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

FORM 10-Q

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

For the quarterly period ended March 31, 2006

Commission File Number 0-25346

TRANSACTION SYSTEMS ARCHITECTS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

47-0772104
(I.R.S. Employer
Identification No.)

(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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of April 27, 2006, there were 37,392,497 shares of the registrant's common stock, par value \$.005 per share, outstanding (including options to purchase 2,212 shares of the registrant's common stock at an exercise price of one cent per share).

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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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TRANSACTION SYSTEMS ARCHITECTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	March 31, 2006	September 30, 2005
ASSETS		
(Unaudited)		
Current assets:		
Cash and cash equivalents	\$ 113,539	\$ 83,693
Marketable securities	76,182	72,819
Billed receivables, net of allowances of \$2,102 and \$2,390, respectively	59,110	63,530
Accrued receivables	8,547	5,535
Recoverable income taxes	-	3,474
Deferred income taxes, net	4,509	2,552
Other	11,959	13,009
Total current assets	273,846	244,612
Property and equipment, net	9,642	9,089
Software, net	4,275	4,930
Goodwill	66,248	66,169
Other intangible assets, net	12,481	13,573
Deferred income taxes, net	21,566	21,884
Other	2,737	3,123
Total assets	\$ 390,795	\$ 363,380
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt - financing agreements	\$ 308	\$ 2,165
Accounts payable	6,316	9,521
Accrued employee compensation	15,967	19,296
Income taxes payable	8,999	-
Deferred revenue	80,134	81,374
Accrued and other liabilities	10,666	11,662
Total current liabilities	122,390	124,018
Debt - financing agreements	-	154
Deferred revenue	20,429	20,450
Other	1,854	1,640
Total liabilities	144,673	146,262
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, \$.01 par value; 5,000,000 shares authorized; no shares issued and outstanding		
at		
March 31, 2006 and September 30, 2005	-	-
Common stock, \$.005 par value; 70,000,000 shares authorized; 40,823,727 and 40,327,678 shares issued at March 31, 2006 and September 30, 2005, respectively	204	202
Treasury stock, at cost; 3,431,231 and 2,943,109 shares at March 31, 2006 and September 30, 2005, respectively	(82,251)	(68,596)
Additional paid-in capital	287,059	274,344
Retained earnings	50,505	20,329
Accumulated other comprehensive loss	(9,395)	(9,161)
Total stockholders' equity	246,122	217,118
Total liabilities and stockholders' equity	\$ 390,795	\$ 363,380

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

TRANSACTION SYSTEMS ARCHITECTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited and in thousands, except per share amounts)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2006	2005	2006	2005
Revenues:				
Software license fees	\$ 47,730	\$ 42,953	\$ 91,122	\$ 90,759
Maintenance fees	24,746	22,649	50,064	44,729
Services	17,357	10,024	33,722	20,744
Total revenues	<u>89,833</u>	<u>75,626</u>	<u>174,908</u>	<u>156,232</u>
Expenses:				
Cost of software license fees	7,505	5,725	14,440	11,631
Cost of maintenance and services	19,056	13,818	39,947	27,654
Research and development	9,978	10,223	19,730	20,138
Selling and marketing	16,529	15,368	32,541	30,669
General and administrative	15,563	14,449	32,533	28,012
Total expenses	<u>68,631</u>	<u>59,583</u>	<u>139,191</u>	<u>118,104</u>
Operating income	<u>21,202</u>	<u>16,043</u>	<u>35,717</u>	<u>38,128</u>
Other income (expense):				
Interest income	1,586	864	4,513	1,448
Interest expense	(87)	(137)	(116)	(305)
Other, net	354	255	(12)	(992)
Total other income (expense)	<u>1,853</u>	<u>982</u>	<u>4,385</u>	<u>151</u>
Income before income taxes	23,055	17,025	40,102	38,279
Income tax provision	(8,069)	(5,832)	(9,926)	(14,163)
Net income	<u>\$ 14,986</u>	<u>\$ 11,193</u>	<u>\$ 30,176</u>	<u>\$ 24,116</u>
Earnings per share information:				
Weighted average shares outstanding:				
Basic	<u>37,241</u>	<u>38,121</u>	<u>37,247</u>	<u>37,949</u>
Diluted	<u>38,065</u>	<u>38,903</u>	<u>38,041</u>	<u>38,731</u>
Earnings per share:				
Basic	<u>\$ 0.40</u>	<u>\$ 0.29</u>	<u>\$ 0.81</u>	<u>\$ 0.64</u>
Diluted	<u>\$ 0.39</u>	<u>\$ 0.29</u>	<u>\$ 0.79</u>	<u>\$ 0.62</u>

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

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

	Six Months Ended March 31,	
	2006	2005
Cash flows from operating activities:		
Net income	\$ 30,176	\$ 24,116
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,042	1,945
Amortization	1,861	441
Deferred income taxes	(1,631)	(5,285)
Share-based compensation expense	2,884	-
Tax benefit of stock options exercised	681	2,526
Changes in operating assets and liabilities:		
Billed and accrued receivables, net	1,094	(3,464)
Other current assets	1,044	(1,540)
Other assets	(6)	(1,785)
Accounts payable	(3,121)	734
Accrued employee compensation	(2,729)	(1,322)
Accrued liabilities	(697)	(180)
Current income taxes	12,474	8,062
Deferred revenue	(946)	6,044
Other current and noncurrent liabilities	102	215
Net cash provided by operating activities	<u>43,228</u>	<u>30,507</u>
Cash flows from investing activities:		
Purchases of property and equipment	(3,049)	(1,577)
Purchases of software	(255)	(912)
Purchases of marketable securities	(36,062)	(76,875)
Sales of marketable securities	32,703	3,778
Acquisition of business	(59)	-
Net cash used in investing activities	<u>(6,722)</u>	<u>(75,586)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock	589	487
Proceeds from exercises of stock options	7,055	7,892
Excess tax benefit of stock options exercised	1,506	-
Purchases of common stock	(13,978)	(7,249)
Payments on debt - financing agreements	(2,002)	(4,984)
Other	122	397
Net cash used in financing activities	<u>(6,708)</u>	<u>(3,457)</u>
Effect of exchange rate fluctuations on cash	48	1,837
Net increase (decrease) in cash and cash equivalents	29,846	(46,699)
Cash and cash equivalents, beginning of period	83,693	134,198
Cash and cash equivalents, end of period	<u>\$ 113,539</u>	<u>\$ 87,499</u>

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

TRANSACTION SYSTEMS ARCHITECTS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Consolidated Financial Statements

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. The consolidated financial statements at March 31, 2006, and for the three and six months ended March 31, 2006 and 2005, are unaudited and reflect all adjustments of a normal recurring nature, except as otherwise disclosed herein, which are, in the opinion of management, necessary for a fair presentation, in all material respects, of the financial position and operating results for the interim periods. Certain amounts previously reported have been reclassified to conform to the current period presentation.

The consolidated financial statements contained herein 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, 2005. The results of operations for the three and six months ended March 31, 2006 are not necessarily indicative of the results that may be achieved for the entire fiscal year ending September 30, 2006.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

On July 29, 2005, the Company acquired the business of S2 Systems, Inc. ("S2") through the acquisition of substantially all of its assets. S2 was a global provider of electronic payments and network connectivity software, and it primarily served financial services and retail customers. In addition to its U.S. operations, S2 had a significant presence in the Middle East, Europe, Latin America and the Asia/Pacific region. The consolidated financial statements at March 31, 2006 and September 30, 2005, and for the three and six months ended March 31, 2006, include amounts acquired from, as well as results of operations of, the acquired business.

2. Revenue Recognition, Accrued Receivables and Deferred Revenue

Software License Fees. The Company recognizes software license fee revenue in accordance with American Institute of Certified Public Accountants ("AICPA") Statement of Position ("SOP") 97-2, "Software Revenue Recognition," SOP 98-9, "Modification of SOP 97-2, Software Revenue Recognition With Respect to Certain Transactions," and Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") 101, "Revenue Recognition in Financial Statements," as amended by SAB 104, "Revenue Recognition." For software license arrangements for which services rendered are not considered essential to the functionality of the software, the Company recognizes revenue upon delivery, provided (1) there is persuasive evidence of an arrangement, (2) collection of the fee is considered probable and (3) the fee is fixed or determinable. In most arrangements, vendor-specific objective evidence ("VSOE") of fair value does not exist for the license element; therefore, the Company uses the residual method under SOP 98-9 to determine the amount of revenue to be allocated to the license element. Under SOP 98-9, the fair value of all undelivered elements, such as postcontract customer support (maintenance or "PCS") or other products or services, is deferred and subsequently recognized as the products are delivered or the services are performed, with the residual difference between the total arrangement fee and revenues allocated to undelivered elements being allocated to the delivered elements.

When a software license arrangement includes services to provide significant modification or customization of software, those services are not separable from the software and are accounted for in accordance with Accounting Research Bulletin ("ARB") No. 45, "Long-Term Construction-Type Contracts," and the relevant guidance provided by SOP 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts." Accounting for services delivered over time (generally in excess of twelve months) under ARB No. 45 and SOP 81-1 is referred to as contract accounting. Under contract accounting, the Company generally uses the

percentage-of-completion method. Under the percentage-of-completion method, the Company records revenue for the software license fee and services over the development and implementation period, with the percentage of completion generally measured by the percentage of labor hours incurred to-date to estimated total labor hours for each contract. For those contracts subject to percentage-of-completion contract accounting, estimates of total revenue and profitability under the contract consider amounts due under extended payment terms. In certain cases, the Company provides its customers with extended payment terms whereby payment is deferred beyond when the services are rendered. In other projects, the Company provides its customer with extended payment terms that are refundable in the event certain milestones are not achieved or the project scope changes. The Company excludes revenues due on extended payment terms from its current percentage-of-completion computation until such time that collection of the fees becomes probable. In the event project profitability is assured and estimable within a range, percentage-of-completion revenue recognition is computed using the lowest level of profitability in the range. If the range of profitability is not estimable but some level of profit is assured, revenues are recognized to the extent direct and incremental costs are incurred until such time that project profitability can be estimated. In the event some level of profitability cannot be reasonably assured, completed-contract accounting is applied.

For software license arrangements in which a significant portion of the fee is due more than 12 months after delivery, the software license fee is deemed not to be fixed or determinable. For software license arrangements in which the fee is not considered fixed or determinable, the software license fee is recognized as revenue as payments become due and payable, provided all other conditions for revenue recognition have been met. For software license arrangements in which the Company has concluded that collection of the fees is not probable, revenue is recognized as cash is collected, provided all other conditions for revenue recognition have been met. In making the determination of collectibility, the Company considers the creditworthiness of the customer, economic conditions in the customer's industry and geographic location, and general economic conditions.

SOP 97-2 requires the seller of software that includes PCS to establish VSOE of fair value of the undelivered element of the contract in order to account separately for the PCS revenue. For certain of the Company's products, VSOE of the fair value of PCS is determined by a consistent pricing of PCS and PCS renewals as a percentage of the software license fees. In other products, the Company determines VSOE by reference to contractual renewals, when the renewal terms are substantive. In those cases where VSOE of the fair value of PCS is determined by reference to contractual renewals, the Company considers factors such as whether the period of the initial PCS term is relatively long when compared to the term of the software license or whether the PCS renewal rate is significantly below the Company's normal pricing practices.

In the absence of customer-specific acceptance provisions, software license arrangements generally grant customers a right of refund or replacement only if the licensed software does not perform in accordance with its published specifications. If the Company's product history supports an assessment by management that the likelihood of non-acceptance is remote, the Company recognizes revenue when all other criteria of revenue recognition are met.

For those software license arrangements that include customer-specific acceptance provisions, such provisions are generally presumed to be substantive and the Company does not recognize revenue until the earlier of the receipt of a written customer acceptance, objective demonstration that the delivered product meets the customer-specific acceptance criteria or the expiration of the acceptance period. The Company also defers the recognition of revenue on transactions involving less-established or newly released software products that do not have a product history. The Company recognizes revenues on such arrangements upon the earlier of receipt of written acceptance or the first production use of the software by the customer.

For software license arrangements in which the Company acts as a sales agent for another company's products, revenues are recorded on a net basis. These include arrangements in which the Company does not take title to the products, is not responsible for providing the product or service, earns a fixed commission, and assumes credit risk only to the extent of its commission. For software license arrangements in which the Company acts as a distributor of another company's product, and in certain circumstances, modifies or enhances the product, revenues are recorded on a gross basis. These include arrangements in which the Company takes title to the products and is responsible for providing the product or service.

For software license arrangements in which the Company permits the customer to vary their software mix, including the right to receive unspecified future software products during the software license term, the Company recognizes revenue ratably over the license term, provided all other revenue recognition criteria have been met. For software license arrangements in which the customer is charged variable software license fees based on usage of the product, the Company recognizes revenue as usage occurs over the term of the license, provided all other revenue recognition criteria have been met.

Certain of the Company's software license arrangements are short-term, time-based license arrangements; allow the customer to vary their software mix; or include PCS terms that are relatively long as compared to the license term. For these arrangements, VSOE of fair value of PCS may not exist and revenues would therefore be recognized ratably over the PCS term. The Company typically classifies revenues associated with these arrangements in accordance with the contractually-specified amounts assigned to the various elements, including software license fees and maintenance fees. The following are amounts included in revenues in the consolidated statements of operations for which VSOE of fair value does not exist for each element:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2006	2005	2006	2005
Software license fees	\$ 4,057	\$ 5,113	\$ 8,307	\$ 10,065
Maintenance fees	1,364	1,567	2,676	3,163
Total	\$ 5,421	\$ 6,680	\$ 10,983	\$ 13,228

Maintenance Fees. Revenues for PCS are recognized ratably over the maintenance term specified in the contract. In arrangements where VSOE of fair value of PCS cannot be determined (for example, a time-based software license with a duration of one year or less), the Company recognizes revenue for the entire arrangement ratably over the PCS term.

Services. The Company provides various professional services to customers, primarily project management, software implementation and software modification services. Revenues from arrangements to provide professional services are generally recognized as the related services are performed. For those arrangements in which services revenue is deferred and the Company determines that the costs of services are recoverable, such costs are deferred and subsequently expensed in proportion to the services revenue as it is recognized.

Accrued Receivables. Accrued receivables represent amounts to be billed in the near future (less than 12 months).

Deferred Revenue. Deferred revenue includes (1) amounts currently due and payable from customers, and payments received from customers, for software licenses, maintenance and/or services in advance of providing the product or performing services, (2) amounts deferred whereby VSOE of the fair value of undelivered elements in a bundled arrangement does not exist, and (3) amounts deferred if other conditions for revenue recognition have not been met.

3. Share-Based Compensation Plans

Stock Incentive Plans - Active Plans

The Company has a 2005 Equity and Performance Incentive Plan (the "2005 Incentive Plan") under which shares of the Company's common stock have been reserved for issuance to eligible employees or non-employee directors of the Company. The 2005 Incentive Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards, performance awards and other awards. The maximum number of shares of the Company's common stock that may be issued or transferred in connection with awards granted under the 2005 Incentive Plan will be the sum of (i) 3,000,000 shares and (ii) any shares represented by outstanding options that had been granted under designated terminated stock option plans that are subsequently forfeited, expire or are canceled without delivery of the Company's common stock.

Stock options granted pursuant to the 2005 Incentive Plan are granted at an exercise price not less than the market value per share of the Company's common stock on the day immediately preceding the date of the grant. Under the 2005 Incentive Plan, the term of the outstanding options may not exceed ten years. Vesting of options is determined by the Compensation Committee of the Board of Directors, the administrator of the 2005 Incentive Plan, and can vary based upon the individual award agreements.

Performance awards granted pursuant to the 2005 Incentive Plan become payable upon the achievement of specified management objectives. Each performance award specifies: (i) the number of performance shares or units granted, (ii) the period of time established to achieve the management objectives, which may not be less than one year from the grant date, (iii) the management objectives and a minimum acceptable level of achievement as well as a formula for determining the number of performance shares or units earned if performance is at or above the minimum level but short of full achievement of the management objectives, and (iv) any other terms deemed appropriate.

The Company also has a 1999 Stock Option Plan under which 4,000,000 shares of the Company's common stock have been reserved for issuance to eligible employees of the Company and its subsidiaries. Stock options granted pursuant to the 1999 Stock Option Plan are granted at an exercise price not less than the fair market value of the common stock at the time of the grant. The term of the outstanding options is ten years. The options generally vest in equal installments annually over a period of three years.

Employee Stock Purchase Plan

Under the Company's 1999 Employee Stock Purchase Plan (the "ESPP"), a total of 1,500,000 shares of the Company's common stock have been reserved for issuance to eligible employees. Participating employees are permitted to designate up to the lesser of \$25,000 or 10% of their annual base compensation for the purchase of common stock under the ESPP. Purchases under the ESPP are made one calendar month after the end of each fiscal quarter. The price for shares of common stock purchased under the ESPP is 85% of the stock's fair market value on the last business day of the three-month participation period.

Accounting for Share-Based Payments Pursuant to Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004), "Share-Based Payment" ("SFAS No. 123R")

The Company adopted SFAS No. 123R as of October 1, 2005 using the modified prospective transition method. This revised accounting standard eliminated the ability to account for share-based compensation transactions using the intrinsic value method in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and requires instead that such transactions be accounted for using a fair-value-based method. SFAS No. 123R requires entities to record noncash compensation expense related to payment for employee services by an equity award in their financial statements over the requisite service period. In March 2005, the SEC issued SAB 107, "Share-Based Payment," which does not modify any of SFAS No. 123R's conclusions or requirements, but rather includes recognition, measurement and disclosure guidance for companies as they implement SFAS No. 123R.

All of the Company's existing share-based compensation awards have been determined to be equity awards. Under the modified prospective transition method, the Company is required to recognize noncash compensation costs for the portion of share-based awards that are outstanding as of October 1, 2005 for which the requisite service has not been rendered (i.e. nonvested awards) as the requisite service is rendered on or after that date. These compensation costs are based on the grant date fair value of those awards as calculated for pro forma disclosures under SFAS No. 123. The Company is recognizing compensation costs related to the nonvested portion of those awards in the financial statements from the SFAS No. 123R adoption date through the end of the requisite service period. Under the modified prospective transition method, the financial statements are unchanged for periods prior to adoption and the pro forma disclosures previously required by SFAS No. 123 for those prior periods will continue to be required to the extent those amounts differ from the amounts in the statement of operations.

The Company did not grant any awards pursuant to the 1999 Stock Option Plan during the first six months of fiscal 2006. The Company granted 50,000 and 80,000 stock options, respectively, during the second quarter and first six months of fiscal 2006 pursuant to the 2005 Incentive Plan. With respect to these options, which vest with the passage of time, the fair value of this option grant was estimated on the date of grant using the Black-Scholes option-pricing model, a pricing model acceptable under SFAS No. 123R, with the following weighted-average assumptions:

	Three Months Ended March 31, 2006	Six Months Ended March 31, 2006
Expected life	4.0	4.4
Interest rate	4.7%	4.6%
Volatility	42%	42%
Dividend yield	—	—

Expected volatilities are based on implied volatilities from traded options on the Company's common stock, historical volatility of the Company's common stock, and other factors. The expected term of options granted represents the period of time that options granted are expected to be outstanding, assuming differing exercise behaviors for stratified employee groupings.

During the first six months of fiscal 2006, pursuant to the Company's 2005 Incentive Plan, the Company also granted long-term incentive program performance share awards ("LTIP Performance Shares") representing 124,000 shares of the Company's common stock with a weighted-average grant date fair value of \$29.18 per share to various key employees of the Company, using the market price of the Company's common stock at the time of grant as the fair value per share. These LTIP Performance Shares are earned, if at all, based upon the achievement, over a three-year period (the "Performance Period"), of performance goals related to (i) the compound annual growth over the Performance Period in the Company's 60-month backlog as determined by the Company, (ii) the compound annual growth over the Performance Period in the diluted earnings per share as reported in the Company's consolidated financial statements, and (iii) the compound annual growth over the Performance Period in the total revenues as reported in the Company's consolidated financial statements. In no event will any of the LTIP Performance Shares become earned if the Company's earnings per share is below a predetermined minimum threshold level at the conclusion of the Performance Period. Assuming achievement of the predetermined minimum earnings per share threshold level, up to 150% of the LTIP Performance Shares may be earned upon achievement of performance goals equal to or exceeding the maximum target levels for compound annual growth over the Performance Period in the Company's 60-month backlog, diluted earnings per share and total revenues. Management must evaluate, on a quarterly basis, the probability that the target performance goals will be achieved, if at all, and the anticipated level of attainment in order to determine the amount of compensation costs to record in the consolidated financial statements.

Additionally, the discount offered pursuant to the Company's ESPP discussed above is 15%, which exceeds the 5% noncompensatory guideline in SFAS No. 123R and exceeds the Company's estimated cost of raising capital. Consequently, the entire 15% discount to employees is deemed to be compensatory.

Share-based compensation expenses recognized under SFAS No. 123R in the second quarter of fiscal 2006 related to stock options, LTIP Performance Shares, and the ESPP were \$1.5 million, with corresponding tax benefits of \$0.5 million, resulting in decreased net income of \$1.0 million, or \$0.03 per basic share and \$0.03 per diluted share. Share-based compensation expenses recognized under SFAS No. 123R in the first six months of fiscal 2006 related to stock options, LTIP Performance Shares, and the ESPP were \$2.9 million, with corresponding tax benefits of \$1.0 million, resulting in decreased net income of \$1.9 million, or \$0.05 per basic share and \$0.05 per diluted share. No share-based compensation costs were capitalized during the second quarter or first six months of fiscal 2006. Estimated forfeiture rates, stratified by employee classification, have been included as part of the Company's calculations of compensation costs. The Company elected to recognize compensation costs for stock option awards which vest with the passage of time with only service conditions on a straight-line basis over the requisite service period. In accordance with the modified prospective transition method, the Company's consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS No. 123R. However, pro forma disclosures for periods prior to adoption of SFAS No. 123R are included below as part of this footnote.

Adoption of SFAS No. 123R also affected the Company's presentation of cash flows. For the first six months of fiscal 2006, tax benefits in excess of the SFAS No. 123 grant date fair value realized from options exercised during that period reduced cash flows from operating activities by \$1.5 million and increased cash flows from financing activities by \$1.5 million as compared to amounts that would have been reported had the Company not adopted the new standard.

Other Disclosures

A summary of stock options as of March 31, 2006 and changes during the six months then ended is as follows:

Stock Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at October 1, 2005	3,926,218	\$ 16.79		
Granted	80,000	31.62		
Exercised	(472,835)	14.93		
Cancellations	(42,822)	22.52		
Outstanding at March 31, 2006	3,490,561	\$ 17.31	7.0	\$ 47,994
Exercisable at March 31, 2006	2,074,456	\$ 13.79	5.7	\$ 35,537

All fully-vested stock options as of March 31, 2006 are exercisable and are included in the above table. During the first six months of fiscal 2006, the Company issued new shares of common stock upon option exercise. The intrinsic value of options exercised during the first six months of fiscal 2006 was \$6.5 million. The Company's stock awards allow employees to exercise options through cash payment to the Company for the shares of common stock or through a simultaneous broker-assisted cashless exercise of a share option, through which the employee authorizes the exercise of an option and the immediate sale of the option shares in the open market.

A summary of nonvested LTIP Performance Shares as of March 31, 2006 and changes during the six months then ended is as follows:

Nonvested LTIP Performance Shares	Number	Weighted-Average Grant Date Fair Value
Nonvested at October 1, 2005	37,000	\$ 28.27
Granted	124,000	29.18
Exercised	-	-
Cancellations	(5,000)	28.27
Nonvested at March 31, 2006	156,000	\$ 29.00

As of March 31, 2006, there were unrecognized compensation costs of \$9.9 million related to nonvested stock options and \$3.4 million related to nonvested LTIP Performance Shares which the Company expects to recognize over weighted-average periods of 2.7 years and 2.5 years, respectively.

Accounting for Share-Based Payments Prior to Adoption of SFAS No. 123R

Prior to October 1, 2005, the Company accounted for its stock-based compensation plans under the intrinsic value method in accordance with APB Opinion No. 25 and followed the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." Because the significant majority of the Company's stock options are subject only to time-based vesting provisions and include exercise prices that are equal to the fair market value of the Company's stock at the time of grant, compensation expense generally was not recorded related to stock options under the intrinsic value method of APB Opinion No. 25.

Prior to October 1, 2005, the Company calculated stock-based compensation pursuant to the disclosure provisions of SFAS No. 123 using the straight-line method over the vesting period of the option. Had compensation cost for the Company's stock-based compensation plans been determined using the fair value method at the grant date of the stock options awarded under those plans, consistent with the fair value method of SFAS No. 123, the Company's net income and earnings per share for the second quarter and first six months of fiscal 2005 would have approximated the following pro forma amounts (in thousands, except per share amounts):

	Three Months Ended March 31, 2005	Six Months Ended March 31, 2005
Net income:		
As reported	\$ 11,193	\$ 24,116
Deduct: stock-based employee compensation expense determined under the fair value method for all awards, net of related tax effects	(663)	(1,293)
Add: stock-based employee compensation expense recorded under the intrinsic value method, net of related tax effects	76	95
Pro forma	<u>\$ 10,606</u>	<u>\$ 22,918</u>
Earnings per share:		
Basic, as reported	<u>\$ 0.29</u>	<u>\$ 0.64</u>
Basic, pro forma	<u>\$ 0.28</u>	<u>\$ 0.60</u>
Diluted, as reported	<u>\$ 0.29</u>	<u>\$ 0.62</u>
Diluted, pro forma	<u>\$ 0.27</u>	<u>\$ 0.59</u>

The effects of applying SFAS No. 123 in this pro forma disclosure are not indicative of future amounts.

With respect to options granted that vest with the passage of time, the fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model, a pricing model acceptable under SFAS No. 123, with the following weighted-average assumptions:

	Three Months Ended March 31, 2005	Six Months Ended March 31, 2005
Expected life	4.1	4.1
Interest rate	4.0%	4.0%
Volatility	46%	47%
Dividend yield	—	—

During fiscal 2005, the Company granted 400,000 stock options with a grant date fair value of \$9.12 per share and 40,000 stock options with a grant date fair value of \$11.36 per share that vest, if at all, at any time following the second anniversary of the date of grant, upon attainment by the Company of a market price of at least \$50 per share for sixty consecutive trading days. In order to determine the grant date fair value of the stock options granted during fiscal 2005 that vest based on the achievement of certain market conditions, a Monte Carlo simulation model was used to estimate (i) the probability that the performance goal will be achieved and (ii) the length of time required to attain the target market price. The Monte Carlo simulation model analyzed the Company's historical price movements, changes in the value of The NASDAQ Stock Market over time, and the correlation coefficient and beta between the Company's stock price and The NASDAQ Stock Market. The Monte Carlo simulation indicated that on a risk-weighted basis these stock options would vest 3.6 years after the date of grant. The expected vesting period was then incorporated into a statistical regression analysis of the historical exercise behavior of other Company senior executives to arrive at an expected option life. With respect to options granted that vest based on the achievement of certain market conditions, the grant date fair value of such options was estimated using a pricing model acceptable under SFAS No. 123 with the following weighted-average assumptions:

	Three Months Ended March 31, 2005	Six Months Ended March 31, 2005
Expected life	5.5	5.5
Interest rate	4.2%	4.2%
Volatility	46%	46%
Dividend yield	—	—

During fiscal 2005, pursuant to the Company's 2005 Incentive Plan, the Company granted LTIP Performance Shares representing 37,000 shares of the Company's common stock with a grant date fair value of \$28.27 per share to various key employees of the Company, using the market price of the Company's common stock at the time of grant as the fair value per share. None of the LTIP Performance Shares were granted during the second quarter or first six months of fiscal 2005.

4. Marketable Securities

The Company accounts for its investments in marketable securities in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The Company's portfolio consists of securities classified as available-for-sale, which are recorded at fair market values based on quoted market prices. Net unrealized gains and losses on marketable securities (excluding other than temporary losses) are reflected in the consolidated financial statements as a component of accumulated other comprehensive loss. Net realized gains and losses are computed on the basis of average cost and are recognized when realized. Components of the Company's marketable securities portfolio at each balance sheet date were as follows (in thousands):

	March 31, 2006	Sept. 30, 2005
Municipal auction rate notes	\$ 75,185	\$ 71,825
Municipal bonds/notes	997	994
Marketable securities	<u>\$ 76,182</u>	<u>\$ 72,819</u>

At each balance sheet date, all of the Company's investments in municipal auction rate notes and municipal bonds/notes had a AAA rating. Due to the nature of the marketable securities in which the Company invests, the Company does not typically experience significant movements in the market values of its marketable securities investments. As a result, gross unrealized gains and losses on the Company's investments in marketable securities are insignificant.

5. Goodwill, Software and Other Intangible Assets

Changes in the carrying amount of goodwill during the first six months of fiscal 2006 consisted of additional goodwill of \$143,000 related to the acquisition of S2 and a net decrease of \$64,000 resulting from foreign currency translation adjustments.

The carrying amount and accumulated amortization of the Company's intangible assets that were subject to amortization at each balance sheet date were as follows (in thousands):

	March 31, 2006	Sept. 30, 2005
Software:		
Internally-developed software	\$ 17,418	\$ 14,916
Purchased software	40,555	43,177
	57,973	58,093
Less: accumulated amortization	(53,698)	(53,163)
Software, net	<u>\$ 4,275</u>	<u>\$ 4,930</u>

	March 31, 2006	Sept. 30, 2005
Other intangible assets:		
Customer relationships	\$ 14,253	\$ 14,375
Purchased contracts	3,871	3,907
Trademarks and tradenames	1,400	1,400
Covenant not to compete	1,150	1,150
	<u>20,674</u>	<u>20,832</u>
Less: accumulated amortization	(8,193)	(7,259)
Other intangible assets, net	<u>\$ 12,481</u>	<u>\$ 13,573</u>

Amortization of software is computed using the greater of the ratio of current revenues to total estimated revenues expected to be derived from the software or the straight-line method over an estimated useful life of three years. Software amortization expense recorded in the three and six months ended March 31, 2006 totaled \$0.5 million and \$0.9 million, respectively. Other intangible assets amortization expense recorded in the three and six months ended March 31, 2006 totaled \$0.4 million and \$0.9 million, respectively. Based on capitalized intangible assets at March 31, 2006, and assuming no impairment of these intangible assets, estimated amortization expense for the remainder of fiscal 2006 and in succeeding fiscal years is as follows (in thousands):

Fiscal Year Ending September 30,	Software Amortization	Other Intangible Assets Amortization
2006	\$ 831	\$ 870
2007	1,365	1,639
2008	667	1,639
2009	305	1,561
2010	275	1,502
Thereafter	832	5,270
Total	<u>\$ 4,275</u>	<u>\$ 12,481</u>

6. Corporate Restructuring and Other Reorganization Charges

On October 5, 2005, the Company announced a restructuring of its organization. In connection with this restructuring, the Company established a plan of termination which impacted 42 employees. These actions resulted in severance-related restructuring charges of \$1.1 million and other reorganization charges of \$0.2 million during the fourth quarter of fiscal 2005. Additional severance-related restructuring charges, net of adjustments to previously-recognized liabilities, of \$0.2 million and other reorganization charges of \$0.2 million related to the Company's restructuring of its organization were incurred during the first six months of fiscal 2006. The allocation of net charges incurred during the first six months of fiscal 2006 was as follows: \$70,000 in cost of software license fees, \$8,000 credit in cost of maintenance and services, \$64,000 credit in research and development, \$4,000 in selling and marketing, and \$395,000 in general and administrative. Cash expenditures related to restructuring and other reorganization charges totaled \$1.3 million during the first six months of fiscal 2006. The Company anticipates that these restructuring amounts will be paid by the end of fiscal 2006. The following table shows activity related to these restructuring and reorganization activities (in thousands):

	Restructuring Termination Benefits	Other Reorganization Charges	Total
Fiscal 2005 restructuring charges	\$ 1,080	\$ 171	\$ 1,251
Amounts paid during fiscal 2005	(46)	(171)	(217)
Balance, September 30, 2005	1,034	-	1,034
Additional restructuring charges incurred during fiscal 2006	409	207	616
Adjustments to previously-recognized liabilities	(219)	-	(219)
Amounts paid during fiscal 2006	(1,066)	(207)	(1,273)
Balance, March 31, 2006	<u>\$ 158</u>	<u>\$ -</u>	<u>\$ 158</u>

7. Common Stock, Treasury Stock and Earnings Per Share

Options to purchase shares of the Company's common stock at an exercise price of one cent per share are included in common stock for presentation purposes on the March 31, 2006 and September 30, 2005 consolidated balance sheets, and are included in common shares outstanding for earnings per share ("EPS") computations for the three and six months ended March 31, 2006 and 2005. Included in common stock are 2,212 penny options as of March 31, 2006 and September 30, 2005.

In fiscal 2005, the Company announced that its Board of Directors approved a stock repurchase program authorizing the Company, from time to time as market and business conditions warrant, to acquire up to \$80.0 million of its common stock. During the second quarter of fiscal 2006, the Company repurchased 11,000 shares of its common stock at an average price of \$30.45 per share under this stock repurchase program. The maximum approximate remaining dollar value of shares authorized for purchase under the stock repurchase program was \$33.0 million as of March 31, 2006.

EPS has been computed in accordance with SFAS No. 128, "Earnings Per Share." Basic EPS is calculated by dividing net income available to common stockholders (the numerator) by the weighted average number of common shares outstanding during the period (the denominator). Diluted EPS is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period, adjusted for the dilutive effect of any outstanding dilutive securities (the denominator). The differences between the basic and diluted EPS denominators for the three months ended March 31, 2006 and 2005, which amounted to 824,000 and 782,000 shares, respectively, and for the six months ended March 31, 2006 and 2005, which amounted to 794,000 and 782,000 shares, respectively, were due to the dilutive effect of the Company's outstanding stock options. Excluded from the computations of diluted EPS for the three months ended March 31, 2006 and 2005 were options to purchase 722,000 shares and 839,000 shares, respectively, and for the six months ended March 31, 2006 and 2005 were options to purchase 773,000 shares and 716,000 shares, respectively, because the stock options were for contingently issuable shares or because their impact would be antidilutive based on current market prices.

8. Comprehensive Income

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2006	2005	2006	2005
Net income	\$ 14,986	\$ 11,193	\$ 30,176	\$ 24,116
Other comprehensive income (loss):				
Foreign currency translation adjustments	9	16	(237)	(73)
Change in unrealized investment holding loss:				
Unrealized holding gain (loss) arising during the period	4	35	3	(47)
Comprehensive income	\$ 14,999	\$ 11,244	\$ 29,942	\$ 23,996

The Company's components of accumulated other comprehensive loss at each balance sheet date were as follows (in thousands):

	Foreign Currency Translation Adjustments	Unrealized Investment Holding Loss	Accumulated Other Comprehensive Loss
Balance, September 30, 2005	\$ (9,155)	\$ (6)	\$ (9,161)
Fiscal 2006 year-to-date activity	(237)	3	(234)
Balance, March 31, 2006	\$ (9,392)	\$ (3)	\$ (9,395)

9. Segment Information

Prior to fiscal 2006, the Company reviewed its operations within its three separate operating segments, which had been referred to as the Company's business units. These business units were ACI Worldwide, Insession Technologies and IntraNet Worldwide. ACI Worldwide was the Company's largest business unit and its product line included the Company's most mature and well-established applications, used primarily by financial institutions, retailers and electronic payment processors. These products are used to route and process transactions for automated teller machine networks; process transactions from point-of-sale devices, wireless devices and the Internet; control fraud and money laundering; authorize checks; establish frequent shopper programs; automate transaction settlement, card management and claims processing; and issue and manage multi-functional applications on smart cards. Insession Technologies included products that facilitated communication, data movement, monitoring of systems, and business process automation across computing systems involving mainframes, distributed computing networks and the Internet. IntraNet Worldwide included products that offered high value payments processing, bulk payments processing, global messaging and continuous link settlement processing.

On October 5, 2005, the Company announced a restructuring of its organization, combining products and services within these three business units into one operating unit under the ACI Worldwide name. In examining the Company's market, opportunities and organization, it was decided that combining the business units' products and services provides the Company with better insight and therefore an enhanced ability to focus on operating efficiency and strategic acquisition integration. As a result of this restructuring, the Company's chief operating decision maker, together with other senior management personnel, currently focus their review of consolidated financial information and the allocation of resources based on reporting of operating results, including revenues and operating income, for the geographic regions of the Americas, Europe/Middle East/Africa ("EMEA") and Asia/Pacific. Based on an evaluation of the criteria set forth in SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," and how the Company's chief operating decision maker, together with other senior management personnel, view the Company's business and the allocation of resources, the Company concluded that its three geographic regions are its reportable operating segments. The Company's products are sold and supported through distribution networks covering these three geographic regions, with each distribution network having its own sales force. The Company supplements its distribution networks with independent reseller and/or distributor arrangements.

No single customer accounted for more than 10% of the Company's consolidated revenues during the second quarter or first six months of fiscal 2006 or 2005. Revenues attributable to customers in the United Kingdom accounted for approximately 12.8% and 12.3%, respectively, of the Company's consolidated revenues during the second quarter and first six months of fiscal 2006. Revenues attributable to customers in each foreign country in which the Company transacts business were less than 10% of the Company's consolidated revenues during the second quarter and first six months of fiscal 2005.

The following are revenues and operating income for the periods indicated, with prior period amounts presented in conformity with current geographic region presentation (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2006	2005	2006	2005
Revenues:				
Americas	\$ 43,609	\$ 42,746	\$ 87,529	\$ 84,114
EMEA	37,356	25,097	71,020	56,543
Asia/Pacific	8,868	7,783	16,359	15,575
	<u>\$ 89,833</u>	<u>\$ 75,626</u>	<u>\$ 174,908</u>	<u>\$ 156,232</u>
Operating income:				
Americas	\$ 10,256	\$ 11,188	\$ 18,702	\$ 23,455
EMEA	8,256	2,989	13,318	10,936
Asia/Pacific	2,690	1,866	3,697	3,737
	<u>\$ 21,202</u>	<u>\$ 16,043</u>	<u>\$ 35,717</u>	<u>\$ 38,128</u>

10. Income Taxes

It is the Company's policy to report income tax expense for interim reporting periods using an estimated annual effective income tax rate, which the Company estimates to be 35.0% for fiscal 2006. However, the tax effects of significant or unusual items are not considered in the estimated annual effective tax rate. The tax effect of such events is recognized in the interim period in which the event occurs.

The Company reached an agreement with the Internal Revenue Service (the "IRS") to settle open audit issues related to years 1997 through 2003, resulting in a refund to the Company. The amount of the refund was \$8.9 million. The refund and corresponding interest were dependent on the Company's claims being approved by the Joint Committee on Taxation (the "Joint Committee"). In November 2005, the Company was notified that the Joint Committee approved the conclusions reached by the IRS with respect to the audit of the Company's 1997 through 2003 tax years. During the first quarter of fiscal 2006, the Company recorded the effects of the refund in its consolidated financial statements, including estimated interest income of \$1.8 million and entries to relieve related tax contingency reserves and other accruals relating to the audit in the amount of \$3.9 million. In February 2006, the Company received the refund payment, which included additional interest of \$0.2 million that was recognized as income in the Company's fiscal 2006 second quarter operating results.

The effective tax rate for the second quarter of fiscal 2006 was approximately 35.0% as compared to 34.3% for the same period of fiscal 2005. The effective tax rate for the first six months of fiscal 2006 was approximately 24.8% as compared to 37.0% for the same period of fiscal 2005. The improvement in the effective tax rate for the first six months of fiscal 2006, as compared to the same period of fiscal 2005, resulted primarily from the release of tax contingency reserves and other accruals related to the above-noted IRS audit settlement. The effective tax rate for the first six months of fiscal 2006, excluding the effect of the IRS audit settlement, was primarily impacted by the extraterritorial income exclusion, the manufacturing deduction, municipal interest income, a decrease in valuation allowances related to foreign net operating losses, and the differential between the statutory federal tax rate in the U.S. and certain foreign jurisdictions in which the Company operates. The effective tax rate for the first six months of fiscal 2005 was primarily impacted by recognition of research and development credits, the extraterritorial income exclusion, municipal interest income, a decrease in valuation allowances related to foreign net operating losses, an increase in valuation allowances related to foreign withholding taxes, the differential between the statutory federal tax rate in the U.S. and certain foreign jurisdictions in which the Company operates, and the recognition of various tax contingency reserves.

The comparative decrease in the estimated fiscal 2006 effective income tax rate of 35.0%, from 37.0% for fiscal 2005, is attributable primarily to the manufacturing deduction, a decrease in valuation allowances related to foreign withholding taxes, and a decrease in the need for tax contingency reserves offset by an increase related to the phase-out of the extraterritorial income exclusion.

11. Contingencies

Legal Proceedings

From time to time, the Company is involved in litigation relating to claims arising out of its operations. Other than as described below, the Company is not currently a party to any legal proceedings, the adverse outcome of which, individually or in the aggregate, the Company believes would be likely to have a material adverse effect on the Company's financial condition or results of operations.

Class Action Litigation. In November 2002, two class action complaints were filed in the U.S. District Court for the District of Nebraska (the "Court") against the Company and certain individuals alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. Pursuant to a Court order, the two complaints were consolidated as *Desert Orchid Partners v. Transaction Systems Architects, Inc., et al.*, with Genesee County Employees' Retirement System designated as lead plaintiff. The Second Amended Consolidated Class Action Complaint (the "Consolidated Complaint") alleges that during the purported class period, the Company and the named defendants misrepresented the Company's historical financial condition, results of operations and its future prospects, and failed to disclose facts that could have indicated an impending decline in the Company's revenues. The Consolidated Complaint seeks unspecified damages, interest, fees, costs and rescission. The class period alleged in the Consolidated Complaint is January 21, 1999 through November 18, 2002. The Company and the

individual defendants filed a motion to dismiss the Consolidated Complaint. In response, on December 15, 2003, the Court dismissed, without prejudice, Gregory Derkacht, the Company's former president and chief executive officer, as a defendant, but denied the motion to dismiss with respect to the remaining defendants, including the Company. On February 6, 2004, the Court entered a mediation reference order requiring the parties to mediate before a private mediator. The parties held a mediation session on March 18, 2004, which did not result in a settlement of the matter.

On July 1, 2004, lead plaintiff filed a motion for class certification wherein, for the first time, lead plaintiff sought to add an additional class representative, Roger M. Wally. On August 20, 2004, defendants filed their opposition to the motion. On March 22, 2005, the Court issued an order certifying the class. The parties held a second mediation session on January 5-6, 2006, which did not result in a settlement of the matter.

On January 27, 2006, the Company and the individual defendants filed a motion for judgment on the pleadings, seeking a dismissal of the lead plaintiff and certain other class members, as well as a limitation on damages based upon plaintiffs' inability to establish loss causation with respect to a large portion of their claims. The lead plaintiff has opposed the motion and the Court has not yet ruled. On February 6, 2006, additional class representative Roger M. Wally filed a motion to withdraw as a class representative and class member. On April 21, 2006, and based upon the pending motion for judgment, a motion to intervene as a class representative was filed by the Louisiana District Attorneys Retirement System ("LDARS"). LDARS previously attempted to be named as lead plaintiff in the case. Defendants have opposed the motion. Discovery is continuing.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This report contains forward-looking statements based on current expectations that involve a number of risks and uncertainties. Generally, forward-looking statements do not relate strictly to historical or current facts, and include words or phrases such as management or the Company "anticipates," "believes," "expects," "plans," "will," and words and phrases of similar impact, and include, but are not limited to, statements regarding future operations, business strategy, business environment and key trends. The forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Any or all of the forward-looking statements in this report may turn out to be wrong. They can be affected by the judgments and estimates underlying such assumptions or by known or unknown risks and uncertainties. Many of these factors will be important in determining the Company's actual future results. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially from those expressed or implied in any forward-looking statements. In addition, the Company disclaims any obligation to update any forward-looking statements after the date of this report. Factors that could cause actual results to differ from those expressed or implied in the forward-looking statements include, but are not limited to, those discussed in Part II - Item 1A in the section entitled "Risk Factors - Factors That May Affect the Company's Future Results or the Market Price of the Company's Common Stock."

Overview

The Company develops, markets, installs and supports a broad line of software products and services primarily focused on facilitating electronic payments. In addition to its own products, the Company distributes, or acts as a sales agent for, software developed by third parties. The Company's products are sold and supported through distribution networks covering three geographic regions - the Americas, EMEA and Asia/Pacific. Each distribution network has its own sales force and supplements this with independent reseller and/or distributor networks. The Company's products and services are used principally by financial institutions, retailers and electronic payment processors, both in domestic and international markets. Accordingly, the Company's business and operating results are influenced by trends such as information technology spending levels, the growth rate of the electronic payments industry and changes in the number and type of customers in the financial services industry. As set forth in Note 9 to the consolidated financial statements, at the beginning of fiscal 2006, the Company underwent a corporate reorganization, combining its products and services under the ACI Worldwide name.

Key trends that currently impact the Company's strategies and operations include:

- **Increasing electronic payment transaction volumes.** Electronic payment volumes continue to increase around the world, taking market share from traditional cash and check transactions. For example, in the U.S., debit transactions at the point of sale are growing on an annual basis of over 20%. The Company leverages the growth in transaction volumes through the licensing of new systems to customers whose older systems cannot handle increased volume and through the licensing of capacity upgrades from existing customers.
- **Increasing competition.** The electronic payments market is highly competitive and subject to rapid change. The Company's competition comes from in-house information technology departments, third-party electronic payment processors and third-party software companies located both within and outside of the U.S. Many of these companies are significantly larger than the Company and have significantly greater financial, technical and marketing resources. As electronic payment transaction volumes increase, third-party processors tend to provide competition to the Company's solutions, particularly among customers that do not seek to differentiate their electronic payment offerings. As consolidation in the financial services industry continues, the Company anticipates that competition for those customers will intensify.
- **Aging payments software.** In many markets, electronic payments are processed using software developed by internal information technology departments, much of which was originally developed over ten years ago. Increasing transaction volumes, industry mandates and the overall costs of supporting these older technologies often serves to make these older systems obsolete, creating opportunities for the Company to replace this aging software with newer and more advanced products.

- **Adoption of open systems technology.** In an effort to leverage lower-cost computing technologies and leverage current technology staffing and resources, many financial institutions, retailers and electronic payment processors are seeking to transition their systems from proprietary technologies to open technologies such as Windows, UNIX and Linux. The Company's continued investment in open systems technologies is, in part, designed to address this demand.
- **Electronic payments fraud and compliance.** As electronic payment transaction volumes increase, criminal elements continue to find ways to commit a growing volume of fraudulent transactions using a wide range of techniques. Financial institutions, retailers and electronic payment processors continue to seek ways to leverage new technologies to identify and prevent fraudulent transactions. Due to concerns with international terrorism and money laundering, financial institutions in particular are being faced with increasing scrutiny and regulatory pressures. The Company continues to see opportunity to offer its fraud detection solutions to help customers manage the growing levels of electronic payment fraud and compliance activity.
- **Adoption of smartcard technology.** In many markets, card issuers are being required to issue new cards with embedded chip technology. Chip-based cards are more secure, harder to copy and offer the opportunity for multiple functions on one card (e.g. debit, credit, electronic purse, identification, health records, etc.). The Europay/Mastercard/Visa ("EMV") standard for issuing and processing debit and credit card transactions has emerged as the global standard, and many regions of the world are working on EMV rollouts. The primary benefit of EMV deployment is a reduction in electronic payment fraud, with the additional benefit that the core infrastructure necessary for multi-function chip cards is being put in place (e.g. chip card readers in ATM's and POS devices). The Company is working with many customers around the world to facilitate EMV deployments, leveraging several of the Company's solutions.
- **Basel II and Single Euro Payments Area ("SEPA").** The Basel II and SEPA initiatives, primarily focused on the European Economic Community, are designed to link the ability of a financial institution to understand enterprise risk to its capital requirements, and to facilitate lower costs for cross-border payments. The Company's consumer banking and wholesale banking solutions are both key elements in helping customers address these government-sponsored initiatives.
- **Financial institution consolidation.** Consolidation continues on a national and international basis, as financial institutions seek to add market share and increase overall efficiency. There are several potential negative effects of increased consolidation activity. Continuing consolidation of financial institutions may result in a fewer number of existing and potential customers for the Company's products and services. Consolidation of two of the Company's customers could result in reduced revenues if the combined entity were to negotiate greater volume discounts or discontinue use of certain of the Company's products. Additionally, if a non-customer and a customer combine and the combined entity in turn decides to forego future use of the Company's products, the Company's revenue would decline. Conversely, the Company could benefit from the combination of a non-customer and a customer when the combined entity continues usage of the Company's products and, as a larger combined entity, increases its demand for the Company's products and services. The Company tends to focus on larger financial institutions as customers, often resulting in the Company's solutions being the solutions that survive in the consolidated entity.
- **Electronic payments convergence.** As electronic payment volumes grow and pressures to lower overall cost per transaction increase, financial institutions are seeking methods to consolidate their payment processing across the enterprise. The Company believes that the strategy of using service-oriented-architectures to allow for re-use of common electronic payment functions such as authentication, authorization, routing and settlement will become more common. Using these techniques, financial institutions will be able to reduce costs, increase overall service levels, enable one-to-one marketing in multiple bank channels and manage enterprise risk. The Company's reorganization was, in part, focused on this trend, by facilitating the delivery of integrated payment functions that can be re-used by multiple bank channels, across both the consumer and wholesale bank. While this trend presents an opportunity for the Company, it may also expand the competition from third party electronic payment technology and service providers specializing in other forms of electronic payments. Many of these providers are larger than the Company and have significantly greater financial, technical and marketing resources.

Several other factors related to the Company's business may have a significant impact on its operating results from year to year. For example, the accounting rules governing the timing of revenue recognition in the software industry are complex, and it can be difficult to estimate when the Company will recognize revenue generated by a given transaction. Factors such as maturity of the software product licensed, payment terms, creditworthiness of the customer, and timing of delivery or acceptance of the Company's products often cause revenues related to sales generated in one period to be deferred and recognized in later periods. For those arrangements in which services revenue is deferred, related direct and incremental costs may also be deferred. While the U.S. dollar is the single largest currency in which the Company's contracts are denominated, a substantial portion of its sales are made, and some of its expenses are incurred, in the local currency of countries other than the United States. Fluctuations in currency exchange rates in a given period may result in the Company's recognition of gains or losses for that period.

On July 29, 2005, the Company acquired the business of S2 Systems, Inc. through the acquisition of substantially all of its assets. S2 was a global provider of electronic payments and network connectivity software, and it primarily served financial services and retail customers, which were homogeneous and complementary to the Company's target markets. In addition to its U.S. operations, S2 had a significant presence in the Middle East, Europe, Latin America and the Asia/Pacific region, generating nearly half of its revenue from international markets. The Company expects that the S2 acquisition will be financially accretive in fiscal 2006, due to a combination of expense reductions, normalization of maintenance fee revenues and continued marketing of S2 products.

The Company continues to seek ways to grow, through both organic sources and acquisitions. The Company has increased its spending in fiscal 2006 to help drive organic growth from solutions such as BASE24-es, ACI Proactive Risk Manager and ACI Smart Chip Manager. In addition, the Company continually looks for potential acquisitions designed to improve its solutions' breadth or provide access to new markets. As part of its acquisition strategy, the Company seeks acquisition candidates that are strategic, capable of being integrated into the Company's operating environment and financially accretive to the Company's financial performance.

The Company continues to evaluate strategies intended to improve its overall effective tax rate. The Company's degree of success in this regard and related acceptance by taxing authorities of tax positions taken, as well as changes to tax laws in the United States and in various foreign jurisdictions, could cause the Company's effective tax rate to fluctuate from period to period.

Critical Accounting Policies and Estimates

This disclosure is based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires that the Company make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company bases its estimates on historical experience and other assumptions that it believes to be proper and reasonable under the circumstances. The Company continually evaluates the appropriateness of estimates and assumptions used in the preparation of its consolidated financial statements. Actual results could differ from those estimates. The following key accounting policies are impacted significantly by judgments, assumptions and estimates used in the preparation of the consolidated financial statements.

Revenue Recognition

For software license arrangements for which services rendered are not considered essential to the functionality of the software, the Company recognizes revenue upon delivery, provided (1) there is persuasive evidence of an arrangement, (2) collection of the fee is considered probable, and (3) the fee is fixed or determinable. In most arrangements, because vendor-specific objective evidence of fair value does not exist for the license element, the Company uses the residual method to determine the amount of revenue to be allocated to the license element. Under the residual method, the fair value of all undelivered elements, such as postcontract customer support or other products or services, is deferred and subsequently recognized as the products are delivered or the services are performed, with the residual difference between the total arrangement fee and revenues allocated to undelivered elements being allocated to the delivered elements. For software license arrangements in which the Company has concluded that collectibility issues may exist, revenue is recognized as cash is collected, provided all other conditions for revenue recognition have been met. In making the determination of collectibility, the Company considers the

creditworthiness of the customer, economic conditions in the customer's industry and geographic location, and general economic conditions.

The Company's sales focus continues to shift from its more-established ("mature") products to its BASE24-es product and other less-established (collectively referred to as "newer") products. As a result of this shift to newer products, absent other factors, the Company initially experiences an increase in deferred revenues and a corresponding decrease in current period revenues due to differences in the timing of revenue recognition for the respective products. Revenues from newer products are typically recognized upon acceptance or first production use by the customer whereas revenues from mature products, such as BASE24, are generally recognized upon delivery of the product, provided all other conditions for revenue recognition have been met. For those arrangements where revenues are being deferred and the Company determines that related direct and incremental costs are recoverable, such costs are deferred and subsequently expensed as the revenues are recognized. Newer products are continually evaluated by Company management and product development personnel to determine when any such product meets specific internally defined product maturity criteria that would support its classification as a mature product. Evaluation criteria used in making this determination include successful demonstration of product features and functionality; standardization of sale, installation, and support functions; and customer acceptance at multiple production site installations, among others. A change in product classification (from newer to mature) would allow the Company to recognize revenues from new sales of the product upon delivery of the product rather than upon acceptance or first production use by the customer, resulting in earlier recognition of revenues from sales of that product, as well as related costs, provided all other revenue recognition criteria have been met.

When a software license arrangement includes services to provide significant modification or customization of software, those services are not considered to be separable from the software. Accounting for such services delivered over time is referred to as contract accounting. Under contract accounting, the Company generally uses the percentage-of-completion method. Under the percentage-of-completion method, the Company records revenue for the software license fee and services over the development and implementation period, with the percentage of completion generally measured by the percentage of labor hours incurred to-date to estimated total labor hours for each contract. Estimated total labor hours for each contract are based on the project scope, complexity, skill level requirements, and similarities with other projects of similar size and scope. For those contracts subject to contract accounting, estimates of total revenue and profitability under the contract consider amounts due under extended payment terms. The Company excludes revenues due on extended payment terms from its current percentage-of-completion computation until such time that collection of the fees becomes probable.

The Company may execute more than one contract or agreement with a single customer. The separate contracts or agreements may be viewed as one multiple-element arrangement or separate arrangements for revenue recognition purposes. Judgment is required when evaluating the facts and circumstances related to each situation in order to reach appropriate conclusions regarding whether such arrangements are related or separate. Those conclusions can impact the timing of revenue recognition related to those arrangements.

Share-Based Compensation

The Company accounts for share-based compensation transactions using a fair-value-based method, which requires it to record noncash compensation costs related to payment for employee services by an equity award, such as stock options, in its financial statements over the requisite service period. The significant majority of the Company's stock options are subject only to time-based vesting provisions and include exercise prices that are equal to the fair market value of the Company's stock at the time of grant. The Company also has outstanding stock options that vest, if at all, at any time following the second anniversary of the date of grant, upon attainment by the Company of a designated market price per share for sixty consecutive trading days.

In order to determine the grant date fair value of the stock options that vest based on the achievement of certain market conditions, a Monte Carlo simulation model was used to estimate (i) the probability that the performance goal will be achieved and (ii) the length of time required to attain the target market price. The Monte Carlo simulation model analyzed the Company's historical price movements, changes in the value of The NASDAQ Stock Market over time, and the correlation coefficient and beta between the Company's stock price and The NASDAQ Stock Market. The Monte Carlo simulation indicated an expected vesting period for these stock options on a risk-weighted basis, which was then incorporated into a statistical regression analysis of the historical exercise behavior of other Company senior executives to arrive at an expected option life. Achievement of the market conditions prior to completion of the

expected vesting period for these stock options would require the Company to accelerate recognition of the related noncash compensation costs.

With respect to options granted that vest with the passage of time, the fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model using assumptions pertaining to expected life, interest rate, volatility and dividend yield. Expected volatilities are based on implied volatilities from traded options on the Company's common stock, historical volatility of the Company's common stock, and other factors. The expected life of options granted represents the period of time that options granted are expected to be outstanding, assuming differing exercise behaviors for stratified employee groupings. The assumptions used in the Black-Scholes option-pricing model and the Monte Carlo simulation model, and the results of the Monte Carlo simulation model relating to stock price appreciation, reflect the Company's best estimates, as of the reporting date, of what future market conditions and the Company's stock price may be in future periods, strictly for the purpose of applying SFAS No. 123R. The Company's actual future stock prices could differ materially.

The Company also has outstanding long-term incentive program performance share awards that are earned, if at all, based upon the achievement, over a three-year period of performance goals related to (i) the compound annual growth over the three-year period in the Company's 60-month backlog as determined by the Company, (ii) the compound annual growth over the three-year period in the diluted earnings per share, and (iii) the compound annual growth over the three-year period in the total revenues. In no event will any of the performance share awards become earned if the Company's earnings per share is below a predetermined minimum threshold level at the conclusion of the three-year period. Management must evaluate, on a quarterly basis, the probability that the target performance goals will be achieved, if at all, and the anticipated level of attainment in order to determine the amount of compensation costs to record in the consolidated financial statements.

Related to the stock options and performance share awards outstanding, the Company must calculate estimated forfeiture rates, on an ongoing basis, that impact the amount of share-based compensation costs recorded in the consolidated financial statements. These estimated forfeiture rates may differ from actual forfeiture experience realized by the Company. Also, management's assessment of the probability that the performance goals will be achieved, if at all, and the anticipated level of attainment, may prove to be inaccurate, which could impact the amount and timing of compensation costs that should have been recorded in the consolidated financial statements.

Prior to fiscal 2006, the Company accounted for its stock-based compensation plans under the intrinsic value method. Compensation expense generally was not recorded for options under the intrinsic value method. Instead, pro forma disclosure of the Company's net income and earnings per share was presented in the notes to the consolidated financial statements as if compensation cost for the Company's stock-based compensation plans had been determined and recorded using the fair value method.

Provision for Doubtful Accounts

The Company maintains a general allowance for doubtful accounts based on its historical experience, along with additional customer-specific allowances. The Company regularly monitors credit risk exposures in its accounts receivable. In estimating the necessary level of its allowance for doubtful accounts, management considers the aging of its accounts receivable, the creditworthiness of the Company's customers, economic conditions within the customer's industry, and general economic conditions, among other factors. Should any of these factors change, the estimates made by management would also change, which in turn would impact the level of the Company's future provision for doubtful accounts. Specifically, if the financial condition of the Company's customers were to deteriorate, affecting their ability to make payments, additional customer-specific provisions for doubtful accounts may be required. Also, should deterioration occur in general economic conditions, or within a particular industry or region in which the Company has a number of customers, additional provisions for doubtful accounts may be recorded to reserve for potential future losses. Any such additional provisions would reduce operating income in the periods in which they were recorded.

Accounting for Income Taxes

Accounting for income taxes requires significant judgments in the development of estimates used in income tax calculations. Such judgments include, but are not limited to, the likelihood the Company would realize the benefits of net operating loss carryforwards and/or foreign tax credit carryforwards, the adequacy of valuation allowances, and the tax rates used to measure transactions with foreign subsidiaries. As part of the process of preparing the

Company's consolidated financial statements, the Company is required to estimate its income taxes in each of the jurisdictions in which the Company operates. The judgments and estimates used are subject to challenge by domestic and foreign taxing authorities. It is possible that either domestic or foreign taxing authorities could challenge those judgments and estimates and draw conclusions that would cause the Company to incur tax liabilities in excess of, or realize benefits less than, those currently recorded. In addition, changes in the geographical mix or estimated amount of annual pretax income could impact the Company's overall effective tax rate.

To the extent recovery of deferred tax assets is not likely, the Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. Although the Company has considered future taxable income along with prudent and feasible tax planning strategies in assessing the need for a valuation allowance, if the Company should determine that it would not be able to realize all or part of its deferred tax assets in the future, an adjustment to deferred tax assets would be charged to income in the period any such determination was made. Likewise, in the event the Company is able to realize its deferred tax assets in the future in excess of the net recorded amount, an adjustment to deferred tax assets would increase income in the period any such determination was made.

Segment Information

As set forth in Note 9 to the consolidated financial statements, the Company underwent a corporate reorganization in the first quarter of fiscal 2006. As a result of the reorganization and in accordance with the criteria set forth in SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," the Company transitioned its operating segments from its prior three business units (ACI Worldwide, Insession Technologies and IntraNet Worldwide) to its three geographic operating regions (the Americas, EMEA and Asia/Pacific). The following are revenues and operating income for the periods indicated, with prior period amounts presented in conformity with current geographic region presentation (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2006	2005	2006	2005
Revenues:				
Americas	\$ 43,609	\$ 42,746	\$ 87,529	\$ 84,114
EMEA	37,356	25,097	71,020	56,543
Asia/Pacific	8,868	7,783	16,359	15,575
	<u>\$ 89,833</u>	<u>\$ 75,626</u>	<u>\$ 174,908</u>	<u>\$ 156,232</u>
Operating income:				
Americas	\$ 10,256	\$ 11,188	\$ 18,702	\$ 23,455
EMEA	8,256	2,989	13,318	10,936
Asia/Pacific	2,690	1,866	3,697	3,737
	<u>\$ 21,202</u>	<u>\$ 16,043</u>	<u>\$ 35,717</u>	<u>\$ 38,128</u>

Backlog

Included in backlog are all software license fees, maintenance fees and services specified in executed contracts, as well as revenues from assumed contract renewals to the extent that the Company believes recognition of the related revenue will occur within the corresponding backlog period. The Company has historically included assumed renewals in backlog based upon automatic renewal provisions in the executed contract and the Company's historic experience with customer renewal rates.

The Company's 60-month backlog represents expected revenues from existing customers using the following key assumptions:

- Maintenance fees are assumed to exist for the duration of the license term for those contracts in which the committed maintenance term is less than the committed license term.
- License and facilities management arrangements are assumed to renew at the end of their committed term at a rate consistent with historical Company experiences.

- Non-recurring license arrangements are assumed to renew as recurring revenue streams.
- Foreign currency exchange rates are assumed to remain constant over the 60-month backlog period for those contracts stated in currencies other than the U.S. dollar.
- Company pricing policies and practices are assumed to remain constant over the 60-month backlog period.

In computing the Company's 60-month backlog, the following items are specifically not taken into account:

- Anticipated increases in transaction volumes in customer systems.
- Optional annual uplifts or inflationary increases in recurring fees.
- Services engagements, other than facilities management, are not assumed to renew over the 60-month backlog period.
- The potential impact of merger activity within the Company's markets and/or customers is not reflected in the computation of 60-month backlog.

The following table sets forth the Company's 60-month backlog, by geographic region, as of March 31, 2006 and September 30, 2005:

	March 31, 2006	September 30, 2005
	(in millions)	(in millions)
Americas	\$ 521	\$ 525
EMEA	403	383
Asia/Pacific	126	123
	<u>\$ 1,050</u>	<u>\$ 1,031</u>

The Company also reports 12-month backlog, segregated between monthly recurring and non-recurring revenues, using a methodology that is consistent with the 60-month calculation. Monthly recurring revenues include all monthly license fees, maintenance fees and facilities management fees. Non-recurring revenues include other software license fees and services. Amounts included in 12-month backlog assume renewal of one-time license fees on a monthly fee basis if such renewal is expected to occur in the next 12 months. The following table sets forth the Company's 12-month backlog, by geographic region, as of March 31, 2006 and September 30, 2005:

	March 31, 2006			September 30, 2005		
	(in thousands)			(in thousands)		
	Monthly Recurring	Non- Recurring	Total	Monthly Recurring	Non- Recurring	Total
Americas	\$ 97,380	\$ 31,520	\$ 128,900	\$ 97,523	\$ 32,343	\$ 129,866
EMEA	63,905	36,104	100,009	60,038	33,194	93,232
Asia/Pacific	25,654	2,913	28,567	25,711	1,217	26,928
	<u>\$ 186,939</u>	<u>\$ 70,537</u>	<u>\$ 257,476</u>	<u>\$ 183,272</u>	<u>\$ 66,754</u>	<u>\$ 250,026</u>

The Company's customers may attempt to renegotiate or terminate their contracts for a number of reasons, including mergers, changes in their financial condition, or general changes in economic conditions in the customer's industry or geographic location, or the Company may experience delays in the development or delivery of products or services specified in customer contracts which may cause the actual renewal rates and amounts to differ from historical experiences. Changes in foreign currency exchange rates may also impact the amount of revenue actually recognized in future periods. Accordingly, there can be no assurance that contracts included in backlog will actually generate the specified revenues or that the actual revenues will be generated within the corresponding 12-month or 60-month period.

Results of Operations

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

	Three Months Ended March 31,				Six Months Ended March 31,			
	2006		2005		2006		2005	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Revenues:								
Initial license fees (ILFs)	\$ 30,834	34.3%	\$ 24,619	32.6%	\$ 56,561	32.3%	\$ 54,152	34.7%
Monthly license fees (MLFs)	16,896	18.8	18,334	24.2	34,561	19.8	36,607	23.4
Software license fees	47,730	53.1	42,953	56.8	91,122	52.1	90,759	58.1
Maintenance fees	24,746	27.6	22,649	29.9	50,064	28.6	44,729	28.6
Services	17,357	19.3	10,024	13.3	33,722	19.3	20,744	13.3
Total revenues	89,833	100.0	75,626	100.0	174,908	100.0	156,232	100.0
Expenses:								
Cost of software license fees	7,505	8.4	5,725	7.6	14,440	8.3	11,631	7.5
Cost of maintenance and services	19,056	21.2	13,818	18.3	39,947	22.8	27,654	17.7
Research and development	9,978	11.1	10,223	13.5	19,730	11.3	20,138	12.9
Selling and marketing	16,529	18.4	15,368	20.3	32,541	18.6	30,669	19.6
General and administrative	15,563	17.3	14,449	19.1	32,533	18.6	28,012	17.9
Total expenses	68,631	76.4	59,583	78.8	139,191	79.6	118,104	75.6
Operating income	21,202	23.6	16,043	21.2	35,717	20.4	38,128	24.4
Other income (expense):								
Interest income	1,586	1.8	864	1.2	4,513	2.6	1,448	0.9
Interest expense	(87)	(0.1)	(137)	(0.2)	(116)	(0.1)	(305)	(0.2)
Other, net	354	0.4	255	0.3	(12)	(0.0)	(992)	(0.6)
Total other income (expense)	1,853	2.1	982	1.3	4,385	2.5	151	0.1
Income before income taxes	23,055	25.7	17,025	22.5	40,102	22.9	38,279	24.5
Income tax provision	(8,069)	(9.0)	(5,832)	(7.7)	(9,926)	(5.7)	(14,163)	(9.1)
Net income	\$ 14,986	16.7%	\$ 11,193	14.8%	\$ 30,176	17.2%	\$ 24,116	15.4%

Revenues. Total revenues for the second quarter of fiscal 2006 increased \$14.2 million, or 18.8%, as compared to the same period of fiscal 2005. The majority of this increase resulted from revenue growth in international markets, primarily in the EMEA region. EMEA revenues increased \$12.3 million, or 48.8%, as compared to the same period of fiscal 2005. The three-month increase in total revenues is the result of a \$4.8 million, or 11.1%, increase in software license fee revenues, a \$2.1 million, or 9.3%, increase in maintenance fee revenues, and a \$7.3 million, or 73.2%, increase in services revenues. Total revenues for the first six months of fiscal 2006 increased \$18.7 million, or 12.0%, as compared to the same period of fiscal 2005. This six-month increase resulted from revenue growth in international markets, offset by a \$4.2 million decrease in U.S. revenues. Six-month EMEA revenues increased \$14.5 million, or 25.6%, and revenues generated by international locations within the Americas region increased \$7.6 million, or 34.4%, as compared to the same period of fiscal 2005. The six-month increase in total revenues is the result of a \$0.4 million, or 0.4%, increase in software license fee revenues, a \$5.3 million, or 11.9%, increase in maintenance fee revenues, and a \$13.0 million, or 62.6%, increase in services revenues.

The increases in software license fee revenues during the second quarter and first six months of fiscal 2006, as compared to the same periods of fiscal 2005, are primarily due to the completion of several large implementation projects that resulted in software license fee revenue recognition and increased revenues for the Company's Application Services Suite and Risk Management Suite products. Offsetting the year-to-date comparative increase was completion of a BASE24-es project and an ACI Wholesale Payments System product contract extension that resulted in significant software license fee revenue recognition during the first quarter of fiscal 2005.

The increases in maintenance fee revenues during the second quarter and first six months of fiscal 2006, as compared to the same periods of fiscal 2005, are primarily due to growth in the installed base of software products as well as maintenance fee revenues recognized from S2 products during the second quarter and first six months of fiscal 2006. Maintenance revenue from the S2 products recognized in the second quarter and first six months of fiscal 2006 partly reflects the recognition of acquired deferred maintenance amounts which have been reduced to cost, plus a normal profit margin, as required under Financial Accounting Standards Board Emerging Issues Task Force Issue No. 01-03, "Accounting in a Business Combination for Deferred Revenue of an Acquiree."

The increases in services revenues for the second quarter and first six months of fiscal 2006, as compared to the same periods of fiscal 2005, resulted primarily from recognition of previously-deferred services revenues for several large projects some of which were completed during the second quarter and first six months of fiscal 2006, as well as services revenues recognized from S2 products during the second quarter and first six months of fiscal 2006. For some of the Company's contracts, including certain S2 contracts, services revenues are being recognized to the extent direct and incremental costs are incurred until such time that project profitability can be estimated. This revenue recognition treatment negatively impacted the margins on services revenues for the second quarter and first six months of fiscal 2006.

Expenses. Total operating expenses for the second quarter of fiscal 2006 increased \$9.0 million, or 15.2%, as compared to the same period of fiscal 2005. Total operating expenses for the first six months of fiscal 2006 increased \$21.1 million, or 17.9%, as compared to the same period of fiscal 2005.

Cost of software license fees for the second quarter of fiscal 2006 increased \$1.8 million, or 31.1%, as compared to the same period of fiscal 2005. Cost of software license fees for the first six months of fiscal 2006 increased \$2.8 million, or 24.2%, as compared to the same period of fiscal 2005. The increases in cost of software license fees during the second quarter and first six months of fiscal 2006, as compared to the same periods of fiscal 2005, were primarily due to additional personnel assigned to support this function following the previously-announced reorganization. In addition, share-based compensation costs of \$0.4 million, resulting from adoption of SFAS No. 123R in fiscal 2006, were recognized during the first six months of fiscal 2006.

Cost of maintenance and services for the second quarter of fiscal 2006 increased \$5.2 million, or 37.9%, as compared to the same period of fiscal 2005. Cost of maintenance and services for the first six months of fiscal 2006 increased \$12.3 million, or 44.5%, as compared to the same period of fiscal 2005. The increases in cost of maintenance and services during the second quarter and first six months of fiscal 2006, as compared to the same periods of fiscal 2005, resulted from costs incurred during the second quarter and first six months of fiscal 2006 of approximately \$3.2 million and \$7.4 million, respectively, to support the S2 products, and recognition of previously-deferred compensation-related expenses resulting from recognition of several large projects. For these projects, revenues previously were being deferred until acceptance or first production use, and the associated costs, including compensation-related expenses, were being capitalized until the related services revenue was recognized.

R&D costs for the second quarter and first six months of fiscal 2006 were comparable to the same periods of fiscal 2005.

Selling and marketing costs for the second quarter of fiscal 2006 increased \$1.2 million, or 7.6%, as compared to the same period of fiscal 2005. Selling and marketing costs for the first six months of fiscal 2006 increased \$1.9 million, or 6.1%, as compared to the same period of fiscal 2005. The increases in selling and marketing costs during the second quarter and first six months of fiscal 2006, as compared to the same periods of fiscal 2005, were primarily due to higher sales commissions and other costs resulting from strong sales during the second quarter and first six months of fiscal 2006. In addition, share-based compensation costs of \$0.4 million, resulting from adoption of SFAS No. 123R in fiscal 2006, were recognized during the first six months of fiscal 2006.

General and administrative costs for the second quarter of fiscal 2006 increased \$1.1 million, or 7.7%, as compared to the same period of fiscal 2005. General and administrative costs for the first six months of fiscal 2006 increased \$4.5 million, or 16.1%, as compared to the same period of fiscal 2005. The increase in general and administrative costs during the second quarter of fiscal 2006, as compared to the same period of fiscal 2005, was primarily due to share-based compensation costs of \$1.1 million recognized during the second quarter of fiscal 2006 resulting from adoption of SFAS No. 123R in fiscal 2006. The increase in general and administrative costs during the first six months of fiscal 2006, as compared to the same period of fiscal 2005, was primarily due to share-based

compensation costs of \$2.1 million recognized during the first six months of fiscal 2006 resulting from adoption of SFAS No. 123R, severance costs related to the previously-announced reorganization, additional compensation and benefit costs related to annual merit pay increases and increased costs related to professional services.

Other Income and Expense. Interest income for the second quarter of fiscal 2006 increased \$0.7 million as compared to the same period of fiscal 2005. Interest income for the first six months of fiscal 2006 increased \$3.1 million as compared to the same period of fiscal 2005. The primary reason for the increase in interest income during the first six months of fiscal 2006, as compared to the same period of fiscal 2005, is attributable to interest income of \$2.0 million on a refund of income taxes. The remaining increases in interest income during the second quarter and first six months of fiscal 2006, as compared to the same periods of fiscal 2005, is attributable to increases in interest rates and global consolidation of excess cash amounts into higher yielding investments.

Interest expense for the second quarter of fiscal 2006 decreased \$0.1 million as compared to the same period of fiscal 2005. Interest expense for the first six months of fiscal 2006 decreased \$0.2 million as compared to the same period of fiscal 2005. Scheduled payments of debt under financing agreements continue to be made, decreasing outstanding debt balances and corresponding interest expense.

Other income and expense consists of foreign currency gains and losses, and other non-operating items. Other income for the second quarter of fiscal 2006 increased \$0.1 million as compared to the same period of fiscal 2005. Other expense for the first six months of fiscal 2006 decreased \$1.0 million as compared to the same period of fiscal 2005. Comparative changes in other income and expense amounts were primarily attributable to fluctuating currency rates which impacted the amounts of foreign currency gains or losses realized by the Company during the respective periods.

Income Taxes. It is the Company's policy to report income tax expense for interim reporting periods using an estimated annual effective income tax rate, which the Company estimates to be 35.0% for fiscal 2006. However, the tax effects of significant or unusual items are not considered in the estimated annual effective tax rate. The tax effect of such events is recognized in the interim period in which the event occurs.

The Company reached an agreement with the Internal Revenue Service (the "IRS") to settle open audit issues related to years 1997 through 2003, resulting in a refund to the Company. The amount of the refund was \$8.9 million. The refund and corresponding interest were dependent on the Company's claims being approved by the Joint Committee on Taxation (the "Joint Committee"). In November 2005, the Company was notified that the Joint Committee approved the conclusions reached by the IRS with respect to the audit of the Company's 1997 through 2003 tax years. During the first quarter of fiscal 2006, the Company recorded the effects of the refund in its consolidated financial statements, including estimated interest income of \$1.8 million and entries to relieve related tax contingency reserves and other accruals relating to the audit in the amount of \$3.9 million. In February 2006, the Company received the refund payment, which included additional interest of \$0.2 million that was recognized as income in the Company's fiscal 2006 second quarter operating results.

The effective tax rate for the second quarter of fiscal 2006 was approximately 35.0% as compared to 34.3% for the same period of fiscal 2005. The effective tax rate for the first six months of fiscal 2006 was approximately 24.8% as compared to 37.0% for the same period of fiscal 2005. The improvement in the effective tax rate for the first six months of fiscal 2006, as compared to the same period of fiscal 2005, resulted primarily from the release of tax contingency reserves and other accruals related to the above-noted IRS audit settlement. The effective tax rate for the first six months of fiscal 2006, excluding the effect of the IRS audit settlement, was primarily impacted by the extraterritorial income exclusion, the manufacturing deduction, municipal interest income, a decrease in valuation allowances related to foreign net operating losses, and the differential between the statutory federal tax rate in the U.S. and certain foreign jurisdictions in which the Company operates. The effective tax rate for the first six months of fiscal 2005 was primarily impacted by recognition of research and development credits, the extraterritorial income exclusion, municipal interest income, a decrease in valuation allowances related to foreign net operating losses, an increase in valuation allowances related to foreign withholding taxes, the differential between the statutory federal tax rate in the U.S. and certain foreign jurisdictions in which the Company operates, and the recognition of various tax contingency reserves.

The comparative decrease in the estimated fiscal 2006 effective income tax rate of 35.0%, from 37.0% for fiscal 2005, is attributable primarily to the manufacturing deduction, a decrease in valuation allowances related to foreign

withholding taxes, and a decrease in the need for tax contingency reserves offset by an increase related to the phase-out of the extraterritorial income exclusion.

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. As of March 31, 2006, the Company had net deferred tax assets of \$26.1 million (net of a \$50.9 million valuation allowance). The Company's valuation allowance primarily relates to foreign net operating loss carryforwards and, to a lesser extent, foreign tax credit carryforwards, capital loss carryforwards and domestic net operating loss carryforwards. The valuation allowance is based on the extent to which management believes these carryforwards and credits could expire unused due to the Company's historical or projected losses. The Company analyzes the recoverability of its net deferred tax assets at each reporting period. Because unforeseen factors may affect future taxable income, increases or decreases to the valuation reserve may be required in future periods.

Liquidity and Capital Resources

As of March 31, 2006, the Company's principal sources of liquidity consisted of \$189.7 million in cash, cash equivalents and marketable securities. The Company had no bank borrowings outstanding as of March 31, 2006. In fiscal 2005, the Company announced that its Board of Directors approved a stock repurchase program authorizing the Company, from time to time as market and business conditions warrant, to acquire up to \$80.0 million of its common stock. During the first six months of fiscal 2006, the Company repurchased 488,122 shares of its common stock at an average price of \$27.97 per share under this stock repurchase program. The maximum approximate remaining dollar value of shares authorized for purchase under the stock repurchase program was \$33.0 million as of March 31, 2006. The Company may also decide to use cash to acquire new products and services or enhance existing products and services through acquisitions of other companies, product lines, technologies and personnel, or through investments in other companies.

The Company's net cash flows provided by operating activities in the first six months of fiscal 2006 amounted to \$43.2 million as compared to \$30.5 million provided by operating activities during the same period of fiscal 2005. The increase in operating cash flows resulted from receipt of a cash refund of \$10.9 million, including interest, in February 2006 related to settlement of the IRS audit of tax years 1997 through 2003, increased net income, including adjustments for non-cash items, and changes in billed and accrued receivables, offset by changes in accounts payable, accrued employee compensation and deferred revenue.

On October 5, 2005, the Company issued a press release announcing a restructuring of its organization. As a result of this restructuring, the Company incurred \$1.3 million in restructuring and other reorganization charges during fiscal 2005, of which \$0.2 million was paid in fiscal 2005. During the first six months of fiscal 2006, the Company incurred an additional \$0.4 million in restructuring and other reorganization charges, net of adjustments to previously-recognized amounts. Cash expenditures related to restructuring and other reorganization charges totaled \$1.3 million during the first six months of fiscal 2006. During the remainder of fiscal 2006, the Company expects to incur an additional \$1.2 million to \$1.8 million in restructuring and other reorganization costs, but also expects that first-year pre-tax savings will more than offset these costs. The Company anticipates that the restructuring will be substantially completed by the end of fiscal 2006.

The Company's net cash flows used in investing activities totaled \$6.7 million in the first six months of fiscal 2006 as compared to \$75.6 million used in investing activities during the same period of fiscal 2005. During the first six months of fiscal 2006, the Company used cash of \$3.4 million to increase its holdings of marketable securities and \$3.3 million to purchase software, property and equipment. During the first six months of fiscal 2005, the Company used cash to increase its net holdings of marketable securities by \$73.1 million and purchased \$2.5 million of software, property and equipment.

The Company's net cash flows used in financing activities totaled \$6.7 million in the first six months of fiscal 2006 as compared to \$3.5 million used in financing activities during the same period of fiscal 2005. In the first six months of fiscal 2006, the Company used cash of \$14.0 million to purchase shares of its common stock under the Company's stock repurchase program, made payments to third-party financial institutions totaling \$2.0 million, and received proceeds of \$8.6 million, including corresponding excess tax benefits, from exercises of stock options. In the first six months of fiscal 2005, the Company used cash of \$7.2 million to purchase shares of its common stock under the Company's stock repurchase program, made payments to third-party financial institutions totaling \$5.0 million, and

received proceeds of \$7.9 million from exercises of stock options.

The Company also realized a minimal increase in cash during the first six months of fiscal 2006 compared to a \$1.8 million increase in cash during the same period of fiscal 2005 related to foreign exchange rate variances.

The Company believes that its existing sources of liquidity, including cash on hand, marketable securities and cash provided by operating activities, will satisfy the Company's projected liquidity requirements, which primarily consists of working capital requirements, for the foreseeable future.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to the Company's market risk for the six months ended March 31, 2006. The Company conducts business in all parts of the world and is thereby exposed to market risks related to fluctuations in foreign currency exchange rates. The U.S. dollar is the single largest currency in which the Company's revenue contracts are denominated. Thus, any decline in the value of local foreign currencies against the U.S. dollar results in the Company's products and services being more expensive to a potential foreign customer, and in those instances where the Company's goods and services have already been sold, may result in the receivables being more difficult to collect. The Company at times enters into revenue contracts that are denominated in the country's local currency, principally in Australia, Canada, the United Kingdom and other European countries. This practice serves as a natural hedge to finance the local currency expenses incurred in those locations. The Company has not entered into any foreign currency hedging transactions. The Company does not purchase or hold any derivative financial instruments for the purpose of speculation or arbitrage.

The primary objective of the Company's cash investment policy is to preserve principal without significantly increasing risk. Based on the Company's cash investments and interest rates on these investments at March 31, 2006, and if the Company maintained this level of similar cash investments for a period of one year, a hypothetical ten percent increase or decrease in interest rates would increase or decrease interest income by approximately \$0.7 million annually.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management, under the supervision of and with the participation of the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934 (the "Exchange Act") as of the end of the period covered by this report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective, as of the end of the period covered by this report, to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, completely and accurately, within the time periods specified in Securities and Exchange Commission rules and forms.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the second quarter of fiscal 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. Other than as described below, the Company is not currently a party to any legal proceedings, the adverse outcome of which, individually or in the aggregate, the Company believes would be likely to have a material adverse effect on the Company's financial condition or results of operations.

Class Action Litigation. In November 2002, two class action complaints were filed in the U.S. District Court for the District of Nebraska (the "Court") against the Company and certain individuals alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. Pursuant to a Court order, the two complaints were consolidated as *Desert Orchid Partners v. Transaction Systems Architects, Inc., et al.*, with Genesee County Employees' Retirement System designated as lead plaintiff. The Second Amended Consolidated Class Action Complaint (the "Consolidated Complaint") alleges that during the purported class period, the Company and the named defendants misrepresented the Company's historical financial condition, results of operations and its future prospects, and failed to disclose facts that could have indicated an impending decline in the Company's revenues. The Consolidated Complaint seeks unspecified damages, interest, fees, costs and rescission. The class period alleged in the Consolidated Complaint is January 21, 1999 through November 18, 2002. The Company and the individual defendants filed a motion to dismiss the Consolidated Complaint. In response, on December 15, 2003, the Court dismissed, without prejudice, Gregory Derkacht, the Company's former president and chief executive officer, as a defendant, but denied the motion to dismiss with respect to the remaining defendants, including the Company. On February 6, 2004, the Court entered a mediation reference order requiring the parties to mediate before a private mediator. The parties held a mediation session on March 18, 2004, which did not result in a settlement of the matter.

On July 1, 2004, lead plaintiff filed a motion for class certification wherein, for the first time, lead plaintiff sought to add an additional class representative, Roger M. Wally. On August 20, 2004, defendants filed their opposition to the motion. On March 22, 2005, the Court issued an order certifying the class. The parties held a second mediation session on January 5-6, 2006, which did not result in a settlement of the matter.

On January 27, 2006, the Company and the individual defendants filed a motion for judgment on the pleadings, seeking a dismissal of the lead plaintiff and certain other class members, as well as a limitation on damages based upon plaintiffs' inability to establish loss causation with respect to a large portion of their claims. The lead plaintiff has opposed the motion and the Court has not yet ruled. On February 6, 2006, additional class representative Roger M. Wally filed a motion to withdraw as a class representative and class member. On April 21, 2006, and based upon the pending motion for judgment, a motion to intervene as a class representative was filed by the Louisiana District Attorneys Retirement System ("LDARS"). LDARS previously attempted to be named as lead plaintiff in the case. Defendants have opposed the motion. Discovery is continuing.

Other Litigation - Plus Tecnologia

On August 31, 2001, Plus Tecnologia ("Plus") filed a complaint in Circuit Court in the Sixth Judicial Circuit for Pinellas County, Florida (the "Florida Court") against Transaction Systems Architects, Inc., ACI Worldwide Inc., ACI Worldwide (Florida) Inc. n/k/a ACI Worldwide (Texas) LLC, Open Systems Solutions, Inc., the predecessor to ACI Worldwide (Florida) Inc., and ACI Worldwide (Mexico) S.A. de C.V. The complaint alleged breach of contract, breach of non-disclosure agreements, tortious interference with prospective business relationships of Plus and an additional cause of concert of action. Plus claimed various items of damages, including lost profits in excess of \$30,000,000, interest, fees, costs and punitive damages.

On April 21, 2005, the Company filed a Motion for Sanctions seeking to dismiss the complaint with prejudice and to impose sanctions against Plus alleging that Plus has engaged in improper, unfair, unethical and fraudulent actions. On April 12, 2006, the Florida Court dismissed with prejudice all of Plus' claims against the Company and all defendants and further found that no liability on the part of the Company or other defendants has ever been found relating to the Plus cause of action. The Florida Court further found that the Company presented a prima facie case of misconduct by Plus. The Florida Court retained jurisdiction for purposes of determining appropriate sanctions against Plus, including entitlement and amount of any attorneys' fees and costs to be assessed against Plus pursuant to the Company's pending Motion for Sanctions.

Item 1A. RISK FACTORS

Except for the risk factors set forth below, there have been no material changes to the risk factors disclosed in Item 1A of the Company's Form 10-K for the fiscal year ended September 30, 2005 (the "Form 10-K"). Additional risks and uncertainties, including risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, could also have an adverse effect on the Company's business, financial condition and/or results of operations. The risk factors set forth below were disclosed in the Form 10-K, but have been updated to provide additional information or updates:

- The Company's backlog estimates are based on management's assessment of the customer contracts that exist as of the date the estimates are made, as well as revenues from assumed contract renewals, to the extent that the Company believes that recognition of the related revenue will occur within the corresponding backlog period. A number of factors could result in actual revenues being less than the amounts reflected in backlog. The Company's customers may attempt to renegotiate or terminate their contracts for a number of reasons, including mergers, changes in their financial condition, or general changes in economic conditions in their industries or geographic locations, or the Company may experience delays in the development or delivery of products or services specified in customer contracts. Actual renewal rates and amounts may differ from historical experiences used to estimate backlog amounts. Changes in foreign currency exchange rates may also impact the amount of revenue actually recognized in future periods. Accordingly, there can be no assurance that contracts included in backlog will actually generate the specified revenues or that the actual revenues will be generated within a 12-month or 60-month period.
- The Company is subject to income taxes, as well as non-income based taxes, in the United States and in various foreign jurisdictions. Significant judgment is required in determining the Company's worldwide provision for income taxes and other tax liabilities. In addition, the Company has benefited from, and expects to continue to benefit from, implemented tax-saving strategies. The Company believes that implemented tax-saving strategies comply with applicable tax law. However, taxing authorities could disagree with the Company's positions. If the taxing authorities decided to challenge any of the Company's tax positions and were successful in such challenges, the Company's financial condition and/or results of operations could be adversely affected.

The Company's tax positions in its federal income tax returns for tax years subsequent to fiscal 2001 have not been fully examined by the IRS. The Company believes that its tax positions comply with applicable tax law. However, the IRS could challenge any of those positions and issue adjustments that could adversely affect the Company's financial condition and/or results of operations.

Three of the Company's foreign subsidiaries are the subject of tax examinations by the local taxing authorities. Other foreign subsidiaries could face challenges from various foreign tax authorities. It is not certain that the local authorities will accept the Company's tax positions. The Company believes its tax positions comply with applicable tax law and intends to vigorously defend its positions. However, differing positions on certain issues could be upheld by foreign tax authorities, which could adversely affect the Company's financial condition and/or results of operations.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table provides information regarding the Company's repurchases of its common stock during the second quarter of fiscal 2006:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
January 1 through January 31, 2006	-	-	-	\$ 33,334,000
February 1 through February 28, 2006	10,723	\$ 30.45	10,723	\$ 33,007,000
March 1 through March 31, 2006	-	-	-	\$ 33,007,000
Total (1)	<u>10,723</u>	<u>\$ 30.45</u>	<u>10,723</u>	

(1) In fiscal 2005, the Company announced that its Board of Directors approved a stock repurchase program authorizing the Company, from time to time as market and business conditions warrant, to acquire up to \$80 million of its Common Stock, and that it intends to use existing cash and cash equivalents to fund these repurchases. There is no guarantee as to the exact number of shares that will be repurchased by the Company. Repurchased shares are returned to the status of authorized but unissued shares of Common Stock. In March 2005, the Company's Board of Directors approved a plan under Rule 10b5-1 of the Securities Exchange Act of 1934 to facilitate the repurchase of shares of Common Stock under the existing stock repurchase program. Under the Company's Rule 10b5-1 plan, the Company has delegated authority over the timing and amount of repurchases to an independent broker who does not have access to inside information about the Company. Rule 10b5-1 allows the Company, through the independent broker, to purchase Company shares at times when the Company ordinarily would not be in the market because of self-imposed trading blackout periods, such as the time immediately preceding the end of the fiscal quarter through a period three business days following the Company's quarterly earnings release. During the second quarter of fiscal 2006, all shares were purchased in open-market transactions.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's Annual Meeting of Stockholders was held on March 7, 2006. The matters voted upon at such meeting and the number of shares cast for, against or withheld, and abstained are as follows:

1. Election of directors to hold office until the next Annual Meeting of Stockholders:

Nominee	For	Withheld
Roger K. Alexander	32,503,763	161,521
John D. Curtis	32,462,887	202,397
Philip G. Heasley	32,541,423	123,861
Jim D. Kever	32,484,606	180,678
Harlan F. Seymour	32,459,608	205,676
John E. Stokely	29,308,051	3,357,233

2. Proposal to ratify the appointment of KPMG LLP as the Company's independent auditors for fiscal 2006:

For: 32,176,125

Against: 477,478

Abstain: 11,681

Broker Non-Vote: - 0 -

Item 5. OTHER INFORMATION

Not applicable.

Item 6. EXHIBITS

Exhibit No.	Description
10.1	ACI Holding, Inc. 1994 Stock Option Plan, as amended
10.2	Transaction Systems Architects, Inc. 1996 Stock Option Plan, as amended
10.3	Transaction Systems Architects, Inc. 1997 Management Stock Option Plan, as amended
10.4	Transaction Systems Architects, Inc. 1999 Stock Option Plan, as amended
10.5	MessagingDirect Ltd. Amended and Restated Employee Share Option Plan, as amended
10.6	Transaction Systems Architects, Inc. 2000 Non-Employee Director Stock Option Plan, as amended
10.7	Transaction Systems Architects, Inc. 2002 Non-Employee Director Stock Option Plan, as amended
31.1	Certification of Chief Executive Officer pursuant to SEC Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to SEC Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	* Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	* Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* This certification is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference.

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ACI HOLDING, INC.

1994 STOCK OPTION PLAN

**as amended by
the Board of Directors on February 22, 2002
and again by the Board of Directors on March 7, 2006**

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ACI HOLDING, INC.

**1994 STOCK OPTION PLAN
as amended by
the Board of Directors on February 22, 2002
and again by the Board of Directors on March 7, 2006**

ACI HOLDING, INC., a Delaware corporation (the “Corporation”), sets forth herein the terms of this Stock Option Plan (the “Plan”) as follows:

1. PURPOSE

The Plan is intended to advance the interests of the Corporation by providing eligible individuals (as designated pursuant to Section 4 below) an opportunity to acquire (or increase) a proprietary interest in the Corporation, which thereby will create a stronger incentive to expend maximum effort for the growth and success of the Corporation and its subsidiaries and will encourage such eligible individuals to remain in the employ or service of the Corporation or that of one or more of its subsidiaries. Each stock option granted under the Plan (an “Option”) is intended to be an “incentive stock option” (“Incentive Stock Option”) within the meaning of Section 422 of the Internal Revenue Code of 1986, or the corresponding provision of any subsequently enacted tax statute, as amended from time to time (the “Code”), except to the extent that any such Option would exceed the limitations set forth in Section 7 below and except for Options specifically designated at the time of grant as not being “incentive stock options.”

2. ADMINISTRATION

2.1. Board

The Plan shall be administered by the Board of Directors of the Corporation (the “Board”), which shall have the full power and authority to take all actions and to make all determinations required or provided for under the Plan or any Option granted or Option Agreement (as defined in Section 8 below) entered into hereunder and all such other actions and determinations not inconsistent with the specific terms and provisions of the Plan deemed by the Board to be necessary or appropriate to the administration of the Plan or any Option granted or Option Agreement entered into hereunder. The interpretation and construction by the Board of any provision of the Plan or of any Option granted or Option Agreement entered into hereunder shall be final and conclusive.

2.2. Committee

The Board may from time to time appoint a Stock Option Committee (the “Committee”). The Board, in its sole discretion, may provide that the role of the Committee shall be limited to making recommendations to the Board concerning any determinations to be made and actions to be taken by the Board pursuant to or with respect to the Plan, or the Board may delegate to the Committee such powers and authorities related to the administration of the Plan, as set forth in Section 2.1 above, as the Board shall determine, consistent with the Certificate of Incorporation and By-laws of the Corporation and applicable law. In the event that the Plan or any Option granted or Option Agreement entered into hereunder provides for any action to be taken by or determination to be made by the Board, such action may be taken by or such determination may be made by the Committee if the power and authority to do so has been delegated to the Committee by the Board as provided for in this Section. Unless otherwise expressly determined by the Board, any such action or determination by the Committee shall be final and conclusive.

2.3. No Liability

No member of the Board or of the Committee shall be liable for any action or determination made, or any failure to take or make an action or determination, in good faith with respect to the Plan or any Option granted or Option Agreement entered into hereunder.

3. STOCK

The stock that may be issued pursuant to Options granted under the Plan shall be shares of Series B Common Stock of the Corporation (the “Stock”), which shares may be treasury shares or authorized but unissued shares. The number of shares of Stock that may be issued pursuant to Options granted under the Plan shall not exceed in the aggregate 477,744 shares of Stock, which number of shares is subject to adjustment as provided in Section 18 below. If any Option expires, terminates or is terminated for any reason prior to exercise in full, the shares of Stock that were subject to the unexercised portion of such Option shall be available for future Options granted under the Plan.

4. ELIGIBILITY

Options may be granted under the Plan to any employee of the Corporation or any “subsidiary corporation” thereof within the meaning of Section 424(f) of the Code (a “Subsidiary”) (including any such employee who is an officer or director of the Corporation or any Subsidiary) as the Board shall determine and designate from time to time prior to expiration or termination of the Plan. An individual may hold more than one Option, subject to such restrictions as are provided herein.

5. EFFECTIVE DATE AND TERM OF THE PLAN

5.1. Effective Date

The Plan shall become effective as of the date of adoption by the Board, subject to stockholders’ approval of the Plan within one year of such effective date by a majority of the votes cast at a duly held meeting of the stockholders of the Corporation at which a quorum representing a majority of all outstanding stock is present, either in person or by proxy, and voting on the matter, or by written consent in accordance with applicable state law and the articles of incorporation and by-laws of the Corporation and in a manner that satisfies the requirements of Rule 16b-3(b) of the Exchange Act; provided, however, that upon approval of the Plan by the stockholders of the Corporation as set forth above, all options granted under the Plan on or after the effective date shall be fully effective as if the stockholders of the Corporation had approved the Plan on the effective date.

5.2. Term

The plan shall have no termination date, but no grant of an ISO may occur after the date that is ten years after the effective date.

6. GRANT OF OPTIONS

6.1. General

Subject to the terms and conditions of the Plan, the Board may, at any time and from time to time, grant to such eligible individuals as recommended by the Chief Executive Officer of the Corporation and approved by the Board (“Optionees”) Options to purchase such number of shares of the Stock on such terms and conditions as the Board may determine, including any terms or conditions which may be necessary to qualify such Options as “incentive stock options” under Section 422 of the Code. Such authority specifically includes the authority, in order to effectuate the purposes of the Plan but without amending the Plan, to modify grants to eligible individuals who are foreign nationals or are individuals who are employed outside the United States to recognize differences in local law, tax policy or custom. The date on which the Board approves the grant of an Option shall be considered the date on which such Option is granted.

6.2. Limitation on Grants of Options to Executives

The maximum number of Shares subject to Options that can be awarded under the Plan to any executive officer of the Corporation, a subsidiary, or to any other person eligible for the grant of an Option under Section 4 is 238,872 shares.

7. LIMITATION ON INCENTIVE STOCK OPTIONS

An Option shall constitute an Incentive Stock Option only to the extent that the aggregate fair market value (determined at the time the Option is granted) of the Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionee during any calendar year (under the Plan and all other plans of the Optionee’s employer corporation and its parent and subsidiary corporations within the meaning of Section 422(d) of the Code) does not exceed \$100,000. This limitation shall be applied by taking Options into account in the order in which they were granted.

8. OPTION AGREEMENTS

All Options granted pursuant to the Plan shall be evidenced by written agreements (“Option Agreements”) to be executed by the Corporation and by the Optionee, in such form or forms as the Board shall from time to time determine. Option Agreements covering Options granted from time to time or at the same time need not contain similar provisions; provided, however, that all such Option Agreements shall comply with all terms of the Plan.

9. OPTION PRICE

The purchase price of each share of the Stock subject to an Option (the "Option Price") shall be fixed by the Board and stated in each Option Agreement; provided that the minimum Option Price with respect to 238,872 shares of Stock shall be \$10.00 per share, and the minimum Option Price with respect to the remaining 238,872 shares of Stock shall be \$20.00 per share. In the case of an Option that is intended to constitute an Incentive Stock Option, the option price shall be not less than the fair market value of a share of the Stock covered by the Option on the date the Option is granted (as determined in good faith by the Board); provided, however, that in the event the Optionee would otherwise be ineligible to receive an Incentive Stock Option by reason of the provisions of Sections 422(b)(6) and 424(d) of the Code (relating to stock ownership of more than ten percent), the Option Price of an Option which is intended to be an Incentive Stock Option shall be not less than the greater of par value or 110 percent of the fair market value of a share of the Stock covered by the Option at the time such Option is granted. In the event that the Stock is listed on an established national or regional stock exchange, is admitted to quotation on the National Association of Securities Dealers Automated Quotation System, or is publicly traded in an established securities market, in determining the fair market value of the Stock, the Board shall use the closing price of the Stock on such exchange or System or in such market (the highest such closing price if there is more than one such exchange or market) on the date the Option is granted (or, if there is no such closing price, then the Board shall use the mean between the highest bid and lowest asked prices or between the high and low prices on such date), or, if no sale of the Stock has been made on such day, on the next preceding day on which any such sale shall have been made.

10. TERM AND EXERCISE OF OPTIONS

10.1. Term

Each Option granted under the Plan shall terminate and all rights to purchase shares thereunder shall cease upon the expiration of ten years from the date such Option is granted, or on such date prior thereto as may be fixed by the Board and stated in the Option Agreement relating to such Option; provided, however, that in the event the Optionee would otherwise be ineligible to receive an Incentive Stock Option by reason of the provisions of Sections 422(b)(6) and 424(d) of the Code (relating to stock ownership of more than ten percent), an Option granted to such Optionee which is intended to be an Incentive Stock Option shall in no event be exercisable after the expiration of five years from the date it is granted.

10.2. Option Period and Limitations on Exercise

Each Option granted under the Plan shall be exercisable, in whole or in part, at any time and from time to time over a period commencing on or after the date of grant and ending upon the expiration or termination of the Option, as the Board shall determine and set forth in the Option Agreement relating to such Option; provided, however, that, as set forth herein, no Option may become exercisable at a rate faster than 1/48th of the shares originally covered thereby for each month which shall have expired since the date the Option was granted. Any limitation on the exercise of an Option contained in any Option Agreement may be rescinded, modified or waived by the Board, in its sole discretion, at any time and from time to time after the date of grant of such Option, so as to accelerate the time at which the Option may be exercised. Notwithstanding the foregoing, Options that may be granted pursuant to the an offer to exchange Options to be made by the Company is 2001, may, except as limited by Section 16.5 of the Plan, become exercisable by an optionee in 18 equal monthly installments.

10.3. Method of Exercise

An Option that is exercisable hereunder may be exercised by delivery to the Corporation on any business day, at its principal office addressed to the attention of the President, of written notice of exercise, which notice shall specify the number of shares with respect to which the Option is being exercised and shall be accompanied by payment in full of the Option Price of the shares for which the Option is being exercised. The minimum number of shares of Stock with respect to which an Option may be exercised, in whole or in part, at any time shall be the lesser of 100 shares or the maximum number of shares available for purchase under the Option at the time of exercise. Payment of the Option Price for the shares of Stock purchased pursuant to the exercise of an Option shall be made, as determined by the Board and set forth in the Option Agreement pertaining to an Option, either (i) in cash or by check payable to the order of the Corporation (which check may, in the discretion of the Corporation, be required to be certified); (ii) through the tender to the Corporation of shares of Stock, which shares shall be valued, for purposes of determining the extent to which the Option Price has been paid thereby, at their fair market value (determined in the manner described in Section 9 above) on the date of exercise; (iii) to the extent permitted by applicable law, by the delivery of a promissory note of the person exercising the Option to the Corporation on such terms as shall be set out in the Option Agreement; (iv) to the extent permitted by applicable law, by causing the Corporation to withhold shares of stock otherwise issuable pursuant to exercise of an option equal in value to the Option Price or portion thereof to be satisfied pursuant to this clause (iv); or (v) by a combination of the methods described in (i) and (ii); provided, however, that the Board may in its discretion impose and set forth in the Option Agreement pertaining to an Option such limitations or prohibitions on the use of shares of Stock to exercise Options as it deems appropriate. An attempt to exercise any Option granted hereunder other than as set forth above shall be invalid and of no force and effect. Promptly after the exercise of an Option and the payment in full of the Option Price of the shares of Stock covered thereby, the individual exercising the Option shall be entitled to the issuance of a Stock certificate or certificates evidencing his ownership of such shares. A separate Stock certificate or certificates shall be issued for any shares purchased pursuant to the exercise of an Option which is an Incentive Stock Option, which certificate or certificates shall not include any shares which were purchased pursuant to the exercise of an Option which is not an Incentive Stock Option. An individual holding or exercising an Option shall have none of the rights of a stockholder until the shares of Stock covered thereby are fully paid and issued to him, and, except as provided in Section 18 below, no adjustment shall be made for dividends or other rights for which the record date is prior to the date of such issuance.

11. TRANSFERABILITY

11.1. Transferability of Options

During the lifetime of an Optionee, only such Optionee or any permitted transferee (or, in the event of legal incapacity or incompetency, the Optionee's or permitted transferee's guardian or legal representatives) may exercise the Option. No Option shall be assignable or transferable by the Optionee to

whom it is granted, other than by will or the laws of descent and distribution or, except with respect to an Incentive Stock Option, pursuant to a domestic relations order (within the meaning of Rule 16a-12 of the Securities Exchange Act of 1934, as amended).

11.2. Stock and Warrant Holders' Agreement and Voting Agreement

Shares of Stock acquired pursuant to exercise of an Option shall be subject to the ACI Holding, Inc. Stock and Warrant Holders' Agreement entered into as of December 31, 1993 (the "Stock and Warrant Holders' Agreement") and the Voting Agreement dated December 31, 1993, and the Board shall so provide in each Option Agreement.

12. TERMINATION OF EMPLOYMENT

Upon the termination of the employment of an Optionee with the Corporation or a Subsidiary, other than by reason of the death or "permanent and total disability" (within the meaning of Section 22(e)(3) of the Code) of such Optionee, any Option granted to an Optionee pursuant to the Plan shall terminate, and such Optionee shall have no further right to purchase shares of Stock pursuant to such Option; provided, however, that in the event that such termination of employment is by reason of the Optionee's retirement with the consent of the Corporation or a Subsidiary in accordance with the normal retirement policies of the Corporation or a Subsidiary, as the case may be, then such Optionee shall have the right (subject to the general limitations on exercise set forth in Section 10.2 above), at any time within three months after such retirement and prior to termination of the Option pursuant to Section 10.1 above, to exercise, in whole or in part, any Option held by such Optionee at the date of such retirement, whether or not such Option was exercisable immediately prior to such retirement; provided further, that the Board may provide, by inclusion of appropriate language in any Option Agreement, that an Optionee may (subject to the general limitations on exercise set forth in Section 10.2 above), in the event of termination of employment of the Optionee with the Corporation or a Subsidiary, exercise an Option, in whole or in part, at any time subsequent to such termination of employment and prior to termination of the Option pursuant to Section 10.2 above, either subject to or without regard to any installment limitation on exercise imposed pursuant to Section 10.2 above, as the Board, in its sole and absolute discretion, shall determine and set forth in the Option Agreement. Whether a termination of employment is to be considered by reason of retirement with the consent of the Corporation or a Subsidiary in accordance with the normal retirement policies of the Corporation or a Subsidiary, as the case may be, and whether a leave of absence or leave on military or government service shall constitute a termination of employment for purposes of the Plan, shall be determined by the Board, which determination shall be final and conclusive. For purposes of the Plan, a termination of employment with the Corporation or a Subsidiary shall not be deemed to occur if the Optionee is immediately thereafter employed with the Corporation or any other Subsidiary.

13. RIGHTS IN THE EVENT OF DEATH OR DISABILITY

13.1. Death

If an Optionee dies while employed by the Corporation or a Subsidiary, the executors or administrators or legatees or distributees of such Optionee's estate shall have the right (subject to the general limitations on exercise set forth in Section 10.2 above), at any time within one year after the date of such Optionee's death and prior to termination of the Option pursuant to Section 10.1 above, to exercise any Option held by such Optionee at the date of such Optionee's death, whether or not such Option was exercisable immediately prior to such Optionee's death; provided, however, that the Board may provide by inclusion of appropriate language in any Option Agreement that, in the event of the death of an Optionee, the executors or administrators or legatees or distributees of such Optionee's estate may exercise an Option (subject to the general limitations on exercise set forth in Section 10.2 above), in whole or in part, at any time subsequent to such Optionee's death and prior to termination of the Option pursuant to Section 10.1 above, either subject to or without regard to any installment limitation on exercise imposed pursuant to Section 10.2 above, as the Board, in its sole and absolute discretion, shall determine and set forth in the Option Agreement.

13.2. Disability

If an Optionee terminates employment with the Corporation or a Subsidiary by reason of the "permanent and total disability" (within the meaning of Section 22(e)(3) of the Code) of such Optionee, then such Optionee shall have the right (subject to the general limitations on exercise set forth in Section 10.2 above), at any time within one year after such termination of employment and prior to termination of the Option pursuant to Section 10.1 above, to exercise, in whole or in part, any Option held by such Optionee at the date of such termination of employment, whether or not such Option was exercisable immediately prior to such termination of employment; provided, however, that the Board may provide, by inclusion of appropriate language in any Option Agreement, that an Optionee may (subject to the general limitations on exercise set forth in Section 10.2 above), in the event of the termination of employment of the Optionee with the Corporation or a Subsidiary by reason of the "permanent and total disability" (within the meaning of Section 22(e)(3) of the Code) of such Optionee, exercise an Option, in whole or in part, at any time subsequent to such termination of employment and prior to termination of the Option pursuant to Section 10.1 above, either subject to or without regard to any installment limitation on exercise imposed pursuant to Section 10.2 above as the Board, in its sole and absolute discretion, shall determine and set forth in the Option Agreement. Whether a termination of employment is to be considered by reason of "permanent and total disability" for purposes of this Plan shall be determined by the Board, which determination shall be final and conclusive.

14. USE OF PROCEEDS

The proceeds received by the Corporation from the sale of Stock pursuant to Options granted under the Plan shall constitute general funds of the Corporation.

15. SECURITIES ACT OF 1933

The Corporation shall not be required to sell or issue any shares of Stock under any Option if the sale or issuance of such shares would constitute a violation by the individual exercising the Option or the Corporation of any provisions of any law or regulation of any governmental authority, including without limitation any federal or state securities laws or regulations. If at any time the Corporation shall determine, in its discretion, that the listing, registration, or qualification of any shares subject to the Option upon any securities exchange or under any state or regulatory or self-regulatory body is necessary or desirable as a condition of, or in connection with, the issuance or purchase of shares, the Option may not be exercised in whole or in part unless such listing, registration, qualification, consent, or approval shall have been effected or obtained free of any conditions not acceptable to the Corporation, and any delay caused thereby shall in no way affect the date of termination of the Option. Specifically in connection with the Securities Act of 1933, as amended (the "Securities Act"), upon exercise of any Option, unless a registration statement under such Act is in effect with respect to the shares of Stock covered by such Option, the Corporation shall not be required to sell or issue such shares unless the Corporation has received evidence satisfactory to it that the holder of such Option may acquire such shares pursuant to an exemption from registration under such Act. Any determination in this connection by the Corporation shall be final, binding, and conclusive. The Corporation may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Corporation shall not be obligated to take any affirmative action in order to cause the exercise of an Option or the issuance of shares pursuant thereto to comply with any law or regulation of any governmental authority. As to any jurisdiction that expressly imposes the requirement that an Option shall not be exercisable unless and until the shares of Stock covered by such Option are registered or are subject to an available exemption from registration, the exercise of such Option (under circumstances in which the laws of such jurisdiction apply) shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption.

16. SECURITIES EXCHANGE ACT OF 1934; RULE 16b-3

16.1. General

The Plan is intended to comply with Rule 16b-3 ("Rule 16b-3") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), from and after the date on which the Corporation first registers a class of equity security under Section 12 of the Exchange Act (the "Registration Date"). From and after the Registration Date, any provision inconsistent with Rule 16b-3 (as in effect on the Registration Date) shall, to the extent permitted by law and determined to be advisable by the Committee (constituted in accordance with Section 16.2) or the Board (acting pursuant to Section 16.3), be inoperative and void. In addition, from and after the Registration Date the provisions set forth in Sections 16.2 through 16.5 shall apply.

16.2. Stock Option Committee

From and after the Registration Date, the Committee appointed pursuant to Section 2.2 shall consist of not fewer than two members of the Board, neither of whom, during the period of service on such Committee and the year prior to service on such Committee, shall have been granted an Option under this Plan or been granted or awarded an option or other security under any plan of the Corporation other than as permitted under Rule 16b-3(c)(2)(i) and each of whom shall qualify (at the time of appointment to the Committee and during all periods of service on the Committee) in all respects as a "disinterested person" as defined in Rule 16b-3.

16.3. Action by the Board

From and after the Registration Date, the Board may act under the Plan other than by, or in accordance with the recommendations of, the Committee, constituted as set forth in Section 16.2 above, only if all members of the Board are "disinterested persons" as defined in Rule 16b-3.

16.4. Additional Restrictions on Transfer of Stock

From and after the Registration Date, no director, officer or other "insider" of the Corporation subject to Section 16 of the Exchange Act shall be permitted to sell Stock (which such "insider" had received upon exercise of an Option) during the six months immediately following the grant of such Option.

16.5. Additional Requirement of Stockholders' Approval

From and after the Registration Date, no amendment by the Board shall, without approval by a majority of the votes cast at a duly held meeting of the stockholders of the Corporation at which a quorum representing a majority of all outstanding stock is present, either in person or by proxy, and voting on the amendment, or by written consent in accordance with applicable state law and the articles of incorporation and by-laws of the Corporation, materially increase the benefits accruing to Section 16 "insiders" under the Plan or take any other action that would require the approval of such stockholders pursuant to Rule 16b-3.

17. AMENDMENT AND TERMINATION OF THE PLAN

With the approval of at least two Management Directors (as defined in the Stock and Warrant Holders' Agreement), the Board may, at any time and from time to time, amend, suspend or terminate the Plan as to any shares of Stock as to which Options have not been granted; provided, however, that no amendment by the Board shall, without approval by a majority of the votes cast at a duly held meeting of stockholders of the Corporation at which a quorum representing a majority of all outstanding stock is present, either in person or by proxy, and voting on the amendment, or by written consent in accordance with applicable state law and the articles of incorporation and by-laws of the Corporation, materially change the requirements as to eligibility to receive Options or increase the maximum number of shares of Stock in the aggregate that may be sold pursuant to Options granted under the Plan (except as permitted under Section 18 hereof). The Corporation may also retain the right in an Option Agreement to cause a forfeiture of the shares or gain realized by a holder of an Option on account of the holder taking actions in "competition with the Corporation," as defined in the applicable Option Agreement. Except as permitted under Section 18 hereof, no amendment, suspension or termination of the Plan shall, without the consent of the holder of the Option, alter or impair rights or obligations under any Option theretofore granted under the Plan.

18. EFFECT OF CHANGE IN CAPITALIZATION

18.1. Changes in Stock

If the number of outstanding shares of Stock is increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Corporation by reason of the conversion of the outstanding shares of Series B Common Stock into shares of Series A Common Stock of the Corporation pursuant to the terms of the Charter of the Corporation, or by reason of any recapitalization, reclassification, stock split-up, combination of shares, exchange of shares, stock dividend or other distribution payable in capital stock, or other increase or decrease in such shares effected without receipt of consideration by the Corporation, occurring after the effective date of the Plan, the number and kinds of shares for the purchase of which Options may be granted under the Plan shall be adjusted proportionately and accordingly by the Corporation. In addition, the number and kind of shares for which Options are outstanding shall be adjusted proportionately and accordingly, so that the proportionate interest of the holder of the Option immediately following such event shall, to the extent practicable, be the same as immediately prior to such event. Any such adjustment in outstanding Options shall not change the aggregate Option Price payable with respect to shares subject to the unexercised portion of the Option outstanding but shall include a corresponding proportionate adjustment in the Option Price per share.

18.2. Reorganization with Corporation Surviving

Subject to Section 18.3 hereof, if the Corporation shall be the surviving corporation in any reorganization, merger or consolidation of the Corporation with one or more other corporations, any Option theretofore granted pursuant to the Plan shall pertain to and apply to the securities to which a holder of the number of shares of Stock subject to such Option would have been entitled immediately following such reorganization, merger or consolidation, with a corresponding proportionate adjustment of the Option Price per share so that the aggregate Option Price thereafter shall be the same as the aggregate Option Price of the shares, remaining subject to the Option immediately prior to such reorganization, merger or consolidation.

18.3. Other Reorganizations; Sale of Assets/Stock

Upon the dissolution or liquidation of the Corporation, or upon a merger, consolidation or reorganization of the Corporation with one or more other corporations in which the Corporation is not the surviving corporation, or upon a sale of substantially all of the assets of the Corporation to another corporation, or upon any transaction (including, without limitation, a merger or reorganization in which the Corporation is the surviving corporation) approved by the Board which results in any person or entity (other than persons who are holders of stock of the Corporation at the time the Plan is approved by the Stockholders and other than an Affiliate) owning 80 percent or more of the combined voting power of all classes of stock of the Corporation, the Plan and all Options outstanding hereunder shall terminate, except to the extent provision is made in writing in connection with such transaction for the continuation of the Plan and/or the assumption of the Options theretofore granted, or for the substitution for such Options of new options covering the stock of a successor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kinds of shares and exercise prices, in which event the Plan and Options theretofore granted shall continue in the manner and under the terms so provided. In the event of any such termination of the Plan, each individual holding an Option shall have the right (subject to the general limitations on exercise set forth in Section 10.2 above), immediately prior to the occurrence of such termination and during a period of at least thirty days prior to such termination, to exercise such Option in whole or in part, whether or not such Option was otherwise exercisable at the time such termination occurs and without regard to any installment limitation on exercise imposed pursuant to Section 10.2 above. The Board shall send written notice of an event that will result in such a termination to all individuals who hold Options not later than the thirty days prior to the termination.

18.4. Adjustments

Adjustments under this Section 18 related to stock or securities of the Corporation shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. No fractional shares of Stock or units of other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share or unit.

18.5. No Limitations on Corporation

The grant of an Option pursuant to the Plan shall not affect or limit in any way the right or power of the Corporation to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge, consolidate, dissolve or liquidate, or to sell or transfer all or any part of its business or assets.

19. DISCLAIMER OF RIGHTS

No provision in the Plan or in any Option granted or Option Agreement entered into pursuant to the Plan shall be construed to confer upon any individual the right to remain in the employ of the Corporation or any Subsidiary, or to interfere in any way with the right and authority of the Corporation or any Subsidiary either to increase or decrease the compensation of any individual at any time, or to terminate any employment or other relationship between any individual and the Corporation or any Subsidiary. The obligation of the Corporation to pay any benefits pursuant to this Plan shall be interpreted as a contractual obligation to pay only those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Corporation to transfer any amounts to a third party trustee or otherwise hold any amounts in trust or escrow for payment to any participant or beneficiary under the terms of the Plan.

20. NONEXCLUSIVITY OF THE PLAN

Neither the adoption of the Plan nor the submission of the Plan to the stockholders of the Corporation for approval shall be construed as creating any limitations upon the right and authority of the Board to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or individuals) as the Board in its discretion determines desirable, including, without limitation, the granting of stock options otherwise than under the Plan.

This Plan was duly adopted and approved by the Board of Directors of the Corporation on December 31, 1993 and was duly approved by the stockholders of the Corporation on _____.

David P. Stokes, Secretary

TRANSACTION SYSTEMS ARCHITECTS, INC.

**1996 Stock Option Plan
as amended by
the Board of Directors on March 7, 2006**

TRANSACTION SYSTEMS ARCHITECTS, INC.
1996 Stock Option Plan

Section 1. Purpose. The purpose of the Transaction Systems Architects, Inc. 1996 Stock Option Plan (the "Plan") is to provide long term incentives and rewards to employees and directors of Transaction Systems Architects, Inc. (the "Company") and any Subsidiary of the Company, by providing an opportunity to selected employees and directors to purchase Common Stock of the Company. By encouraging stock ownership, the Company seeks to attract and retain employees and directors and to encourage their best efforts to work at the success of the Company.

Section 2. Definitions. For purposes of this Plan, the following terms used herein shall have the following meanings, unless a different meaning is clearly required by the context.

- 2.1. "Board of Directors" shall mean the Board of Directors of the Company.
- 2.2. "Code" shall mean the Internal Revenue Code of 1986, as amended.
- 2.3. "Committee" shall mean the committee of the Board of Directors referred to in Section 5 hereof.
- 2.4. "Common Stock" shall mean the Class A Common Stock of the Company.
- 2.5. "Directors" shall mean those non-employee members of the Board of Directors to whom grants may be made only in accordance with Section 12.
- 2.6. "Employee" shall mean, with respect to an ISO or to a Non-Qualified Option, any person including an officer or employee-director of the Company, who, at the time an Option is granted to such person hereunder, is actively and customarily employed for 30 hours or more per week by the Company or any Subsidiary of the Company including, without limitation, employee-directors and officers.
- 2.7. "Fair Market Value" shall mean the closing price (last trade) 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 Common Stock.

Note: Shares available in this Plan have subsequently doubled to take into account a 2-for-1 stock split in
June 1996.

- 2.8. "ISO" shall mean an option granted under the Plan which constitutes and shall be treated as an "incentive stock option" as defined in Section 422A(b) of the Code.
- 2.9. "Non-Qualified Option" shall mean an option granted to a Participant pursuant to the Plan which is intended to be, and qualifies as, a "non-qualified stock option" as described in Treasury Regulation Section 1.83-7 and which shall not constitute nor be treated as an ISO.
- 2.10. "Option" shall mean any ISO or Non-Qualified Option granted to an Employee pursuant to this Plan.
- 2.11. "Participant" shall mean any Employee or Director to whom an Option is granted under this Plan.
- 2.12. "Subsidiary of the Company" shall have the meaning set forth in Section 424(f) of the Code.

Section 3. Eligibility. Options may be granted to any Employee. Options may be granted to Directors only in accordance with Section 12. The Committee shall have the sole authority to select the Employees to whom Options are to be granted hereunder, and to determine whether an Employee is to be granted a Non-Qualified Option or an ISO or any combination thereof. No Employee shall have any right to participate in the Plan. Any Employee selected by the Committee for participation during any one period will not by virtue of such participation have the right to be selected as a Participant for any other period.

Section 4. Common Stock Subject to the Plan.

- 4.1. The total number of shares of Common Stock for which Options may be granted under this Plan shall not exceed in the aggregate five hundred four thousand (504,000) shares of Common Stock. Fifty-four thousand (54,000) shares shall be made available to Directors in accordance with Section 12. Of the remaining 450,000 shares, no more than one hundred fifty thousand (150,000) shares shall be granted in any twelve month period to Employees, plus whatever shares for which Options have not been granted in previous years.
- 4.2. The shares of Common Stock 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. In the event that any outstanding Option expires or is terminated for any reason, the shares allocable to the unexercised portion of such Option may again be subject to an Option granted under this Plan. If any shares of Common Stock acquired pursuant to the exercise of an Option shall have been repurchased by the Company, then such shares shall again become available for issuance pursuant to the Plan.
- 4.3. *Special ISO Limitations.*

(a) The aggregate Fair Market Value (determined as of the date an ISO is granted) of the shares of Common Stock with respect to which ISO's are exercisable for the first time by an Employee or Director during any calendar year (under all Incentive Stock Option Plans of the Company or any Subsidiary of the Company) shall not exceed \$100,000.

(b) No ISO shall be granted to an Employee or Director who, at the time the ISO is granted, owns (actually or constructively under the provisions of Section 425(d) of the Code) stock representing more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary of the Company, unless the option price is at least 110% of the Fair Market Value (determined as of the time the ISO is granted) of the shares of Common Stock subject to the ISO and the ISO by its terms is not exercisable more than five years from the date it is granted.

4.4. Notwithstanding any other provision of the Plan, the provisions of Sections 4.3(a) and (b) shall not apply, nor shall be construed to apply, to any Non-Qualified Option granted under the Plan.

Section 5. Administration of the Plan.

5.1 The Plan shall be administered by the Compensation Committee of the Board of Directors, or such other committee of the Board as may be directed by the Board (the "Committee") consisting of no less than two persons. All members of the committee shall be "disinterested persons" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934. The Committee shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors.

5.2 The Committee shall have the sole authority and discretion to grant Options under this Plan and, subject to the limitations set forth in Sections 6 and 12 hereof, to determine the terms and conditions of all Options, including, without limitation, (i) selecting the Participants who are to be granted Options hereunder; (ii) designating whether any Option to be granted hereunder is to be an ISO or a Non-Qualified Option; (iii) establishing the number of shares of Common Stock that may be issued under each Option; (iv) determining the time and the conditions subject to which Options may be exercised in whole or in part; (v) determining the form of the consideration that may be used to purchase shares of Common Stock upon exercise of any Option (including the circumstances under which the Company's issued and outstanding shares of Common Stock may be used by a Participant to exercise an Option); (vi) imposing restrictions and/or conditions with respect to shares of Common Stock acquired upon exercise of an Option; (vii) determining the circumstances under which shares of Common Stock acquired upon exercise of any Option may be subject to repurchase by the Company; (viii) determining the circumstances and conditions subject to which shares acquired upon exercise of an Option may be sold or otherwise transferred, including without limitation, the circumstances and conditions subject to which a proposed sale of shares of Common Stock acquired upon exercise of an Option may be subject to the Company's right of first refusal (as well as the terms and conditions of any such right of first refusal); (ix) establishing a vesting provision for any Option relating to the time (or the circumstance) when the Option may be exercised by a Participant, including vesting provisions which may be contingent upon the Company meeting specified financial goals; (x) requiring as a minimum vesting that no option may be exercised during the first year from the date it is granted, that after one year from the date an option is granted, it may be exercised as to not more than 25 percent of the shares optioned, and after the expiration of the second, third and fourth years from the date the option is granted, it may be exercised as to no more than an additional 25 percent of such shares plus any shares as to which the option might theretofore have been exercised but shall not have been exercised; (xi) accelerating the time when outstanding Options may be exercised, *provided, however*, that any ISO's shall be "accelerated" within the meaning of Section 425(h) of the Code and (xii) establishing any other terms, restrictions and/or conditions applicable to any Option not inconsistent with the provisions of this Plan.

5.3 The Committee shall be authorized to interpret the Plan and may, from time to time, adopt such rules and regulations, not inconsistent with the provisions of the Plan, as it may deem advisable to carry out the purpose of this Plan.

5.4 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 and conclusive upon all parties.

5.5 Only members of the Committee shall vote on any matter affecting the administration of the Plan or the granting of Options under the Plan.

5.6 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 of Directors (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.

Section 6. Terms and Conditions of Options.

6.1 ISO's. The terms and conditions of each ISO granted under the Plan shall be specified by the Committee and shall be set forth in an ISO agreement between the Company and the Participant in such form as the Committee shall approve. The terms and conditions of each ISO shall be such that each ISO issued hereunder shall constitute and shall be treated as an "incentive stock option" as defined in Section 422A of the Code. The terms and conditions of any ISO granted hereunder need not be identical to those of any other ISO granted hereunder.

The terms and conditions of each ISO shall include the following:

(a) The option price shall be fixed by the Committee but shall in no event be less than 100% (or 110% in the case of an Participant referred to in Section 4.3(b) hereof) of the Fair Market Value of the shares of Common Stock subject to the ISO on the date the ISO is granted.

(b) ISO's, by their terms, shall not be transferable otherwise than by will or the laws of descent and distribution, and, during an Optionee's lifetime, an ISO shall be exercisable only by the Optionee.

(c) The Committee shall fix the term of all ISO's granted pursuant to the Plan (including the date on which such ISO shall expire and terminate) provided, however, that such term shall in no event exceed ten years from the date on which such ISO is granted (or, in the case of an ISO granted to an Employee referred to in Section 4.3(b) hereof, such term shall in no event exceed five years from the date on which such ISO is granted). Each ISO shall be exercisable in such amount or amounts, under such conditions and at such times or intervals or in such installments as shall be determined by the Committee in its sole discretion.

(d) In the event that the Company or any Subsidiary of the Company is required to withhold any Federal, state, local or foreign taxes in respect of any compensation income realized by the Participant as a result of any "disqualifying disposition" of any shares of Common Stock acquired upon exercise of an ISO granted hereunder, the Company shall deduct from any payments of any kind otherwise due to such Participant the aggregate amount of such Federal, state, local or foreign taxes required to be so withheld or, if such payments are insufficient to satisfy such Federal, state, local or foreign taxes, such Participant will be required to pay to the Company, or make other arrangements satisfactory to the Company regarding payment to the Company of, the aggregate amount of any such taxes. A Participant may use issued and outstanding Common Stock for the payment of taxes. All matters with respect to the total amount of taxes to be withheld in respect of any such compensation income shall be determined by the Committee in its sole discretion.

(e) In the sole discretion of the Committee the terms and conditions of any ISO or Non-Qualified Option may (but need not) include any of the following provisions:

(i) In the event a Participant shall cease to be an Employee of the Company or Subsidiary of the Company for any reason other than as a result of his death or "disability" (within the meaning of Section 22(e)(3) of the Code), the unexercised portion of any ISO or Non-Qualified Option held by such Participant at that time may only be exercised within one month after the date on which the Participant ceased to be so employed, and only to the extent that the Participant could have otherwise exercised such ISO or Non-Qualified Option as of the date on which he ceased to be so employed.

(ii) In the event a Participant shall cease to be an Employee of the Company or Subsidiary of the Company by reason of his "disability" (within the meaning of Section 22(e)(3) of the Code), the unexercised portion of any ISO or Non-Qualified Option held by such Participant at that time may only be exercised within one year after the date on which the Participant ceased to be so employed, and to the extent that the Participant could have otherwise exercised such ISO or Non-Qualified Option if it had been completely exercisable.

(iii) In the event a Participant shall die while employed by the Company or Subsidiary of the Company (or within a period of one month after ceasing to be an Employee for any reason other than such "disability" or within a period of one year after ceasing to be an Employee by reason of such "disability"), the unexercised portion of any ISO or Non-Qualified Option held by such Participant at the time of his death may only be exercised within one year after the date of such Participant's death, and to the extent that the Participant could have otherwise exercised such ISO or Non-Qualified Option if it had been completely exercisable. In such event, such ISO or Non-Qualified Option may be exercised by the executor or administrator of the Participant's estate or by any person or persons who shall have acquired the ISO or Non-Qualified Option directly from the Participant by bequest or inheritance.

6.2. *Non-Qualified Options.* The terms and conditions of each Non-Qualified Option granted under the Plan shall be specified by the Committee, in its sole discretion, and shall be set forth in a written option agreement between the Company and the Participant in such form as the Committee shall approve. The terms and conditions of each Non-Qualified Option will be such that each Non-Qualified Option issued hereunder shall not constitute nor be treated as an "incentive stock option" as defined in Section 422A of the Code and will be a "non-qualified stock option" for federal income tax purposes. The terms and conditions of any Non-Qualified Option granted hereunder need not be identical to those of any other Non-Qualified Option granted hereunder.

The terms and conditions of each Non-Qualified Option Agreement shall include the following:

(a) The option (exercise) price shall be fixed by the Committee and may be equal to, more than or less than 100% of the fair market value of the shares of Common Stock subject to the Non-Qualified Option on the date such Non-Qualified Option is granted.

(b) The Committee shall fix the term of all Non-Qualified Options granted pursuant to the Plan (including the date on which such Non-Qualified Option shall expire and terminate). Each Non-Qualified Option shall be exercisable in such amount or amounts, under such conditions, and at such times or intervals or in such installments as shall be determined by the Committee in its sole discretion.

(c) Non-Qualified Options shall not be transferable otherwise than by will or the laws of descent and distribution, or pursuant to a domestic relations order (within the meaning of Rule 16a-12 of the Securities Exchange Act of 1934, as amended), and during a Participant's lifetime a Non-Qualified Option shall be exercisable only by the Participant or any permitted transferee.

(d) In the event that the Company is required to withhold any Federal, state, local or foreign taxes in respect of any compensation income realized by the Participant in respect of a Non-Qualified Option granted hereunder or in respect of any shares of Common Stock acquired upon exercise of a Non-Qualified Option, the Company shall deduct from any payments of any kind otherwise due to such Participant the aggregate amount of such Federal, state, local or foreign taxes required to be so withheld or, if such payments are insufficient to satisfy such Federal, state, local or foreign taxes, or if no such payments are due or to become due to such Participant, then, such Participant will be required to pay to the Company, or make other arrangements satisfactory to the Company regarding payment to the Company of, the aggregate amount of any such taxes. All matters with respect to the total amount of taxes to be withheld in respect of any such compensation income shall be determined by the Committee in its sole discretion.

Section 7. Adjustments.

7.1 In the event that after the adoption of the Plan by the Board of Directors, the outstanding shares of the Company's Common Stock 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 through reorganization, merger or consolidation, recapitalization, reclassification, stock split, split-up, combination or exchange of shares or declaration of any dividends payable in Common Stock, the Board of Directors shall appropriately adjust (i) the number of shares of Common Stock (and the option price per share) subject to the unexercised portion of any outstanding Option (to the nearest possible full share), provided, however, that the limitations of Section 425 of the Code shall apply with respect to adjustments made to ISO's and (ii) the number of shares of Common Stock for which Options may be granted under this Plan, as set forth in Section 4.1 hereof, and such adjustments shall be effective and binding for all purposes of this Plan.

7.2 Notwithstanding the foregoing, in the event of (i) any offer to holders of the Company's Common Stock generally 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, the Committee may make such adjustment as it deems equitable in respect of outstanding Options including, without limitation, the revision or cancellation of any outstanding Options including providing for full vesting for all outstanding options, except that the Committee shall have no authority to accelerate the exercisability of Directors' Options as described in Section 12. Any such determination by the Committee shall be effective and binding for all purposes of this Plan.

Section 8. Effect of the Plan on Employment Relationship. Neither this Plan nor any Option granted hereunder to a Participant shall be construed as conferring upon such Participant any right to continue in the employ of the Company or the service of the Company or any Subsidiary of the Company as the case may be, or limit in any respect the right of the Company or any Subsidiary of the Company to terminate such Participant's employment or other relationship with the Company or any Subsidiary of the Company, as the case may be, at any time.

Section 9. Amendment of the Plan. The Board of Directors may amend the Plan from time to time as it deems desirable; provided, however, that, without the approval of the holders of a majority of the outstanding stock of the Company present or represented and entitled to vote thereon at a meeting, the Board of Directors may not amend the Plan (i) to increase materially the benefits accruing to participants under the Plan, (ii) to increase materially (except for increases due to adjustments in accordance with Section 7 hereof) the aggregate number of shares of Common Stock for which Options may be granted hereunder or (iii) to modify materially the requirements as to eligibility for participation in the Plan.

Section 10. Termination of the Plan. The Board of Directors may terminate the Plan at any time. Unless the Plan shall theretofore have been terminated by the Board of Directors, the Plan shall terminate ten years after the date of its initial approval by the stockholders of the Company. 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 theretofore granted under the Plan.

Section 11. Grant of Options and Substitution and Re-pricing of Previously Granted Options. Options may be granted, at the discretion of the Committee, in substitution for Options previously granted pursuant to the Plan, provided that any option so granted shall be exercisable at a new price which is not less than 100 percent of the Fair Market Value of the Common Stock on the date on which the replacement Options were granted. The Option agreement evidencing the replacement Options may, in the discretion of the Committee, contain the same terms and conditions, including, without limitation, the same vesting schedule as the agreement evidencing the original award. The Committee may, also, in its discretion, amend the terms of any Option agreement, with the consent of the affected Participant, provided that the Option price of the shares remaining subject to the original award shall be reestablished at a price not less than 100 percent of the Fair Market Value of the Common Stock on the effective date of the amendment. No modification of any other term or provision of any stock option agreement which is amended in accordance with the foregoing shall be required, although the Committee may, in its discretion, make such further modifications of any stock option agreement as are not inconsistent with or prohibited by the Plan.

Section 12. Directors' Options. A person who is not an employee of the Company or any Subsidiary of the Company and who is elected to serve on the Board of Directors of the Company commencing subsequent to the Effective Date of the Plan shall receive Options to purchase Ten Thousand (10,000) shares of Common Stock upon election to the Board of Directors. Each such Director shall also receive Options for two thousand (2,000) additional shares of Common Stock on the anniversary of his or her election to the Board in each of the four succeeding years so long as he or she remains a member of the Board of Directors on that next anniversary date.

No options granted hereunder may be exercised during the first year from the date it is granted; after one year from the date an Option is granted, it may be exercised as to not more than twenty percent (20%) of the shares optioned and after the expiration of the second, third, fourth, and fifth years from the date the Option is granted, it may be exercised as to no more than an additional twenty percent (20%) of such shares plus any shares as to which the Option might theretofore have been exercisable but shall not have been exercised.

12.1. **Forfeiture of Options.** Except as provided in Section 12.2 hereof, all Options granted to a Director shall automatically be forfeited by such person at the time such person shall cease to be a Director.

12.2. **Exercise Period After Retirement.** Upon Retirement, a Director may exercise the exercisable options within 30 days after Retirement. The term "Retirement" means the termination of a Director's service on the Board, including resignation or not standing for election with the approval of the Board but shall not include any termination of service 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 Director. The determination of whether termination results from such act shall be made by the Board of Directors, whose determination shall be conclusive.

Section 13. Effective Date of the Plan. This Plan shall be effective as of April 1, 1996.

TRANSACTION SYSTEMS ARCHITECTS, INC.

**1997 Management Stock Option Plan
as amended by the Board of Directors on March 7, 2006**

Section 1. Purpose. The purpose of the Transaction Systems Architects, Inc. 1997 Management Stock Option Plan (the "Plan") is to provide long term incentives and rewards to Management of Transaction Systems Architects, Inc. (the "Company") and its Subsidiaries, by providing an opportunity to selected Management Employees to purchase Common Stock of the Company. By encouraging stock ownership, the Company seeks to attract and retain Management Employees and to encourage their best efforts to work at the success of the Company.

Section 2. Definitions. For purposes of this Plan, the following terms used herein shall have the following meanings, unless a different meaning is clearly required by the context.

2.1. "Board of Directors" shall mean the Board of Directors of the Company.

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

2.3. "Committee" shall mean the committee of the Board of Directors referred to in Section 5 hereof.

2.4. "Common Stock" shall mean the Class A Common Stock of the Company.

2.5. "Management Employee" shall mean any person in Management, who, at the time an Option is granted to such person hereunder, is actively and customarily employed for 30 hours or more per week by the Company or any Subsidiary of the Company including, without limitation, employee-officers.

2.6. "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 Common Stock.

2.7. "Option" shall mean an option granted to a Participant pursuant to the Plan which is intended to be, and qualifies as, a "non-qualified stock option" as described in Treasury Regulation Section 1.83-7 and which shall not constitute nor be treated as an "incentive stock option" as defined in Section 422A(b) of the Code.

2.8. "Participant" shall mean any Management Employee to whom an Option is granted under this Plan.

2.9. "Subsidiary of the Company" shall have the meaning set forth in Section 424(f) of the Code.

Section 3. Eligibility. Options may be granted to any Management Employee. The Committee shall have the sole authority to select the Management Employees to whom Options are to be granted hereunder, and to determine whether a Management Employee is to be granted an Option. No Management Employee shall have any right to participate in the Plan.

Section 4. Common Stock Subject to the Plan.

4.1. The total number of shares of Common Stock for which Options may be granted under this Plan shall not exceed in the aggregate one-million fifty-thousand (1,050,000) shares of Common Stock.

4.2. The shares of Common Stock 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. In the event that any outstanding Option expires or is terminated for any reason, the shares allocable to the unexercised portion of such Option may again be subject to an Option granted under this Plan. If any shares of Common Stock acquired pursuant to the exercise of an Option shall have been repurchased by the Company, then such shares shall again become available for issuance pursuant to the Plan.

Section 5. Administration of the Plan.

5.1 The Plan shall be administered by the Compensation Committee of the Board of Directors, or such other committee of the Board as may be directed by the Board (the "Committee") consisting of no less than two persons. All members of the committee shall be "disinterested persons" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934. The Committee shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors.

5.2 The Committee shall have the sole authority and discretion to grant Options under this Plan and, subject to the limitations set forth in Section 6 hereof, to determine the terms and conditions of all Options, including, without limitation, (i) selecting the Participants who are to be granted Options hereunder; (ii) establishing the number of shares of Common Stock that may be issued under each Option; (iii) determining the time and the conditions subject to which Options may be exercised in whole or in part; (iv) determining the form of the consideration that may be used to purchase shares of Common Stock upon exercise of any Option (including the circumstances under which the Company's issued and outstanding shares of Common Stock may be used by a Participant to exercise an Option); (v) imposing restrictions and/or conditions with respect to shares of Common Stock acquired upon exercise of an Option; (vi) determining the circumstances under which shares of Common Stock acquired upon exercise of any Option may be subject to repurchase by the Company; (vii) determining the circumstances and conditions subject to which shares acquired upon exercise of an Option may be sold or otherwise transferred, including without limitation, the circumstances and conditions subject to which a proposed sale of shares of Common Stock acquired upon exercise of an Option may be subject to the Company's right of first refusal (as well as the terms and conditions of any such right of first refusal); (viii) establishing a vesting provision for any Option relating to the time (or the circumstance) when the Option may be exercised by a Participant, including vesting provisions which may be contingent upon the Company meeting specified financial goals; (ix) requiring as a minimum vesting that no Option may be exercised during the first year from the date it is granted, that after one year

from the date an Option is granted, it may be exercised as to not more than 25 percent of the shares optioned, and after the expiration of the second, third and fourth years from the date the Option is granted, it may be exercised as to no more than an additional 25 percent of such shares plus any shares as to which the Option might theretofore have been exercised but shall not have been exercised; (x) accelerating the time when outstanding Options may be exercised; (xi) determining the circumstances under which the purchase price of the Options may be refunded to the Participant in event of death, disability, or involuntary termination; and (xii) establishing any other terms, restrictions and/or conditions applicable to any Option not inconsistent with the provisions of this Plan.

5.3. The Committee shall be authorized to interpret the Plan and may, from time to time, adopt such rules and regulations, not inconsistent with the provisions of the Plan, as it may deem advisable to carry out the purpose of this Plan.

5.4. 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 and conclusive upon all parties.

5.5. Only members of the Committee shall vote on any matter affecting the administration of the Plan or the granting of Options under the Plan.

5.6. 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 of Directors (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.

Section 6. Terms and Conditions of Options.

6.1. The terms and conditions of each Option granted under the Plan shall be specified by the Committee, in its sole discretion, and shall be set forth in a written option agreement between the Company and the Participant in such form as the Committee shall approve. The terms and conditions of each Option will be such that each Option issued hereunder shall not constitute nor be treated as an "incentive stock option" as defined in Section 422A of the Code and will be a "non-qualified stock option" for United States Federal income tax purposes. The terms and conditions of any Option granted hereunder need not be identical to those of any other Option granted hereunder.

The terms and conditions of each Option agreement shall include the following:

(a) The Option exercise price shall be fixed by the Committee and will either be equal to or more than 100% of the Fair Market Value of the shares of Common Stock subject to the Option on the date such Option is granted. For any Options granted to a Participant prior to approval of this Plan by the Company's Stockholders, the Option exercise price will be equal to the Fair Market Value on the day of Stockholder approval of this Plan.

(b) The Option purchase price which a Participant will be required to pay to the Company for such Option will be U.S. \$3.00 per share and the option purchase price will be payable by the Participant to the Company within fourteen (14) days after the grant of such Option. For any Options granted to a Participant prior to approval of this Plan by the Company's Stockholders, the Option purchase price will be payable by the Participant to the Company within fourteen (14) days after the day of Stockholder approval of this Plan.

(c) The Option vesting period shall be at a minimum a total of four years from the date of grant of such Options. After one year from the date an Option is granted, it may be exercised as to not more than 25 percent of the shares optioned, and after the expiration of the second, third, and fourth years from the date the Option is granted, it may be exercised as to no more than an additional 25 percent of such shares optioned plus any shares as to which the Option might theretofore have been exercised but shall not have been exercised.

(d) The Committee shall fix the exercise term of all Options granted pursuant to the Plan provided, however, that while a Participant is employed by the Company such term shall in no event be less than five years from the date on which such Option is granted.

(e) Options shall not be transferable otherwise than by will or the laws of descent and distribution, or pursuant to a domestic relations order (within the meaning of Rule 16a-12 of the Securities Exchange Act of 1934, as amended), and during a Participant's lifetime an Option shall be exercisable only by the Participant or any permitted transferee.

(f) In the event that the Company is required to withhold any U.S. Federal, state, local or foreign taxes in respect of any compensation income realized by the Participant in respect of an Option granted hereunder or in respect of any shares of Common Stock acquired upon exercise of an Option, the Company shall deduct from any payments of any kind otherwise due to such Participant the aggregate amount of such Federal, state, local or foreign taxes required to be so withheld or, if such payments are insufficient to satisfy such Federal, state, local or foreign taxes, or if no such payments are due or to become due to such Participant, then, such Participant will be required to pay to the Company, or make other arrangements satisfactory to the Company regarding payment to the Company of, the aggregate amount of any such taxes. All matters with respect to the total amount of taxes to be withheld in respect of any such compensation income shall be determined by the Committee in its sole discretion.

(g) In the sole discretion of the Committee the terms and conditions of any Option may (but need not) include any of the following provisions:

(i) In the event a Participant shall cease to be a Management Employee of the Company or Subsidiary of the Company for any reason other than as a result of his death or "disability" (within the meaning of Section 22(e)(3) of the Code), the vested and unexercised portion of any Option held by such Participant at that time may only be exercised within one month after the date on which the Participant ceased to be so employed, and only to the extent that the Participant could have otherwise exercised such Option as of the date on which he ceased to be so employed.

(ii) In the event a Participant shall cease to be a Management Employee of the Company or Subsidiary of the Company by reason of his "disability" (within the meaning of Section 22(e)(3) of the Code), the vested and unexercised portion of any Option held by such Participant at that time may only be exercised within one year after the date on which the Participant ceased to be so employed, and only to the extent that the Participant could have otherwise exercised such Option if it had been completely exercisable.

(iii) In the event a Participant shall die while employed by the Company or Subsidiary of the Company, the vested and unexercised portion of any Option held by such Participant at the time of their death may only be exercised within one year after the date of such Participant's death, and only to the extent that the Participant could have otherwise exercised such Option if it had been completely exercisable. In such event, such Option may be exercised by the executor or administrator of the Participant's estate or by any person or persons who shall have acquired the Option directly from the Participant by bequest or inheritance.

Section 7. Adjustments.

7.1 In the event that after the adoption of the Plan by the Board of Directors, the outstanding shares of the Company's Common Stock 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 through reorganization, merger or consolidation, recapitalization, reclassification, stock split, split-up, combination or exchange of shares or declaration of any dividends payable in Common Stock, the Board of Directors shall appropriately adjust (i) the number of shares of Common Stock (and the option price per share) subject to the unexercised portion of any outstanding Option (to the nearest possible full share), and (ii) the number of shares of Common Stock for which Options may be granted under this Plan, as set forth in Section 4.1 hereof, and such adjustments shall be effective and binding for all purposes of this Plan.

7.2 Notwithstanding the foregoing, in the event of (i) any offer to holders of the Company's Common Stock generally 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, the Committee may make such adjustment as it deems equitable in respect of outstanding Options including, without limitation, the revision or cancellation of any outstanding Options including providing for full vesting for all outstanding options. Any such determination by the Committee shall be effective and binding for all purposes of this Plan.

Section 8. Effect of the Plan on Employment Relationship. Neither this Plan nor any Option granted hereunder to a Participant shall be construed as conferring upon such Participant any right to continue in the employ of the Company or the service of the Company or any Subsidiary of the Company as the case may be, or limit in any respect the right of the Company or any Subsidiary of the Company to terminate such Participant's employment or other relationship with the Company or any Subsidiary of the Company, as the case may be, at any time.

Section 9. Amendment of the Plan. The Board of Directors may amend the Plan from time to time as it deems desirable; provided, however, that, without the approval of the holders of a majority of the outstanding stock of the Company present or represented and entitled to vote thereon at a meeting, the Board of Directors may not amend the Plan (i) to increase materially the benefits accruing to participants under the Plan, (ii) to increase materially (except for increases due to adjustments in accordance with Section 7 hereof) the aggregate number of shares of Common Stock for which Options may be granted hereunder or (iii) to modify materially the requirements as to eligibility for participation in the Plan.

Section 10. Termination of the Plan. The Board of Directors may terminate the Plan at any time. Unless the Plan shall theretofore have been terminated by the Board of Directors, the Plan shall terminate ten years after the date of its initial approval by the stockholders of the Company. 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 theretofore granted under the Plan.

Section 11. Effective Date of the Plan. This Plan shall be effective as of January 1, 1997.

TRANSACTION SYSTEMS ARCHITECTS, INC.

1999 Stock Option Plan

**as amended by
the Stockholders on February 22, 2000,
the Board of Directors on May 5, 2000,
the Stockholders on February 20, 2001,
the Stockholders on February 19, 2002, and
the Board of Directors on March 7, 2006**

TRANSACTION SYSTEMS ARCHITECTS, INC.
1999 Stock Option Plan

as amended by
the Stockholders on February 22, 2000,
the Board of Directors on May 5, 2000,
the Stockholders on February 20, 2001,
the Stockholders on February 19, 2002, and
the Board of Directors on March 7, 2006

Section 1. Purpose. The purpose of the Transaction Systems Architects, Inc. 1999 Stock Option Plan (the "Plan") is to provide long term incentives and rewards to employees of Transaction Systems Architects, Inc. (the "Company") and any Subsidiary of the Company, by providing an opportunity to selected employees to purchase Common Stock of the Company. By encouraging stock ownership, the Company seeks to attract and retain employees and to encourage their best efforts to work at the success of the Company.

Section 2. Definitions. For purposes of this Plan, the following terms used herein shall have the following meanings, unless a different meaning is clearly required by the context.

2.1. "Board of Directors" shall mean the Board of Directors of the Company.

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

2.3. "Committee" shall mean the committee of the Board of Directors referred to in Section 5 hereof.

2.4. "Common Stock" shall mean the Class A Common Stock of the Company.

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

2.6. "Effective Date" shall have the meaning set forth in Section 18.

2.7. "Employee" shall mean any person, including an officer or employee-director of the Company or any Subsidiary of the Company, who, at the time an Option is granted to such person hereunder, is actively and customarily employed for 20 hours or more per week by the Company or any Subsidiary of the Company.

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

2.9. "Fair Market Value" shall mean the closing price (last trade) 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 Common Stock.

2.10. "ISO" shall mean an option granted under the Plan which constitutes and shall be treated as an "incentive stock option" as defined in Section 422(b) of the Code.

2.11. "Non-Qualified Option" shall mean an option granted under the Plan which does not constitute and is not treated as an ISO nor as an option described in Section 423(b) of the Code.

2.12. "Option" shall mean any ISO or Non-Qualified Option granted under this Plan.

2.13. "Participant" shall mean any Employee to whom an Option is granted under the Plan.

2.14. "Subsidiary of the Company" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

Section 3. Eligibility. Options may be granted to any Employee. The Committee shall have the sole authority to select the Employees to whom Options are to be granted hereunder and to determine whether an Employee is to be granted a Non-Qualified Option or an ISO or any combination thereof. No Employee shall have any right to participate in the Plan. Any Employee selected by the Committee for participation during any one period will not by virtue of such participation have the right to be selected as a Participant for any other period.

Section 4. Common Stock Subject to the Plan.

4.1. The total number of shares of Common Stock for which Options may be granted under this Plan shall not exceed in the aggregate four million (4,000,000) shares of Common Stock, subject to adjustment pursuant to Section 7. The total number of shares of Common Stock for which Options may be granted to any employee within the meaning of Section 162(m) of the Code during any twelve month period shall not exceed 500,000 in the aggregate, subject to adjustment pursuant to Section 7.

4.2. The shares of Common Stock 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. In the event that any outstanding Option expires or is terminated for any reason, the shares allocable to the unexercised portion of such Option may again be subject to an Option granted under this Plan. If any shares of Common Stock acquired pursuant to the exercise of an Option shall have been repurchased by the Company, then such shares shall again become available for issuance pursuant to the Plan.

4.3. *Special ISO Limitations.*

(a) The aggregate Fair Market Value (determined as of the date an ISO is granted) of the shares of Common Stock with respect to which ISO's are exercisable for the first time by a Participant during any calendar year (under all incentive stock option plans of the Company or any Subsidiary of the Company) shall not exceed \$100,000.

(b) No ISO shall be granted to an Employee who, at the time the ISO is granted, owns (actually or constructively under the provisions of Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary of the Company, unless the option price is at least 110% of the Fair Market Value (determined as of the time the ISO is granted) of the shares of Common Stock subject to the ISO and the ISO by its terms is not exercisable more than five years from the date it is granted.

4.4. Notwithstanding any other provision of the Plan, the provisions of Sections 4.3(a) and (b) shall not apply, nor shall be construed to apply, to any Non-Qualified Option granted under the Plan.

Section 5. Administration of the Plan.

5.1 The Plan shall be administered by the Compensation Committee of the Board of Directors, or such other committee of the Board of Directors as may be directed by the Board of Directors (the "Committee") consisting of no less than two persons. 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 of Directors.

5.2 The Committee shall have the sole authority and discretion to grant Options under this Plan and, subject to the limitations set forth in Sections 4.3 and 6 hereof, to determine the terms and conditions of all Options, including, without limitation, (i) selecting the Employees who are to be granted Options hereunder; (ii) designating whether any Option to be granted hereunder is to be an ISO or a Non-Qualified Option; (iii) establishing the number of shares of Common Stock that may be purchased under each Option upon exercise and the Option exercise price per share of Common Stock; (iv) determining the time and the conditions subject to which Options may be exercised in whole or in part; (v) determining the form of the consideration that may be used to purchase shares of Common Stock upon exercise of any Option (including the circumstances under which the Company's issued and outstanding shares of Common Stock or the shares of Common Stock available under the Option may be used by a Participant to exercise an Option) and establishing procedures in connection therewith; (vi) imposing restrictions and/or conditions with respect to shares of Common Stock acquired upon exercise of an Option; (vii) determining the circumstances under which shares of Common Stock acquired upon exercise of any Option may be subject to repurchase by the Company, including without limitation, the circumstances and conditions subject to which a proposed sale of shares of Common Stock acquired upon exercise of an Option may be subject to the Company's right of first refusal (as well as the terms and conditions of any such right of first refusal); (viii) establishing procedures whereby a number of shares of Common Stock may be withheld from the total number of shares of Common Stock to be issued upon exercise of an Option to meet the obligation of withholding for federal and state income and other taxes, if any, incurred by the Participant upon exercise of an Option; (ix) accelerating or, with the consent of the Participant, deferring the time when outstanding Options may be exercised, provided, however, that any ISO's shall be "accelerated" within the meaning of Section 424(h) of the Code; (x) establishing any other terms, restrictions and/or conditions applicable to any Option not inconsistent with the provisions of the Plan; (xi) authorizing any person to execute on behalf of the Company any instrument required to effectuate the grant of an Option previously granted by the Committee; and (xii) taking any other actions deemed necessary or advisable for the administration of the Plan.

5.3 The Committee shall be authorized to interpret the Plan and may, from time to time, adopt, amend and rescind such rules, regulations and procedures, not inconsistent with the provisions of the Plan, as it may deem advisable to carry out the purpose of the Plan.

5.4 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.

5.5 Only members of the Committee shall vote on any matter affecting the administration of the Plan or the granting of Options under the Plan.

5.6 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 of Directors 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.

5.7 Notwithstanding anything in the Plan to the contrary, with respect to any employee who is resident outside of the United States, the Committee may, in its sole discretion, amend the terms of the Plan in order to conform such terms with the requirements of local law or to meet the objectives of the Plan. The Committee may, where appropriate, establish one or more sub-plans for this purpose.

Section 6. Terms and Conditions of Options.

6.1 ISO's. Except as otherwise provided in this Section 6.1, the terms and conditions of each ISO granted under the Plan shall be specified by the Committee, in its sole discretion, and shall be set forth in a written ISO agreement between the Company and the Participant in such form as the Committee shall approve. No person shall have any rights under any ISO granted under the Plan unless and until the Company and the person to whom such ISO shall have been granted shall have executed and delivered an agreement expressly granting the ISO to such person and containing provisions setting forth the terms for the ISO. The terms and conditions of each ISO shall be such that each ISO issued hereunder shall constitute and shall be treated as an "incentive stock option" as defined in Section 422 of the Code. The terms and conditions of any ISO granted hereunder need not be identical to those of any other ISO granted hereunder. The terms and conditions of each ISO agreement shall include the following:

(a) The ISO exercise price shall be fixed by the Committee but shall in no event be less than 100% (or 110% in the case of an Employee referred to in Section 4.3(b) hereof) of the Fair Market Value of the shares of Common Stock subject to the ISO on the date the ISO is granted.

(b) ISO's shall not be transferable otherwise than by will or the laws of descent and distribution, and, during a Participant's lifetime, an ISO shall be exercisable only by the Participant.

(c) The Committee shall fix the term of all ISO's granted pursuant to the Plan (including the date on which such ISO shall expire and terminate) provided, however, that such term shall in no event exceed ten years from the date on which such ISO is granted (or, in the case of an ISO granted to an Employee referred to in Section 4.3(b) hereof, such term shall in no event exceed five years from the date on which such ISO is granted). Each ISO shall be exercisable in such amount or amounts, under such conditions and at such times or intervals or in such installments as shall be determined by the Committee in its sole discretion.

(d) In the event that the Company or any Subsidiary of the Company is required to withhold any Federal, state, local or foreign taxes in respect of any compensation income realized by the Participant as a result of any "disqualifying disposition" of any shares of Common Stock acquired upon exercise of an ISO granted hereunder, the Company or such Subsidiary of the Company shall deduct from any payments of any kind otherwise due to such Participant the aggregate amount of such Federal, state, local or foreign taxes required to be so withheld or, if such payments are insufficient to satisfy such Federal, state, local or foreign taxes, such Participant will be required to pay to the Company or such Subsidiary of the Company, or make other arrangements satisfactory to the Company or such Subsidiary of the Company regarding payment to the Company or such Subsidiary of the Company of, the aggregate amount of any such taxes. All matters with respect to the total amount of taxes to be withheld in respect of any such compensation income shall be determined by the Committee in its sole discretion. Subject to approval by the Committee, a Participant may elect to have such tax withholding obligation satisfied, in whole or in part, by (i) authorizing the Company to withhold from shares of Common Stock to be acquired upon exercise of an Option, a number of shares of Common Stock with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due, or (ii) transferring to the Company shares of Common Stock owned by the Participant with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due.

6.2. *Non-Qualified Options.* The terms and conditions of each Non-Qualified Option granted under the Plan shall be specified by the Committee, in its sole discretion, and shall be set forth in a written option agreement between the Company and the Participant in such form as the Committee shall approve. No person shall have any rights under any Non-Qualified Option granted under the Plan unless and until the Company and the person to whom such Non-Qualified Option shall have been granted shall have executed and delivered an agreement expressly granting the Non-Qualified Option to such person and containing provisions setting forth the terms for the Non-Qualified Option. The terms and conditions of each Non-Qualified Option will be such that each Non-Qualified 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. The terms and conditions of any Non-Qualified Option granted hereunder need not be identical to those of any other Non-Qualified Option granted hereunder. The terms and conditions of each Non-Qualified Option agreement shall include the following:

(a) The Option exercise price shall be fixed by the Committee and may be equal to, more than or less than 100% of the Fair Market Value of the shares of Common Stock subject to the Non-Qualified Option on the date such Non-Qualified Option is granted.

(b) The Committee shall fix the term of all Non-Qualified Options granted pursuant to the Plan (including the date on which such Non-Qualified Option shall expire and terminate). Each Non-Qualified Option shall be exercisable in such amount or amounts, under such conditions, and at such times or intervals or in such installments as shall be determined by the Committee in its sole discretion.

(c) Non-Qualified Options shall not be transferable otherwise than by will or the laws of descent and distribution, or pursuant to a domestic relations order (within the meaning of Rule 16a-12 of the Securities Exchange Act of 1934, as amended), and during a Participant's lifetime a Non-Qualified Option shall be exercisable only by the Participant or any permitted transferee.

(d) In the event that the Company or any Subsidiary of the Company is required to withhold any Federal, state, local or foreign taxes in respect of any compensation income realized by the Participant in respect of a Non-Qualified Option granted hereunder or in respect of any shares of Common Stock acquired upon exercise of a Non-Qualified Option, the Company or such Subsidiary of the Company shall deduct from any payments of any kind otherwise due to such Participant the aggregate amount of such Federal, state, local or foreign taxes required to be so withheld or, if such payments are insufficient to satisfy such Federal, state, local or foreign taxes, or if no such payments are due or to become due to such Participant, then, such Participant will be required to pay to the Company or such Subsidiary of the Company, or make other arrangements satisfactory to the Company or such Subsidiary of the Company regarding payment to the Company or such Subsidiary of the Company of, the aggregate amount of any such taxes. All matters with respect to the total amount of taxes to be withheld in respect of any such compensation income shall be determined by the Committee in its sole discretion. Subject to approval by the Committee, a Participant may elect to have such tax withholding obligation satisfied, in whole or in part, by (i) authorizing the Company to withhold from shares of Common Stock to be acquired upon exercise of an Option, a number of shares of Common Stock with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due, or (ii) transferring to the Company shares of Common Stock owned by the Participant with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due.

6.3 *Vesting; Period for Exercise of Option.* In the sole discretion of the Committee, the terms and conditions of any Option may include any of the following provisions:

(a) An Option may not be exercised during the first year from the date it is granted. After the first anniversary of the date on which an Option is granted, it may be exercised as to not more than 33-1/3% of the shares of Common Stock 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.

(b) Subject to subsection (d) below, if a Participant ceases to be an Employee of the Company or a Subsidiary of the Company for any reason other than as a result of his death or Disability, the unexercised portion of any Option held by such Participant at that time may only be exercised within one month after the date on which the Participant ceased to be so employed, but no later than the date the Option expires, and only to the extent that the Participant could have otherwise exercised such Option as of the date on which he ceased to be so employed. To the extent that the Participant is not entitled to exercise the Option on such date, or if the Participant does not exercise it within the time specified, such Option shall terminate. The Committee shall have the authority to determine the date a Participant ceases to be an Employee.

(c) Subject to subsection (d) below, if a Participant ceases to be an Employee of the Company or a Subsidiary of the Company by reason of his Disability, the unexercised portion of any Option held by such Participant at that time may only be exercised within one year after the date on which the Participant ceased to be so employed, but no later than the date the Option expires, and to the extent that the Participant could have otherwise exercised such Option if it had been completely exercisable. To the extent that the Participant is not entitled to exercise the Option on such date, or if the Participant does not exercise it within the time specified, such Option shall terminate. The Committee shall have the authority to determine the date a Participant ceases to be an Employee by reason of his Disability.

(d) If a Participant dies while employed by the Company or a Subsidiary of the Company (or dies within a period of one month after ceasing to be an Employee for any reason other than Disability or within a period of one year after ceasing to be an Employee by reason of Disability), the unexercised portion of any Option held by such Participant at the time of his death may only be exercised within one year after the date of such Participant's death, but no later than the date the Option expires, and to the extent that the Participant could have otherwise exercised such Option if it had been completely exercisable. Such Option may be exercised by the executor or administrator of the Participant's estate or by any person or persons who shall have acquired the Option directly from the Participant 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.

6.4. *Procedures for Exercise of Option; Rights of Stockholder.* Any Option granted hereunder shall be exercisable at such times, under such conditions, as shall be determined by the Committee and in accordance with the terms of the Plan. An Option may not be exercised for a fraction of a share of Common Stock. 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 Option agreement by the Participant entitled to exercise the Option and full payment for the shares of Common Stock with respect to which the Option is exercised has been received by the Company. Full payment may, as authorized by the Committee, consist of any form of consideration and method of payment allowable hereunder. Payment for the shares of Common Stock upon exercise of an Option shall be made in cash, by certified check, or if authorized by the Committee, by delivery of other shares of Common Stock having a Fair Market Value on the date of delivery equal to the aggregate exercise price of the shares of Common Stock 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 of Common Stock to be acquired upon exercise of an Option that number of shares of Common Stock having an aggregate Fair Market Value (as of the date the withholding is effected) that would equal the aggregate exercise price of the shares of Common Stock 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 the Plan and authorized by the Committee under Section 5.2 of the Plan. Upon the receipt of notice of exercise and full payment for the shares of Common Stock, the shares of Common Stock shall be deemed to have been issued and the Participant shall be entitled to receive such shares of Common Stock and shall be a stockholder with respect to such shares, and the shares of Common Stock shall be considered fully paid and nonassessable. No adjustment will be made for a dividend or other right for which the record date is prior to the date on which the stock certificate is issued, except as provided in Section 7 of the Plan. Each exercise of an Option shall reduce, by an equal number, the total number of shares of Common Stock that may thereafter be purchased under such Option.

Section 7. Adjustments.

7.1 In the event that the outstanding shares of the Company's Common Stock 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 Common Stock, the Board of Directors shall appropriately adjust, subject to any required action by the stockholders of the Company, (i) the number of shares of Common Stock (and the Option exercise price per share) subject to the unexercised portion of any outstanding Option (to the nearest possible full share), provided, however, that the limitations of Section 424 of the Code shall apply with respect to adjustments made to ISO's and (ii) the number of shares of Common Stock for which Options may be granted under the Plan, as set forth in Section 4.1 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 of Common Stock subject to an Option.

7.2 Notwithstanding the foregoing, in the event of (i) any offer or proposal to holders of the Company's Common Stock 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 of Common Stock for which Options may be granted under the Plan), including, without limitation, the revision, cancellation, or termination of any outstanding Options, or the change, conversion or exchange of the shares of the Company's Common Stock under outstanding Options (and of the shares of the Company's Common Stock 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.

Section 8. Effect of the Plan on Employment Relationship. Neither this Plan nor any Option granted hereunder to a Participant shall be construed as conferring upon such Participant any right to continue in the employ of the Company or any Subsidiary of the Company as the case may be, or limit in any respect the right of the Company or any Subsidiary of the Company to terminate such Participant's employment with the Company or any Subsidiary of the Company, as the case may be, at any time.

Section 9. Amendment of the Plan. The Board of Directors 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.

Section 10. Termination of the Plan. The Board of Directors 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 Participant's consent.

Section 11. Modification, Extension and Renewal of Options. Within the limitations of the Plan and subject to Section 7, 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 7, (i) no modification of an Option shall, without the consent of the Participant, alter or impair any rights or obligations under any Option previously granted under the Plan in any material adverse way without the affected Participant's consent, and (ii) the exercise price of outstanding Options may not be altered, amended or modified.

Section 12. Governing Law. The Plan and any and all 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.

Section 13. No Strict Construction. No rule of strict construction shall be applied against the Company, the Committee, or any other person in the interpretation of any of the terms of the Plan, any Option agreement, any Option granted under the Plan, or any rule, regulation or procedure established by the

Committee.

Section 14. *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.

Section 15. *Severability.* If any provision of the Plan or an 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.

Section 16. *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 which 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 as constituted on the grant date of such Option, the term in the Plan as constituted on the grant date of such Option shall control.

Section 17. *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.

Section 18. *Effective Date of the Plan.* The Plan shall be submitted to the stockholders of the Company for approval and ratification at the next regular or special meeting thereof to be held after January 1, 1999. Unless at such meeting the Plan is approved and ratified by the stockholders of the Company, in the manner provided by the Company's By-Laws, then and in such event, the Plan and any then outstanding Options that may have been conditionally granted prior to such stockholder meeting shall become null and void and of no further force and effect. Subject to the immediately preceding sentence, the Plan shall be effective as of February 23, 1999. The Plan shall continue in effect for a term of 10 years unless sooner terminated under Section 10.

MESSAGINGDIRECT LTD.
(the "Corporation")

**AMENDED AND RESTATED EMPLOYEE SHARE OPTION PLAN
AS AMENDED BY THE BOARD OF DIRECTORS ON MARCH 7, 2006**

ARTICLE 1 DEFINITIONS

1.1 Definitions

In this Share Option Plan:

- (a) AFFILIATE has the meaning ascribed to it in Section 2 of the Business Corporations Act, Alberta, as amended from time to time.
- (b) BOARD means the Board of Directors of the CORPORATION;
- (c) BUSINESS DAY means any day, other than a Saturday, Sunday or statutory holiday in Alberta.
- (d) COMMITTEE means the BOARD or any committee of the BOARD designated by the BOARD as the committee for the purposes of this PLAN.
- (e) CORPORATION means MESSAGINGDIRECT LTD. or any AFFILIATE of MESSAGINGDIRECT LTD. that adopts this Plan.
- (f) ELIGIBLE PERSON means any director, officer, full time employee of the CORPORATION or of any AFFILIATE, and any other person as the COMMITTEE determines is providing key services to the CORPORATION or any AFFILIATE and is accepted by the COMMITTEE for the purposes of the PLAN as an ELIGIBLE PERSON.
- (g) EXERCISE PRICE means an amount per SHARE in Canadian or United States funds established by the COMMITTEE at the time of the granting of an OPTION, at which SHARES may be purchased by the OPTIONEE, as adjusted pursuant to Section 4.2 hereof;
- (h) OPTION means an option to purchase SHARES granted to an ELIGIBLE PERSON under this PLAN;
- (i) OPTION DATE means with respect to each grant of an OPTION the date upon which the COMMITTEE grants the OPTION;
- (j) "PLAN" means this Share Option Plan, as amended;
- (k) OPTIONEE means an ELIGIBLE PERSON to whom an OPTION has been granted;
- (l) SHARES means the common shares of the CORPORATION, or, in the event of an adjustment contemplated by Section 4.2 hereof, the other shares and securities to which an OPTIONEE may be entitled upon exercise of an OPTION, as a result of the adjustment;

ARTICLE 2 PURPOSE OF THE PLAN

2.1 Purpose

The purpose of the PLAN is to assist the CORPORATION and its AFFILIATES to attract, retain and motivate employees, officers, directors and consultants by conveying a sense of pride of ownership and the potential to achieve significant personal wealth by contributing to the successful growth of the CORPORATION, and to be achieved by permitting such persons to participate in the growth and development of the CORPORATION and its AFFILIATES through the acquisition of OPTIONS.

ARTICLE 3 ADMINISTRATION OF THE PLAN

3.1 Administration

The PLAN shall be administered by the COMMITTEE.

3.2 Powers

The COMMITTEE shall have the power, where consistent with the general purpose and intent of the PLAN, and subject to the specific provisions of the PLAN:

- (a) to establish policies, procedures and to adopt rules and regulations for carrying out the purposes, provisions and administration of the PLAN;
- (b) to interpret and construe the PLAN and to determine all questions arising out of the PLAN and any OPTION and any interpretation or construction made by the COMMITTEE shall be final, binding and conclusive for all purposes;

- (c) to determine which ELIGIBLE PERSONS will be granted OPTIONS;
- (d) to determine the terms and provisions of any grant of OPTION, including the time or times when any OPTION is exercisable and any restrictions on exercise of the OPTION or on the SHARES to be issued on exercise of the OPTION;
- (e) to determine the terms and provisions of any agreements or documents arising from the PLAN;
- (f) to determine the number of SHARES covered by each OPTION; and
- (g) to determine the EXERCISE PRICE.

ARTICLE 4 SHARES SUBJECT TO PLAN

4.1 SHARES Available

The number of SHARES available for issuance upon exercise of OPTIONS granted shall be as specified by the BOARD from time to time provided that, subject to the provisions of Section 4.2, the total number of SHARES so available together with those previously issued under the PLAN shall not exceed five million (5,000,000) SHARES at the date of the grant of any OPTION. If any OPTION shall lapse or terminate for any reason without having been exercised in full, the unpurchased SHARES that are the subject of that OPTION shall be available for future OPTIONS.

4.2 Adjustments

The number of SHARES subject to the PLAN, the number of SHARES optioned and the EXERCISE PRICE shall be adjusted by the BOARD to give effect to adjustments resulting from subdivisions or consolidations or reclassifications or changes to, Class "A" shares or SHARES, the payment of stock dividends by the CORPORATION (other than dividends in the ordinary course) or other relevant changes in the capital of the CORPORATION.

ARTICLE 5 ELIGIBILITY AND GRANT

5.1 Eligibility

Options may only be granted to ELIGIBLE PERSONS. Any member of the COMMITTEE shall be eligible to be granted OPTIONS notwithstanding that such person shall be a member of the COMMITTEE.

5.2 Grant

The COMMITTEE may, from time to time, grant OPTIONS to ELIGIBLE PERSONS. Each ELIGIBLE PERSON who receives a grant of an OPTION shall receive a written notification from the CORPORATION specifying the relevant terms and provisions of the grant of the OPTION.

5.3 Term

In no event may the term of an OPTION exceed eight (8) years from the OPTION DATE, unless extended pursuant to the adoption of the PLAN under Article 9 hereof.

5.4 Non-Transferable

The OPTIONS granted hereunder are not transferable, except pursuant to a domestic relations order (within the meaning of Rule 16a-12 of the Securities Exchange Act of 1934, as amended).

ARTICLE 6 TERMINATION OF OPTION

6.1 Termination

Subject to Section 6.2 hereof, an OPTION shall expire and terminate and be incapable of exercise immediately upon the OPTIONEE ceasing to be an ELIGIBLE PERSON. A person other than a director, officer or full time employee of the CORPORATION or of any AFFILIATE shall cease to be an ELIGIBLE PERSON ten (10) BUSINESS DAYS after receipt of notice to that effect from the CORPORATION.

6.2 Rights in Certain Circumstances

If before the expiry of an OPTION:

- (a) the OPTIONEE ceases to be an ELIGIBLE PERSON as a result of a death or employment terminating as a result of permanent disability, then the OPTION may be exercised by the OPTIONEE or, in the event of death, by his legal representative only within twelve (12) months of the date

of death or ceasing employment as a result of permanent disability or retirement but only to the extent that the OPTIONEE was entitled to exercise the OPTION at the date of death or termination of employment;

- (b) the OPTIONEE ceases to be an ELIGIBLE PERSON as a result of resignation or termination of employment, without cause, by the CORPORATION or an AFFILIATE, then the OPTION may be exercised by the APPOINTEE only within sixty (60) days of the resignation or termination but only to the extent that the OPTIONEE was entitled to exercise the OPTION at the date of resignation or termination;
- (c) the OPTIONEE ceases to be an ELIGIBLE PERSON as a result of the OPTIONEE receiving written notice to that effect from the CORPORATION as provided for in Section 6.1 hereof, then the OPTION may be exercised by the OPTIONEE only within sixty (60) days of the OPTIONEE ceasing to be an ELIGIBLE PERSON but only to the extent that the OPTIONEE was entitled to exercise the OPTION at the date that the OPTIONEE ceased to be an ELIGIBLE PERSON;
- (d) the OPTIONEE ceases to be an ELIGIBLE PERSON as a result of termination of employment, for cause, by the CORPORATION or an AFFILIATE, then the OPTION may be exercised by the OPTIONEE only within five (5) days of the termination but only to the extent that the OPTIONEE was entitled to exercise the OPTION at the date of termination.
- (e) an order is made by a court of competent jurisdiction pursuant to the *Matrimonial Property Act* (Alberta) or other similar legislation purporting to deal with any SHARES held by the OPTIONEE or there is a seizure or attachment in any way of any SHARES held by the OPTIONEE for the payment of any judgment or order, then the OPTION may be exercised by the OPTIONEE only within five days of the occurrence of such event but only to the extent that the OPTIONEE was entitled to exercise the OPTION as of the date of the occurrence of such event;
- (f) the OPTIONEE purports to sell, transfer, assign, pledge, hypothecate, mortgage or encumber any of the SHARES held by the OPTIONEE, other than to the CORPORATION, then the OPTION may be exercised by the OPTIONEE only within five (5) days of the occurrence of such event but only to the extent that the OPTIONEE was entitled to exercise the OPTION as of the date of the occurrence of such event.

The foregoing provisions shall not have the effect of extending any OPTION beyond the period for exercise in accordance with its terms.

ARTICLE 7 AMENDMENT OR TERMINATION OF PLAN

7.1 Amendment or Termination

The PLAN may be amended by the BOARD as it may from time to time deem advisable. The BOARD may, in its discretion, terminate or fix a date for the termination of the PLAN. No amendment or termination of the PLAN may increase any EXERCISE PRICE other than by way of an adjustment contemplated by Section 4.2.

ARTICLE 8 EXERCISE OF OPTIONS

8.1 Exercise

Subject to the provisions of the PLAN, an OPTION may be exercised from time to time by delivery to the CORPORATION at its registered office of a written notice of exercise addressed to the secretary of the CORPORATION specifying the number of SHARES with respect to which the OPTION is being exercised and accompanied by payment in full of the EXERCISE PRICE of the SHARES to be purchased. Certificates for SHARES that are the subject of the exercise of an OPTION shall be issued and delivered to the OPTIONEE within a reasonable time following the receipt of the notice and payment.

ARTICLE 9 ADOPTION

9.1 Upon Transaction Systems Architects, Inc. ("TSA") adopting this PLAN the term of each OPTION due to expire on or after the date of the Combination Agreement made *inter alia*, among TSA and the CORPORATION and on or before the effective date thereunder shall be extended to February 28, 2001 and any then outstanding unvested OPTION shall automatically accelerate and become fully vested and immediately exercisable as of the effective date of the adoption of the PLAN by TSA.

ARTICLE 10 MISCELLANEOUS

10.1 Rights Prior to Exercise

An OPTIONEE shall not have any rights as a shareholder of the CORPORATION with respect to any of the SHARES covered by an OPTION until the OPTIONEE has exercised the OPTION in accordance with the terms of the PLAN. Nothing herein or in an OPTION shall confer on the OPTIONEE any right or interest whatsoever as a holder of SHARES or other securities of the CORPORATION or any other right or interest in any property of the CORPORATION except as herein expressly provided.

10.2 Employment Rights Not Conferred

Nothing in the PLAN or any OPTION shall confer upon any OPTIONEE any right to continue in the employment of the CORPORATION or any AFFILIATE or affect in any way the right of the CORPORATION or any AFFILIATE to terminate the employment of an OPTIONEE at any time. Nothing in the PLAN or in any OPTION shall be deemed or construed to constitute an agreement or an expression of intent on the part of the CORPORATION or any AFFILIATE to extend the employment of an OPTIONEE beyond the time that the OPTIONEE would normally be retired pursuant to any provisions of any present or future retirement plan or policy of the CORPORATION or any AFFILIATE, or beyond the time at which the OPTIONEE would otherwise be retired pursuant to the provisions of any contract of employment with the CORPORATION or an AFFILIATE.

10.3 Singular, Plural and Gender

Wherever the singular, plural, masculine, feminine or neuter is used throughout this PLAN, the same shall be construed as meaning the singular, plural, masculine, feminine or body corporate where the facts or context so requires.

10.4 Governing Law

This PLAN shall be governed and applied in accordance with the laws of the Province of Alberta, Canada.

10.5 Notice

Any notice permitted or contemplated to be given to an OPTIONEE may be given by the CORPORATION in writing addressed to the address of the OPTIONEE set forth in the OPTION CERTIFICATE or such other address as shall have been specified by the OPTIONEE by written notification to the CORPORATION and such a notice to the OPTIONEE shall be effective for all purposes of the PLAN.

DATED at the City of Edmonton, in the Province of Alberta, this ____ day of _____, 2001.

MESSAGINGDIRECT LTD.

Per:

Per:

The foregoing Amended and Restated Stock Option plan is hereby expressly adopted by Transaction Systems Architects, Inc.

DATED at the City of Omaha, in the State of Nebraska, this ____ day of _____, 2001.

TRANSACTION SYSTEMS ARCHITECTS, INC.

Per:

Per:

**TRANSACTION SYSTEMS ARCHITECTS, INC.
2000 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN**

as amended by the Board of Directors on March 7, 2006

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 price (last trade) 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, or pursuant to a domestic relations order (within the meaning of Rule 16a-12 of the Securities Exchange Act of 1934, as amended), and during an Optionee's lifetime an Option shall be exercisable only by the Optionee or any permitted transferee.

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.

TRANSACTION SYSTEMS ARCHITECTS, INC.
2002 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN
Amended and restated effective March 9, 2004
Amended by the Board of Directors on March 7, 2006

1. Approval of the Plan. The Plan was originally approved by the Board in January 2002 and by the stockholders at the Annual Meeting of Stockholders held on February 19, 2002. The amendment and restatement of the Plan effective March 9, 2004 was approved by the Board in December 2003 and by the stockholders at the Annual Meeting of Stockholders held on March 9, 2004.

2. Purpose of the Plan. The purpose of the 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.

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

"**Board**" shall mean the Board of Directors of the Company.

"**Change in Control**" means the occurrence of any of the following events:

(i) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") is or becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the combined voting power of the then-outstanding Voting Stock of the Company; provided, however, that:

(1) for purposes of this paragraph (i), the following acquisitions shall not constitute a Change in Control: (A) any acquisition of Voting Stock of the Company directly from the Company that is approved by a majority of the Incumbent Directors, (B) any acquisition of Voting Stock of the Company by the Company or any subsidiary of the Company, (C) any acquisition of Voting Stock of the Company by the trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary of the Company, and (D) any acquisition of Voting Stock of the Company by any Person pursuant to a Business Transaction that complies with clauses (A), (B) and (C) of subparagraph (i)(3) below;

(2) if any Person is or becomes the beneficial owner of 20% or more of combined voting power of the then-outstanding Voting Stock of the Company as a result of a transaction described in clause (A) of subparagraph (i)(1) above and such Person thereafter becomes the beneficial owner of any additional shares of Voting Stock of the Company representing 1% or more of the then-outstanding Voting Stock of the Company, other than in an acquisition directly from the Company that is approved by a majority of the Incumbent Directors or other than as a result of a stock dividend, stock split or similar transaction effected by the Company in which all holders of Voting Stock are treated equally, such subsequent acquisition shall be treated as a Change in Control;

(3) a Change in Control will not be deemed to have occurred if a Person is or becomes the beneficial owner of 20% or more of the Voting Stock of the Company as a result of a reduction in the number of shares of Voting Stock of the Company outstanding pursuant to a transaction or series of transactions that is approved by a majority of the Incumbent Directors unless and until such Person thereafter becomes the beneficial owner of any additional shares of Voting Stock of the Company representing 1% or more of the then-outstanding Voting Stock of the Company, other than as a result of a stock dividend, stock split or similar transaction effected by the Company in which all holders of Voting Stock are treated equally; and

(4) if at least a majority of the Incumbent Directors determine in good faith that a Person has acquired beneficial ownership of 20% or more of the Voting Stock of the Company inadvertently, and such Person divests as promptly as practicable but no later than the date, if any, set by the Incumbent Board a sufficient number of shares so that such Person beneficially owns less than 20% of the Voting Stock of the Company, then no Change in Control shall have occurred as a result of such Person's acquisition; or

(ii) a majority of the Board ceases to be comprised of Incumbent Directors; or

(iii) the consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of the stock or assets of another corporation, or other transaction (each, a "Business Transaction"), unless, in each case, immediately following such Business Transaction (A) the Voting Stock of the Company outstanding immediately prior to such Business Transaction continues to represent (either by remaining outstanding or by being converted into Voting Stock of the surviving entity or any parent thereof), more than 60% of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Transaction (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), (B) no Person (other than the Company, such entity resulting from such Business Transaction, or any employee benefit plan (or related trust) sponsored or maintained by the Company, any subsidiary of the Company or such entity resulting from such Business Transaction) beneficially owns, directly or indirectly, 20% or more of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Transaction, and (C) at least a majority of the members of the Board of Directors of the entity resulting from such Business Transaction were Incumbent Directors at the time of the execution of the initial agreement or of the action of the Board providing for such Business Transaction; or

(iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Transaction that complies with clauses (A), (B) and (C) of paragraph (iii).

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

"**Company**" shall mean Transaction Systems Architects, Inc.

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

"**Duman**" and "**Alexander**" shall mean Mr. Gregory J. Duman and Roger K. Alexander, respectively, each presently a nominee for election to the Board as a Non-Employee Director.

"**Employee**" shall mean an employee of either the Company or any subsidiary thereof.

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

"**Fair Market Value**" shall mean the closing price (last trade) 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.

"**Incumbent Directors**" means the individuals who, as of the date hereof, are Directors of the Company and any individual becoming a Director subsequent to the date hereof whose election, nomination for election by the Company's stockholders, or appointment, was approved by a vote of at least two-thirds of the then Incumbent Directors (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination); provided, however, that an individual shall not be an Incumbent Director if such individual's election or appointment to the Board occurs as a result of an actual or threatened election contest (as described in Rule 14a-12(c) of the Exchange Act) with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

"**Option**" shall mean an option to purchase Shares granted under the Plan.

"**First Option Grant Date**" shall mean March 4, 2002.

"**Option Grant Date**" shall mean the date an Option is granted to a Non-Employee Director under the Plan.

"**Optionee**" shall mean a Non-Employee Director of the Company to whom an Option has been granted under the Plan.

"**Non-Employee Director**" shall mean a director of the Company who is not an employee of the Company or any subsidiary of the Company at the time any option is granted hereunder. For so long as an individual continues to serve without interruption as either a Non-Employee Director or an Employee subsequent to his/her receipt of an option hereunder, said person shall for purposes of those options previously granted hereunder continue to be considered a Non-Employee Director.

"**Plan**" shall mean the Transaction Systems Architects, Inc. 2002 Non-Employee Director Stock Option Plan, as amended from time to time.

"**Shares**" shall mean shares of the Class A Common Stock of the Company.

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

"**Voting Stock**" means securities entitled to vote generally in the election of directors.

4. Administration of the Plan. The Plan shall be administered by the Board. The Board 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 Board 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 Board in the administration of the Plan shall be borne by the Company. The Board 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 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 Board 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.

5. Life of Option Grants. Notwithstanding and term or conditions to the contrary stated herein, no Option granted under the Plan shall be exercisable, in whole or in part, after 10 years from the date of grant.

6. Specific Option Grants. On the First Option Grant Date, the following grants of Options shall be made:

- (i) Duman shall be granted an Option to purchase 20,000 Shares; and
- (ii) Alexander shall be granted an Option to purchase 16,000 Shares.

7. Other Option Grants. Beginning on the day after the Annual Meeting of Stockholders held on February 19, 2002, any individual who is for the first time either duly appointed by the Board or elected by the Stockholders as a Non-Employee Director shall on the date of either such appointment or election be granted an Option to purchase 20,000 Shares. Beginning with the Annual Meeting of Stockholders held on February 27, 2003, each Non-Employee Director who is a duly elected member of the Board upon the conclusion of that or any subsequent Annual Meeting of Stockholders and who has previously served as a Non-Employee Director shall be granted an Option to purchase 4,000 shares on the date of such Annual Meeting of Stockholders.

8. Option Agreement. 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 written Option Agreement. Exclusive of the Exercise Price, date of grant, and the time of exercise, the terms and conditions of each Option Agreement shall be determined by the Board.

9. Shares Subject to the Plan. Subject to adjustment as provided in Section 15, the aggregate number of Shares which may be issued or delivered upon the exercise of Options shall not exceed 250,000 Shares. The Shares that may be subject to Options may be either authorized and unissued shares or shares reacquired at any time and now or hereafter held as treasury stock, as the Board may determine.

10. Non-Transferability of Options. Options shall not be transferable otherwise than by will or the laws of descent and distribution, or pursuant to a domestic relations order (within the meaning of Rule 16a-12 of the Securities Exchange Act of 1934, as amended), and during an Optionee's lifetime an Option shall be exercisable only by the Optionee or any permitted transferee.

11. 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: each Option will be a "non-qualified stock option" for federal income tax purposes.

12. 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.

13. Exercise of Options. Subject to Section 11, an Option may not be exercised during the first year after the Option Grant Date. For any outstanding Option granted prior to March 9, 2004, after the first anniversary of the Option Grant Date, it may be exercised as to not more than 33¹/₃% of the Shares available for purchase under the Option and, after each of the second and third anniversaries of the Option Grant Date, it may be exercised as to not more than an additional 33¹/₃% of such shares plus any shares as to which the Option might theretofore have been exercisable but shall not have been exercised. Options granted on or after March 9, 2004 (following the Annual Meeting of Stockholders) may be exercised as to 100% of the Shares available for purchase under the Option upon the first anniversary of the Option Grant Date. No option shall be exercised later than ten years after the Option Grant Date.

Except as provided in this Section 13, 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, however that an Optionee may exercise then-vested options within 30 days after termination unless said termination of 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 resulted 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 Board 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 by any other method of payment that may be permitted under applicable law and authorized by the Board. Each exercise of an Option shall reduce, by an equal number, the total number of Shares that may thereafter be purchased under such Option.

14. Acceleration of Options. Notwithstanding any other provision of the Plan to the contrary, all Options granted under the Plan shall become immediately exercisable upon the occurrence of a Change in Control of the Company if the Optionee holding such Option is a Non-Employee Director of the Company or any subsidiary of the Company on the date of the consummation of such Change in Control.

15. 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 9 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 Board 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 Board shall be final, conclusive and binding for all purposes of the Plan.

16. Amendment of the Plan. (a) 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. Notwithstanding the foregoing, in no event shall the Board amend Section 16(b) of the Plan in whole or in part without approval of the stockholders of the Company.

(b) The Board shall not, without the further approval of the stockholders of the Company, authorize the amendment of any Option outstanding at any time to reduce the Option exercise price per share. Furthermore, no Option shall be canceled and replaced with awards having a lower Option exercise price per share without further approval of the stockholders of the Company. This Section 16(b) is intended to prohibit the repricing of “underwater” Options and shall not be construed to prohibit the adjustments provided for in Section 15 of the Plan.

17. 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.

18. Modification, Extension and Renewal of Options. Within the limitations of the Plan and subject to Sections 15 and 16, the Board 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 15, 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.

19. 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.

20. Successors. The 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.

21. 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 Stock Option Agreement, and the Plan and each Stock Option Agreement shall each be construed and enforced as if the invalid provisions had never been set forth therein.

22. Plan Provisions Control. The terms of the Plan govern all Options granted under the Plan, and in no event will the Board 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.

23. 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.

24. 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.

