CSG SYSTEMS INTERNATIONAL INC
Form DEF 14A
April 05, 2004

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-11(a) or §240.14a-12

CSG SYSTEMS INTERNATIONAL, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

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CSG Systems International, Inc.
7887 East Belleview Avenue, Suite 1000
Englewood, Colorado 80111

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 28, 2004

The annual meeting of stockholders of CSG Systems International, Inc. (the "Company") will be held at the office of the Company, 7887 East Belleview Avenue, Suite 1000, Englewood, Colorado, on Friday, May 28, 2004, at 8:30 a.m., for the following purposes:

1. To elect one Class I Director.

2. To consider and vote on a proposed amendment of the Company's 1996 Employee Stock Purchase Plan which will increase by 500,000 the number of shares of Common Stock of the Company available for purchase under such Plan.

3. To transact such other business as properly may come before the meeting or any adjournments thereof.

The Board of Directors fixed the close of business on March 30, 2004, as the record date for determining the stockholders of the Company who are entitled to notice of and to vote at the meeting and any adjournment thereof.

All stockholders are cordially invited to attend the meeting.

By Order of the Board of Directors,

Joseph T. Ruble
Secretary

April 1, 2004

REGARDLESS OF WHETHER YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE IN ORDER TO ASSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF THE ENCLOSED ENVELOPE IS MAILED IN THE UNITED STATES. YOU ALSO MAY FILE YOUR PROXY BY TELEPHONE OR THE INTERNET IN ACCORDANCE WITH THE INSTRUCTIONS ACCOMPANYING THE PROXY. THE PROXY WILL NOT BE USED IF YOU ATTEND THE MEETING IN PERSON AND SO REQUEST.

CSG Systems International, Inc.
7887 East Belleview Avenue, Suite 1000
Englewood, Colorado 80111

PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS
May 28, 2004

This Proxy Statement is furnished by the Board of Directors (the "Board") of CSG Systems International, Inc. (the "Company") in connection with the Board's solicitation of proxies for use at the annual meeting of stockholders of the Company (the "Annual Meeting") to be held at the office of the Company, 7887 East Belleview Avenue, Suite 1000, Englewood, Colorado, on Friday, May 28, 2004, at 8:30 a.m., and at any adjournments of the Annual Meeting. All proxies will be voted in accordance with the instructions contained in such proxies; if no choice is specified, the proxies will be voted in favor of the director nominee named in this Proxy Statement and in favor of the proposed amendment of the Company's 1996 Employee Stock Purchase Plan to increase by 500,000 the number of shares of Common Stock of the Company available for purchase under such Plan. A stockholder may revoke a proxy at any time before it is exercised either by giving written notice to that effect to the Secretary of the Company, by delivering to the Company a properly signed proxy bearing a later date or by attending the Annual Meeting and voting in person.

The Board fixed the close of business on March 30, 2004, as the record date for determining the stockholders of the Company who are entitled to notice of and to vote at the Annual Meeting. At the close of business on March 30, 2004, there were outstanding and entitled to vote at the Annual Meeting 53,776,972 shares of Common Stock of the Company, par value $.01 per share ("Common Stock"). Each share is entitled to one vote.

The Company will bear all costs of this solicitation of proxies. In addition to solicitations by mail, the Company's directors, officers and regular employees, without additional remuneration, and their appointed agents may solicit proxies in person or by telephone, e-mail, facsimile or other means. The Company will request banks, brokers and other fiduciaries to forward proxy soliciting material to the owners of stock held in their names. The Company will reimburse such banks, brokers and other fiduciaries for their reasonable out-of-pocket expenses incurred in connection with the distribution of proxy material.

The Company is first mailing this Proxy Statement and the accompanying proxy card on or about April 16, 2004, to persons who were stockholders of the Company at the close of business on the record date.

Quorum and Votes Required

A majority of the shares of Common Stock outstanding on the record date is required to be present or represented by proxy at the Annual Meeting in order to have the quorum necessary to take action at the Annual Meeting. Assuming that a quorum is present at the Annual Meeting, the nominee for election as the Class I director who receives the greatest number of votes cast in the director election will be elected as the Class I director. Approval of the proposed amendment of the Company's 1996 Employee Stock Purchase Plan requires the affirmative vote of the holders of a majority of the shares of Common Stock present or represented by proxy at the Annual Meeting and entitled to vote on such matter.

Votes cast in person or by proxy at the Annual Meeting will be tabulated by the inspector appointed for the Annual Meeting. The inspector will treat abstentions as Common Stock that is present and entitled to vote for purposes of determining the presence of a quorum but as not voted for purposes of determining the approval of any matter submitted to stockholders for a vote. Abstentions

will have no effect in the director election but will have the effect of a "no" vote with respect to other matters voted upon. If a broker indicates on a proxy that such broker does not have discretionary authority to vote on a particular matter and has not received voting instructions from the beneficial owner as to certain shares of Common Stock, then (unless otherwise required by Delaware law) such shares will not be counted in determining the number of votes required for approval of such matter; however, such "broker non-votes" will be counted for purposes of determining whether a quorum is present at the Annual Meeting.

BENEFICIAL OWNERSHIP OF COMMON STOCK

The first table below sets forth each person known by the Company to own beneficially more than 5% of the outstanding Common Stock as of December 31, 2003. The second table below sets forth to the Company's knowledge the beneficial ownership of Common Stock by each director and each executive officer of the Company named in the Summary Compensation Table, individually, and by all directors and executive officers of the Company as a group as of January 31, 2004.

Principal Stockholders

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percentage of Common Stock Outstanding
FMR Corp. Edward C. Johnson 3d Abigail P. Johnson Fidelity Management & Research Company Fidelity Low Priced Stock Fund 82 Devonshire Street Boston, MA 02109	7,851,044(1)	14.60%
Farallon Capital Partners, L.P. Farallon Capital Institutional Partners, L.P. Farallon Capital Institutional Partners II, L.P. Farallon Capital Institutional Partners III, L.P. Tinicum Partners, L.P. Farallon Capital Management, L.L.C. Farallon Partners, L.L.C. 14 named individuals One Maritime Plaza Suite 1325 San Francisco, CA 94111	4,803,796(2)	8.93%
Sterling Capital Management LLC Sterling MGT, Inc. Eduardo A. Brea	4,144,705(3)	7.71%

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percentage of Common Stock Outstanding
Alexander W. McAlister David M. Ralston Brian R. Walton Mark Whalen 4064 Colony Road, Suite 300 Charlotte, NC 28211		

Barclays Global Investors, NA Barclays Global Fund Advisors Barclays Bank PLC Barclays Capital Securities Limited 45 Fremont Street San Francisco, CA 94105	2,846,278(4)	5.29%

(1)

FMR Corp., Edward C. Johnson 3d and Abigail P. Johnson have filed with the United States Securities and Exchange Commission (the "SEC") on February 17, 2004, a joint amended Schedule 13G stating that (i) Fidelity Management and Research Company ("Fidelity"), a wholly owned subsidiary of FMR Corp., is the beneficial owner of 7,699,644 of these shares as a result of its acting as investment adviser to various registered investment companies (the "Funds"), (ii) Fidelity Low Priced Stock Fund is the owner of 3,596,148 of these shares, (iii) Edward C. Johnson 3d as Chairman of FMR Corp., FMR Corp. through its control of Fidelity, and the Funds each have sole power to dispose of the 7,699,644 shares owned by the Funds, (iv) the power to vote the shares owned by the Funds resides with the Boards of Trustees of the Funds, (v) Fidelity Management Trust Company, a wholly owned subsidiary of FMR Corp., is the beneficial owner of 151,400 of these shares as a result of its serving as investment manager of institutional accounts, (vi) Edward C. Johnson 3d and FMR Corp., through its control of Fidelity Management Trust Company, each has sole dispositive power and sole voting power with respect to such 151,400 shares and (vii) members of the Edward C. Johnson 3d family, including Edward C. Johnson 3d and Abigail P. Johnson, are the predominant owners of Class B common stock of FMR Corp. and may be deemed to be a controlling group with respect to FMR Corp.

(2)

Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P., Farallon Capital Institutional Partners II, L.P., Farallon Capital Institutional Partners III, L.P., Tinicum Partners, L.P., Farallon Capital Management, L.L.C. (the "Management Company"), Farallon Partners, L.L.C. (the "General Partner") and 14 named individuals have filed with the SEC on January 9, 2004, a joint amended Schedule 13G stating that (i) the limited partnerships named above (the "Partnerships") have shared voting and dispositive powers with respect to varying amounts of an aggregate of 2,034,400 of these shares and own their respective shares directly, (ii) the 2,769,396 shares attributed to the Management Company are held and owned directly by certain accounts managed by the Management Company, (iii) the General Partner, as general partner of the Partnerships, may be deemed to be the beneficial owner (with shared voting and dispositive powers) of the 2,034,400 shares owned by the Partnerships and (iv) the 14 individuals, as managing members of the General Partner and/or the Management Company, may be deemed to be the beneficial owners (with shared voting and dispositive powers) of all of these shares.

(3)

Sterling Capital Management LLC ("Sterling"), Sterling MGT, Inc. ("Sterling Management"), Eduardo A. Brea, Alexander W. McAlister, David M. Ralston, Brian R. Walton and Mark Whalen have filed with the SEC on January 9, 2004, a joint amended Schedule 13G stating that they have shared voting power and shared dispositive power with respect to these shares. Such filing also states that (i) Sterling Management is the managing member of Sterling, (ii) Messrs. Brea, McAlister, Ralston, Walton and Whalen are controlling shareholders of Sterling Management and (iii) Sterling is a registered investment adviser whose clients have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, these shares.

(4)

Barclays Global Investors, NA ("Investors"), Barclays Global Fund Advisors ("Advisors"), Barclays Bank PLC ("Bank") and Barclays Capital Securities Limited ("Securities") have filed with the SEC on February 17, 2004, a joint Schedule 13G stating that (i) Investors beneficially owns 2,114,762 of these shares, with sole voting and dispositive power with respect to 1,865,317 shares, (ii) Advisors beneficially owns 678,566 of these shares with sole voting and dispositive power, (iii) Bank beneficially owns 47,050 of these shares with sole voting and dispositive power and (iv) Securities beneficially owns 5,900 of these shares with sole voting and dispositive power.

Directors and Executive Officers

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned(1)(2)(3)(4)	Percentage of Common Stock Outstanding
William E. Fisher	209,512	*
George F. Haddix	660,824(5)	1.23%
Neal C. Hansen	2,327,848(6)	4.31%
Peter E. Kalan	114,786	*
Edward C. Nafus	281,916	*
Janice I. Obuchowski	56,752	*
John P. Pogge	233,059	*
Bernard W. Reznicek	63,834	*
Frank V. Sica	244,516	*
Donald V. Smith	25,334	*
All directors and executive officers as a group (10 persons)	4,218,381	7.75%

* Less than 1% of the outstanding Common Stock.

(1) Each person named has sole voting and investment power over the shares owned by him or her except as indicated in footnotes (5) and (6).

(2) Includes 44,834, 195,900, 14,100, 160,120, 52,834, 44,664, 60,834, 52,834, 19,334 and 645,454 shares subject to currently exercisable options which are held by Dr. Haddix, Mr. Hansen, Mr. Kalan, Mr. Nafus, Ms. Obuchowski, Mr. Pogge, Mr. Reznicek, Mr. Sica and Mr. Smith and all directors and executive officers as a group, respectively.

(3) Includes 25,000 shares subject to options held by each of Messrs. Fisher, Kalan, Nafus and Pogge and 100,000 shares subject to options held by all directors and executive officers as a group, which options are exercisable with respect to such shares within 60 days after January 31, 2004.

(4) Includes restricted shares of Common Stock awarded under the 1996 Stock Incentive Plan of the Company. Each holder of restricted shares may vote such shares but may not sell, transfer or encumber such shares until they vest in accordance with the applicable restricted stock award agreement. Persons named in this table hold the following numbers of restricted shares as of January 31, 2004:

Name	Number of Restricted Shares
William E. Fisher	52,500
Neal C. Hansen	427,709
Peter E. Kalan	60,312
Edward C. Nafus	45,312

Name	Number of Restricted Shares
John P. Pogge	78,828

(5)
Includes 25,000 shares owned by a charitable organization of which Dr. Haddix is a trustee. Dr. Haddix disclaims beneficial ownership of such 25,000 shares, as to which he has shared voting and investment power.

(6)
Includes 435,000 shares owned by Hansen Partnership, Ltd., of which Mr. Hansen is General Partner, and 63,408 shares owned by Mr. Hansen's spouse. Mr. Hansen disclaims beneficial ownership of the shares owned by his spouse (as to which he has neither voting nor investment power) and, except to the extent of his pecuniary interest therein, the shares owned by Hansen Partnership, Ltd.

ELECTION OF DIRECTORS

The Board is divided into three classes presently consisting of two Class I directors, two Class II directors and three Class III directors whose present terms continue until the annual meetings of stockholders of the Company to be held in 2004, 2005 and 2006, respectively, and until their respective successors are elected and qualified. John P. Pogge, who currently is a Class I director of the Company, is not a candidate for re-election at the Annual Meeting. At the Annual Meeting, the number of Class I directors will be reduced to one, and one Class I director will be elected at the Annual Meeting to serve for a three-year term expiring at the annual meeting of stockholders to be held in 2007.

Unless the proxy is marked otherwise, the person acting under the accompanying proxy will vote to elect Janice I. Obuchowski as the Class I director. The proxy may not be voted for more than one director. If Ms. Obuchowski is unable to serve, then the person acting under the proxy may vote the proxy for the election of a substitute nominee. The Company does not presently contemplate that Ms. Obuchowski will be unable to serve.

The following information relates to the Board's nominee for election at the Annual Meeting and to the other directors of the Company whose terms of office will continue after the Annual Meeting:

Nominee for Election as Class I Director With a Term Expiring in 2007:

Janice I. Obuchowski ***Director since 1997***
Ms. Obuchowski, 52, was elected to the Board in November 1997. Ms. Obuchowski has been President of Freedom Technologies, Inc., a provider of telecommunications research and consulting services, since 1992. From February through August 2003, Ms. Obuchowski also served as the United States Ambassador and head of the United States delegation to the 2003 World Radiocommunication Conference in Geneva, Switzerland. Ms. Obuchowski served as Assistant Secretary for Communications and Information for the Department of Commerce and as Administrator for the National Telecommunications and Information Administration during the presidential administration of George H.W. Bush. Ms. Obuchowski also is a director of Orbital Sciences Corporation and Stratos Global Corporation.

Class II Directors With Terms Expiring in 2005:

Bernard W. Reznicek ***Director since 1997***
Mr. Reznicek, 67, was elected to the Board in January 1997. Mr. Reznicek served as National Director, Special Markets, for Central States Indemnity Company of Omaha, a Berkshire Hathaway insurance company, from January 1997 until January 2003. Mr. Reznicek currently is a consultant and private investor. Mr. Reznicek was Dean of the College of Business Administration at Creighton University from April 1994 to December 1996. Previously, Mr. Reznicek was Chairman (1992-94) and Chief Executive Officer (1990-94) of Boston Edison Company, an electric utility company. Mr. Reznicek also is a director of Pulte Homes, Inc.

Donald V. Smith ***Director since 2002***
Mr. Smith, 61, was elected to the Board in January 2002. Mr. Smith presently serves as Senior Managing Director of Houlihan Lokey Howard & Zukin, Inc., an international investment banking firm with whom he has been associated since 1988. He currently is in charge of the

firm's New York office and also is a director of the firm. From 1978 to 1988, Mr. Smith was employed by Morgan Stanley & Co. Incorporated, where he headed the valuation and reorganization services within that firm's corporate finance group.

Class III Directors With Terms Expiring in 2006:

George F. Haddix, Ph.D. ***Director since 1994***

Dr. Haddix, 65, is a co-founder of the Company and was the President and Chief Technical Officer of the Company from its formation in 1994 until September 1997. He has served as a director of the Company since its formation in 1994. Dr. Haddix currently is a private investor and also serves as chief executive officer of PKW Holdings, Inc., a privately owned software company. Subsequent to his retirement as an employee of the Company at the end of 1997, Dr. Haddix served until December 1999 as a consultant to the Company with respect to its technical management and administration. From 1991 until co-founding the Company, Dr. Haddix was a private investor. From 1989 to 1991, Dr. Haddix was a General Partner in Hansen, Haddix and Associates, a partnership which provided advisory management services to suppliers of software products and services. From 1987 to 1988, Dr. Haddix served as President and Chief Executive Officer of US WEST Network Systems, Inc. Dr. Haddix received a Ph.D. in mathematics from Iowa State University in 1968 and has served on the faculties of three universities. Dr. Haddix also is a director of infoUSA Inc.

Neal C. Hansen ***Director since 1994***

Mr. Hansen, 63, is a co-founder of the Company and has been Chairman of the Board, Chief Executive Officer and a director of the Company since its formation in 1994. From 1991 until co-founding the Company, Mr. Hansen served as a consultant to several software companies, including First Data Corporation ("FDC"). From 1989 to 1991, Mr. Hansen was a General Partner in Hansen, Haddix and Associates, a partnership which provided advisory management services to suppliers of software products and services. From 1983 to 1989, Mr. Hansen was Chairman and Chief Executive Officer of US WEST Applied Communications, Inc. and President of US WEST Data Systems Group. From 1971 to 1983, Mr. Hansen served in a variety of executive positions with FDC and in 1982 was responsible for the development of FDC's cable television processing division, which was acquired by the Company in 1994.

Frank V. Sica ***Director since 1994***

Mr. Sica, 53, has served as a director of the Company since its formation in 1994. Mr. Sica currently serves as a Senior Advisor to Soros Fund Management LLC and from May 1998 to December 31, 2003, was a Managing Director of such company. He was a Managing Director of Morgan Stanley & Co. Incorporated from 1988 to March 1998. Mr. Sica also is a director of Kohl's Corporation, Emmis Communications Corporation and JetBlue Airways Corporation.

Other Board Information

There are no family relationships between any of the directors or executive officers of the Company. There are no arrangements between any director, nominee or executive officer of the Company and any other person pursuant to which such director, nominee or executive officer was selected for such position.

The Board has determined that Messrs. Haddix, Reznicek, Sica and Smith and Ms. Obuchowski, who are all of the present non-employee directors of the Company, are "independent directors" as defined in the applicable rule of the National Association of Securities Dealers, Inc. (the "NASD").

During 2003, the Board held six meetings and on three other occasions acted by unanimous written consent. During 2003, all directors of the Company attended at least 75% of the aggregate number of meetings of the Board and of the committees on which they serve.

The Board has established a process for stockholders of the Company to send communications to the Board or to a specified individual member of the Board. Such communications should be in writing and sent to the Board or such individual director in care of the Secretary of the Company at the address shown on the first page of this Proxy Statement. Depending upon the subject matter of the communication, the Secretary of the Company will either (i) forward the communication to all of the members of the Board or to the individual member of the Board to whom the communication is addressed, (ii) forward a communication relating to accounting, internal accounting controls or auditing matters to the chair of the Audit Committee of the Board, (iii) attempt to respond directly to an inquiry or request involving publicly available information about the corporation or its stock or (iv) not forward the communication if it is primarily commercial in nature or relates to an improper or irrelevant topic. The Secretary of the Company will maintain a log of all communications addressed to the Board or an individual member of the Board which are not forwarded in accordance with this policy; directors of the Company may review such log at any time and request copies of any of such communications.

Historically, very few stockholders of the Company have attended the Company's annual meetings of stockholders. Accordingly, the Company's policy is that employee directors of the Company are expected to attend annual meetings of stockholders of the Company if their schedules permit and that non-employee members of the Board are not expected to attend annual meetings of stockholders but may do if they so desire. One of the Company's directors, Mr. Hansen, attended the 2003 annual meeting of stockholders; the schedule of John P. Pogge, a current director of the Company, did not permit him to attend.

Audit Committee

The Board has a standing Audit Committee, presently composed of Ms. Obuchowski and Messrs. Haddix and Reznicek (Chair). The Committee's purpose, as currently set forth in its charter, is to oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company. In November 2003, upon the recommendation of the Audit Committee, the Board adopted a revised Audit Committee Charter, which appears as Appendix I to this Proxy Statement and sets forth in detail the responsibilities of the Audit Committee, including the appointment of the Company's independent auditors. The Audit Committee Charter also is available on the Company's web site under Investor Relations, Corporate Governance, at http://www.csgsystems.com. Information on the Company's web site is not incorporated by reference in this Proxy Statement. As required by the Audit Committee Charter, all of the members of the Audit Committee are "independent directors" as defined in the applicable NASD rule and also satisfy the other requirements of the NASD rule applicable to audit committee members. The Board has determined that Messrs. Haddix and Reznicek are "audit committee financial experts" as defined by the SEC. The Audit Committee held six meetings during 2003.

Compensation Committee

The Board has a standing Compensation Committee, presently composed of Messrs. Reznicek, Sica (Chair) and Smith. The Compensation Committee Charter provides, among other things, that the Committee is to review and recommend to the Board the Company's senior management compensation

and benefits policies generally, evaluate the performance of the Company's executive officers and review and recommend to the Board the compensation of the Company's executive officers. The Compensation Committee also is responsible for the administration of and the granting of stock options and other awards under the Company's 1995 Incentive Stock Plan, 1996 Stock Incentive Plan and 2001 Stock Incentive Plan. The Compensation Committee Charter is available on the Company's web site under Investor Relations, Corporate Governance, at http://www.csgsystems.com. Information on the Company's web site is not incorporated by reference in this Proxy Statement. As required by the Compensation Committee Charter, all of the members of the Committee are "independent directors" as defined in the applicable NASD rule and also are "outside directors" for purposes of Section 162(m) of the Internal Revenue Code of 1986. The Compensation Committee held seven meetings during 2003 and on three other occasions acted by unanimous written consent.

Nominating and Corporate and Governance Committee

The Board has a standing Nominating and Corporate Governance Committee, presently composed of Ms. Obuchowski (Chair) and Messrs. Haddix and Reznicek. The Nominating and Corporate Governance Committee Charter provides, among other things, that the Committee is to identify individuals qualified to become Board members, recommend to the Board nominees for election as directors, recommend directors for appointment to Board committees, evaluate the Board's performance, review and recommend to the Board the compensation of the Company's directors and develop and recommend to the Board the Company's Corporate Governance Guidelines and Code of Business Conduct and Ethics. The Nominating and Corporate Governance Committee Charter is available on the Company's web site under Investor Relations, Corporate Governance, at http://www.csgsystems.com. Information on the Company's web site is not incorporated by reference in this Proxy Statement. As required by the Nominating and Corporate Governance Committee Charter, all of the members of the Committee are "independent directors" as defined in the applicable NASD rule. The Nominating and Corporate Governance Committee held four meetings during 2003.

In recommending to the Board nominees for election as directors, the Nominating and Corporate Governance Committee reviews the present composition of the Board to determine the qualities, skills and areas of expertise (including but not limited to financial and accounting expertise) needed to enable the Board and its committees to properly discharge their responsibilities. The Committee considers it necessary for the Board to have at least one of its independent members qualify as an "audit committee financial expert" and takes that requirement into account in making its recommendations to the Board. While the Committee has not established other specific minimum requirements for service on the Board, when assessing and determining a candidate's qualifications, the Committee considers among other things the number and type of other boards on which the candidate serves; other business and professional commitments of the candidate and potential conflicts of interest; the ability and willingness of a candidate to devote the required amount of time to the candidate's responsibilities as a Board member and as a member of one or more committees of the Board; the age, background, reputation, independence, experience, skills and judgment of the candidate; and the diversity of the Board's membership. Directors, while relying on the honesty and integrity of the Company's senior management and its outside advisors and auditors, are expected to exercise their best business judgment when acting on behalf of the Company and its stockholders and to adhere to the applicable provisions of the Company's Code of Business Conduct and Ethics.

The Committee will consider qualified nominees for election as directors recommended by the Company's stockholders. A stockholder who wishes to recommend a nominee for consideration by the Committee should submit the recommendation in writing to the Secretary of the Company at the address shown on the first page of this Proxy Statement, indicating the proposed nominee's qualifications and other relevant biographical information and providing written confirmation of the proposed nominee's consent to serve as a director if nominated and elected. The Secretary of the

Company will forward legitimate recommendations from stockholders to the chair of the Committee for further review and consideration. The bylaws of the Company provide that stockholder nominations of persons for election to the Board (as distinguished from recommendations to the Committee) are subject to certain advance notice and informational requirements; stockholders may obtain a copy of the relevant bylaw provisions from the Secretary of the Company at the address shown on the first page of this Proxy Statement.

Upon the recommendation of the Nominating and Corporate Governance Committee, the Board has adopted a Code of Business Conduct and Ethics applicable to all of the directors, officers and employees of the Company and its subsidiaries. The Company's Code of Business Conduct and Ethics and the Company's Corporate Governance Guidelines are available on the Company's web site under Investor Relations, Corporate Governance, at http://www.csgsystems.com. Information on the Company's web site is not incorporated by reference in this Proxy Statement.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers (as defined in the applicable regulations) and directors, and persons who beneficially own more than 10% of a class of the Company's equity securities registered under such Act, to file certain reports of ownership and changes of ownership of the Company's equity securities with the SEC. Officers, directors and more than 10% stockholders are required by SEC regulation to furnish to the Company copies of all Section 16(a) forms which they file.

Based solely on its review of the copies of such forms submitted to it, or written representations from certain reporting persons that no Form 5 was required for those persons, the Company believes that all filing requirements applicable to its officers and directors were complied with for the year ended December 31, 2003, except that in February 2003 Mr. Reznicek filed a Form 4 report one week late with respect to his receipt of an option grant from the Company under the Company's Stock Option Plan for Non-Employee Directors.

Compensation of Directors

Until March 31, 2003, each non-employee director of the Company was entitled to receive $2,500 for each meeting of the Board attended in person, $500 for each meeting of the Board attended by conference telephone call or its equivalent and $500 for each meeting of a committee of the Board attended in person or by conference telephone call or its equivalent.

Effective April 1, 2003, each non-employee director of the Company is entitled to receive an annual retainer fee of $30,000 payable in quarterly installments, a meeting attendance fee of $1,000 for attendance at a meeting of the Board and a meeting attendance fee of $750 for attendance at a meeting of a committee of the Board. Each chairperson of a committee of the Board also is entitled to receive an annual retainer fee of $8,000 payable in quarterly installments.

A director who is an officer or employee of the Company does not receive additional compensation for serving as a director or committee member.

The Company has a Stock Option Plan for Non-Employee Directors (the "Directors Plan") which was approved by the stockholders of the Company in 1997. Historically, the Company granted options to purchase Common Stock under the Directors Plan on a cycle approximately coinciding with a non-employee director's initial election to the Board and the three-year anniversaries of such election. On May 12, 2003, the Company modified such practice by providing for a single three-year grant cycle for all non-employee directors approximately coinciding with the annual meeting of the Company's stockholders held every third year. To initially place all of the present non-employee directors on such new three-year cycle, the Company granted options to such directors based upon the months elapsed since a director had received his or her most recent three-year grant; such May 2003 option grants were as follows:

George F. Haddix	24,000 shares
Janice I. Obuchowski	20,000 shares
Bernard W. Reznicek	2,700 shares
Frank V. Sica	18,700 shares
Donald V. Smith	10,700 shares.

Such options have an exercise price of $12.20 per share, which was the closing price of the Common Stock on the grant date, and become exercisable in varying installments on May 12, 2004, 2005 and 2006 depending upon the exercise schedule of the most recent previous three-year option grant to the particular director. The options will expire ten years after the grant date if not sooner exercised. If an optionee ceases to be a member of the Board before fully exercising his or her option, then various provisions of the applicable option agreement govern the continuing exercisability of the option. The option agreements provide for the acceleration of the exercisability of the options upon the occurrence of certain "change of control" events specified in the option agreements and contain a related tax "gross-up" provision.

On January 30, 2003, based on the then existing individual three-year grant cycle, the Company granted Mr. Reznicek an option under the Directors Plan covering 24,000 shares of Common Stock with an exercise price of $10.48 per share. Such option became or will become exercisable in three equal installments on January 30, 2004, 2005 and 2006 and has the other exercisability provisions referred to in the preceding paragraph, except that at the time of its grant such option did not provide for acceleration of its exercisability upon a change of control of the Company.

In May 2003 the Company amended all then outstanding stock option agreements with its non-employee directors relating to options which were not then fully exercisable and did not already contain a change-of-control acceleration provision so as to add such a provision and a related tax "gross-up" provision to such agreements.

EXECUTIVE COMPENSATION

Compensation of Executive Officers

The following table sets forth information with respect to the compensation paid by the Company to its chief executive officer and to each of its other four most highly compensated executive officers for services rendered during 2003.

Summary Compensation Table

	Annual Compensation				Long-Term Compensation Awards		
Name and Principal Position During 2003	**Year**	**Salary($)**	**Bonus(1)($)**	**Other Annual Compensation(2)($)**	**Restricted Stock(3)($)**	**Stock Options(#)**	**All Other Compensation(4)($)**
Neal C. Hansen,	2003	750,000		136,371	6,552,000		6,000
Chairman of the	2002	750,000	525,000	127,227	1,306,800	370,000	15,500
Board and Chief	2001	650,000	422,500	167,257		480,000	13,600
Executive Officer							
John P. Pogge,	2003	425,000		5,775		100,000	11,000
President and Chief	2002	425,000	208,250	85,053	1,248,636	40,000	21,750
Operating Officer	2001	400,000	240,000	16,863		87,500	19,850
Edward C. Nafus,	2003	375,000	150,000	3,139		100,000	12,250
Executive Vice	2002	375,000	170,625	3,757	717,742	37,500	18,731

		Annual Compensation			Long-Term Compensation Awards		
President and President of Broadband Services Division	2001	335,000	184,250	3,894		72,500	11,050
William E. Fisher(5), Executive Vice President and President of Global Software Services Division	2003	375,000		3,139		100,000	12,250
	2002	375,000	170,625	341,676	831,600	110,000	6,250
	2001	335,000	53,600			150,000	
Peter E. Kalan, Executive Vice President and Chief Financial Officer	2003	350,000	150,000	5,609		100,000	11,249
	2002	315,000	159,250	7,156	986,542	40,000	21,449
	2001	225,000	112,500	13,315		70,000	15,353

(1) Bonuses are annual performance bonuses paid to the executive officers pursuant to the Company's Performance Bonus Plan for a particular year. Such bonuses are based upon the level of achievement of pre-established Company financial objectives and individual performance objectives and are subject to Board approval. The bonus earned for each year is payable in the first quarter of the subsequent year.

(2) The amounts shown include (i) for each year, reimbursements to each named executive officer for income taxes on perquisites and other personal benefits and on the tax reimbursement amounts, (ii) for 2003, perquisite and other personal benefits of $81,616 received by Mr. Hansen, including $62,002 for financial and tax planning and tax preparation services, (iii) for 2002, (a) perquisites and other personal benefits of $75,851 received by Mr. Hansen, including $37,610 for financial and tax planning and tax preparation services and $21,349 for personal use of the Company's aircraft, (b) perquisites and other personal benefits of $53,334 received by Mr. Pogge, including $34,136 for

financial and tax planning and tax preparation services and (c) perquisites and other personal benefits of $200,316 received by Mr. Fisher, including $194,448 for relocation expenses, and (iv) for 2001, perquisites and other personal benefits of $104,571 received by Mr. Hansen, including $64,619 for financial and tax planning and tax return preparation services. With respect to Mr. Pogge during 2001 and 2003, Mr. Fisher during 2001 and 2003 and Messrs. Nafus and Kalan for all years, the aggregate amount of perquisites and other personal benefits received did not exceed the lesser of $50,000 or 10% of the total amount of annual salary and bonus reported for such individual and has been excluded from this Table.

(3) The dollar values of the restricted stock awards shown in this Table are based upon the closing market prices of the Common Stock on the dates of the award grants. The number of restricted shares held by the named executive officers on December 31, 2003, and the value of such shares on such date (based upon the $12.49 closing price of the Common Stock) are as follows:

Executive Officer	Number of Restricted Shares	Value
Neal C. Hansen	480,000	$ 5,995,200
John P. Pogge	78,828	984,562
Edward C. Nafus	45,312	565,947
William E. Fisher	52,500	655,725

Executive Officer	Number of Restricted Shares	Value
Peter E. Kalan	60,312	753,297

On August 30, 2002, Mr. Hansen surrendered for cancellation certain stock options previously granted to him under the 1996 Stock Incentive Plan of the Company covering an aggregate of 1,390,000 shares. In exchange for such surrender, on such date the Company granted to Mr. Hansen a restricted stock award under such Plan covering 110,000 shares of Common Stock and on January 2, 2003, granted to Mr. Hansen a further restricted stock award under such Plan covering 270,833 shares of Common Stock. The 110,000 restricted shares awarded to Mr. Hansen in August 2002 vested on August 30, 2003, and the 270,833 restricted shares awarded to Mr. Hansen in January 2003 will vest in three approximately equal installments on January 2, 2005, 2006 and 2007. In addition to the 270,833 shares of restricted stock referred to above, on January 2, 2003, the Company granted to Mr. Hansen a separate restricted stock award under such Plan covering 209,167 shares of Common Stock in recognition of his prior and anticipated future services to the Company; 25% of such 209,167 shares vested or will vest on each of January 2, 2004, 2005, 2006, and 2007. On August 30, 2002, the Company granted restricted stock awards covering 105,104, 60,416, 70,000 and 50,416 shares of Common Stock to Messrs. Pogge, Nafus, Fisher and Kalan, respectively; 25% of such restricted shares vested or will vest on each of August 30, 2003, 2004, 2005 and 2006. On August 22, 2002, the Company granted a separate restricted stock award covering 30,000 shares of Common Stock to Mr. Kalan; 7,500 of such restricted shares vested or will vest on each of August 22, 2003, 2004, 2005 and 2006. In each case, vesting of the restricted shares is subject to the continuous employment of the particular executive officer by the Company until the specified vesting date. However, all of the restricted shares shown in the table in this footnote are subject to accelerated vesting upon the death of the particular executive officer while employed by the Company, the termination of the particular executive officer's employment by the Company as a result of certain disabilities or after he has reached the age of 65 years or the occurrence of certain "change of control" events specified in the award agreements. The Company has never paid any dividends on its Common Stock and has no plans to do so at this time.

(4)

All Other Compensation for 2003 for Mr. Hansen consists of employer contributions to the CSG Incentive Savings Plan (a 401(k) plan). All Other Compensation for 2003 for Messrs. Pogge, Nafus, Fisher and Kalan consists of employer contributions to the CSG Incentive Savings Plan (Pogge $6,000, Nafus $6,000 and Kalan $6,000) and employer credits to the CSG Systems, Inc. Wealth

Accumulation Plan (Pogge $5,000, Nafus $6,250, Fisher $6,250 and Kalan $5,249). The CSG Systems, Inc. Wealth Accumulation Plan is an unfunded deferred compensation plan which provides for elective salary and incentive compensation deferrals by participants; CSG Systems, Inc., a subsidiary of the Company, matches a participant's deferral up to 25% thereof, with a maximum annual credit of $6,250 per participant.

(5)

Mr. Fisher joined the Company and became an executive officer of the Company in September 2001. Mr. Fisher's salary for 2001 is shown on an annualized basis.

Option Grants in 2003

The following table sets forth stock options granted by the Company to the named executive officers during 2003.

Individual Grants

Name	Options Granted on Common Stock(1)(#)	% of Total Options Granted to Employees in 2003(%)	Exercise Price per Share(2) ($/share)	Expiration Date	Grant Date Present Value(3)($)
Neal C. Hansen					
John P. Pogge	100,000	19.46	9.11	3/5/13	483,080
Edward C. Nafus	100,000	19.46	9.11	3/5/13	483,080

Name	Options Granted on Common Stock(1)(#)	% of Total Options Granted to Employees in 2003(%)	Exercise Price per Share(2) ($/share)	Expiration Date	Grant Date Present Value(3)($)
William E. Fisher	100,000	19.46	9.11	3/5/13	483,080
Peter E. Kalan	100,000	19.46	9.11	3/5/13	483,080

(1) All of these options were granted in March 2003 pursuant to the Company's 1996 Stock Incentive Plan. Each option is exercisable as to 25% of the shares covered by such option on each of the first four anniversaries of the grant date, with acceleration of the exercisability upon the occurrence of certain specified "change of control" events.

(2) The exercise price is the closing market price on the date the option was granted.

(3) Grant date present value was determined using a modified Black-Scholes option pricing model. The estimated value under the model is based on several assumptions, including an expected volatility factor of 60%, a weighted-average risk-free rate of return of 2.61%, no dividend yield and an expected option life of five years, and may not be indicative of actual value.

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Aggregated 2003 Option Exercises and 2003 Year-End Option Values

The following table sets forth certain information regarding the exercise of stock options during 2003 by the named executive officers and the number and value of their unexercised stock options at December 31, 2003.

Name	Shares Acquired On Exercise(#)	Value Realized($)	Number of Unexercised Options at December 31, 2003		Value of Unexercised In-the-Money Options at December 31, 2003(1)	
			Exercisable(#)	Unexercisable(#)	Exercisable($)	Unexercisable($)
Neal C. Hansen			195,900		324,810	
John P. Pogge			44,664	100,000	62,874	338,000
Edward C. Nafus			160,120	100,000		338,000
William E. Fisher				100,000		338,000
Peter E. Kalan			14,100	100,000	23,541	338,000

(1) "In-the-Money Options" are options outstanding at the end of 2003 for which the fair market value of the Common Stock at the end of 2003 (closing price of $12.49 per share on December 31, 2003) exceeded the exercise price of the options.

Employment Agreements

Mr. Hansen

Mr. Hansen currently is employed by the Company pursuant to an employment agreement entered into in November 1998 and amended on four occasions thereafter (the "Agreement"). The initial term of the Agreement was from November 17, 1998, through December 31, 2001. On December 31 of each year during its term, the term of the Agreement automatically is extended by one year unless, not later than one year prior to a particular December 31, either the Company or Mr. Hansen notifies the other that such extension shall not occur, in which case the Agreement will terminate at the end of its then remaining term. The current expiration date of the Agreement is December 31, 2006.

The Agreement provides for Mr. Hansen to receive an annual base salary of not less than $400,000 (with annual Consumer Price Index ("CPI") adjustments). Mr. Hansen also has the opportunity under the Agreement to earn an annual incentive bonus of not less than 65% of his base salary if the objectives established annually by the Board are fully achieved. The Agreement also provides certain group insurance coverages, paid vacations and holidays, an automobile allowance, certain expenses of club membership, the right to personal use of the Company's aircraft and various other benefits to Mr. Hansen, including but not limited to certain income tax "gross-up" payments in connection with such aircraft usage.

Mr. Hansen's employment will terminate upon his death, and the Company may terminate Mr. Hansen's employment in the event of his disability for a continuous period of more than six months or for more than 180 days in the aggregate during any 12-month period. The Company also may terminate Mr. Hansen's employment for "cause", as defined in the Agreement. In the cases of death or disability, Mr. Hansen (or his estate) would be entitled to receive his base salary through the employment termination date and a pro rata portion of his annual incentive bonus for the year in which his employment terminates. In the case of termination for cause, Mr. Hansen is not entitled to receive any portion of his incentive bonus for the year in which his employment terminates.

If the Company terminates Mr. Hansen's employment without cause prior to a change of control of the Company, then Mr. Hansen is entitled to continue to receive his base salary for the remaining term of the Agreement (less compensation received from other employment), his full incentive bonus for the year in which his employment terminates (payable at the regularly scheduled time and to be no

less than his incentive bonus for the preceding calendar year) and an additional amount equal to 195% of his base salary in effect at the time of the employment termination (the latter amount being payable 50% one year after the termination and 50% two years after the termination). If the Company terminates Mr. Hansen's employment without cause after a change of control of the Company, then he is entitled to receive the amounts referred to in the preceding sentence, but the payment times generally are accelerated to 30 days after the effective date of the employment termination. "Change of Control" is defined in the Agreement and includes among other events various types of mergers, dissolutions or changes in ownership of the Company or its principal operating subsidiary, certain acquisitions of significant amounts of the voting stock of the Company and certain changes in the composition of the Board.

If the Company or a permitted successor to the Company materially alters Mr. Hansen's duties and responsibilities under the Agreement or assigns to Mr. Hansen duties and responsibilities inappropriate to the chief executive officer of the Company without Mr. Hansen's consent, then Mr. Hansen may resign from his offices and positions with the Company (without further obligation to perform any services) and will be entitled to receive the compensation described in the applicable sentence of the preceding paragraph, depending upon whether such event occurs before or after a change of control of the Company.

If any payments made to Mr. Hansen under the preceding two paragraphs cause Mr. Hansen to be subject to excise taxes on "excess parachute payments" under the Internal Revenue Code, then the Company is obligated to reimburse Mr. Hansen for such excise taxes and for any additional income, excise or other taxes which he incurs as a result of such reimbursements.

If Mr. Hansen voluntarily resigns prior to the expiration of the Agreement, he is entitled to receive only his base salary through the employment termination date (unless such date is December 31, in which case he also is entitled to receive his incentive bonus for the year of termination.)

The Agreement also contains provisions which prohibit Mr. Hansen from competing with the Company or soliciting the Company's employees for a period of one year after the termination of his employment for any reason.

The Agreement provides that if Mr. Hansen remains in the employ of the Company until the earlier of his reaching the age of 65 years or the termination of his employment with the Company after the occurrence of a change of control of the Company or under certain other specified circumstances, then, for a period of 10 years after the termination of Mr. Hansen's employment with the Company, he agrees to serve as a consultant to the Board and chief executive officer of the Company with respect to the strategic planning and business development activities of the Company and to provide up to 20 hours of service per month to the Company in such capacity upon the request of the Company. In consideration of his agreement to provide such consulting services, during the 10-year period referred to above (i) Mr. Hansen and other persons designated by him will be entitled to reasonable personal use of the Company's aircraft (or an equivalent charter aircraft if a Company aircraft is not available) for up to 40,000 miles of air travel per year and (ii) the Company will provide a private office and certain related services and facilities to Mr. Hansen at a location other than the Company's offices, with a maximum annual cost of $40,000 (adjusted annually for CPI increases). If Mr. Hansen is required to pay any income taxes by reason of such aircraft usage or office and related services and facilities, then the Company is required to reimburse him for such income taxes and for any additional income taxes arising from the tax reimbursements.

Mr. Pogge

In November 1998 the Company entered into an employment agreement with Mr. Pogge, which generally is similar to Mr. Hansen's agreement, except that Mr. Pogge's minimum annual base salary is $290,000 (with CPI adjustments), his annual incentive bonus target is not less than 60% of his base

salary and his additional payment in the event of termination without cause is an amount equal to 180% of his base salary, and the agreement does not provide for personal use of the Company's aircraft or for post-termination consulting services by Mr. Pogge. The current expiration date of Mr. Pogge's agreement is December 31, 2006.

Messrs. Nafus, Fisher and Kalan

In November 1998, September 2001 and January 2001, the Company entered into employment agreements with Messrs. Nafus, Fisher and Kalan, respectively. The agreements currently cover the period from January 1, 2004, through December 31, 2005, and provide for automatic one-year extensions (similar to Mr. Hansen's). Mr. Nafus' agreement provides for a minimum annual base salary of $262,500 (with CPI adjustments), an annual incentive bonus target of not less than 55% of his base salary and various group insurance coverages. Mr. Fisher's agreement provides for a minimum annual base salary of $335,000 (with CPI adjustments), an annual incentive bonus target of not less than 55% of his base salary and various group insurance coverages. Mr. Kalan's agreement provides for a minimum annual base salary of $225,000 (with CPI adjustments), an annual incentive bonus target of not less than 50% of his base salary and various group insurance coverages. The provisions of these agreements in the cases of termination for death, disability or cause are the same as in Mr. Hansen's agreement. If the Company terminates the employment of Mr. Nafus, Mr. Fisher or Mr. Kalan without cause prior to a change of control of the Company, then the Company must continue to pay such person's base salary for one year after the termination (less compensation received from another employer) and also must pay such person's annual incentive bonus for the year of termination (payable at the regularly scheduled time and to be not less than such person's incentive bonus for the preceding calendar year) and an additional amount equal to 55% (in the case of Mr. Nafus and Mr. Fisher) or 50% (in the case of Mr. Kalan) of such person's base salary (payable one year after the termination). If the termination without cause occurs after a change of control, then the Company must pay (within 30 days after the termination) the person's base salary for two years after the termination, the annual incentive bonus for the year of termination and an additional amount equal to 110% (in the case of Mr. Nafus and Mr. Fisher) or 100% (in the case of Mr. Kalan) of such person's base salary. The provisions of these agreements relating to a constructive termination require that the employee give notice to the Company of a claimed constructive termination, and the Company then has an opportunity to take appropriate actions to remove the basis for such claim.

Each of the Company's executive officers waived the annual CPI adjustment to his base salary for 2003 and also has waived such adjustment for 2004.

REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION

The Compensation Committee of the Board of Directors (the "Committee"), consisting entirely of independent non-employee directors, reviews and recommends to the Board senior management compensation and benefits policies generally, evaluates the performance of the Company's executive officers and reviews and recommends to the Board the compensation of the Company's executive officers. The Committee currently is composed of Messrs. Reznicek, Sica (Chairman) and Smith.

Compensation Philosophy

The Company's senior management compensation program is premised on the belief that the interests of the Company's executives should be closely aligned with those of the Company's stockholders and is designed to attract, retain, motivate and appropriately reward individuals who are responsible for both short-term and long-term profitability and growth of the Company. Based on this philosophy, a significant portion of each executive's total compensation is placed at-risk and linked to the accomplishment of specific Company and individual financial, strategic and other performance objectives, as well as to potential appreciation in the value of the Common Stock.

Compensation Program

Periodically we review the Company's overall senior management compensation and benefits policies. Such reviews include consideration of compensation programs adopted by competing companies and by other employers likely to recruit executives with skill sets similar to those which the Company regularly seeks. In connection with such reviews, we have utilized an independent compensation consulting firm to prepare a comprehensive formal assessment of the competitiveness of the Company's senior management compensation program and to compare the several components of the Company's senior management compensation program with those of other publicly owned technology companies. We also utilized an independent compensation consulting firm in connection with particular compensation programs that were implemented for the Company's senior management, including executive officers, in 2002 and 2003.

We annually review and recommend to the Board the compensation of the executive officers of the Company, including the Chief Executive Officer, each of whose compensation is presented in detail earlier in this Proxy Statement.

The key elements of the Company's compensation program for its executive officers consist of annual base salaries, performance bonuses, stock options and restricted stock. Our approach to each of these elements, including the basis for the compensation paid to Mr. Hansen, are discussed below.

Annual Base Salaries

We initially have determined annual base salaries for executive officers by evaluating the responsibilities of the position, the experience and knowledge of the individual and the scope and complexity of the executive's position relative to other senior management positions both internally and at a select group of other companies. We have based our external comparison on the results of reports prepared by the Company's independent compensation consulting firm, and we take into consideration the compensation practices and programs of other companies which are likely to compete with the Company for the services of senior executive management personnel.

We determine annual base salary adjustments by evaluating both the position and the performance of each executive officer, taking into account any year-to-year changes in responsibilities and other relevant factors. Individual performance evaluations are based in part upon the executive's achievement of specific individual objectives as well as upon the executive's performance of his overall responsibilities. We also take into account CPI changes, although these have not been a significant consideration in recent years; and each of the Company's executive officers waived the annual CPI adjustment to his base salary for 2003.

In recommending the base salary paid to Mr. Hansen in 2003, we focused our attention primarily on the Company's financial and operational performance in 2002 and our assessment of Mr. Hansen's individual performance. Mr. Hansen waived the annual CPI adjustment to his base salary for 2003; and we recommended that Mr. Hansen's $750,000 base salary for 2002 remain in effect for 2003.

Performance Bonuses

The Company maintains an annual Performance Bonus Plan (the "Bonus Plan"), which provides for the potential payment of performance bonuses to most of the management employees of the Company who do not receive sales commissions. Executive officers of the Company participate in the Bonus Plan, which is a pay-for-performance plan designed to compensate participants for achieving certain objectives established in the context of the Company's annual financial plan.

Annually, at the beginning of each year, we review and recommend to the Board targeted levels and minimum threshold levels of Company performance with respect to key financial objectives affecting the executive officers' performance bonuses. For executive officers of the Company, the performance bonus objectives are based primarily upon revenue and earnings of the Company but also take into account their respective areas of responsibility and individual performances. The Company pays performance bonuses during the first calendar quarter after the year in which they are earned.

The Company's 2003 revenue and earnings, as well as its operations and financial position, were materially and adversely affected by the decision rendered in an arbitration proceeding relating to the Company's Master Subscriber Agreement with a subsidiary of Comcast Corporation. Such decision resulted in a significant damage award against the Company, as well as a substantial reduction in the Company's revenues for 2003 and subsequent years, and necessitated a major restructuring of the Company's business. Because of such results, we recommended that no performance bonus be paid to Messrs. Hansen and Pogge for 2003. Our recommendations with respect to 2003 performance bonuses for the other executive officers of the Company were based upon their individual performances and the performances of the business units or corporate functions for which they were responsible; such bonuses, if any, are reflected in the Summary Compensation Table appearing earlier in this Proxy Statement.

Stock Options and Restricted Stock

A further component of executive officers' compensation is the Company's 1996 Stock Incentive Plan. We are responsible for the administration of such plan and the granting of stock options and other awards under such plan to executive officers and other employees of the Company. In March 2003 we granted options to purchase shares of Common Stock to the Company's executive officers other than Mr. Hansen. Certain details of such option grants are set forth in the table above under "Option Grants in 2003". We made no stock option grants to Mr. Hansen during 2003.

During August 2002, Mr. Hansen surrendered for cancellation certain stock options previously granted to him under such 1996 Stock Incentive Plan covering a total of 1,390,000 shares. Under a program which we implemented at that time, Mr. Hansen would have been entitled to receive a restricted stock award of 380,833 shares of Common Stock in exchange for such cancelled stock options. However, because of a 480,000-share limit on awards to any one recipient under the Company's 1996 Stock Incentive Plan during a single calendar year and Mr. Hansen's receipt in January 2002 of a stock option grant covering 370,000 shares, we were able to grant Mr. Hansen a restricted stock award covering only 110,000 shares in August 2002. Mr. Hansen had advised us that he would be willing to surrender the options covering all of such 1,390,000 shares (including the 370,000 shares covered by the January 2002 grant) at the time of such August 2002 award with the informal understanding that at the beginning of 2003 the Compensation Committee of the Board would grant to him an additional restricted stock award covering 270,833 shares of Common Stock. With that understanding we made the grant to Mr. Hansen of 110,000 restricted shares in August 2002 and granted the remaining 270,833 restricted shares to him in January 2003. Additional details of such grants, including information with respect to the vesting of such restricted shares, appear in footnote (3) to the Summary Compensation Table appearing earlier in this Proxy Statement.

As also noted in footnote (3) to such Summary Compensation Table, we made a separate restricted stock award of 209,167 shares to Mr. Hansen in January 2003 in recognition of his prior and anticipated future services to the Company.

We made no restricted stock awards to the other executive officers of the Company during 2003.

Conclusion

Through the programs described above, we have based significant portions of the Company's executive compensation directly upon individual and Company performance and upon the future value and potential price appreciation of the Company's stock. We presently intend to continue a policy linking executive compensation to Company performance and stockholder return.

Frank V. Sica, Chairman
Bernard W. Reznicek
Donald V. Smith

Compensation Committee of the Board of Directors

STOCK PRICE PERFORMANCE

The following graph compares the cumulative total stockholder return on the Common Stock, the S&P 500 Index and the Company's Standard Industrial Classification ("SIC") Code Index: Computer Processing and Data Preparation and Processing Services during the indicated five-year period. The graph assumes that $100 (adjusted for a 2-for-1 stock split in 1999) was invested on December 31, 1998, in the Common Stock and in each of the two indexes and that all dividends, if any, were reinvested.

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PROPOSAL TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK AVAILABLE FOR PURCHASE UNDER THE COMPANY'S 1996 EMPLOYEE STOCK PURCHASE PLAN

Proposed Amendment

At the Annual Meeting, the stockholders will be asked to approve an amendment (the "Amendment") to the Company's 1996 Employee Stock Purchase Plan (the "Plan"), as adopted by the Board on January 29, 2004, which will increase by 500,000 the number of shares of Common Stock available for purchase under the Plan.

The purpose of the Plan is to provide eligible employees of the Company and its subsidiaries with a program for the regular purchase of Common Stock from the Company through periodic payroll deductions. The Plan gives participating employees a convenient and cost-effective means of acquiring a proprietary interest in the Company through the ownership of Common Stock acquired at a 15% discount from the market prices of the Common Stock at the times of the periodic purchases under the Plan.

Approval of the Amendment will ensure that enough shares are available for purchase under the Plan to accomplish the purpose of the Plan for the next several years.

The closing price of the Common Stock on the Nasdaq National Market System on March 30, 2004, was $17.04 per share.

Required Vote

Approval of the Amendment requires the affirmative vote of the holders of a majority of the shares of Common Stock present or represented by proxy at the Annual Meeting and entitled to vote on the Amendment.

The Board Recommends a Vote
FOR Approval of the
Plan Amendment

Plan Activity

The Plan originally authorized the sale of 458,043 shares of Common Stock (adjusted to reflect the effect of a 2-for-1 stock split in the form of a 100% stock dividend on March 5, 1999). As of December 31, 2003, a total of 382,108 shares of Common Stock had been purchased under the Plan by eligible employees, leaving 75,935 shares available for subsequent purchases. If the Amendment is approved, the number of shares available for purchase under the Plan will increase by 500,000. The average aggregate number of shares purchased each month during 2003 by all participants in the Plan was 10,833.

Because (i) participation in the Plan is voluntary on the part of eligible employees, (ii) participants in their discretion may change the dollar amounts of their purchases from time to time and may cease to participate in the Plan at any time and (iii) the purchase prices under the Plan are based on the market value of the Common Stock at the times of the purchases, the Company is not able to state the number of shares of Common Stock that any participant in the Plan will purchase, the purchase prices for such shares or the dollar amount of the purchase price discount that any participant will receive.

Description and Administration of the Plan

Full-time and part-time employees of the Company and its subsidiaries (other than temporary employees) are eligible to participate in the Plan on a voluntary basis. However, employees of the Company who have been designated by the Board as executive officers of the Company (currently the

five persons named in the Summary Compensation Table appearing earlier in this Proxy Statement) or are otherwise subject to the provisions of Section 16(b) of the Securities Exchange Act of 1934 are not eligible to participate in the Plan.

As of January 31, 2004, approximately 2,400 employees of the Company and its subsidiaries were eligible to participate in the Plan.

The Plan provides eligible employees who elect to participate in the Plan the opportunity to purchase shares of Common Stock through periodic payroll deductions. If a Plan participant is paid on a biweekly schedule, for the purpose of Plan purchases the minimum payroll deduction is $10 and the maximum payroll deduction is $500 per pay period. Proportionate adjustments are made in such amounts for payroll periods other than biweekly. An employee may change the amount of his or her payroll deduction and may cease to participate in the Plan at any time. If an employee ceases to be eligible to participate in the Plan, then such employee may no longer participate in the Plan through payroll deductions.

The Plan is administered on behalf of the Company by an independent agent. On the last business day of each calendar month, the Company notifies the agent of the aggregate amount withheld for each Plan participant during that month and instructs the transfer agent for the Common Stock to issue to the agent that number of full shares which is equal to the aggregate amount withheld for all Plan participants during such month divided by an amount equal to 85% of the last sale price of the Common Stock on the Nasdaq National Market System on the last trading day of such month. The agent then allocates such shares proportionately to the accounts of those participants in the Plan whose payroll deductions provided the funds for such month's purchase.

Upon the request of a Plan participant, the agent will sell any or all of the shares then credited to such participant's Plan account and will remit the net proceeds of such sale to such participant.

The Company bears the expenses of administering the Plan, but participants in the Plan bear any expenses which the agent incurs in selling shares held in their Plan accounts.

Participants in the Plan have the right to vote the shares held for them in their Plan accounts.

The Board may terminate the Plan as of the end of any calendar month and may amend the Plan at any time. If the Board changes the discount from the market price of the Common Stock at which shares are to be purchased under the Plan, then the Company will not implement such change until participants in the Plan have been notified of such change and given a reasonabl