SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) December 14, 2000

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

DELAWARE	0-25346	47-0772104
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

224 South 108th Avenue, Omaha, Nebraska 68154
(Address of principal executive offices) (Zip Code)

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

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits.

99.01 Safe Harbor for Forward-Looking Statements under the Private Securities Litigation Reform Act of 1995

ITEM 9. Regulation FD Disclosure

On October 24, 2000 Transaction Systems Architects, Inc. ("TSA") announced in a press release that it had signed a definitive agreement to acquire MessagingDirect, Ltd, ("MDL") a company based in Edmonton, Canada, in an all-stock transaction. TSA plans to acquire all of the issued and outstanding securities of MDL in exchange for approximately 3.3 million shares of TSA Class A Common Stock. The share exchange, which has been approved by the board of directors of both companies, is subject to certain conditions including MDL securityholder approval and Canadian regulatory approvals. As contemplated by the definitive agreement, MessagingDirect has called a meeting of its securityholders to vote on the proposed acquisition by TSA on January 4, 2000. MDL also mailed the Information Circular for the proposed acquisition to its securityholders. The Information Circular will become available on the Internet at the website of SEDAR, the System for Electronic Document Analysis and Retrieval, which is the electronic filing system in Canada, at WWW.SEDAR.COM under the filings of MessagingDirect at the time such filings become available in accordance with the policies governing that system. The Information Circular includes information on the proposed acquisition, MDL, and TSA, among other matters. The Information Circular is MDL's document and MDL is solely responsible for the information contained in the Information Circular except for the information specifically pertaining to TSA.

The following are excerpts from MDL's Information Circular containing certain of the sections specifically pertaining to TSA.

BUSINESS OF TSA

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, TSA distributes or acts as a sales agent for software developed by third parties. The products and services are used principally by financial institutions, retailers and third-party processors, both in domestic and international markets.

The products and services of TSA are organized into four business units - - Consumer e-Payments, Electronic Business Infrastructure, Corporate Banking e-Payments and Health Payment Systems. The products and related services associated with each business unit are as follows:

A. Consumer e-Payments 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 and internet banking . In addition, Consumer e-Payments 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. Products in this group include BASE24, TRANS24, OCM24, Integrated Voice Response ("IVR"), Smart Card, WINPAY 24, E24, NET24 and Internet Banking (i24).

B. 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. Products in this group include ICE, Enguard and Extractor/Replicator products.

C. Corporate Banking e-Payments products offer electronic commerce and electronic payments solutions to corporate banking institutions. Products in this group include Co-ach, MoneyTransfer System and MoneyNet.

D. Health Payment Systems products allow large companies and healthcare payment processors to automate claims eligibility determination, claims capture and claims payments.

TSA's primary Consumer e-Payments, Electronic Business Infrastructure and Corporate Banking e-Payments customers are large financial institutions, retailers or third-party processors operating large, geographically-distributed electronic payment networks capable of capturing large volumes of transactions through many types of devices and accessing a variety of switches. As at September 30, 1999, TSA's customer base included 111 of the 500 largest banks in the world as measured by asset size, and 22 of the top 100 retailers in the United States as measured by revenue. As of September 30, 1999, TSA had 2,314 customers in 79 countries on six continents. TSA's IVR product customers are typically small to midsize banks located primarily in the United States and totaled approximately 1,400 as of September 30, 1999. During fiscal years 1999, 1998 and 1997, approximately 53%, 55% and 54%, respectively, of TSA's total revenues resulted from international operations and approximately 66%, 63% and 64%, respectively, of its revenues were derived from licensing the BASE24 family of products and providing related service and maintenance.

During fiscal 2000, TSA announced plans to direct the majority of its focus on the Consumer e-Payments business. TSA is considering various alternatives for the Electronic Business Infrastructure, Corporate Banking e-Payments and Health Payment Systems businesses, including possible sales, spin-offs, strategic alliances, partnerships, third-party investors and initial public offerings. One of the first steps of this new business strategy was the announcement of the formation of Insession Technologies, the Electronic Business Infrastructure business unit of TSA. In June 2000 TSA announced that Insession Technologies, Inc. had filed a registration statement with the SEC for a proposed initial public offering of its common stock. In September 2000, however, TSA announced that it has postponed the initial public offering due to unfavorable market conditions and has engaged Salomon Smith Barney to assist in determining the best strategic alternatives for Insession Technologies. Nothing in this paragraph constitutes an offer to sell or a solicitation to buy any securities.

Executive Officers

The names, municipalities of residence, positions with TSA and the principal occupations of the Officers of TSA are set out below.

Name and Municipality of Residence	Office Held and Principal Occupation	Position Held Since
William E. Fisher Omaha, Nebraska, U.S.A.	Chief Executive Officer and Chairman of the Board	December 1, 1993
David C. Russell Omaha, Nebraska, U.S.A.	President	February 25, 2000

Name and Municipality of Residence	Office Held and Principal Occupation	Position Held Since
Dwight G. Hanson Omaha, Nebraska, U.S.A.	Treasurer, Chief Financial Officer and Senior Vice President	February 1, 2000
David P. Stokes Omaha, Nebraska, U.S.A.	Vice President - Legal and Secretary	December 1, 1993
Jeffrey S. Hale Omaha, Nebraska, U.S.A.	Senior Vice President - Strategic Business Development	March 1, 1999
Mark R. Vipond Omaha, Nebraska, U.S.A.	Senior Vice President - Consumer Banking; President - ACI Worldwide Inc.	March 1, 1999
Edward H. Mangold Omaha, Nebraska, U.S.A.	Senior Vice President	December 31, 1993
Anthony J. Parkinson Hinsdale, Illinois, U.S.A.	Senior Vice President - Enterprise Solutions; CEO - Insession Technologies, Inc.	December 1, 1999
Dennis D. Jorgensen Boston, Massachusetts, U.S.A.	Senior Vice President - Corporate Banking CEO - Intranet Inc.	February 25, 2000
Edward C. Fuxa Omaha, Nebraska, U.S.A.	Chief Accounting Officer and Controller	February 25, 2000

INDEBTEDNESS OF DIRECTORS AND OFFICERS

In the first quarter of 2001, TSA entered into (1) an employment agreement and (2) an incentive compensation agreement with William E. Fisher, its Chief Executive Officer. The employment agreement is for a term of three years and provides for a base annual salary of U.S.$200,000. No bonus compensation is payable pursuant to the employment agreement. Pursuant to the incentive compensation agreement, TSA made a loan to Mr. Fisher in the amount of U.S.$3.0 million, which bears interest at 6.35%. Subject to certain prepayment obligations and forgiveness upon the occurrence of certain events, principal and accrued interest are due after three years. Pursuant to the terms of the loan, all of the principal and accrued interest are subject to forgiveness in the event of certain changes of control, death, or termination without cause; one-half of the principal and accrued interest are subject to forgiveness if Mr. Fisher remains employed with TSA for the three-year term; and one-half of the principal and accrued interest is subject to forgiveness in the event the closing bid price for TSA Class A Common Shares reaches certain price targets.

SECURITY OWNERSHIP

The following table sets forth certain information regarding beneficial ownership of TSA Class A Common Shares as of December 1, 2000, by (i) each of TSA's directors, (ii) each of the executive officers named in the Summary Compensation Table below (iii) all executive officers and directors as a group, and (iv) each person known by TSA to be the beneficial owner of more than 5% of the outstanding TSA Class A Common Shares.

Beneficial Owner	Number of Shares	Percent
Waddell & Reed Financial, Inc. (1)	3,437,300	10.4%
Massachusets Financial Services Co. (2)	2,941,802	8.9%
Jurika & Voyles, L.P. (3)	2,001,580	6.0%
Brown Capital Management, Inc.(4)	1,683,700	5.1%
Charles E. Noell (5)	14,325	*
Jim D. Kever (6)	20,800	*
Larry G. Fendley (7)	24,700	*
Gregory J. Duman (8)	148,994	*
Roger K. Alexander (9)	-	*
William E. Fisher (10)(11)	531,000	1.6%
David C. Russell (10)(12)	112,412	*
Anthony J. Parkinson (10)(13)	46,166	*
Edward H. Mangold (10)(14)	187,008	*
Mark R. Vipond (10)(15)	121,583	*
All Directors and Executive Officers as a Group (15 persons) (16)	1,457,674	4.4%

(1) The number of shares in the table is based on a Schedule 13F dated September 30, 2000, which indicates that Waddell & Reed Financial, Inc. and related entities have sole investment discretion and sole voting power over 3,437,300 shares.

(2) The number of shares in the table is based on a Schedule 13F dated September 30, 2000, which indicates that Massachusets Financial Services Co. has sole investment discretion over 2,941,802 shares, sole voting power over 2,298,882 shares, and no voting power over 642,920 shares.

(3) The number of shares in the table is based on a Schedule 13F dated September 30, 2000.

(4) The number of shares in the table is based on a Schedule 13F filed on November 15, 2000, which indicates that Brown Capital Management, Inc. has sole investment discretion over 1,683,700 shares, sole voting power over 1,152,700 shares, and shared voting power over 531,000 shares.

(5) Includes 1,650 shares owned by Mr. Noell's children. Mr. Noell's buisiness mailing address is 12680 High Bluff Road, Number 200, San Diego, CA 92130-2002.

(6) Consists of 20,800 shares issuable upon exercise of options. Mr. Kever's business mailing address is Two Lakeview Place, 15 Century Boulevard, Suite 600, Nashville, TN 37214.

(7) Includes 20,800 shares issuable upon exercise of options and 600 owned by Mr. Fendley's wife. Mr. Fendley's business mailing address is 635 Southwest 42nd Street, Paris, TX 75460.

(8) Includes 33,916 shares issuable upon exercise of options and 1,800 owned by Mr. Duman's children. Mr. Duman's business mailing address is 13710 FNB Parkway, Suite 300, Omaha, NE 68154.
(9) Mr. Alexander's business address is Candlewick House, 120 Cannon Street, London, England EC4N 6AS.
(10) The business address is 224 South 108th Avenue, Omaha, NE 68154.
(11) Includes 450,000 owned by a corporation of which Mr. Fisher is a principal shareholder. Also includes 81,000 shares issuable upon exercise of options.
(12) Includes 83,932 shares issuable upon exercise of options.
(13) Includes 31,166 shares issuable opon exercise of options.
(14) Includes 67,416 shares issuable upon exercise of options and 35,000 shares owned by Mr. Mangold's wife.
(15) Includes 67,416 shares issuable upon exercise of options and 5,000 shares owned by Mr. Vipond's wife.
(16) Includes 589,793 shares issuable upon exercise of options.

INTEREST OF INSIDERS IN CERTAIN TRANSACTIONS

TSA and KFS Management, Inc. are parties to agreements pursuant to which KFS Management, Inc. leased two aircraft to TSA on a non-exclusive basis for business use by TSA. The lease agreements terminated on December 31, 1999. Mr. Fisher and his brother-in-law are the sole stockholders of KFS Management, Inc. During fiscal 2000, TSA paid KFS Management, Inc. a total of U.S.$65,000 under the lease agreements. During fiscal 2000, TSA also reimbursed KFS Management, Inc. a total of U.S.$8,507 for aircraft-related supplies and the services of its employees.

EXECUTIVE COMPENSATION

The following table sets forth certain compensation information as to the Chief Executive Officer ("CEO") and the four highest paid executive officers (collectively, the "Named Executive Officers") of TSA for each of the years ended September 30, 1998, 1999, and 2000.

SUMMARY COMPENSATION TABLE

			Annual Compensation		Long-Term Compensation Awards (3)	
Name and Principal Position	Year	Salary($)	Bonus($)(1)	Other Annual Compensation (2)	Securities Underlying Options (#)(3)	All Other Compensation ($)(4)(5)
William E. Fisher	2000	206,250	69,833	59,340	125,000	4,153
Chairman and Chief	1999	250,000	231,489	-----	18,000	4,153
Executive Officer	1998	233,333	255,768	-----	None	4,153

Name and Principal Position	Year	Salary($)	Bonus($)(1)	Annual Compensation Other Annual Compensation (2)	Long-Term Compensation Awards (3) Securities Underlying Options (#)(3)	All Other Compensation ($)(4)(5)
David C. Russell	2000	241,250	118,714	-----	130,000	4,153
President	1999	172,500	130,799	-----	18,000	4,153
	1998	150,000	154,255	-----	None	4,153
Anthony Parkinson	2000	100,000	334,570	-----	27,000	4,153
Senior Vice President	1999	100,000	340,628	-----	9,000	4,153
	1998	65,000	454,178	-----	None	153
Edward H. Mangold	2000	160,000	174,562	-----	27,000	4,153
Senior Vice President	1999	145,000	212,542	-----	9,000	4,153
	1998	96,791	234,618	-----	None	4,698
Mark R. Vipond	2000	254,572	93,737	-----	27,000	4,153
Senior Vice President	1999	130,000	82,877	-----	9,000	4,528
	1998	100,000	106,024	-----	None	4,403

(1) TSA's executive officers are eligible for quarterly cash bonuses. Such bonuses are generally based upon achievement of corporate, geographic or product performance objectives including sales, revenue, pretax profit, backlog and cash flow.

(2) "Other Annual Compensation" includes amounts paid by TSA for personal use of the TSA airplane.

(3) Includes options granted from TSA's 1999, 1996, and 1994 Stock Option Plans.

(4) Includes contributions made to TSA's retirement plans. For fiscal 2000, employer contributions to TSA's 401(k) Retirement Plan were $4,000 each for Messrs. Fisher, Russell, Parkinson, Mangold, and Vipond, respectively.

(5) Each of Messrs. Fisher, Russell, Parkinson, Mangold, Vipond, and certain other executive officers of TSA are party to an agreement pursuant to which each has agreed not to compete with TSA for so long as he or she is a stockholder of TSA. At the election of TSA, the non-compete agreement may remain in effect for two years after termination of employement (even if he or she is no longer a stockholder) if TSA pays him or her for two years. No amounts were paid in 2000 under this agreement.

OPTION GRANTS IN LAST FISCAL YEAR
Individual Grants

Name	Number of Securities Underlying Options Granted (#)(1)	Percent of Total Options Granted to Employees In Fiscal Year	Exercise Price ($/sh)	Expiration Date	Grant Date Present Value ($)(2)
William E. Fisher	125,000	10.43%	25.9380	2/22/2010	1,747,271
David C. Russell	5,000	0.42%	25.0625	10/19/2009	67,533
	58,753	4.90%	25.9380	2/22/2010	823,959
	23,837	1.99%	27.2500	3/29/2010	360,065
	42,410	3.54%	18.5630	8/8/2010	424,258
Anthony Parkinson	2,000	0.17%	25.0625	10/19/2009	27,014
	25,000	2.09%	25.9380	2/22/2010	349,455
Edward H. Mangold	2,000	0.17%	25.0625	10/19/2009	27,014
	25,000	2.09%	25.9380	2/22/2010	349,455
Mark R. Vipond	2,000	0.17%	25.0625	10/19/2010	27,014
	25,000	2.09%	25.9380	2/22/2010	349,455

(1) The options referred to in this table were granted under TSA's 1994, 1996, and 1999 Stock Option Plans. Vesting of the options granted under the 1999 and 1996 Stock Option Plans occurs on an annual pro rata basis over a term of three years from the date of grant. Vesting of options granted under the 1994 Stock Option Plan occurs on a monthly pro rata basis over a term of 48 months from the date of grant.

(2) Grant date present value is determined using a modified Black-Scholes option pricing model. The estimated values under this model are based on several assumptions, including a weighted-average expected volatility of 38%, a weighted-average risk-free rate of return of 5.7%, no dividend yield and expected option lives of 6.2 years and may not be indicative of actual value. The actual gain, if any, the option holder may realize will equal the excess of the actual market price of the stock on the date the option is exercised over the exercise price. There is no assurance that the value that may be realized by the option holder will be at or near the value estimated by the modified Black-Scholes model.

AGGREGATED OPTION EXERCISES IN THE LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES

Name	Shares Acquired On Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at Fiscal Year-end (#) Exercisable/Unexercisable	Value of Unexercised In-the-Money Options at Fiscal Year-end ($) Exercisable/Unexercisable (1)
William E. Fisher	0	0	81,000/162,000	0/0
David C. Russell	0	0	81,985/16,6015	0/0
Anthony J. Parkinson	10,000	179,729	30,500/45,500	0/0
Edward H. Mangold	0	0	66,750/54,250	0/0
Mark R. Vipond	0	0	66,750/54,250	0/0

(1) None of the options are "In-the Money" options at the end of the last fiscal year, since the fair market value (closing bid price per the NASDAQ Market) of the Common Stock at the end of the last fiscal year ($14.313 per share) did not exceed the exercise price of the Options.

OPTIONS TO PURCHASE SECURITIES

The following table sets forth (i) the number of shares subject to options held as of December 1, 2000 by Directors and executive officers as a group, and (ii) all TSA employees as a group.

	Unvested Shares	Vested Shares	Total Shares
Directors and executive officers as a group	738,357	589,793	1,328,150
All employees as a group	1,997,829	1,940,256	3,938,085

SEVERANCE COMPENSATION AGREEMENTS

TSA has entered into Severance Compensation Agreements (the "Agreements") with 9 of its executive officers, including each of the Named Executive Officers, and 8 other employees. Generally, the Agreements provide that if there is a Change in Control (as defined in the Agreements) of TSA and the employee's employment with TSA is subsequently terminated within two years after the Change in Control other than as a result of death, Retirement (as defined in the Agreements), termination by TSA for Cause (as defined in the Agreements), or the employee's decision to terminate employment other than for Good Reason (as defined in the Agreements), the employee will be entitled to receive from TSA certain payments and benefits. These payments and benefits include (i) a lump sum payment (the "Severance Amount") equal to, in the case of Messrs. Fisher and Russell, and Douglas Parr and David P. Stokes, two times the average Compensation (as defined in the Agreements) of the employee during the two most recent fiscal years of TSA ending prior to the Date of Termination (as defined in the Agreements), or in the case of the other executive officers (including Messrs. Mangold, Vipond, and Parkinson) and employees who entered into Severance Compensation Agreements with TSA, one times the average Compensation of the employee during the two most recent fiscal years of TSA ending prior to the Date of Termination; (ii) earned but unpaid base salary through the Date of Termination; (iii) a quarterly incentive award for the current fiscal quarter prorated through the Date of Termination equal to the greater of the quarterly incentive award made to the employee for the most recent fiscal quarter ending prior to the Date of Termination or the average quarterly incentive award made to the employee for the most recent three fiscal years ending prior to the Date of Termination; (iv) interest on the amounts described in (i), (ii) and (iii); and (v) unless the employee's termination of employment is the result of the employee's Disability (as defined in the Agreements), continued participation at TSA's cost in employee benefit plans available to TSA employees generally in which the employee was participating, until the earlier of receiving equivalent benefits from a subsequent employer or two years from the Date of Termination.

For purposes of determining the Severance Amount referred to above, compensation generally includes compensation includable in the gross income of the employees, but excluding amounts realized on the exercise of non-qualified stock options, amounts realized from the sale of stock acquired under an incentive stock option or an employee stock purchase plan, and compensation deferrals made pursuant to any plan or arrangement maintained by TSA. The Agreements provide that in no event will the Severance Amount be less than, in the case of Messrs. Fisher and Russell, and Douglas Parr and David P. Stokes, two times, and in the case of the other executive officers and employee, one times, the employee's annual rate of base salary at the higher of the annual rate in effect (i) immediately prior to the Date of Termination or (ii) on the date six months prior to the Date of Termination.

Under the Agreements, in the event of a Change in Control, unvested awards and benefits (other than stock options or awards) allocated to the employee under Incentive Plans shall fully vest and become payable in cash.

The Agreements provide that in the event any payment by TSA would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the employee with respect to such excise tax, then the employee will be entitled to an additional payment in an amount such that, after payment by the employee of all taxes, the employee is in the same after-tax position as if no excise tax had been imposed.

Under the Agreements, TSA agrees to indemnify the employee to the fullest extent permitted by law if the employee is a party or threatened to be made a party to any action, suit or proceeding in which the employee is involved by reason of the fact that the employee is or was a director or officer of TSA, by reason of any action taken by him or of any action on his part while acting as director or officer of TSA, or by reason of the fact that he is or was serving at the request of TSA as a director, officer, employee or agent of another enterprise. TSA also agrees to obtain and maintain a directors' and officers' liability insurance policy covering the employee.

The Agreements terminate upon the earlier of (i) termination of employment for any reason prior to a Change in Control and (ii) three years after the date of a Change in Control.

PERFORMANCE GRAPH

In accordance with Securities and Exchange Commission Rules, the following table shows a line-graph presentation comparing cumulative stockholder return on an indexed basis with a broad equity market index and either a nationally recognized industry standard or an index of peer selected by TSA. TSA has selected the S&P 500 Index and the NASDAQ Computer & Data Processing Services ("C&DP") Index for comparison.

[GRAPH]

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN AMONG TRANSACTION SYSTEMS ARCHITECTS, INC., THE S&P 500 AND THE NASDAQ COMPUTER & DATA PROCESSING

	CUMULATIVE TOTAL RETURN					
	9/95	9/96	9/97	9/98	9/99	9/00
TRANSACTION SYSTEMS ARCHITECTS, INC.	100.00	315.89	303.74	265.42	201.40	121.50
S&P 500	100.00	120.34	169.01	184.30	235.54	266.83
NASDAQ COMPUTER & DATA PROCESSING	100.00	124.02	167.84	217.53	367.74	464.32

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Assumes $100 invested on 9/30/95 in the Company's Common Stock (at a closing price on that date of $13.373 per share, adjusted for a two-for-one stock split effected in the form of a 100% stock dividend in July 1996), the S&P 500 Index and the NASDAQ C&DP Index.

TSA UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The TSA Unaudited Pro Forma Condensed Consolidated Financial Statements give effect to the combination of TSA and MDL through the issuance of TSA Class A Common Shares and the Exchangeable Shares and/or Replacement TSA Options for the applicable MDL Securities. The unaudited pro forma statement of operations for the year ended September 30, 1999 reflects the combination as if it had taken place on October 1, 1998. The unaudited pro forma condensed consolidated balance sheet gives effect to the combination as if it had taken place on September 30, 1999. The unaudited pro forma condensed consolidated statement of operations combines TSA's historical results of operations for the year ended September 30, 1999 with MDL's historical results of operations for the nine months ended December 31, 1999.

The MessagingDirect historical financial statements on which the pro forma financial statements are based are currently available in documents filed by MessagingDirect on SEDAR (www.sedar.com) under MessagingDirect's filings. The MessagingDirect financial statements and the documents in which they are contained are the responsibility of MessagingDirect and not TSA. The TSA financial statements on which the pro forma financial statements are based are contained in a previous TSA annual report filed with the Securities and Exchange Commission.

MDL's management has indicated that the inclusion of the figures for the first quarter of MDL's fiscal 1999 would not be material to the TSA Unaudited Pro Forma Condensed Consolidated Financial Statements.

The TSA Unaudited Pro Forma Condensed Consolidated Financial Statements reflect the combination using the purchase method of accounting and have been prepared on the basis of assumptions described in the notes thereto, including assumptions relating to the allocation of the total purchase cost to the assets and liabilities of MDL based upon preliminary estimates of their fair value. The actual allocation may differ from those assumptions after valuations and other procedures, to be performed after the completion of the Transaction, are finalized.

The TSA Unaudited Pro Forma Condensed Consolidated Financial Statements should be read in conjunction with the TSA Audited Financial Statements, the MDL Audited Financial Statements, the MDL Unaudited Financial Statements and the TSA Unaudited Condensed Consolidated Financial Statements. The TSA Unaudited Pro Forma Condensed Consolidated Financial Statements are not necessarily indicative of what the actual operating results or financial position would have been had the combination actually taken place on October 1, 1998 or September 30, 1999 and do not purport to indicate TSA's future results of operations.

COMPILATION REPORT

To the Board of Directors of
Transaction Systems Architects, Inc.

We have reviewed, as to the compilation only, the accompanying unaudited pro forma condensed consolidated balance sheet of Transaction Systems Architects, Inc. (TSA) and MessagingDirect Ltd. (MDL) as of September 30, 1999, and the unaudited pro forma condensed consolidated statement of operations for the year then ended, which have been prepared for inclusion in this Circular. In our opinion, the unaudited pro forma condensed consolidated balance sheet and statement of operations have been properly compiled to give effect to the proposed transaction and the assumptions described in the notes thereto.

(signed) "Arthur Andersen LLP"

Omaha, Nebraska
December 8, 2000

TRANSACTION SYTEMS ARCHITECTS, INC. AND MESSAGINGDIRECT LTD.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 1999
(IN U.S. $ THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	TSA September 30, 1999	MDL December 31, 1999	Pro Forma Adjustments		Pro Forma Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ 70,482	$ 8,629	$ -		$ 79,111
Marketable securities	8,456	-	-		8,456
Billed receivables, net of allowances	50,619	2,018	-		52,637
Accrued receivables	41,880	-	-		41,880
Deferred income taxes	7,468	-	-		7,468
Other	7,215	416	-		7,631
Total current assets	186,120	11,064	-		197,184
Property and equipment, net	20,754	318	-		21,072
Software, net	25,835	359	14,661	2	40,855
Intangible assets, net	61,612	1,576	27,747	2	90,935
Long-term accrued receivables	26,850	-	-		26,850
Investments and notes receivable	3,569	-	-		3,569
Other	4,785	-	-		4,785
Total assets	$329,525	$13,316	$ 42,408		$385,249
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 501	$ 715	$ -		$ 1,216
Accounts payable	8,030	1,127	-		9,157
Accrued employee compensation	7,192	-	-		7,192
Accrued liabilities	18,287	-	2,075	2	20,362
Income taxes	8,521	-	-		8,521
Deferred revenue	54,627	1,027	-		55,654
Total current liabilities	97,158	2,869	2,075		102,103
Long-term debt	991	87	-		1,078
Deferred income taxes	6,207	331	-		6,538
Total liabilities	104,356	3,287	2,075		109,718
Stockholders' equity:					
Class A Common Stock	163	-	17	4	180
Additional paid-in capital	161,630	12,625	37,721	2,4	211,976
Retained earnings (accumulated deficit)	82,922	(2,595)	2,595	5	82,922
Treasury stock, at cost	(14,250)	-	-		(14,250)
Accumulated other comprehensive income	(5,296)	-	-		(5,296)
Total stockholders' equity	225,169	10,030	40,333		275,532
Total liabilities and stockholders' equity	$329,525	$13,316	$ 42,408		$385,250

TRANSACTION SYSTEMS ARCHITECTS, INC. AND MESSAGINGDIRECT LTD.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 1999
(IN U.S. $ THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	TSA (Twelve months ended September 30, 1999)	MDL (Nine months ended December 31, 1999)	Pro Forma Adjustments		Pro Forma Combined
Revenues:					
Software license fees	$ 210,002	$ -	$ 2,496	1	$ 212,498
Maintenance fees	63,933	-	589	1	64,522
Services	76,857	-	208	1	77,065
Hardware, net	4,002	-	-		4,002
Revenues	-	3,294	(3,294)	1	-
Total revenues	354,794	3,294	-		358,088
Expenses:					
Cost of software license fees	44,079	122	4,887	2,3	49,088
Cost of maintenance and services	72,096	305			72,401
Research and development	34,612	1,099			35,711
Selling and marketing	70,121	1,616			71,737
General and administrative:					
General and administrative costs	58,725	854			59,579
Amortization of goodwill and purchased intangibles	4,901	128	5,737	2,3	10,766
Total expenses	284,534	4,123	10,624		299,281
Operating income	70,260	(829)	(10,624)		58,807
Other income (expense):					
Interest income	2,947	-			2,947
Interest expense	(401)	-			(401)
Transaction related expenes	(653)	-			(653)
Other	(283)	-			(283)
Total other	1,610	-	-		1,610
Income before income taxes	71,870	(829)	(10,624)		60,417
Provision for income taxes	(27,170)	(169)	3,610	6	(23,729)
Net income	$ 44,700	$ (998)	$ (7,014)		$ 36,688
Earnings Per Share Data:					
Basic:					
Net income	$ 1.41				$ 1.05
Shares used in computation	31,667		3,358	2	35,025
Diluted:					
Net income	$ 1.38				$ 1.03
Shares used in computation	32,363		3,358	2	35,721

NOTES TO TRANSACTION SYSTEMS ARCHITECTS, INC. AND MESSAGINGDIRECT LTD. UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited pro forma condensed consolidated financial statements have been prepared using the audited consolidated financial statements of Transaction Systems Architects, Inc. (TSA) as of and for the year ended September 30, 1999, which were audited by Arthur Andersen LLP, and the consolidated financial statements of Messaging Direct Ltd. (MDL) as of and for the nine months ended December 31, 1999, which were audited by other auditors.

The information presented is expressed in U.S. dollars and in accordance with U.S. GAAP. The management of TSA believes there would be no material differences in the pro forma financial statements if they were prepared in accordance with Canadian GAAP and believes the MDL Consolidated Balance Sheet and Consolidated Statement of Operations, which have been presented in accordance with Canadian GAAP, would not require material adjustments to be presented in accordance with U.S. GAAP.

The MDL Consolidated Balance Sheet was translated from Canadian dollars into U.S. dollars at the exchange rate at December 31, 1999 of 0.6924 (U.S. $1.00 equals Cdn. $1.444). The MDL Consolidated Statement of Operations was translated from Canadian dollars to U.S. dollars at the average rate for the nine months ended December 31, 1999 of 0.6794 (U.S. $1.00 equals Cdn. $1.472).

The unaudited pro forma condensed consolidated financial statements do not reflect the business acquisitions TSA has made since September 30, 1999. In April 2000, TSA acquired WorkPoint Systems, Inc. for 164,680 shares of TSA Class A Common Stock, with a market value of approximately $4.8 million. In June 2000, TSA acquired 70% ownership interest in Hospital Health Plan Corporation for $4.6 million in cash and $3.3 million in assumed liabilities. Together the two acquisitions resulted in the recording of goodwill of approximately $12.1 million.

1. The historical results of MDL have been reclassified to conform to TSA's basis of presentation for its Condensed Consolidated Financial Statements.

2. The purchase price for the completion of the MDL acquisition was determined by combining the value of TSA Common Stock or TSA Exchangeable shares to be issued to MDL Security Holders (approximately 3,357,500 shares valued at $15.00 per share) and the estimated transaction costs for the acquisition. The estimated direct transaction costs to be incurred by the Combined Company include transaction fees for attorneys, accountants, financial printing, and other related charges. The purchase price for the completion of the acquisition is summarized below (in thousands):

Common stock	$ 50,362
Estimated transaction costs	2,075

Net assets acquired after elimination of MDL pre-acquisition goodwill of $1,576	(8,453)
Total Intangible	$ 43,984

The estimated allocation of the purchase price attributable to intangibles has been estimated, for purposes of these pro forma financial statements to be as follows (in thousands):

Software	$ 14,661
Goodwill	29,323
Total Intangible	$ 43,984

The amounts allocated to software and goodwill are preliminary and subject to the receipt of an appraisal of the MDL business.

In conjunction with the acquisition of MDL, TSA will be issuing approximately $1 million of preferred stock to non-MDL Security Holders. This preferred stock issuance has not been reflected in these unaudited pro forma condensed consolidated financial statements.

3. Amortization of the software and goodwill for MDL will be on the straight-line method over three years and five years, respectively. The amortization of software is included in cost of software license fees and the amortization of goodwill is included in amortization of goodwill and purchased intangibles.

4. To record the issuance of common stock related to the purchase of MDL. It is assumed that all Exchangeable Shares have been exchanged for TSA Class A Common Stock, and that, accordingly, the Special Voting Share is cancelled. It is also assumed that the Replacement TSA Options will be immediately exercised.

5. To eliminate the accumulated deficit of MDL.

6. To record income tax provision related to the Pro Forma adjustments.

PRO FORMA CAPITALIZATION OF TSA

The following table sets forth the capitalization of TSA and the pro forma capitalization of TSA (post Transaction) as at September 30, 1999 on the basis of the assumptions set forth in the TSA Unaudited Pro Forma Condensed Consolidated Financial Statements. This data should be read in conjunction with the TSA Audited Financial Statements, the MDL Audited Financial Statements and the TSA Unaudited Condensed Consolidated Financial Statements.

PRO FORMA CAPITALIZATION OF TSA
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS - U.S. DOLLARS)
(UNAUDITED)

	TSA	(Post Transaction) TSA Pro Forma
Stockholders' equity:		
Redeemable Convertible Preferred Stock, $.01 par value; 5,450,000 shares authorized; no shares issued and outstanding at September 30, 1999	$ -	$ -
Redeemable Convertible Class B Common Stock and Warrants, $.05 par value; 5,000,000 shares authorized; no shares issued and outstanding at September 30, 1999	-	-
TSA Class A Common Shares, $.005 par value; 50,000,000 shares authorized; 32,580,637 shares issued at September 30, 1999 and 35,938,137 as adjusted(1)	163	180
Class B Common Stock, $.005 par value; 5,000,000 shares authorized; no shares issued and outstanding at September 30, 1999	-	-
Additional paid-in capital	161,630	211,976
Retained earnings	82,922	82,922
Treasury stock, at cost, 475,845 shares at September 30, 1999	(14,250)	(14,250)
Accumulated other comprehensive income	(5,296)	(5,296)
Total stockholders' equity	$ 225,169	$ 275,532

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(1) Assumes that all Exchangeable Shares have been exchanged for TSA Class A Common Shares, and that, accordingly, the Special Voting Share is cancelled. Also assumes that the Replacement TSA Options are immediately exercised. Excludes 3,352,874 TSA Class A Common Shares issuable upon the exercise of the TSA stock options outstanding at September 30, 1999.

COMPARATIVE PER SHARE DATA

The following table presents certain historical per share data of TSA and certain unaudited Pro Forma Per share data that reflect the combination of TSA and MDL using the purchase method of accounting. This data should be read in conjunction with the TSA Audited Financial Statements, the MDL Audited Financial Statements and the TSA Unaudited Condensed Consolidated Financial Statements and the TSA Unaudited Pro Forma Condensed Consolidated Financial Statements. The TSA unaudited pro forma combined per share data do not necessarily indicate the operating results that would have been achieved had the combination of TSA and MDL actually occurred at the beginning of the periods presented nor do they indicate future results of operations or financial position.

	AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 1999 (IN U.S. DOLLARS)			
	TSA (1)	MDL (1)	TSA MDL	MDL Equivalent (4)
Net income per share:				
Canadian GAAP:				
Basic	n/a	$ (0.14)	n/a	n/a
Diluted	n/a	$ (0.14)	n/a	n/a
U.S. GAAP:				
Basic	$ 1.41	$ (0.14)	$ 1.05	$ 0.16
Diluted	$ 1.38	$ (0.14)	$ 1.03	$ 0.16
Book value per share at period end (2), (3)				
Canadian GAAP	n/a	$ 1.41	n/a	n/a
U.S. GAAP	$ 7.11	$ 1.41	$ 7.67	$ 1.18

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(1) Because of the different year ends, consolidated financial information relating to TSA's fiscal year ended September 30, 1999 has been combined with the consolidated financial information relating to MDL's nine month period ended December 31, 1999.

(2) The historical book value per share is computed by dividing total stockholders' equity as of the end of the period (September 30, 1999 for TSA and December 31, 1999 for MDL) by the number of shares outstanding as of the end of the period (excluding treasury shares).

(3) The pro forma book value per share is computed by dividing total pro forma stockholder's equity by the pro forma number of shares outstanding at the end of the period. For purposes of computing pro forma book value per share as of September 30, 1999, the pro forma book value of U.S.$275.5 million was dividend by the pro forma shares outstanding of 35 million shares.

(4) The MDL pro forma equivalent per share amounts are computed by multiplying the TSA MDL pro forma combined per share amounts by the Exchange Ratio of 0.1536 of a TSA Class A Common Share.

The statements in this report regarding future results or events 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 TSA's expectations, plans, strategies, and beliefs. The forwarding-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 in the TSA's filings with the Securities and Exchange Commission, including Exhibit 99.01 to this report.

SIGNATURES

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

TRANSACTION SYSTEMS ARCHITECTS, INC.

Dated: December 14, 2000

By: /s/ Dwight G. Hanson

Dwight G. Hanson
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

Exhibit Number	Description
99.01	Safe Harbor for Forward-Looking Statements under the Private Securities Litigation Reform Act of 1995

EXHIBIT 99.01

TRANSACTION SYSTEMS ARCHITECTS, INC.

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

CERTAIN CAUTIONARY STATEMENTS AND RISK FACTORS

Transaction Systems Architects, Inc. and its subsidiaries (collectively, the Company) or their representatives from time to time may make or may have made certain forward-looking statements, whether orally or in writing, including without limitation, any such statements made or to be made in the Management's Discussion and Analysis contained in its various SEC filings or orally in conferences or teleconferences. The Company wishes to ensure that such statements are accompanied by meaningful cautionary statements, so as to ensure to the fullest extent possible the protections of the safe harbor established in the Private Securities Litigation Reform Act of 1995.

ACCORDINGLY, THE FORWARD-LOOKING STATEMENTS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO AND ARE ACCOMPANIED BY THE FOLLOWING MEANINGFUL CAUTIONARY STATEMENTS IDENTIFYING CERTAIN IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE IN SUCH FORWARD-LOOKING STATEMENTS.

This list of factors is likely not exhaustive. The Company operates in a rapidly changing and evolving business involving electronic commerce and payments, and new risk factors will likely emerge. Management cannot predict all of the important risk factors, nor can it assess the impact, if any, of such risk factors on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those in any forward-looking statements.

ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT FORWARD-LOOKING STATEMENTS WILL BE ACCURATE INDICATORS OF FUTURE ACTUAL RESULTS AND IT IS LIKELY THAT ACTUAL RESULTS WILL DIFFER FROM RESULTS PROJECTED IN FORWARD-LOOKING STATEMENTS. SUCH DIFFERENCES MAY BE MATERIAL.

TSA is dependent on its BASE24 products

TSA has derived a substantial majority of its total revenues from licensing its BASE24 family of software products and providing services and maintenance related to those products. The BASE24 products and related services and maintenance are expected to provide the majority of TSA's revenues in the foreseeable future. TSA's results will depend upon continued market acceptance of its BASE24 products and related services as well as TSA's ability to continue to adapt and modify them to meet the changing needs of its customers. 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.

TSA is subject to risks of conducting international operations

TSA has derived a majority of its total revenues from sales to customers outside the United States. International operations generally are subject to certain risks, including:

- difficulties in staffing and management,
- reliance on independent distributors,
- fluctuations in foreign currency exchange rates,
- compliance with foreign regulatory requirements,
- variability of foreign economic conditions, and
- changing restrictions imposed by U.S. export laws.

There can be no assurance that TSA will be able to manage the risks related to selling its products and services in international markets.

TSA is dependent on the banking industry

TSA's business is concentrated in the banking industry, making TSA susceptible to a downturn in that industry. For example, a decrease in bank spending for software and related services could result in a smaller overall market for electronic payment software. Furthermore, banks are continuing to consolidate, decreasing the overall potential number of buyers for TSA's products and services. These factors as well as others negatively affecting the banking industry could have a material adverse effect on TSA's financial condition and results of operations.

TSA's future results depend on the success of Compaq Computer Corporation (Compaq) and TSA's relationship with Compaq

Historically, TSA has derived a substantial portion of its total revenues from the licensing of software products that operate on Compaq computers. TSA's BASE24 product line as well as TSA's CoACH, MoneyNet and ICE products run exclusively on Compaq computers. The BASE24 product line is expected to provide a majority of TSA's revenues in the foreseeable future. TSA's future results depend on market acceptance of Compaq computers and the financial success of Compaq. Any reduction in demand for these computers or in Compaq's ability to deliver products on a timely basis could have a material adverse effect on TSA's financial condition and results of operations.

Although TSA has several written agreements with Compaq, none of those agreements governs the primary relationship between TSA and Compaq, which is that TSA's major product line, BASE24, runs exclusively on Compaq computers. The cooperation and past affiliation between TSA and Compaq have facilitated TSA's ability to develop and market Compaq-compatible products. However, this cooperation is not mandated by contract. The cessation of such cooperation would adversely affect TSA's business. None of TSA's agreements with Compaq would protect TSA if Compaq's cooperation ceased or if Compaq were unable to deliver products on a timely basis. The written agreements cover such discrete matters as funding of market development efforts.

Implementation of the Corporate Strategy to Focus on Consumer e-Payments Business

TSA has announced a corporate strategy to focus on its Consumer e-Payments business and to consider and implement alternatives for its Electronic Business Infrastructure, Corporate Banking e-Payments and Health Payments Systems businesses ("Other Businesses"). The decision of TSA to implement any aspect of its corporate strategy and the feasibility of implementing the strategy is subject to numerous factors, including market conditions and perceptions, demand for the Other Businesses by potential investors or potential acquirers, personnel, tax, business, general economic conditions, viability of the Other Businesses as stand alone operations, and other factors that could affect TSA's decisions and ability to separate businesses, to divest, raise capital, or implement other alternatives for such businesses, and to implement other aspects of TSA's corporate strategy. There can be no assurance that TSA will implement any aspect of the corporate strategy or that if implemented the strategy will be successful.

Continuation of Post Year 2000 Business Downturn

During the first quarter of fiscal 2000, TSA'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 TSA's software license fee and services revenue due to the less than expected demand by TSA's customers and potential new customers to upgrade and enhance their current systems. In addition, since the Year 2000 cutover, TSA 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 prior periods. The Year 2000 lock-down has interrupted TSA's normal sales cycle and therefore is likely to have a negative impact on the company's revenue and net income beyond fiscal 2000. TSA 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. There can be no assurance that TSA's growth rates will return to historical levels.

Changes in Accounting Standards Could Affect the Calculation of Revenues and Operating Results

Additional revenue recognition standards, interpretations or guidance regarding existing standards could be issued in the future. These interpretations and additional standards and guidance could lead to unanticipated changes in TSA's current revenue recognition policies which could affect the timing of the recognition of revenue and cause fluctuations in operating results. Statement of Position 97-2, "Software Recognition" ("SOP 97-2") was issued in October 1997 by the American Institute of Certified Public Accountants. TSA was required to adopt SOP 97-2 beginning in fiscal 1999. As a result of adopting SOP 97-2, TSA was required to change its revenue recognition policy. Under the revised policy, for certain software license contracts with fixed payment terms that extent beyond 12 months, software license fees are recognized upon delivery of the software. Prior to the adoption of SOP

97-2, these software license fees were recognized as the fees were billed and collected.

TSA may not be able to attract and retain key personnel

TSA's success depends on certain of its executive officers, the loss of one or more of whom could have a material adverse effect on TSA's financial condition and results of operations. None of TSA's U.S.-based executive officers is a party to an employment agreement, except for the Company's Chief Executive Officer. TSA believes that its future success also depends on its ability to attract and retain highly-skilled technical, managerial and marketing personnel, including, in particular, personnel in the areas of research and development and technical support. Competition for personnel is intense. There can be no assurance that TSA will be successful in attracting and retaining the personnel it requires.

The market for electronic payment software and services is highly competitive

Many applications software vendors offer products that are directly competitive with BASE24 and other products of TSA. TSA also experiences competition from software developed internally by potential customers and experiences competition for its consulting services from professional services organizations. In addition, processing companies provide services similar to those made possible by TSA's products. Many of TSA's current and potential competitors have significantly greater financial, marketing, technical and other competitive resources than TSA. Current and potential competitors, including providers of transaction-based software, processing, or professional services, may establish cooperative relationships with one another or with third parties to compete more effectively against TSA. It is also possible that new competitors may emerge and acquire market share. In either case, TSA's financial condition and results of operations could be adversely affected. TSA's future success depends on its ability to timely develop and market product enhancements and new products.

The market for software in general is characterized by rapid change in computer hardware and software technology and is highly competitive with respect to the need for timely product innovation and new product introductions. TSA believes that its future success depends upon its ability to enhance its current applications and develop new products that address the increasingly complex needs of customers. In particular, TSA believes that it must continue to respond quickly to users' needs for additional functionality and multi-platform support. The introduction and marketing of new or enhanced products requires TSA to manage the transition from current products in order to minimize disruption in customer purchasing patterns. There can be no assurance that TSA will continue to be successful in the timely development and marketing of product enhancements or new products that respond to technological advances, that its new products will adequately address the changing needs of the domestic and international markets or that it will successfully manage the transition from current products.

TSA is continually developing new products, product versions and individual features within a large, complex software system. Development projects can be lengthy and are subject to changing requirements, programming difficulties and unforeseen factors which can result in delays in the introduction of new products and features. Delays could have a material adverse effect on TSA's financial condition and results of operations.

In addition, new products, versions or features, when first released by TSA, may contain undetected errors that, despite testing by TSA, are discovered only after a product has been installed and used by customers. To date, undetected errors have not caused significant delays in product introduction and installation or required substantial design modifications. However, there can be no assurance that TSA will avoid problems of this type in the future.

A majority of TSA's license fee revenue is generated by licenses for software products designed to run on Compaq's fault-tolerant mainframe computers. TSA has developed, and continues to develop, certain products for other platforms. However, revenues from these products have not been significant to date. There can be no assurance that TSA will be successful in selling these software products or other products under development. TSA's failure in this regard could have a material adverse effect on its financial condition and results of operations.

TSA is dependent on proprietary technology

TSA relies on a combination of trade secret and copyright laws, nondisclosure and other contractual and technical measures to protect its proprietary rights in its products. There can be no assurance that these provisions will be adequate to protect its proprietary rights. In addition, the laws of certain foreign countries do not protect intellectual property rights to the same extent as the laws of the United States. Although TSA believes that its intellectual property rights do not infringe upon the proprietary rights of third parties, there can be no assurance that third parties will not assert infringement claims against TSA.

Fluctuations in quarterly operating results may result in volatility in TSA's stock price

TSA's quarterly revenues and operating results may fluctuate depending on the timing of executed contracts, license upgrades and the delivery of contracted business during the quarter. In addition, quarterly operating results may fluctuate due to the extent of commissions associated with third party product sales, timing of TSA's hiring of additional staff, new product development and other expenses. No assurance can be given that operating results will not vary due to these factors.

Customers may cancel contracts

TSA derives a substantial portion of its total revenues from maintenance fees and monthly software license fees pursuant to contracts which the customer has the right to cancel. A substantial number of cancellations of these maintenance or monthly license fee contracts would have a material adverse effect on TSA's financial condition and results of operations.

TSA's stock price may be volatile

The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the high technology sector, which have often been unrelated to the operating performance of particular companies. Any announcement with respect to any variance in revenue or earnings from levels generally expected by securities analysts for a given period could have an immediate and significant effect on the trading price of the Class A Common Stock. In addition, factors such as announcements of technological innovations or new products by TSA, its competitors or other third parties, as well as changing market conditions in the computer software or hardware industries, may have a significant impact on the market price of the Class A Common Stock.

TSA's charter contains provisions that may affect changes in control

TSA's Certificate of Incorporation contains provisions that may discourage acquisition bids for TSA. The effect of such provisions may be to limit the price that investors might be willing to pay in the future for shares of the Class A Common Stock.

TSA's acquisition strategy involves numerous risks and challenges

TSA has expanded and will seek to continue to expand its operations through the acquisition of additional businesses that complement it's core skills and have the potential to increase it's overall value. TSA's future growth may depend, in part, upon the continued success of its acquisition strategy. TSA may not be able to successfully identify and acquire, on favorable terms, compatible businesses. Acquisitions involve many risks, which could have a material adverse effect on TSA's business, financial condition and results of operations, including:

- Acquired businesses may not achieve anticipated revenues, earnings or cash flow;

- Integration of acquired businesses and technologies may not be successful and TSA may not realize anticipated economic, operational and other benefits in a timely manner, particularly if TSA acquires a business in a market in which TSA has limited or no current expertise or with a corporate culture different from TSA's;

- Potential dilutive effect on TSA's stockholders from continued issuance of Common Stock as consideration for acquisitions;

- Adverse effect on net income of amortization expense related to goodwill and other intangible assets and other acquisition-related charges, costs and expenses on net income;

- Competing with other companies, many of which have greater financial and other resources to acquire attractive companies makes it more difficult to acquire suitable companies on acceptable terms; and

- Disruption of TSA's existing business, distraction of management and other resources and difficulty in maintaining TSA's current business standards, controls and procedures.