

CSG SYSTEMS INTERNATIONAL INC

Form 4

February 24, 2012

**FORM 4****UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

Check this box  
if no longer  
subject to  
Section 16.  
Form 4 or  
Form 5  
obligations  
may continue.  
*See Instruction*  
1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF  
SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,  
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section  
30(h) of the Investment Company Act of 1940

## OMB APPROVAL

OMB  
Number: 3235-0287  
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2005  
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response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
KALAN PETER E

2. Issuer Name **and** Ticker or Trading  
Symbol

CSG SYSTEMS INTERNATIONAL  
INC [CSGS]

5. Relationship of Reporting Person(s) to  
Issuer

(Check all applicable)

(Last) (First) (Middle)

9555 MAROON CIRCLE

(Street)

3. Date of Earliest Transaction  
(Month/Day/Year)  
02/22/2012

\_\_\_\_ Director \_\_\_\_ 10% Owner  
\_\_\_\_X\_\_\_\_ Officer (give title \_\_\_\_ Other (specify  
below) below)

CEO &amp; President

ENGLEWOOD, CO 80112

(City) (State) (Zip)

4. If Amendment, Date Original  
Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check  
Applicable Line)  
\_\_\_\_X\_\_\_\_ Form filed by One Reporting Person  
\_\_\_\_ Form filed by More than One Reporting  
Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
Common Stock <sup>(1)</sup>	02/22/2012		F	3,885 D	\$ 16.36	347,737 D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of  
information contained in this form are not  
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displays a currently valid OMB control  
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SEC 1474  
(9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned  
(e.g., puts, calls, warrants, options, convertible securities)**

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repor Trans (Instr
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

## Reporting Owners

Reporting Owner Name / Address	Relationships
	Director 10% Owner Officer Other
KALAN PETER E 9555 MAROON CIRCLE ENGLEWOOD, CO 80112	CEO & President

## Signatures

Peter E. Kalan 02/23/2012  
 \*\*Signature of Date  
 Reporting Person

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) 12,500 shares of restricted stock held by Mr. Peter E. Kalan vested on February 22, 2012. The sold shares reported on this form represent those shares sold to cover a portion of the personal income tax requirements as a result of such vesting.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. m ). Neither the Company nor either Executive has delivered notice to terminate an Employment Agreement.

The base salaries of the Executives have been established in their Employment Agreements with the Company. The base salary may not be reduced below the base salary for the prior year without the Executive s consent unless the base salaries of the ten Company officers with highest annual base salaries ( Senior Officers ) are reduced below their base salaries for the current or prior year, in which case the Executive s base salary shall be proportionately reduced. The Compensation Committee reviews and establishes the base salaries for all of the executive officers annually, considering base salary levels for comparable positions at peer companies in the homebuilding industry, length of service, individual and Company performance and other matters.

Messrs. Mizel and Mandarich also are to be paid annual incentive compensation ( Annual Incentive Compensation ) pursuant to the Performance-Based Plan and long-term incentive compensation pursuant to the Company s employee equity incentive plans (the Equity Plans ).

In their respective Employment Agreements, the Company has agreed to pay each of Messrs. Mizel and Mandarich a retirement benefit ( Retirement Benefit ) in consideration of such executive officer s past, present and future services to the Company. The Retirement Benefit will be equal to 70% of the Executive s highest base salary during the final three years of the Employment Term. The Retirement Benefit will be

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payable in monthly installments commencing on the first day of the month following the last day of such executive officer's Employment Term and will

continue for the duration of the Executive's life. If Mr. Mizel and Mr. Mandarich each retired at the end of 2006, their annual Retirement Benefits would approximate \$700,000 and \$581,000, respectively. See Pension Benefits at December 31, 2006 below.

In the event of the Executive's death (while totally disabled or otherwise) after his Retirement Benefit has commenced to be paid, the Company shall continue to pay such Retirement Benefit to his beneficiary until five years after such commencement. If the Executive's Retirement Benefit has not commenced on the date of his death, the benefit will commence to be paid to his beneficiary on the first day of the month following his date of death and will continue for five years after his date of death.

Each Employment Agreement also provides for medical insurance benefits (the Medical Insurance Benefit). Under this Medical Insurance Benefit, the Company has agreed to pay for medical insurance coverage for the Executive for the duration of his life. This applies while the Executive is employed, for the duration of the Executive's lifetime after employment, after the date of disability if the Executive becomes totally disabled, after the date of the Executive's termination without cause or after the Executive's election to terminate his employment following a Change in Control or Material Change (as defined below). The Medical Insurance Benefit provides coverage and benefits that are at least comparable to that provided to actively employed Senior Officers of the Company. After the Executive is eligible for Medicare and the Company becomes a secondary payor (or its equivalent) pursuant to Medicare or other applicable law, the Company has agreed to provide and pay for secondary medical insurance coverage so that the combined primary and secondary coverage is equivalent to that provided to actively employed Senior Officers of the Company. In addition, the Medical Insurance Benefit provides comparable coverage for: (i) the Executive's spouse for the duration of Executive's life and if she survives the Executive for an additional twenty-four months after Executive's death; and (ii) each of Executive's children until such child is no longer a dependent of the Executive. However, the medical coverage for the Executive's spouse and children will in no event extend beyond five years after the commencement of the Executive's Retirement Benefit.

In addition, the Employment Agreements provide for reimbursement of certain expenses, and entitle each of the Executives to participate in the Company's benefit plans.

The Company has agreed to provide each Executive with long-term disability benefits in an amount such that the after-tax amount per year received by the Executive would be equal to the after-tax amount of the Executive's base salary in effect for the year in which the Executive becomes disabled. This disability benefit would be paid monthly until the earlier of (1) the end of the Executive's disability or (2) the commencement of the Executive's Retirement Benefit.

The Executive's employment and the Employment Term will terminate upon the Executive's death or upon his becoming totally disabled. If the Executive dies or becomes totally disabled during the Employment Term, the Executive or his estate, as the case may be, will be entitled to receive all benefits earned under the Performance-Based Plan and the Equity Plans as may be provided in those plans.

Messrs. Mizel and Mandarich may be terminated for cause, as defined in the Employment Agreements, in which event the Executive would be entitled only to his base salary earned through the date of termination and would not be entitled to any other amounts under his Employment Agreement. If an Executive is terminated without cause (which would include the Company's election not to extend the term of the Employment Agreement and the Company's termination of the Performance-Based Plan.), he will be entitled to receive (i) an amount equal to the aggregate base salary earned by the Executive during the three years prior to such termination, plus (ii) an amount equal to 300%, for Mr. Mizel, and 200%, for Mr. Mandarich, of the Annual Incentive Compensation paid for the year prior to termination, and (iii) the Retirement Benefit payable under the Employment Agreement commencing on the date of termination. In addition, in the event of termination without cause, each Executive's options and other rights under the Equity Plans would vest immediately and the Executive and his spouse and dependents will be entitled to continued medical benefits as described above.

If a Change in Control (as described below) occurs, all options, dividend equivalents and other rights granted to Executives under the Equity Plans and any other Company plans would be accelerated and become exercisable immediately prior to the occurrence of the transaction giving rise to the Change in Control. If such a transaction is not consummated, the options would remain subject to the restrictions to which they were originally subject.

Within two years after a Change in Control or a Material Change (as described below), the Executive may terminate his employment, if not already terminated by the Company. In the event of such termination or a termination of employment by the Company without cause upon or within two years following a Change in Control, then: (A) each Executive shall receive the amounts payable in the event the Executive's employment were terminated without cause as described above; (B) the Executive shall be entitled to the accelerated vesting of all options and rights as described above and, at the Executive's election, if the Change in Control involves a two-tier tender offer, the Company will pay the Executive the difference between the exercise price of the otherwise unvested options and the price offered in the first tier, or adjust the option terms to provide the Executive new options with an equivalent value; and (C) with respect to the Retirement Benefit, either (1) the Company shall establish and fund an irrevocable grantor trust in conformance with the model trust set forth in Internal Revenue Service Revenue Procedure 92-64, or (2) the Company shall, if it so elects, pay to the Executive, in a lump sum cash payment, the amount that otherwise would be required to be contributed to such trust.

If the amounts payable upon the occurrence of a Change in Control or Material Change, either alone or together with any other payments which the Executive has the right to receive, would be subject to an excise tax as an excess parachute payment under Section 4999 of the Internal Revenue Code, each Executive agrees in his Employment Agreement that such aggregate amounts shall be paid in annual installments over the shortest period of time over which such aggregate amounts may be paid and not be treated as excess parachute payments under Section 4999.

For purposes of this description of the Employment Agreements, a Change in Control shall occur if:

(i) a report on Schedule 13D is filed with the SEC disclosing that any person, other than the Company or any employee benefit plan sponsored by the Company, or any Director as of the date of the Employment Agreements, or affiliate of such Director, is the beneficial owner, directly or indirectly, of twenty percent (20%) or more of the combined voting power of the then-outstanding securities of the Company;

(ii) any person, other than the Company or any employee benefit plan sponsored by the Company or any Director as of the date of the Employment Agreements, or affiliate of such Director, shall purchase securities pursuant to a tender offer or exchange offer to acquire any Common Stock (or securities convertible into Common Stock) for cash, securities or any other consideration, provided that after consummation of the offer, the person in question is the beneficial owner of twenty percent (20%) or more of the combined voting power of the then-outstanding securities of the Company;

(iii) the shareowners of the Company shall approve: (A) any consolidation or merger of the Company (1) in which the Company is not the continuing or surviving corporation; or (2) pursuant to which shares of Common Stock would be converted into cash, securities or other property; or (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company; or

(iv) there shall have been a change in a majority of the members of the Board of Directors of the Company within a twelve month period, unless the election or nomination for election by the Company's shareowners of each new Director during such twelve month period was approved by the vote of two-thirds of the Directors then still in office who were Directors at the beginning of such twelve month period.

For purposes of the Employment Agreements, a Material Change shall occur if:

(i) the Company makes any of certain specified adverse changes in an Executive's reporting relationship, titles, functions, duties or responsibilities from those that the Executive occupied on the date of the last renewal or extension of the Executive's Employment Agreement;

(ii) the Company assigns or reassigns the Executive (without his written permission) to another place of employment;

(iii) the Company reduces the Executive's Base Salary, Annual Incentive Compensation or long-term incentive compensation or the manner in which such compensation is determined, or retirement benefits, unless such reduction similarly applies to all Senior Officers of the Company or the Company breaches the terms of the Employment Agreements; provided, however, that nothing in this clause (iii) shall be construed to permit the Company to reduce either Executive's retirement benefit under the Employment Agreements, in any event, and regardless of whether such reduction would similarly apply to all Senior Officers of the Company; or

(iv) a purchaser of all or substantially all of the Company's assets or any successor or assignee of the Company fails to assume the Employment Agreements.

See Potential Payments Upon Termination or Change in Control below for additional information.

#### **Certain Other Change in Control Agreements**

Messrs. Reece and Touff (each, an Employee) have entered into change in control agreements with the Company (the Agreements). The Agreements are effective January 26, 1998 and terminate on the earlier of termination of the Employee's employment or December 31 of each year. Unless either party elects by notice in writing delivered to the other at least 90 days prior to December 31 of each year, the term of the Agreement will be renewed automatically for successive one-year terms. No notice has been delivered by either of the Employees or the Company. In addition, if an Agreement has not been terminated prior to a Change in Control (as defined below), upon a Change in Control, the term of an Agreement will extend automatically for two years following such Change in Control.

For purposes of the Agreements, the definition of Change in Control is generally the same as the definition of Change in Control in the description of the Employment Agreements above, except that the applicable percentage of beneficial ownership of outstanding securities of the Company is 50% rather than 20%.

For purposes of the Agreements, a Change in Control Event occurs if a Change in Control is followed by a Material Change within two years. A Material Change is defined in the Agreements to occur if the Employee's employment is terminated without cause (as defined in the Agreements) or if, in general, any of the events set forth under the definition of Material Change described above with respect to the Employment Agreements takes place, taking into account the titles, positions and reporting relationships of the Employee.

Pursuant to the Agreements, if a Change in Control Event occurs, the Employee may elect within 90 days after the Change in Control Event to terminate the Employee's employment, if not previously terminated by the Company, and to receive a Change in Control payment. The Change in Control payment equals two times the sum of the Employee's base salary, in effect immediately prior to the Change in Control Event, plus the amount of the Employee's last regular annual bonus, provided that the amount of such annual bonus shall not exceed 50% of the Employee's annual base salary in effect immediately prior to the Change in Control Event.

If a Change in Control Event occurs, the Employee also would be entitled to continue to participate in the Company's employee benefit plans, policies and arrangements that provide insurance and medical benefits on the same basis as provided to the Employee prior to the Change in Control Event for a period of twelve months after the date of termination of the Employee's employment.

If a Change in Control as defined above occurs, all options, dividend equivalents and other rights granted to the Employee under any Company equity incentive plan shall be accelerated and become exercisable immediately prior to the closing of the Change in Control. If the Change in Control is not consummated, the Employee's election to exercise such options and other rights shall be of no effect and the Employee's options shall remain subject to their original restrictions.

Any amounts payable pursuant to the Agreement are in addition to any payments otherwise payable to the Employee pursuant to any agreement, plan or policy of the Company. If the amounts payable upon the occurrence of a Change in Control or Change in Control Event, either alone or together with other payments which the Employee has the right to receive, would be subject to an excise tax as an excess parachute payment under Section 4999 of the Internal Revenue Code, each Employee agrees in the Agreement that such aggregate amounts shall be paid in annual installments over the shortest period of time over which such amounts may be paid and not be treated as excess parachute payments under Section 4999.

See Potential Payments Upon Termination or Change in Control below for additional information.

### SUMMARY COMPENSATION TABLE

The following table summarizes the compensation of our four executive officers for the fiscal year ended December 31, 2006.

Name and Principal	Year	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Position	Year	(\$)	(\$)	(\$) <sup>1</sup>	(\$) <sup>1</sup>	(\$) <sup>2</sup>	(\$) <sup>3</sup>	(\$)	(\$)
Larry A. Mizel, Chairman and CEO	2006	\$1,000,000	N/A	N/A	\$4,061,000	\$9,606,169	\$353,140	\$324,323 <sup>4</sup>	\$15,343,633
David D. Mandarich, President and Chief Operating Officer	2006	\$830,000	N/A	N/A	\$4,061,000	\$9,606,169	\$292,277	\$78,142 <sup>5</sup>	\$14,867,587
Paris G. Reece III, Executive Vice President, Chief Financial Officer and Principal Accounting Officer	2006	\$440,000	\$870,000	\$109,000	\$1,376,000	N/A	N/A	\$30,792 <sup>6</sup>	\$2,825,792
Michael Touff, Senior Vice President and General Counsel	2006	\$353,000	\$375,000	\$81,000	\$536,000	N/A	N/A	\$21,996 <sup>7</sup>	\$1,366,996

<sup>1</sup> The amounts shown in the Stock Awards column and the Option Awards column represent the compensation cost recognized in 2006 for each of the executive officers with respect to such awards, as provided in SFAS 123(R). For a description of the assumptions used in valuing the awards, please see Note 15 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. Please see the Grants of Plan-Based Awards Table below for more information about the awards granted in 2006.

<sup>2</sup> These non-equity incentive plan compensation amounts were paid in cash in January following the year indicated in accordance with the terms of the shareowner approved Performance-Based Plan. For a description of these amounts, please see Annual Bonus above.

<sup>3</sup> Change in pension value reflects the aggregate change from December 31, 2005 to December 31, 2006 in the actuarial present value of accumulated Retirement Benefits and Medical Insurance Benefits provided for under Messrs. Mizel's and Mandarich's respective Employment Agreements.

<sup>4</sup> Mr. Mizel's All Other Compensation includes perquisites and other personal benefits of \$316,823, which consist of an automobile allowance, club dues, financial planning, non-business use of Company aircraft and supplemental health insurance. The non-business use of aircraft amount for Mr. Mizel was valued at \$272,308 in 2006. This amount consisted of: (1) the value of the non-business use of aircraft, calculated as the

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difference between the fair market value charter rate for the Company aircraft and the lease payments made by Mr. Mizel for the Incremental Expense to the Company; plus (2) income imputed to Mr. Mizel based on SIFL rules for otherwise vacant seats on business flights occupied for non-business use. Mr. Mizel recognizes and pays income tax on this amount.

<sup>5</sup> Mr. Mandarich's All Other Compensation includes perquisites and other personal benefits of \$70,642, which consist of an automobile allowance, club dues, financial planning, non-business use of Company aircraft and supplemental health insurance. The



non-business use of aircraft amount for Mr. Mandarich was valued at \$47,044 in 2006. This amount consisted of: (1) the value of the non-business use of aircraft, calculated as the difference between the fair market value charter rate for the Company aircraft and the lease payments made by Mr. Mandarich for the Incremental Expense to the Company; plus (2) income imputed to Mr. Mandarich based on SIFL rules for otherwise vacant seats on business flights occupied for non-business use. Mr. Mandarich recognizes and pays income tax on this amount.

<sup>6</sup> Mr. Reece's All Other Compensation includes perquisites and other personal benefits of \$15,997, which consist of an automobile allowance, club dues and non-business use of aircraft and supplemental health insurance.

<sup>7</sup> Mr. Touff's All Other Compensation includes perquisites and other personal benefits of \$11,541, which consist of an automobile allowance, non-business use of aircraft and supplemental health insurance.

## GRANTS OF PLAN-BASED AWARDS

The following table sets forth certain information with respect to stock and option awards granted to our executive officers under the shareholder-approved 2001 Equity Incentive Plan during the fiscal year ended December 31, 2006. For 2006 awards granted under the Performance-Based Plan, there are no future payouts or stock or option awards. Please see Employment Agreements above for a description of the material terms of Mr. Mizel's and Mr. Mandarich's Employment Agreements, and Equity-Based Compensation above for a description of the 2001 Equity Incentive Plan.

Name	Grant Date	Estimated Future Payouts Under		Grant Date Fair Value of
		Equity Incentive Plan Awards Target	Exercise or Base Price of Option Awards (\$/Sh)	
		(#)		(\$)
Larry A. Mizel	12/29/2006	90,000 <sup>1</sup>	\$57.05	\$2,101,500
Larry A. Mizel	12/29/2006	90,000 <sup>2</sup>	\$62.76	\$1,982,700
David D. Mandarich	12/29/2006	90,000 <sup>1</sup>	\$57.05	\$2,101,500
David D. Mandarich	12/29/2006	90,000 <sup>2</sup>	\$62.76	\$1,982,700
Paris G. Reece III	12/29/2006	70,000 <sup>1</sup>	\$57.05	\$1,634,500
Paris G. Reece III	12/29/2006	876 <sup>3</sup>	N/A	\$50,000
Michael Touff	12/29/2006	30,000 <sup>1</sup>	\$57.05	\$700,500
Michael Touff	12/29/2006	438 <sup>3</sup>	N/A	\$25,000

<sup>1</sup> This option, granted on December 29, 2006, is exercisable as to 33-1/3% of the shares on each of the third, fourth and fifth anniversary dates. The exercise price is \$57.05, the closing price of the Common Stock on the NYSE on the date of grant.

<sup>2</sup> This option, granted on December 29, 2006, is exercisable as to 33-1/3% of the shares on each of the third, fourth and fifth anniversary dates. The exercise price is 110% of \$57.05, the closing price of the Common Stock on the NYSE on the date of grant.

<sup>3</sup> This restricted stock award was granted on December 29, 2006 and vests as to 25% of the shares on each of the first four anniversary dates. The awards were valued at \$57.05 per share, the closing price of the Common Stock on December 29, 2006. Dividends are paid on the restricted stock.

## OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2006

The following table sets forth information with respect to all unexercised option and unvested restricted stock awards to our executive officers that were outstanding as of December 31, 2006. Options will become exercisable as to unvested shares and restricted stock will vest (restrictions will lapse) if the executive officer remains employed on the vesting date. The share amounts and option exercise prices in this table have been adjusted, as necessary, to reflect increases resulting from four 10% stock dividends and a 1.3 for 1 stock split previously declared by the Company.

	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Name	Exercisable	Unexercisable				
Larry A. Mizel	432,575		\$18.47	11/19/2011		
	196,625		21.39	11/18/2012		
	196,625		21.39	11/18/2007		
	52,496	52,502 <sup>1</sup>	26.56	04/07/2008		
	50,500	202,002 <sup>2</sup>	44.68	11/17/2013		
		90,000 <sup>3</sup>	61.98	12/30/2015		
		78,000 <sup>4</sup>	62.14	11/22/2014		
		78,000 <sup>4</sup>	65.10	11/22/2014		
		78,000 <sup>4</sup>	68.06	11/22/2014		
		90,000 <sup>5</sup>	68.18	12/30/2015		
		90,000 <sup>6</sup>	57.05	12/29/2016		
		90,000 <sup>6</sup>	62.76	12/29/2016		
David D. Mandarich	432,575		\$18.47	11/19/2011		
	196,625		21.39	11/18/2012		
	196,625		21.39	11/18/2007		
	52,496	52,502 <sup>1</sup>	26.56	04/07/2008		
	50,500	202,002 <sup>2</sup>	44.68	11/17/2013		
		90,000 <sup>3</sup>	61.98	12/30/2015		
		78,000 <sup>4</sup>	62.14	11/22/2014		
		78,000 <sup>4</sup>	65.10	11/22/2014		
		78,000 <sup>4</sup>	68.06	11/22/2014		
		90,000 <sup>5</sup>	68.18	12/30/2015		
		90,000 <sup>6</sup>	57.05	12/29/2016		
		90,000 <sup>6</sup>	62.76	12/29/2016		
Paris G. Reece III	121,121		\$18.47	11/19/2011		
	55,055		21.39	11/18/2012		
	14,156	14,158 <sup>1</sup>	26.56	04/07/2008		
	14,357	57,429 <sup>2</sup>	44.68	11/17/2013		
		91,000 <sup>4</sup>	59.18	11/22/2014		
		70,000 <sup>5</sup>	61.98	12/30/2015		
		70,000 <sup>6</sup>	57.05	12/29/2016		
				N/A	1,815 <sup>8</sup>	\$104,018
				N/A	762 <sup>9</sup>	43,620
				N/A	1,268 <sup>10</sup>	72,669
				N/A	876 <sup>11</sup>	50,000
Michael Touff	51,909		\$18.47	11/19/2011		
	23,595		21.39	11/18/2007		
	7,864	7,866 <sup>1</sup>	26.56	04/07/2008		
	4,290	17,160 <sup>2</sup>	44.68	11/17/2013		
	1,430	5,720 <sup>7</sup>	44.80	12/12/2013		
		39,000 <sup>4</sup>	59.18	11/22/2014		
		30,000 <sup>5</sup>	61.98	12/30/2015		
		30,000 <sup>6</sup>	57.05	12/29/2016		
				N/A	908 <sup>8</sup>	52,037

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N/A	203 <sup>9</sup>	11,634
N/A	634 <sup>10</sup>	36,335
N/A	438 <sup>11</sup>	25,000

<sup>1</sup> This option vested as to the remaining shares on April 7, 2007.

<sup>2</sup> This option vests as to 25% of the remaining shares on each of November 17, 2007, 2008, 2009 and 2010.

<sup>3</sup> This option vests as to 33-1/3% of the shares covered thereby on December 30, 2008; and cumulatively as to an additional 33-1/3% on each of December 30, 2009 and 2010.

<sup>4</sup> This option vests as to 20% of the shares covered thereby on November 22, 2007; and cumulatively as to an additional 20% on each of November 22, 2008, 2009, 2010 and 2011.

<sup>5</sup> This option vests as to 33-1/3% of the shares covered thereby on December 30, 2008; and cumulatively as to an additional 33-1/3% on each of December 30, 2009 and 2010.

<sup>6</sup> This option vests as to 33-1/3% of the shares covered thereby on December 29, 2009; and cumulatively as to an additional 33-1/3% on each of December 29, 2010 and 2011.

<sup>7</sup> This option vests as to 25% of the remaining shares on each of December 12, 2007, 2008, 2009 and 2010.

<sup>8</sup> The restrictions on these shares lapse as to 33-1/3% of the shares on each of December 30, 2007, 2008 and 2009.

<sup>9</sup> The restrictions on these shares lapse on November 17, 2007.

<sup>10</sup> The restrictions on these shares lapse as to 50% of the shares on each of November 22, 2007 and 2008.

<sup>11</sup> The restrictions on these shares lapse as to 25% of the shares on each of December 29, 2007, 2008, 2009 and 2010.

#### OPTION EXERCISES AND STOCK VESTED

The following table provides additional information about value realized by executive officers on option award exercises and restricted stock award vestings during the year ended December 31, 2006.

Name	Option Awards		Stock Awards	
	Number of Shares	Value Realized on	Number of Shares	Value Realized on
	Acquired on Exercise (#)	Exercise (\$)	Acquired on Vesting (#)	Vesting (\$)
Larry A. Mizel				
David D. Mandarich				
Paris G. Reece III	55,055	\$ 1,820,675	3,450	\$ 190,629
Michael Touff			1,209	\$ 67,155

#### PENSION BENEFITS AT DECEMBER 31, 2006

The following table shows the present value of accumulated pension benefits as of December 31, 2006.

Name	Plan Name	Credited Service (#)	Number of Years	Present Value of	Payments During Last
				Accumulated Benefit (\$)	Fiscal Year (\$)
Larry A. Mizel	Employment Agreement	N/A		\$ 7,268,038	N/A
David D. Mandarich	Employment Agreement	N/A		\$ 6,063,661	N/A
Paris G. Reece III	N/A	N/A		N/A	N/A
Michael Touff	N/A	N/A		N/A	N/A

For a description of the valuation method and the material assumptions used in quantifying the present value of the accumulated Retirement Benefits and the Medical Insurance Benefits, please see Note 7 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. Also, for a description of the Retirement Benefits and the Medical Insurance Benefits, please see Employment Agreements above.



**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

The following table shows potential payments to our executive officers under existing contracts for various scenarios involving a change in control or termination of employment, assuming a December 29, 2006 termination date. Please see the narrative above under **Employment Agreements** and **Certain Other Change in Control Agreements** for a description of payments contemplated by these agreements.

Name	Benefit	Termination		After Change in Control - Voluntary Termination <sup>1</sup> or Voluntary		Death	Disability
		w/o Cause or	Change in Control	w/o Cause	Termination		
Larry A. Mizel	Severance Pay	\$3,000,000 <sup>2</sup>		\$3,000,000 <sup>2</sup>			
	Ann. Incentive Comp.	\$61,500,000 <sup>3</sup>		\$61,500,000 <sup>3</sup>			
	Stock Option Vesting	\$4,152,053 <sup>4</sup>	\$4,152,053 <sup>4</sup>	\$4,152,053 <sup>4</sup>	\$183,471 <sup>5</sup>	\$6,494 <sup>5</sup>	\$183,471 <sup>5</sup>
	Health Care Benefits	\$183,471 <sup>5</sup>		\$183,471 <sup>5</sup>	\$7,084,567 <sup>6</sup>	\$3,500,000 <sup>6</sup>	\$7,084,567 <sup>6</sup>
	Pension Benefit	\$7,084,567 <sup>6</sup>		\$7,084,567 <sup>6</sup>			
David D. Mandarich	Severance Pay	\$2,490,000 <sup>2</sup>		\$2,490,000 <sup>2</sup>			
	Ann. Incentive Comp.	\$41,000,000 <sup>3</sup>		\$41,000,000 <sup>3</sup>			
	Stock Option Vesting	\$4,099,051 <sup>4</sup>	\$4,099,051 <sup>4</sup>	\$4,099,051 <sup>4</sup>			
	Health Care Benefits	\$183,471 <sup>5</sup>		\$183,471 <sup>5</sup>	\$183,471 <sup>5</sup>	\$44,802 <sup>5</sup>	\$183,471 <sup>5</sup>
	Pension Benefit	\$5,880,191 <sup>6</sup>		\$5,880,191 <sup>6</sup>	\$5,880,191 <sup>6</sup>	\$3,500,000 <sup>6</sup>	\$5,880,191 <sup>6</sup>
Paris G. Reece III	Severance Pay			\$880,000 <sup>7</sup>			
	Bonus Payment			\$220,000 <sup>8</sup>			
	Stock Option Vesting		\$1,142,074 <sup>9</sup>	\$1,142,074 <sup>9</sup>			
	Health Care Benefits			\$12,862 <sup>10</sup>			
Michael Touff	Severance Pay			\$706,000 <sup>7</sup>			
	Bonus Payment			\$176,500 <sup>8</sup>			
	Stock Option Vesting		\$539,691 <sup>9</sup>	\$539,691 <sup>9</sup>			
	Health Care Benefits			\$16,089 <sup>10</sup>			

<sup>1</sup> Following a change in control, Messrs. Mizel and Mandarich may elect to terminate their employment and receive the identified benefits.

Following a change in control and a Material Event, Messrs. Reece and Touff may elect to terminate their employment and receive the identified benefits.

<sup>2</sup> Calculated as the aggregate base salary earned by the executive during the prior three years.

<sup>3</sup> Calculated as 300% for Mr. Mizel and 200% for Mr. Mandarich as of December 29, 2006, based on the bonus paid for 2005. These amounts vary from year to year. If a termination without cause occurred in 2007, this amount would be \$28,818,507 and \$19,212,338, respectively, for Mr. Mizel and Mr. Mandarich.

<sup>4</sup> Amount is the difference between MDC's stock price at December 29, 2006 and the exercise price of unvested options, to the extent that the stock price exceeds the exercise price. Under the executive's Employment Agreement, the vesting of all options, dividend equivalents and other rights granted under equity incentive plans and any other Company plans would be accelerated so as to permit the executive to fully exercise all outstanding options and rights, if any, granted to the executive. In the event a Change in Control involves a two-tier tender offer, the Company would pay the executive (at the executive's election) the difference between the exercise price of the otherwise unvested options and the price offered in the first tier, or adjust the option terms to provide the executive new options with an equivalent value.

<sup>5</sup> The amount shown is the total projected Medical Insurance Benefit obligation for the executive, which would provide medical benefits that are at least comparable to those provided to Senior Officers. After the end of his employment term, as of the date the executive becomes totally disabled, as of the date of the executive's termination without cause or upon the executive's election to terminate his employment following a change in control, the Company will pay the Medical Insurance Benefit for the duration of the executive's life. The Medical Insurance Benefit also provides comparable coverage for: (1) the executive's spouse for duration of the executive's life and, if she survives him, for an additional 24 months after his death; and (2) each of executive's children until such child is no longer a dependent; provided that the coverage for the spouse and children will not extend beyond five years after the commencement of the Retirement Benefit.



<sup>6</sup> The amount shown is the total projected Retirement Benefit obligation for the executive. The annual Retirement Benefit, which is equal to 70% of the executive's highest base salary during the final three years of the employment term, is payable in monthly installments beginning on the first day of the month following the last day of the employment term and continuing for the duration of the executive's lifetime. In the event of death after the Retirement Benefit has commenced, the Company will continue to pay the Retirement Benefit to the executive's beneficiary until five years after commencement of the benefit. If the Retirement Benefit has not commenced on the date of death, the benefit will commence to be paid to the executive's beneficiary on the first day of the month following the date of death and will continue for five years.

<sup>7</sup> Calculated as two times the executive's base salary.

<sup>8</sup> Calculated as the amount of the executive's last regular annual bonus, not to exceed 50% of the executive's annual base salary in effect immediately prior to the Change in Control Event.

<sup>9</sup> Amount is the difference between MDC's stock price at December 29, 2006 and the exercise price of unvested options, to the extent that the stock price exceeds the exercise price. If a Change in Control occurs, all options, dividend equivalents and other rights granted to the employee under any Company equity incentive plans shall be accelerated and shall become exercisable immediately prior to the closing of the Change in Control so as to permit the employee fully to exercise all outstanding options and rights.

<sup>10</sup> If a Change in Control Event occurs, the employee shall also be entitled to continue to participate in each of the Company's employee benefit plans, policies or arrangements which provide insurance and medical benefits on the same basis as was provided to the Employee prior to the Change in Control Event for a period of 12 months after the date of termination of employee's employment. Amount represents the estimated cost of 12 months of benefits for each employee.

#### **DIRECTOR COMPENSATION**

For January 2006, each Director who was not an officer of the Company ( non-employee Director ) was paid \$3,000 as a retainer and \$1,500 for attending the monthly Board meeting. Effective February 1, 2006, the Company increased the retainer to \$4,000 per month and increased the fee for attendance at Board meetings to \$2,500 per meeting. Each respective Board committee member was paid \$2,500 for attending each meeting of the Audit Committee, \$2,000 for attending each meeting of the Compensation and the Corporate Governance/Nominating Committees, and (except for Mr. Mizel) \$2,000 per month for service on the Legal Committee. On January 22, 2007, effective as of February 1, 2007, the Board authorized payment of a retainer (in addition to meeting fees) for the chairman of the Compensation Committee and the chairman of the Corporate Governance/Nominating Committee in the amount of \$1,250 per month.

Mr. Kemper and Mr. Berman received a monthly retainer during 2006 for services as directors of HomeAmerican. The retainer was \$1,500 per month through March 2006 and \$2,000 per month thereafter. Mr. Kemper attended eleven meetings and Mr. Berman, who was appointed to the HomeAmerican board in September 2006, attended two meetings. Prior to March 2006, Mr. Buchwald was paid a \$4,000 per month retainer for service as chairman of the MDC Land board.

Commencing as of March 1, 2006, in consideration for performing all of the duties and responsibilities of the Lead Director, Mr. Buchwald began to receive monthly compensation of \$27,500 in lieu of all other cash compensation paid to independent Directors, including retainer fees and Board and committee meeting fees.

Pursuant to the M.D.C. Holdings, Inc. Stock Option Plan for Non-Employee Directors, approved by the shareowners in 2001, each non-employee Director is granted options to purchase 25,000 shares of Common Stock annually. The options granted annually through 2006 are fully vested as of the date of grant. Each Director also is reimbursed for expenses related to his attendance at Board of Directors and committee meetings.



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The following table sets forth information regarding the compensation of the Company's non-employee Directors for the fiscal year ended December 31, 2006.

Name	Fees Earned or Paid in Cash	Option Awards	Change in Pension Value and Nonqualified Deferred Compensation	All Other Compensation	Total (\$)
Name	(\$)	(\$) <sup>1</sup>	Earnings	(\$)	Total (\$)
Michael Berman	\$70,000	\$229,000	N/A	N/A	\$299,000
Steven J. Borick	\$104,000	\$229,000	N/A	N/A	\$333,000
David E. Blackford	\$146,000	\$229,000	N/A	N/A	\$375,000
Herbert T. Buchwald	\$314,500	\$229,000	N/A	N/A	\$543,500
William B. Kemper	\$171,500	\$229,000	N/A	N/A	\$400,500
Gilbert Goldstein	\$106,500	\$229,000	\$701,285 <sup>2</sup>	\$542,000 <sup>3</sup>	\$1,578,785

<sup>1</sup> Each non-employee Director was granted 25,000 options on October 1, 2006, vesting immediately, at an exercise price of \$46.45 per share. The dollar amount shown for each Director is the amount related to stock option grants that was recognized for financial statement reporting purposes in 2006, in accordance with SFAS 123(R). Because the options were granted with immediately vesting, the full grant date fair value of each 2006 award (\$229,000 per Director) was expensed immediately upon grant in 2006. For details on the assumptions used to calculate the fair value of options granted, see Note 15 "Stock Based Compensation" to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. As of December 31, 2006, Messrs. Goldstein, Buchwald, Kemper, Blackford, Borick and Berman had outstanding option grants of 118,250; 127,575; 82,500; 50,000; 50,000 and 25,000 shares, respectively.

<sup>2</sup> The legal services consulting agreement between Gilbert Goldstein, P.C. and the Company provides that, in the event that Mr. Goldstein retires from the practice of law, becomes disabled, dies or the consulting agreement with the Company is not renewed or extended during the term of the agreement, the Company will pay the firm or Mr. Goldstein's estate, in lieu of any payments or other benefits or services to be provided by the Company pursuant to the agreement, \$15,000 per month for five years or the duration of Mr. Goldstein's life, whichever is longer.

<sup>3</sup> All Other Compensation for Mr. Goldstein consists of \$342,000 related to legal consulting services and a one-time \$200,000 bonus related to his exceptional service to the Company over the past 30 years.

### COMPENSATION COMMITTEE REPORT

*The following Report of the Compensation Committee shall not be deemed to be filed with the SEC or to be subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended. The report shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except that it will be deemed furnished in the Company's Annual Report on Form 10-K for 2006, but shall not be deemed incorporated by reference into any filing as a result of being furnished in the Annual Report.*

The Compensation Committee hereby confirms that it has reviewed and discussed the Compensation Discussion and Analysis with management and, based on the review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

### COMPENSATION COMMITTEE

William B. Kemper, Chairman

Michael A. Berman

Herbert T. Buchwald



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## COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The following persons served as members of the Compensation Committee during 2006: Herbert T. Buchwald, William B. Kemper, Steven J. Borick and David E. Blackford. None of the committee members were, during the last fiscal year, officers or employees of the Company, none were formerly officers of the Company and none had a material interest in a related party transaction since the beginning of 2006. As noted under Certain Relationships and Related Transactions below, California Bank & Trust, of which Mr. Blackford is the Chief Executive Officer, is one of the 23 participating lenders in the Company's Second Amended and Restated Credit Agreement dated March 22, 2006. Mr. Blackford has no direct or indirect material interest with respect to the Credit Agreement.

## AUDIT COMMITTEE REPORT

**Notwithstanding anything to the contrary set forth in any of the Company's filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate future filings, including this Proxy Statement, in whole or in part, the following Report of the Audit Committee shall not be incorporated by reference into any such filing.**

Management is responsible for the Company's internal controls and the financial reporting process. The Company's independent registered public accounting firm, Ernst & Young LLP (outside auditors), are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The Audit Committee generally meets monthly, or more often as necessary, to fulfill its responsibility to monitor and oversee these processes, as described in the Audit Committee Charter.

The Audit Committee reviewed and discussed the audited consolidated financial statements of the Company for the year ended December 31, 2006 with the Company's management, the outside auditors and the Company's internal audit department. The Audit Committee has discussed with the Company's outside auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (Communications with Audit Committees).

The Audit Committee has received the written disclosures and the letter from the Company's outside auditors required by the Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and has discussed with the auditors their independence status.

Based on the review and discussions described above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006 for filing with the SEC.

## AUDIT COMMITTEE

Herbert T. Buchwald, Chairman

Michael A. Berman

David E. Blackford

William B. Kemper

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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The Company leases its headquarters office space at 4350 S. Monaco Street, Denver CO 80237. Approximately 5,437 square feet in the Company's office building at 4350 S. Monaco Street is subleased by various affiliates of Mr. Mizel, for which they paid rent in 2006 to the Company of approximately \$76,000.

Effective as of March 1, 2003, the Company entered into a two-year agreement with Gilbert Goldstein, P.C., of which Gilbert Goldstein, a Director, is the sole shareholder. By amendment dated July 26, 2004, the term of the agreement was extended to February 28, 2006. Pursuant to the agreement, Mr. Goldstein acted as a consultant to the Company on legal matters. In return, from March 1, 2003 through February 28, 2006, the Company paid Mr. Goldstein's firm \$21,000 per month for a minimum of 30 hours per week in legal services; and \$180 per hour for services performed in excess of 120 hours in any month. Effective March 1, 2006, the Company entered into a new agreement with Mr. Goldstein's firm in which the Company has agreed that, from March 1, 2006 through February 28, 2008, it will pay Mr. Goldstein's firm \$30,000 per month. In the event that Mr. Goldstein retires from the practice of law, becomes disabled, dies or the consulting agreement with the Company is not renewed or extended during the term of the agreement, the Company will pay the firm or Mr. Goldstein's estate, in lieu of any other payments, other benefits or services to be provided by the Company pursuant to the agreement, \$15,000 per month for five years or the duration of Mr. Goldstein's life, whichever is longer.

Pursuant to the terms of the consulting agreement, the Company also provides Mr. Goldstein's firm with office space in the Company's office building at 4350 S. Monaco Street, which space has an estimated annual rental value of \$7,000. Pursuant to the terms of the consulting agreement, the Company also provides Mr. Goldstein's firm with secretarial services (in 2006, the secretary received a salary of approximately \$40,000, plus benefits), and reimburses actual expenses incurred related to services provided by the firm. Payment of \$342,000 was made directly to Mr. Goldstein's firm in 2006 for services performed. On February 20, 2006, the Board approved payment to Mr. Goldstein's firm of a one-time cash bonus in the amount of \$200,000 for additional services and exceptional value previously provided to the Company.

During 2006, the Company paid a firm owned by Carol Mizel, Mr. Mizel's spouse, \$120,000 for consulting services in connection with corporate and consumer marketing, merchandising, design work, human resources development, product development, and such other matters as were requested by the Company's senior management. The firm, Mizel Design and Decorating Company, provided these services under an Independent Contractor Agreement with the Company, dated as of January 1, 2005. The Company also provides Ms. Mizel with office space in the Company's office building at 4350 S. Monaco Street, which has an estimated annual rental value of approximately \$3,000.

On February 24, 2005, effective as of January 1, 2005, Larry A. Mizel, Chief Executive Officer, and David D. Mandarich, President and Chief Operating Officer, each entered into a lease agreement with the Company and MDC Land for their non-business use of Company aircraft when the aircraft are not required for Company business. The lease agreements require payment of the Incremental Expenses incurred by the Company for each non-business use, as defined in the lease agreements. The Incremental Expenses represent the maximum reimbursement permitted by the Federal Aviation Administration in Federal Aviation Regulation Part 91.501(d). Copies of the lease agreements have been filed with the SEC on Form 8-K. For 2006, Mr. Mizel and Mr. Mandarich paid in advance \$410,680 and \$75,221, respectively, for future non-business aircraft use. They each incurred, respectively, \$328,486 and \$56,268 in actual lease payments for 2006. Accordingly, they each had a credit balance at the end of the year of \$82,194 and \$18,953, respectively. To the extent the fair market value charter rate of the aircraft exceeds the time share lease payments, income is imputed to the executive officer, who pays income taxes on the imputed income. In addition, when seats on the aircraft are available on a business flight and occupied for non-business purposes, income is imputed to the executive officer, who pays federal income tax based on the SIFL rules of the Internal Revenue Service. The executive officers also pay federal excise tax for the non-business use of the aircraft.

Christopher Mandarich, the son of David D. Mandarich, is employed by one of the Company's subsidiaries as a regional president. In 2006, Christopher Mandarich was paid a salary of \$240,000 and a performance bonus of \$750,000, he was awarded 307 shares of unrestricted Common Stock (valued at the closing price of \$65.18 on January 13, 2006) and was awarded 789 shares of restricted Common Stock, vesting 25% per year over four years (valued at the closing price of \$63.45 on January 26, 2006). On December 29, 2006, the Company granted him a stock option covering 5,000 shares of Common Stock, exercisable as to 33 1/3% of the shares on each of the second, third and fourth anniversary dates of the date of grant, with an exercise price of \$57.05 per share, the closing price of the Common Stock on the date of grant.

In the ordinary course of its business, HomeAmerican originates mortgage loans to Company employees. Substantially all of the mortgage loans originated by HomeAmerican are sold to investors within 45 days of origination. Mortgage loans originated for Company employees are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collection or present other unfavorable features. In December 2005, the son of Paris G. Reece III, who was an employee of one of the Company's subsidiaries, purchased a Richmond American home for \$269,065, on the same terms offered to the public, and obtained a mortgage loan in the amount of \$215,000 from HomeAmerican, also on terms offered to the public. Mr. Reece is a co-borrower on the mortgage loan.

Director David E. Blackford is the Chief Executive Officer of California Bank & Trust. That bank is one of the 23 participating lenders in the Company's Second Amended and Restated Credit Agreement dated March 22, 2006, which is the Company's homebuilding line of credit. In 2006, California Bank & Trust received interest and fees from the Company representing less than 0.013% of the bank's total revenue. Mr. Blackford has no direct or indirect material interest with respect to the Company's homebuilding line of credit.

For 2006, the Company committed to contributing \$3.3 million to the MDC/Richmond American Homes Foundation (the Foundation), a Delaware non-profit corporation that was incorporated on September 30, 1999. In June 2006 and January 2007, the Company contributed to the Foundation 29,798 shares and 24,703 shares of Common Stock, respectively, in fulfillment of the 2006 commitment. The Foundation is a non-profit organization operated exclusively for charitable, educational and other purposes beneficial to social welfare within the meaning of Section 501(c)(3) of the Internal Revenue Code. The following Directors and/or officers of the Company are the trustees of the Foundation, all of whom serve without compensation:

Name	Title
Larry A. Mizel	Trustee, President and Assistant Secretary
Paris G. Reece III	Trustee, Vice President and Secretary
Steven J. Borick	Trustee
Gilbert Goldstein	Trustee
David D. Mandarich	Trustee

The authority to vote all securities that the Foundation is entitled to vote is vested in the five member board of trustees and voting of the securities is determined by majority vote of the board of trustees. Additionally, action is taken with respect to the Foundation's investments by majority vote of at least three trustees. Accordingly, none of the trustees should be considered to beneficially own securities held by the Foundation. As permitted by the Foundation's Bylaws, the Trustees have established an Investment Committee, consisting of Trustees Borick, Mizel and Reece, to supervise the finances of and make investment decisions for the Foundation in furtherance of its purposes. Also as permitted by the Bylaws, the Trustees have established a Donations Committee, consisting of Trustees Borick, Mandarich and Mizel, to supervise donations and make donation decisions for the Foundation in furtherance of its purposes.

## REVIEW OF TRANSACTIONS WITH RELATED PERSONS

Our Corporate Code of Conduct addresses conflicts of interest, noting that personal interests of our employees and Directors and their family members can sometimes come into conflict, or create the appearance of a conflict, with the Company's interest. Accordingly, the Code of Conduct requires all employees (including our executive officers) and our Directors to immediately report conflicts of interest or transactions that create the appearance of a conflict of interest. These reports are to be made immediately to a Company compliance officer (as identified in the Code of Conduct), the Company's Asset Management Committees, or, for members of the Company's Board of Directors, to the Audit Committee, for a determination as to compliance with the Code of Conduct.

The Audit Committee's charter provides for the Committee to be informed of related party transactions. In support of this and the Company's SEC reporting requirements, the following written procedure has been adopted. Specifically, the Directors and executive officers are to report to the Company's legal department all related party transactions between the Company (or any of its subsidiaries) and any of the executive officers and Directors, including any of their family members.

## BENEFICIAL OWNERSHIP OF COMMON STOCK

The table below sets forth information with respect to those persons known to the Company, as of April 27, 2007, to have owned beneficially 5% or more of the outstanding shares of Common Stock and the number of shares beneficially owned by the Company's executive officers individually and by all of the Company's executive officers and Directors as a group. The information as to beneficial ownership is based upon statements furnished to the Company by such persons, including Schedule 13G statements filed under the Securities Exchange Act of 1934, as amended. Information with respect to the beneficial ownership of shares of Common Stock held by each of the Directors and nominees (two of the Directors also being executive officers who each beneficially own more than 5% of the outstanding shares of Common Stock) is set forth in Election of Directors' table above.

Name and Address of Beneficial Owner (1)	Number of Shares of Common Stock Owned	Percent
	Beneficially	of Class (2)
Greenlight Capital, L.L.C. and affiliates		
140 East 45 <sup>th</sup> Street, 24 <sup>th</sup> Floor		
New York, NY 10017	4,430,000(3)	9.7%
Ziff Asset Management, L.P.		
283 Greenwich Avenue		
Greenwich, CT 06830	4,274,970(4)	9.4%
Franklin Resources, Inc.		
One Franklin Parkway		
Building 920		
San Mateo, CA 94403	3,585,171(5)	7.8%
Paris G. Reece III		
4350 South Monaco St., Suite 500		
Denver, CO 80237	475,525(6)	1.0%
Michael Touff	195,821(7)	*

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4350 South Monaco St., Suite 500

Denver, CO 80237

All executive officers and Directors as a group (10 persons)

13,094,155

26.4%

\* Less than 1%.

- (1) The address of Messrs. Mizel and Mandarich, the Directors who each beneficially own more than 5% of the outstanding shares of Common Stock, is 4350 South Monaco Street, Suite 500, Denver, Colorado 80237. (See Election of Directors above.)

- (2) Based on 45,722,000 shares outstanding at April 27, 2007, except as otherwise noted. In calculating the percentage of ownership, all shares of Common Stock the identified person or group had the right to acquire within 60 days of the Record Date by the exercise of options are deemed to be outstanding for the purpose of computing the percentage of the shares of Common Stock owned by such person or group but are not deemed to be outstanding for the purpose of computing the percentage of the shares of Common Stock owned by any other person. As a group, the executive officers and Directors had the right to acquire within 60 days of the Record Date by the exercise of options an aggregate of 2,314,927 shares of Common Stock.
- (3) Based on Form 13F filed with the SEC on February 14, 2007 and Schedule 13G/A filed with the SEC on February 14, 2006. The 2006 Schedule 13G/A disclosed that: Greenlight Capital, L.L.C. has sole voting power and sole dispositive power over 2,039,400 shares; Greenlight Capital, Inc. has sole voting power and sole dispositive power over 2,065,000 shares; DME Advisors, L.P. has sole voting power and sole dispositive power over 325,600 shares; and David Einhorn has sole voting power and sole dispositive power over 4,430,000 shares.
- (4) Schedule 13G/A filed with the SEC on February 12, 2007 disclosed that: Ziff Asset Management, L.P., PBK Holdings, Inc., Philip B. Korsant and ZBI Equities, L.L.C. have shared voting power and shared dispositive power over 4,274,970 shares.
- (5) Schedule 13G/A filed with the SEC on February 5, 2007 disclosed that: Franklin Resources, Inc., Charles B. Johnson and Rupert H. Johnson, Jr. have no voting or dispositive power; Franklin Advisers, Inc. has sole voting power and sole dispositive power over 2,637,840 shares; Franklin Advisory Services, LLC has sole voting power over 931,300 shares and sole dispositive power over 935,300 shares; Franklin Templeton Investments Corp. has sole voting power and sole dispositive power over 7,300 shares; Franklin Templeton Portfolio Advisers, Inc. has sole voting power and sole dispositive power over 2,421 shares; Franklin Templeton Investment Management Limited has sole dispositive power over 2,000 shares; and Franklin Templeton Investments (Asia) Limited has sole voting power and sole dispositive power over 310 shares.
- (6) Includes 218,847 shares of Common Stock that Mr. Reece has the right to acquire within 60 days of the Record Date by the exercise of stock options at prices ranging from \$18.47 to \$44.68 per share. Mr. Reece has sole voting and investment power with respect to the shares set forth in the table.
- (7) Includes 73,359 shares of Common Stock that Mr. Touff has the right to acquire within 60 days of the Record Date by the exercise of stock options at prices ranging from \$18.47 to \$44.80 per share. Mr. Touff has sole voting and investment power with respect to the shares set forth in the table.

No change in control of the Company has occurred since the beginning of the last fiscal year. The Company knows of no arrangement the operation of which, at a subsequent date, may result in a change in control of the Company.

#### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The Company's executive officers and Directors and any beneficial owner of more than ten percent of the Company's Common Stock are required under Section 16(a) of the Securities Exchange Act of 1934, as amended, to file initial reports of ownership and reports of changes in ownership of Common Stock of the Company with the SEC and furnish copies of those reports to the Company. Based solely upon a review of the copies of reports furnished to the Company and written representations received from reporting persons, the Company believes that during the year ended December 31, 2006, all such reports were filed on a timely basis.



**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Ernst & Young LLP audited the Company's consolidated financial statements for the year ended December 31, 2006. The Company's audit engagement agreement with Ernst & Young LLP provides for that firm to perform audit services for the Company's subsequent fiscal years based on the terms and conditions set forth in the agreement until either the Audit Committee or Ernst & Young LLP terminates the agreement. A representative of Ernst & Young LLP is expected to be present at the Meeting and will have the opportunity to make a statement if so desired and will be available to respond to appropriate questions.

**Audit Fees and All Other Fees**

A summary of the fees of Ernst & Young LLP for the years ended December 31, 2006 and 2005 are set forth below:

	2006	2005
	Fees	Fees
Audit Fees (1)	\$ 1,420,869	\$ 1,261,595
Audit-Related Fees (2)	-0-	15,500
Tax Fees (3)	62,432	77,190
All Other Fees (4)	2,690	2,690
<b>Total Fees</b>	<b>\$ 1,485,991</b>	<b>\$ 1,356,975</b>

- (1) Consists of fees and expenses for the audit of consolidated financial statements and SAS 100 interim reviews, the audit of internal control over financial reporting and services rendered in connection with SEC filings.
- (2) Consists of fees and expenses for audits and accounting consultations in connection with potential transactions.
- (3) Consists of fees and expenses for tax consulting and return preparation services.
- (4) Consists of fees for access to Ernst & Young LLP online resources.

**Audit Committee Pre-Approval Procedures**

Under the procedures established by the Audit Committee, all audit services and all non-audit services by the Company's auditors are to be pre-approved by the Audit Committee, subject to the de minimus exception provided under Section 202 of the Sarbanes-Oxley Act. In certain cases, pre-approval is provided by the committee for up to a year as to particular categories of services, subject to a specific budget. The committee also has delegated to each of its members the authority to grant pre-approvals, such pre-approvals to be presented to the full committee at the next scheduled meeting. The Audit Committee did not apply the de minimus exception provided under Section 202 of the Sarbanes-Oxley Act in 2006 or 2005.

#### **OTHER MATTERS**

Management and the Board of Directors of the Company know of no matters to be brought before the Meeting other than as set forth above. However, if any other matters are properly presented to the shareowners for action, it is the intention of the proxy holders named in the enclosed proxy to vote in their discretion on all matters on which the shares represented by such proxy are entitled to vote.

#### **SHAREOWNER PROPOSALS**

Any proposal a shareowner desires to present at the 2008 Annual Meeting of Shareowners and to have included in the Company's proxy soliciting materials pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended, must be received in writing by the Secretary of the Company prior to January 3, 2008. However, if the date of the 2008 Annual Meeting changes by more than 30 days from the date of the 2007 Annual Meeting, then the deadline is a reasonable time before the Company begins to print and mail its proxy materials as the Company shall inform the shareowners. If notice of any such proposal is not submitted in writing and received by the Company at the address appearing on the first page of this proxy statement by such date, then such proposal will not be described in the proxy statement for the 2008 Annual Meeting, it will be deemed untimely for purposes of Rule 14a-4 and Rule 14a-5 under the Securities Exchange Act of 1934 and the persons appointed as the Company's proxies will have the right to exercise discretionary voting authority with respect to such proposal.

For shareowner proposals submitted outside the Rule 14a-8 process, the Company's By-Laws provide that only business properly brought before a meeting will be transacted. For business to be properly brought before a meeting by a shareowner, the shareowner must give timely notice thereof in writing to the Secretary of the Company. To be timely, the notice must be delivered to, or mailed and received at, the principal executive offices of the Company not less than 60 days nor more than 90 days prior to the meeting; however, in the event that less than 75 days notice or prior public disclosure of the date of such meeting is given or made to shareowners, notice by the shareowner to be timely must be so received not later than the close of business on the 10<sup>th</sup> day following the day on which notice of the date of the meeting was mailed or such public disclosure was made. A shareowner's notice to the Secretary shall set forth as to each matter the shareowner proposes to bring before the meeting: (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (ii) the name and record address of the shareowner proposing such business, (iii) the class and number of shares of the Company which are beneficially owned by the shareowner and (iv) any material interest of the shareowner in such business.

BY THE ORDER OF THE BOARD OF DIRECTORS,

Larry A. Mizel

*Chairman of the Board*

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**M.D.C. HOLDINGS, INC.**

**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS**

**PROXY FOR ANNUAL MEETING OF SHAREOWNERS JUNE 25, 2007**

The undersigned hereby appoints PARIS G. REECE III and MICHAEL TOUFF, or either one of them, as proxies or proxy for the undersigned, each with full power of substitution and resubstitution, to attend the 2007 Annual Meeting of Shareowners and any adjournments or postponements thereof (the Meeting ) and to vote as designated below, all the shares of Common Stock of M.D.C. HOLDINGS, INC. that the undersigned is entitled to vote. In their discretion, the proxies are hereby authorized to vote upon such other business as may properly come before the Meeting and any adjournments or postponements thereof.

**Please specify your choice by clearly marking the appropriate box. Unless otherwise specified, this proxy will be voted FOR Proposal 1.**

**x Please mark your votes as in this example.**

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF MESSRS. BERMAN, BUCHWALD AND MIZEL.

**1. ELECTION OF DIRECTORS.**

NOMINEES: Michael A. Berman, Herbert T. Buchwald and Larry A. Mizel

“ FOR “ WITHHELD

“ FOR, except vote withheld from the following nominee(s):

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(continued and to be signed and dated on the other side)

2. To vote upon such other business as may properly come before the Meeting or any adjournment or postponement thereof. Please sign exactly as your name appears on this proxy. Joint owners should each sign individually. If signing as attorney, executor, administrator, trustee or guardian, please include your full title. Corporate proxies should be signed by an authorized officer.

Signature(s):

Date:

Signature(s):

Date: