

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2000

OR

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

For the transition period from ____ to ____.

Commission File Number 0-25346

TRANSACTION SYSTEMS ARCHITECTS, INC.
(Exact name of registrant as specified in its charter)

Delaware 47-0772104
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

224 South 108th Avenue
Omaha, Nebraska 68154
(Address of principal executive offices, including zip code)

(402) 334-5101
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____.

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

33,100,247 shares of Class A Common Stock at August 10, 2000

TRANSACTION SYSTEMS ARCHITECTS, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2000
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TRANSACTION SYSTEMS ARCHITECTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited and in thousands)

	June 30, 2000	September 30, 1999
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 29,501	\$ 70,482
Marketable securities	12,038	8,456
Billed receivables, net	60,108	50,619
Accrued receivables	49,539	41,880
Refundable income taxes	9,599	-
Deferred income taxes	1,419	1,164
Other	12,128	7,215
	-----	-----
Total current assets	174,332	179,816
Property and equipment, net	20,252	20,754
Software, net	25,689	25,835
Intangible assets, net	67,425	61,612
Long-term accrued receivables	21,215	26,850
Investments and notes receivable	7,791	3,569
Deferred income taxes	2,469	97
Other	5,875	4,785
	-----	-----
Total assets	\$ 325,048	\$ 323,318
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 10,539	\$ 501
Accounts payable	16,464	8,030
Accrued employee compensation	5,593	7,192
Accrued liabilities	17,599	18,287
Income taxes	-	8,521
Deferred revenue	58,211	54,627
	-----	-----
Total current liabilities	108,406	97,158
Long-term debt	815	991
	-----	-----
Total liabilities	109,221	98,149
	-----	-----
Stockholders' equity:		
Class A Common Stock	165	163
Additional paid-in capital	170,466	161,630
Retained earnings	84,105	82,922
Treasury stock, at cost	(35,258)	(14,250)
Accumulated other comprehensive income	(3,651)	(5,296)
	-----	-----
Total stockholders' equity	215,827	225,169
	-----	-----
Total liabilities and stockholders' equity	\$ 325,048	\$ 323,318
	=====	=====

See notes to condensed consolidated financial statements.

TRANSACTION SYSTEMS ARCHITECTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited and in thousands, except per share amounts)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2000	1999	2000	1999
Revenues:				
Software license fees	\$ 46,498	\$ 53,259	\$ 128,259	\$ 149,888
Maintenance fees	17,340	16,042	51,229	47,605
Services	14,992	18,858	41,848	61,462
Hardware, net	72	967	72	3,192
	-----	-----	-----	-----
Total revenues	78,902	89,126	221,408	262,147
	-----	-----	-----	-----
Operating expenses:				
Cost of software license fees	11,851	10,381	33,760	32,153
Cost of maintenance and services	17,952	17,740	52,008	56,071
Research and development	10,125	8,711	28,553	25,447
Selling and marketing	18,837	17,495	54,602	50,821
General and administrative costs	16,185	14,639	45,982	43,984
Amortization of goodwill and purchased intangibles	2,035	1,572	5,970	3,121
	-----	-----	-----	-----
Total operating expenses	76,985	70,538	220,875	211,597
	-----	-----	-----	-----
Operating income	1,917	18,588	533	50,550
	-----	-----	-----	-----
Other income (expense):				
Interest income	985	706	2,649	2,130
Interest expense	(178)	(77)	(313)	(236)
Transaction related expenses	-	-	-	(653)
Other	(1,065)	(131)	(933)	37
	-----	-----	-----	-----
Total other	(258)	498	1,403	1,278
	-----	-----	-----	-----
Income before income taxes	1,659	19,086	1,936	51,828
Provision for income taxes	(644)	(7,237)	(753)	(19,726)
	-----	-----	-----	-----
Net income	\$ 1,015	\$ 11,849	\$ 1,183	\$ 32,102
	-----	-----	-----	-----
Earnings Per Share Data:				
Basic:				
Net income	\$ 0.03	\$ 0.37	\$ 0.04	\$ 1.02
	-----	-----	-----	-----
Average shares outstanding	31,621	32,016	31,789	31,465
	-----	-----	-----	-----
Diluted:				
Net income	\$ 0.03	\$ 0.36	\$ 0.04	\$ 1.00
	-----	-----	-----	-----
Average shares outstanding	31,875	32,650	32,201	32,214
	-----	-----	-----	-----

See notes to condensed consolidated financial statements.

TRANSACTION SYSTEMS ARCHITECTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited and in thousands)

	Nine Months Ended June 30,	
	2000	1999
Cash flows from operating activities:		
Net income	\$ 1,183	\$ 32,102
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,438	6,074
Amortization	15,301	8,619
Changes in operating assets and liabilities:		
Billed and accrued receivables	(11,297)	(4,720)
Other current and noncurrent assets	(19,190)	(13,304)
Accounts payable	7,929	(72)
Deferred revenue	3,219	4,774
Other current liabilities	(11,892)	(8,440)
	(8,309)	25,033
Cash flows from investing activities:		
Purchases of property and equipment	(4,926)	(5,026)
Purchases of software	(8,295)	(5,560)
Purchase of marketable securities	-	(6,500)
Acquisition of businesses, net of cash acquired	(7,959)	(9,967)
Additions to investments and notes receivable	(4,222)	(602)
	(25,402)	(27,655)
Cash flows from financing activities:		
Proceeds from issuance of Class A Common Stock	1,406	755
Proceeds from exercise of stock options	2,005	2,114
Purchases of Class A Common Stock	(21,008)	-
Borrowings on line of credit	10,000	-
Payments of long-term debt	(495)	(1,350)
	(8,092)	1,519
Effect of exchange rate fluctuations on cash	822	68
Decrease in cash and cash equivalents	(40,981)	(1,035)
Cash and cash equivalents, beginning of period	70,482	63,648
Cash and cash equivalents, end of period	\$ 29,501	\$ 62,613

See notes to condensed consolidated financial statements.

TRANSACTION SYSTEMS ARCHITECTS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated Financial Statements

Transaction Systems Architects, Inc. (the Company or TSA) develops, markets, installs and supports a broad line of software products and services primarily focused on facilitating electronic payments and electronic commerce. In addition to its own products, the Company distributes or acts as a sales agent for software developed by third parties. The products are used principally by financial institutions, retailers and third-party processors, both in domestic and international markets.

The condensed consolidated financial statements at June 30, 2000 and for the three and nine months ended June 30, 2000 and 1999 are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto, together with management's discussion and analysis of financial condition and results of operations, contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1999. The results of operations for the three and nine months ended June 30, 2000 are not necessarily indicative of the results for the entire fiscal year ending September 30, 2000.

Certain September 30, 1999 amounts have been reclassified to conform to the June 30, 2000 presentation.

2. Comprehensive Income

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2000	1999	2000	1999
Net income	\$ 1,015	\$ 11,849	\$ 1,183	\$ 32,102
Other comprehensive income:				
Unrealized investment holding gain (loss)	(7,072)	687	3,695	844
Foreign currency translation adjustments	(1,038)	29	(2,050)	(1,861)
Comprehensive income (loss)	\$ (7,095)	\$ 12,565	\$ 2,828	\$ 31,085

Components of accumulated other comprehensive income at each balance sheet date were as follows (in thousands):

	June 30, 2000	September 30, 1999
Unrealized investment holding gain (loss)	\$ 653	\$ (3,043)
Foreign currency translation adjustments	(4,304)	(2,253)
	\$ (3,651)	\$ (5,296)

As of August 10, 2000, the fair value of the marketable securities declined from \$12.0 million at June 30, 2000 to approximately \$7.8 million.

3. Revenue Recognition

The Company accounts for revenue in accordance with American Institute of Certified Public Accountants Statement of Position 97-2, "Software Revenue Recognition" (SOP 97-2). The Company has concluded that for certain software arrangements entered into after October 1, 1998 with extended guaranteed payment terms, the "fixed or determinable" presumption of SOP 97-2 has been overcome and software license fees, net of third party royalties in fiscal 1999, should be recognized upon meeting all other SOP 97-2 revenue recognition criteria ("guaranteed software license fees"). The present value of the guaranteed software license fees recognized during the three months ended June 30, 2000 and 1999 totaled \$11.2 million and \$18.9 million, respectively. The present value of the guaranteed software license fees recognized during the nine months ended June 30, 2000 and 1999 totaled \$21.7 million and \$37.5 million, respectively. The discount rates used to determine the present value of the guaranteed software license fees, representing the Company's incremental borrowing rates, ranged from 9.5% to 11.0%. The portion of the guaranteed software license fees that has been recognized by the Company, but not yet billed, is reflected in accrued receivables in the accompanying condensed consolidated balance sheets.

4. Earnings Per Share

Basic earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed on the basis of the weighted average number of common shares outstanding plus the dilutive effect of outstanding stock options using the "treasury stock" method.

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2000	1999	2000	1999
Net income	\$ 1,015	\$ 11,849	\$ 1,183	\$ 32,102
Weighted average shares outstanding	31,621	32,016	31,789	31,465
Dilutive effect of stock options	254	634	412	749
Dilutive shares outstanding	31,875	32,650	32,201	32,214
Basic earnings per share	\$ 0.03	\$ 0.37	\$ 0.04	\$ 1.02
Diluted earnings per share	\$ 0.03	\$ 0.36	\$ 0.04	\$ 1.00

For the three months ended June 30, 2000 and 1999, stock options representing 3,668,875 and 137,889 shares of the Company's common stock, respectively, have been excluded from the computation of diluted earnings per share as exercise prices of the stock options were greater than the average market price of the common stock. For the nine months ended June 30, 2000 and 1999, stock options representing 2,064,457 and 40,552 shares of the Company's common stock, respectively, have been excluded from the computation of diluted earnings per share as exercise prices of the stock options were greater than the average market price of the common stock.

5. Acquisitions

In April 2000, TSA and WorkPoint Systems, Inc. (WorkPoint Systems) completed a stock exchange transaction which resulted in WorkPoint Systems becoming a wholly-owned subsidiary of TSA. WorkPoint Systems is a provider of multi-user software that enables enterprises to model processes over a distributed corporate network. This software can be used to create graphical models that provide a visual representation of and automatically execute various steps in a business process. Shareholders of WorkPoint Systems received 164,680 shares of TSA Class A Common Stock, with a market value of \$4,750,000, in exchange for 100% of WorkPoint Systems shares. The stock exchange was accounted for using the purchase method of accounting. Accordingly, the excess purchase price over the estimated fair value of the net tangible assets acquired totaling \$4.3 million was allocated to goodwill. This goodwill is being amortized using the straight-line method over five years.

In June 2000, the Company acquired a 70% ownership in Hospital Health Plan Corporation (HHPC), a business that offers a suite of products designed to facilitate the automatic adjudication of medical claims. HHPC was acquired for \$4.6 million in cash and \$3.3 million in assumed liabilities. This acquisition was accounted for as a purchase and resulted in the recording of goodwill of \$7.8 million that is being amortized using the straight-line method over five years.

6. Line of Credit

During the quarter, the Company replaced its \$10 million bank line of credit with a \$25 million bank line of credit. The new line is secured by certain trade accounts receivable of TSA. Among other restrictions, the Company must maintain a minimum accounts receivable balance, minimum tangible net worth and minimum working capital levels at each reporting date. After obtaining a waiver from the bank, the Company is in compliance with all debt covenants as of June 30, 2000.

Interest accrues at an annual rate equal to the bank's "base rate" less .75% and is payable at the end of each month. During the quarter ended June 30, 2000, the Company recorded interest expense of \$104,000. Current borrowings outstanding amount to \$10 million and at June 30, 2000, the remaining \$15 million was available to the Company for future borrowings. The bank line of credit expires on May 31, 2001.

7. Segment Information

During the second quarter of fiscal 2000, the Company announced a business strategy resulting in the formation of six business units organized around the Company's products and services. Key elements of the strategy include aligning the Company's business into vertically-integrated business units targeted at key markets where the Company's products and services best match emerging market demand. During the third quarter of fiscal 2000, the Company's strategy was further defined whereby the six business units were classified into 'core' and 'non-core' businesses. The core businesses are comprised of the Consumer Banking, Electronic Commerce and Internet Banking

units and the non-core businesses are comprised of the Electronic Business Infrastructure, Corporate Banking e-Payments and Health Claims Transaction Processing and Management units. The Company plans to direct the majority of its focus on the core businesses, which in total make up its consumer payments business. The Company is considering various alternatives for its non-core businesses, including possible spin-offs, sales or attracting additional capital and partners.

One of the first steps of this new business strategy was the announcement of the formation of Insession Technologies, Inc., the Electronic Business Infrastructure business unit of the company. As indicated in the Company's June 5, 2000 news release, Insession Technologies, Inc. filed a registration statement with the Securities and Exchange Commission for a proposed initial public offering of Insession Technologies, Inc. common stock, all of which will be offered by Insession Technologies, Inc. The timing and size of the offering are dependent on market conditions and other factors. This does not constitute an offer of any securities for sale.

Insession Technologies, Inc. is currently a wholly-owned subsidiary of the Company. The Company currently plans to distribute all of its remaining shares of Insession Technologies, Inc. common stock to the Company's stockholders on a pro rata basis within approximately 12 months after the Insession Technologies, Inc. initial public offering, subject to receiving a ruling from the IRS that the distribution will be tax-free. However, the Company is not obligated to complete the distribution or otherwise divest its shares of Insession Technologies, Inc. common stock, and the distribution or other divestiture may not occur by the anticipated time or at all.

A summary of the products and related services associated with each operating segment is as follows:

Core operating segments:

- o Consumer Banking products focus on the consumer side of financial institutions related to automated teller machine (ATM) networks, point-of-sale deployments, branch networks, home banking, fraud detection and back-office payments management.
- o Electronic Commerce products offer retailers, merchant banks and payment processors electronic payment solutions such as secure web-based payments, debit and credit transaction authorization, fraud management and targeted marketing programs.
- o Internet Banking products offer banking and bill payments solutions to large financial institutions as well as small community banks.

Non-core operating segments:

- o Electronic Business Infrastructure products facilitate communication, data movement, transaction processing and systems monitoring across incompatible computing systems involving mainframes, distributed computing networks and the Internet.
- o Corporate Banking e-Payments products offer electronic commerce and electronic payments solutions to corporate banking institutions.
- o Health Claims Transaction Processing and Management products allow large companies and healthcare payment processors to automate claims eligibility determination, claims capture and claims payments.

In evaluating segment performance, management focuses on income from operations. The table below presents revenues and operating income for each operating segment (in thousands):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2000	1999	2000	1999
Segment revenues:				
Consumer Banking	\$ 47,832	\$ 62,541	\$ 136,091	\$ 183,590
Electronic Commerce	8,256	5,156	17,207	13,700
Internet Banking	2,311	2,945	6,765	8,121
Revenues - core business units	58,399	70,642	160,063	205,411
Electronic Business Infrastructure	10,421	9,100	32,267	30,012
Corporate Banking e-Payments	9,114	8,321	26,364	23,711
Health Claims Transaction Processing and Management	968	1,063	2,714	3,013
Revenues - non-core business units	20,503	18,484	61,345	56,736
Total revenues	\$ 78,902	\$ 89,126	\$ 221,408	\$ 262,147
Segment operating income (loss):				
Consumer Banking	\$ 3,822	\$ 18,163	\$ 2,820	\$ 49,821
Electronic Commerce	(1,568)	(1,679)	(7,767)	(3,949)
Internet Banking	(590)	472	(1,247)	1,359
Operating income (loss) - core business units	1,664	16,956	(6,194)	47,231
Electronic Business Infrastructure	711	749	5,614	2,538
Corporate Banking e-Payments	214	584	1,810	124
Health Claims Transaction Processing and Management	(672)	299	(697)	657

Operating income (loss) - non-core business units	253	1,632	6,727	3,319
Total operating income	\$ 1,917	\$ 18,588	\$ 533	\$ 50,550

The Company currently does not track long-lived or total assets separately for each operating segment.

The Company's products are sold and supported through distribution networks covering the geographic regions of Americas, Europe/Middle East/Africa (EMEA) and Asia/Pacific. The following are revenue and long-lived assets for these geographic regions (in thousands):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2000	1999	2000	1999
Revenues by geographic region:				
United States	\$ 35,735	\$ 43,491	\$ 101,797	\$ 127,110
Americas - other	9,811	8,863	26,987	28,822
Total Americas	45,546	52,354	128,784	155,932
EMEA	26,386	29,090	71,192	82,514
Asia/Pacific	6,970	7,682	21,432	23,701
	\$ 78,902	\$ 89,126	\$ 221,408	\$ 262,147
		June 30, 2000	September 30, 1999	
Long-lived assets by geographic region:				
Americas (primarily United States)		\$ 113,253	\$ 103,425	
EMEA		12,260	11,520	
Asia/Pacific		1,519	1,620	
		\$ 127,032	\$ 116,565	

8. Accounting Pronouncements Issued But Not Yet Effective

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in Financial Statements". The Company will be required to adopt SAB 101 no later than the fourth quarter ending September 30, 2001. SAB 101 requires, among other things, that license and other up-front fees be recognized over the term of the agreement, unless the fees are in exchange for products delivered or services performed that represent the culmination of a separate earnings process. The Company does not expect this change in accounting principle to have a material effect on the Company's financial position and results of operation.

In March 2000, the Financial Accounting Standards Board issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation, an interpretation of APB Opinion No. 25". The Interpretation clarifies the application of APB Opinion No. 25 for certain issues involving employee stock compensation. The Interpretation is effective July 1, 2000. Adoption of this Interpretation is not expected to have a significant effect on the Company's consolidated financial statements.

9. Subsequent Event

In June 1999, the Company entered into a transaction with Digital Courier Technologies, Inc. (DCTI), whereby the Company acquired 1.25 million shares of DCTI's Common Stock for \$6.5 million. At that time, the Company received warrants to purchase an additional 1.0 million shares at an exercise price of \$5.20 per share. In July 2000, the Company exercised its rights to purchase 1.0 million shares of DCTI Common Stock at \$5.20 per share. At the time of the exercise, the market price of the DCTI stock was approximately \$7.56 per share. As of August 10, 2000, the market value of the DCTI stock has declined to approximately \$4.03 per share.

TRANSACTION SYSTEMS ARCHITECTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Results of Operations

The following table sets forth certain financial data and the percentage of total revenues of the Company for the periods indicated:

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2000		1999		2000		1999	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Revenues:								
Software license fees	\$ 46,498	58.9 %	\$ 53,259	59.7 %	\$ 128,259	58.0 %	\$ 149,888	57.2 %
Maintenance fees	17,340	22.0	16,042	18.0	51,229	23.1	47,605	18.2
Services	14,992	19.0	18,858	21.2	41,848	18.9	61,462	23.4
Hardware, net	72	0.1	967	1.1	72	0.0	3,192	1.2
Total revenues	78,902	100.0	89,126	100.0	221,408	100.0	262,147	100.0
Operating expenses:								
Cost of software license fees	11,851	15.0	10,381	11.6	33,760	15.2	32,153	12.3
Cost of maintenance and services	17,952	22.8	17,740	19.9	52,008	23.5	56,071	21.3
Research and development	10,125	12.8	8,711	9.8	28,553	12.9	25,447	9.7
Selling and marketing	18,837	23.9	17,495	19.6	54,602	24.7	50,821	19.4
General and administrative costs	16,185	20.5	14,639	16.4	45,982	20.8	43,984	16.8
Amortization of goodwill and purchased intangibles	2,035	2.6	1,572	1.8	5,970	2.7	3,121	1.2
Total operating expenses	76,985	97.6	70,538	79.1	220,875	99.8	211,597	80.7
Operating income	1,917	2.4	18,588	20.9	533	0.2	50,550	19.3
Other income (expense):								
Interest income	985	1.2	706	0.7	2,649	1.1	2,130	0.8
Interest expense	(178)	(0.2)	(77)	(0.1)	(313)	(0.1)	(236)	(0.1)
Transaction related expenses	-	0.0	-	0.0	-	0.0	(653)	(0.2)
Other	(1,065)	(1.3)	(131)	(0.1)	(933)	(0.4)	37	0.0
Total other	(258)	(0.3)	498	0.5	1,403	0.6	1,278	0.5
Income before income taxes	1,659	2.1	19,086	21.4	1,936	0.8	51,828	19.8
Provision for income taxes	(644)	(0.8)	(7,237)	(8.1)	(753)	(0.3)	(19,726)	(7.6)
Net income	\$ 1,015	1.3 %	\$ 11,849	13.3 %	\$ 1,183	0.5 %	\$ 32,102	12.2 %

Revenues

Total revenues for the third quarter of fiscal 2000 decreased 11.5% or \$10.2 million from the comparable period in fiscal 1999. Of this decrease, \$6.8 million resulted from an 12.7% decrease in software license fee revenue, \$3.9 million from a 20.5% decrease in services revenue, \$895,000 from a 92.6% decrease in hardware revenue, offset by a \$1.3 million, or 8.1%, increase in maintenance fee revenue.

Total revenues for the first three quarters of fiscal 2000 decreased 15.5% or \$40.7 million from the comparable period in fiscal 1999. Of this decrease, \$21.6 million resulted from a 14.4% decrease in software license fee revenue, \$19.6 million from a 31.9% decrease in services revenue, \$3.1 million from a 97.7% decrease in hardware revenue, offset by a \$3.6 million, or 7.6%, increase in maintenance fee revenue.

During the first three quarters of fiscal 2000, 54.0% of total revenues resulted from international operations as compared to 52.9% for all of fiscal 1999.

During the first quarter of fiscal 2000, the Company's large bank and merchant customers and potential new customers, in effect, locked down their systems in preparation for the Year 2000. This Year 2000 lock-down has had a negative impact on the Company's software license fee and services revenue during the first two quarters and, to a lesser extent, the third quarter of fiscal 2000 due to the less than expected demand by the Company's customers and potential new customers to upgrade and enhance their current systems. In addition,

since the Year 2000 cutover, the Company has found its customers increasingly scrutinizing their information technology purchases which has led to further delays in software and services purchases as compared to the activity in the second and third quarters of fiscal 1999.

The Company believes overall demand for the Company's products and services is increasing at a gradual pace. However, the Year 2000 lock-down described above interrupted the Company's normal sales cycle and therefore may have a negative impact on the company's revenue and net income beyond the first three quarters of fiscal 2000. The Company also believes customer demand for system upgrades and enhancements will be slow to return to normal growth levels, as many of the Company's customers upgraded and enhanced their systems prior to the Year 2000.

The statements in this report regarding future results are preliminary and "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, this report contains other forward-looking statements including statements regarding the Company's expectations, plans and beliefs. The forward-looking statements in this report are subject to a variety of risks and uncertainties. Actual results could differ materially. Factors that could cause actual results to differ include but are not limited to those described above and the following:

- o That the Company will continue to derive a substantial majority of its total revenue from licensing its BASE24 family of software products and providing services and maintenance related to those products. Any reduction in demand for, or increase in competition with respect to, BASE24 products would have a material adverse effect on TSA's financial condition and results of operations.
- o That the Company's business is concentrated in the banking industry, making it susceptible to a downturn in that industry.
- o Fluctuations in quarterly operating results may result in volatility in TSA's stock price. No assurance can be given that operating results will not vary.
- o TSA's stock price may be volatile, in part due to external factors such as announcements by third parties or competitors, inherent volatility in the high-technology sector and changing market conditions in the industry.

For a detailed discussion of these and other risk factors, interested parties should review the Company's filings with the Securities and Exchange Commission, including Exhibit 99.01 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1999.

Monthly License Fees (MLF) revenue, a component of software license fees, was \$14.3 million and \$14.1 million in the third quarter of fiscal 2000 and 1999, respectively and \$43.2 million and \$40.1 million for the first three quarters of fiscal 2000 and 1999, respectively. The increase in MLF revenue is a result of the continued growth of the installed base of the Company's consumer banking, electronic business infrastructure and Internet banking products.

Maintenance fees revenue for the third quarter of fiscal 2000 and 1999 was \$17.3 million and \$16.0 million, respectively. Maintenance fees revenue for the first three quarters of fiscal 2000 and 1999 was \$51.2 million and \$47.6 million, respectively. The increase in maintenance fees revenue is a result of continued growth of the installed base of the Company's consumer banking and corporate banking products.

Hardware revenue consists primarily of revenues received under a market development funding program with Compaq which expired on September 30, 1999 and was not renewed. Hardware revenue for the third quarter of fiscal 2000 and 1999 was \$0.1 million and \$1.0 million, respectively. Hardware revenue for the first three quarters of fiscal 2000 and 1999 was \$0.1 million and \$3.2 million, respectively.

Expenses

Total operating expenses for the third quarter of fiscal 2000 increased 9.1% or \$6.4 million over the comparable period in fiscal 1999. The increase for the quarter is due primarily to additional operating expenses incurred from the acquisitions of SDM International, Inc. (in July 1999), WorkPoint Systems, and HHPC and an increase in marketing program expenses. This increase in expense was offset, in part, by a reduction in staff required to support the Company's products and services. Total operating expenses for the first three quarters of fiscal 2000 increased 4.4% or \$9.3 million over the comparable period in fiscal 1999. This increase is primarily due to the acquisitions of SDM International, Inc., WorkPoint Systems and HHPC. This increase in expense was offset, in part, by a reduction in staff required to support the Company's products and services. Total staff (including both employees and independent contractors) decreased from 2,252 at June 30, 1999 to 2,156 at June 30, 2000.

Income Taxes

The effective tax rate for the first three quarters of fiscal 2000 was 38.9% as compared to 37.8% for all of fiscal 1999. This increase is primarily attributable to non-deductible amortization associated with the fiscal 1999 acquisitions of Insession Inc. and SDM International, Inc.

As of June 30, 2000, the Company has deferred tax assets of \$17.6 million and deferred tax liabilities of \$4.8 million. Each quarter, the Company evaluates its historical operating results as well as its projections for the future to determine the realizability of the deferred tax assets. This analysis indicated that \$8.7 million of the deferred tax assets were more likely than not to be realized. Accordingly, the Company has recorded a valuation

allowance of \$8.9 million as of June 30, 2000.

The Company intends to analyze the realizability of the net deferred tax assets at each future reporting period. Such analysis may indicate that the realization of various deferred tax benefits is more likely than not and, therefore, the valuation reserve may be further reduced.

Backlog

As of June 30, 2000 and 1999, the Company had non-recurring revenue backlog of \$28.5 million and \$31.5 million in software license fees, respectively, and \$27.8 million and \$24.0 million in services, respectively. The Company includes in its non-recurring revenue backlog all fees specified in contracts which have been executed by the Company and its customers to the extent that the Company contemplates recognition of the related revenue within one year. There can be no assurance that the contracts included in non-recurring revenue backlog will actually generate the specified revenues or that the actual revenues will be generated within the one year period.

As of June 30, 2000 and 1999, the Company had recurring revenue backlog of \$138.6 million and \$138.5 million, respectively. The Company defines recurring revenue backlog to be all monthly license fees, maintenance fees and facilities management fees specified in contracts which have been executed by the Company and its customers to the extent that the Company contemplates recognition of the related revenue within one year. There can be no assurance, however, that contracts included in recurring revenue backlog will actually generate the specified revenues or that the actual revenues will be generated within the one-year period.

Liquidity and Capital Resources

As of June 30, 2000, the Company's principal sources of liquidity consisted of \$29.5 million of cash and cash equivalents and a bank line of credit in the amount of \$25 million with outstanding borrowings of \$10.0 million at June 30, 2000. The bank line of credit is subject to maintenance of certain covenants.

The Company's net cash flows used in operating activities for the first three quarters of fiscal 2000 amounted to \$8.3 million. This compares to \$25.0 million in net cash flows provided by operating activities for the first three quarters of fiscal 1999. The decrease of \$33.3 million in cash flows from operating activities is principally due to lower net income offset by an increase in amortization expense due to the acquisitions of Insession Inc. in March 1999 and SDM International, Inc. in July 1999.

A contributor to the Company's cash management program is the factoring of accrued receivables, whereby interest in Company receivables is transferred on a non-recourse basis to third-party financial institutions in exchange for cash. During the first three quarters of fiscal 2000 and 1999, the Company generated operating cash flows from the factoring of accrued receivables of \$19.6 million and \$20.4 million, respectively.

The Company's net cash flows used in investing activities totaled \$25.4 million and \$27.7 million in the first three quarters of fiscal 2000 and 1999, respectively. This decrease is primarily due to a reduction in the purchase of marketable securities and cash paid for the acquisition of businesses, offset by an increase in software purchases and additions to investments and notes receivables. Cash used in investing activities of \$3.0 million related to the Company's final payment in the first quarter of fiscal 2000 in connection with the acquisition of Insession Inc.

The Company's Board of Directors has approved the repurchase of up to 2,000,000 shares of Common Stock through February 2001. The purpose of the stock repurchase program is to replace the shares issued in the SDM International, Inc. acquisition completed in July 1999, and to fund a reserve of shares for future employee stock option grants, acquisitions or other corporate purposes. Under this repurchase program, the Company purchased 1,000,300 shares at an average cost of \$21.00 for approximately \$21.0 million during the first three quarters of fiscal 2000. The total number of shares purchased under the stock repurchase program through June 30, 2000 amounts to 1,475,300 shares. The Company used available cash to fund the Common Stock repurchases.

Management believes that the Company's working capital, cash flow generated from operations and funds available from the bank line of credit will be sufficient to meet the Company's working capital requirements for the foreseeable future.

Corporate Business Strategy

During the second quarter of fiscal 2000, the Company announced a business strategy resulting in the formation of six business units organized around the Company's products and services. Key elements of the strategy include aligning the Company's business into vertically-integrated business units targeted at key markets where the Company's products and services best match emerging market demand. During the third quarter of fiscal 2000, the Company's strategy was further defined whereby the six business units were classified into 'core' and 'non-core' businesses. The core businesses are comprised of the Consumer Banking, Electronic Commerce and Internet Banking units and the non-core businesses are comprised of the Electronic Business Infrastructure, Corporate Banking e-Payments and Health Claims Transaction Processing and Management units. The Company plans to direct the majority of its focus on the core businesses, which in total make up its consumer payments business. The Company is considering various alternatives for its non-core business, including possible spin-offs, sales or attracting additional capital and partners.

One of the first steps of this new business strategy was the announcement of the formation of Insession Technologies, Inc., the Electronic Business

Infrastructure business unit of the company. As indicated in the Company's June 5, 2000 news release, Insession Technologies, Inc. filed a registration statement with the Securities and Exchange Commission for a proposed initial public offering of Insession Technologies, Inc. common stock, all of which will be offered by Insession Technologies, Inc. The timing and size of the offering are dependent on market conditions and other factors. This does not constitute an offer of any securities for sale.

Insession Technologies, Inc. is currently a wholly-owned subsidiary of the Company. The Company currently plans to distribute all of its remaining shares of Insession Technologies, Inc. common stock to the Company's stockholders on a pro rata basis within approximately 12 months after the Insession Technologies, Inc. initial public offering, subject to receiving a ruling from the IRS that the distribution will be tax-free. However, the Company is not obligated to complete the distribution or otherwise divest its shares of Insession Technologies, Inc. common stock, and the distribution or other divestiture may not occur by the anticipated time or at all.

Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to the Company's market risk for the three and nine month periods ended June 30, 2000. See the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1999 for additional discussion regarding quantitative and qualitative disclosure about market risk.

TRANSACTION SYSTEMS ARCHITECTS, INC.
PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 10.26 Credit Facility Letter Agreement and Promissory Note with Wells Fargo Bank Nebraska, N.A.
- 10.33 Transaction Systems Architects, Inc. 2000 Non-Employee Director Stock Option Plan
- 27.00 Financial Data Schedule

(b) Reports on Form 8-K

None

SIGNATURES

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

Dated: August 14, 2000

TRANSACTION SYSTEMS ARCHITECTS, INC.
(Registrant)

/s/ Edward C. Fuxa

Edward C. Fuxa
Controller
(Principal Accounting Officer)

TRANSACTION SYSTEMS ARCHITECTS, INC.
INDEX TO EXHIBITS

Exhibit Number - - - - -	Description - - - - -
10.26	Credit Facility Letter Agreement and Promissory Note with Wells Fargo Bank Nebraska, N.A.
10.33	Transaction Systems Architects, Inc. 2000 Non-Employee Director Stock Option Plan
27.00	Financial Data Schedule

June 16, 2000

Transaction Systems Architects, Inc.
330 South 108th Avenue
Omaha, Nebraska 68154-2684

Attention: Mr. Edward Fuxa
Controller

Dear Mr. Fuxa:

Pursuant to our recent discussions, Norwest Bank Nebraska, N.A., (hereinafter referred to as the "Bank"), is pleased to offer a secured, committed credit facility jointly to Transaction Systems Architects, Inc., a Delaware corporation ("TSA") and ACI Worldwide Inc., a Nebraska corporation ("ACI") (hereinafter referred to individually and collectively as the "Joint Borrowers").

The terms of the facility set forth in this Letter Agreement (hereinafter referred to as the "Facility Letter") are:

- 1) Amount: The aggregate amount outstanding shall not exceed Twenty Five Million and 00/100 United States Dollars (USD) (\$25,000,000.00) (hereinafter referred to as the "Credit Facility Amount") at any time, which shall be available to the Joint Borrowers in the form of loans (hereinafter referred to as "Advance(s)") or standby letters of credit (hereinafter referred to as "SLC(s)"), subject to a sublimit of Ten Million and 00/100 United States Dollars (USD) (\$10,000,000.00) in the aggregate on outstanding SLCs, including any Reimbursement Obligations, as hereafter defined.
- 2) Purpose: General corporate purposes, provided that the Joint Borrowers will not use the proceeds of any Advances or SLCs extended or issued under this facility for the purpose of purchasing or carrying "margin stock" as defined in Regulation U of the Board of Governors of the Federal Reserve System.
- 3) Evidence of Indebtedness: A Promissory Note in the form of Exhibit A hereto to be signed by the Joint Borrowers (hereinafter referred to as the "Note"). The indebtedness shall be the joint and several obligation of TSA and ACI.
- 4) Expiration Date: This facility shall expire on May 31, 2001, upon which date the total unpaid principal balance, all accrued but unpaid interest and any outstanding Reimbursement Obligations, as hereafter defined, shall be paid in full.
- 5) Interest Rate: The unpaid principal balance of all Advances hereunder shall bear interest as follows:
 - (a) Base Rate: Before maturity of this credit facility, and except for LIBOR Rate Advances, as hereafter defined, at an annual rate equal to 0.75% below the Base Rate adjusted at the time of changes in the Base Rate. "Base Rate" shall mean the rate of interest established by Norwest Bank Nebraska, N.A. from time to time as its "base" or "prime" or "Norwest Money Market Rate." Interest shall be paid monthly at the end of each month on any Advances made at the Base Rate. Advances made at the Base Rate shall be made in the minimum principal amount of \$10,000.
 - (b) LIBOR Rate: LIBOR Rate is the rate at which deposits in U.S. dollars in the amount and for a maturity corresponding to that of any Advances made at the LIBOR Rate ("LIBOR Rate Advances") are offered to the Bank in the offshore inter-bank market at approximately 10:00 a.m., (London, England time), two business days prior to the date on which such Advance is made, adjusted for maximum statutory reserve requirements, plus 175 basis points (1.75%) per annum.

LIBOR Rate Advances shall be for periods, at the Joint Borrowers' option, of one (1), two (2) or three (3) months (each, an "Interest Period"); provided, that the Interest Period shall not extend beyond

the Expiration Date. Interest shall be payable at the maturity of each Interest Period and shall be calculated on actual days elapsed on a 360 day year.

With respect to the renewal of any LIBOR Rate Advance, or any new borrowing hereunder, in the event that deposits in the amount and for the term of the selected Interest Period are unavailable to Bank, or that by reason or circumstances affecting the inter-bank markets generally, adequate and reasonable means do not exist for ascertaining the interest rate applicable to such LIBOR Rate Advance for the selected Interest Period, Joint Borrowers shall either repay such LIBOR Rate Advance or direct Bank to convert such LIBOR Rate Advance into an Advance of a type which is available on the last day of the then current Interest Period, said choice between repayment or conversion to be solely at Joint Borrowers' option.

If it shall become unlawful (or contrary to any direction from or requirement of any governmental authority having jurisdiction over Bank) for Bank to continue to fund or maintain any LIBOR Rate Advance or to perform its obligations hereunder, then upon demand by Bank to Joint Borrowers, such LIBOR Rate Advance or other obligation shall thereupon be canceled, and, if it is unlawful for Bank to continue to fund or maintain any LIBOR Rate Advance, Joint Borrowers shall prepay such LIBOR Rate Advance without premium or penalty, together with accrued interest thereon, on the last day of the then current Interest Period or on such earlier date as may be required by law.

The Joint Borrowers may obtain multiple LIBOR Rate Advances hereunder; provided, that each LIBOR Rate Advance shall be in the minimum principal amount of \$1,000,000 and shall be payable in full, with interest thereon, at the maturity of each LIBOR Rate Advance.

- (c) Default Rate: After maturity, whether by lapse of time, default, acceleration or otherwise, at a rate equal to the Base Rate plus three percent (3%) per annum (the "Default Rate").

6) Request for Advances:

Requests for Advances by the Joint Borrowers shall be made by telephonic, telecopier or telex notice to the Bank (which notice shall be promptly confirmed in writing) by Dwight G. Hanson, Chief Financial Officer, Edward Fuxa, Controller, or Frances Stein, General Manager, Account Operations, all of TSA, or such other person or persons subsequently designated by the Joint Borrowers in writing. Each request by Joint Borrowers for an Advance at the Base Rate must be received by the Bank no later than 12:00 p.m. Omaha, Nebraska time, on the day on which it is to be funded. Each request by Joint Borrowers for a LIBOR Rate Advance must be received by the Bank no later than 11:00 a.m. Omaha, Nebraska time, on the day which is three (3) business days prior to the day on which it is to be funded. The Joint Borrowers agree that the Bank may rely on any such telephonic, telecopier or telex notice given by any person it in good faith believes is authorized to give such notice without the necessity of independent investigation, and in the event any notice by such means conflicts with the written confirmation, such notice shall govern if the Bank has acted in reliance thereon.

7) Prepayment:

The principal balance of the LIBOR Rate Advances may not be prepaid, in whole or in part, before the end of any Interest Period. If, for any reason, a LIBOR Rate Advance is paid prior to the last business day of any Interest Period, the Joint Borrowers agree to indemnify the Bank against any loss (including any loss on redeployment of the funds repaid), cost or expense incurred by the Bank as a

result of such prepayment.

8) Standby Letters
of Credit:

Each SLC shall be issued pursuant to an Application for Letter of Credit in form and substance satisfactory to the Bank. The expiration date of each SLC shall be on or before the Expiration Date of this facility. Upon the issuance of each SLC, Joint Borrowers shall pay the Bank a commission fee in the amount of one and three-quarters percent (1.75%) on the amount of each SLC issued hereunder plus the Bank's issuance costs.

Joint Borrowers are obligated, and hereby unconditionally agree, to pay to the Bank, in immediately available funds, the face amount of each draft drawn and presented under an SLC issued by the Bank hereunder (the obligation of the Joint Borrowers hereunder with respect to drafts drawn on any SLC is a "Reimbursement Obligation"). If at any time the Joint Borrowers fail to pay any Reimbursement Obligation when due, the Joint Borrowers shall be deemed to have requested an Advance from the Bank hereunder at the Base Rate, as of the date such Reimbursement Obligation is due, the proceeds of which Advance shall be used to repay such Reimbursement Obligation. Such Advance shall only be made if no Event of Default shall exist and shall be subject to availability under the Credit Facility Amount. If such Advance is not made by the Bank for any reason, the unpaid amount of such Reimbursement Obligation shall be due and payable to the Bank upon demand and shall bear interest at the Default Rate of interest specified herein.

9) Commitment Fee:

In consideration for the Bank making this facility available to the Joint Borrowers, the Joint Borrowers agree to pay to the Bank a commitment fee of 25 basis points per annum of the Credit Facility Amount, payable at closing.

10) Non-Use Fee:

In consideration for the Bank making this facility available to the Joint Borrowers, the Joint Borrowers agree to pay to the Bank a non-use fee on the average unused portion of the Credit Facility Amount during each quarter of 25 basis points per annum, payable quarterly in arrears on each March 31, June 30, September 30, December 31 and on the Expiration Date.

11) Guarantors:

Applied Communications, Inc. U.K. Holding Company, Regency Systems, Inc. and IntraNet, Inc. (individually and collectively the "Guarantors") shall execute and deliver to the Bank, "Guaranties," in form and substance acceptable to the Bank. The Guaranties shall provide the Bank with an absolute, unconditional and unlimited guarantee of payment of the Obligations, as hereafter defined, by each of the Guarantors. Regency Systems, Inc. and IntraNet, Inc. (collectively the "Domestic Guarantors") shall further provide the Bank a security interest in all of their accounts, as more fully set forth in the following section.

12) Security:

As security for the payment of the Note executed in connection herewith (including any and all extensions, renewals, modifications and substitutions thereof, or exchanges therefore), any and all future advances of credit to the Joint Borrowers the performance of this Facility Letter, the payment of any and all amounts advanced by the Bank hereunder or otherwise on behalf of the Joint Borrowers, any legal fees and all other fees, charges, expenses, or costs incurred by the Bank in connection herewith, and for the satisfaction of any and all other liabilities or obligations of the Joint Borrowers to the Bank, howsoever created, direct or indirect, absolute or contingent, joint or several, now or hereafter existing, or due or to become due (herein collectively called the "Obligations"), the Joint Borrowers and the Domestic Guarantors have executed and delivered to the Bank, or will execute and deliver to the Bank, Security Agreements and Financing Statements granting the Bank a security interest and first lien on all accounts of the Joint Borrowers and the Domestic Guarantors.

Joint Borrowers previously executed and delivered Security Agreements to the Bank dated June 8, 1995. The Joint Borrowers hereby reaffirm the security interest granted to the Bank pursuant to said Security Agreements, and agree that the security interests granted thereby shall continue with respect to the obligations.

Joint Borrowers hereby agree to execute and deliver on demand and hereby irrevocably constitute and appoint the Bank the attorney-in-fact-of the Joint Borrowers coupled with an interest, to execute, deliver, and if appropriate, to file with the appropriate filing officer or office such security agreements, financing statements or other instruments as the Bank may request or require in order to impose or perfect the lien or security interests hereof more specifically thereon.

The executed Security Agreements and Financing Statements are collectively and individually referred to as the "Security Documents."

- 13) Indemnity: The Joint Borrowers hereby agree to indemnify the Bank against any loss (including any loss on redeployment of the funds prepaid), cost or expense incurred by the Bank as a result of default or acceleration of the Note, including all court costs, reasonable attorneys' fees and other costs of collection.
- 14) Representations:
- (a) The Joint Borrowers are duly organized and existing under the laws of their respective states of incorporation, have full and adequate corporate powers to carry on their respective businesses as now conducted, are duly licensed or qualified in all jurisdictions wherein the nature of their respective activities require such licensing or qualifying, and where a failure to so qualify would have a material adverse effect on the Borrower, have full right, power and authority to enter into and perform this Facility Letter, the Note, Security Documents, and entering into and performing this Facility Letter, the Note, and Security Documents has been authorized by all necessary corporate action and does not contravene any provision of any charter or bylaw provision or any covenant, indenture or agreement of or affecting the Joint Borrowers, or any of their properties.
 - (b) The Joint Borrowers have heretofore delivered to the Bank a copy of TSA's:
 - (i) Annual Report on Form 10-K for the fiscal year ended as of September 30, 1999;
 - (ii) Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1999;
 - (iii) Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000 (the "TSA Reports").The financial statements contained in the TSA Reports were prepared on a consolidated basis in accordance with generally accepted accounting principles on a basis consistent with that of the previous fiscal year or period, except where otherwise noted in the financial statements, and fairly reflects the financial position of the Joint Borrowers as of the date thereof, and the results of their respective operations for the period covered thereby. The Joint Borrowers do not have any significant known contingent liabilities other than as indicated on said financial statements and since said date of March 31, 2000, there has been no material adverse change in the condition, financial or otherwise, of the Joint Borrowers.
 - (c) There is no material litigation or administrative or governmental proceedings pending, nor to the knowledge of the Joint Borrowers threatened against the Joint Borrowers, which, if adversely determined, would result in any material adverse change in the properties, business or operations of the Joint

Borrowers. All federal, state and local income tax returns for the Joint Borrowers required to be filed have been filed on a timely basis, and all amounts required to be paid as shown by said returns have been paid. There are no material pending, or to the best of the Joint Borrowers' knowledge, threatened objections to or controversies in respect of the federal, state and local income tax returns of the Joint Borrowers for any fiscal year. No authorization, consent, license, exemption or filing or registration with any court or governmental department, agency or instrumentality is or will be necessary to the valid execution, delivery or performance by the Joint Borrowers of this Facility Letter, the Note and Security Documents.

- (d) Joint Borrowers are in full compliance with all of the terms and conditions of this Facility Letter, and no Event of Default, as hereafter defined, is existing under this Facility Letter.
- (e) The Joint Borrowers are in compliance in all material respects with ERISA, as hereafter defined, to the extent applicable to it, except for any noncompliance which could not reasonably be expected to result in any material adverse change in the properties, business, or operations of the Joint Borrowers, and have received no notice to the contrary from the PBGC, as hereafter defined, or any other governmental entity or agency.
- (f) No information, exhibit or report prepared by the Joint Borrowers and furnished to the Bank in connection with the negotiation of the Facility Letter contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not misleading in light of the circumstances in which made.
- (g) This Facility Letter, the Note and Security Documents, when executed and delivered by the Joint Borrowers hereunder, will constitute the legal, valid and binding obligation of the Joint Borrowers enforceable against the Joint Borrowers in accordance with their respective terms.
- (h) To the best of the Joint Borrowers' knowledge, following reasonable inquiry, the Joint Borrowers do not have any material liability, contingent or otherwise, arising under any applicable federal or state environmental health and safety statutes and regulations.
- (i) The provisions of the Security Agreements, as provided herein, are effective to create in favor of the Bank, legal, valid and enforceable liens on all of the "accounts," as defined in the Security Agreements, of the Joint Debtors and the Domestic Guarantors. Financing Statements filed with the Secretary of State of Nebraska naming each of the Joint Borrowers as the "Debtor" shall constitute fully perfected first security interests and liens on all right, title and interest of the Joint Borrowers and the Domestic Guarantors in the accounts of the Joint Debtors and Domestic Guarantors described therein, prior and superior to all other liens.
- (j) The principal place of business and chief executive offices of TSA and ACI are located in Omaha, Nebraska. The principal place of business and chief executive office of Regency Systems, Inc. are located in Dallas, Texas. The principal place of business and chief executive office of IntraNet, Inc. are located in Newton, Massachusetts.

- (k) Except for a portion of their receivables which are factored from time to time in the ordinary course of business, none of the assets of the Joint Borrowers are subject to any mortgage, pledge, title retention lien, or other lien, encumbrance or security interest, except for: (a) current taxes not delinquent or taxes being contested as provided by law in good faith and by appropriate legal proceedings; (b) liens arising in the ordinary course of business for sums not due or sums being contested in good faith and by appropriate legal proceedings, but not involving any deposits or advances of borrowed money or the deferred purchase price of property or services; and (c) to the extent specifically shown in the financial statement referred to above. The Bank acknowledges (i) that the Joint Borrowers and Domestic Guarantors have previously factored a portion of their receivables, (ii) that the Joint Borrowers and Domestic Guarantors will factor a portion of their receivables in the future, and (iii) that the foregoing actions will not constitute a breach of any representation, covenant or other provision of this Facility Letter; provided that the Joint Borrowers shall be in compliance with the covenant requiring a minimum balance of eligible receivables both before and after any such factoring of \$35,000,000, as set forth in Section 15(j).
- (l) The Joint Borrowers are not parties to any agreement or instrument, or subject to any charter or other corporate restriction, nor are they subject to any judgment, decree or order of any court or governmental body, which Joint Borrowers know or reasonably should know may have a material and adverse effect on the business, assets, liabilities, financial condition, operations or obligations under this Facility Letter or the Note or Security Documents. Joint Borrowers have no, nor with reasonable diligence should have had, knowledge of or notice that they are in default on the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement, instrument, charter or other corporate restriction, judgment, decree or order of any court or governmental body that might have a material adverse impact on the Joint Borrowers.
- (m) Except in the ordinary course of business, the Joint Borrowers have not sold, conveyed, transferred, disposed of, or otherwise further encumbered, any material amount of the Joint Borrowers' assets within the last ninety (90) days. The Bank acknowledges that the Joint Borrowers factor a portion of their receivables in the ordinary course of business.
- (n) The amounts to be received by Bank as interest payments under the Note shall constitute lawful interest and shall be neither usurious nor illegal under the laws of the State of Nebraska.
- (o) The best of their knowledge, Joint Borrowers: (a) are not in violation of any federal, state or county governmental rule, regulation or ordinance; or (b) have not failed to obtain any license, permit, franchise or other governmental authorization necessary to the ownership of Joint Borrowers' respective properties or the conduct of their businesses; which violation or failure (in the event that such violation or failure were asserted by any person or entity by appropriate action) would result in a material impediment to the conduct of the Joint Borrowers' regular business.
- (p) None of the Joint Borrowers are an

"investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

15) Covenants:

- (a) The Joint Borrowers shall preserve and maintain their respective corporate existence and shall keep in force and effect all licenses, permits and franchises necessary and material to the proper conduct of their respective businesses. The Joint Borrowers shall maintain, preserve and keep their respective property, plant and equipment, including, without limitation, all tangible and intangible assets, in good repair, working order and condition.
- (b) The Joint Borrowers shall duly pay and discharge all material taxes, assessments, fees and governmental charges upon them or any of their properties before the same become delinquent, except to the extent that they are being contested in good faith by appropriate proceedings and adequate reserves are provided therefor.
- (c) The Joint Borrowers shall maintain a standard accounting system in accordance with generally accepted accounting principles ("GAAP") and shall furnish to the Bank the following:
 - (i) as soon as available and in any event within 45 days after the end of each fiscal quarter, the consolidated and consolidating balance sheet of the Joint Borrowers and their subsidiaries, consolidated and consolidating statements of income, retained earnings and cash flows of the Joint Borrowers and their subsidiaries for such fiscal quarter, prepared in accordance with GAAP and certified as accurate by the chief financial officer of the Joint Borrowers, together with related 10-Q filings made with the Securities and Exchange Commission;
 - (ii) as soon as available and in any event within 90 days after the end of each fiscal year, the consolidated and consolidating balance sheet of the Joint Borrowers and their subsidiaries, consolidated and consolidating statements of income, retained earnings and cash flows of the Joint Borrowers and their subsidiaries for such fiscal year, accompanied by an unqualified opinion prepared by independent public accountants of recognized national standing, in accordance with GAAP, together with related 10-K filings made with the Securities and Exchange Commission;;
 - (iii) Each of the financial statements furnished to the Bank pursuant to paragraphs 15 (c) (i) and (ii) above shall be accompanied by a written compliance certificate of the Joint Borrowers signed by TSA's chief financial officer: (1) to the effect that the signer thereof has reviewed the terms and provisions of this Facility Letter and that no Event of Default has occurred during the period covered by such statements or if any such Event of Default has occurred during such period, setting forth a description of such Event of Default and specifying the action, if any, taken by the Joint Borrowers to remedy the same; and (2) setting forth the information and computations (in sufficient detail) required to establish

whether the Joint Borrowers were in compliance with the financial requirements and covenants set forth herein during the period covered by the financial statements then being furnished;

- (iv) Promptly upon obtaining knowledge of the existence thereof, the Joint Borrowers shall give written notice of the occurrence of any Event of Default hereunder together with a detailed statement by a responsible officer of the Joint Borrowers of the steps being taken by the Joint Borrowers to cure any such Event of Default;
 - (v) Immediately upon the occurrence of a default, breach or event of default under any note or any other evidence of indebtedness of the Joint Borrowers in excess of \$1,000,000, or upon becoming aware that the holder of any such note or other evidence of indebtedness has given or threatened to give notice or taken any other action with respect to a claim of default, breach or event of default under such evidence of indebtedness, the Joint Borrowers shall give the Bank notice describing the action taken, the nature of the actual or claimed default and the period of existence thereof, together with a detailed statement by an officer of the Joint Borrowers of the steps being taken by the Joint Borrowers to cure the actual or claimed default; and
 - (vi) Immediately after the commencement thereof, notice in writing of all litigation and of all proceedings before any governmental or regulatory agency affecting the Joint Borrowers, or which seek a monetary recovery for uninsured claims against the Joint Borrowers in excess of \$1,000,000, or \$2,000,000 for claims subject to Employment Practice Liability insurance.
- (d) The Joint Borrowers shall not, either directly or indirectly, be a party to any merger or consolidation, nor sell, transfer, lease, encumber or otherwise dispose of all or any substantial part of their respective property or business or all or any substantial part of their respective assets other than in the ordinary course of business. The term "substantial," as used herein shall mean 25% of the Joint Borrowers' Tangible Net Worth at the close of the most recent fiscal year.
- (e) The Joint Borrowers shall comply in all material respects with the requirements of all federal, state and local laws, rules, regulations, ordinances and orders applicable to the Joint Borrowers or their respective properties or business operations, the non-compliance with which could have a material adverse effect on the financial condition, properties or business of the Joint Borrowers.
- (f) Without the prior written consent of the Bank, and until all Advances hereunder are paid in full, all SLCs issued by the Bank have expired, and all Reimbursement Obligations are paid in full, and the Bank has no remaining obligation to issue SLCs or to make further Advances to the Joint Borrowers, Joint Borrowers shall not incur indebtedness for borrowed money except unsecured loans not to exceed \$7,000,000 in the aggregate outstanding at any time. This covenant shall not apply to purchase money indebtedness or capital lease obligations incurred by the

Joint Debtors in the ordinary course of business.

- (g) Until all Advances hereunder are paid in full, all SLCs issued by the Bank have expired, and all Reimbursement Obligations are paid in full and the Bank has no remaining obligation to issue SLCs or to make further Advances to the Joint Borrowers, the Joint Borrowers agree not to create, assume, incur or suffer or permit to exist any mortgage, pledge, encumbrance, security interest, assignment, lien or charge of any kind or character upon any asset of the Joint Borrowers whether owned at the date hereof or hereafter acquired except:
- (A) liens for taxes, assessments or other governmental charges not yet due or which are being contested in good faith by appropriate proceedings;
 - (B) other liens, charges and encumbrances incidental to the conduct of its business or the ownership of its property which were not incurred in connection with the borrowing of money or the obtaining of an advance of credit, and which do not in the aggregate materially detract from the net value of their property or assets or materially impair the use thereof in the operation of their respective businesses;
 - (C) liens arising out of judgments or awards with respect to which the Joint Borrowers shall concurrently therewith be prosecuting an appeal or proceedings for review and with respect to which they shall have secured a stay of execution pending such appeal or review;
 - (D) pledges or deposits to secure obligations under workmen's compensation laws or similar legislation;
 - (E) deposits to secure public or statutory obligations of the Joint Borrowers; and
 - (F) liens granted in the ordinary course of business for purchase money security interests and capital leases.
- (h) The Joint Borrowers shall maintain a consolidated Minimum Tangible Net Worth according to the following schedule:
- \$132,000,000.00 as of June 30, 2000;
 - \$137,000,000.00 as of September 30, 2000;
 - \$142,000,000.00 as of December 31, 2000;
 - \$147,000,000.00 as of March 31, 2001.
- For purposes of this covenant, "Tangible Net Worth" shall mean the stockholders' equity, minus the amount of all intangibles, and excluding "accumulated other comprehensive income," all as determined in accordance with GAAP.
- (i) The Joint Borrowers shall maintain a consolidated Minimum Working Capital of Fifty Million and 00/100 United States Dollars (USD) (\$50,000,000.00) at all times. For purposes hereof, "Working Capital" shall mean the difference between total current assets and total current liabilities, as shown on a balance sheet prepared in accordance with GAAP.
- (j) The Joint Borrowers shall maintain a balance of eligible accounts receivable (accounts receivable that remain unpaid 120 days or less after the date of

invoice) at all times of not less than Thirty Five Million and No/100 United States Dollars (USD) (\$35,000,000.00) in the aggregate.

- (k) The Joint Borrowers will maintain insurance coverage by good and responsible insurance underwriters in such forms and amounts and against such risks and hazards as are customary for companies engaged in similar businesses and owning and operating similar properties.
- (l) The Joint Borrowers will promptly pay and discharge all obligations and liabilities arising under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), of a character which if unpaid or unperformed might result in the imposition of a lien against its properties and assets and will promptly notify the Bank of (i) the occurrence of any reportable event (as defined in ERISA) which might result in the termination by the Pension Benefit Guaranty Corporation ("PBGC") of any employee benefit plan covering any officers or employees of the Joint Borrowers, any benefits of which are or are required to be guaranteed by PBGC ("Plan"), (ii) receipt of any notice from PBGC of its intention to seek termination of such Plan or appointment of a trustee therefor, and (iii) its intention to terminate or withdraw from any Plan. The Joint Borrowers will not terminate any such Plan or withdraw therefrom unless it shall be in compliance with all of the terms and conditions of this Facility Letter after giving effect to any liability to PBGC resulting from such termination or withdrawal.
- (m) The Joint Borrowers shall comply in all material respects with the requirements of all federal, state and local pollution laws, regulations, and orders applicable to or pertaining to its properties and business operations of the Joint Borrowers.
- (n) For purposes of this covenant, the management of Joint Borrowers includes and is limited to William E. Fisher, Chief Executive Officer and Chairman of the Board, David C. Russell, President, and Dwight G. Hanson, Chief Financial Officer, all of TSA, and Mark R. Vipond, Chief Operating Officer of ACI. Joint Borrowers shall not change the management of Joint Borrowers without the Bank's prior written consent, except for terminations for good cause related solely to the performance of their respective management responsibilities.
- (o) Joint Borrowers will permit the Bank or any officer, employee or agent of the Bank at any time during the Joint Borrowers' regular business hours to inspect their properties and to inspect and copy their books and records, including, without limitation, accounts receivable records. The Bank shall also be entitled, at its expense, to have an independent audit of Joint Borrowers' books and records.
- (p) Joint Borrowers shall not change the location of their chief executive offices and principal place of business from Omaha, Nebraska, unless Joint Borrowers shall give the Bank at least sixty (60) days prior written notice thereof and all actions necessary or advisable in the Bank's opinion to protect the Bank's liens covered by the Security Documents have been taken.
- (q) ITI - Initial Public Offering: On behalf of its subsidiary, Insession Technologies, Inc. ("ITI"), TSA has caused a Registration Statement on Form S-1 to be filed with the SEC for the

purpose of completing an initial public offering of the stock of ITI and, thereafter, subject to receipt of appropriate IRS letter ruling or other tax approvals or opinions, TSA intends to distribute all of the remaining shares of ITI held by TSA to TSA's shareholders (the "IPO A Distribution"). In connection with the IPO A Distribution, TSA plans to transfer, or cause one or more of its subsidiaries to transfer, to ITI certain assets, liabilities and equity interests, all as described in the S-1 Registration Statement. The Joint Borrowers covenant and agree that they shall not transfer, or cause or permit to be transferred, to ITI any assets, liabilities or equity interests unless and until (i) Joint Borrowers notify the Bank thereof in writing, and (ii) ITI agrees in writing, in form and substance acceptable to the Bank, to become obligated to pay \$9,000,000 of the indebtedness due or to become due on the Note, plus related interest, fees and expenses, and to provide the Bank with a security interest in its accounts, all upon terms and conditions consistent in all material respects with this Facility Letter; and provided that the Joint Borrowers shall remain liable for the entire Credit Facility Amount.

16) Default:

The Joint Borrowers, without notice or demand of any kind, shall be in default under this Facility Letter upon the occurrence of any of the following events (each an "Event of Default").

- (a) Any amount due and owing on the Note or on any Reimbursement Obligation or any other obligation owed by the Joint Borrowers hereunder, whether by its terms or as otherwise provided herein, or any obligation owed by the Joint Borrowers under the Security Documents, is not paid when due.
- (b) Any written warranty, representation, certificate or statement herein or any other written agreement with the Bank shall be false when made.
- (c) Any failure to perform or default in the performance of any covenant, condition or agreement contained herein, in the Security Documents or in any other written agreement with the Bank.
- (d) The Joint Borrowers makes an assignment for the benefit of creditors, fails to pay, or admits in writing its inability to pay its debts as they mature; or if a trustee of any substantial part of the assets of the Joint Borrowers is applied for or appointed, and in the case of such trustee being appointed in a proceeding brought against the Joint Borrowers, the Joint Borrowers, by any action or failure to act indicates their approval of, consent to, or acquiescence in such appointment and such appointment is not vacated, stayed on appeal or otherwise shall not have ceased to continue in effect within 60 days after the date of such appointment.
- (e) Any proceeding involving the Joint Borrowers is commenced under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute of the federal government or any state government, and in the case of any such proceeding being instituted against the Joint Borrowers, (i) the Joint Borrowers, by any action or failure to act indicate their approval of, consent to or acquiescence therein, or (ii) an order shall be entered approving the petition in such proceedings and such order is not vacated, stayed on appeal or otherwise shall not have ceased to continue in effect within 60 days after the entry thereof.

- (f) The entry of any judgment, decree, levy, attachment, garnishment or other process, in excess of \$1,000,000, or the filing of any lien against the Joint Borrowers which is not covered by insurance and such judgment, decree, levy, attachment, garnishment, lien or other process shall not have been vacated, discharged or stayed pending appeal within thirty (30) days from the entry thereof.
- (g) If a default exists and the Joint Borrowers are notified of a default (or, if no such declaration or notification exists, a default occurs which is of the type which allows such party to declare the outstanding amounts immediately due and payable without prior declaration of notice to Joint Borrowers) in the payment or performance by Joint Borrowers of any agreement in excess of \$1,000,000, or agreements in excess of \$5,000,000 in the aggregate, between the Joint Borrowers and any party other than the Bank evidencing the borrowing of money or a guaranty, the effect of which default is to cause or permit the holder of such obligation(s) to cause such obligation(s) to become due prior to its stated maturity.
- (h) The acquisition by any person or entity, or two or more persons or entities acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 20% or more of the outstanding shares of voting stock of the Joint Borrowers.
- (i) Any default by the Guarantors under the terms of the Guaranties, or under the terms of the Security Agreements given by the Domestic Guarantors.
- (j) There shall occur or exist any facts which lead the Bank to believe in good faith that Joint Borrowers will not, or will be unable to, pay, in the normal course, any of the Obligations.

17) Remedies

- (a) Non-bankruptcy Defaults. When any Event of Default described in subsection (a) through (c), (f), (g), or (h) of Section 16 has occurred and is continuing, the Bank may, by notice to the Joint Borrowers, take one or more of the following actions:
 - (i) terminate the obligation of the Bank, to extend any further credit hereunder on the date (which may be the date thereof) stated in such notice;
 - (ii) declare the principal of and the accrued interest on the Note to be forthwith due and payable and thereupon the Note, including both principal and interest and all fees, charges and other obligations payable hereunder and under any other document executed between the Joint Borrowers and the Bank, shall be and become immediately due and payable without further demand, presentment, protest or notice of any kind; and
 - (iii) enforce any and all rights and remedies available to it under any other document executed between the Joint Borrowers and the Bank or under applicable law.
- (b) Bankruptcy Defaults. When any Event of Default described in subsection (d) or (e) of Section 16 has occurred and is continuing, then the Note, including both principal and interest, and all fees, charges and other obligations payable hereunder and thereunder, shall immediately become due and payable without presentment, demand, protest or

notice of any kind, and the obligation of the Bank to extend further credit pursuant to any of the terms hereof shall immediately terminate. In addition, the Bank may exercise any and all remedies available to it under any other document executed between the Joint Borrowers and the Bank or applicable law.

- 18) Miscellaneous:
- (a) At the date of this Facility Letter and any Advance or issuance of an SLC, the Joint Borrowers' representations and warranties set forth herein shall be true and correct as at such date with the same effect as though those representations and warranties had been made on and as at such date.
 - (b) At the time of this Facility Letter and any Advance or issuance of an SLC the Joint Borrowers shall be in compliance with all the terms and provisions set forth herein on their part to be observed or performed, and no Event of Default shall have occurred and be continuing at the time of an Advance or issuance of an SLC or would result from the making of an Advance or issuance of an SLC or any subsequent Advances or issuance of SLCs.
 - (c) The request by the Joint Borrowers for any Advance or the issuance of any SLCs, shall be deemed a representation and warranty by the Joint Borrowers that the representations contained herein are true and correct on and as of the date of each such request for an Advance or the issuance of an SLC and that the Joint Borrowers are in compliance with all covenants set forth herein.
 - (d) The Bank may, by written notice to the Joint Borrowers, at any time and from time to time, waive any default in the performance or observance of any condition, covenant or other term hereof, which shall be for such period and subject to such conditions as shall be specified in any such notice. In the case of any such waiver, the Bank and the Joint Borrowers shall be restored to their former position and rights hereunder and under the Note, and any Event of Default so waived shall be deemed to be cured and not continuing; but no such waiver shall affect, extend or impair any rights of the Bank with respect to any default, except as specifically set forth in the Bank's written notice, nor shall it affect Bank's rights with respect to any subsequent or other Event of Default.
 - (e) No failure to exercise, and no delay in exercising, on the part of the Bank of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies of the Bank herein provided are cumulative and not exclusive of any rights or remedies provided by law.
 - (f) All agreements, representations and warranties made herein shall survive the delivery of this Facility Letter, the Note and the Security Documents and the making of any loans or advances.
 - (g) From time to time, the Joint Borrowers will execute and deliver to the Bank such additional documents, and will provide such additional information as the Bank may reasonably require to carry out the terms of this Facility Letter and be informed of the Joint Borrowers' status and affairs.
 - (h) This Facility Letter, the Note and Security Documents and any document or instrument or other agreement executed in connection herewith and except as otherwise specifically provided therein shall be governed by, and construed and interpreted in accordance with, the

internal laws of the State of Nebraska, and shall be deemed to have been executed in the State of Nebraska.

- (i) This Facility Letter constitutes the entire understanding between the parties hereto with respect to the subject matter hereof, superseding all prior written or oral understandings, and may not be modified, amended or terminated except by a written agreement signed by each of the parties hereto or thereto. Notwithstanding the foregoing, the provisions of this Facility Letter are not intended to supersede the provisions of the Note or Security Documents, but shall be construed as supplemental thereto.
- (j) If any term or provision of this Facility Letter, or the Note or Security Documents, or any document or instrument executed in connection therewith, including amendments and modifications or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the terms and provisions or the application of such term or provision to person or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby, and each form and provision shall be valid or enforced to the fullest extent possible by law.
- (k) The Bank shall have sole discretion regarding the application of any payments or proceeds received from the Joint Borrowers and the Guarantors, voluntary or involuntary, including, without limitation, any proceeds from the sale or other disposition of any of the collateral or security described herein.

19) Credit Agreement
Notice

A credit agreement must be in writing to be enforceable under Nebraska law. To protect you and us from any misunderstandings or disappointments, any contract, promise, undertaking, or offer to forebear repayment of money or to make any other financial accommodation in connection with this loan of money or grant or extension of credit, or any amendment of, cancellation of, waiver of, or substitution for any or all of the terms or provisions of any instrument or document executed in connection with this loan of money or grant or extension of credit must be in writing to be effective.

The Joint Borrowers understand and agree that this facility is not assignable by the Joint Borrowers. Bank reserves the right to sell assignments and participations in this facility.

We trust that the foregoing adequately sets forth the terms and conditions with respect to this facility. If you are in agreement with the above, please execute and return the enclosed Note, Security Documents, Guaranties and a copy of this Facility Letter. This facility shall be effective when you have signed and returned all of such items to us. The offer to establish a facility which is evidenced by the Bank's delivery of a copy of this letter to the Joint Borrowers will expire at 5:00 p.m., Central Daylight Time, on June 16, 2000, unless on or prior to such time the Bank shall have received a copy of this letter signed by the Joint Borrowers. Prior to borrowing under this facility the Joint Borrowers and Guarantors will supply the Bank with satisfactory corporate resolutions and incumbency certificates.

Sincerely,

Bill Weber
Vice President
Corporate Banking

Acknowledged and Agreed
as of June 16, 2000

TRANSACTION SYSTEMS ARCHITECTS, INC.

By:/s/ Dwight G. Hanson

Title: Chief Financial Officer

By: _____

Title: _____

ACI WORLDWIDE INC.

By: /s/ Dwight G. Hanson

Title: Chief Financial Officer

By: _____

Title: _____

PROMISSORY NOTE

USD \$25,000,000.00

Dated: June 16, 2000

TRANSACTION SYSTEMS ARCHITECTS, INC. and ACI WORLDWIDE INC. (the "Joint Borrowers"), jointly and severally, for value received, promise to pay to the order of Norwest Bank Nebraska, N.A. (the "Bank"), in lawful money of the United States at the principal office of the Bank in Omaha, Nebraska, or as the Bank may otherwise direct, the lesser of the principal sum of Twenty-Five Million and 00/100 United States Dollars or the principal amount outstanding, if any, under the letter agreement dated June 16, 2000, between the Joint Borrowers and the Bank (the "Facility Letter"), with interest (computed on actual days elapsed on the basis of a 360 day year) on the principal amount outstanding hereunder as hereinafter set forth, together with all costs of collection, including reasonable attorneys' fees, upon default.

The unpaid principal balance of all loans ("Advances") hereunder shall bear interest as follows:

(a) Base Rate: Before maturity of this Note, and except for LIBOR Rate Advances, as hereafter defined, at an annual rate equal to 0.75% below the Base Rate adjusted at the time of changes in the Base Rate. "Base Rate" shall mean the rate of interest established by Norwest Bank Nebraska, N.A. from time to time as its "base" or "prime" or "Norwest Money Market Rate." Interest shall be paid monthly at the end of each month on any Advances made at the Base Rate. Advances made at the Base Rate shall be made in the minimum principal amount of \$10,000.

(b) LIBOR Rate: LIBOR Rate is the rate at which deposits in U.S. dollars in the amount and for a maturity corresponding to that of any Advances made at the LIBOR Rate ("LIBOR Rate Advances") are offered to the Bank in the offshore inter-bank market at approximately 10:00 a.m., (London, England time), two business days prior to the date on which such LIBOR Rate Advance is made, adjusted for maximum statutory reserve requirements, plus 175 basis points (1.75%) per annum.

LIBOR Rate Advances shall be for periods, at the Joint Borrowers' option, of one (1), two (2) or three (3) months (each, an "Interest Period"); provided, that the Interest Period shall not extend beyond the Expiration Date. Interest shall be payable at the maturity of each Interest Period and shall be calculated on actual days elapsed on a 360 day year.

With respect to the renewal of any LIBOR Rate Advance, or any new borrowing hereunder, in the event that deposits in the amount and for the term of the selected Interest Period are unavailable to Bank, or that by reason or circumstances affecting the inter-bank markets generally, adequate and reasonable means do not exist for ascertaining the interest rate applicable to such LIBOR Rate Advance for the selected Interest Period, Joint Borrowers shall either repay such LIBOR Rate Advance or direct Bank to convert such LIBOR Rate Advance into an Advance of a type which is available on the last day of the then current Interest Period, said choice between repayment or conversion to be solely at Joint Borrowers' option.

If it shall become unlawful (or contrary to any direction from or requirement of any governmental authority having jurisdiction over Bank) for Bank to continue to fund or maintain any LIBOR Rate Advance or to perform its obligations hereunder, then upon demand by Bank to Joint Borrowers, such LIBOR Rate Advance or other obligation shall thereupon be canceled and, if it is unlawful for Bank to continue to fund or maintain any LIBOR Rate Advance, Joint Borrowers shall prepay such LIBOR Rate Advance without premium or penalty, together with accrued interest thereon, on the last day of the then current Interest Period or on such earlier date as may be required by law.

The Joint Borrowers may obtain multiple LIBOR Rate Advances hereunder; provided, that each LIBOR Rate Advance shall be in the minimum principal amount of \$1,000,000 and shall be payable in full, with interest thereon, at the maturity of each LIBOR Rate Advance.

(c) Default Rate: After maturity, whether by lapse of time, default, acceleration or otherwise, at a rate equal to the Base Rate plus three percent (3%) per annum (the "Default Rate").

Requests for Advances by the Joint Borrowers shall be made by telephonic, telecopier or telex notice to the Bank (which notice shall be promptly confirmed in writing) by Dwight G. Hanson, Chief Financial Officer, Edward Fuxa, Controller, or Frances Stein, General Manager, Account Operations, all of TSA, or such other person or persons subsequently designated by the Joint Borrowers in writing. Each request by Joint Borrowers for an Advance at the Base Rate must be received by the Bank no later than 12:00 p.m. Omaha, Nebraska time, on the day on which it is to be funded. Each request by Joint Borrowers for a LIBOR Rate Advance must be received by the Bank no later than 11:00 a.m. Omaha, Nebraska time, on the day which is three (3) business days prior to the day on which it is to be funded. The Joint Borrowers agree that the Bank may rely on any such telephonic, telecopier or telex notice given by any person it in good faith believes is authorized to give such notice without the necessity of independent investigation, and in the event any notice by such means conflicts with the written confirmation, such notice shall govern if the Bank has acted in reliance thereon.

The principal balance of the LIBOR Rate Advances may not be prepaid, in whole or in part, before the end of any Interest Period. If, for any reason, a LIBOR Rate Advance is paid prior to the last business day of any Interest Period, the Joint Borrowers agree to indemnify the Bank against any loss (including any loss on redeployment of the funds repaid), cost or expense incurred by the Bank as a result of such prepayment.

The total unpaid principal balance and all accrued but unpaid interest on this Note shall be due and payable at maturity on May 31, 2001 (the "Expiration Date").

The Bank, on the occurrence of any Event of Default under the Facility Letter may, without notice, appropriate and apply toward the payment of the outstanding balance of the Note, if not paid when due, or toward the payment of outstanding sums due to the Bank under the Facility Letter, any indebtedness of the Bank to the Joint Borrowers howsoever created or arising, including, without limitation, any and all balances, credits, deposits, accounts or monies of the Joint Borrowers.

All amounts outstanding under this Note shall become immediately due and payable at the option of the Bank, without any demand or notice whatsoever, in the event that (i) the Joint Borrowers shall fail to make any payment when due of principal or interest on this Note or on any other obligation of the Joint Borrowers to the Bank or (ii) any other Event of Default shall occur under the Facility Letter. In addition, this and all other obligations of the Joint Borrowers to the Bank shall be and become due and payable immediately without any demand or notice whatsoever: (a) in the event of any assignment for the benefit of creditors of the Joint Borrowers, or the commencement of any bankruptcy, receivership, insolvency reorganization, or liquidation proceedings by or against the Joint Borrowers; or (b) the event of any garnishment, attachment, levy or lien being asserted against any deposit balance maintained (or any property deposited) by the Joint Borrowers with the Bank.

All Advances made by the Bank and all payments made by the Joint Borrowers hereunder shall be recorded on the books and records of the Bank. The Joint Borrowers agree that in any action or proceeding instituted to collect or enforce collection of this Note, the amount endorsed on the Schedule attached to this Note at that time or inscribed in such other records of the Bank shall be prima-facie evidence of the unpaid principal balance of this Note.

If any payment to be made by the Joint Borrowers hereunder shall become due on a Saturday, Sunday or business holiday under Federal law or the laws of the State of Nebraska, such payment shall be made on the next succeeding business day and such extension of time shall be included in computing any interest in respect of such payment.

If any change in any law, rule, regulation or directive (including, without limitation, Regulation D of the Board of Governors of the Federal Reserve System) imposes any condition the result of which is to increase the cost to the Bank of making, funding or maintaining any LIBOR Rate Advance or reduces any amount receivable by the Bank hereunder in connection with a LIBOR Rate Advance, the Joint Borrowers shall pay the Bank the amount of such increased expense incurred or the reduction in any amount received which the Bank determines is attributable to making, funding and maintaining the LIBOR Rate Advances.

The Bank may elect to sell participations in or assign its rights

under Advances. The Joint Borrowers agree that if they fail to pay any Advance when due, any purchaser of an interest in such Advance shall be entitled to seek enforcement of this Note if the purchaser is permitted to do so pursuant to the terms of the participation agreement between the Bank and such purchaser.

The Joint Borrowers hereby authorize the Bank and any other holder of an interest in this Note (a "holder") to disclose confidential information relating to the financial condition or operations of the Joint Borrowers (i) to any affiliate of the Bank or any holder, (ii) to any purchaser or prospective purchaser of an interest in any Advance, (iii) to legal counsel, accountants, and other professional advisors to the Bank or any holder, (iv) to regulatory officials, (v) as requested or required by law, regulation, or legal process or (vi) in connection with any legal proceeding to which the Bank or any other holder is a party.

- (A) in the case of disclosures pursuant to (i), (ii) and (iii) above, the Bank shall have first received from each such disclosee, a written agreement to maintain such confidential information in strict confidence and;
- (B) in the case of disclosures pursuant to (iv), (v) an (vi) above, the Bank shall have given TSA reasonable notice so as to afford TSA an opportunity to secure protection of the confidential information.

The Joint Borrowers hereby indemnify the Bank against any loss (including any loss on redeployment of funds prepaid), cost or expense incurred by the Bank as a result of a default hereunder or under the Facility Letter or acceleration of this Note and all Advances evidenced hereby, including, without limitation, all court costs, reasonable attorneys' fees and other costs of collection.

This Note is executed in conjunction with the Facility Letter and is subject to all of the terms and conditions contained therein. THIS NOTE SHALL BE GOVERNED BY THE INTERNAL LAW (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF NEBRASKA, GIVING EFFECT, HOWEVER, TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS. THE JOINT BORROWERS AND THE BANK EACH HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF RELATED TO, OR CONNECTED WITH THIS NOTE OR THE RELATIONSHIP ESTABLISHED HEREUNDER.

TRANSACTION SYSTEMS ARCHITECTS, INC.

By:/s/ Dwight G. Hanson

Its:

By:

Its:

ACI WORLDWIDE INC.

By:/s/ Dwight G. Hanson

Its:

By:

Its:

SCHEDULE

to be attached and become a part of the Promissory Note dated June 16, 2000 executed by Transaction Systems Architects Inc. and ACI Worldwide Inc. as "Joint Borrowers" and payable to Norwest Bank Nebraska, N.A.

Date of Transaction	Amount of Loan	Maturity	Amount of Interest Rate	Principal Payment	Unpaid Principal Balance of Note	Initials of Person Making Notation
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TRANSACTION SYSTEMS ARCHITECTS, INC.
2000 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN

1. Purpose of the Plan. The purpose of the Transaction Systems Architects, Inc. 2000 Non-Employee Director Stock Option Plan is to promote the long-term growth of the Company by increasing the proprietary interest of Non-Employee Directors in the Company and to retain highly qualified and capable Non-Employee Directors.

2. Definitions. Unless the context clearly indicates otherwise, the following terms shall have the following meanings:

"Board" means the Board of Directors of the Company.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Company" means Transaction Systems Architects, Inc.

"Disability" shall mean permanent and total disability as defined in Section 22(e)(3) of the Code.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Fair Market Value" shall mean the closing bid price on the date in question, as such price is reported by the National Association of Securities Dealers on the Nasdaq National Market or any successor system for a share of Class A Common Stock of the Company.

"Option" means an option to purchase Shares awarded under Section 4.

"Option Grant Date" means May 5, 2000.

"Optionee" means a Non-Employee Director of the Company to whom an Option has been granted.

"Non-Employee Director" means a director of the Company who is not an employee of the Company or any subsidiary of the Company.

"Plan" means the Transaction Systems Architects, Inc. 2000 Non-Employee Director Stock Option Plan, as amended from time to time.

"Shares" means shares of the Class A Common Stock of the Company.

"Stock Option Agreement" means a written agreement between a Non-Employee Director and the Company evidencing an Option in such form as the Committee shall approve.

3. Administration of the Plan. The Plan shall be administered by the Compensation Committee of the Board, or such other committee of the Board as may be directed by the Board consisting of no less than two persons (the "Committee"). Alternatively, the Board may elect to administer the Plan in whole or in part in which case references to the Committee herein shall also mean the Board, as applicable. All members of the committee shall be "Non-Employee Directors" within the meaning of Rule 16b-3 under the Exchange Act. The Committee shall be appointed from time to time by, and shall serve at the pleasure of, the Board. The Committee shall be authorized to interpret the Plan and may, from time to time, adopt, amend and rescind such rules, regulations and procedures as it may deem advisable to implement and administer the Plan. The interpretation and construction by the Committee of any provision of the Plan, any Option granted hereunder or any agreement evidencing any such Option shall be final, conclusive and binding upon all parties.

All expenses and liabilities incurred by the Committee in the administration of the Plan shall be borne by the Company. The Committee may employ attorneys, consultants, accountants or other persons in connection with the administration of the Plan. The Company, and its officers and directors, shall be entitled to rely upon the advice, opinions or valuations of any such persons. No member of the Board or the Committee shall be liable for any action, determination or interpretation taken or made in good faith with respect to the Plan or any Option granted hereunder.

The Committee shall have full power and authority to interpret and construe the Plan and adopt such rules and regulations as it shall deem necessary and advisable to implement and administer the Plan. All such interpretations, rules and regulations shall be conclusive and binding on all parties.

4. One Time Option Grant. On the Option Grant Date, each person who is a Non-Employee Director as of such date shall be granted an Option to purchase 6,250 Shares. Each Option granted under the Plan shall be evidenced by a Stock Option Agreement. No person shall have any rights under any Option granted under the Plan unless and until the Company and the person to whom such Option shall have been granted shall have executed and delivered a Stock Option Agreement.

5. Eligibility. Non-Employee Directors of the Company shall be eligible to participate in the Plan in accordance with Section 4.

6. Shares Subject to the Plan. Subject to adjustment as provided in Section 11, the aggregate number of Shares which may be issued or delivered upon the exercise of Options shall not exceed 25,000 Shares. The Shares that may be subject to Options granted under this Plan may be either authorized and unissued shares or shares reacquired at any time and now or hereafter held as treasury stock as the Committee may determine.

7. Non-Transferability of Options. Options shall not be transferable otherwise than by will or the laws of descent and distribution, and during an Optionee's lifetime an Option shall be exercisable only by the Optionee.

8. Non-Qualified Options. Each Option issued hereunder shall not constitute nor be treated as an "incentive stock option" as defined in Section 422 of the Code or an option described in Section 423(b) of the Code and will be a "non-qualified stock option" for federal income tax purposes.

9. Exercise Price. The Option exercise price per share under each Option shall be equal to 100% of the Fair Market Value per Share subject to the Option on the Option Grant Date.

10. Exercise of Options. An Option may not be exercised during the first year after the Option Grant Date. After the first anniversary of the Option Grant Date, it may be exercised as to not more than 33-1/3% of the Shares available for purchase under the Option and, after the second and third anniversaries of the Option Grant Date, it may be exercised as to not more than an additional 33-1/3% of such shares plus any shares as to which the Option might theretofore have been exercisable but shall not have been exercised. No option shall be exercised later than ten years after the Option Grant Date.

Except as provided in this Section 10, all Options granted to a Non-Employee Director shall automatically be forfeited by such person at the time such person shall cease to be a Non-Employee Director provided that an Optionee may exercise vested options within 30 days after termination unless the termination of a Non-Employee Director's service on the Board results from an act of (a) fraud or intentional misrepresentation or (b) embezzlement, misappropriation or conversion of assets or opportunities of the Company or any direct or indirect majority-owned subsidiary of the Company, by such Non-Employee Director. The determination of whether termination results from such act shall be made by the Board, whose determination shall be conclusive. If service by the Optionee as a Non-Employee Director terminates by reason of Disability, the unexercised portion of any Option held by such Optionee at that time may be exercised within one year after the date on which the Optionee ceased to serve as a Non-Employee Director, but no later than the date the Option expires, and to the extent that the Optionee could have otherwise exercised such Option if it had been completely exercisable. To the extent that the Optionee is not entitled to exercise the Option on such date, or if the Optionee does not exercise it within the time specified, such Option shall terminate. The Committee shall have the authority to determine the date an Optionee ceases to serve as a Non-Employee Director by reason of his Disability. If an Optionee dies while serving as a Non-Employee Director of the Company (or dies within a period of 30 days after termination of his service as a Non-Employee Director for any reason other than Disability or within a period of one year after termination of his service as a Non-Employee Director by reason of Disability), the unexercised portion of any Option held by such Optionee at the time of his death may be exercised within one year after the date of such Optionee's death, but no later than the date the Option expires, and to the extent that the Optionee could have otherwise exercised such Option if it had been completely exercisable. Such Option may be exercised by the executor or administrator of the Optionee's estate or by any person or persons who shall have acquired the Option directly from the Optionee by bequest or inheritance. To the extent that the Option is not entitled to be exercised on such date or if the Option is not exercised within the time specified, such Option shall terminate.

An Option may not be exercised for a fraction of a Share. An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Stock Option Agreement by the Optionee entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Payment for the Shares upon exercise of an Option shall be made in cash, by certified check, or if authorized by the Committee, by delivery of other Shares having a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Shares as to which the Option is being exercised, or if authorized by the Committee, by authorizing the Company to withhold from the total number of Shares to be acquired upon exercise of an Option that number of Shares having an aggregate Fair Market Value (as of the date the withholding is effected) that would equal the aggregate exercise price of the Shares as to which the Option is being exercised, or by any combination of such methods of payment or by any other method of payment that may be permitted under applicable law and authorized by the Committee. Each exercise of an Option shall reduce, by an equal number, the total number of Shares that may thereafter be purchased under such Option.

11. Adjustments. In the event that the outstanding Shares shall be increased or decreased or changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation, effected without the receipt of consideration by the Company, through reorganization, merger or consolidation, recapitalization, reclassification, stock split, reverse stock split, split-up, combination or exchange of shares or declaration of any dividends payable in Shares, the Board shall appropriately adjust, subject to any required action by the stockholders of the Company, (i) the number of Shares (and the Option exercise price per share) subject to the unexercised portion of any outstanding Option

(to the nearest possible full share), and (ii) the number of Shares for which Options may be granted under the Plan, as set forth in Section 6 hereof, and such adjustments shall be final, conclusive and binding for all purposes of the Plan. Except as expressly provided herein, no issuance by the Company of shares of stock of any class shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Option.

Notwithstanding the foregoing, in the event of (i) any offer or proposal to holders of the Company's Shares relating to the acquisition of their shares, including, without limitation, through purchase, merger or otherwise, or (ii) any transaction generally relating to the acquisition of substantially all of the assets or business of the Company, or (iii) the dissolution or liquidation of the Company, the Committee may make such adjustment as it deems equitable in respect of outstanding Options (and in respect of the Shares for which Options may be granted under the Plan), including, without limitation, the revision, acceleration, cancellation, or termination of any outstanding Options, or the change, conversion or exchange of the Shares under outstanding Options (and of the Shares for which Options may be granted under the Plan) into or for securities or other property of another corporation. Any such adjustments by the Committee shall be final, conclusive and binding for all purposes of the Plan.

12. Amendment of the Plan. The Board may amend the Plan from time to time as it deems desirable in its sole discretion without approval of the stockholders of the Company, except to the extent stockholder approval is required by Rule 16b-3 of the Exchange Act, applicable NASDAQ National Market or stock exchange rules, applicable Code provisions, or other applicable laws or regulations.

13. Termination of the Plan. The Board may terminate the Plan at any time in its sole discretion. No Option may be granted hereunder after termination of the Plan. The termination or amendment of the Plan shall not alter or impair any rights or obligations under any Option previously granted under the Plan in any material adverse way without the affected Optionee's consent.

14. Modification, Extension and Renewal of Options. Within the limitations of the Plan and subject to Section 11, the Committee may modify, extend or renew outstanding Options or accept the cancellation of outstanding Options for the granting of new Options in substitution therefor. Notwithstanding the preceding sentence, except for any adjustment described in Section 11, (i) no modification of an Option shall, without the consent of the Optionee, alter or impair any rights or obligations under any Option previously granted under the Plan in any material adverse way without the affected Optionee's consent, and (ii) the exercise price of outstanding Options may not be altered, amended or modified.

15. Governing Law. The Plan and all Stock Option Agreements executed in connection with the Plan shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to conflict of laws principles.

16. Successors. This Plan is binding on and will inure to the benefit of any successor to the Company, whether by way of merger, consolidation, purchase, or otherwise.

17. Severability. If any provision of the Plan or any Stock Option Agreement shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan or such agreement, and the Plan and such agreement shall each be construed and enforced as if the invalid provisions had never been set forth therein.

18. Plan Provisions Control. The terms of the Plan govern all Options granted under the Plan, and in no event will the Committee have the power to grant any Option under the Plan that is contrary to any of the provisions of the Plan. In the event any provision of any Option granted under the Plan shall conflict with any term in the Plan, the term in the Plan shall control.

19. Headings. The headings used in the Plan are for convenience only, do not constitute a part of the Plan, and shall not be deemed to limit, characterize, or affect in any way any provisions of the Plan, and all provisions of the Plan shall be construed as if no captions had been used in the Plan.

20. Rights as Stockholder. No person shall have any right as a stockholder of the Company with respect to any Shares which are subject to an Option unless and until such person becomes a stockholder of record with respect to such Shares.

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