compensation plans	(1)	-	-	-	-	-	-
Stock-based compensation expense	-	-	5,395	-	-	-	5,395
Dividends	-	-	-	-	-	(8,243)	(8,243)
<b>BALANCE, March 31, 2021</b>	<u>32,963</u>	<u>704</u>	<u>471,364</u>	<u>(900,644)</u>	<u>(31,499)</u>	<u>887,790</u>	<u>427,715</u>
Comprehensive income:							
Net income	-	-	-	-	-	19,321	
Unrealized loss on short-term investments, net of tax	-	-	-	-	(7)	-	
Foreign currency translation adjustments	-	-	-	-	2,212	-	
Total comprehensive income							21,526
Repurchase of common stock	(156)	-	(92)	(6,957)	-	-	(7,049)
Issuance of common stock pursuant to employee stock purchase plan	19	-	716	-	-	-	716
Issuance of restricted common stock pursuant to stock-based compensation plans	6	-	-	-	-	-	-
Cancellation of restricted common stock issued pursuant to stock-based compensation plans	(35)	-	-	-	-	-	-
Stock-based compensation expense	-	-	5,022	-	-	-	5,022
Declaration of cash dividends	-	-	-	-	-	(8,150)	(8,150)
<b>BALANCE, June 30, 2021</b>	<u>32,797</u>	<u>\$ 704</u>	<u>\$ 477,010</u>	<u>\$ (907,601)</u>	<u>\$ (29,294)</u>	<u>\$ 898,961</u>	<u>\$ 439,780</u>
<b>For the Six Months Ended June 30, 2020:</b>							
<b>BALANCE, January 1, 2020</b>	32,891	\$ 696	\$ 454,663	\$ (867,817)	\$ (39,503)	\$ 848,623	\$ 396,662
Comprehensive income:							
Net income	-	-	-	-	-	21,514	
Unrealized loss on short-term investments, net of tax	-	-	-	-	(24)	-	
Foreign currency translation adjustments	-	-	-	-	(15,084)	-	
Total comprehensive income							6,406
Repurchase of common stock	(299)	(2)	(7,555)	(6,408)	-	-	(13,965)
Issuance of common stock pursuant to employee stock purchase plan	14	-	564	-	-	-	564
Issuance of restricted common stock pursuant to stock-based compensation plans	476	5	(5)	-	-	-	-
Cancellation of restricted common stock issued pursuant to stock-based compensation plans	(7)	-	-	-	-	-	-
Stock-based compensation expense	-	-	4,857	-	-	-	4,857
Dividends	-	-	-	-	-	(7,693)	(7,693)
<b>BALANCE, March 31, 2020</b>	<u>33,075</u>	<u>699</u>	<u>452,524</u>	<u>(874,225)</u>	<u>(54,611)</u>	<u>862,444</u>	<u>386,831</u>
Comprehensive income:							
Net income	-	-	-	-	-	10,366	
Unrealized gain on short-term investments, net of tax	-	-	-	-	52	-	
Foreign currency translation adjustments	-	-	-	-	2,671	-	
Total comprehensive income							13,089
Repurchase of common stock	(11)	-	(100)	(367)	-	-	(467)
Issuance of common stock pursuant to employee stock purchase plan	18	-	683	-	-	-	683
Issuance of restricted common stock pursuant to stock-based compensation plans	12	-	-	-	-	-	-
Cancellation of restricted common stock issued pursuant to stock-based compensation plans	(14)	-	-	-	-	-	-
Stock-based compensation expense	-	-	5,255	-	-	-	5,255
Declaration of cash dividends	-	-	-	-	-	(7,769)	(7,769)
<b>BALANCE, June 30, 2020</b>	<u>33,080</u>	<u>\$ 699</u>	<u>\$ 458,362</u>	<u>\$ (874,592)</u>	<u>\$ (51,888)</u>	<u>\$ 865,041</u>	<u>\$ 397,622</u>

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

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

	<u>Six Months Ended</u>	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
<b>Cash flows from operating activities:</b>		
Net income	\$ 38,952	\$ 31,880
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation	12,379	11,199
Amortization	22,018	22,043
Amortization of original issue discount	1,556	1,470
Asset impairment	415	10,595
(Gain)/loss on short-term investments	32	(110)
Deferred income taxes	6,434	6,771
Stock-based compensation	10,417	10,112
Changes in operating assets and liabilities, net of acquired amounts:		
Trade accounts receivable, net	1,128	(6,286)
Other current and non-current assets and liabilities	(7,623)	(8,568)
Income taxes payable/receivable	(11,620)	1,332
Trade accounts payable and accrued liabilities	(29,817)	(36,381)
Deferred revenue	(2,042)	6,803
Net cash provided by operating activities	<u>42,229</u>	<u>50,860</u>
<b>Cash flows from investing activities:</b>		
Purchases of software, property and equipment	(15,158)	(14,334)
Purchases of short-term investments	(46,195)	(35,112)
Proceeds from sale/maturity of short-term investments	49,419	34,185
Acquisition of and investments in business, net of cash acquired	(12,097)	(9,991)
Net cash used in investing activities	<u>(24,031)</u>	<u>(25,252)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock	1,335	1,247
Payment of cash dividends	(16,654)	(15,856)
Repurchase of common stock	(18,792)	(14,515)
Payments on long-term debt	(6,563)	(4,687)
Settlement and merchant reserve activity	(23,967)	(28,745)
Net cash used in financing activities	<u>(64,641)</u>	<u>(62,556)</u>
Effect of exchange rate fluctuations on cash, cash equivalents and restricted cash	<u>(1,835)</u>	<u>(3,981)</u>
Net decrease in cash, cash equivalents and restricted cash	(48,278)	(40,929)
Cash, cash equivalents and restricted cash, beginning of period	354,730	337,654
Cash, cash equivalents and restricted cash, end of period	<u>\$ 306,452</u>	<u>\$ 296,725</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the period for-		
Interest	\$ 6,370	\$ 7,327
Income taxes	20,540	2,865
<b>Reconciliation of cash, cash equivalents and restricted cash:</b>		
Cash and cash equivalents	\$ 163,768	\$ 144,019
Settlement and merchant reserve assets	142,684	152,706
Total cash, cash equivalents and restricted cash	<u>\$ 306,452</u>	<u>\$ 296,725</u>

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 June 30, 2021 and December 31, 2020, and for the quarters and six months ended June 30, 2021 and 2020, in accordance with accounting principles generally accepted in the United States of America (“U.S.”) (“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 (the “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 (“MD&A”), contained in our Annual Report on Form 10-K for the year ended December 31, 2020 (our “2020 10-K”), filed with the SEC. The results of operations for the quarter and six months ended June 30, 2021 are not necessarily indicative of the expected results for the entire year ending December 31, 2021.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Use of Estimates in Preparation of Financial Statements.* The preparation of the accompanying Financial Statements in conformity with U.S. 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 our Financial Statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

*Reclassifications.* Certain amounts for the prior period have been reclassified to conform to the June 30, 2021 presentation.

Beginning with the second quarter of 2021, we determined that settlement and merchant reserve assets consist of restricted cash and are now included with cash, cash equivalents and restricted cash when reconciling the beginning-of-period and end-of-period total amounts shown on the condensed consolidated statements of cash flows (the “Statements of Cash Flows”). Historically, we presented the change in settlement and merchant reserve assets and liabilities as part of the changes in operating assets and liabilities on the Statements of Cash Flows. Additionally, cash flows related to our settlement and merchant reserve liabilities have been reclassified from cash flows from operating activities to cash flows from financing activities.

Prior period amounts have been reclassified to conform to the current period presentation. These changes have no impact on our previously reported consolidated net income, total assets, including cash and cash equivalents, liabilities, and equity. In addition, these changes have no material impact on our previously reported cash flows from operating activities.

*Revenue.* The majority of our future revenue is related to our revenue management solution customer contracts that include variable consideration dependent upon a series of monthly volumes and/or daily usage of services and have contractual terms ending from 2021 through 2028. Our customer contracts may include guaranteed minimums and fixed monthly or annual fees. As of June 30, 2021, our aggregate amount of the transaction price allocated to the remaining performance obligations is approximately \$900 million, which is made up of fixed fee consideration and guaranteed minimums expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied). We expect to recognize approximately 80% of this amount by the end of 2023, with the remaining amount recognized by the end of 2028. We have excluded from this amount variable consideration expected to be recognized in the future related to performance obligations that are unsatisfied.

The nature, amount, timing, and uncertainty of our revenue and how revenue and cash flows are affected by economic factors is most appropriately depicted by revenue type, geographic region, and customer vertical.

Revenue by type for the quarters and six months ended June 30, 2021 and 2020 were as follows (in thousands):

	Quarter Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Cloud and related solutions	\$ 228,248	\$ 214,280	\$ 455,267	\$ 436,500
Software and services	15,033	15,036	29,812	28,242
Maintenance	11,853	11,005	23,174	21,196
Total revenue	<u>\$ 255,134</u>	<u>\$ 240,321</u>	<u>\$ 508,253</u>	<u>\$ 485,938</u>



We use the location of the customer as the basis of attributing revenue to geographic regions. Revenue by geographic region for the quarters and six months ended June 30, 2021 and 2020, as a percentage of our total revenue, were as follows:

	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Americas (principally the U.S.)	85%	87%	86%	88%
Europe, Middle East, and Africa	11%	9%	10%	9%
Asia Pacific	4%	4%	4%	3%
Total revenue	100%	100%	100%	100%

We generate our revenue primarily from the global communications markets; however, we serve an expanding group of customers in markets including financial services, healthcare, media and entertainment companies, and government entities. Revenue by customer vertical for the quarters and six months ended June 30, 2021 and 2020, as a percentage of our total revenue, were as follows:

	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Broadband/Cable/Satellite	58%	60%	58%	59%
Telecommunications	18%	18%	18%	18%
Other	24%	22%	24%	23%
Total revenue	100%	100%	100%	100%

Deferred revenue recognized during the quarters ended June 30, 2021 and 2020 was \$11.9 million and \$9.7 million, respectively, and during the six months ended June 30, 2021 and 2020 was \$32.0 million and \$27.4 million, respectively.

*Cash and Cash Equivalents.* We consider all highly liquid investments with original maturities of three months or less at the date of the purchase to be cash equivalents. As of June 30, 2021 and December 31, 2020, our cash equivalents consist primarily of institutional money market funds, commercial paper, and time deposits held at major banks. For the cash and cash equivalents denominated in foreign currencies and/or located outside the U.S., we do not anticipate any material amounts being unavailable for use in running our business, but may face limitations on moving cash out of certain foreign jurisdictions due to currency controls and potential negative economic consequences.

*Restricted Cash.* Restricted cash includes cash that is legally or contractually restricted, as well as our settlement and merchant reserve assets. As of June 30, 2021 and December 31, 2020, we had \$1.8 million and \$1.7 million, respectively, of restricted cash that serves to collateralize outstanding letters of credit included in cash and cash equivalents in our Condensed Consolidated Balance Sheets (“Balance Sheets” or “Balance Sheet”).

*Settlement and Merchant Reserve Assets and Liabilities.* Settlement assets and liabilities represent cash collected on behalf of customers via payment processing services which is held for an established holding period until settlement with the customer. The holding period is generally one to four business days depending on the payment model, risk profile, and contractual terms with the customer. During the holding period, cash is held in trust with various major financial institutions and a corresponding liability is recorded for the amounts owed to the merchant. At any given time, there may be differences between the cash held in trust and the corresponding liability due to the timing of operating-related cash transfers.

Merchant reserves represent deposits collected from customers to mitigate our risk of loss due to nonperformance of settlement obligations initiated by our customers using our payment processing services, or non-payment by customers for services rendered by us. We perform a credit risk evaluation on each customer based on multiple criteria, which provide the basis for the deposit amount required for each customer. For the duration of our relationship with each customer, we hold their reserve deposits with major financial institutions. We hold these funds in separate accounts and are fully offset by corresponding liabilities.

The following table summarizes our settlement and merchant reserve assets and liabilities as of the indicated periods (in thousands):

	June 30,		December 31,	
	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Settlement assets/liabilities	\$ 126,565	\$ 125,011	\$ 149,785	\$ 148,818
Merchant reserve assets/liabilities	16,119	16,119	16,246	16,246
Total	\$ 142,684	\$ 141,130	\$ 166,031	\$ 165,064

*Financial Instruments.* Our financial instruments as of June 30, 2021 and December 31, 2020 include cash and cash equivalents, short-term investments, settlement and merchant reserve assets and liabilities, accounts receivable, accounts payable, and debt. Due to their short maturities, the carrying amounts of cash equivalents, settlement and merchant reserve assets and liabilities, accounts receivable, and accounts payable approximate their fair value.

Our short-term investments and certain of our cash equivalents are considered “available-for-sale” and are reported at fair value in our Balance Sheets, with unrealized gains and losses, net of the related income tax effect, excluded from earnings and reported in a separate component of stockholders’ equity. Realized and unrealized gains and losses were not material in any period presented.

Primarily all short-term investments held by us as of June 30, 2021 and December 31, 2020 have contractual maturities of less than two years from the time of acquisition. Our short-term investments as of June 30, 2021 and December 31, 2020 consisted almost entirely of fixed income securities. Proceeds from the sale/maturity of short-term investments for the six months ended June 30, 2021 and 2020 were \$49.4 million and \$34.2 million, respectively.

Our short-term investments as of June 30, 2021 and December 31, 2020 were \$48.3 million and \$51.6 million, respectively.

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

	June 30, 2021			December 31, 2020		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Cash equivalents:</b>						
Money market funds	\$ 9,987	\$ —	\$ 9,987	\$ 33,535	\$ —	\$ 33,535
Commercial paper	—	—	—	—	15,746	15,746
Corporate debt securities	—	—	—	—	1,351	1,351
<b>Short-term investments:</b>						
Corporate debt securities	—	38,070	38,070	—	38,672	38,672
U.S. government agency bonds	—	4,611	4,611	—	4,642	4,642
Asset-backed securities	—	5,644	5,644	—	8,284	8,284
<b>Total</b>	<b>\$ 9,987</b>	<b>\$ 48,325</b>	<b>\$ 58,312</b>	<b>\$ 33,535</b>	<b>\$ 68,695</b>	<b>\$ 102,230</b>

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

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

	June 30, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
2018 Credit Agreement (carrying value including current maturities)	\$ 120,000	\$ 120,000	\$ 126,563	\$ 126,563
2016 Convertible debt (par value)	230,000	237,188	230,000	244,663

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

*Accounting Pronouncement Issued But Not Yet Effective.* In August 2020, the FASB issued ASU No. 2020-06, Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity (“ASU 2020-06”), which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity’s own equity. ASU 2020-06 also amends the related Earnings Per Share guidance. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, and can be adopted on either a fully retrospective or modified retrospective basis. We are currently evaluating the method of adoption and overall impact of this standard on our Financial Statements.

### 3. GOODWILL AND INTANGIBLE ASSETS

*Goodwill.* The changes in the carrying amount of goodwill for the six months ended June 30, 2021 were as follows (in thousands):

January 1, 2021 balance	\$	272,322
Goodwill acquired during period		890
Adjustments related to prior acquisitions		(30)
Effects of changes in foreign currency exchange rates		1,661
June 30, 2021 balance	\$	<u>274,843</u>

Goodwill acquired during the period primarily relates to the acquisition of Tango Telecom Limited. See Note 5 for discussion regarding the Tango Telecom Limited acquisition.

*Other Intangible Assets.* Our other intangible assets subject to ongoing amortization consist primarily of acquired customer contracts and software. As of June 30, 2021 and December 31, 2020, the carrying values of these assets were as follows (in thousands):

	June 30, 2021			December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Acquired customer contracts	\$ 163,433	\$ (110,438)	\$ 52,995	\$ 153,790	\$ (105,778)	\$ 48,012
Software	171,187	(147,369)	23,818	166,289	(139,836)	26,453
Total other intangible assets	<u>\$ 334,620</u>	<u>\$ (257,807)</u>	<u>\$ 76,813</u>	<u>\$ 320,079</u>	<u>\$ (245,614)</u>	<u>\$ 74,465</u>

Other intangible assets as of June 30, 2021 include assets acquired in the Tango Telecom Limited business acquisition (see Note 5).

The total amortization expense related to other intangible assets for the second quarters of 2021 and 2020 were \$5.9 million and \$6.3 million, respectively, and for the six months ended June 30, 2021 and 2020 were \$11.5 million and \$12.6 million, respectively. Based on the June 30, 2021 net carrying value of our other intangible assets, the estimated total amortization expense for each of the five succeeding fiscal years ending December 31 are: 2021 – \$22.7 million; 2022 – \$17.4 million; 2023 – \$12.9 million; 2024 – \$8.9 million; and 2025 – \$7.7 million.

*Customer Contract Costs.* As of June 30, 2021 and December 31, 2020, the carrying values of our customer contract cost assets, related to those contracts with a contractual term greater than one year, were as follows (in thousands):

	June 30, 2021			December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Customer contract costs	\$ 93,169	\$ (46,370)	\$ 46,799	\$ 87,131	\$ (39,893)	\$ 47,238

During the second quarter of 2020, we recorded an impairment charge of \$10.3 million for the write-off of capitalized customer contract costs related to a discontinued project implementation. This non-cash impairment charge is included primarily in cost of revenue in our Condensed Consolidated Statements of Income (“Income Statements”).

The total amortization expense related to customer contract costs for the second quarters of 2021 and 2020 were \$5.0 million and \$4.6 million, respectively, and for the six months ended June 30, 2021 and 2020 were \$9.7 million and \$8.6 million, respectively.

#### 4. DEBT

Our long-term debt, as of June 30, 2021 and December 31, 2020, was as follows (in thousands):

	June 30, 2021	December 31, 2020
<i>2018 Credit Agreement:</i>		
Term loan, due March 2023, interest at adjusted LIBOR plus 1.5% (combined rate of 1.65% at June 30, 2021 and 1.75% at December 31, 2020)	\$ 120,000	\$ 126,563
Less – deferred financing costs	(880)	(1,155)
2018 Term Loan, net of unamortized discounts	119,120	125,408
\$200 million revolving loan facility, due March 2023, interest at adjusted LIBOR plus applicable margin	—	—
<i>2016 Convertible Notes:</i>		
Convertible Notes – Senior convertible notes; due March 15, 2036; cash interest at 4.25%	230,000	230,000
Less – unamortized original issue discount	(1,466)	(3,021)
Less – deferred financing costs	(566)	(1,170)
2016 Convertible Notes, net of unamortized discounts	227,968	225,809
Total debt, net of unamortized discounts	347,088	351,217
Current portion of long-term debt, net of unamortized discounts	(242,968)	(14,063)
Long-term debt, net of unamortized discounts	\$ 104,120	\$ 337,154

*2018 Credit Agreement.* During the six months ended June 30, 2021, we made \$6.6 million of principal repayments on our \$150 million aggregate principal five-year term loan (the “2018 Term Loan”). As of June 30, 2021, our interest rate on the 2018 Term Loan is 1.65% (adjusted LIBOR plus 1.50% per annum), effective through June 2021, and our commitment fee on the unused \$200 million aggregate principal five-year revolving loan facility (the “2018 Revolver”) is 0.20%. As of June 30, 2021, we had no borrowings outstanding on our 2018 Revolver and had the entire \$200.0 million available to us.

The interest rates under the 2018 Credit Agreement are based upon our choice of an adjusted LIBOR rate plus an applicable margin of 1.50% – 2.50%, or an alternate base rate plus an applicable margin of 0.50% – 1.50%, with the applicable margin, depending on our then-net secured total leverage ratio. We will pay a commitment fee of 0.200% – 0.375% of the average daily unused amount of the 2018 Revolver, with the commitment fee rate also dependent upon our then-net secured total leverage ratio. If the LIBOR rate is no longer available, then our interest rate under the Credit Agreement will be determined by the alternate base rate plus an applicable margin as discussed above.

*2016 Convertible Notes.* We will settle conversions of the 2016 Convertible Notes by paying or delivering, as the case may be, cash, shares of our common stock, or a combination thereof, at our election. It is our current intent and policy to settle our conversion obligations as follows: (i) pay cash for 100% of the par value of the 2016 Convertible Notes that are converted; and (ii) to the extent the value of our conversion obligation exceeds the par value, we can satisfy the remaining conversion obligation in our common stock, cash, or a combination thereof.

The 2016 Convertible Notes will be convertible at the option of the note holders upon the satisfaction of specified conditions and during certain periods. During the period from, and including, December 15, 2021 to the close of business on the business day immediately preceding March 15, 2022 and on or after December 15, 2035, holders may convert all or any portion of their 2016 Convertible Notes at the conversion rate then in effect at any time regardless of these conditions. For the 2016 Convertible Notes presented during this time frame, the settlement amount will be equal to the sum of the daily settlement amounts for each of the following 40 consecutive trading days during the related observation period.

As the 2016 Convertible Notes can be converted at the holder's option beginning December 15, 2021 and ending March 15, 2022, subject to an observation holding period of 40 days, the net carrying value of the 2016 Convertible Notes of \$228.0 million has been classified as a current liability in our Balance Sheet as of June 30, 2021.

As a result of our quarterly dividend in June 2021 (see Note 8), the previous conversion rate for the 2016 Convertible Notes of 17.6898 shares of our common stock per \$1,000 principal amount of the 2016 Convertible Notes, which is equivalent to an initial conversion price of \$56.53 per share of our common stock, has been adjusted to 17.7159 shares of our common stock per \$1,000 principal amount of the 2016 Convertible Notes, which is equivalent to an initial conversion price of \$56.45 per share of our common stock. Holders may require us to repurchase the 2016 Convertible Notes for cash on each of March 15, 2022, March 15, 2026, and March 15, 2031, or upon the occurrence of a fundamental change (as defined in the 2016 Convertible Notes Indenture) in each case at a purchase price equal to the principal amount thereof plus accrued and unpaid interest.

We may redeem for cash all or part of the 2016 Convertible Notes if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption. On or after March 15, 2022, we may redeem for cash all or part of the 2016 Convertible Notes regardless of the sales price condition described in the preceding sentence. In each case, the redemption price will equal the principal amount of the 2016 Convertible Notes to be redeemed, plus accrued and unpaid interest.

As of June 30, 2021, none of the conversion features have been achieved, and thus, the 2016 Convertible Notes are not convertible by the holders.

## 5. ACQUISITIONS

*Forte Payment Systems, Inc.* In 2018, we acquired Forte Payment Systems, Inc. (“Forte”). The purchase agreement included provisions for \$18.8 million of potential future earn-out payments. The earn-out payments are tied to performance-based goals and a defined service period by the eligible recipients and are accounted for as post-acquisition compensation. In the second quarter of 2021, a recipient notified us they would be voluntarily resigning later this year. Under the terms of the earn-out provisions, the entire earn-out will terminate upon exit of the recipient. As a result, we reversed \$2.4 million that had been accrued related to the potential earn-out payments.

*Tango Telecom Limited.* On May 5, 2021, we acquired Tango Telecom Limited (“Tango”), a leading supplier of convergent policy control and messaging solutions headquartered in Limerick, Ireland. We acquired 100% of the equity of Tango for a purchase price of approximately \$13 million, or approximately \$11 million, net of cash acquired. This acquisition will allow us to deliver digital monetization solutions to our customers and allow our customers to more effectively manage voice and data transactions. Coupled with our charging and digital monetization capabilities, we possess an end-to-end solution for converged voice and data services across 3G, 4G, and 5G networks.

The preliminary estimated fair values of assets acquired primarily include acquired customer contracts of \$7.0 million, acquired trade accounts receivable of \$3.4 million and acquired software of \$2.0 million and liabilities assumed primarily include deferred revenue of \$1.7 million. The estimated fair values are considered provisional and are based on the information that was available as of the acquisition date. Thus, the provisional measurements of fair value set forth above are subject to change. Such changes are not expected to be significant. We expect to finalize the valuation and complete the purchase price allocation as soon as practicable but not later than one year from the acquisition date.

*Kitewheel, LLC.* On July 1, 2021, we acquired Kitewheel, the leading provider for customer journey orchestration and analytics, headquartered in Boston, Massachusetts. We acquired 100% of the equity of Kitewheel for a purchase price of \$40 million, with \$34 million paid upon close and the remaining \$6 million to be paid in equal annual amounts over the next three years. This acquisition will allow us to expand our customer engagement business, providing real-time, meaningful end-to-end customer experiences for leading brands. The results of Kitewheel will be included in our results of operations from the acquisition date. We have not completed the valuation analysis and calculations necessary to finalize the required purchase price allocations.

*MobileCard Holdings, LLC.* In 2018, we invested in MobileCard Holdings, LLC (“MobileCard”), a mobile money fintech payment company that enables omnichannel digital payments and financial inclusion in Latin America. As of June 30, 2021 and December 31, 2020, we held a 15% noncontrolling interest with a carrying value of approximately \$8 million included in other non-current assets in our Balance Sheets. In July 2021, we made an additional investment of \$6.1 million. After this investment, we will hold a 64% controlling interest in the company. As a result, beginning in the third quarter of 2021, the results of MobileCard will be included in our results of operations. We have not completed the valuation analysis and calculations necessary to finalize the required purchase price allocations.

## 6. COMMITMENTS, GUARANTEES AND CONTINGENCIES

*Guarantees.* In the ordinary course of business, we may provide guarantees in the form of bid bonds, performance bonds, or standby letters of credit. At June 30, 2021, we had \$2.7 million of restricted assets used to collateralize these guarantees, with \$1.8 million included in cash and cash equivalents and \$0.9 million included in other non-current assets. We have bid bonds and performance guarantees in the form of surety bonds issued through a third-party of \$4.5 million that were not required to be recorded on our Balance Sheet. We are ultimately liable for claims that may occur against these guarantees. We have no history of material claims or are aware of circumstances that would require us to pay under any of these arrangements. We also believe that the resolution of any claim that may arise in the future, either individually or in the aggregate, would not be material to our Financial Statements.

Additionally, we have money transmitter bonds issued through a third-party for the benefit of various states to comply with the states' financial requirements and industry regulations for money transmitter licenses. At June 30, 2021, we had total aggregate money transmitter bonds of approximately \$16 million outstanding.

*Warranties.* We generally warrant that our solutions and related offerings will conform to published specifications, or to specifications provided in an individual customer arrangement, as applicable. The typical warranty period is 90 days from the date of acceptance of the solution or offering. For certain service offerings we provide a warranty for the duration of the services provided. We generally warrant that those 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 customer arrangement that is allocable to the defective deliverable. Our contracts also generally contain limitation of damages provisions in an effort to reduce our exposure to monetary damages arising from breach of warranty claims. Historically, we have incurred minimal warranty costs, and as a result, do not maintain a warranty reserve.

*Solution and Services Indemnifications.* Our arrangements with our customers generally include an indemnification provision that will indemnify and defend a customer in actions brought against the customer 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 customers typically limit our liability for breach to a specified amount of the direct damages incurred by the customer resulting from the breach. From time-to-time, these arrangements may also include provisions for possible liquidated damages or other financial remedies for our non-performance, or in the case of certain of our outsourced customer care and billing solutions, provisions for damages related to service level performance requirements. The service level performance requirements typically relate to system availability and timeliness of service delivery. As of June 30, 2021, 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 customers.

*Indemnifications Related to Officers and the Board of Directors.* We have agreed to indemnify members of our Board of Directors (the "Board") and certain of our officers if they are named or threatened to be named as a party to any proceeding by reason of the fact that they acted in such capacity. We maintain directors' and officers' (D&O) insurance coverage to protect against such losses. We have not historically incurred any losses related to these types of indemnifications, and are not aware of any pending or threatened actions or claims against any officer or member of our Board. As a result, we have not recorded any liabilities related to such indemnifications as of June 30, 2021. In addition, as a result of the insurance policy coverage, we believe these indemnification agreements are not significant to our results of operations.

*Legal Proceedings.* From time-to-time, we are involved in litigation relating to claims arising out of our operations in the normal course of business.

## 7. EARNINGS PER COMMON SHARE

Basic and diluted earnings per common share (“EPS”) amounts are presented on the face of the accompanying Income Statements.

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

	Quarter Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Basic weighted-average common shares	31,875	32,100	31,859	32,047
Dilutive effect of restricted common stock	118	158	211	261
Diluted weighted-average common shares	31,993	32,258	32,070	32,308

The Convertible Notes have a dilutive effect only in those quarterly periods in which our average stock price exceeds the current effective conversion price (see Note 4).

The stock warrants have a dilutive effect only in those quarterly periods in which our average stock price exceeds the exercise price of \$26.68 per warrant (under the treasury stock method), and are not subject to performance vesting conditions (see Note 7). Potentially dilutive common shares related to non-participating unvested restricted stock excluded from the computation of diluted EPS, as the effect was antidilutive, were not material in any period presented.

## 8. STOCKHOLDERS’ EQUITY AND EQUITY COMPENSATION PLANS

*Stock Repurchase Program.* We currently have a stock repurchase program, approved by our Board, authorizing us to repurchase our common stock from time-to-time as market and business conditions warrant (the “Stock Repurchase Program”). During the second quarters of 2021 and 2020 we repurchased approximately 153,000 shares of our common stock for \$7.0 million (weighted-average price of \$45.56 per share) and approximately 9,000 shares of our common stock for \$0.4 million (weighted-average price of \$40.74 per share), respectively, and during the six months ended June 30, 2021 and 2020 we repurchased approximately 295,000 shares of our common stock for \$13.5 million (weighted-average price of \$45.74 per share), and approximately 151,000 shares of our common stock for \$6.8 million (weighted-average price of \$44.99 per share), respectively, under a SEC Rule 10b5-1 Plan.

As of June 30, 2021, 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, during the second quarters of 2021 and 2020 we repurchased and then cancelled approximately 3,000 shares of common stock for \$0.1 million and approximately 2,000 shares of common stock for \$0.1 million, respectively, and during the six months ended June 30, 2021 and 2020 we repurchased and then cancelled approximately 113,000 shares of common stock for \$5.3 million and approximately 159,000 shares of common stock for \$7.7 million, respectively, in connection with minimum tax withholding requirements resulting from the vesting of restricted common stock under our stock incentive plans.

*Cash Dividends.* During the second quarter of 2021, the Board approved a quarterly cash dividend of \$0.25 per share of common stock, totaling \$8.2 million. During the second quarter of 2020, the Board approved a quarterly cash dividend of \$0.235 per share of common stock, totaling \$7.8 million. Dividends declared for the six months ended June 30, 2021 and 2020 totaled \$16.4 million and \$15.5 million, respectively.

*Warrants.* In 2014, in conjunction with the execution of an amendment to our current agreement with Comcast Corporation (“Comcast”), we issued stock warrants (the “Warrant Agreement”) for the right to purchase up to 2.9 million shares of our common stock (the “Stock Warrants”) as an additional incentive for Comcast to convert customer accounts onto our Advanced Convergent Platform (“ACP”) based on various milestones. The Stock Warrants have a ten-year term and an exercise price of \$26.68 per warrant.

As of June 30, 2021, 1.0 million Stock Warrants remain issued, none of which were vested. The remaining unvested Stock Warrants will be accounted for as a customer contract cost asset once the performance conditions necessary for vesting are considered probable.

*Stock-Based Awards.* A summary of our unvested restricted common stock activity during the quarter and six months ended June 30, 2021 is as follows (shares in thousands):

	Quarter Ended June 30, 2021		Six Months Ended June 30, 2021	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Unvested awards, beginning	1,212	\$ 43.87	1,041	\$ 41.31
Awards granted	6	45.82	519	47.86
Awards forfeited/cancelled	(37)	41.61	(39)	41.90
Awards vested	(14)	43.08	(354)	41.70
Unvested awards, ending	1,167	\$ 43.95	1,167	\$ 43.95

Included in the awards granted during the six months ended June 30, 2021 are performance-based awards for 0.1 million restricted common stock shares issued to members of executive management and certain key employees, which vest in the first quarter of 2023 upon meeting certain pre-established financial performance objectives over a two-year performance period. Certain of these awards become fully vested upon a change in control, as defined, and the subsequent involuntary termination of employment.

The other restricted common stock shares granted during the six months ended June 30, 2021 are primarily time-based awards, which vest annually over four years with no restrictions other than the passage of time. Certain shares of the restricted common stock become fully vested upon a change in control, as defined, and the subsequent involuntary termination of employment, or death.

We recorded stock-based compensation expense for the second quarters of 2021 and 2020 of \$5.0 million and \$5.2 million, respectively, and for the six months ended June 30, 2021 and 2020 of \$10.4 million and \$10.1 million, respectively.



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

The information contained in this MD&A should be read in conjunction with the Financial Statements and Notes thereto included in this Form 10-Q and the audited consolidated financial statements and notes thereto in our 2020 10-K.

### **Forward-Looking Statements**

This report contains a number of forward-looking statements relative to our future plans and our expectations concerning our business and the industries we serve. These forward-looking statements are based on assumptions about a number of important factors, and involve risks and uncertainties that could cause actual results to differ materially from estimates contained in the forward-looking statements. Some of the risks that are foreseen by management are outlined within Part I Item 1A. Risk Factors of our 2020 10-K. Readers are strongly encouraged to review that section closely in conjunction with MD&A.

### **Company Overview**

We are one of the world's leading providers of revenue management, customer engagement, and payment solutions that enable a growing list of companies around the world to monetize relationships with their customers in an era of rapid change and digital transformation. We leverage more than 35 years of experience to deliver innovative customer engagement solutions that help our customers solve their toughest challenges, helping them make ordinary customer experiences extraordinary. Our diverse, worldwide workforce draws from real-world knowledge and extensive expertise to design and implement business solutions that make our customers' hardest decisions simpler so that they can focus on delivering differentiated and real-time experiences to their customers.

We offer solutions for every stage of the customer lifecycle so service providers can deliver an outstanding customer experience that adapts to their customers' rapidly changing demands. Our proven solutions are built on a combination of on-premise, public and private cloud platforms, either customized or pre-integrated, as well as managed services models that adapt to fit our customers' unique business needs and enable the transformative change required to create personalized experiences that drive loyalty and retention.

We focus our research and development ("R&D") and acquisition investments on expanding our offerings in a timely and efficient manner to address the complex, transformative needs of service providers. Our scalable, modular, and flexible solutions combined with our domain expertise and our ability to effectively migrate customers to our solutions, provide the industry with proven solutions to improve their profitability and consumers' experiences. We have specifically architected our solutions to offer service providers a phased, incremental approach to transforming their businesses, thereby reducing the business interruption risk associated with this evolution.

As discussed in Note 2 to our Financial Statements, we generate our revenue primarily from the global communications markets; however, we serve an expanding group of customers in other markets including financial services, healthcare, media and entertainment companies, and government entities.

We are a member of the S&P Small Cap 600 and Russell 2000 indices.

### **Impact of COVID-19**

In March 2020, the World Health Organization declared a global pandemic related to the rapidly spreading coronavirus (COVID-19) outbreak which has led to a global health emergency. Throughout the COVID-19 crisis, we have remained focused on protecting the health and safety of our employees, while meeting the needs of our customers. While we have taken measures to protect our employees, to include a remote working environment for those employees who are able to conduct business from home and reduced travel, we are still conducting business as usual and are working with our customers to minimize any potential disruption. For those locations that remain open, such as our statement production centers, we require daily self-assessments. We will continue to provide work from home options through December 31, 2021, or such later date as conditions warrant. At this time, we do not believe that our work from home options and limited staffing in select office locations have adversely impacted our internal controls, financial reporting systems, or our operations.

The full extent of the impact of the COVID-19 pandemic on our business, operations, and financial results will depend on numerous evolving factors that we may not be able to accurately predict. As we continue to manage our business in this uncertain environment, our priorities remain the health and safety of our employees, providing our customers with world-class services and solutions, and prudently managing our liquidity to ensure our continued financial strength. As of June 30, 2021, we had approximately \$212 million in cash, cash equivalents and short-term investments, and an additional \$200 million available to borrow under our revolving credit facility.

See our Risk Factors in our 2020 Form 10-K for additional details.

## Management Overview of Quarterly Results

*Second Quarter Highlights.* A summary of our results of operations for the second quarter of 2021, when compared to the second quarter of 2020, is as follows (in thousands, except per share amounts and percentages):

	Quarter Ended	
	June 30, 2021	June 30, 2020
Revenue	\$ 255,134	\$ 240,321
Transaction fees (1)	16,655	15,695
Operating Results:		
Operating income	\$ 32,166	\$ 19,775
Operating income margin	12.6%	8.2%
Diluted EPS	\$ 0.60	\$ 0.32
Supplemental Data:		
Restructuring and reorganization charges	\$ 1,760	\$ 2,497
Executive transition costs	5	-
Acquisition-related costs:		
Amortization of acquired intangible assets	2,618	3,033
Earn-out compensation	(2,521)	-
Transaction-related costs	623	73
Stock-based compensation (2)	5,138	5,255
Amortization of OID	784	740

- (1) Transaction fees are primarily comprised of interchange and other payment-related fees that we pay, in conjunction with the delivery of service to customers under our payment services contracts, to third-party payment processors and financial institutions. Because we control the integrated service provided under our payment services customer contracts, these transaction fees are presented gross, and not netted against revenue.
- (2) Stock-based compensation included in the table above excludes amounts that have been recorded in restructuring and reorganization charges.

*Revenue.* Revenue for the second quarter of 2021 was \$255.1 million, a 6.2% increase when compared to revenue of \$240.3 million for the second quarter of 2020. This year-over-year increase can be primarily attributed to the continued growth of our revenue management solutions, favorable foreign currency movements, and the negative impact the COVID-19 pandemic on our second quarter of 2020 revenue.

*Operating Results.* Operating income for the second quarter of 2021 was \$32.2 million, or a 12.6% operating margin percentage, compared to \$19.8 million, or an 8.2% operating margin percentage for the second quarter of 2020. The increase in operating income can be primarily attributed to the revenue growth in 2021 and an approximately \$10 million impairment charge for the write-off of capitalized customer contract costs related to a discontinued project implementation in the second quarter of 2020.

*Diluted EPS.* Diluted EPS for the second quarter of 2021 was \$0.60 compared to \$0.32 for the second quarter of 2020, with the increase primarily due to the increase in our operating results, discussed above.

*Cash and Cash Flows.* As of June 30, 2021, we had cash, cash equivalents and short-term investments of \$212.1 million, as compared to \$205.1 million as of March 31, 2021 and \$240.3 million as of December 31, 2020. Our cash flows from operating activities for the quarter ended June 30, 2021 were \$44.5 million. See the Liquidity section below for further discussion of our cash flows.

## Significant Customer Relationships

*Customer Concentration.* A large percentage of our historical revenue has been generated from our two largest customers, which are Charter Corporation Inc. (“Charter”) and Comcast.

Revenue from these customers for the indicated periods was as follows (in thousands, except percentages):

	Quarter Ended					
	June 30, 2021		March 31, 2021		June 30, 2020	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Charter	\$ 55,102	22%	\$ 53,382	21%	\$ 51,364	21%
Comcast	53,789	21%	53,454	21%	53,282	22%

The percentages of net billed accounts receivable balances attributable to our largest customers as of the indicated dates were as follows:

	As of		
	June 30, 2021	March 31, 2021	December 31, 2020
Charter	24%	31%	20%
Comcast	20%	20%	19%

See our 2020 10-K for additional discussion of our business relationships and contractual terms with Charter and Comcast.

*Charter.* Charter is one of our significant customers representing approximately 22% of our revenue. During the second quarter of 2021, we converted approximately 300,000 customer accounts onto our ACP solution. Our agreement with Charter runs through December 31, 2021, with an option to extend the agreement for an additional one-year term. We are currently engaged in discussions with Charter regarding contract renewal terms.

*Risk of Customer Concentration.* We expect to continue to generate a significant percentage of our future revenue from our largest customers mentioned above. There are inherent risks whenever a large percentage of total revenue are concentrated with a limited number of customers. Should a significant customer: (i) terminate or fail to renew their contracts with us, in whole or in part, for any reason; (ii) significantly reduce the number of customer accounts processed on our solutions, the price paid for our services, or the scope of services that we provide; or (iii) experience significant financial or operating difficulties, it could have a material adverse effect on our financial condition and results of operations.

## Critical Accounting Policies

The preparation of our Financial Statements in conformity with 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 position and the results of our operations. Those critical accounting policies were determined by considering the accounting policies that involve the most complex or subjective decisions or assessments. The most critical accounting policies identified relate to the following items: (i) revenue recognition; (ii) impairment assessments of long-lived assets; (iii) income taxes; and (iv) loss contingencies. These critical accounting policies, as well as our other significant accounting policies, are discussed in our 2020 10-K.

## Results of Operations

*Revenue.* Total revenue for the: (i) second quarter of 2021 was \$255.1 million, a 6.2% increase when compared to \$240.3 million for the second quarter of 2020; and (ii) six months ended June 30, 2021 was \$508.3 million, a 4.6% increase when compared to \$485.9 million for the six months ended June 30, 2020. These year-over-year increases can be primarily attributed to the continued growth of our revenue management solutions, favorable foreign currency movements, and the negative impact the COVID-19 pandemic on our second quarter of 2020 revenue.

We use the location of the customer as the basis of attributing revenue to individual countries. Revenue by geographic regions for the second quarters and six months ended June 30, 2021 and 2020 was as follows (in thousands):

	Quarter Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Americas (principally the U.S.)	\$ 217,355	\$ 209,926	\$ 435,007	\$ 426,923
Europe, Middle East, and Africa	27,458	22,134	52,225	43,166
Asia Pacific	10,321	8,261	21,021	15,849
Total revenue	\$ 255,134	\$ 240,321	\$ 508,253	\$ 485,938

*Total Operating Expenses.* Total operating expenses for the: (i) second quarter of 2021 were \$223.0 million, a 1.1% increase when compared to \$220.5 million for the second quarter of 2020; and (ii) six months ended June 30, 2021 was \$444.7 million, a 2.7% increase when compared to \$433.0 million for the six months ended June 30, 2020. These increases can be mainly attributed to the year-over-year increases in employee-related costs as we continue to grow the business, to include the costs associated with the recently acquired Tango business, and unfavorable foreign currency movements. In addition, the second quarter of 2020 includes an approximately \$10 million customer contract costs impairment charge discussed above.

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

*Cost of Revenue (Exclusive of Depreciation).* The cost of revenue for the: (i) second quarter of 2021 was \$132.9 million, a 3.8% decrease when compared to \$138.2 million for the second quarter of 2020; and (ii) six months ended June 30, 2021 was \$266.5 million, a 1.1% decrease when compared to \$269.4 million for the six months ended June 30, 2020. The decreases in cost of revenue between periods can be mainly attributed to the approximately \$10 million impairment charge incurred in the second quarter of 2020, discussed above, offset by higher employee-related cost, reflective of the continued growth of the business and the higher 2021 revenue. Total cost of revenue as a percentage of revenue for the: (i) second quarters of 2021 and 2020 were 52.1% and 57.5%, respectively; and (ii) six months ended June 30, 2021 and 2020 were 52.4% and 55.4%, respectively.

*R&D Expense.* R&D expense for the: (i) second quarter of 2021 was \$32.8 million, a 11.9% increase when compared to \$29.3 million for the second quarter of 2020; and (ii) six months ended June 30, 2021 was \$65.0 million, a 9.0% increase when compared to \$59.6 million for the six months ended June 30, 2020. These increases in R&D expense can be mainly attributed to increased employee-related costs, to include personnel and the related costs previously assigned to cost of revenue projects being reassigned to R&D projects. As a percentage of total revenue, R&D expense for the second quarters of 2021 and 2020 were 12.8% and 12.2%, respectively.

Our R&D efforts are focused on the continued evolution of our solutions that enable service providers worldwide to provide a more personalized customer experience while introducing new digital products and services. This includes the continued investment in our cloud-based solutions and integration of the recently acquired assets into our solutions.

*SG&A Expense.* SG&A expense for the: (i) second quarter of 2021 was \$49.3 million, a 9.4% increase when compared to \$45.0 million for the second quarter of 2020; and (ii) six months ended June 30, 2021 was \$98.1 million, a 9.7% increase when compared to \$89.4 million for the six months ended June 30, 2020. The increases in SG&A expense are mainly attributed to the increases in employee-related costs, and is reflective of our growth strategy, as we pursue organic and inorganic growth opportunities. Our SG&A costs as a percentage of total revenue for the: (i) second quarters of 2021 and 2020 were 19.3% and 18.7%, respectively.

*Depreciation.* Depreciation expense for the: (i) second quarter of 2021 was \$6.3 million, an 11.2% increase when compared to \$5.6 million for the second quarter of 2020; and (ii) six months ended June 30, 2021 was \$12.4 million, a 10.5% increase when compared to \$11.2 million for the six months ended June 30, 2020. These increases can be primarily attributed to the increased level of capital expenditures on items such as technology, security, infrastructure, and modernization of equipment.

*Operating Income.* Operating income for the: (i) second quarter of 2021 was \$32.2 million, or 12.6% of total revenue, compared to \$19.8 million, or 8.2% of total revenue for the second quarter of 2020, and (ii) six months ended June 30, 2021 was \$63.5 million or 12.5% of total revenue, compared to \$52.9 million or 10.9% of total revenue for the six months ended June 30, 2020. The increases in operating income between periods can be primarily attributed to the revenue growth in 2021 and the second quarter 2020 customer contract costs impairment charge of approximately \$10 million, discussed above.

*Income Tax Provision.* The effective income tax rates for the second quarters and six months ended June 30, 2021 and 2020 were as follows:

Quarter Ended June 30,		Six Months Ended June 30,	
2021	2020	2021	2020
30%	27%	28%	26%

Our estimated full year 2021 effective income tax rate is approximately 28%.

## Liquidity

*Cash and Liquidity.* As of June 30, 2021, our principal sources of liquidity included cash, cash equivalents and short-term investments of \$212.1 million, as compared to \$205.1 million as of March 31, 2021, and \$240.3 million as of December 31, 2020. We generally invest our excess cash balances in low-risk, short-term investments to limit our exposure to market and credit risks.

As part of our 2018 Credit Agreement, we have a \$200 million senior secured revolving loan facility with a syndicate of financial institutions that expires in March 2023. As of June 30, 2021, there were no borrowings outstanding on the 2018 Revolver. The 2018 Credit Agreement contains customary affirmative covenants and financial covenants. As of June 30, 2021, and the date of this filing, we believe that we are in compliance with the provisions of the 2018 Credit Agreement.

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

	June 30, 2021	December 31, 2020
Americas (principally the U.S.)	\$ 166,798	\$ 183,918
Europe, Middle East and Africa	34,639	47,513
Asia Pacific	10,656	8,866
Total cash, cash equivalents and short-term investments	\$ 212,093	\$ 240,297

We generally have ready access to substantially all of our cash, cash equivalents, and short-term investment balances, but may face limitations on moving cash out of certain foreign jurisdictions due to currency controls and potential negative economic consequences. As of June 30, 2021, we had \$1.8 million of cash restricted as to use primarily to collateralize outstanding letters of credit included in our total cash, cash equivalents and short-term investments balance.

Additionally, as of June 30, 2021 and December 31, 2020, we have \$142.7 million and \$166.0 million, respectively of settlement and merchant reserve assets. These funds are held with major financial institutions and while not legally or contractually restricted, we do hold these funds in separate accounts, and classify them as restricted cash in the Statements of Cash Flows.

*Cash Flows from Operating Activities.* We calculate our cash flows from operating activities beginning with net income, adding back the impact of non-cash items or non-operating activity (e.g., depreciation, amortization, amortization of OID, impairments, gain/loss from debt extinguishments, deferred income taxes, stock-based compensation, etc.), and then factoring in the impact of changes in operating assets and liabilities. See our 2020 10-K for a description of the primary uses and sources of our cash flows from operating activities.

Our 2021 and 2020 net cash flows from operating activities, broken out between operations and changes in operating assets and liabilities, for the indicated quarterly periods are as follows (in thousands):

	<u>Operations</u>	<u>Changes in Operating Assets and Liabilities</u>	<u>Net Cash Provided by (Used In) Operating Activities – Totals</u>
<b>Cash Flows from Operating Activities:</b>			
<b>2021:</b>			
March 31	\$ 49,273	\$ (51,497)	\$ (2,224)
June 30	42,930	1,523	44,453
Total	<u>\$ 92,203</u>	<u>\$ (49,974)</u>	<u>\$ 42,229</u>
<b>2020:</b>			
March 31	\$ 52,938	\$ (59,900)	\$ (6,962)
June 30	41,022	16,800	57,822
Total	<u>\$ 93,960</u>	<u>\$ (43,100)</u>	<u>\$ 50,860</u>

Cash flows from operating activities for the first quarter of 2021 and the first and second quarters 2020 were negatively impacted by the timing of certain recurring key customer payments that were delayed and received subsequent to quarter-end, of approximately \$26 million for the first quarter of 2021, and \$33 million and \$26 million for the first and second quarters of 2020.

Additionally, cash flows from operating activities for the first quarters of 2021 and 2020 reflect the impacts of the payment of the 2020 and 2019 year-end accrued employee incentive compensation in the first quarter subsequent to the year-end accrual for these items.

We believe the above table illustrates our ability to generate recurring quarterly cash flows from our operations, and the importance of managing our working capital items. Variations in our net cash provided by operating activities are generally related to the changes in our operating assets and liabilities (related mostly to fluctuations in timing at quarter-end of customer payments and changes in accrued expenses), and generally over longer periods of time, do not significantly impact our cash flows from operations.

Significant fluctuations in key operating assets and liabilities between 2021 and 2020 that impacted our cash flows from operating activities are as follows:

#### Billed Trade Accounts Receivable

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

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

<u>Quarter Ended</u>	<u>Gross</u>	<u>Allowance</u>	<u>Net Billed</u>	<u>DBOs</u>
<b>2021:</b>				
March 31	\$ 250,743	\$ (3,718)	\$ 247,025	70
June 30	226,774	(3,546)	223,228	68
<b>2020:</b>				
March 31	\$ 264,601	\$ (3,888)	\$ 260,713	72
June 30	248,470	(4,057)	244,413	73

As of June 30, 2021 and 2020, approximately 96% and 93%, respectively, of our billed accounts receivable balance were less than 60 days past due.

The DBO metric for the first quarter of 2021 and the first and second quarters of 2020 were negatively impacted by the delays of certain recurring key customer payments, as noted above. We may experience future adverse impacts to our DBOs if and when these payment delays occur. However, these recurring monthly payments that cross a reporting period-end do not raise any collectability concerns, as payment is generally received subsequent to quarter-end. All other changes in our gross and net billed accounts receivable reflect the normal fluctuations in the timing of customer payments at quarter-end, as evidenced by our relatively consistent DBO metric.

As a global provider of software and professional services, a portion of our accounts receivable balance relates to international customers. This diversity in the geographic composition of our customer base may adversely impact our DBOs as longer billing cycles (i.e., billing terms and cash collection cycles) are an inherent characteristic of international software and professional services transactions. For example, our ability to invoice and collect arrangement fees may be dependent upon, among other things: (i) the completion of various customer administrative matters, local country billing protocols and processes (including local cultural differences), and non-customer administrative matters; (ii) meeting certain contractual invoicing milestones; (iii) the overall project status in certain situations in which we act as a subcontractor to another vendor on a project; or (iv) due to currency controls in certain foreign jurisdictions.

#### Accrued Employee Compensation

Accrued employee compensation decreased \$9.4 million to \$76.9 million as of June 30, 2021, from \$86.3 million as of December 31, 2020, due primarily to the payment of the 2020 employee incentive compensation that was fully accrued at December 31, 2020, offset to a certain degree by the accrual for the 2021 employee incentive compensation.

#### Income Taxes Payable/Receivable

Net income taxes payable/receivable (current and non-current) at June 30, 2021 was a net income taxes receivable balance of \$4.7 million, compared to a net income taxes payable balance of \$6.9 million at December 31, 2020. This net of \$11.6 million change 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 and purchases of software, property and equipment, which are discussed below. Additionally, during the second quarter of 2021 we acquired Tango for approximately \$11 million, net of cash acquired, and during the first quarter of 2020 we acquired Tekzenit, Inc. for approximately \$10 million, which are included in our cash flows from investing activities.

#### Purchases/Sales of Short-Term Investments

For the six months ended June 30, 2021 and 2020, we purchased \$46.2 million and \$35.1 million, respectively, and sold (or had mature) \$49.4 million and \$34.2 million, respectively, 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 liquidity.

#### Software, Property and Equipment

Our capital expenditures for the six months ended June 30, 2021 and 2020 for software, property and equipment were \$15.2 million and \$14.3 million, respectively, and consisted principally of investments in statement production equipment and computer hardware, software, and related equipment.

*Cash Flows from Financing Activities.* Our financing activities typically consist of activities associated with our common stock, long-term debt, and settlement and merchant reserve activity.

#### Cash Dividends Paid on Common Stock

During the six months ended June 30, 2021 and 2020, the Board approved dividends totaling \$16.4 million and \$15.5 million, respectively, and made dividend payments of \$16.7 million and \$15.9 million, respectively, through June 30, 2021 and 2020, with the differences attributed to dividends on unvested incentive shares that are paid upon vesting of those shares.

#### Repurchase of Common Stock

During the six months ended June 30, 2021 and 2020, we repurchased approximately 295,000 and 151,000 shares of our common stock, respectively, under the guidelines of our Stock Repurchase Program for \$13.5 million and \$6.8 million, respectively, and paid \$13.5 million and \$6.9 million, respectively, through June 30, 2021 and 2020, with the differences attributed to the timing of share settlement.

Outside of our Stock Repurchase Program, during the six months ended June 30, 2021 and 2020, we repurchased from our employees and then cancelled approximately 113,000 and 159,000 shares of our common stock, respectively, for \$5.3 million and \$7.7 million, respectively, in connection with minimum tax withholding requirements resulting from the vesting of restricted common stock under our stock incentive plans.

#### Long-term Debt

During the six months ended June 30, 2021 and 2020, we made principal repayments of \$6.6 million and \$4.7 million, respectively. See Note 4 to our Financial Statements for additional discussion of our long-term debt.

#### Settlement and Merchant Reserve Activity

During the six months ended June 30, 2021 and 2020, we had net settlement and merchant reserve activity of \$24.0 million and \$28.7 million, respectively, related to the cash collected, held on behalf, and paid to our customers related to our payment processing services and the net change in deposits held on behalf of our customers.

### **Off-Balance Sheet Arrangements**

Our off-balance sheet arrangements are mainly limited to money transmitter bonds, bid bonds, and performance bonds. These arrangements do not have a material impact and are not reasonably likely to have a material future impact to our financial condition, results of operation, liquidity, capital expenditures, or capital resources. See Note 6 to our Financial Statements for additional information on these guarantees.

### **Capital Resources**

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

*Current Sources of Capital Resources.* Below are the key items to consider in assessing our current sources of capital resources:

- Cash, Cash Equivalents and Short-term Investments. As of June 30, 2021, we had cash, cash equivalents, and short-term investments of \$212.1 million, of which approximately 75% is in U.S. dollars and held in the U.S. Included in cash and cash equivalents is \$1.8 million of restricted cash, used primarily to collateralize outstanding letters of credit. For the remainder of the monies denominated in foreign currencies and/or located outside the U.S., we do not anticipate any material amounts being unavailable for use in funding our business, but may face limitations on moving cash out of certain foreign jurisdictions due to currency controls and potential negative economic consequences.
- Operating Cash Flows. As described in the Liquidity section above, we believe we have the ability to generate strong cash flows to fund our operating activities and act as a source of funds for our capital resource needs.
- Revolving Credit Facility. We currently have a \$200 million revolving loan facility, our 2018 Revolver. As of June 30, 2021, we had no borrowing outstanding on our 2018 Revolver and had the entire \$200 million available to us. Our long-term debt obligations are discussed in more detail in Note 4 to our Financial Statements.



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

- Common Stock Repurchases. We have made repurchases of our common stock in the past under our Stock Repurchase Program. As of June 30, 2021, we had 4.0 million shares authorized for repurchase remaining under our Stock Repurchase Program. Our 2018 Credit Agreement may place certain limitations on our ability to repurchase our common stock.

Under our Stock Repurchase Program, we may repurchase shares in the open market or in privately negotiated transactions, including through an accelerated stock repurchase plan or under a SEC Rule 10b5-1 plan. The actual timing and amount of share repurchases are dependent on the current market conditions and other business-related factors. Our common stock repurchases are discussed in more detail in Note 8 to our Financial Statements.

During the six months ended June 30, 2021, we repurchased approximately 295,000 shares of our common stock for \$13.5 million (weighted-average price of \$45.74 per share).

Outside of our Stock Repurchase Program, during the six months ended June 30, 2021, we repurchased from our employees and then cancelled approximately 113,000 shares of our common stock for \$5.3 million in connection with minimum tax withholding requirements resulting from the vesting of restricted common stock under our stock incentive plans.

- Executive Transition. In August 2020, we entered into a Separation Agreement with our then President and CEO which includes a commitment to pay additional compensation of approximately \$7 million, for which approximately \$5 million will be paid in 2021 and approximately \$2 million will be paid in 2022.
- Cash Dividends. During the six months ended June 30, 2021, the Board declared dividends totaling \$16.4 million. Going forward, we expect to pay cash dividends each year in March, June, September, and December, with the amount and timing subject to the Board's approval.
- Acquisitions. The 2020 Tekzenit acquisition includes provisions for additional purchase price payments in the form of earn-out and qualified sales payments for up to \$10 million over a measurement period through March 31, 2023. As of June 30, 2021, we have made no earn-out or qualified sales payments for this acquisition.

In May 2021, we acquired Tango, a leading supplier of convergent policy control and messaging solutions, for a purchase price of approximately \$13 million, or approximately \$11 million, net of cash acquired.

On July 1, 2021, we acquired Kitewheel, a leading provider of customer journey orchestration and analytics for a purchase price of \$40 million, of which \$34 million was paid upon close and the remaining \$6 million to be paid in annual payments over the next three years.

These acquisitions were funded from currently available cash. Our acquisitions are discussed in more detail in Note 5 to our Financial Statements. As part of our growth strategy, we are continually evaluating potential business and/or asset acquisitions and investments in market share expansion with our existing and potential new customers and expansion into verticals outside the global communications market.

- Capital Expenditures. During the six months ended June 30, 2021, we spent \$15.2 million on capital expenditures. As of June 30, 2021, we had committed to purchase \$1.1 million of equipment.
- Stock Warrants. We have issued Stock Warrants with an exercise price of \$26.68 per warrant to Comcast as an incentive for Comcast to convert new customer accounts to ACP. Once vested, Comcast may exercise the Stock Warrants and elect either physical delivery of common shares or net share settlement (cashless exercise). Alternatively, the exercise of the Stock Warrants may be settled with cash based solely on our approval, or if Comcast were to beneficially own or control in excess of 19.99% of the common stock or voting of the Company. As of June 30, 2021, approximately 1.0 million Stock Warrants remain issued, none of which are vested.

The Stock Warrants are discussed in more detail in Note 8 to our Financial Statements.

- **Long-Term Debt.** As of June 30, 2021, our long-term debt consisted of the following: (i) 2016 Convertible Notes with a par value of \$230.0 million; and (ii) 2018 Credit Agreement with term loan borrowings of \$120.0 million.

#### **2016 Convertible Notes**

Our 2016 Convertible Notes will be convertible at the option of the note holders during the period from December 15, 2021 to the close of business on the day immediately preceding March 15, 2022, subject to an observation holding period of 40 days. For notes presented during this time frame, the settlement amount will be equal to the sum of the daily settlement amounts for each of the following 40 consecutive trading days during the related observation period. As a result, we have reclassified our 2016 Convertible Notes as a current liability in our Balance Sheet. If none of the notes are converted, called, or put, our debt interest cash outlay during the next twelve months for the 2016 Convertible Notes will be \$9.8 million of interest payments.

#### **2018 Credit Agreement**

Our 2018 Credit Agreement mandatory repayments and the cash interest expense (based upon current interest rates) for the next twelve months is \$15.0 million, and \$1.9 million, respectively. We have the ability to make prepayments on our 2018 Credit Agreement without penalty.

Our long-term debt obligations are discussed in more detail in Note 4 to our Financial Statements.

In summary, we expect to continue to have material needs for capital resources going forward, as noted above. We believe that our current cash, cash equivalents and short-term investments balances and our 2018 Revolver, together with cash expected to be generated in the future from our current operating activities, will be sufficient to meet our anticipated capital resource requirements for at least the next twelve months. We also believe we could obtain additional capital through other debt sources which may be available to us if deemed appropriate.

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

Market risk is the potential loss arising from adverse changes in market rates and prices. As of June 30, 2021, we are exposed to various market risks, including changes in interest rates, fluctuations and changes in the market value of our cash equivalents and short-term investments, and changes in foreign currency exchange rates. We have not historically entered into derivatives or other financial instruments for trading or speculative purposes.

#### **Interest Rate Risk**

**Long-Term Debt.** The interest rate on our 2016 Convertible Notes is fixed, and thus, as it relates to our convertible debt borrowings, we are not exposed to changes in interest rates.

The interest rates on our 2018 Credit Agreement are based upon an adjusted LIBOR rate plus an applicable margin, or an alternate base rate plus an applicable margin. See Note 4 to our Financial Statements for further details of our long-term debt.

A hypothetical adverse change of 10% in the June 30, 2021 adjusted LIBOR rate would not have had a material impact upon our results of operations.

#### **Market Risk**

**Cash Equivalents and Short-term Investments.** Our cash and cash equivalents as of June 30, 2021 and December 31, 2020 were \$163.8 million and \$188.7 million, respectively. Certain of our cash balances are “swept” into overnight money market accounts on a daily basis, and at times, any excess funds are invested in low-risk, somewhat longer term, cash equivalent instruments and short-term investments. Our cash equivalents are invested primarily in institutional money market funds, commercial paper, and time deposits held at major banks. We have minimal market risk for our cash and cash equivalents due to the relatively short maturities of the instruments.

Our short-term investments as of June 30, 2021 and December 31, 2020 were \$48.3 million and \$51.6 million, respectively. Currently, we utilize short-term investments as a means to invest our excess cash only in the U.S. The day-to-day management of our short-term investments is performed by a large financial institution in the U.S., using strict and formal investment guidelines approved by our Board. Under these guidelines, short-term investments are limited to certain acceptable investments with: (i) a maximum maturity; (ii) a maximum concentration and diversification; and (iii) a minimum acceptable credit quality. At this time, we believe we have minimal liquidity risk associated with the short-term investments included in our portfolio.

**Settlement and Merchant Reserve Assets.** We are exposed to market risk associated with cash held on behalf of our customers related to our payment processing services. As of June 30, 2021 and December 31, 2020, we had \$142.7 million and \$166.0 million, respectively, of cash collected on behalf of our customers. The cash is held in accounts with various major financial institutions in the U.S. and Canada in an amount equal to at least 100% of the aggregate amount owed to our customers. These balances can significantly fluctuate between periods due to activity at the end of the period and the day in which the period ends.

**Long-Term Debt.** The fair value of our convertible debt is exposed to market risk. We do not carry our convertible debt at fair value but present the fair value for disclosure purposes (see Note 2 to our Financial Statements). Generally, the fair value of our convertible debt is impacted by changes in interest rates and changes in the price and volatility of our common stock. As of June 30, 2021, the fair value of the 2016 Convertible Notes was estimated at \$237.2 million, using quoted market prices.

**Foreign Currency Exchange Rate Risk**

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

During the six months ended June 30, 2021, we generated approximately 88% of our revenue in U.S. dollars. We expect that, in the foreseeable future, we will continue to generate a very large percentage of our revenue in U.S. dollars.

As of June 30, 2021 and December 31, 2020, the carrying amounts of our monetary assets and monetary liabilities on the books of our non-U.S. subsidiaries in currencies denominated in a currency other than the functional currency of those non-U.S. subsidiaries are as follows (in thousands, in U.S. dollar equivalents):

	June 30, 2021		December 31, 2020	
	Monetary Liabilities	Monetary Assets	Monetary Liabilities	Monetary Assets
Pounds sterling	\$ (4)	\$ 1,251	\$ (148)	\$ 1,673
Euro	(412)	6,809	(288)	7,734
U.S. Dollar	(381)	23,174	(292)	24,445
South African Rand	-	2,005	-	4,809
Other	(335)	506	(6)	1,071
Totals	\$ (1,132)	\$ 33,745	\$ (734)	\$ 39,732

A hypothetical adverse change of 10% in the June 30, 2021 exchange rates would not have had a material impact upon our results of operations based on the monetary assets and liabilities as of June 30, 2021.

**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**

A discussion of our risk factors can be found in Item 1A. Risk Factors in our 2020 Form 10-K. There were no material changes to the risk factors disclosed in our 2020 Form 10-K during the second quarter of 2021.

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

The following table presents information with respect to purchases of our common stock made during the second quarter of 2021 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 (1) (2)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plan or Programs (2)
April 1 - April 30	54,968	\$ 46.38	53,500	4,141,717
May 1 - May 31	44,822	45.18	44,400	4,097,317
June 1 - June 30	55,765	45.07	54,800	4,042,517
Total	<u>155,555</u>	<u>\$ 45.56</u>	<u>152,700</u>	

- (1) The total number of shares purchased that are not part of the Stock Repurchase Program represents shares purchased and cancelled in connection with stock incentive plans.
- (2) See Note 8 to our Financial Statements for additional information regarding our share repurchases.

**Item 3. Defaults Upon Senior Securities**

None

**Item 4. Mine Safety Disclosures**

None

**Item 5. Other Information**

None

**Item 6. Exhibits**

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

**CSG SYSTEMS INTERNATIONAL, INC.**  
**INDEX TO EXHIBITS**

<b>Exhibit Number</b>	<b>Description</b>
10.26AS*	<a href="#"><u>Fifty-First Amendment to Consolidated CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Charter Communications Operating, LLC</u></a>
10.26AT*	<a href="#"><u>Fifty-Second Amendment to Consolidated CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Charter Communications Operating, LLC</u></a>
10.26AU*	<a href="#"><u>Fifty-Third Amendment to Consolidated CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Charter Communications Operating, LLC</u></a>
10.27E*	<a href="#"><u>Fourth Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC</u></a>
10.27F*	<a href="#"><u>Fifth Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC</u></a>
10.27G*	<a href="#"><u>Fifth Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC</u></a>
10.27H*	<a href="#"><u>Eighth Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC</u></a>
10.56	<a href="#"><u>Employment Agreement with Elizabeth A. Bauer, dated May 20, 2021</u></a>
31.01	<a href="#"><u>Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
31.02	<a href="#"><u>Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
32.01	<a href="#"><u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Portions of the exhibit have been omitted pursuant to SEC rules regarding confidential information.

## 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: August 5, 2021

CSG SYSTEMS INTERNATIONAL, INC.

/s/ Brian A. Shepherd

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Brian A. Shepherd  
President and Chief Executive Officer  
(Principal Executive Officer)

/s/ Rolland B. Johns

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Rolland B. Johns  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

/s/ David N. Schaaf

---

David N. Schaaf  
Chief Accounting Officer  
(Principal Accounting Officer)

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**FIFTY-FIRST AMENDMENT  
TO  
CONSOLIDATED  
CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT  
BETWEEN  
CSG SYSTEMS, INC.  
AND  
CHARTER COMMUNICATIONS OPERATING, LLC**

**SCHEDULE AMENDMENT**

This **Fifty-first Amendment** (the “Amendment”) is made by and between **CSG Systems, Inc.**, a Delaware corporation (“CSG”), and **Charter Communications Operating, LLC**, a Delaware limited liability company (“Customer”). CSG and Customer entered into that certain Consolidated CSG Master Subscriber Management System Agreement effective as of August 1, 2017 (CSG document no. 4114281), as amended (the “Agreement”), and now desire to further amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

**WHEREAS**, Customer and CSG have agreed to amend the Agreement to make certain of Customer’s usage activity data available to Customer to be utilized by Customer for its telemetry monitoring and reporting.

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, CSG and Customer agree to the following as of the Amendment Effective Date (as defined below).

**1. Customer desires to receive and CSG agrees to provide to Customer Usage Activity Data for Customer’s telemetry reporting utilization via a CSG streaming service. Therefore, upon execution of this Amendment the following change to the Agreement is hereby made:**

a) Schedule C, “Recurring Services,” shall be amended to add the following:

“**Telemetry Data Streaming Services**. CSG will provide and make available, via a data streaming service, to Customer in an intra-hour cadence (i.e., a continual refresh of certain of Customer’s usage activity data (the “Usage Activity Data”) within the hour) to the Customer-specified end point. The Usage Activity Data will be available at Customer’s end point and will be refreshed upon the next delivery of the Usage Activity Data in a frequency consistent with the intra-hour cadence. Upon each such refresh, the previously sent Usage Activity Data not captured by Customer will no longer be available to Customer and CSG will have no ability to recreate such previously sent Usage Activity Data. Customer is responsible for the capture of the Usage Activity Data. For purposes of clarification, “telemetry” for purposes of the Telemetry Data Streaming Services is the collection and transmission of data for Customer’s monitoring purposes.

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2. As a result, following implementation of the Telemetry Data Streaming Services, Schedule F, “Fees,” Section 1, “CSG Services,” Subsection X, “Custom Implementation Services” of the Agreement, shall be amended to add the following new subsection S, “Telemetry Data Streaming Services”:

**S. Telemetry Data Streaming Services**

Description of Item/Unit of Measure	Frequency	Fee
1. Interface Usage Activity Data Streaming Services (Note 1)		
a) Development and Implementation Fees for the Interface Usage Data Streaming Services (Note 2) (Note 3)	[*** *****]	[*****]
b) Interface Usage Data Support and Maintenance Fees (Note 4) (Note 5) (Note 6)	[*****]	\$[*****]

**Note 1:** Usage Activity Data related to CSG SmartLink® BOS, Event Notification Interface and CSG Workforce Express® Enterprise Interface (collectively, the “Interfaces”).

**Note 2:** Setup and Implementation for the Usage Activity data in Note 1 above (the “Interface Usage Data”) shall be pursuant to that certain Statement of Work entitled “Implement Interface Usage Activity Data Streaming Services” (CSG document no. 33465) (the “Interface Usage Data Streaming SOW”) to be executed by CSG and Customer. For purposes of clarification, implementation and set up for CSG Products and Services other than the Interfaces identified herein, will require a separate Statement of Work and shall be subject to agreed upon Setup and Implementation Fees and applicable additional Support and Maintenance Fees, if any.

**Note 3:** Should Customer request an additional end point or an alternate end point for delivery of the Interface Usage Data, such request may result in additional fees and be subject to a separate Statement of Work; provided, however, in any event, Customer shall provide notification to CSG (email is sufficient) of any desire or requirement to change the Customer-designated end point.

**Note 4:** The Interface Usage Data Support and Maintenance Fees consists of hardware upgrades, routine software enhancements and defect fixes.

**Note 5:** CSG and Customer acknowledge and agree that CSG shall not invoice and Customer shall have no liability for any additional StatHub Support and Maintenance Fees (except as provided in the Agreement and Section 1 to that certain Seventeenth Amendment to the Agreement (CSG document no. 4120570)) as a result of turn up of StatHub for the Legacy-Charter System Principal Agents and, further, upon the Completion Date of the Interface Usage Data Streaming SOW, Customer shall discontinue use of StatHub and shall have no liability for applicable StatHub Support and Maintenance Fees thereafter.

**Note 6:** Should Customer choose to terminate the CSG Interface Usage Data Support and Maintenance, Customer shall provide CSG with no less than [\*\*\*\*\* (\*) \*\*\*\*\*] prior written notice of such discontinuance and shall be liable for such fees through the date of termination.

**THIS AMENDMENT is executed on the days and year last signed below to be effective as of the date last signed below (the "Amendment Effective Date").**

**CHARTER COMMUNICATIONS HOLDING  
COMPANY, LLC (“CUSTOMER”)**

**CSG SYSTEMS, INC. (“CSG”)**

**By: Charter Communications, Inc., its Manager**

By: /s/ Michael Ciszek

By: /s/ Gregory L. Cannon

Title: SVP Billing Strategy & Design

Title: Gregory Cannon

Name: Michael Ciszek

Name: Chief Legal Officer

Date: Apr 15, 2021

Date: Apr 15, 2021



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**FIFTY-SECOND AMENDMENT  
TO  
CONSOLIDATED  
CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT  
BETWEEN  
CSG SYSTEMS, INC.  
AND  
CHARTER COMMUNICATIONS OPERATING, LLC**

**This Fifty-second Amendment** (the "Amendment") is made by and between **CSG Systems, Inc.**, a Delaware corporation ("CSG"), and **Charter Communications Operating, LLC**, a Delaware limited liability company ("Customer"). CSG and Customer entered into that certain Consolidated CSG Master Subscriber Management System Agreement effective as of August 1, 2017 (CSG document no. 4114281), as amended (the "Agreement"), and now desire to further amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms. The effective date of this Amendment is the date last signed below (the "Amendment Effective Date").

**WHEREAS**, [\*\*\*\*\*] and [\*\*\*\*\*] terms are provided by CSG to Customer pursuant to Section 2.11 of the Agreement; and

**WHEREAS**, pursuant to discussions between CSG and Customer, the Parties agree to amend certain of the terms by which [\*\*\*\*\*] is made available by CSG and provided to Customer; and

**WHEREAS**, CSG and Customer desire to amend the Agreement to provide [\*\*\*\*\*] pursuant to the terms of this Amendment.

**NOW THEREFORE**, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, CSG and Customer agree to amend the Agreement as follows:

**1. Effective upon the Amendment Effective Date, Customer and CSG mutually agree that Section 2.11 shall be deleted in its entirety and replaced as follows:**

**2.11 [\*\*\*\*\*] and [\*\*\*\*\*].**

a) [\*\*\*\*\*]. CSG will provide Customer with a [\*\*\*\*\*] ("\*\*\*\*") and a [\*\*\*\*\*]. The \*\*\*\* will contain the \*\*\*\* for [\*\*\*\*\*] and the [\*\*\*\*\*] ("\*\*\*\*") will [\*\*\*\*\*]. Products and Services included in [\*\*\*\*\*] include and are limited to Communications Control System ("CCS®"), Advanced Customer Service Representative ("ACSR®"), CSG SmartLink®BOS ("SLBOS"), Event Notification Interface ("ENI"), Product Configurator - Billing Configuration Edition ("BCE"), Product Configurator - Enhanced Sales Edition ("ESE"), Product Configurator - Promotions, Product Configurator - Order Presentation Controller ("OPC"), Advanced Convergent Platform ("ACP") Voice, service order distribution interface ("SODI"), ACP Commercial, CSG Vantage®, CSG Precision eCare®, CSG Workforce Express® ("WFX"), Mass Change Platform ("MCP") and

interfaces from CSG Products and Services. In order to [\*\*\*\*\* \*], Customer and CSG have entered into a Statement of Work for [\*\*\*\*\* \*] outlining necessary [\*\*\*\*\* \*], required CSG and Customer [\*\*\*\*\* \*], and the [\*\*\*\*\* \*] shall be [\*\*\*\*\* \*] (CSG document no. 4134301) (“[\*\*\*\*\* \*]”). [\*\*\*\*\* \*] must be completed prior to Customer being able to use Flexible Releases.

(b) [\*\*\*\*\* \*]. CSG agrees to provide Customer with the ability to [\*\*\*\*\* \*] of [\*\*\*\*\* \*] for the Products and Services identified in Section 2.11 (a) for a period up to [\*\*\*\*\* (\*)] after CSG’s [\*\*\*\*\* \*] (“[\*\*\*\*\* \*]”). CSG and Customer agree that [\*\*\*\*\* \*] shall be in accordance with and subject to the following conditions:

i. Customer shall provide written notice of the desire to exercise its [\*\*\*\*\* for a \*\*\*\*\*] and align with CSG as to the [\*\*\*\*\*] no less than [\*\*\*\*\* (\*)] prior to the [\*\*\*\*\*]. “[\*\*\*\*\*]” shall mean the timeframe from the [\*\*\*\*\*] of the [\*\*\*\*\*] until [\*\*\*\*\*].

ii. CSG reserves the right to review and approve any support and maintenance system changes for \*\*\*\* to production during the [\*\*\*\*\*]. Depending on the [\*\*\*\* \*], CSG may need to apply the [\*\*\*] to the current production version that Customer has [\*\*\*] or to [\*\*\*\*\* the \*\*] to the [\*\*\*\*\*] that Customer is [\*\*\*\*\*]. In the event CSG [\*\*\*\*\*] the request to apply the [\*\*\*] to the [\*\*\*\*\*] that Customer is [\*\*\*\*\*], CSG and Customer agree to follow the escalation process outlined in Exhibit H, section H.10, “Problem Escalation & Resolution” of the Agreement, to resolve the matter.

iii. Customer shall implement the current version of the [\*\*\*\*\*] [\*\*\*\*\*] within [\*\*\*\*\*] (\*) of the [\*\*\*\*\*], but no earlier than [\*\*\*\*\* (\*)] after the [\*\*\*\*\*]. Once Customer is on the current [\*\*\*\*\*], any changes to the current [\*\*\*\*\*] will also be applied to [\*\*\*\*\*].

iv. [\*\*\*\*\*] shall not be [\*\*\*\*\*] or [\*\*\*\*\*].

v. [\*\*\*\*\*] shall not be more than [\*\*\* (\*)] the [\*\*\*\*\*].

vi. [\*\*\*\*\*] will not be addressed during any [\*\*\*\*\*] in the [\*\*\*\*\*] environment. [\*\*\*\*\*] resolved during any [\*\*\*\*\*] will be applied to the [\*\*\*\*\*] to be implemented with [\*\*\*\*\*] into [\*\*\*\*\*] or [\*\*\*\*\*] found in [\*\*\*\*\*] during the applicable [\*\*\*\*\*] that [\*\*\*\*\*] will be performed on an issue by issue basis for [\*\*\*\*\*] in [\*\*\*\*\*].

vii. The CSG standard implementation and validation process for [\*\*\*\*\*] will be performed during the [\*\*\*\*\*].

viii. Shared third party products and vendor services, including, but not limited to, [\*\*\*\*\*], statements, financial institutions, electronic funds transfer (“EFT”), credit card, regulatory, or United States Postal services are not eligible to be delayed and will require separate deployment of functionality, as necessary, in conjunction with regularly scheduled releases.

ix. The following products and services are included with [\*\*\*\*\*]: CCS, ACSR®, ACP Voice, Customer Interaction Tracking® (CIT®), SLBOS, ENI, SODI, CSG Vantage®, Product Configurator, Order Services and MCP.

x. Customer [\*\*\*\* \*\*\*\*\*] are not eligible to be [\*\*\*\*\*] and will be managed and updated pursuant to current [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\*].

2. Additionally, the parties mutually agree that Schedule F, “Fees,” shall be amended to add a new subsection vi), “[\*\*\* \*\*\*\*\* \*\*\*\*\*],” to Section 1, “Fees,” Section I. “Processing,” Subsection A, Video, High speed Data and Telephony, as follows:

vi. [\*\*\* \*\*\*\*\* \*\*\*\*\*]

Description of Item/Unit of Measure	Frequency	Fee
1. Implementation and Setup Fees (Note 14)	[*****]	[*****]
2. Support Services Fees (Note 15)	[*****]	\$[*****]

**Note 14:** Setup and Implementation of [\*\*\* \*\*\*\*\* \*\*\*\*\*] shall be mutually agreed upon and documented in that certain Statement of Work, “[\*\*\*\*\* \*\*\*\*\* \*\*\*\*\*]” (CSG document no. 33660) (the “[\*\*\*\*\* \*\*\*\*\*]”), to be executed by CSG and Customer.

**Note 15:** Support Services Fees will commence following [\*\*\*\*\* of the \*\*\*\*\* \*\*\*\*\*] and will be limited to [\*\*\*\*\*] and [\*\*\*\*\* (\*\*\*)] of support per [\*\*\*\*\*]. In the event Customer requests additional [\*\*\*\*\* for \*\*\*\*\*], CSG and Customer agree that such support services [\*\*\*\*\*] and the fees therefor will be set forth in a mutually agreed upon Statement of Work. Should Customer choose to terminate [\*\*\*\*\* \*\*\*\*\*], Customer will provide CSG with no less than [\*\*\* \*\*\*\*\* \*\*\*\*\* (\*\*\*)] [\*\*\*\*\*] prior notice of such discontinuance and shall be invoiced any Support Services Fees through the [\*\*\* \*\*\*\*\* \*\*\*\*\* (\*\*\*)] notice period.

3. As a result of the agreement by the parties to add Support Services Fees, pursuant to item 2 above, CSG and Customer mutually agree that Schedule E, “Fees,” 1.I.A.i), Item 14 shall be deleted in its entirety and replaced as follows:

14. Reserved

THIS AMENDMENT is executed on the days and year last signed below to be effective as of the Amendment Effective Date (defined above).

CHARTER COMMUNICATIONS HOLDING COMPANY, LLC (“CUSTOMER”)

CSG SYSTEMS, INC. (“CSG”)

By: Charter Communications, Inc., its Manager

By: /s/ Michael Ciszek

By: /s/ Gregory L. Cannon

Title: SVP Billing Strategy & Design

Title: Chief Legal Officer

Name: Michael Ciszek

Name: Gregory Cannon

Date: May 13, 2021

Date: May 13, 2021

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**FIFTY-THIRD AMENDMENT  
TO  
CONSOLIDATED  
CSG MASTER SUBSCRIBER MANAGEMENT SYSTEM AGREEMENT  
BETWEEN  
CSG SYSTEMS, INC.  
AND  
CHARTER COMMUNICATIONS OPERATING, LLC**

**SCHEDULE AMENDMENT**

**This Fifty-third Amendment** (the “Amendment”) is made by and between **CSG Systems, Inc.**, a Delaware corporation (“CSG”), and **Charter Communications Operating, LLC**, a Delaware limited liability company (“Customer”). CSG and Customer entered into that certain Consolidated CSG Master Subscriber Management System Agreement effective as of August 1, 2017 (CSG document no. 4114281), as amended (the “Agreement”), and now desire to further amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms. Upon execution by the parties, the effective date of this Amendment is March 29, 2021 (the “Amendment Effective Date”).

1. **Customer desires and CSG agrees to develop, deliver and maintain a tool that will allow Customer’s customer service representatives’ (“CSRs”) to provide Customer’s Connected Subscribers with delinquent accounts to select options, based on calculations of each such Connected Subscriber’s delinquency, to clear such delinquencies with specified installment payment plans that will include delinquency and current amounts owed to Customer by such Connected Subscribers. As a result, upon execution of this Amendment the following change to the Agreement is hereby made:**

- a) Schedule C, “Recurring Services,” shall be amended to add the following:

“**Agent Collections Calculator (“ACC”).** CSG will provide, make available, maintain and support an integrated account collections calculator with Customer-specified algorithms designed to provide pre-determined installment payment options for Customer-selected CSRs to offer to Connected Subscribers carrying delinquent balances.”

2. **As a further result, upon execution of this Amendment and pursuant to the terms and conditions of the Agreement, Schedule F, “Fees,” Section 1, “CSG Services,” Subsection X, “Custom Implementation Services,” is amended to add a new subsection T, “Agent Collections Calculator,” as follows:**

**T. Agent Collections Calculator (ACC)**

Description	Frequency	Fee
1. Implementation and Set Up Fees ( <b>Note 1</b> )	[*****]	[*****]
2. Maintenance and Support Fees ( <b>Note 2</b> )	[*****]	\$[*****]
3. Hosting Server Fees	[*****]	\$[*****]

**Note 1:** Implementation and set up for the Agent Collections Calculator shall be documented in that certain Statement of Work, “Develop and Deploy Agent Collections Calculator” (CSG document no. 34159) (the “ACC SOW”) to be executed by CSG and Customer.

**Note 2:** Maintenance and Support Fees will commence with the first invoice following completion of implementation of ACC, as defined in the ACC SOW and will be limited to [\*\*\*\*\* (\*\*)] \*\*\*\*\* per \*\*\*\*\* of production support.

**THIS AMENDMENT** is executed on the days and year last signed below to be effective as of the Amendment Effective Date.

**CHARTER COMMUNICATIONS HOLDING  
COMPANY, LLC (“CUSTOMER”)**

**CSG SYSTEMS, INC. (“CSG”)**

**By: Charter Communications, Inc., its Manager**

By: /s/ Michael Ciszek

By: /s/ Gregory L. Cannon

Title: SVP Billing Strategy & Design

Title: Chief Legal Officer

Name: Michael Ciszek

Name: Gregory Cannon

Date: Apr 22, 2021

Date: Apr 22, 2021

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

**THIS FOURTH AMENDMENT** (the “Amendment”) is made by and between **CSG Systems, Inc.** (“CSG”) and **Comcast Cable Communications Management, LLC** (“Customer”). The effective date of this Amendment is the date last signed below (the “Fourth Amendment Effective Date”). CSG and Customer entered into a certain CSG Master Subscriber Management System Agreement (CSG document #[\*\*\*\*\*]) with an effective date of January 1, 2020 (the “Agreement”) and now desire to further amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the Parties, any subsequent reference to the Agreement between the Parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

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

- 1. Customer desires CSG to build and maintain a [\*\*\*\*\* \*\* \*\*\*\*\* \*\* \*\*] schema that allows CSG [\*\*\*\*\* users to query all of \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\* \*\*\*\*\*] through one [\*\*\*\*\* \*\* \*\*] schema per \*\*\*\*\*]. Therefore, as of the Fourth Amendment Effective Date, Schedule F, “Fees,” section entitled “IV. Ancillary Products and Services,” subsection B entitled “[\*\*\*\*\* \*\*\*\*\*],” is amended to add the [\*\*\*\*\* \*\*\*\*\* fees for the \*\*\*\*\* \*\* \*\*] as follows:

Description of Item/Unit of Measure	Frequency	Fee
5. [***** ** **] Schema (Note 1)		
a) [*****] Fee (Note 2)	[*****]	[*****]
b) [*****] Fee ([*****]) (Notes 3-5)	[*****]	\$(*****)

**Note 1:** The [\*\*\*\*\* \*\* \*\*] Schema is a \*\*\*\*\* \*\* \*\*\*\*\* \*\* \*\* schema that allows CSG \*\*\*\*\* users to query all \*\*\*\*\* within a \*\*\*\*\* at the \*\*\*\*\* \*\*\*\*\*].  
**Note 2:** A [\*\*\*\*\* use of the \*\*\*\*\* \*\* \*\*] Schema is subject to a \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* fee. The \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* fees of the \*\*\*\*\* \*\* \*\*] Schema for the \*\*\*\*\* and \*\*\*\*\* \*\*\*\*\* has been \*\*\*\*\* against \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*].  
**Note 3:** The [\*\*\*\*\* \*\* \*\*] Schema is subject to a \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* fee for the \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* and \*\*\*\*\* \*\*\*\*\* to the \*\*\*\*\* \*\* \*\*] Schema. The \*\*\*\*\* fee commences \*\*\*\*\* the \*\*\*\*\* \*\* \*\*] Schema is \*\*\*\*\* at \*\*\*\*\*].  
**Note 4:** The [\*\*\*\*\* support fee is \*\*\*\*\* in the \*\*\*\*\* \*\*\*\*\*. All other \*\*\*\*\* using the \*\*\*\*\* \*\* \*\*] Schema will be charged the \*\*\*\*\* support fee.  
**Note 5:** The [\*\*\*\*\* Support Fee is due to CSG \*\*\*\*\*. The parties acknowledge the \*\*\*\*\* \*\*\*\*\* \*\* \*\*] Schema solution was \*\*\*\*\* as of \*\*\*\*\*. CSG agrees to \*\*\*\*\* Fee pertaining to the \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*. Therefore, upon full execution of this Fourth Amendment to the Agreement (CSG document no. \*\*\*\*\*), CSG shall invoice the Support Fees for \*\*\*\*\* \*\*\*\*\* through \*\*\*\*\* \*\*\*\*\* to the date on which \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*. CSG shall invoice subsequent \*\*\*\*\* Support Fees effective with the \*\*\*\*\* invoice for the \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* through the \*\*\*\*\* of the \*\*\*\*\* (\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*).  

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- 2. For clarification purposes only, (a) Section 3 of the First Amendment to the Agreement (CSG document #[\*\*\*\*\*]) effective January 1, 2020 (the “First Amendment”) stated that such Section 3 amended only Schedule F, Fees, Section IV. Ancillary Products and Services, by deleting Section IV in its entirety and replacing such Section IV in the form set forth on Exhibit B attached to such First Amendment, however (b) Exhibit B in fact amended both Section IV and Section V of Schedule F. Through this Section 2, of this Fourth Amendment, the parties confirm their mutual intent in the First Amendment to amend both Section IV and Section V of Schedule F. Nothing in this Section 2 of this Fourth Amendment shall be deemed to affect or limit the parties’ amendment of Section IV or Section V of Schedule F after January 1, 2020 (including as set forth in this Fourth Amendment).
- 3. Customer is currently using CSG [\*\*\*\*\*] in [\*\*\*\*\*] for its [\*\*\*\*\*]. Customer now desires and CSG agrees to implement [\*\*\*\*\*] on a [\*\*\*\*\*] basis in [\*\*\*\*\*] for its [\*\*\*\*\*]. Therefore, as of the Fourth Amendment Effective Date, Schedule F, “Fees,” section entitled “III. Direct Solutions (Print and Mail Services),” Section V entitled “Other print and mail ancillary service fees,” subsection \* entitled “[\*\*\*\*\*]” is deleted in its entirety and replaced with the following:

G.[*****]		
1.[*****] (Note 24)	[*****]	[*****]
2.[*****] (Note 25) (Note 26)		
[*] * [*****]	[*****]	\$[*****]
[*] [*****]	[*****]	\$[*****]
[*] [*****]	[*****]	\$[*****]
[*] [*****]	[*****]	\$[*****]
[*] [*****]	[*****]	\$[*****]

**Note 24:** All [\*\*\*\*\*] services and the associated fees shall be set forth in a mutually agreed upon Statement of Work. Reimbursable Expenses are additional.  
**Note 25:** [\*\*\*\*\*] Fees will apply to [\*\*\*\*\*], regardless of whether or not a [\*\*\*\*\*] qualifies for a [\*\*\*\*\*].  
**Note 26:** CSG agrees [\*\*\*\*\*] Fee for Customer’s [\*\*\*\*\*] in [\*\*\*\*\*]. Further, as provided in Statement of Work (CSG document no. [\*\*\*\*\*]) with an SOW Effective Date of [\*\*\*\*\*], Customer’s [\*\*\*\*\*] may use [\*\*\*\*\*] with [\*\*\*\*\*] (\*) [\*\*\*\*\*] in the [\*\*\*\*\*].

- 4. Schedule F, “Fees,” section entitled “IV. Ancillary Products and Services,” subsection [\* entitled “[\*\*\*\*\*]” [\*\*\*\*\*] is amended to add the following:

3. [*****] (Note 4) (Note 5) (Note 6) (Note 7)		
a) [*****]		
i. [* [*****]	[*****]	\$[*****]
ii. [*****]	[*****]	\$[*****]
iii. [*****]	[*****]	\$[*****]
iv. [*****]	[*****]	\$[*****]
v. [*****]	[*****]	(Note 7)

**Note 4:** CSG and Customer entered that certain Statement of Work (CSG document no. [\*\*\*\*\*, \*]) with an SOW Effective Date of [\*\*\*\*\*] (“SOW [\*\*\*\*\*, \*]”) that prescribes the services and fees for CSG to [\*\*\*\*\*] the [\*\*\*\*\*] to make available required [\*\*\*\*\*] information in support of a [\*\*\*\*\*] (as defined in SOW [\*\*\*\*\*, \*], the “[\*\*\*\*\*]”). Reimbursable Expenses are additional.  
**Note 5:** Pursuant to SOW [\*\*\*\*\*, \*], CSG agreed to [\*\*\*\*\*] the [\*\*\*\*\*] for [\*\*\*\*\*] (\*) [\*\*\*\*\*] of the [\*\*\*\*\*] (the “[\*\*\*\*\*] Term”). Hosting and support of the [\*\*\*\*\*] after [\*\*\*\*\*] of the [\*\*\*\*\*] Term is subject to the fees set forth in the table above.  
**Note 6:** The [\*\*\*\*\*] fee is billed [\*\*\*\*\*] based on the [\*\*\*\*\*] of [\*\*\*\*\*] Transactions. As used in this Section 3 and Notes 6-7, “[\*\*\*\*\*] Transactions” means the number of [\*\*\*\*\*] transactions generated by the [\*\*\*\*\*].

Note 7: In the event Customer [\*\*\*\*\* Transactions in \* \*\*\*\*\*, Customer shall pay an additional fee of \$\*\*\*\*\* per \*\*\*\*\* Transactions for the \*\*\*\*\*. For example, if, during \* \*\*\*\*\*, Customer utilizes \*\*\*\*\* Transactions, Customer will be invoiced an additional \$\*\*\*\*\*; if during \* \*\*\*\*\* period Customer utilizes \*\*\*\*\* Transactions Customer will be billed an additional \$\*\*\*\*\* for \*\*\*\*\*].

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

**COMCAST CABLE COMMUNICATIONS  
MANAGEMENT, LLC (“CUSTOMER”)**

**CSG SYSTEMS, INC. (“CSG”)**

By: /s/ Jeur Abeln

By: /s/ Gregory L. Cannon

Name: Jeur Abeln

Name: Gregory L. Cannon

Title: SVP Procurement

Title: SVP, General Counsel & Secretary

Date: 16-Jun-21

Date: May 10, 2021



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

**THIS FIFTH AMENDMENT** (this “Fifth Amendment”) is made by and between **CSG Systems, Inc.** (“CSG”) and **Comcast Cable Communications Management, LLC** (“Customer”). The effective date of this Amendment is the date last signed below (the “Fifth Amendment Effective Date”). CSG and Customer entered into a certain CSG Master Subscriber Management System Agreement (CSG document #[\*\*\*\*\*]) with an effective date of January 1, 2020 (the “Agreement”) and now desire to further amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Fifth Amendment conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment shall have the meaning set forth in the Agreement. Upon execution of this Fifth Amendment by the Parties, any subsequent reference to the Agreement between the Parties shall mean the Agreement as amended by this Fifth Amendment. Except as amended by this Fifth Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect.

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

**1. Pursuant to the Second Amendment (CSG document no. [\*\*\*\*\*]) to the Agreement effective December 22, 2020, the Parties previously amended Section 4.4 of the Agreement entitled “[\*\*\*\*\*]” The Parties now wish to amend such subsection further, and Section 4.4(b) and (c) shall be deleted in their entirety from the Agreement and replaced with the following:**

(b) [“\*\*\*\*\*”: Based on \*\*\*\*\* after such \*\*\*\*\* (the “\*\*\*\*\*”), CSG \*\*\*\*\* Customer \*\*\*\*\* (\$\*\*\*\*\* on \*\*\*\*\* (the “\*\*\*\*\*”). Customer acknowledges that if (i) it \*\*\*\*\* on or before \*\*\*\*\* (a “\*\*\*\*\*”) or (ii) \*\*\*\*\* Customer \*\*\*\*\* that results in \*\*\*\*\* (a “\*\*\*\*\*”), the \*\*\*\*\* shall be \*\*\*\*\* to CSG in \*\*\*\*\* or \*\*\*\*\*].

(c) [“\*\*\*\*\*”: If Customer \*\*\*\*\* but \*\*\*\*\* , CSG shall \*\*\*\*\* (\$\*\*\*\*\* on \*\*\*\*\* (the “\*\*\*\*\*”). If, after \*\*\*\*\* Customer \*\*\*\*\* that results in \*\*\*\*\* (a “\*\*\*\*\*”), \*\*\*\*\* (\*\*\*\*\* shall be \*\*\*\*\* to CSG \*\*\*\*\*].

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

**COMCAST CABLE COMMUNICATIONS  
MANAGEMENT, LLC (“CUSTOMER”)**

**CSG SYSTEMS, INC. (“CSG”)**

By: /s/ Deepak Bharathan

By: /s/ Gregory L. Cannon

Name: Deepak Bharathan

Name: Gregory Cannon

Title: Vice President, Procurement

Title: Chief Legal Officer

Date: 4/26/2021

Date: Apr 22, 2021

**THIS DOCUMENT CONTAINS INFORMATION WHICH HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED. SUCH EXCLUDED INFORMATION IS IDENTIFIED BY BRACKETS AND MARKED WITH (\*\*\*)**

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

**THIS FIFTH AMENDMENT** (the “Amendment”) is made by and between **CSG Systems, Inc.** (“CSG”) and **Comcast Cable Communications Management, LLC** (“Customer”). The effective date of this Amendment is the date last signed below (the “Fifth Amendment Effective Date”). CSG and Customer entered into a certain CSG Master Subscriber Management System Agreement (CSG document #[\*\*\*\*\*]) with an effective date of January 1, 2020 (as amended, the “Agreement”) and now desire to further amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the Parties, any subsequent reference to the Agreement between the Parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

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

1. Schedule F of the Agreement and certain [\*\*\*\*\*] include Production Support and Maintenance Fees, Application hosting fees and other terms and conditions, including [\*\*\*\*\*] periods, specific to individual [\*\*\*\*\*] such as the [\*\*\*\*\*] (“\*\*\*”), [\*\*\*\*\*] and [\*\*\*\*\*] (collectively, “\*\*\*\*\*” or “\*\*\*”). Because the [\*\*\*\*\*] of the [\*\*\*\*\*] and [\*\*\*\*\*] relative to such [\*\*\*\*\*], including the [\*\*\*\*\*] amend Schedule F to [\*\*\*\*\*] by CSG and [\*\*\*\*\*] by Customer, is [\*\*\*\*\*] and [\*\*\*\*\*], the Parties have agreed to [\*\*\*\*\*] the individual [\*\*\*\*\*] of the [\*\*\*\*\*] with [\*\*\*\*\*] (the “\*\*\*”) and also include in such [\*\*\*\*\*] the [\*\*\*\*\*] by CSG for a [\*\*\*\*\*] number [\*\*\*\*\*]. To prescribe the [\*\*\*\*\*], the Parties agree to amend Schedule F of the Agreement (a) such that the [\*\*\*\*\*] shall apply from [\*\*\*\*\*] of a given [\*\*\*\*\*], with such [\*\*\*\*\*] to [\*\*\*\*\*] as of [\*\*\*\*\*]; (b) to incorporate terms and conditions that prescribe the [\*\*\*\*\*] subject to the [\*\*\*\*\*] and those [\*\*\*\*\*] that are subject to other terms and conditions and (c) to evidence Customer’s [\*\*\*\*\*] to the [\*\*\*\*\*] (as applicable) for the [\*\*\*\*\*].
2. Exhibit A attached hereto identifies the fees CSG shall invoice Customer to [\*\*\*\*\*] the [\*\*\*\*\*] of the [\*\*\*\*\*] to a [\*\*\*\*\*] ending [\*\*\*\*\*] (the “\*\*\* Fee”). Customer acknowledges CSG [\*\*\*\*\*] Customer the [\*\*\*\*\*] Fee on the [\*\*\*\*\*] (\*\*\*\*\*), and Customer agrees to [\*\*\*\*\*] which are [\*\*\*\*\*] with Section [\*\*\*\*\*] of the Agreement.
3. As of the Fifth Amendment Effective Date, Schedule F, Fees, Section IV. Ancillary Products and Services, Subsection [\*.], entitled “\*\*\*”, is deleted in its entirety and replaced with the revised Subsection [\*.], entitled “\*\*\*\*\*” set forth on Exhibit B attached hereto.

4. Exhibit C attached hereto attaches the form of the [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\*] Schedule (as referenced in Note 3 to Schedule F, Fees, Section IV. Ancillary Products and Services, Subsection \*,, entitled “\*\*\*\*\* \*\*\*\*\* \*\*\*\*\*”) the Parties believe to be accurate and complete as of the Fifth Amendment Effective Date. If after the Fifth Amendment Effective Date the Parties identify a \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* that \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* in the \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* Schedule attached as Exhibit C \*\*\*\*\* \*\*, the Parties agree to \*\*\*\*\* the \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* Schedule to \*\*\*\*\* such \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*(\*) consistent with the \*\*\*\*\* identified in Note 3 to Schedule F, Fees, Section IV. Ancillary Products and Services, Subsection \*,, entitled “\*\*\*\*\* \*\*\*\*\* \*\*\*\*\*”].

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

COMCAST CABLE COMMUNICATIONS  
MANAGEMENT, LLC (“CUSTOMER”)

CSG SYSTEMS, INC. (“CSG”)

By: /s/ Peter Kiriacoulacos

By: /s/ Gregory L. Cannon

Name: Peter Kiriacoulacos

Name: Greg Cannon

Title: EVP & CPO

Title: SVP, General Counsel & Secretary

Date: 4/23/2021

Date: 4/23/2021









**Note 7:** If Customer [\*\*\*\*\* of “\*\*\*\*” (\*\*)\* \* \*\*\*\* of the \*\*\*\* at any given time during \*\* \*\*\*\*, the Parties agree that \*\* \*\*\*\*\* \*\* \* \*\* \*\*\*\*\* Fee \*\*\*\*\* \*\* Fee \*\*\*\* \* \*\* \*. \*\* \*\*\*\*\* Customer \*\*\*\*\* \*\* \*\*\*\*\* (\*\*) or \*\*\*\* \*\*\*\* at any given time during \*\* \*\*\*\*, the Parties agree to \*\*\*\*\* \* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\* \* \*\* \*\*\*\*\* \*\*\*\*\* Fee and/or CDA Fee \*\*\*\*\* for the \*\*\*\*\* \*\* \* \*\* \*\*\*\*\* and, if applicable, \*\*\*\*\* \*\*\*\*\* (\*\*\*) to \*\*\*\*\* for such \*\*\*\*\* \*\*\*\*\*].

**Note 8:** If Customer seeks to [\*\*\*\*\* a \*\* that is not a \*\*\*\*\* \*\* (a “\*\*\*\*\*”), \*\* \*\*\*\*\* by the Parties, (a) the \*\* \*\*\*\*\* Fee and/or \*\* Fee may be \*\*\*\*\* \*\* \*\*\*\*\* such \*\*\*\*\* \*\*\*\*\* (\*\* \*\*\*\*\* \*\*\*\*\* \*\* \*\*\*\*\* \*\* \*\*\*\*\*) or (b) the Parties shall \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* as a \*\*\*\*\* \*\*\*\*\* that is not a \*\*, and include the \*\*\*\*\* \*\*\*\*\* for such \*\*\*\*\* \*\*\*\*\* \*\* in a \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\* \*\*\*\*\* and \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* to reflect the applicable \*\*\*\*\* and \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* and \*\*\*\*\* of such \*\*\*\*\* \*\*\*\*\*].

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**THIS DOCUMENT CONTAINS INFORMATION WHICH HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED. SUCH EXCLUDED INFORMATION IS IDENTIFIED BY BRACKETS AND MARKED WITH (\*\*\*)**

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

**THIS EIGHTH AMENDMENT** (this “Eighth Amendment”) is made by and between **CSG Systems, Inc.** (“CSG”) and **Comcast Cable Communications Management, LLC** (“Customer”). The effective date of this Amendment is the date last signed below (the “Eighth Amendment Effective Date”). CSG and Customer entered into a certain CSG Master Subscriber Management System Agreement (CSG document #[\*\*\*\*\*]) with an effective date of January 1, 2020 (the “Agreement”) and now desire to further amend the Agreement in accordance with the terms and conditions set forth in this Eighth Amendment. If the terms and conditions set forth in this Eighth Amendment conflict with the Agreement, the terms and conditions of this Eighth Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Eighth Amendment shall have the meaning set forth in the Agreement. Upon execution of this Eighth Amendment by the Parties, any subsequent reference to the Agreement between the Parties shall mean the Agreement as amended by this Eighth Amendment. Except as amended by this Eighth Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

**WHEREAS**, CSG currently provides to Customer certain Financial Services pursuant to Exhibit C-3, “Financial Services,” to Schedule C, “Recurring Services” to the Agreement; and

**WHEREAS**, Customer has a direct contract with [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\* (“\*\*\*\*\*”) for certain lockbox services, which contract requires [\*\*\*\*\*] and CSG to exchange certain information to enable CSG to provide Customer certain lockbox processing reconciliation services; and

**WHEREAS**, as CSG and [\*\*\*\*\* are not \*\* \*\*\*\*\* \*\*\*\*\*], CSG and Customer desire to amend the Agreement to prescribe certain terms and conditions relative to the parties’ respective obligations with respect to the lockbox processing reconciliation services and CSG and [\*\*\*\*\*] coordination as necessary to provide such services.

**NOW THEREFORE**, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, CSG and Customer agree to amend the Agreement as follows:

1. The Parties have reviewed and updated the terms of Exhibit C-3, “Financial Services,” to Schedule C, “Recurring Services,” to the Agreement to reflect the current Recurring Services made available and/or provided to Customer. As a result, Exhibit C-3, “Financial Services,” to Schedule C, “Recurring Services,” to the Agreement is deleted in its entirety and replaced with the revised Exhibit C-3 set forth on Attachment A attached hereto.
  2. CSG and Customer agree to amend the Agreement to specify certain terms relative to the lockbox processing reconciliation services by adding a new Exhibit C-3(f) to Exhibit C-3, “Financial Services,” to Schedule C, “Recurring Services,” to the Agreement, as set forth in Attachment B attached hereto.
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IN WITNESS WHEREOF the parties hereto have caused this Eighth Amendment to be executed by their duly authorized representatives.

**COMCAST CABLE COMMUNICATIONS  
MANAGEMENT, LLC (“CUSTOMER”)**

**CSG SYSTEMS, INC. (“CSG”)**

By: /s/ Jeur Abeln

By: /s/ Gregory L. Cannon

Name: Jeur Abeln

Name: Gregory L. Cannon

Title: SVP Procurement

Title: SVP, General Counsel & Secretary

Date: 29-Jun-21

Date: Jun 24, 2021

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6. **Third Party Vendors.** Prior to CSG engaging in any activity with Customer's third party financial services vendors, such vendors shall be certified by CSG pursuant to a written certification agreement between CSG and either the third party vendor or Customer. Such vendor shall be certified within [\*\*\*\* (\*) \*\*\*\*\*] days of any implementation of services involving such third party vendor. In addition, vendors shall be re-certified due to any changes made to either the vendor's products and/or services or CSG's billing system after the initial set up. Such re-certification shall occur within [\*\*\*\* (\*) \*\*\*\*] of any implementation of either the vendor's new product/service or the changes in CSG's billing system, whichever occurs.
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7. **Changes to Requirements and Instructions.** The parties agree if there are changes to the [\*\*\*\*\*] Lockbox Reconciliation Requirements and Instructions, such changes will be agreed in writing by the parties (email is sufficient with Vice President or above approval from each party) and Customer shall be responsible for providing such changes to the [\*\*\*\*\*] Lockbox Reconciliation Requirements and Instructions to [\*\*\*\*\*] in a timely manner.

8. **Non-Exclusive Relationship.** The parties agree that nothing in this Exhibit C-3(f) or any attachment hereto creates an exclusive relationship and CSG will continue to have the ability to provide the lockbox processing reconciliation services using [\*\*\*\*\*] as a processor for other CSG customers and Customer shall continue to have the ability to receive lockbox processing reconciliation services from CSG using processors other than [\*\*\*\*\*].

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**Schedule A**  
**to**  
**Exhibit C-3(f)**

**[\*\*\*\*\*] Lockbox Reconciliation Requirements and Instructions**

1. [\*\*\*\*\*] Lockbox Reconciliation Requirements and Instructions in this Schedule A will be provided by Customer to [\*\*\*\*\*]:
  - 1.1 **Definitions** (as relates to this Schedule A).
    - 1.1.1 “Bill” means a bill or invoice for the payment of goods and/or services sold, licensed or otherwise supplied by Customer.
    - 1.1.2 “Payment File” means a payment file prepared by [\*\*\*\*\*] and containing Bill payment information.
  - 1.2 **[\*\*\*\*\*] Obligations.**
    - 1.2.1 [\*\*\*\*\*] shall have a valid agreement in effect with Customer prior to sending Payment File data to CSG.
    - 1.2.1 [\*\*\*\*\*] shall provide a Payment File to CSG in accordance with the file format (the “Payment File Format”), a copy of which is attached hereto as Exhibit 1 to this Schedule A, provided to [\*\*\*\*\*] by Customer pursuant to these [\*\*\*\*\*] Lockbox Reconciliation Requirements and Instructions.
    - 1.2.2 [\*\*\*\*\*] is responsible to Customer for failure to provide accurate content to CSG in the Payment File. To the extent that the content of the data in any Payment File provided by [\*\*\*\*\*] to CSG is incorrect, CSG shall have no liability under this Agreement as relates to such Payment File, to the extent not attributable to CSG.
    - 1.2.3 Pursuant to these [\*\*\*\*\*] Lockbox Reconciliation Requirements and Instructions, [\*\*\*\*\*] shall review and validate the information provided in each Confirmation Email (as defined in Section 1.3.4 below) sent by CSG. Any errors identified by [\*\*\*\*\*] shall be reported to the CSG International Support Desk within [\*\*\* (\*) \*\*\*\*] of receipt of the Confirmation Email. CSG shall not be responsible for errors not timely reported to CSG by [\*\*\*\*\*] as provided herein.
    - 1.2.4 [\*\*\*\*\*] shall have adequately trained personnel available to resolve any Payment File issues or questions from the time a daily Payment File is submitted to CSG up to the time that a Confirmation Email is provided by CSG to [\*\*\*\*\*].
    - 1.2.5 Pursuant to the [\*\*\*\*\*] Lockbox Reconciliation Requirements and Instructions, [\*\*\*\*\*] will always adhere to the file naming conventions (the “File Naming Conventions”), attached as Exhibit 2 to this Schedule A.
    - 1.2.6 Pursuant to the [\*\*\*\*\*] Lockbox Reconciliation Requirements and Instructions, payment information shall be provided by [\*\*\*\*\*] to CSG and [\*\*\*\*\*] shall be responsible for certifying with CSG that its Payment File is consistent with the Payment File Format and the File Naming Conventions.
  - 1.3 **CSG’s Obligations.**
    - 1.3.1 CSG shall have a valid agreement in effect with Customer prior to receiving payments from [\*\*\*\*\*].
    - 1.3.2 CSG shall post all Bill payment information and other data and information contained in the Payment Files to the CSG billing system for Customer's database on the day such Payment File is received, provided that the Payment File is received prior to CSG’s cutoff time. If a Payment File is received after the CSG cutoff time, the payment information and other data and information contained in such Payment File will post the next day.
    - 1.3.3 CSG shall not amend, rectify, or delete any data or information contained in any Payment File without having received written instruction from Customer and [\*\*\*\*\*] to do so.
    - 1.3.4 CSG shall send [\*\*\*\*\*] a confirmation email with the dollar amount of successfully posted transactions (“Confirmation Email”) as specified in Exhibit 3 to this Schedule A – Lockbox Confirmation Email.

**Exhibit 1**

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to  
Schedule A

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Exhibit 2



**Exhibit 3  
to  
Schedule A**

**Lockbox Confirmation Email**

Pursuant to the [\*\*\*\*\*] Lockbox Reconciliation Requirements and Instructions, CSG will provide file confirmation emails to [\*\*\*\*\*]:

1. [\*\*\*\*\*] will be set up to receive file Confirmation Emails. When [\*\*\*\*\*] transmits a file and it is successfully received and processed by CSG, a Confirmation Email will automatically be sent to [\*\*\*\*\*] specified email address. [\*\*\* \*\*\*\*\* \*\*\*\* \* \*\* \*\*\*\*\* \*\*\*\* \* [\*\*\*\*\*] \*\*\*\*\* \*\*\*\* \*\*\*\*\*]

Each Confirmation Email will have a confirmation document attached in [\*\*\*\*\* \*\*\*\*\*].

2. The purpose of the Confirmation Email is to provide [\*\*\*\*\*] with ability to supervise its payment file after the payment file has been transmitted.
3. An individual file will be made up of [\*\*\* (\*) \*\* \*\*\*\*] batches. When received, the Confirmation Email will provide the following information for each batch within a processed file:
  - system principal assigned to the batch
  - whether the entire batch was accepted or rejected
    - a reject reason will be provided for any rejected batch
  - total dollar amount of a rejected batch
  - total dollar amount of accepted items within an accepted batch
    - individual items of an accepted batch can be rejected; when that occurs the totals of those items do not show in the total for the batch
4. The Confirmation Email will also provide the total dollar amount of all (a) accepted payments and (b) returned batches. The totals for any rejected batches will not show in the overall totals.
5. Every Confirmation Email will contain the following ending statement:

*IF YOU HAVE QUESTIONS REGARDING THE CONTENTS OF THIS EMAIL, CONTACT CSG'S INTERNATIONAL SERVICE DESK ("ISD") AT  
[\*\*\*\*\*]; REFERENCE JOB \*\*\*\*\*]*

Note: [\*\*\*\*\*] has been assigned a unique [\*\*\*\* \*\*] name that will be provided in the confirmation email.

6. If a payment file is transmitted and processed at CSG successfully, [\*\*\*\*\*] will receive the Confirmation Email within [\*\*\*\*\* (\*\*) \*\*\*\*\*] of transmission.
7. If [\*\*\*\*\*] does not receive a Confirmation Email within such [\*\*\*\*\* (\*\*) \*\*\*\*\*] time period, [\*\*\*\*\*] should contact the ISD and provide the designated [\*\*\*\*] job name. The ISD will open a priority [\* \*\*\*\* \*\*\*\*\*] and the CSG Financial Services on-call team will be paged.
8. The CSG Financial Services on call team will assess the situation to determine what [\*\*\* \*\*\*\*\* \*\*\*\*(\*)] to engage.

**EMPLOYMENT AGREEMENT**

This Employment Agreement is made and entered into on the 20th day of May, 2021, among CSG SYSTEMS INTERNATIONAL, INC. (“CSGS”), a Delaware corporation, CSG SYSTEMS, INC. (“Systems”), a Delaware corporation, and ELIZABETH A. BAUER (the “Executive”). CSGS and Systems collectively are referred to in this Employment Agreement as the “Companies”.

\* \* \*

WHEREAS, Systems is a wholly owned subsidiary of CSGS; and

WHEREAS, the Companies and the Executive desire to enter into an Employment Agreement to set forth the terms of the Executive's employment with the Companies;

NOW, THEREFORE, the Companies and the Executive agree, that effective on the immediately, the terms of the Executive's employment by the Companies are as follows:

1. Employment and Duties. Each of the Companies hereby employs the Executive as an Executive Vice President and Chief Marketing and Customer Officer throughout the term of this agreement and agrees to cause the Executive from time to time to be elected or appointed to such corporate offices or positions. The duties and responsibilities of the Executive shall include (a) the duties and responsibilities of the Executive's corporate offices and positions referred to in the preceding sentence which are set forth in the respective bylaws of the Companies from time to time and (b) such other duties and authorities consistent with the Executive's corporate offices referred to in the preceding sentence and this agreement which the Board of Directors of CSGS (the “Board”) or the Chief Executive Officer of CSGS from time to time may assign to the Executive. If the Executive is elected or appointed as a director of CSGS or Systems or as an officer or director of any of the respective subsidiaries of the Companies during the term of this agreement, then he also shall serve in such capacity or capacities but without additional compensation.

2. Term of Employment. The employment of the Executive under this agreement will 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.

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3. Place of Employment. Regardless of the location of the executive offices of the Companies during the term of this agreement, the Companies shall maintain a suitably staffed office for the Executive in the Denver, Colorado, metropolitan area during the term of this agreement; and the Executive will not be required without her consent to relocate or transfer her executive office or principal residence from the immediate vicinity of the Denver, Colorado, metropolitan area.

4. Base Salary. For all services to be rendered by the Executive pursuant to this Agreement, the Companies agree to pay the Executive during the term of this agreement a base salary (the "Base Salary") for each calendar year at an annual rate which is not less than the annual rate of the Executive's Base Salary in effect on December 31 of the immediately preceding calendar year. Executive's initial Base Salary, retroactive to January 1, 2021, will be \$372,000. The Executive's annual incentive bonus provided for in Paragraph 5 and all other compensation and benefits to which the Executive is or may become entitled pursuant to this agreement or under any plans or programs of the Companies shall be in addition to the Base Salary.

5. Annual Incentive Bonus. The Compensation Committee of the Board shall provide an incentive bonus program for the Executive for each calendar year during the term of this agreement. The Executive and the Companies understand and acknowledge that, among other things, such incentive bonus program will involve achievement by the Companies of various financial objectives, which may include but are not limited to revenues and earnings, and also may include achievement by the Companies or the Executive of various mutually agreed-upon non-financial objectives. Such incentive bonus program for each calendar year beginning after December 31, 2020, shall provide the opportunity for the Executive to earn an incentive bonus of not less than seventy-five percent (75%) of her Base Salary for such calendar year if the agreed upon objectives are fully achieved. The Board from time to time also may establish incentive compensation programs for the Executive covering periods of more than one (1) year, and any such programs shall be in addition to the annual incentive bonus program required by this Paragraph 5.

6. Expenses. During the term of this agreement, the Executive shall be entitled to prompt reimbursement by the Companies of all reasonable ordinary and necessary travel, entertainment, and other expenses incurred by the Executive (in accordance with the policies and procedures established by the Companies for their respective senior executive officers) in the performance of her duties and responsibilities under this agreement; provided, that the Executive shall properly account for such expenses in accordance with the policies and procedures of the Companies, which may include but are not limited to itemized accountings.

7. Other Benefits. During the term of this agreement, the Companies shall provide to the Executive and her eligible dependents at the expense of the Companies individual or group medical, hospital, dental and long-term disability insurance coverages and group life insurance coverage, in each case at least as favorable as those coverages which are provided to other senior executive officers of the Companies. During the term of this agreement, the Executive also shall be entitled to participate in such other benefit plans or programs which the Companies from time to time may make available to their employees generally (except, if applicable, any programs in which executive officers of CSGS are not eligible to participate because of securities law reasons).



8. Vacations and Holidays. During the term of this agreement, the Executive shall be entitled to paid vacations and holidays in accordance with the policies of the Companies in effect from time to time for their respective senior executive officers, but in no event shall the Executive be entitled to less than four (4) weeks of vacation during each calendar year.

9. Full-Time Efforts and Other Activities. During the term of this agreement, to the best of her ability and using all of her skills, the Executive shall devote substantially all of her working time and efforts during the normal business hours of the Companies to the business and affairs of the Companies and to the diligent and faithful performance of the duties and responsibilities assigned to him pursuant to this agreement, except for vacations, holidays, and sick days. However, the Executive may devote a reasonable amount of her time to civic, community, or charitable activities, to service on the governing bodies or committees of trade associations or similar organizations of which either or both of the Companies are members, and, with the prior approval of the Board or the Chief Executive Officer of CSGS, to service as a director of other corporations and to other types of activities not expressly mentioned in this paragraph, so long as the activities referred to in this sentence do not materially interfere with the proper performance of the Executive's duties and responsibilities under this agreement. The Executive also shall be free to manage and invest her assets in such manner as will not require any substantial services by the Executive in the conduct of the businesses or affairs of the entities or in the management of the properties in which such investments are made, so long as such activities do not materially interfere with the proper performance of the Executive's duties and responsibilities under this agreement. At all times during the term of this agreement, the Executive shall comply with the then current Code of Ethics and Business Conduct of CSGS.

10. Termination of Employment.

(a) Termination Because of Death. The Executive's employment by the Companies under this agreement shall terminate upon her death. If the Executive's employment under this agreement terminates because of her death, then the Executive's estate or her beneficiaries (as further described in subparagraph 10(k)) will be entitled to receive the following compensation and benefits from the Companies:

- (i) A lump sum payment equal to the sum of the following, to the extent accrued and unpaid up to and including the date of termination of the Executive's employment (the "Termination Date"): (A) the Executive's Base Salary, and (B) the balance of the Executive's earned and unused vacation pay, in each case payable within fourteen (14) days after the Termination Date (collectively, the "Accrued Benefits");
- (ii) A lump sum payment under the terms of the then-existing annual incentive bonus plan for senior executives of the Companies, on a pro rata basis, equal to the product of (A) the Executive's annual incentive bonus for the calendar year in which the Termination Date occurs (computed as if the Executive were employed by the Companies throughout such calendar year) and (B) a fraction, the numerator of which is the number of days during the calendar year

in which the Termination Date occurs that the Executive was employed by the Companies and the denominator of which is 365, payable on the date bonuses are paid under the annual incentive bonus plan to then-current senior executives of the Companies (the “Pro Rata Bonus”);

- (iii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the Termination Date; and
- (iv) Any other benefits payable by reason of the Executive’s death, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the Termination Date.

(b) Termination Because of Disability. If the Executive becomes incapable by reason of physical injury, disease, or mental illness of substantially performing her duties and responsibilities under this agreement with or without a reasonable accommodation for a continuous period of six (6) months or more or for more than one hundred eighty (180) days in the aggregate (whether or not consecutive) during any 12-month period, then at any time after the elapse of such six-month period or such 180 days, as the case may be, the Board may terminate the Executive’s employment by the Companies under this agreement. If the Executive’s employment under this agreement is terminated by the Board because of such disability on the part of the Executive, then the Executive will be entitled to receive the following compensation and benefits from the Companies:

- (i) The Accrued Benefits, payable within fourteen (14) days after the Termination Date;
- (ii) The Pro Rata Bonus, payable on the date bonuses are paid under the annual incentive bonus plan to then-current employees;
- (iii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the Termination Date;
- (iv) Continued participation at the Companies’ expense in the group medical, dental, life, and long-term disability insurance 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 Termination Date, 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 cessation of such disability, the Executive’s death, the Executive’s attainment of age sixty-five (65), 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; and

- (v) Any other benefits payable by reason of the Executive's disability, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the Termination Date.

For purposes of this subparagraph (b), decisions with respect to the Executive's disability shall be made by the Board, using its reasonable good faith judgment; and, in making any such decision, the Board shall consider and rely upon the opinions of (i) a duly licensed and qualified physician selected by a majority of the members of the Board who are not employees of either of the Companies or any of their respective subsidiaries and (ii) the Executive's personal physician.

(c) Termination for Cause. The Board may terminate the Executive's employment by the Companies under this agreement for cause; however, for purposes of this agreement "cause" shall mean only (i) the Executive's confession or conviction of theft, fraud, embezzlement, or other crime involving dishonesty, (ii) the Executive's certification of materially inaccurate financial or other information pertaining to the Companies (or either of them) or any of the respective subsidiaries of the Companies with actual knowledge of such inaccuracies on the part of the Executive, (iii) the Executive's refusal or willful failure to cooperate with an investigation by a governmental agency pertaining to the financial or other business affairs of the Companies (or either of them) or any of the respective subsidiaries of the Companies unless such refusal or willful failure is based upon a written directive of the Board or the written advice of counsel, (iv) the Executive'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 Executive to cure such absenteeism within twenty (20) days after the Executive's receipt of a written notice from the Board or the Chief Executive Officer of CSGS setting forth the particulars of such absenteeism, (v) material violation by the Executive of the provisions of Paragraph 11, (vi) habitual and material negligence by the Executive in the performance of her duties and responsibilities under or pursuant to this agreement and failure on the part of the Executive to cure such negligence within twenty (20) days after her receipt of a written notice from the Board or the Chief Executive Officer of CSGS setting forth in reasonable detail the particulars of such negligence, (vii) material non-compliance by the Executive with her obligations under Paragraph 9 and failure to correct such non-compliance within twenty (20) days after the Executive's receipt of a written notice from the Board or the Chief Executive Officer of CSGS setting forth in reasonable detail the particulars of such non-compliance, (viii) material failure by the Executive to comply with a lawful directive of the Board or the Chief Executive Officer of CSGS and failure to cure such non-compliance within twenty (20) days after the Executive's receipt of a written notice from the Board or the Chief Executive Officer of CSGS setting forth in reasonable detail the particulars of such non-compliance, (ix) a material breach by the Executive of any of her fiduciary duties to the Companies (or either of them) or any of the respective subsidiaries of the Companies and, if such breach is curable, the Executive's failure to cure such breach within ten (10) days after the Executive's receipt of a written notice from the Board or the Chief Executive Officer of CSGS setting forth in reasonable detail the particulars of such breach, or (x) willful misconduct or fraud on the part of the Executive in the performance of the Executive's duties under this agreement as determined in good faith by the Board. In no event shall the results of operations of the Companies or any business judgment made in good faith by the Executive constitute an independent basis for termination for cause of the Executive's employment under this agreement. Any termination of the Executive's employment for cause must be authorized by a majority vote of the Board taken

not later than six (6) months after a majority of the members of the Board (other than the Executive if he is a member of the Board) have actual knowledge of the occurrence of the event or conduct constituting the cause for such termination. If the Executive's employment under this agreement is terminated by the Board for cause, then the Executive will be entitled to receive the following compensation and benefits from the Companies:

- (i) The Accrued Benefits, payable within fourteen (14) days after the Termination Date;
- (ii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the Termination Date; and
- (iii) Any other benefits payable to the Executive upon her termination for cause, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the Termination Date.

(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 will be entitled to receive the compensation, benefits, and other payments from the Companies provided in the following clauses (i), (iii), and (v) of this subparagraph (d) and, if the Executive (A) executes a release of all claims in a form reasonably acceptable to the Companies and the Executive (the "Release") and the applicable revocation period with respect to the Release expires within 45 days (or such longer period as required by law) following the Termination Date and (B) continues to comply with (1) the Executive's fiduciary obligations to the Companies, (2) the Executive's covenants under Paragraphs 18 and 19 of this agreement, and (3) any other material ongoing obligations relating to the Companies to which the Executive is subject, also will be entitled to receive the payments and benefits provided in the following clauses (ii) and (iv) of this subparagraph (d):

- (i) The Accrued Benefits, payable within fourteen (14) days after the Termination Date;
- (ii) An amount equal to one hundred percent (100%) of the average of the Executive's compensation shown in Box 1 ("Wages, tips, other compensation") of the Executive's Internal Revenue Service Form W-2 for each of the three calendar years immediately preceding the calendar year in which the Termination Date occurs, payable in substantially equal installments in accordance with the Companies' normal payroll practices for the twelve (12) months following the Termination Date; provided, that (A) such payments shall commence on the first regularly scheduled payroll date that is at least sixty (60) days following the Termination Date upon the conditions that the Executive has delivered the signed Release to the Companies and the Release has become irrevocable (the "Payment Commencement Date") and (B) the first such payment shall include

all payments that otherwise would have been paid to the Executive pursuant to this subparagraph between the Termination Date and the Payment Commencement Date if such payments had commenced as of the Termination Date;

- (iii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the Termination Date;
- (iv) Continued participation at the Companies' expense in the group medical, dental, life, and long-term disability insurance 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 Termination Date, 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 one (1) year after the Termination 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; and
- (v) Any other benefits payable to the Executive upon her 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 Termination Date.

(e) Termination Without Cause After a Change of Control. If, within eighteen (18) months after the occurrence of a Change of Control (as determined under Paragraph 15 of this agreement), 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 the compensation, benefits, and other payments from the Companies provided in the following clauses (i), (ii), (iv), and (vi) of this subparagraph (e) and, if the Executive (A) executes a release of all claims in a form reasonably acceptable to the Companies (the "Release") and the applicable revocation period with respect to the Release expires within 45 days (or such longer period as required by law) following the Termination Date and (B) continues to comply with (1) the Executive's fiduciary obligations to the Companies, (2) the Executive's covenants under Paragraphs 18 and 19 of this agreement, and (3) any other material ongoing obligations relating to the Companies to which the Executive is subject, also will be entitled to receive the payments and benefits provided in the following clauses (iii) and (v) of this subparagraph (e):

- (i) The Accrued Benefits, payable within fourteen (14) days after the Termination Date;
- (ii) The automatic vesting of all unvested Restricted Stock Awards under Restricted Stock Award Agreements between CSGS and the Executive which are in effect on the Termination Date and which

provide for automatic vesting of the unvested Award Shares upon the Executive's involuntary (on the part of the Executive) termination of employment without cause after the occurrence of a Change of Control (the "Change of Control Termination");

- (iii) An amount equal to three (3) times the sum of (1) the Executive's Base Salary for the calendar year in which the Termination Date occurs plus (2) the performance-based cash bonus which the Executive would receive for the calendar year in which the Termination Date occurs if the Companies attained 100% of their performance goals for such calendar year, reduced as necessary so that the actual amount, if any, payable under this clause (iii) plus the applicable amounts of any other relevant payments or benefits under this subparagraph (e) is \$1.00 less than the amount which would result in the imposition of a tax under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), on "excess parachute payments" (as defined in Section 280G of the Code), such amount to be paid in a lump sum by the Companies to the Executive no later than thirty (30) days after the determination of such amount;
- (iv) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the Termination Date; and
- (v) Continued participation at the Companies' expense in the group medical, dental, life, and long-term disability insurance 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 Termination Date, 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 two (2) years after the Termination 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; and
- (vi) Any other benefits payable to the Executive upon her 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 Termination Date.

Notwithstanding the foregoing provisions of this subparagraph (e), with respect to compensation subject to Section 409A of the Code, the lump sum payment provision set forth in clause (iii) of this subparagraph (e) will only apply if the Change of Control event is also a "change in control event" as determined under Treasury Regulation section 1.409A-3(i)(5); otherwise, the payment will be made at the same time and in the same form as set forth in subparagraph 10(d)(ii) of this agreement.

(f) Constructive Termination. If at any time during the term of this agreement the Executive terminates her employment on account of a Constructive Termination, then the Executive shall be eligible to receive all of the payments and benefits provided in subparagraph 10(d) of this agreement, which shall be paid in accordance with subparagraph 10(d); however, if the Constructive Termination occurs within eighteen (18) months following a Change of Control, then the Executive instead shall be eligible to receive all of the payments and benefits provided in subparagraph 10(e) of this agreement, which shall be paid in accordance with subparagraph 10(e). For purposes of this subparagraph (f), “Constructive Termination” means any action by the Board, the Chief Executive Officer of CSGS, or a Permitted Assignee, in each case without the Executive’s prior consent, that materially and adversely alters the authority, duties, or responsibilities of the Executive. Notwithstanding the foregoing provisions of this subparagraph (f), in no event will the occurrence of any such condition constitute a Constructive Termination unless (i) the Executive provides written notice to the Board or the Permitted Assignee (as applicable) of the existence of the condition giving rise to a Constructive Termination within ninety (90) days following the date the Executive first becomes aware of the existence of such condition and (B) the Board or Permitted Assignee (as applicable) fails to materially cure such condition to the reasonable satisfaction of the Executive within thirty (30) days following the date of such notice, upon which failure to cure the Executive will immediately resign her employment with the Companies.

(g) Voluntary Resignation. If the Executive voluntarily resigns as an employee of the Companies and thereby voluntarily terminates her employment under this agreement and if none of subparagraphs (a) through (f) of this Paragraph 10 is applicable to such termination, then the Executive will be entitled to receive only the following compensation, benefits, and other payments from the Companies:

- (i) The Accrued Benefits, payable within fourteen (14) days after the Termination Date;
- (ii) Any other amounts earned, accrued, or owed to the Executive under this agreement but not paid as of the Termination Date;
- (iii) If (and only if) the Executive’s voluntary resignation is effective on December 31 of a particular calendar year, the Executive’s annual incentive bonus (if any) to be paid in accordance with the regular schedule for its payment; and
- (iv) Any other benefits payable to the Executive upon her voluntary resignation, or to which the Executive otherwise may be entitled, under any benefit plans or programs of the Companies in effect on the Termination Date.

The Executive understands and agrees that if this subparagraph (g) is applicable to the termination of the Executive’s employment with the Companies, then, unless her voluntary resignation is effective on December 31 of a particular calendar year, the Executive will not be entitled to any annual incentive bonus for the calendar year in which her voluntary resignation becomes effective.

(h) Liquidated Damages. The Executive agrees to accept the compensation, benefits, and other payments provided for in subparagraph (d), subparagraph (e), or subparagraph (f) of this Paragraph 10, as the case may be, as full and complete liquidated damages for any breach of this agreement relating to or resulting from the actual or constructive termination of the Executive's employment under this agreement for a reason other than cause or the Executive's death or disability; and the Executive shall not have and hereby waives and relinquishes any other rights or claims in respect of any such breach.

(i) Notice of Other Benefits. Whenever relevant for purposes of this Paragraph 10, the Executive promptly shall notify the Companies of her receipt from another employer of any benefits of the types referred to in subparagraphs (b)(iv), (d)(iv), and (e)(v) of this Paragraph 10. Such information shall be updated by the Executive whenever necessary to keep the Companies informed on a current basis.

(j) Modification of Benefit Plans or Programs. Nothing contained in this Paragraph 10 shall obligate the Companies to institute, maintain, or refrain from changing, amending, or discontinuing any benefit plan or program referred to in subparagraph (b)(iv), (d)(iv), or (e)(v) of this Paragraph 10 so long as such actions are similarly applicable to senior executives of the Companies generally.

(k) Rights of Estate. The Executive may, by written instrument delivered to the Companies during the Executive's lifetime, designate primary and contingent beneficiaries to receive (at the same time or times that the payments would have been made to the Executive if the Executive were still living) the unpaid portion of any cash payments if the Executive dies prior to her receipt of all of the cash payments to which he may be entitled pursuant to subparagraph (a), (b), (c), (d), (e), (f), or (g) of this Paragraph 10, and the Executive may designate the proportions in which such beneficiaries are to receive such payments. The Executive may change such beneficiary designations from time to time, and the last written beneficiary designation filed with the Companies prior to the Executive's death will control. If the Executive fails to designate a beneficiary, or if no designated beneficiary survives the Executive, or if all designated beneficiaries who survive the Executive die before all payments are made, then the remaining payments shall be made to the legal representative of the Executive's estate.

11. Nondisclosure. During the term of this agreement and thereafter, the Executive shall not, without the prior written consent of the Board or a person (other than the Executive) so authorized by the Board, disclose or use for any purpose (except in the course of her employment under this agreement and in furtherance of the business of the Companies or any of their respective subsidiaries) any confidential information, trade secrets, or proprietary data of the Companies or any of their respective subsidiaries (collectively, for purposes of this agreement, "Confidential Information"); provided, however, that Confidential Information shall not include any information then known generally to the public or ascertainable from public or published information (other than as a result of unauthorized disclosure by the Executive) or any information of a type not otherwise considered confidential by persons engaged in the same business or a business similar to that conducted by the Companies or their respective subsidiaries, as the case may be.

12. Successors and Assigns. This agreement and all rights under this agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties hereto and their



respective personal or legal representatives, executors, administrators, heirs, distributees, devisees, legatees, successors, and assigns. This agreement is personal in nature, and none of the parties to this agreement shall, without the written consent of the others, assign or transfer this agreement or any right or obligation under this agreement to any other person or entity, except as permitted by Paragraph 14.

13. Notices. For purposes of this agreement, notices and other communications provided for in this agreement shall be deemed to be properly given if delivered personally or sent either by next-business-day prepaid express delivery by a recognized national express delivery service or by United States certified mail, return receipt requested, postage prepaid, in either case addressed as follows:

If to the Executive:

Elizabeth Bauer  
750 Bellaire Street  
Denver, Colorado 80220

If to the Companies:

CSG Systems International, Inc.  
and CSG Systems, Inc.  
6175 South Willow Drive, 10th Floor  
Greenwood Village, Colorado 80111  
Attn: General Counsel,

or to such other address as either party may have furnished to the other party in writing in accordance with this paragraph. Such notices or other communications shall be effective only upon receipt.

14. Merger, Consolidation, Sale of Assets. In the event of (a) a merger of Systems with another corporation (other than CSGS) in a transaction in which Systems is not the surviving corporation, (b) the consolidation of Systems into a new corporation resulting from such consolidation, (c) the sale or other disposition of all or substantially all of the assets of Systems, the Companies may assign this agreement and all of the rights and obligations of the Companies under this agreement to the surviving, resulting, or acquiring entity (for purposes of this agreement, a "Permitted Assignee"); provided, that such surviving, resulting, or acquiring entity shall in writing assume and agree to perform all of the obligations of the Companies under this agreement; and provided further, that the Companies shall remain jointly and severally liable for the performance of the obligations of the Companies under this agreement in the event of a failure of the Permitted Assignee to perform its obligations under this agreement.

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.

16. Miscellaneous. No provision of this agreement may be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in writing and is signed by the Executive and an officer of CSGS (other than the Executive) so authorized by the Board. No waiver by any party to this agreement at any time of any breach by any other party of, or compliance by any other party with, any condition or provision of this agreement to be performed by such other party shall be deemed to be a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this agreement have been made by any party that are not expressly set forth in this agreement.

17. Representations of Companies. The Companies severally represent and warrant to the Executive that they have full legal power and authority to enter into this agreement, that the execution and delivery of this agreement by the Companies have been duly authorized by their respective boards of directors, and that the performance of their respective obligations under this agreement will not violate any agreement between the Companies, or either of them, and any other person, firm, or organization.

18. Non-Solicitation of Employees. For a period of one (1) year after the effective date of the termination of the Executive's employment under this agreement for any reason, whether voluntarily or involuntarily and with or without cause, without the prior written consent of CSGS the Executive agrees (i) not to directly or indirectly employ, solicit for employment, assist any other person in employing or soliciting for employment, or advise or recommend to any other person that such other person employ or solicit for employment any person who then is an employee of the Companies (or either of them) or any of the respective subsidiaries of the Companies and (ii) not to recommend to any then employee of the Companies (or either of them) or any of the respective subsidiaries of the Companies that such employee leave the employ of such employer.

19. Post-Termination Noncompetition. Because the Confidential Information known to or developed by the Executive during her employment by the Companies encompasses at the highest level information concerning the plans, strategies, products, operations, and existing and prospective customers of the Companies and their respective subsidiaries and could not practically be disregarded by the Executive, the Executive acknowledges that her provision of executive services to a competitor of the Companies or either of them or any of the respective subsidiaries of the Companies soon after the termination of the Executive's employment by the Companies would inevitably result in the use of the Confidential Information by the Executive in her performance of such executive services, even if the Executive were to use her best efforts to avoid such use of the Confidential Information. To prevent such use of the Confidential Information and the resulting unfair competition and wrongful appropriation of the goodwill and other valuable proprietary interests of the Companies and their respective subsidiaries, the Executive agrees that for a period of one (1) year after the termination of her employment by the Companies for any reason, whether voluntarily or involuntarily and with or without cause, the Executive will not, directly or indirectly:

- (a) engage, whether as an employee, agent, consultant, independent contractor, owner, partner, member, or otherwise, in a business activity which then competes in a material way with a business activity then being actively engaged in by the Companies or either of them or any of their respective subsidiaries;
- (b) solicit or recommend to any other person that such period solicit any then customer of the Companies or either or them or any of their respective subsidiaries, which customer also was a customer of the Companies or either of them or any of their respective subsidiaries at any time during the one (1) year period prior to the termination of the Executive's employment by the Companies, for the purpose of obtaining the business of such customer in competition with the Companies or either of them or any of their respective subsidiaries; or

- (c) induce or attempt to induce any then customer or prospective customer of the Companies or either of them or any of their respective subsidiaries to terminate or not commence a business relationship with the Companies or either of them or any of their respective subsidiaries.

The Companies and the Executive acknowledge and agree that the restrictions contained in this Paragraph 19 are both reasonable and necessary in view of the Executive's positions with the Companies and that the Executive's compensation and benefits under this agreement are sufficient consideration for the Executive's acceptance of such restrictions. Nevertheless, if any of the restrictions contained in this Paragraph 19 are found by a court having jurisdiction to be unreasonable, or excessively broad as to geographic area or time, or otherwise unenforceable, then the parties intend that the restrictions contained in this Paragraph 19 be modified by such court so as to be reasonable and enforceable and, as so modified by the court, be fully enforced. Nothing contained in this paragraph shall be construed to preclude the investment by the Executive of any of her assets in any publicly owned entity so long as the Executive has no direct or indirect involvement in the business of such entity and owns less than 2% of the voting equity securities of such entity. Nothing contained in this paragraph shall be construed to preclude the Executive from becoming employed by or serving as a consultant to or having dealings with a publicly owned entity one of whose businesses is a competitor of the Companies or either of them or any of the respective subsidiaries of the Companies so long as such employment, consultation, or dealings do not directly or indirectly involve or relate to the business of such entity which is a competitor of the Companies or either of them or any of the respective subsidiaries of the Companies.

20. Joint and Several Obligations. All of the obligations of the Companies under this agreement are joint and several; and neither the bankruptcy, insolvency, dissolution, merger, consolidation, or reorganization nor the cessation of business or corporate existence of one of the Companies shall affect, impair, or diminish the obligations under this agreement of the other of the Companies. The compensation and benefits to which the Executive is entitled under this agreement are aggregate compensation and benefits, and the payment of such compensation or the provision of such benefits by one of the Companies shall to the extent of such payment or provision satisfy the obligations of the other of the Companies. The Companies may agree between themselves as to which of them will be responsible for some or all of the Executive's compensation and benefits under this agreement, but any such agreement between the Companies shall not diminish to any extent the joint and several liability of the Companies to the Executive for all of such compensation and benefits.

21. Injunctive Relief. The Executive acknowledges that her violation of the provisions and restrictions contained in Paragraphs 11, 18, and 19 could cause significant injury to the Companies for which the Companies would have no adequate remedy at law. Accordingly, the Executive agrees that the Companies will be entitled, in addition to any other rights and remedies that then may be available to the Companies, to seek and obtain injunctive relief to prevent any breach or potential breach of any of the provisions and restrictions contained in Paragraph 11, 18, or 19.

22. Dispute Resolution. Subject to the provisions of Paragraph 21, any claim by the Executive or the Companies arising from or in connection with this agreement, whether based on

contract, tort, common law, equity, statute, regulation, order, or otherwise (a “Dispute”), shall be resolved as follows:

- (a) Such Dispute shall be submitted to mandatory and binding arbitration at the election of either the Executive or the particular Company involved (the “Disputing Party”). Except as otherwise provided in this Paragraph 22, the arbitration shall be pursuant to the Commercial Arbitration Rules of the American Arbitration Association (the “AAA”).
- (b) To initiate the arbitration, the Disputing Party shall notify the other party in writing within 30 days after the occurrence of the event or events which give rise to the Dispute (the “Arbitration Demand”), which notice shall (i) describe in reasonable detail the nature of the Dispute, (ii) state the amount of any claim, (iii) specify the requested relief, and (iv) name an arbitrator who (A) has been licensed to practice law in the U.S. for at least ten years, (B) has no past or present relationship with either the Executive or the Companies, and (C) is experienced in representing clients in connection with employment related disputes (the “Basic Qualifications”). Within fifteen (15) days after the other party’s receipt of the Arbitration Demand, such other party shall serve on the Disputing Party a written statement (i) answering the claims set forth in the Arbitration Demand and including any affirmative defenses of such party, (ii) asserting any counterclaim, which statement shall (A) describe in reasonable detail the nature of the Dispute relating to the counterclaim, (B) state the amount of the counterclaim, and (C) specify the requested relief, and (iii) naming a second arbitrator satisfying the Basic Qualifications. Promptly, but in any event within five (5) days thereafter, the two arbitrators so named shall select a third neutral arbitrator from a list provided by the AAA of potential arbitrators who satisfy the Basic Qualifications and who have no past or present relationship with the parties’ counsel, except as otherwise disclosed in writing to and approved by the parties. The arbitration will be heard by a panel of the three arbitrators so chosen (the “Arbitration Panel”), with the third arbitrator so chosen serving as the chairperson of the Arbitration Panel. Decisions of a majority of the members of the Arbitration Panel shall be determinative.
- (c) The arbitration hearing shall be held in Denver, Colorado. The Arbitration Panel is specifically authorized to render partial or full summary judgment as provided for in the Federal Rules of Civil Procedure. The Arbitration Panel will have no power or authority, under the Commercial Arbitration Rules of the AAA or otherwise, to relieve the parties from their agreement hereunder to arbitrate or otherwise to amend or disregard any provision of this agreement, including, without limitation, the provisions of this Paragraph 22.
- (d) If an arbitrator refuses or is unable to proceed with arbitration proceedings as called for by this Paragraph 22, such arbitrator shall be replaced by the party who selected such arbitrator or, if such arbitrator was selected by the two party-appointed arbitrators, by such two party-appointed arbitrators’ selecting a new third arbitrator in accordance with Paragraph 22(b), in either case within five (5) days after such declining or withdrawing arbitrator’s giving notice of refusal or inability to

proceed. Each such replacement arbitrator shall satisfy the Basic Qualifications. If an arbitrator is replaced pursuant to this Paragraph 22(d) after the arbitration hearing has commenced, then a rehearing shall take place in accordance with the provisions of this Paragraph 22(d) and the Commercial Arbitration Rules of the AAA.

- (e) Within ten (10) days after the closing of the arbitration hearing, the Arbitration Panel shall prepare and distribute to the parties a writing setting forth the Arbitration Panel's finding of facts and conclusions of law relating to the Dispute, including the reason for the giving or denial of any award. The findings and conclusions and the award, if any, shall be deemed to be confidential information.
- (f) The Arbitration Panel is instructed to schedule promptly all discovery and other procedural steps and otherwise to assume case management initiative and control to effect an efficient and expeditious resolution of the Dispute. The Arbitration Panel is authorized to issue monetary sanctions against either party if, upon a showing of good cause, such party is unreasonably delaying the proceeding.
- (g) Any award rendered by the Arbitration Panel will be final, conclusive, and binding upon the parties, and any judgment on such award may be entered and enforced in any court of competent jurisdiction.
- (h) Each party will bear a pro rata share of all fees, costs, and expenses of the arbitrators; and each party will bear all of the fees, costs, and expenses of her or its own attorneys, experts, and witnesses.
- (i) Nothing contained in the preceding provisions of this Paragraph 22 shall be construed to prevent either party from seeking from a court a temporary restraining order or other injunctive relief pending final resolution of a Dispute pursuant to this Paragraph 22.

23. No Duty to Seek Employment. The Executive shall not be under any duty or obligation to seek or accept other employment following the termination of her employment by the Companies; and, except as expressly provided in subparagraphs (b) (iv), (d)(iv), and (e)(v) of Paragraph 10, no amount, payment, or benefit due the Executive under this agreement shall be reduced, suspended, or discontinued if the Executive accepts such other employment.

24. Withholding of Taxes. The Companies may withhold from any amounts payable to the Executive under this agreement all federal, state, and local taxes which are required to be so withheld by any applicable law or governmental regulation or ruling.

25. Validity. The invalidity or unenforceability of any provision or provisions of this agreement shall not affect the validity or enforceability of any other provision of this agreement, which other provision shall remain in full force and effect; nor shall the invalidity or unenforceability of a portion of any provision of this agreement affect the validity or enforceability of the balance of such provision.

26. Counterparts. This document may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which together shall constitute a single agreement.

27. Headings. The headings of the paragraphs contained in this document are for reference purposes only and shall not in any way affect the meaning or interpretation of any provision of this agreement.

28. Applicable Law. This agreement shall be governed by and construed in accordance with the internal substantive laws, and not the choice of law rules, of the State of Colorado.

29. Section 409A. The intent of the Companies and the Executive is that all payments and benefits under this agreement comply with Section 409A of the Code ("Section 409A"), to the extent subject thereto; and, accordingly, to the maximum extent permitted, this agreement shall be interpreted and administered so as to be in compliance with Section 409A. Notwithstanding anything contained in this agreement to the contrary, the Executive shall not be considered to have terminated employment with the Companies for purposes of any payments under this agreement which are subject to Section 409A until the Executive would be considered to have incurred a "separation from service" within the meaning of Section 409A. Each amount to be paid or benefit to be provided under this agreement shall be construed as a separate identified payment for purposes of Section 409A. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided to the Executive during the six-month period immediately following the Executive's separation from service shall instead be paid on the first business day after the date that is six months following the Executive's separation from service (or, if earlier, the Executive's date of death). To the extent required to avoid an accelerated or additional tax under Section 409A, amounts reimbursable to the Executive under this agreement shall be paid to the Executive on or before the last day of the year following the year in which the expense was incurred, and the amount of expenses eligible for reimbursement (and in kind benefits provided to the Executive) during one year may not affect amounts reimbursable or provided in any subsequent year. The Companies make no representation to the Executive to the Executive that any or all of the payments described in this agreement will be exempt from or comply with Section 409A and make no undertaking to preclude Section 409A from applying to any such payment.

30. Clawback Rights. The Executive understands that the Companies have adopted a "clawback" policy that authorizes the Companies, in certain cases, to reduce or cancel, or require the recovery of, an executive officer's annual bonus or long-term incentive compensation award, or portions thereof, if the Board determines that such bonus or award should be adjusted, cancelled, or recovered because the executive officer has engaged in intentional misconduct that has led to a material restatement of the financial statements of the Companies. If the Board (or a committee thereof to which such matter has been delegated) proposes to impose such a clawback with respect to any of the Executive's compensation, then the Executive shall be entitled to be present and represented by her own legal counsel at any meeting of the Board (or of such committee) at which such proposed clawback is proposed to be acted upon. The Companies agree to pay the reasonable attorney's fees of the Executive's legal counsel (a) for representing the Executive at any such meeting of the Board (or of such committee) and (b) for representing the Executive in contesting,

whether through judicial proceedings, arbitration, or otherwise, any clawback of any of the Executive's compensation that the Board (or such committee) has approved and imposed.

31. Restricted Stock Award Adjustments. If automatic vesting of all unvested Restricted Stock Awards under then effective Restricted Stock Award Agreements between CSGS and the Executive would occur upon a Change of Control Termination of the Executive and such vesting would result in the imposition of a tax under Section 4999 of the Code on "excess parachute payments" (as defined in Section 280G of the Code), then the Compensation Committee of the Board will have the right in its sole discretion to reduce the aggregate number of shares of CSGS stock which will automatically vest in the Executive upon such event to an aggregate number of shares whose aggregate fair market value, net of any 280G adjustment, is \$1.00 less than (i) the amount which would result in the imposition of such tax minus (ii) the fair market value, net of any 280G adjustment, of all other payments or benefits in the nature of compensation for purposes of Section 280G of the Code received or receivable by the Executive in connection with or as a result of the Executive's Change of Control Termination; provided, however, that such reduction shall be applied to Award Shares covered by time-based Restricted Stock Awards and Award Shares covered by performance-based Restricted Stock Awards in the order that will result in the Executive's receipt of the greatest number of Award Shares after such reduction has occurred. CSGS and the Executive agree that the provisions of this Paragraph 31 are applicable both to all Restricted Stock Award Agreements between CSGS and the Executive which are in effect on the date of this agreement and to all Restricted Stock Award Agreements between CSGS and the Executive which become effective after the date of this agreement and that all of such Restricted Stock Award Agreements are subject to and modified by this Paragraph 31. The provisions of subparagraph 10(e) of this agreement also are subject to the provisions of this Paragraph 31.

[Signatures appear on the following page.]



IN WITNESS WHEREOF, the Companies and the Executive have executed this Amended and Restated Employment Agreement on the day and year first above written.

CSG SYSTEMS INTERNATIONAL, INC.,  
a Delaware corporation

By: /s/ Brian A. Shepherd  
Brian A. Shepherd  
President and Chief Executive Officer

CSG SYSTEM, INC., a Delaware corporation

By: /s/ Brian A. Shepherd  
Brian A. Shepherd  
President and Chief Executive Officer

/s/ Elizabeth A. Baur  
Elizabeth A. Bauer

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

I, Brian A. Shepherd, 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2021

/s/ Brian A. Shepherd

Brian A. Shepherd

President and Chief Executive Officer

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

I, Rolland B. Johns, 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2021

/s/ Rolland B. Johns

Rolland B. Johns

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.

Brian A. Shepherd, the Chief Executive Officer and Rolland B. Johns, 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.

August 5, 2021

/s/ Brian A. Shepherd \_\_\_\_\_

Brian A. Shepherd  
President and Chief Executive Officer

August 5, 2021

/s/ Rolland B. Johns \_\_\_\_\_

Rolland B. Johns  
Executive Vice President and Chief Financial Officer