

**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, 2019

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, 10th 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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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 August 2, 2019, there were 33,007,698 shares of the registrant's common stock outstanding.

CSG SYSTEMS INTERNATIONAL, INC.
FORM 10-Q for the Quarter Ended June 30, 2019
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CSG SYSTEMS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED
(in thousands, except per share amounts)

	June 30, 2019	December 31, 2018
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 113,777	\$ 139,277
Short-term investments	17,674	23,603
Total cash, cash equivalents and short-term investments	131,451	162,880
Settlement assets	88,575	124,627
Trade accounts receivable:		
Billed, net of allowance of \$2,861 and \$3,115	265,795	235,827
Unbilled	39,275	37,227
Income taxes receivable	7,206	6,720
Other current assets	40,326	32,286
Total current assets	572,628	599,567
Non-current assets:		
Property and equipment, net of depreciation of \$102,018 and \$93,278	84,354	81,813
Operating lease right-of-use assets	94,028	-
Software, net of amortization of \$122,441 and \$119,381	33,322	36,400
Goodwill	256,890	255,816
Acquired client contracts, net of amortization of \$87,760 and \$82,692	60,230	65,456
Client contract costs, net of amortization of \$30,169 and \$43,051	39,724	37,289
Deferred income taxes	10,442	11,087
Other assets	28,099	26,934
Total non-current assets	607,089	514,795
Total assets	<u>\$ 1,179,717</u>	<u>\$ 1,114,362</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Current portion of long-term debt	\$ 8,438	\$ 7,500
Operating lease liabilities	22,279	-
Client deposits	36,369	36,889
Trade accounts payable	44,874	45,386
Accrued employee compensation	51,434	61,107
Settlement liabilities	87,194	123,613
Deferred revenue	48,277	40,236
Income taxes payable	430	218
Other current liabilities	36,289	35,442
Total current liabilities	335,584	350,391
Non-current liabilities:		
Long-term debt, net of unamortized discounts of \$12,327 and \$14,549	349,860	352,326
Operating lease liabilities	77,993	-
Deferred revenue	15,463	17,527
Income taxes payable	2,684	2,284
Deferred income taxes	11,204	8,205
Other non-current liabilities	12,605	22,605
Total non-current liabilities	469,809	402,947
Total liabilities	805,393	753,338
Stockholders' equity:		
Preferred stock, par value \$.01 per share; 10,000 shares authorized; zero shares issued and outstanding	-	-
Common stock, par value \$.01 per share; 100,000 shares authorized; 33,062 and 33,158 shares outstanding	696	693
Common stock warrants; 439 warrants vested; 1,425 issued	9,082	9,082
Additional paid-in capital	446,512	441,417
Treasury stock, at cost; 35,172 and 34,779 shares	(858,186)	(842,360)
Accumulated other comprehensive income (loss):		
Unrealized gain on short-term investments, net of tax	30	2
Cumulative foreign currency translation adjustments	(42,908)	(42,937)
Accumulated earnings	819,098	795,127
Total stockholders' equity	374,324	361,024
Total liabilities and stockholders' equity	<u>\$ 1,179,717</u>	<u>\$ 1,114,362</u>

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, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenues	\$ 245,856	\$ 213,033	\$ 490,649	\$ 414,737
Cost of revenues (exclusive of depreciation, shown separately below)	132,234	109,492	261,197	210,588
Other operating expenses:				
Research and development	30,645	30,953	63,236	60,332
Selling, general and administrative	45,372	40,624	91,290	81,272
Depreciation	5,441	4,548	10,554	8,462
Restructuring and reorganization charges	1,826	3,329	1,941	4,229
Total operating expenses	215,518	188,946	428,218	364,883
Operating income	30,338	24,087	62,431	49,854
Other income (expense):				
Interest expense	(4,498)	(4,480)	(9,058)	(8,746)
Amortization of original issue discount	(700)	(661)	(1,390)	(1,313)
Interest and investment income, net	417	770	936	1,581
Loss on extinguishment of debt	-	-	-	(810)
Other, net	1,280	1,008	(231)	362
Total other	(3,501)	(3,363)	(9,743)	(8,926)
Income before income taxes	26,837	20,724	52,688	40,928
Income tax provision	(7,458)	(5,607)	(14,058)	(11,797)
Net income	\$ 19,379	\$ 15,117	\$ 38,630	\$ 29,131
Weighted-average shares outstanding:				
Basic	32,093	32,589	32,111	32,558
Diluted	32,458	32,908	32,448	33,005
Earnings per common share:				
Basic	\$ 0.60	\$ 0.46	\$ 1.20	\$ 0.89
Diluted	0.60	0.46	1.19	0.88

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

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

	Quarter Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net income	\$ 19,379	\$ 15,117	\$ 38,630	\$ 29,131
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(3,818)	(16,231)	29	(8,521)
Unrealized holding gain (loss) on short-term investments arising during period	10	68	28	(26)
Other comprehensive income (loss), net of tax	(3,808)	(16,163)	57	(8,547)
Total comprehensive income (loss), net of tax	<u>\$ 15,571</u>	<u>\$ (1,046)</u>	<u>\$ 38,687</u>	<u>\$ 20,584</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	Common Stock Warrants	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings	Total Stockholders' Equity
For the Six Months Ended June 30, 2019								
BALANCE, January 1, 2019	33,158	\$ 693	\$ 9,082	\$ 441,417	\$ (842,360)	\$ (42,935)	\$ 795,127	\$ 361,024
Comprehensive income:								
Net income	-	-	-	-	-	-	19,251	-
Unrealized gain on short-term investments, net of tax	-	-	-	-	-	18	-	-
Foreign currency translation adjustments	-	-	-	-	-	3,847	-	-
Total comprehensive income								23,116
Repurchase of common stock	(352)	-	-	(4,134)	(9,290)	-	-	(13,424)
Issuance of common stock pursuant to employee stock purchase plan	15	-	-	512	-	-	-	512
Issuance of restricted common stock pursuant to stock-based compensation plans	462	4	-	(4)	-	-	-	-
Cancellation of restricted common stock issued pursuant to stock-based compensation plans	(3)	-	-	-	-	-	-	-
Stock-based compensation expense	-	-	-	3,693	-	-	-	3,693
Declaration of cash dividends	-	-	-	-	-	-	(7,411)	(7,411)
BALANCE, March 31, 2019	33,280	697	9,082	441,484	(851,650)	(39,070)	806,967	367,510
Comprehensive income:								
Net income	-	-	-	-	-	-	19,379	-
Unrealized gain on short-term investments, net of tax	-	-	-	-	-	10	-	-
Foreign currency translation adjustments	-	-	-	-	-	(3,818)	-	-
Total comprehensive income								15,571
Repurchase of common stock	(148)	-	-	(383)	(6,536)	-	-	(6,919)
Issuance of common stock pursuant to employee stock purchase plan	15	-	-	603	-	-	-	603
Issuance of restricted common stock pursuant to stock-based compensation plans	6	-	-	-	-	-	-	-
Cancellation of restricted common stock issued pursuant to stock-based compensation plans	(91)	(1)	-	1	-	-	-	-
Stock-based compensation expense	-	-	-	4,807	-	-	-	4,807
Declaration of cash dividends	-	-	-	-	-	-	(7,248)	(7,248)
BALANCE, June 30, 2019	<u>33,062</u>	<u>\$ 696</u>	<u>\$ 9,082</u>	<u>\$ 446,512</u>	<u>\$ (858,186)</u>	<u>\$ (42,878)</u>	<u>\$ 819,098</u>	<u>\$ 374,324</u>
For the Six Months Ended June 30, 2018								
BALANCE, January 1, 2018	33,516	\$ 689	\$ 9,082	\$ 427,091	\$ (814,732)	\$ (28,822)	\$ 749,438	\$ 342,746
Comprehensive income:								
Net income	-	-	-	-	-	-	14,014	-
Unrealized loss on short-term investments, net of tax	-	-	-	-	-	(94)	-	-
Foreign currency translation adjustments	-	-	-	-	-	7,710	-	-
Total comprehensive income								21,630
Repurchase of common stock	(255)	-	-	(6,218)	(5,702)	-	-	(11,920)
Issuance of common stock pursuant to employee stock purchase plan	14	-	-	484	-	-	-	484
Issuance of restricted common stock pursuant to stock-based compensation plans	458	4	-	(4)	-	-	-	-
Cancellation of restricted common stock issued pursuant to stock-based compensation plans	(59)	(1)	-	1	-	-	-	-
Stock-based compensation expense	-	-	-	4,572	-	-	-	4,572
Declaration of cash dividends	-	-	-	-	-	-	(6,999)	(6,999)
Adjustments due to adoption of new accounting standards	-	-	-	-	-	-	7,562	7,562
BALANCE, March 31, 2018	33,674	692	9,082	425,926	(820,434)	(21,206)	764,015	358,075
Comprehensive income:								
Net income	-	-	-	-	-	-	15,117	-
Unrealized loss on short-term investments, net of tax	-	-	-	-	-	68	-	-
Foreign currency translation adjustments	-	-	-	-	-	(16,231)	-	-
Total comprehensive income								(1,046)
Repurchase of common stock	(153)	-	-	(767)	(5,632)	-	-	(6,399)
Issuance of common stock pursuant to employee stock purchase plan	18	-	-	650	-	-	-	650
Issuance of restricted common stock pursuant to stock-based compensation plans	41	-	-	-	-	-	-	-
Cancellation of restricted common stock issued pursuant to stock-based compensation plans	(19)	-	-	-	-	-	-	-
Stock-based compensation expense	-	-	-	5,641	-	-	-	5,641
Declaration of cash dividends	-	-	-	-	-	-	(7,061)	(7,061)
BALANCE, June 30, 2018	<u>33,561</u>	<u>\$ 692</u>	<u>\$ 9,082</u>	<u>\$ 431,450</u>	<u>\$ (826,066)</u>	<u>\$ (37,369)</u>	<u>\$ 772,071</u>	<u>\$ 349,860</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)

	Six Months Ended	
	June 30, 2019	June 30, 2018
Cash flows from operating activities:		
Net income	\$ 38,630	\$ 29,131
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	10,554	8,462
Amortization	24,625	20,957
Amortization of original issue discount	1,390	1,313
Asset impairment	365	1,001
Gain on short-term investments and other	(170)	(108)
Loss on extinguishment of debt	-	810
Deferred income taxes	4,181	4,944
Stock-based compensation	8,500	10,213
Changes in operating assets and liabilities, net of acquired amounts:		
Trade accounts receivable, net	(31,751)	(11,369)
Other current and non-current assets and liabilities	(16,222)	(13,995)
Income taxes payable/receivable	(315)	1,828
Trade accounts payable and accrued liabilities	(17,328)	(27,772)
Deferred revenue	5,970	799
Net cash provided by operating activities	<u>28,429</u>	<u>26,214</u>
Cash flows from investing activities:		
Purchases of software, property and equipment	(17,858)	(26,715)
Purchases of short-term investments	(22,542)	(44,345)
Proceeds from sale/maturity of short-term investments	28,753	116,866
Acquisition of and investments in business, net of cash acquired	(4,000)	(68,636)
Net cash used in investing activities	<u>(15,647)</u>	<u>(22,830)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock	1,115	1,134
Payment of cash dividends	(14,808)	(14,375)
Repurchase of common stock	(20,741)	(18,319)
Proceeds from long-term debt	-	150,000
Payments on long-term debt	(3,750)	(121,875)
Payments of deferred financing costs	-	(1,490)
Net cash used in financing activities	<u>(38,184)</u>	<u>(4,925)</u>
Effect of exchange rate fluctuations on cash	<u>(98)</u>	<u>(1,031)</u>
Net decrease in cash and cash equivalents	(25,500)	(2,572)
Cash and cash equivalents, beginning of period	139,277	122,243
Cash and cash equivalents, end of period	<u>\$ 113,777</u>	<u>\$ 119,671</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 8,110	\$ 7,744
Income taxes	10,244	4,778

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, 2019 and December 31, 2018, and for the quarters and six months ended June 30, 2019 and 2018, 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, 2018 (our “2018 10-K”), filed with the SEC. The results of operations for the quarter and six months ended June 30, 2019 are not necessarily indicative of the expected results for the entire year ending December 31, 2019.

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 revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Revenues. The majority of our future revenues is related to our cloud and related solution client contracts that include variable consideration dependent upon a series of monthly volumes and/or daily usage of services and have contractual terms ending from 2019 through 2028. As of June 30, 2019, our aggregate amount of the transaction price allocated to the remaining performance obligations is approximately \$501 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 90% of this amount by the end of 2021, 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 revenues and how revenues and cash flows are affected by economic factors is most appropriately depicted by type of revenues and by geographic region (using the location of the client as the basis of attributing revenues to the individual regions) as follows (in thousands):

	Quarter Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Cloud and related solutions	\$ 222,183	\$ 187,401	\$ 441,773	\$ 364,917
Software and services	12,173	13,331	25,201	25,290
Maintenance	11,500	12,301	23,675	24,530
Total revenues	<u>\$ 245,856</u>	<u>\$ 213,033</u>	<u>\$ 490,649</u>	<u>\$ 414,737</u>

	Quarter Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Americas (principally the U.S.)	\$ 214,390	\$ 180,217	\$ 425,120	\$ 350,120
Europe, Middle East, and Africa	22,606	21,977	47,232	42,411
Asia Pacific	8,860	10,839	18,297	22,206
Total revenues	<u>\$ 245,856</u>	<u>\$ 213,033</u>	<u>\$ 490,649</u>	<u>\$ 414,737</u>

Deferred revenue recognized during the quarter and six months ended June 30, 2019 was \$11.3 million and \$29.8 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, 2019 and December 31, 2018, our cash equivalents consist primarily of institutional money market funds, commercial paper, and time deposits held at major banks.

As of June 30, 2019 and December 31, 2018, we had \$3.1 million and \$3.0 million, respectively, of restricted cash that serves to collateralize outstanding letters of credit. This restricted cash is included in cash and cash equivalents in our Condensed Consolidated Balance Sheets (“Balance Sheets” or “Balance Sheet”).

Short-term Investments and Other Financial Instruments . Our financial instruments as of June 30, 2019 and December 31, 2018 include cash and cash equivalents, short-term investments, accounts receivable, accounts payable, and debt. Because of their short maturities, the carrying amounts of cash equivalents, accounts receivable, and accounts payable approximate their fair value.

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

Primarily all short-term investments held by us as of June 30, 2019 and December 31, 2018 have contractual maturities of less than two years from the time of acquisition. Our short-term investments as of June 30, 2019 and December 31, 2018 consisted almost entirely of fixed income securities. Proceeds from the sale/maturity of short-term investments for the six months ended June 30, 2019 and 2018 were \$28.8 million and \$116.9 million, respectively.

Our short-term investments as of June 30, 2019 and December 31, 2018 were \$17.7 million and \$23.6 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, 2019			December 31, 2018		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash equivalents:						
Money market funds	\$ 4,254	\$ —	\$ 4,254	\$ 4,392	\$ —	\$ 4,392
Commercial paper	—	10,626	10,626	—	9,078	9,078
Short-term investments:						
Corporate debt securities	—	12,834	12,834	—	16,357	16,357
U.S. government agency bonds	—	650	650	—	3,724	3,724
Asset-backed securities	—	4,190	4,190	—	3,522	3,522
Total	<u>\$ 4,254</u>	<u>\$ 28,300</u>	<u>\$ 32,554</u>	<u>\$ 4,392</u>	<u>\$ 32,681</u>	<u>\$ 37,073</u>

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

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

	June 30, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
2018 Credit Agreement (carrying value including current maturities)	\$ 140,625	\$ 140,625	\$ 144,375	\$ 144,375
2016 Convertible debt (par value)	230,000	254,438	230,000	228,275

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.

Equity Method Investment. During the six months ended June 30, 2019, we made an additional \$4 million investment in a payment technology and services company that enables omni-channel digital payments in Latin America. As of June 30, 2019, we held an 8% noncontrolling interest with a carrying value of \$6.7 million.

Accounting Pronouncements Adopted. In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU requires lessees to recognize a right-of-use asset and lease liability for all leases, including operating leases, with a term greater than twelve months on its balance sheet. This ASU is effective for annual and interim periods beginning after December 31, 2018. An entity is required to use a modified retrospective transition approach, but may choose to use either the effective date or the beginning of the earliest comparative period presented in its financial statements as of the date of initial application.

We adopted this ASU in January 2019, utilizing the effective date method of transition. Since we adopted this ASU utilizing the effective date method, prior period information in our Financial Statements has not been adjusted and continues to be as previously reported. We elected the package of practical expedients permitted under the transition guidance within the new standard. Additionally, we updated our policies to align with the new accounting guidance and our processes to ensure that we properly account for new, existing, and modifications to leases subsequent to the adoption of the ASU. In conjunction with the adoption of this ASU we recorded additional assets and liabilities of approximately \$80 million related to the right-of-use assets and lease liabilities, and have included the amortization of the right-of-use assets and the accretion and payments of lease liabilities in the changes in other current and non-current assets and liabilities and in the changes in trade accounts payable and accrued liabilities, respectively, on our Statement of Cash Flows.

3. LONG-LIVED ASSETS

Goodwill. The changes in the carrying amount of goodwill for the six months ended June 30, 2019 were as follows (in thousands):

January 1, 2019 balance	\$ 255,816
Adjustments related to prior acquisitions	1,333
Effects of changes in foreign currency exchange rates	(259)
June 30, 2019 balance	<u>\$ 256,890</u>

Other Intangible Assets. Our intangible assets subject to ongoing amortization consist primarily of acquired client contracts and software. As of June 30, 2019 and December 31, 2018, the carrying values of these assets were as follows (in thousands):

	June 30, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Acquired client contracts	\$ 147,990	\$ (87,760)	\$ 60,230	\$ 148,148	\$ (82,692)	\$ 65,456
Software	155,763	(122,441)	33,322	155,781	(119,381)	36,400
Total intangible assets	<u>\$ 303,753</u>	<u>\$ (210,201)</u>	<u>\$ 93,552</u>	<u>\$ 303,929</u>	<u>\$ (202,073)</u>	<u>\$ 101,856</u>

The total amortization expense related to other intangible assets for the second quarters of 2019 and 2018 were \$5.8 million and \$4.8 million, respectively, and for the six months ended June 30, 2019 and 2018 were \$11.4 million and \$8.8 million, respectively. Based on the June 30, 2019 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: 2019 – \$22.9 million; 2020 – \$19.2 million; 2021 – \$13.9 million; 2022 – \$11.6 million; and 2023 – \$8.3 million.

Client Contract Costs. As of June 30, 2019 and December 31, 2018, the carrying values of our client contract cost assets, related to those contracts with a contractual term greater than one year, were as follows (in thousands):

	June 30, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Client contract costs	<u>\$ 69,893</u>	<u>\$ (30,169)</u>	<u>\$ 39,724</u>	<u>\$ 80,340</u>	<u>\$ (43,051)</u>	<u>\$ 37,289</u>

The total amortization expense related to client contract costs for the second quarters of 2019 and 2018 were \$6.4 million and \$5.8 million, respectively, and for the six months ended June 30, 2019 and 2018 were \$12.4 million and \$11.3 million, respectively.

4. DEBT

Our long-term debt, as of June 30, 2019 and December 31, 2018, was as follows (in thousands):

	June 30, 2019	December 31, 2018
<i>2018 Credit Agreement:</i>		
Term loan, due March 2023, interest at adjusted LIBOR plus 1.5% (combined rate of 3.83% at June 30, 2019 and 4.30% at December 31, 2018)	\$ 140,625	\$ 144,375
Less – deferred financing costs	(1,997)	(2,281)
2018 term loan, net of unamortized discounts	138,628	142,094
\$200 million revolving loan facility, due March 2023, interest at adjusted LIBOR plus applicable margin	—	—
<i>Convertible Notes:</i>		
2016 Convertible Notes – Senior convertible notes; due March 15, 2036; cash interest at 4.25%	230,000	230,000
Less – unamortized original issue discount	(7,434)	(8,823)
Less – deferred financing costs	(2,896)	(3,445)
2016 Convertible Notes, net of unamortized discounts	219,670	217,732
Total debt, net of unamortized discounts	358,298	359,826
Current portion of long-term debt, net of unamortized discounts	(8,438)	(7,500)
Long-term debt, net of unamortized discounts	<u>\$ 349,860</u>	<u>\$ 352,326</u>

2018 Credit Agreement

During the six months ended June 30, 2019, we made \$3.8 million of principal repayments on our \$150 million aggregate principal five-year term loan (the “2018 Term Loan”). As of June 30, 2019, our interest rate on the 2018 Term Loan is 3.83% (adjusted LIBOR plus 1.50% per annum), effective through September 2019, 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, 2019, 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

Upon conversion of the 2016 Convertible Notes, we will settle our conversion obligation 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 cash, shares of our common stock, or a combination thereof, at our election.

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.

As a result of our quarterly dividend in June 2019 (see Note 8), the previous conversion rate for the 2016 Convertible Notes of 17.5457 shares of our common stock per \$1,000 principal amount of the 2016 Convertible Notes, which is equivalent to an initial conversion price of approximately \$56.99 per share of our common stock, has been adjusted to 17.5604 shares of our common stock per \$1,000 principal amount of the 2016 Convertible Notes, which is equivalent to an initial conversion price of approximately \$56.95 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 not redeem the 2016 Convertible Notes prior to March 20, 2020. On or after March 20, 2020, 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, 2019, none of the conversion features have been achieved, and thus, the 2016 Convertible Notes are not convertible by the holders.

5. LEASES

We have operating leases for: (i) real estate which include both office space and statement production and mailing facilities; (ii) our outsourced data center environment; and (iii) operating equipment. Our leases have remaining terms of up to eight years, some of which include options to extend the leases for up to an additional ten years. For leases commencing prior to 2019, we used the noncancelable term to calculate the related right-of-use asset and corresponding lease liability. The exercise of lease renewal options is at our sole discretion. Additionally, certain of our leases include payments that are adjusted periodically for inflation.

We have made an accounting policy election not to recognize on our balance sheet, leases with an initial term of twelve months or less, for any class of underlying asset. We have also made an election for real estate leases beginning in 2019 and later, not to separate the lease and non-lease components, but rather account for the entire arrangement as a single lease component (a practical expedient allowed under ASC 842). For our outsourced data center environment agreement, we have concluded that there are lease and non-lease components, and have allocated the consideration in the agreement on a relative stand-alone price basis. Due to the significant assumptions and judgements required in accounting for leases (to include whether a contract contains a lease, the allocation of the consideration, and the determination of the discount rate), the judgements and estimates made could have a significant effect on the amount of assets and liabilities recognized.

We sublease certain of our leased real estate to third parties. These subleases have remaining lease terms of up to four years and certain subleases have renewal terms that can extend the lease for up to an additional two years.

The components of lease expense were as follows (in thousands):

	Quarter Ended June 30, 2019	Six Months Ended June 30, 2019
Operating lease expense	\$ 5,864	\$ 11,163
Variable lease expense	1,284	2,207
Short-term lease expense	151	291
Sublease income	(421)	(833)
Total net lease expense	\$ 6,878	\$ 12,828

Other information related to leases was as follows (in thousands, except term and discount rate):

	Six Months Ended June 30, 2019
Supplemental Cash Flows Information:	
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 11,016
Right-of-use assets obtained in exchange for new operating lease liabilities	21,452
Weighted-average remaining lease term – operating leases	59 months
Weighted-average discount rate – operating leases	4.60%

Future minimum lease payments under non-cancelable leases as of June 30, 2019 were as follows (in thousands):

2019 (excluding the six months ended June 30, 2019)	\$	14,154
2020		24,743
2021		24,136
2022		18,248
2023		12,015
Thereafter		20,104
Total future minimum lease payments (1)		113,400
Less: Interest (2)		(13,128)
Total	\$	100,272
Current operating lease liabilities	\$	22,279
Non-current operating lease liabilities		77,993
Total	\$	100,272

- (1) For leases commencing prior to 2019, minimum lease payments exclude payments for real estate taxes and non-lease components.
- (2) We used our in-country, currency adjusted incremental borrowing rate for the discount rate for the leases at adoption date, and will use the same approach for all leases commencing thereafter.

As of June 30, 2019, we have two operating leases for office space that have not yet commenced of approximately \$24 million. These operating leases will commence during 2019 and 2020 with leases term through 2021 and 2031, respectively.

Future minimum lease payments under non-cancelable leases as of December 31, 2018 were as follows: 2019 – \$16.6 million; 2020 – \$14.1 million; 2021 – \$13.1 million; 2022 – \$11.5 million; 2023 – \$9.6 million; and thereafter – \$14.7 million.

6. COMMITMENTS, GUARANTEES AND CONTINGENCIES

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

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

Claims for Company Non-performance. Our arrangements with our clients typically cap our liability for breach to a specified amount of the direct damages incurred by the client resulting from the breach. From time-to-time, these arrangements may also include provisions for possible liquidated damages or other financial and contractual 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. Historically, we have not incurred significant costs associated with service level performance within our client contracts, and as a result, do not include estimates for potential credits or refunds related to service level performance in our contract consideration at the onset of the contract, but instead, account for credits or refunds as an adjustment to the contract consideration as those events occur.

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, 2019. In addition, as a result of the insurance policy coverage, we believe these indemnification agreements are not significant to our results of operations.

Prior Year Acquisition. On October 1, 2018, we acquired Forte, a leading provider of advanced payment solutions headquartered in Allen, Texas. We acquired 100% of the equity of Forte for a purchase price of approximately \$93 million, (approximately \$85 million, excluding cash acquired), of which approximately \$13 million of the purchase price was held back subject to certain tax filings, and was paid out in July 2019. The purchase agreement also includes provisions for \$18.8 million of potential future earn-out payments over a four-year measurement period. The earn-out payments are tied to performance-based goals and a defined service period by the eligible recipients and is being accounted for as post-acquisition compensation. As of June 30, 2019, we have accrued \$2.5 million related to the potential earn-out payments.

The estimated fair values of assets acquired and liabilities assumed for the Forte acquisition were considered provisional as of June 30, 2019, as we were awaiting resolution of the tax filings to complete the accounting for deferred income taxes. In July 2019, the income tax matter was resolved.

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.

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,	
	2019	2018	2019	2018
Basic weighted-average common shares	32,093	32,589	32,111	32,558
Dilutive effect of restricted common stock	182	156	178	274
Dilutive effect of Stock Warrants	183	163	159	173
Diluted weighted-average common shares	<u>32,458</u>	<u>32,908</u>	<u>32,448</u>	<u>33,005</u>

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 8).

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 2019 and 2018, we repurchased 0.1 million shares of our common stock for \$6.5 million (weighted-average price of \$45.39 per share) and 0.1 million shares of our common stock for \$5.6 million (weighted-average price of \$42.79 per share), respectively, and during the six months ended June 30, 2019 and 2018, we repurchased 0.4 million shares of our common stock for \$15.8 million (weighted-average price of \$40.31 per share) and 0.3 million shares of our common stock for \$11.3 million (weighted-average price of \$44.25 per share), respectively, under a SEC Rule 10b5-1 Plan.

As of June 30, 2019, the total remaining number of shares available for repurchase under the Stock Repurchase Program totaled 5.1 million shares.

Stock Repurchases for Tax Withholdings. In addition to the above-mentioned stock repurchases, during the second quarters of 2019 and 2018, we repurchased and then cancelled approximately 4,000 shares of common stock for \$0.4 million and approximately 19,000 shares of common stock for \$0.8 million, respectively, and during the six months ended June 30, 2019 and 2018, we repurchased and then cancelled approximately 108,000 shares of common stock for \$4.5 million and approximately 149,000 shares of common stock for \$7.0 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 2019, the Board approved a quarterly cash dividend of \$0.2225 per share of common stock, totaling \$7.4 million. During the second quarter of 2018, the Board approved a quarterly cash dividend of \$0.21 per share of common stock, totaling \$7.1 million. Dividends declared for the six months ended June 30, 2019 and 2018 totaled \$14.7 million and \$14.2 million, respectively.

Warrants. In 2014, in conjunction with the execution of an amendment to our current agreement with Comcast, we issued stock warrants (the “Warrant Agreement”) for the right to purchase up to approximately 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 based on various milestones. The Stock Warrants have a ten-year term and an exercise price of \$26.68 per warrant.

Upon vesting, the Stock Warrants were recorded as a client contract incentive asset with the corresponding offset to stockholders’ equity. The client contract incentive asset related to the Stock Warrants was amortized as a reduction in cloud and related solutions revenues over the original term of the Comcast amended agreement. As of June 30, 2019, the client contract incentive asset related to these Stock Warrants was fully amortized. As of December 31, 2018, the client contract incentive asset and accumulated amortization related to these Stock Warrants was \$25.1 million and \$19.8 million, respectively.

As of June 30, 2019, approximately 1.4 million Stock Warrants remain issued, of which 0.4 million were vested.

Stock-Based Awards. A summary of our unvested restricted common stock activity during the quarter and six months ended June 30, 2019 is as follows (shares in thousands):

	Quarter Ended June 30, 2019		Six Months Ended June 30, 2019	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Unvested awards, beginning	1,299	\$ 42.04	1,145	\$ 41.64
Awards granted	7	46.12	483	40.85
Awards forfeited/cancelled	(110)	42.70	(114)	42.68
Awards vested	(16)	42.05	(334)	38.87
Unvested awards, ending	1,180	\$ 42.00	1,180	\$ 42.00

Included in the awards granted during 2019 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 2021 upon meeting certain pre-established financial performance objectives over a two-year performance period. Certain performance-based awards become fully vested upon a change in control, as defined, the subsequent involuntary termination of employment, and death.

The other restricted common stock shares granted during the six months ended June 30, 2019 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, the subsequent involuntary termination of employment, and death.

We recorded stock-based compensation expense for the second quarters of 2019 and 2018 of \$4.8 million and \$5.6 million, respectively, and for the six months ended June 30, 2019 and 2018 of \$8.5 million and \$10.2 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 2018 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 II Item 1A. Risk Factors of this report and in Part I Item 1A. Risk Factors of our 2018 10-K. Readers are strongly encouraged to review those sections closely in conjunction with MD&A.

Company Overview

We are one of the world's leading revenue management and digital monetization, customer experience, and payment solutions providers, and a trusted partner to some of the most well-known communications, media, and entertainment companies around the globe. We leverage more than 35 years of experience to help our clients simplify the complexity of a rapidly changing business landscape. Drawing from real-world knowledge and unparalleled expertise, we design and implement business solutions that make their hardest decisions simpler and smarter so they can focus on evolving their businesses to provide highly sophisticated and competitive multi-product offerings while also delivering increasingly differentiated, real-time, and personalized experiences that meet the ever-changing demands of their customers across all stages of the customer lifecycle.

We offer revenue management, customer experience, and digital monetization 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 solutions are built on proven public and private cloud platforms, with out-of-the-box and managed service models that adapt to fit their unique business needs and enable the transformative change required to create personalized experiences that drive loyalty and retention.

Over the years, we have focused 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 clients 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.

We generate approximately 60% of our revenues from the North American cable and satellite markets, approximately 20% of our revenues from global wireline and wireless communication providers, and the remainder from a variety of other verticals, such as financial services, healthcare, logistics, and transportation. Additionally, during the six months ended June 30, 2019 we generated 87% of our revenues from the Americas region, 9% of our revenues from the Europe, Middle East and Africa region, and 4% of our revenues from the Asia Pacific region.

We are a S&P Small Cap 600 company.

Impact of New Lease Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842) ("ASC 842"), which requires lessees to recognize a lease liability and a right-of-use asset for all leases, including operating leases, with a term greater than twelve months on its balance sheet. We adopted the ASU in January of 2019, utilizing the effective date method of transition. While the adoption of this standard resulted in a material gross-up of our Balance Sheet assets and liabilities, it did not have a material impact on our Income Statement or Statement of Cash Flows.

Refer to Notes 2 and 5 to our Financial Statements for further detail regarding the adoption of ASC 842.

Management Overview of Quarterly Results

Second Quarter Highlights. A summary of our results of operations for the second quarter of 2019, when compared to the second quarter of 2018, is as follows (in thousands, except per share amounts and percentages):

	Quarter Ended	
	June 30, 2019	June 30, 2018
Revenues	\$ 245,856	\$ 213,033
Transaction fees	17,778	-
Operating Results:		
Operating income	\$ 30,338	\$ 24,087
Operating income margin	12.3%	11.3%
Diluted EPS	\$ 0.60	\$ 0.46
Supplemental Data:		
Restructuring and reorganization charges	\$ 1,826	\$ 3,329
Acquisition-related costs:		
Amortization of acquired intangible assets	3,174	2,496
Transaction-related costs	-	3
Stock-based compensation (1)	4,807	5,663
Amortization of OID	700	661

(1) Stock-based compensation included in the table above excludes amounts that have been recorded in restructuring and reorganization charges.

Revenues. Revenues for the second quarter of 2019 were \$245.9 million, a 15% increase when compared to revenues of \$213.0 million for the second quarter of 2018, with the increase mainly attributed to the additional revenues generated from the acquisition of Forte on October 1, 2018, and the continued growth in our cloud solutions and managed service arrangements.

Operating Results. Operating income for the second quarter of 2019 was \$30.3 million, or a 12.3% operating margin percentage, compared to \$24.1 million, or an 11.3% operating margin percentage for the second quarter of 2018. The increase in operating income is primarily a result of the combination of higher revenues generated in the second quarter of 2019 and prudent expense management, including lower restructuring costs.

Diluted EPS. Diluted EPS for the second quarter of 2019 was \$0.60 compared to \$0.46 for the second quarter of 2018, reflective of the higher operating income for the second quarter of 2019.

Cash and Cash Flows. As of June 30, 2019, we had cash, cash equivalents and short-term investments of \$131.5 million, as compared to \$141.9 million as of March 31, 2019 and \$162.9 million as of December 31, 2018. Our cash flows from operating activities for the quarter ended June 30, 2019 were \$15.6 million. See the Liquidity section below for further discussion of our cash flows.

Significant Client Relationships

Client Concentration. A large percentage of our historical revenues have been generated from our two largest clients, which are Comcast and Charter Corporation Inc. ("Charter").

Revenues from these clients for the indicated periods were as follows (in thousands, except percentages):

	Quarter Ended					
	June 30, 2019		March 31, 2019		June 30, 2018	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Comcast	\$ 55,439	23%	\$ 55,027	22%	\$ 53,913	25%
Charter	48,455	20%	46,347	19%	45,183	21%

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

	As of		
	June 30, 2019	March 31, 2019	December 31, 2018
Comcast	22%	28%	24%
Charter	29%	21%	21%

See our 2018 10-K for additional discussion of our business relationships and contractual terms with Comcast and Charter.

Comcast. In November 2018, Comcast exercised the first of their two one-year renewal options extending the term of their agreement through June 30, 2020. Terms of the extension remain consistent with the financial terms and obligations under the existing agreement. Additionally, under the terms of the agreement, Comcast has the right to exercise an additional one-year renewal option no later than January 1, 2020, to extend the term of the Agreement through June 30, 2021.

We are currently engaged in discussions with Comcast regarding contract renewal terms. Although we believe our operating relationship with Comcast is good, there can be no assurances around the timing and/or terms of any renewal arrangements at this time.

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

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

Critical Accounting Policies

The preparation of our Financial Statements in conformity with 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 2018 10-K.

Results of Operations

Total Revenues. Total revenues for the: (i) second quarter of 2019 were \$245.9 million, a 15% increase when compared to \$213.0 million for the second quarter of 2018; and (ii) six months ended June 30, 2019 were \$490.6 million, an 18% increase when compared to \$414.7 million for the six months ended June 30, 2018. The year-over-year increase in second quarter revenues can be mainly attributed to the additional revenues generated from the Forte acquisition on October 1, 2018, and the continued growth in our cloud solutions and managed services arrangements. Additionally, the six months ended June 30, 2019 includes a full six months of revenues from Business Ink (acquired on February 28, 2018), compared to only four months of revenues for the six months ended June 30, 2018.

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

	Quarter Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Cloud and related solutions	\$ 222,183	\$ 187,401	\$ 441,773	\$ 364,917
Software and services	12,173	13,331	25,201	25,290
Maintenance	11,500	12,301	23,675	24,530
Total revenues	<u>\$ 245,856</u>	<u>\$ 213,033</u>	<u>\$ 490,649</u>	<u>\$ 414,737</u>

We use the location of the client as the basis of attributing revenues to individual countries. Revenues by geographic regions for the second quarters and six months ended June 30, 2019 and 2018 were as follows (in thousands):

	Quarter Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Americas (principally the U.S.)	\$ 214,390	\$ 180,217	\$ 425,120	\$ 350,120
Europe, Middle East, and Africa	22,606	21,977	47,232	42,411
Asia Pacific	8,860	10,839	18,297	22,206
Total revenues	<u>\$ 245,856</u>	<u>\$ 213,033</u>	<u>\$ 490,649</u>	<u>\$ 414,737</u>

Cloud and Related Solutions Revenues. Cloud and related solutions revenues for: (i) the second quarter of 2019 were \$222.2 million, a 19% increase when compared to \$187.4 million for the second quarter of 2018; and (ii) six months ended June 30, 2019 were \$441.8 million, a 21% increase when compared to \$364.9 million for the six months ended June 30, 2018. These increases between periods in cloud and related solutions revenues are primarily due to the additional revenues generated from the acquired Forte business, and to a lesser degree, the execution of and performance under managed services arrangements, mentioned above. In addition, the year-to-date increase is also attributable to the 2019 full period impact of the additional revenues from the Business Ink acquisition.

Software and Services Revenues. Software and services revenues for the: (i) second quarter of 2019 were \$12.2 million, a 9% decrease when compared to \$13.3 million for the second quarter of 2018; and (ii) six months ended June 30, 2019 were \$25.2 million, a slight decrease when compared to \$25.3 million for the six months ended June 30, 2018. These decreases are mainly attributed to the timing of work performed and execution of software license agreements.

Maintenance Revenues. Maintenance revenues for the: (i) second quarter of 2019 were \$11.5 million, a 7% decrease when compared to \$12.3 million for the second quarter of 2018; and (ii) six months ended June 30, 2019 were \$23.7 million, a 3% decrease when compared to \$24.5 million for the six months ended June 30, 2018. These decreases are due mainly to the timing of maintenance renewals and related revenue recognition.

We continue to transition our focus towards more predictable recurring revenues models with our managed services arrangements and delivery of our cloud-based solutions and away from large transformational software and services deals with related maintenance agreements.

Total Expenses. Our operating expenses for the: (i) second quarter of 2019 were \$215.5 million, a 14% increase when compared to \$188.9 million for the second quarter of 2018; and (ii) six months ended June 30, 2019 were \$428.2 million, a 17% increase when compared to \$364.9 million for the six months ended June 30, 2018. These increases between periods can be mainly attributed to additional operating expenses from the acquired Forte business on October 1, 2018, to include acquisition amortization and earn-out compensation, and increased employee-related costs.

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

Cost of Revenues. See our 2018 10-K for a description of the types of costs that are included in the individual line items for cost of revenues.

The components of cost of revenues , discussed in more detail below, are as follows (in thousands):

	Quarter Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Cost of revenues:				
Cloud and related solutions	\$ 118,632	\$ 95,212	\$ 233,291	\$ 182,120
Software and services	8,229	8,614	17,077	17,147
Maintenance	5,373	5,666	10,829	11,321
Total cost of revenues	<u>\$ 132,234</u>	<u>\$ 109,492</u>	<u>\$ 261,197</u>	<u>\$ 210,588</u>

Cost of Cloud and Related Solutions (Exclusive of Depreciation). The cost of cloud and related solutions for the: (i) second quarter of 2019 increased 25 % to \$ 118.6 million, from \$95.2 million for the second quarter of 2018 ; and (ii) six months ended June 30, 2019 increased 28% to \$233.3 million, from \$182.1 million for the six months ended June 30, 2018. These increases can be mainly attributed to the cloud and related solutions expense of the acquired Forte business included in our results, to include acquisition amortization, and increased employee-related costs , with the year-to-date increase also reflective of the 2019 full period impact of the acquired Business Ink business. Total cloud and related solutions cost as a percentage of cloud and related solutions revenues for the: (i) second quarters of 2019 and 2018 were 53.4 % and 50.8%, respectively; and (ii) six months ended June 30, 2019 and 2018 were 52.8% and 49.9%, respectively (with the second quarter and six months of ended June 30, 2019 reflective of transaction fees of \$17.8 million and \$34.9 million, respectively).

Cost of Software and Services (Exclusive of Depreciation). The cost of software and services for the: (i) second quarter of 2019 was \$ 8.2 million, a slight decrease when compared to \$8.6 million for the second quarter of 2018 ; and (ii) six months ended June 30, 2019 was \$17.1 million, consistent with the six months ended June 30, 2018 . Total software and services cost as a percentage of our software and services revenues for the: (i) second quarters of 2019 and 2018 were 67.6 % and 64.6%, respectively; and (ii) six months ended June 30, 2019 and 2018 were 67.8% for both periods.

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

Cost of Maintenance (Exclusive of Depreciation). The cost of maintenance for the (i) second quarter of 2019 was \$ 5.4 million, a slight decrease from \$5.7 million for the second quarter of 2018; and (ii) and six months ended June 30, 2019 decreased 4% to \$10.8 million, from \$11.3 million for the six months ended June 30, 2018 . Total cost of maintenance as a percentage of our maintenance revenues for the second quarters of 2019 and 2018 were 46.7% and 46.1%, respectively ; and (ii) six months ended June 30, 2019 and 2018 were 45.7% and 46.2%, respectively .

R&D Expense . R&D expense for the: (i) second quarter of 2019 was \$ 30.6 million, relatively consistent when compared to \$31.0 million for the second quarter of 2018; and (ii) and six months ended June 30, 2019 increased 5% to \$63.2 million, from \$60.3 million for the six months ended June 30, 2018 . The increase in the year-to-date R&D expense is mainly attributed to the R&D costs of the Forte business. As a percentage of total revenues, R&D expense for the second quarters of 2019 and 2018 were 12.5% and 14.5%, respectively (with the percentage decrease reflective of transaction fees of \$17.8 million) .

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.

Selling, General and Administrative ("SG&A") Expense . SG&A expense for the: (i) second quarter of 2019 increased 12 % to \$ 45.4 million, from \$40.6 million for the second quarter of 2018; and (ii) and six months ended June 30, 2019 increased 12% to \$91.3 million, from \$81.3 million for the six months ended June 30, 2018 . These increases are primarily due to the SG&A costs related to Forte business. Our SG&A costs as a percentage of total revenues for the second quarters of 2019 and 2018 were 18.5% and 19.1%, respectively (with the percentage decrease reflective of transaction fees of \$17.8 million).

Depreciation. Depreciation expense for the: (i) second quarter of 2019 increased 20% to \$ 5.4 million, from \$4.5 million for the second quarter of 2018 ; and (ii) and six months ended June 30, 2019 increased 25% to \$10.6 million , from \$8.5 million for the six months ended June 30, 2018 . These increases can be primarily attributed to the increased level of capital expenditures we have made over the last twelve months on items such as technology, security, infrastructure, and modernization of equipment, and to a lesser degree, the depreciation expense from the acquired Forte and Business Ink assets.

Restructuring and Reorganization Charges. Restructuring and reorganization charges for the: (i) second quarter of 2019 decreased 45 % to \$ 1.8 million, from \$3.3 million for the second quarter of 2018; and (ii) and six months ended June 30, 2019 decreased 54% to \$1.9 million, from \$4.2 million for the six months ended June 30, 2018 . The restructuring and reorganization charges for these periods relate to: (i) organizational changes to pursue global opportunities and efficiencies, which led to a reduction in our workforce; (ii) costs related to the abandonment of certain facilities; and (iii) in 2018, the closing of one of our print facilities, which resulted in restructuring charges related to involuntary terminations and the impairment of assets.

Operating Income. Operating income for the: (i) second quarter of 2019 was \$ 30.3 million, or 12.3 % of total revenues, compared to \$24.1 million, or 11.3% of total revenues for the second quarter of 2018; and (ii) six months ended June 30, 2019 was \$62.4 million, or 12.7% of total revenues, compared to \$49.9 million, or 12.0% of total revenues for the six months ended June 30, 2018 . The increases in operating income are primarily a result of the combination of higher revenues generated in the second quarter of 2019 and prudent expense management, including lower restructuring costs.

Loss on Extinguishment of Debt. In March 2018, we refinanced our 2015 Credit Agreement, and as a result, we incurred a loss of \$0.8 million related to the write-off of unamortized debt issuance costs.

Income Tax Provision . The effective income tax rates for the second quarters and six months ended June 30, 2019 and 2018 were as follows:

Quarter Ended June 30,		Six Months Ended June 30,	
2019	2018	2019	2018
28%	27%	27%	29%

Our estimated full year 2019 effective income tax rate is approximately 27%.

Liquidity

Cash and Liquidity

As of June 30, 2019, our principal sources of liquidity included cash, cash equivalents and short-term investments of \$131.5 million, as compared to \$141.9 million as of March 31, 2019 and \$162.9 million as of December 31, 2018. 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, 2019, there were no borrowings outstanding on the 2018 Revolver. The 2018 Credit Agreement contains customary affirmative covenants and financial covenants. As of June 30, 2019, 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, 2019	December 31, 2018
Americas (principally the U.S.)	\$ 81,078	\$ 110,385
Europe, Middle East and Africa	43,210	45,884
Asia Pacific	7,163	6,611
Total cash, equivalents and short-term investments	<u>\$ 131,451</u>	<u>\$ 162,880</u>

We generally have ready access to substantially all of our cash, cash equivalents, and short-term investment balances, but may face limitations on moving cash out of certain foreign jurisdictions due to currency controls. As of June 30, 2019, we had \$3.1 million of cash restricted as to use primarily to collateralize outstanding letters of credit.

Cash Flows from Operating Activities

We calculate our cash flows from operating activities in accordance with U.S. GAAP, 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 2018 10-K for a description of the primary uses and sources of our cash flows from operating activities.

Our 2019 and 2018 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):

		Changes in Operating Assets and Liabilities	Net Cash Provided by (Used In) Operating Activities – Totals
	Operations		
Cash Flows from Operating Activities:			
2019:			
March 31	\$ 42,003	\$ (29,177)	\$ 12,826
June 30	46,072	(30,469)	15,603
Total	<u>\$ 88,075</u>	<u>\$ (59,646)</u>	<u>\$ 28,429</u>
2018:			
March 31	\$ 38,247	\$ (8,392)	\$ 29,855
June 30	38,476	(42,117)	(3,641)
Total	<u>\$ 76,723</u>	<u>\$ (50,509)</u>	<u>\$ 26,214</u>

Cash flows from operating activities for the first quarters of 2019 and 2018 reflect the negative impacts of the payment of the 2018 and 2017 year-end accrued employee incentive compensation in the first quarter subsequent to the year-end accrual for these items. Additionally, cash flows from operating activities for the first and second quarters of 2019, and the second quarter of 2018, were negatively impacted by the timing around certain recurring client payments that were received subsequent to quarter-end.

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 client payments and changes in accrued expenses), and generally over longer periods of time, do not significantly impact our cash flows from operations.

Significant fluctuations in key operating assets and liabilities between 2019 and 2018 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 consistently strong quarterly cash flows from operating activities. Our billed trade accounts receivable balance includes significant billings for several non-revenue items (primarily postage, sales tax, and deferred revenue items). As a result, we evaluate our performance in collecting our accounts receivable through our calculation of days billings outstanding (“DBO”) rather than a typical days sales outstanding (“DSO”) calculation.

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

Quarter Ended	Gross	Allowance	Net Billed	DBOs
2019:				
March 31	\$ 247,833	\$ (2,897)	\$ 244,936	65
June 30	268,656	(2,861)	265,795	67
2018:				
March 31	\$ 217,018	\$ (3,967)	\$ 213,051	70
June 30	243,874	(3,961)	239,913	67

As of June 30, 2019, approximately 95% of our billed accounts receivable balance is less than 60 days past due.

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

Accrued Employee Compensation

Accrued employee compensation decreased \$9.7 million to \$51.4 million as of June 30, 2019, from \$61.1 million as of December 31, 2018, due primarily to the payment of the 2018 employee incentive compensation that was fully accrued at December 31, 2018, offset to a certain degree by the accrual for the 2019 employee incentive compensation.

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 first quarter of 2018 we acquired Business Ink for approximately \$70 million (\$68.6 million, net of cash acquired), and in the first quarter of 2019, as discussed in Note 2 to our Financial Statements, made an additional investment in a payment technology and services company for \$4.0 million, which is included in our cash flows from investing activities.

Purchases/Sales of Short-term Investments. For the six months ended June 30, 2019 and 2018, we purchased \$22.5 million and \$44.3 million, respectively, and sold (or had mature) \$28.8 million and \$116.9 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 will likely purchase and sell additional short-term investments in the future.

Software, Property and Equipment. Our capital expenditures for the six months ended June 30, 2019 and 2018 for software, property and equipment were \$17.9 million and \$26.7 million, respectively, and consisted principally of investments in: (i) statement production equipment; (ii) computer hardware, software, and related equipment; and (iii) facilities and internal infrastructure items.

Cash Flows from Financing Activities

Our financing activities typically consist of activities associated with our common stock and our long-term debt.

Cash Dividends Paid on Common Stock. During the six months ended June 30, 2019 and 2018, the Board approved dividends totaling \$14.7 million and \$14.2 million, respectively, and made dividend payments of \$14.8 million and \$14.4 million, respectively, through June 30, 2019 and 2018 (with the differences attributed to unvested incentive shares that are paid upon vesting).

Repurchase of Common Stock. During the six months ended June 30, 2019 and 2018, we repurchased 0.4 million and 0.3 million shares of our common stock, respectively, under the guidelines of our Stock Repurchase Program for \$15.8 million and \$11.3 million, respectively, and paid \$16.2 million and \$11.3 million, respectively, through June 30, 2019 and 2018 (with the differences attributed to shares accrued but not yet paid as of December 31, 2018 and 2017).

Outside of our Stock Repurchase Program, during the six months ended June 30, 2019 and 2018, we repurchased from our employees and then cancelled 0.1 million shares of our common stock in both periods for \$4.5 million and \$7.0 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, 2019 and 2018, we made principal repayments of \$3.8 million and \$1.9 million respectively.

During the first quarter of 2018, we refinanced our 2015 Credit Agreement and as a result, we repaid the outstanding principal balance of \$120.0 million and borrowed \$150.0 million under the 2018 Credit Agreement, resulting in a net increase of available cash of \$30.0 million. As part of the refinancing, we paid \$1.5 million of deferred financing costs.

See Note 4 to our Financial Statements for additional discussion of our long-term debt.

Capital Resources

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

Current Sources of Capital Resources.

- **Cash, Cash Equivalents and Short-term Investments.** As of June 30, 2019, we had cash, cash equivalents, and short-term investments of \$131.5 million, of which approximately 60% is in U.S. dollars and held in the U.S. We have \$3.1 million of restricted cash, used primarily to collateralize outstanding letters of credit. For the remainder of the monies denominated in foreign currencies and/or located outside the U.S., we do not anticipate any material amounts being unavailable for use in running our business.
- **Operating Cash Flows.** As described in the Liquidity section above, we believe we have the ability to 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, 2019, 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, 2019, we had 5.1 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 future share repurchases will be dependent on then 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, 2019, we repurchased 0.4 million shares of our common stock for \$ 15.8 million (weighted-average price of \$ 40.31 per share).

Outside of our Stock Repurchase Program, during the six months ended June 30, 2019, we repurchased from our employees and then cancelled 0.1 million shares of our common stock for \$4.5 million in connection with minimum tax withholding requirements resulting from the vesting of restricted common stock under our stock incentive plans.

- Cash Dividends. During the six months ended June 30, 2019, the Board declared dividends totaling \$14.7 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.
- Acquisition. On October 1, 2018, we acquired Forte, a leading provider of advanced payment solutions headquartered in Allen, Texas for a purchase price of approximately \$93 million, (approximately \$85 million, excluding cash acquired), and held back approximately \$13 million in cash subject to certain tax filings, which was paid in July 2019. The purchase agreement includes provisions for \$18.8 million of potential future earn-out payments over a four-year measurement period. The earn-out payments are tied to performance-based goals and continued employment by the eligible recipients.

As part of our growth strategy, we are continually evaluating potential business and/or asset acquisitions and investments in market share expansion with our existing and potential new clients.

- Equity Method Investment. In the first quarter of 2019, we made an additional \$4 million investment in a payment technology and services company that enables omni-channel digital payments in Latin America. As of June 30, 2019, we held an 8% noncontrolling interest with a carrying value of \$6.7 million.
- Capital Expenditures. During the six months ended June 30, 2019, we spent \$17.9 million on capital expenditures. As of June 30, 2019, we had committed to purchase \$2.1 million of equipment.
- Stock Warrants. In 2014, we 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 our common stock or voting of the Company. As of June 30, 2019, 1.4 million Stock Warrants are outstanding, of which 0.4 million are vested.

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

- Long-Term Debt. As of June 30, 2019, 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 \$140.6 million.

2016 Convertible Notes

During the next twelve months, there are no scheduled conversion triggers on our 2016 Convertible Notes. As a result, we expect our required debt service cash outlay during the next twelve months for the 2016 Convertible Notes to be limited to interest payments of \$9.8 million.

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 \$8.4 million, and \$5.9 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, 2019, 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, 2019 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, 2019 and December 31, 2018 were \$113.8 million and \$139.3 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, 2019 and December 31, 2018 were \$17.7 million and \$23.6 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.

Settlement Assets. We are exposed to market risk associated with cash held on behalf of our clients related to our payment processing services. As of June 30, 2019 and December 31, 2018, we had \$88.6 million and \$124.6 million, respectively, of cash collected on behalf of our clients which is held for an established holding period until settlement with the client. The holding period is generally one to four business days depending on the payment model and contractual terms with the client. During the holding period, cash is held in trust accounts with various major financial institutions in the U.S. in an amount equal to at least 100% of the aggregate amount owed to our clients. 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, 2019, the fair value of the 2016 Convertible Notes was estimated at \$254.4 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, 2019, we generated approximately 88% of our revenues in U.S. dollars. We expect that, in the foreseeable future, we will continue to generate a very large percentage of our revenues in U.S. dollars.

As of June 30, 2019 and December 31, 2018, 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, 2019		December 31, 2018	
	Monetary Liabilities	Monetary Assets	Monetary Liabilities	Monetary Assets
Pounds sterling	\$ (20)	\$ 1,380	\$ (3)	\$ 1,848
Euro	(230)	10,604	(448)	7,482
U.S. Dollar	(404)	19,658	(632)	18,044
South African Rand	-	1,984	-	270
Other	(44)	1,604	(7)	957
Totals	<u>\$ (698)</u>	<u>\$ 35,230</u>	<u>\$ (1,090)</u>	<u>\$ 28,601</u>

A hypothetical adverse change of 10% in the June 30, 2019 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, 2019.

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.

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 2018 Form 10-K. There were no material changes to the risk factors disclosed in our 2018 Form 10-K during the second quarter of 2019.

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 2019 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	66,447	\$ 44.19	65,400	5,223,967
May 1 - May 31	43,187	45.86	43,000	5,180,967
June 1 - June 30	38,822	46.84	35,600	5,145,367
Total	148,456	\$ 45.37	144,000	

- (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

Exhibit Number	Description
10.22AN*	<u>Thirty-Ninth Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC</u>
10.22AO*	<u>Fortieth Amendment to the CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Comcast Cable Communications Management, LLC</u>
10.26T*	<u>Twenty-Second Amendment to Consolidated CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Charter Communications Operating, LLC</u>
10.26U*	<u>Twenty-Fourth Amendment to Consolidated CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Charter Communications Operating, LLC</u>
10.26V*	<u>Twenty-Fifth Amendment to Consolidated CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Charter Communications Operating, LLC</u>
10.26W*	<u>Twenty-Sixth Amendment to Consolidated CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Charter Communications Operating, LLC</u>
10.26X*	<u>Twenty-Seventh Amendment to Consolidated CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Charter Communications Operating, LLC</u>
10.26Y*	<u>Twenty-Eighth Amendment to Consolidated CSG Master Subscriber Management System Agreement between CSG Systems, Inc. and Charter Communications Operating, LLC</u>
31.01	<u>Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.02	<u>Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.01	<u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	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	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* 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 8, 2019

CSG SYSTEMS INTERNATIONAL, INC.

/s/ Bret C. Griess

Bret C. Griess

President and Chief Executive Officer

(Principal Executive Officer)

/s/ Rolland B. Johns

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)

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 (*)**.

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

THIS THIRTY-NINTH AMENDMENT (the “Amendment”) is made by and between **CSG Systems, Inc .** (“CSG”) and **Comcast Cable Communications Management, LLC** (“Customer”). The Effective Date of this Amendment is the date last signed below. CSG and Customer entered into a certain CSG Master Subscriber Management System Agreement (CSG document #2501940) with an effective date of March 1, 2013 (the “Agreement”) and now desire to amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment 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.

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

- 1. Customer desires to use and CSG agrees to provide the CSG Traffic Data Service. CSG will provide the CSG Traffic Data Service to Customer pursuant to the terms of the Agreement and as further described in Attachment 1, attached hereto and incorporated herein by reference, and in accordance with this Amendment.**
 - (a) As a result, Schedule C, “Recurring Services,” of the Agreement is hereby amended by adding the following to the list of Services:

CSG Traffic Data Service.....Exhibit C-35
 - (b) Additionally, Schedule C, “Recurring Services,” of the Agreement is hereby amended by adding Exhibit C-35, “CSG Traffic Data Service,” attached to this Amendment at Attachment 1, and incorporated herein by reference.
 - (c) Additionally, Schedule F, “Fees,” of the Agreement is hereby amended by adding a new subsection “3. CSG Traffic Data Services” to Section IV entitled “Ancillary Products and Services,” Subsection I. entitled “Ancillary Services for Workforce Management,” (which Subsection I was last amended in its entirety pursuant to the Twenty-Fourth Amendment (CSG document # 4111045) effective as of June 6, 2016) as follows:

Description of Item/Unit of Measure	Frequency	Fee
3. CSG Traffic Data Service (Notes 11 – 19)		
a) [***** ***** ***]	[*****]	\$[****]

Note 11: For billing purposes, an "[*****]" is defined as [*****] ([*****]) [*****]. [*****] are currently [*****] "[*****]" that is provided to [*****] a [*****] basis. [*****] [*****]. As used herein, "[*****]" means (a) [*****], the day [*****] [*****] through [*****] and (b) [*****]. See Notes 12 – 14 below for illustrations of the application of the [*****] Fee on [*****] basis.

Note 12: Notwithstanding Note 11, for the initial roll-out of the CSG Traffic Data Service [*****] ([*****] of the Agreement), CSG shall invoice Customer [*****] (a) [*****] for such [*****] and (b) [*****] from the [*****] of the [*****] in which the CSG Traffic Data Service is enabled [*****] through [*****]. CSG will invoice Customer the [*****]. To illustrate the foregoing, if Customer requests CSG enable CSG Traffic Data Service on [*****] (*), and the [*****], CSG will invoice Customer \$[*****] on the [*****] invoice for such [*****] (*).

Note 13: Effective with the [*****] and for each [*****], CSG will [*****] of [*****] for such [*****] (the "[*****]"). Such [*****] will be [*****]. CSG will invoice Customer on the [*****] invoice for such [*****] for the [*****] in the [*****], as identified and invoiced [*****]. For clarity, the [*****] invoice(s) issued for each [*****] pursuant to this Note 13 shall include a [*****] (*).

Note 14: Each [*****] invoice CSG shall [*****] (*****). [*****] for the [*****] (*) of the [*****] across all such [*****] (*****). [*****] and [*****] to the [*****] invoiced the [*****]. If the [*****] (*%), then CSG shall invoice Customer, [*****] for [*****] [(the "*****")]. If there is an [*****], then [*****] shall be invoiced [*****] [*****]. In no event will CSG [*****].

By example:

- [*****] 0% (***** / *****).
- [*****] 0% (***** / *****).

Note 15: Notification email to Customer, from CSG, for [*****] must be sent to [*****] (*****@comcast.com) and [*****] (*****@Cable.Comcast.com).

Note 16: CSG will provide Customer with reports, including the [*****] that provides Customer the following data points:

- [*****]
- [*****]
- [*****]
- [*****]

If Customer requests additional or different non-standard reporting, the Parties shall enter a separate Statement of Work to specify the fees, terms and conditions by which CSG shall make such custom reporting available to Customer.

Note 17:
Service Level Agreements (SLAs) for CSG Traffic Data Service

- [*****] (*****)
- [*****] (*****)

- $$\begin{aligned} & \left[\begin{array}{l} ***** \\ ***** \end{array} \right] \\ \bullet & \left[\begin{array}{l} ***** \\ ***** \end{array} \right] \\ \bullet & \left[\begin{array}{l} ***** \\ ***** \end{array} \right] \end{aligned}$$

[illegible][illegible]

Note 18: The CSG Traffic Data Service [**** * * * * *]. CSG may change and/or supplement [** * * * * (*)] by providing Customer advance written notice of [**** * * * * *] and [***** * * * * *].

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

CSG SYSTEMS, INC. (“CSG”)

By: /s/ Gregory L. Cannon

Name: Gregory L. Cannon

Title: SVP, General Counsel & Secretary

Date: Mar 13, 2019

ATTACHMENT 1

Exhibit C-35

CSG Traffic Data Service

“CSG Traffic Data Service” . The CSG Traffic Data Service is an optional subscription-based data service leveraging real-time traffic data (the “Traffic Data”) CSG [***** * *****]. CSG utilizes the Traffic Data where and when available ([**** *]) to enhance travel time calculations that the routing engine considers that will result in optimized job assignments. Examples of the types of Traffic Data include [**** *]. The CSG Traffic Data Service also leverages the Traffic Data to [*****] and to [**** *]. *Note: CSG Workforce Management is a pre-requisite to use this optional data service and Customer will [**** *] optional data service, as set forth in the “CSG Traffic Data Services” section of Schedule F.*

1. **Availability** . The Traffic Data may not be available [*** *] and is subject to change based upon [*** *]. Customer acknowledges CSG has provided Customer access to the markets currently served by the CSG Traffic Data Service (including available Traffic Data) and upon Customer’s reasonable request from time-to-time, CSG agrees to provide Customer reasonable future access to review the then current markets served and the then applicable Traffic Data utilized by the CSG Traffic Data Service.
2. **Attribution** . The visual map displays viewed by desktop users and technicians may contain proprietary notices, logos and website links [** *]. Customer will not use any logo or trademark [** *] in any manner or for any purpose without the prior written consent of CSG.
3. **Confidentiality** . Customer agrees that information received through the CSG Traffic Data Service is “Confidential Information” under the Agreement and as such shall be kept strictly confidential in accordance with the Agreement. Upon the termination of the CSG Traffic Data Service by CSG or Customer, Customer will cease using and upon request from CSG will return to CSG or, alternatively, destroy all information received by Customer through the CSG Traffic Data Service from all of Customer’s on-line and off-line storage media (with the exception of any copies created as part of its regular back-up procedures).
4. **Ownership** . CSG [*** *] shall own all right, title and interest (including all associated intellectual property rights) in and to the CSG Traffic Data Service and the Traffic Data including all customizations, enhancements, modifications, improvements, derivations or other changes thereto made for or by Customer (alone or with others) and relating to the CSG Traffic Data Service provided by CSG. Customer will execute any instruments that may be appropriate or necessary to give full legal effect to the ownership rights granted to CSG [*** *] herein. Without limiting the foregoing, Customer is prohibited from syndicating, redistributing or acting as a service bureau for the CSG Traffic Data Service and the Traffic Data. Customer will not modify the Traffic Data or any portion thereof, or merge, incorporate or combine it with any traffic-related data not provided hereunder by CSG. If the Traffic Data or any portion thereof is modified, merged, incorporated or combined into any software, hardware, or other data, it will continue to be subject to the provisions of this Agreement, and CSG [*** *] will retain ownership of all such Traffic Data and all portions thereof.

Note 1: CSG shall design, develop, test and deploy an API interface and associated web portal logic (the “Custom API [***] Return Interface”), which is identified as [*****] in approved documents exchanged between the parties. The total implementation fees for CSG to develop, test and deploy the Custom [***] API Return Interface were approved in the [**** * * * * *], which [*****] shall be deemed [**** * * * * *] from that certain Statement of Work (CSG document number [*****]) titled “[**** * * * * *]” with an Effective Date of [*****]. The Custom [**** * * * * *] Return Interface [**** * * * * *] in the production environment on [**** * * * * *], 2019.

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: Senior Vice President Procurement	Title: SVP, General Counsel & Secretary
Date: 6-28-2019	Date: Jun 20, 2019

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 (*)**.

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

SCHEDULE AMENDMENT

This Twenty-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) (the “Agreement”), and now desire to amend the Agreement in accordance with the terms and conditions set forth in this Amendment. If the terms and conditions set forth in this Amendment shall be in conflict with the Agreement, the terms and conditions of this Amendment shall control. Any terms in initial capital letters or all capital letters used as a defined term but not defined in this Amendment shall have the meaning set forth in the Agreement. Upon execution of this Amendment by the parties, any subsequent reference to the Agreement between the parties shall mean the Agreement as amended by this Amendment. Except as amended by this Amendment, the terms and conditions set forth in the Agreement shall continue in full force and effect according to their terms.

WHEREAS, pursuant to the terms of the Agreement, CSG provides and Customer consumes CSG Workforce® Express (“WFX”) enterprise-wide, excluding commercial subscribers; and

WHEREAS, as a result of discussions between the parties, the parties agree to amend the WFX ***** maintenance and support fee.

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 Effective Date (as defined below).

1. **CSG and Customer, upon execution of this Amendment, acknowledge and agree that Schedule F, “Fees,” Section 2, “CSG Products,” Subsection II, “Workforce Express,” subsection D., “Workforce Express Enterprise Interface,” of the Agreement, line item 2. of the fee table and Note 12 shall be deleted in their entirety and replaced as follows:**

II. Workforce Express

Description of Item/Unit of Measure		Frequency	Fee
D. Workforce Express Enterprise Interface (API)			
2.	WFX Enterprise Interface (API) Maintenance and Support Fee per each block of [*****] WFX transactions or portion thereof (Note 12) (Note 13)		
a.	Up to and including [*** ***** (*****)] WFX transactions	[*****]	\$(*****)
b.	More than [*** ***** (*****)] WFX transactions	[*****]	\$(*****)

Note 12: By way of example, if Customer had [*****] WFX transactions in the current billing [*****], the [*****] WFX Enterprise Interface Maintenance and Support Fee would be \$[*****]. Further, the WFX Enterprise Interface Maintenance and Support Fee is intended to be incremental, not cumulative, so that, for example, if Customer had a transaction volume of [*****] WFX transactions in the current billing [*****], the [*****] WFX Enterprise Interface Maintenance and Support Fee would be \$[*****] for the [***** * * * * *] ***** (**) ***** (***** / ***** = * * * * *) plus \$[*****] for the next [***** (**) ***** (***** * * * * * / ***** = * * * * *)].

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

**CHARTER COMMUNICATIONS HOLDING
COMPANY, LLC ("CUSTOMER")**

CSG SYSTEMS, INC. ("CSG")

By: Charter Communications, Inc., its Manager

By: /s/ Mike Ciszek

By: /s/ Gregory L. Cannon

Title: Mike Ciszek

Title: Gregory L. Cannon

Name: SVP - Billing Strategy and Operation

Name: SVP, Secretary & General Counsel

Date: 4/12/19

Date: 4/15/19

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 (*)**

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

SCHEDULE AMENDMENT

This Twenty-fourth 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 “Effective Date”).

WHEREAS, Pursuant to the terms of the Agreement, CSG provides and Customer consumes CSG Vantage® Users/IDs/Sessions for up to [*** ***** ****
***** (*****)] Vantage UserIDs/Sessions, including [*** ***** (*****)] Discounted Vantage User IDs/Sessions; and

WHEREAS, Customer, subsequent to April 30, 2018, has requested and CSG has provided, pursuant to Technical Service Requests and Statements of Work executed from time to time by the Parties commencing on or after May 1, 2018, through April 30, 2019, for which Customer has been provided and paid associated fees pursuant to the Agreement in the amount of [*** ***** (*****)] additional Vantage UserIDs/Sessions to bring the current aggregate number of Vantage UserIDs/Sessions to [*** ***** (*****)] Vantage UserIDs/Sessions.

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:

1. CSG and Customer agree that as of [***** *** ****], the number of Vantage UserIDs/Sessions for which CSG invoices Customer is [*** ***** ****
***** (*****)] and, further, as a result, Schedule F of the Agreement, Section 1, “CSG Services,” Subsection III, “Payment Procurement,” Subsection V., Advanced Reporting, Subsection A., “CSG Vantage®,” Notes 9 and 10 are deleted in their entirety and replaced as follows to reflect the updated number of Vantage UserIDs/Sessions invoiced by CSG and utilized by Customer as of [***** *** ****], as follows:

Note 9: CSG and Customer agree that as of [**** ** *], Customer has requested and is utilizing [*** ***** ** *] Vantage UserIDs/Sessions. Therefore, CSG will invoice and Customer agrees to pay the [*****] maintenance pursuant to section A.2 of the table above in accordance with the Agreement for [*** ***** ** *] Vantage UserIDs/Sessions. In the event Customer requests additional Vantage User IDs/Sessions, the fees as set forth in sections A.1 and A.2 of the table above shall apply.

Note 10: Notwithstanding the foregoing in Note 9 above, CSG agrees to provide [*** ***** ** *] Vantage User IDs/Sessions of such [*** ***** ** *] Vantage UserIDs/Sessions at the rate of [***** ** *] of the [*****] Vantage User Maintenance for the Term of the Agreement (“[*****] Vantage User IDs/Sessions”). CSG and Customer acknowledge and agree that it is the intent of the Parties that the [*****] Vantage User IDs/Sessions hereunder will be utilized concurrently with the [*** ***** ** *] current Customer Vantage IDs/Sessions to allow users to query Customer’s Vantage data on [*** (*)] database instances.

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

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

CSG SYSTEMS, INC. (“CSG”)

By: Charter Communications, Inc., its Manager

By: /s/ Mike Ciszek

By: /s/ Gregory L. Cannon

Title: Mike Ciszek

Title: Gregory L. Cannon

Name: SVP - Billing Strategy and Operation

Name: SVP, Secretary & General Counsel

Date: 5/16/2019

Date: 5/17/19

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 (*)**

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

SCHEDULE AMENDMENT

This Twenty-fifth 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 currently consumes processing capacity for its Direct Solutions (Print & Mail) Services; and

WHEREAS, Customer has requested CSG support processing of Direct Solutions (Print & Mail) Services volume in a different manner which requires certain capacity for statement composition;

WHEREAS, Customer has requested that CSG provide additional capacity for Customer’s statement composition to accommodate Customer’s increased statement volumes; and

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 Effective Date of this Amendment (defined below):

1. **Schedule F of the Agreement, “Fee Schedule,” “1. CSG SERVICES,” Section III, “Payment Procurement,” Section A., “Direct Solutions (Print and Mail),” subsection 2, “Statement Processing,” shall be amended to add a new line item “f” as follows:**

2. Statement Processing (Note 32)		
f. Statement Composition Capacity (Note 33) (Note 35)		
1. Setup and Implementation Fees	*****	*****
2. Support and Maintenance Fees (Note 34)	*****	\$*****

Notes 33: Implement and set up of the Statement Composition Capacity shall be mutually agreed upon and documented in that certain Statement of Work, “Implement Statement Composition Capacity,” (CSG document no. 4128682) (the “Composition Capacity SOW”) to be executed by CSG and Customer.

Note 34: Support and Maintenance Fees will commence with the first invoice following completion of the Project, as defined in the Processing Capacity SOW.

Note 35: Statement Composition Capacity shall mean the capacity provided pursuant to the requirements developed and approved to support the Composition Capacity SOW, which shall not include cycle loading or Customer acquisitions. In the event Customer adds additional volume which necessitates CSG requiring additional capacity beyond the Statement Composition Capacity, CSG shall notify Customer within [**** (*) *****] days and the parties shall mutually agree upon terms and conditions to provide Customer with necessary capacity to support increased statement volumes.

- 2. In order to properly reflect the Parties' respective understanding and agreement for mail piece delivery, Section 2, "DELIVERY STANDARDS." of Attachment A.1 to Exhibit C-2 is deleted in its entirety and replaced as follows:**

" 2. DELIVERY STANDARDS. CSG agrees to provide delivery services based upon the Turnaround Time for Paper Bills as provided in Exhibit H-5, "Service Levels," of Schedule H, "Service Level Agreement," Table E, Line 10. The delivery standards exclude major holidays, which shall be defined as New Year's Day, Memorial Day, 4th of July, Labor Day, Thanksgiving Day and Christmas Day."

- 3. Customer agrees the "Service Levels" in Exhibit H-5 for Turnaround Time for Paper Bills shall be [*** ***** ***** (***) *****] or less for physical statements and waived for reprints and reruns for subscriber statements through [***** *** *****].**

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

**CHARTER COMMUNICATIONS HOLDING
COMPANY, LLC ("CUSTOMER")**

CSG SYSTEMS, INC. ("CSG")

By: Charter Communications, Inc., its Manager

By: /s/ Mike Ciszek

By: /s/ Gregory L. Cannon

Title: Mike Ciszek

Title: Gregory L. Cannon

Name: SVP - Billing Strategy and Operation

Name: SVP, General Counsel & Secretary

Date: 5/2/19

Date: May 17, 2019

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 ().**

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

SCHEDULE AMENDMENT

This Twenty-sixth 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 “Effective Date”).

WHEREAS, pursuant to the Agreement, the Parties agreed, as more specifically described in the Fourth Amendment to the Agreement effective September 19, 2017, (CSG document no. 4117619) (the “Amendment”), to terms for conversion of Customer’s subscribers receiving billing services on Customer’s Oceanic platform to the CSG billing platform; and

WHEREAS, pursuant to discussions between CSG and Customer, section 1(d) of the Amendment shall be amended.

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:

1. CSG and Customer agree that as of the Effective Date, subsection (d) of Section 1 of the Amendment shall be deleted in its entirety and replaced as follows:

“(d) CSG and Customer agree that Customer’s BSC for the Converted Subscribers shall be [***** ** * *****] of [***** (**) *****] commencing as of the [***** ** *] (for purposes of this Amendment, such period shall be referred to as the “[** * ***** ** *]”). CSG shall invoice and Customer shall be obligated to pay the respective BSC fees under Schedule F for the Converted Subscribers the [***** ** * *****] following the end of the [** * ***** ** *].”

[Signature Page Follows]

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

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

CSG SYSTEMS, INC. (“CSG”)

By: Charter Communications, Inc., its Manager

By: /s/ Mike Ciszek

By: /s/ Gregory L. Cannon

Title: Mike Ciszek

Title: Gregory L. Cannon

Name: SVP - Billing Strategy and Operation

Name: SVP, Secretary & General Counsel

Date: 5/16/2019

Date: 5/17/19

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 ().**

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

SCHEDULE AMENDMENT

This Twenty-seventh 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, as a result of discussions between the parties, the parties agree to amend the current adjusted Monthly rate of the First Physical Page Statement Processing.

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 Effective Date of this Amendment (defined below):

1. **Schedule F of the Agreement, “Fee Schedule,” “1. CSG SERVICES,” Section III, “Payment Procurement,” Section A., “Direct Solutions (Print and Mail),” subsection 2, “Statement Processing,” shall be amended to add the following:**

Description of Item/Unit of Measure	Frequency	Fee
g. Additional Insert Capacity (per statement) (Note 36)	[*****]	\$[*****]

Note 36: The Additional Insert Capacity fee shall be assessed against Customer’s [*****] commencing [**** *]. CSG shall continue to invoice the Additional Insert Capacity fee until the month in which the [*****] equals [*****] (\$[*****]) (the “Additional Insert Capacity Maximum”). In the [*****] in which the Additional Insert Capacity Maximum is exceeded, CSG will invoice Additional Insert Capacity fee based on the [*****] for that [*****] and provide a [*****] in the amount of [*****]. In the event Print and Mail Services is terminated, by Customer other than for cause or by CSG for cause, and Additional Insert Capacity Maximum has not been reached, CSG shall have the right to invoice the amount needed to reach the Additional Insert Capacity Maximum.

[Signature Page Follows]

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/ Mike Ciszek

Title: Mike Ciszek

Name: SVP - Billing Strategy and Operation

Date: 6/27/19

By: /s/ Gregory L. Cannon

Title: Gregory L. Cannon

Name: SVP, Secretary & General Counsel

Date: 6/28/19

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 (*)**.

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

SCHEDULE AMENDMENT

This Twenty-eighth 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 has previously purchased and CSG provides Data Publisher Vantage Edition for Customer’s use solely for Legacy TWC, pursuant to the Agreement; and

WHEREAS, Customer desires CSG to provide and CSG agrees to expand Data Publisher Vantage Edition to be available for all Connected Subscribers.

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 Effective Date of this Amendment (defined below):

1. Upon execution of this Amendment, CSG will provide Data Publisher Vantage Edition for Customer’s Connected Subscribers
2. As a result, Schedule F of the Agreement, “Fee Schedule,” “1. CSG SERVICES,” Section V, “Advanced Reporting,” Section D., “CSG Data Publisher,” shall be deleted in its entirety and replaced as follows:

D. CSG Data Publisher

Description of Item/Unit of Measure	Frequency	Fee
1.CSG Data Publisher – Vantage Edition		
a.Vantage Edition Implementation Fee (Note 1) (Note 2)	[*****]	[*****]
b.Vantage Edition Maintenance Fees (Note 3)	[*****]	\$[*****]
2.CSG Data Publisher – File Edition		
a.File Edition Implementation Fee (Note 4) (Note 5)	[*****]	[*****]
b.File Edition Maintenance Fees-Initial Data Publisher Objects (Note 6) (Note 7)	[*****]	\$[*****]
c.File Edition Maintenance Fees-Additional Data Publisher Objects (per [*****]) (Note 2) (Note 6) (Note 8)	[*****]	\$[*****]

Note 1: The CSG Data Publisher – Vantage Edition is available for Legacy TWC pursuant to an executed Statement of Work (CSG document no. 4100611) and expanded for all Connected Subscribers to be implemented as described in that certain Statement of Work to be executed by the parties (CSG document no. 4129234). CSG Data Publisher - Vantage Edition is not available for Non-ACP Subscribers. In the event Customer requests utilization of the Data Publisher – Vantage Edition be made available for all or any portion of Customer's Non-ACP Subscribers or such Non-ACP-related systems, such Services shall be made available pursuant to one or more mutually agreed upon Statements of Work, subject to Implementation Fees, and amendments to the Agreement. Reimbursable Expenses are additional.

Note 2: In the event Customer requests additional CSG Data Publisher Objects, such requests shall be set forth in a separate Statement of Work and/or amendment, as applicable.

Note 3: Vantage Edition Maintenance Fees will include up to [***** (**) *****] per [*****] of additional support for activities outside of administration, issue resolution and general maintenance of CSG Data Publisher – Vantage Edition. Any additional support in excess of such [***** (**) *****] per [*****] must be set forth in a separate Statement of Work.

Note 4: In the event Customer requests utilization of the Data Publisher – File Edition be made available for all or any portion of Customer's Non-ACP Subscribers or such Non-ACP-related systems, such Services shall be made available pursuant to one or more mutually agreed upon Statements of Work, subject to Implementation Fees, and amendments to the Agreement. Reimbursable Expenses are additional.

Note 5: In the event, Customer requests additional CSG Data Publisher Objects-File Edition, such requests shall be set forth in a separate Statement of Work and/or amendment, as applicable.

Note 6: File Edition Maintenance Fees will include up to [***** (**) *****] per [*****] of additional support for activities outside of administration, issue resolution and general maintenance of CSG Data Publisher – File Edition. Any support in excess of such [***** (**) *****] per [*****] shall be set forth in a separate Statement of Work.

Note 7: For clarification purposes, File Edition Maintenance Fees-Initial Data Publisher Objects cover up to [***** (**)] CSG Data Publisher Objects delivered within Data Publisher-File Edition.

Note 8: File Edition Maintenance Fees for Additional Data Publisher Objects are applicable for each CSG Data Publisher Object delivered within Data Publisher - File Edition in excess of the Initial Data Publisher Objects.

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/ Mike Ciszek

By: /s/ Gregory L. Cannon

Title: Mike Ciszek

Title: Gregory L. Cannon

Name: SVP - Billing Strategy and Operation

Name: SVP, Secretary & General Counsel

Date: 5/30/19

Date: 5/31/19

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

I, Bret C. Griess, 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 8, 2019

/s/ Bret C. Griess

Bret C. Griess

President and Chief Executive Officer

**CERTIFICATIONS 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 8, 2019

/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.

Bret C. Griess, 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 8, 2019

/s/ Bret C. Griess

Bret C. Griess
President and Chief Executive Officer

August 8, 2019

/s/ Rolland B. Johns

Rolland B. Johns
Executive Vice President and Chief Financial Officer