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 December 31, 2000

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)	47-0772104 (I.R.S. employer identification no.)
224 South 108th Avenue Omaha, Nebraska 68154 (Address of principal executive offices, including zip code)	(402) 334-5101 (Registrant's telephone number, including area code)

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

Yes _x_ No ___

The number of shares of the issuer's Class A Common Stock, par value $.005 per share, outstanding as of February 12, 2001 was 34,916,532 (including 1,410,942 Exchangeable Shares of TSA Exchangeco Limited which can be exchanged on a one-for-one basis for shares of the issuer's Class A Common Stock).

TABLE OF CONTENTS

TRANSACTION SYSTEMS ARCHITECTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited and in thousands)

	December 31, 2000	September 30, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,581	$ 23,400
Marketable securities	1,857	8,106
Billed receivables, net	65,645	63,556
Accrued receivables	55,591	51,659
Prepaid income taxes	3,087	2,710
Deferred income taxes	16,932	11,208
Other	9,588	13,134
Total current assets	173,281	173,773
Property and equipment, net	18,499	19,614
Software, net	26,250	26,757
Intangible assets, net	62,943	65,254
Long-term accrued receivables	33,313	27,018
Investments and notes receivable	2,635	6,146
Note receivable from executive officer	3,000	2,000
Deferred income taxes	2,149	2,958
Other	6,129	6,632
Total assets	$ 328,199	$ 330,152
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 29,035	$ 18,396
Accounts payable	11,306	16,023
Accrued employee compensation	6,997	7,472
Accrued liabilities	22,280	20,003
Deferred revenue	44,938	43,373
Total current liabilities	114,556	105,267
Long-term debt	477	532
Long-term deferred revenue	14,218	13,993
Total liabilities	129,251	119,792
Stockholders' equity:		
Class A Common Stock	166	165
Additional paid-in capital	171,542	170,946
Retained earnings	70,682	85,033
Treasury stock, at cost	(35,258)	(35,258)
Accumulated other comprehensive income	(8,184)	(10,526)
Total stockholders' equity	198,948	210,360
Total liabilities and stockholders' equity	$ 328,199	$ 330,152

See notes to condensed consolidated financial statements.

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

	Three Months Ended December 31,	
	2000	1999
Revenues:		
Software license fees	$ 42,467	$ 35,253
Maintenance fees	15,965	16,685
Services	16,204	15,179
Total revenues	74,636	67,117
Expenses:		
Cost of software license fees	11,591	10,825
Cost of maintenance and services	18,711	16,792
Research and development	10,069	8,460
Selling and marketing	19,695	17,561
General and administrative costs	16,127	14,638
Amortization of goodwill and purchased intangibles	2,367	2,177
Total expenses	78,560	70,453
Operating income (loss)	(3,924)	(3,336)
Other income (expense):		
Interest income	824	947
Interest expense	(619)	(63)
Other	273	183
Non-recurring items	(14,311)	-
Total other income (expense)	(13,833)	1,067
Income (loss) before income taxes	(17,757)	(2,269)
Income tax benefit	3,405	886
Net income (loss)	$ (14,352)	$ (1,383)
Earnings per share information:		
Weighted average shares outstanding:		
Basic	31,654	32,039
Diluted	31,654	32,039
Earnings per share:		
Basic	$ (0.45)	$ (0.04)
Diluted	$ (0.45)	$ (0.04)

See notes to condensed consolidated financial statements.

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

	Three Months Ended December 31, 2000	Three Months Ended December 31, 1999
Cash flows from operating activities:		
Net income (loss)	$ (14,352)	$ (1,383)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	2,088	2,053
Amortization	5,430	5,130
Non-recurring items	14,311	-
Changes in operating assets and liabilities:		
Billed and accrued receivables	(12,316)	(7,683)
Other current and noncurrent assets	(3,250)	(2,961)
Accounts payable	(4,717)	(1,200)
Deferred revenue	1,790	3,898
Other current liabilities	2,041	(6,214)
Net cash used in operating activities	(8,975)	(8,360)
Cash flows from investing activities:		
Purchases of property and equipment	(853)	(1,104)
Additions to software	(2,372)	(1,581)
Acquisition of business, net of cash received	-	(3,053)
Additions to investments and notes receivable	(820)	(420)
Note receivable from executive officer	(1,000)	-
Net cash used in investing activities	(5,045)	(6,158)
Cash flows from financing activities:		
Proceeds from issuance of Class A Common Stock	435	461
Proceeds from exercise of stock options	94	375
Purchases of Class A Common Stock	-	(13,343)
Net borrowings on lines of credit	10,755	-
Payments of long-term debt	(171)	357
Net cash provided by (used in) financing activities	11,113	(12,150)
Effect of exchange rate fluctuations on cash	88	181
Decrease in cash and cash equivalents	(2,819)	(26,487)
Cash and cash equivalents, beginning of period	23,400	70,482
Cash and cash equivalents, end of period	$ 20,581	$ 43,995

See notes to condensed consolidated financial statements.

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

1. Consolidated Financial Statements

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

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. The condensed consolidated financial statements at December 31, 2000, and for the three months ended December 31, 2000 and 1999, are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto, together with management's discussion and analysis of financial condition and results of operations, contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2000. The results of operations for the three months ended December 31, 2000 are not necessarily indicative of the results for the entire fiscal year ending September 30, 2001.

2. Revenue Recognition

The Company generates revenues from licensing software and providing postcontract customer support (maintenance or "PCS") and other professional services. The Company uses written contracts to document the elements and obligations of arrangements with its customers. Arrangements that include the licensing of software typically include PCS, and at times, include other professional services. PCS includes the right to unspecified upgrades on a when-and-if-available basis and ongoing technical support. The other professional services may include training, installation or consulting. The Company also performs services for customers under arrangements that do not include the licensing of software. Revenues under multiple-element arrangements, which may include several software products or services sold together, are allocated to each element based upon the residual method in accordance with American Institute of Certified Public Accountants Statement of Position ("SOP") 98-9, "Software Revenue Recognition, With Respect to Certain Arrangements."

Under the residual method, the fair value of the undelivered elements is deferred and subsequently recognized. The Company has established sufficient vendor specific objective evidence of fair value for PCS and other professional services based upon the price charged when these elements are sold separately. Accordingly, software license fees revenues are recognized under the residual method in arrangements in which the software is licensed with PCS and/or other professional services, and the undelivered elements of the arrangement are not essential to the functionality of the delivered software.

The Company recognizes software license fees upon execution of the signed contract, delivery of the software to the customer, determination that the software license fees are fixed or determinable, and determination that the collection of the software license fees is probable. The software license is typically for a term of up to 60 months and does not include a right of return. The term for the PCS element of a software arrangement is typically for a period shorter than the term of the software license, and can be renewed by the customer over the remaining term of the software license. PCS or maintenance revenues are recognized ratably over the term of the arrangement on a straight-line basis. The other professional services element of a software arrangement is typically accounted for separately as the services are performed for time-and-materials contracts or on a percentage-of-completion basis for fixed-price contracts. In those instances where the services are essential to the functionality of any other element of the arrangement, contract accounting is applied to both the software and services elements of the arrangement.

The Company follows two methods for pricing its software licenses. Under the first method, the software license is priced based upon the number of transactions processed by the customer ("transaction-based pricing"). Under transaction-based pricing, the customer is allowed to process a contractually predetermined maximum volume of transactions per month for a specified period of time. Once the customer's transaction volume exceeds this maximum volume level, the customer is required to pay additional license fees for each incremental volume level. Under the second method, the software license is priced on a per copy basis and tiered to recognize different performance levels of the customer's processing hardware ("designated-equipment-group pricing"). Under designated-equipment-group pricing, the customer pays a license fee for each copy of the software for a specified period of time.

Licensees are typically given two payment options. Under the first payment option, the licensee can pay a combination of an Initial License Fee ("ILF"), where the licensee pays a portion of the total software license fees at the beginning of the software license term, and a Monthly License Fee ("MLF"), where the licensee pays the remaining portion of the software license fees over the software license term. In certain arrangements, the customer is contractually committed to making MLF payments for a minimum number of months. If the customer decides to terminate the arrangement prior to paying the minimum MLF payments, the remaining minimum MLF payments become due and payable. Under the second payment option, the Company offers a Paid-Up-Front ("PUF") payment option, whereby the total software license fees are due at the beginning of the software license term. Under either payment option, the Company is not obligated to refund any payments received from the customer. In the combination ILF and MLF payment option, the Company recognizes the ILF portion of the software license fees upon delivery of the software, assuming all other revenue recognition criteria were met. In the PUF payment option, the Company recognizes the total software license fees upon delivery of the software, assuming all other revenue recognition criteria were met.

In addition to SOP 98-9, the Company accounts for its software arrangements in accordance with SOP 97-2, "Software Revenue Recognition." The primary software revenue recognition criteria outlined in SOP 97-2 include: evidence of an arrangement; delivery; fixed or determinable fees; and collectibility. SOP 97-2 specifies that extended payment terms in a software licensing arrangement may indicate that the software license fees are not deemed to be fixed or determinable. In addition, if payment of a significant portion of the software license fees is not due until more than twelve months after delivery, the software license fees should be presumed not to be fixed or determinable, and thus should be recognized as the payments become due. However, SOP 97-2 specifies that if the Company has a standard business practice of using extended payment terms in software licensing arrangements and has a history of successfully collecting the software license fees under the original terms of the software licensing arrangement without making concessions, the Company can overcome the presumption that the software license fees are not fixed or determinable. If the presumption is overcome, the Company should recognize the software license fees when all other SOP 97-2 revenue recognition criteria are met.

The Company has concluded that for certain software arrangements where the customer is contractually committed to make MLF payments that extend beyond twelve months, the "fixed or determinable" presumption has been overcome and software license fees revenue should be recognized upon meeting the other SOP 97-2 revenue recognition criteria. In making this determination, the Company considered the characteristics of the software product, the customer purchasing the software, the similarity of the economics of the software arrangements with previous software arrangements and the actual history of successfully collecting under the original terms without providing concessions. The software license fees recognized under these arrangements are referred to as "Recognized-Up-Front MLFs." The present value of Recognized-Up-Front MLFs, net of third party royalties, recognized during the three months ended December 31, 2000 and 1999 totaled approximately $9.1 million and $5.1 million, respectively. The discount rates used to determine the present value of these software license fees, representing the Company's incremental borrowing rates, ranged from 9.50% to 11.00% during the three months ended December 31, 2000, and from 10.25% to 11.00% during the three months ended December 31, 1999. Recognized-Up-Front MLFs that have been recognized in software license fees revenues by the Company, but not yet billed, are reflected in accrued receivables in the accompanying condensed consolidated balance sheets.

3. Non-Recurring Items

The Company continually evaluates its investment holdings and long-lived assets for evidence of impairment. During the three months ended December 31, 2000, after considering current market conditions for technology companies and specific information regarding those companies in which the Company has an ownership interest, the Company determined that the declines in market value for certain of its investment holdings were "other than temporary" and a charge to earnings for the declines in market value was required. Therefore, the Company recorded a non-cash charge of $12.4 million in the three months ended December 31, 2000.

In addition, due to unfavorable market conditions in the fourth quarter of fiscal 2000, the Company postponed its planned initial public offering ("IPO") of its wholly-owned subsidiary, Insession Technologies, Inc. Due to the time period which had elapsed without proceeding with this transaction and continuing uncertainty in market conditions, the Company expensed costs associated with the planned IPO totaling $1.9 million in the three months ended December 31, 2000.

4. Earnings Per Share

Earnings per share ("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, adjusted for the effect of any outstanding dilutive securities (the numerator), by the weighted average number of common shares outstanding, adjusted for the dilutive effect of outstanding dilutive securities (the denominator). For the three months ended December 31, 2000 and 1999, basic and diluted EPS are the same, as any outstanding dilutive securities were antidilutive due to the net loss in both periods.

If the Company had reflected net income for the three months ended December 31, 2000 and 1999, weighted average shares from stock options of 3,590,098 and 1,353,510, respectively, would have been excluded from the computation of diluted EPS because the exercise prices of the stock options were greater than the average market price of the Company's common shares.

5. Comprehensive Income

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

	Three Months Ended December 31, 2000	Three Months Ended December 31, 1999
Net loss	$ (14,352)	$ (1,383)
Other comprehensive income:		
Foreign currency translation adjustments	539	(1,123)
Unrealized investment holding gain (loss)	1,803	4,687
Comprehensive income (loss)	$ (12,010)	$ 2,181

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

	Foreign Currency Translation Adjustments	Unrealized Investment Holding Gain (Loss)	Accumulated Other Comprehensive Loss
Balance, September 30, 2000	$ (4,723)	$ (5,803)	$ (10,526)
Fiscal 2001 year-to-date activity	539	(6,249)	(5,710)
Reclassification adjustment for loss included in net income(loss)	-	8,052	8,052
Balance, December 31, 2000	$ (4,184)	$ (4,000)	$ (8,184)

6. Line-of-Credit Facilities

The Company has a $30 million bank line-of-credit with a large United States bank. This line is secured by certain trade receivables of TSA. Among other restrictions, the Company must maintain a minimum accounts receivable balance, minimum tangible net worth and minimum working capital levels at each reporting date. After obtaining a waiver from the U.S. bank, the Company is in compliance with all debt covenants as of December 31, 2000. The Company also has a line-of-credit with a large foreign bank in the amount of 3 million British Pounds, which translates to approximately $4.5 million. The foreign line requires the Company to maintain minimum tangible net worth within the Company's wholly-owned subsidiary, ACI Worldwide (EMEA) Ltd.

Interest on the U.S. line-of-credit accrues at an annual rate equal to either the bank's "base rate" less .75% or the LIBOR rate plus 1.75% and is payable at the end of each month. Interest on the foreign line-of-credit accrues at an annual rate of 1% above the bank's "base rate." During the three months ended December 31, 2000, the Company recorded interest expense of $481,000 related to the two line-of-credit facilities. Current borrowings outstanding as of December 31, 2000 amount to approximately $29 million. The U.S. bank line-of-credit expires on May 31, 2001, and the foreign bank line-of-credit expires on August 9, 2001.

The carrying amounts of the Company's line-of-credit facilities approximate fair value due to their variable interest rates.

7. Segment Information

In fiscal 2000, the Company reorganized its business into four business units or segments: Consumer e-Payments, Electronic Business Infrastructure, Corporate Banking e-Payments and Health Payment Systems. Prior period segment information has been restated to reflect these reorganizations. The Company's chief operating decision makers review business unit financial information, presented on a consolidated basis, accompanied by disaggregated information about revenues and operating income by business unit. The Company does not track assets by business unit.

The Company plans to direct the majority of its focus on the Consumer e-Payments business unit. The Company is considering various alternatives for the Electronic Business Infrastructure, Corporate Banking e-Payments and Health Payments Systems business units, including possible sales, spin-offs, strategic alliances, partnerships, third-party investors and initial public offerings.

Consumer e-Payments products represent the Company's largest product line and include its most mature and well-established applications which are used primarily by financial institutions, retailers and e-payment processors. Its products are used to route and process transactions for automated teller machine networks; process transactions from traditional point of sale devices, wireless devices and the Internet; handle PC and phone banking transactions; control fraud and money laundering; process electronic benefit transfer transactions; authorize checks; establish frequent shopper programs; automate settlement, card management and claims processing; and issue and manage multi-functional applications on smart cards. Electronic Business Infrastructure products facilitate communication, data movement, monitoring of systems and business process automation across computing systems, involving mainframes, distributed computing networks and the Internet. Corporate Banking e-Payments products offer high-value payments processing, bulk/recurring payments processing, wire room processing, global messaging, integration payments management and continuous link settlement processing. Health Payment Systems products allow large corporations and health-care payment processors to automate claims eligibility determination, claims capture and claims payments.

No single customer accounted for more than 10% of the Company's consolidated revenue during the three months ended December 31, 2000 and 1999. The following are revenues and operating income (loss) for the Company's business unit segments for the three months ended December 31, 2000 and 1999 (in thousands):

	Three Months Ended December 31, 2000	Three Months Ended December 31, 1999
Revenues:		
Consumer e-Payments	$ 57,552	$ 47,715
Electronic Business Infrastructure	9,284	10,876
Corporate Banking e-Payments	6,608	7,642
Health Payment Systems	1,192	884
	$ 74,636	$ 67,117
Operating loss:		
Consumer e-Payments	$ 844	$ (5,135)
Electronic Business Infrastructure	(705)	1,782
Corporate Banking e-Payments	(2,897)	(22)
Health Payment Systems	(1,166)	39
Operating loss	$ (3,924)	$ (3,336)

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

	Three Months Ended December 31, 2000	Three Months Ended December 31, 1999
Revenues:		
United States	$ 32,005	$ 30,822
Americas - other	8,986	8,866
Total Americas	40,991	39,688
EMEA	26,990	20,222
Asia/Pacific	6,655	7,207
	$ 74,636	$ 67,117

	December 31, 2000	September 30, 2000
Long-lived assets:		
United States	$ 101,888	$ 107,925
Americas - other	4,753	5,337
Total Americas	106,641	113,262
EMEA	11,332	11,659
Asia/Pacific	1,233	1,482

	$ 119,206	$ 126,403

8. Accounting Pronouncements Issued But Not Yet Effective

In December 1999, the Securities and Exchange Commission (the "SEC") released Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements," which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. SAB No. 101 requires, among other things, that license and other up-front fees be recognized over the term of the agreement, unless the fees are in exchange for products delivered or services performed that represent the culmination of a separate earnings process. The Company is required to be in conformity with the provisions of SAB No. 101 no later than the fourth quarter of fiscal 2001. The adoption of SAB No. 101 is not expected to have a material impact on the Company's financial position or results of operations.

In September 2000, the Financial Accounting Standards Board issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No. 140, which replaced SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but carries over most of SFAS No. 125's provisions without reconsideration. SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The Company currently conforms to the requirements of SFAS No. 125 and the adoption of SFAS No. 140 is not expected to have a material impact on the Company's financial position or results of operations.

9. Subsequent Event

In October 2000, the Company reached an agreement to acquire all of the issued and outstanding securities of MessagingDirect Ltd. ("MDL") for approximately 3.3 million shares of TSA Class A Common Stock with a fair market value at that time of approximately $50.0 million. MDL provides software applications to facilitate the secure delivery and e-processing of electronic statements and bills. This transaction subsequently closed in January 2001. The share exchange will be accounted for using the purchase method of accounting. Accordingly, the amount of purchase price in excess of the sum of the fair values of the tangible and intangible assets acquired less liabilities assumed will be allocated to goodwill, which will be amortized using the straight-line method over five years. The Company estimates that the allocation of the purchase price attributable to intangible assets to be approximately $29.0 million to goodwill and $15.0 million to software. These amounts are preliminary and are subject to the completion of an appraisal of MDL.

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

Overview

The Company develops, markets, installs and supports a broad line of software products and services primarily focused on facilitating electronic payments and electronic commerce. In addition to its own products, TSA distributes software developed by third parties. The products and services are used principally by financial institutions, retailers and e-payment processors, both in domestic and international markets.

The Company's products and services are organized into four business units - Consumer e-Payments, Electronic Business Infrastructure, Corporate Banking e-Payments and Health Payment Systems. The Company plans to direct the majority of its focus on the Consumer e-Payments business unit. Products in this business unit represent the Company's largest product line and include its most mature and well-established applications. Products and services offered by this business unit, except community banking products, are marketed and supported through ACI Worldwide Inc ("ACI"), a wholly-owned subsidiary of the Company. ACI sells and supports the products and services through three distribution networks: the Americas, Europe/Middle East/Africa ("EMEA") and Asia/Pacific. Each distribution network primarily has its own sales force and supplements this with reseller and/or distributor networks. The community banking products are marketed and supported by Regency Systems, Inc., a wholly-owned subsidiary of the Company. Products and services offered by the other three business units are marketed and supported primarily through their own sales and support organizations.

Results of Operations

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

	Three Months Ended December 31,			
	2000		1999	
	Amount	% of Revenue	Amount	% of Revenue
Revenues:				
ILFs and PUFs	$ 20,099	26.9 %	$ 15,404	23.0 %
MLFs (other than Recognized-Up-Front MLFs)	13,244	17.8	14,720	21.9
Recognized-Up-Front MLFs	9,124	12.2	5,129	7.6
Software license fees	42,467	56.9	35,253	52.5
Maintenance fees	15,965	21.4	16,685	24.9
Services	16,204	21.7	15,179	22.6
Total revenues	74,636	100.0	67,117	100.0
Expenses:				
Cost of software license fees	11,591	15.5	10,825	16.1
Cost of maintenance and services	18,711	25.1	16,792	25.0
Research and development	10,069	13.5	8,460	12.6
Selling and marketing	19,695	26.4	17,561	26.2
General and administrative costs	16,127	21.6	14,638	21.8
Amortization of goodwill and purchased intangibles	2,367	3.2	2,177	3.3
Total expenses	78,560	105.3	70,453	105.0
Operating income (loss)	(3,924)	(5.3)	(3,336)	(5.0)
Other income (expense):				
Interest income	824	1.1	947	1.4
Interest expense	(619)	(0.8)	(63)	(0.1)
Other	273	0.4	183	0.3
Non-recurring items	(14,311)	(19.2)	-	-
Total other income (expense)	(13,833)	(18.5)	1,067	1.6
Income (loss) before income taxes	(17,757)	(23.8)	(2,269)	(3.4)

Income tax benefit		3,405	4.6		886	1.3
Net income (loss)	$	(14,352)	(19.2)%	$	(1,383)	(2.1) %

The following table sets forth total revenues and operating income (loss) for the Company's four business unit segments for the periods indicated (in thousands):

	Three Months Ended December 31, 2000	Three Months Ended December 31, 1999
Revenues:		
Consumer e-Payments	$ 57,552	$ 47,715
Electronic Business Infrastructure	9,284	10,876
Corporate Banking e-Payments	6,608	7,642
Health Payment Systems	1,192	884
	$ 74,636	$ 67,117
Operating loss:		
Consumer e-Payments	$ 844	$ (5,135)
Electronic Business Infrastructure	(705)	1,782
Corporate Banking e-Payments	(2,897)	(22)
Health Payment Systems	(1,166)	39
Operating loss	$ (3,924)	$ (3,336)

Revenues. Total revenues for the first quarter of fiscal 2001 increased 11.1%, or $7.5 million, from the comparable period in fiscal 2000. The increase is the result of a $7.2 million, or 20.4%, increase in software license fees revenue and a $942,000, or 6.2%, increase in services revenue. These increases were offset by a $720,000, or 4.3%, decrease in maintenance fee revenue.

During the first quarter of fiscal 2000, the Company's large bank and merchant customers and potential new customers, in effect, locked down their systems in preparation for the Year 2000. This Year 2000 lock-down had a negative impact on the Company's Consumer e-Payments software license fees and services revenues due to the less than expected demand by customers and potential new customers to upgrade and enhance their current systems. In addition, since the Year 2000 cutover, the Company has found its customers increasingly scrutinizing their information technology purchases, which has led to further delays in software and services purchases. The Company believes overall demand for its products and services is increasing at a gradual pace. However, the Company believes that customer demand for its products and services will be slow to return to growth levels experienced prior to fiscal 2000.

The increase in ILF and PUF revenue for the first quarter of fiscal 2001 is a result of an increased demand for the Company's Consumer e-Payments products, offset by a decrease in demand for the Company's Electronic Business Infrastructure ICE product and a decrease in revenue associated with a significant Corporate Banking e-Payment customer project. In addition, the Company changed its sales compensation plans in fiscal 2001 for its Consumer e-Payments sales force to emphasize PUF contracts for both customer renewals and new customers rather than emphasizing ILF/MLF contracts. This change resulted in an increase in PUF revenue and a decrease in MLF revenue in the first quarter of fiscal 2001.

The decrease in maintenance fee revenue for the first quarter of fiscal 2001 is due to a decrease in customer demand for the Company's enhanced maintenance support.

The growth in services revenue is the result of increased demand for technical and project management services, which is primarily the result of an increased installed base of the Company's Consumer e-Payments products.

Expenses. Total operating expenses for the first quarter fiscal 2001 increased $8.1 million, or 11.5%, over the comparable period of fiscal 2000.

Cost of software license fees for the first quarter of fiscal 2001 increased $0.8 million, or 7.1%, over the comparable period in fiscal 2000. This increase is due primarily to an increase in the sale of third-party products and thus a corresponding increase in royalties owed to the owners of these products.

Cost of maintenance and services for the first quarter of fiscal 2001 increased $1.9 million, or 11.4%, over the comparable period in fiscal 2000.

This increase is the result of personnel-related expenses.

Research and development ("R&D") consists primarily of compensation and related costs for R&D employees and contractors. R&D costs as a percentage of total revenues were 13.5% in the first quarter of fiscal 2001 as compared to 12.6% in the first quarter of fiscal 2000. In addition to R&D costs which are expensed, the Company capitalizes costs related to certain internally-developed software when the resulting products reach technological feasibility. Software development costs capitalized in the first quarter of fiscal 2001 and 2000 totaled approximately $1.5 million and $1.2 million, respectively.

Selling and marketing costs as a percentage of total revenues were 26.4% in the first quarter of fiscal 2001 as compared to 26.2% in the first quarter of fiscal 2000. The increase in fiscal 2001 is due to an increase in sales personnel and marketing activities in each of the four business units.

General and administrative costs for the first quarter of fiscal 2001 increased $1.5 million, or 10.2%, over the comparable period in fiscal 2000. The increase is attributable to an increase in bad debts expense and occupancy costs, offset by a decrease in personnel-related expenses. The decrease in personnel-related expenses is due to the consolidation of the Company's Consumer Banking, Electronic Commerce and Internet Banking operating units into the Consumer e-Payments business unit during the fourth quarter of fiscal 2000.

Other Income and Expenses. The increase in interest expense is due to an increase in borrowings on the Company's line-of-credit facilities.

The Company continually evaluates the carrying value of its investment holdings and long-lived assets for evidence of impairment. During the first quarter of fiscal 2001, after considering current market conditions for technology companies and specific information regarding those companies in which the Company has an ownership interest, the Company determined that the declines in market value for certain of its investment holdings were "other than temporary" and a charge to earnings for the declines in market value was required. Therefore, the Company recorded a non-cash charge of $12.4 million in the first quarter of fiscal 2001. In addition, due to unfavorable market conditions in the fourth quarter of fiscal 2000, the Company postponed its planned initial public offering ("IPO") of its wholly-owned subsidiary, Insession Technologies, Inc. Due to the time period which had elapsed without proceeding with this transaction and continuing uncertainty in market conditions, the Company expensed costs associated with the planned IPO totaling $1.9 million in the first quarter of fiscal 2001.

Income Taxes. The effective tax rate for the first quarter of fiscal 2001 was approximately 20% as compared to 41% for all of fiscal 2000. The tax benefit for the first quarter of fiscal 2001 was less than expected primarily due to non-deductible amortization expense associated with acquisitions accounted for as purchases and non-recognition of tax benefits for operating losses in certain foreign locations.

As of December 31, 2000, the Company has deferred tax assets of $31.3 million and deferred tax liabilities of $2.9 million. Each quarter, the Company evaluates its historical operating results as well as its projections for the future to determine the realizability of the deferred tax assets. This analysis indicated that $19.1 million of the net deferred tax assets were more likely than not to be realized. Accordingly, the Company has recorded a valuation allowance of $9.3 million as of December 31, 2000.

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

Backlog

As of December 31, 2000, the Company had recurring revenue backlog totaling $135.8 million, of which $96.6 million was in the Consumer e-Payments business unit, $18.0 million in the Electronic Business Infrastructure business unit, $16.4 million in the Corporate Banking e-Payments business unit and $4.8 million in the Health Payment Systems business unit. The Company defines recurring revenue backlog to be all monthly license fees, maintenance fees and facilities management fees specified in executed contracts to the extent that the Company contemplates recognition of the related revenue within one year.

As of December 31, 2000, the Company had non-recurring software license fees revenue backlog of $12.3 million and non-recurring services revenue backlog of $36.0 million; $9.8 million and $26.0 million, respectively, in the Consumer e-Payments business unit; $0.2 million and $3.0 million, respectively, in the Electronic Business Infrastructure business unit; $2.3 million and $6.8 million, respectively, in the Corporate Banking e-Payments business unit; and $0.0 million and $0.2 million, respectively, in the Health Payment Systems business unit. The Company includes in its non-recurring revenue backlog all fees specified in executed contracts to the extent that the Company contemplates recognition of the related revenue within one year.

There can be no assurance that contracts included in recurring or non-recurring revenue backlog will actually generate the specified revenues or that the actual revenues will be generated within the one-year period.

Liquidity and Capital Resources

As of December 31, 2000, the Company's principal sources of liquidity consisted of $20.6 million in cash and cash equivalents, and bank lines of credit totaling approximately $34.5 million, with outstanding borrowings of approximately $29.0 million. The bank lines are subject to maintenance of certain covenants.

The Company's net cash flows used in operating activities for the first quarter of fiscal 2001 amounted to $9.0 million as compared to $8.4 million used during the first quarter of fiscal 2000. The growth of the Company's billed and accrued receivables during the first quarter of fiscal 2001 and 2000 are the primary reasons for the negative operating cash flows in the first quarter of fiscal 2001 and 2000.

A contributor to the Company's cash management program is the factoring of accrued receivables, whereby interest in Company receivables is transferred on a non-recourse basis to third-party financial institutions in exchange for cash. During the first quarter of fiscal 2001 and 2000, the Company generated operating cash flows from the factoring of accrued receivables of $3.1 million and $4.5 million, respectively. The Company has approximately $20 million of accrued receivables that may be sold in the future to third-party financial institutions under this program. The Company is actively pursuing the sale of a portion of these receivables as a means to generate cash, but there can be no assurance that the Company will be successful in its efforts to sell any of these receivables.

The Company's net cash flows used in investing activities totaled $5.0 million and $6.2 million in the first quarter of fiscal 2001 and 2000, respectively. This decrease in cash used in investing activities is due to a decrease in acquisition-related expenditures, offset by an increase in the note receivable from executive officer. The acquisition of business amount in fiscal 2000 consists of the final payment of $3.1 million related to the acquisition of Insession Inc. The note receivable from executive officer in fiscal 2001 consists of an additional advance in the amount of $1.0 million to Mr. William E. Fisher, Chief Executive Officer, as part of his employment and incentive compensation package.

The Company's net cash flows provided by financing activities was $11.1 million in the first quarter of fiscal 2001 as compared to net cash flows used in financing activities of $12.1 million in the first quarter of fiscal 2000. During the first quarter of 2001, the Company had net borrowings on its bank line-of-credit facilities of $10.8 million. During the first quarter of fiscal 2000, pursuant to a stock repurchase program approved by the Company's Board of Directors, the Company acquired 500,300 shares at an average cost of $26.67 per share, totaling approximately $13.3 million. The Company used cash flow from operations to fund the common stock repurchases.

The Company is considering various alternatives for the Electronic Business Infrastructure, Corporate Banking e-Payments and Health Payments Systems business units, including possible sales, spin-offs, strategic alliances, partnerships, third-party investors and initial public offerings. The Company believes that its existing sources of liquidity, which includes cash provided by operating activities, including its factoring program and borrowings available under its line-of-credit facilities, along with potential sources of cash upon successful divestiture of any or all of these business units described above, will satisfy the Company's projected working capital and other cash requirements for the foreseeable future.

Forward-Looking Statements

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

- The corporate divestiture strategy is subject to numerous factors, including market conditions and perception, demand for the other businesses by potential investors or potential acquirers, personnel, tax, business, general economic conditions, viability of businesses as stand-alone operations, and other factors that could affect the Company's decisions and ability to separate businesses, to divest, raise capital, or implement other alternatives for such businesses, and to implement other aspects of the Company's corporate strategy. There can be no assurance that the Company will implement any aspect of the corporate strategy or that if implemented the strategy will be successful.

- The Year 2000 lock-down has interrupted the Company's normal sales cycle and therefore is likely to have a negative impact on the Company's revenues and net income beyond fiscal 2000. The Company also believes customer demand for system upgrades and enhancements will be slow to return to normal growth levels, as many of the Company's customers upgraded and enhanced their systems prior to the Year 2000. There can be no assurance that the Company's growth rates will return to historical levels.

- The acquisition of MessagingDirect is subject to numerous risks, including the following: (i) MessagingDirect is in a highly competitive industry, (ii) MessagingDirect does not have a significant market presence, significant revenues, or widespread acceptance or prolonged use of its products, (iii) MessagingDirect has not been profitable, (iv) the electronic statement presentation and electronic bill presentment and payment markets may not achieve the predicted growth rates, (v) MessagingDirect's products, personnel, and operations may be difficult to combine with those of the Company, the products may not be accepted by the Company's customer base, and there will be significant integration costs of combining the business, and (vi) the acquisition will have a dilutive impact on earnings per share and amortization of intangible assets will have an adverse effect on earnings.

- The Company is subject to risks of conducting international operations including difficulties in staffing and management, reliance on independent distributors, fluctuations in foreign currency exchange rates, compliance with foreign regulatory requirements, variability of foreign economic conditions, and changing restrictions imposed by U.S. export laws.

- The Company will continue to derive a substantial majority of its total revenue from licensing its BASE24 family of software products and providing services and maintenance related to those products. Any reduction in demand for, or increase in competition with respect to, BASE24 products would have a material adverse effect on the Company's financial condition and results of operations.

- The Company's business is concentrated in the banking industry, making it susceptible to a downturn in that industry.

- Fluctuations in quarterly operating results may result in volatility in the Company's stock price. No assurance can be given that operating results will not vary. The Company's stock price may also be volatile, in part, due to external factors such as announcements by third parties or competitors, inherent volatility in the high-technology sector and changing market conditions in the industry.

For a detailed discussion of these and other risk factors, interested parties should review the Company's filings with the Securities and Exchange Commission, including Exhibit 99.01 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2000.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to the Company's market risk for the three months ended December 31, 2000. See the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2000 for additional discussions regarding quantitative and qualitative disclosures about market risk.

PART II
EXHIBITS AND REPORTS OF FORM 8-K

(a) Exhibits

10.26a Amendment to Credit Facility Letter Agreement & Interim Promissory Note with Wells Fargo Bank Nebraska, N.A.

10.34 Advice of Borrowing Terms for ACI Worldwide (EMEA) Ltd

(b) Reports on Form 8-K

The Company furnished a Current Report on Form 8-K on December 14, 2000, pursuant to Item 9 of Form 8-K with respect to certain information disclosed in connection with the Company's acquisition of MessagingDirect Ltd.

SIGNATURE

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

Dated: February 14, 2001

TRANSACTION SYSTEMS ARCHITECTS, INC.
(Registrant)

By:/s/ EDWARD C. FUXA

Edward C. Fuxa
Principal Accounting Officer
and Controller

TRANSACTION SYSTEMS ARCHITECTS, INC.

INDEX TO EXHIBITS

Exhibit Number	Description
10.26a	Amendment to Credit Facility Letter Agreement & Interim Promissory Note with Wells Fargo Bank Nebraska, N.A.
10.34	Advice of Borrowing Terms for ACI Worldwide (EMEA) Ltd.

December 28, 2000

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

Attention: Mr. Edward Fuxa
Controller

Re: Amendment to Facility Letter dated June 16, 2000 between Wells Fargo Bank Nebraska, National Association, formerly known as Norwest Bank Nebraska, N.A. (the "Bank"), and Transaction Systems Architects, Inc. ("TSA") and ACI Worldwide Inc. ("ACI") (hereinafter referred to individually and collectively as the "Joint Borrowers")

Dear Mr. Fuxa:

Pursuant to our recent discussions, the Joint Borrowers and the Bank agree to amend the Facility Letter to provide an interim, secured, committed credit facility ("Interim Credit Facility"), the terms of the Interim Credit Facility and the amendments to the Facility Letter are as follows:

1) Amount: The aggregate amount outstanding on the Interim Credit Facility shall not exceed Five Million and 00/100 United States Dollars (USD) ($5,000,000.00) (hereinafter referred to as the "Interim Credit Facility Amount") at any time, which shall be available to the Joint Borrowers in the form of loans (hereinafter referred to as "Advance(s)").

2) Purpose: General corporate purposes, provided that the Joint Borrowers will not use the proceeds of any Advances extended under the Interim Credit Facility for the purpose of purchasing or carrying "margin stock" as defined in Regulation U of the Board of Governors of the Federal Reserve System.

3) Evidence of Indebtedness: An Interim Promissory Note in the form of Exhibit B attached hereto to be signed by the Joint Borrowers (hereinafter referred to as the "Interim Note"). The Interim Note and the Promissory Note described in the Facility Letter are individually and collectively referred to herein and in the Facility Letter as the "Note"). The indebtedness shall be the joint and several obligation of TSA and ACI.

4) Expiration Date: The Interim Credit Facility shall expire on March 31, 2001, upon which date the total unpaid principal balance and all accrued but unpaid interest shall be paid in full.

14) Representations: (k) Except for a portion of their receivables which are factored from time to time in the ordinary course of business, none of the assets of the Joint Borrowers are subject to any mortgage, pledge, title retention lien, or other lien, encumbrance or security interest, except for: (a) current taxes not delinquent or taxes being contested as provided by law in good faith and by appropriate legal proceedings; (b) liens arising in the ordinary course of business for sums not due or sums being contested in good faith and by appropriate legal proceedings, but not involving any deposits or advances of borrowed money or the deferred purchase price of property or services; and (c) to the extent specifically shown in the financial statement referred to above. The Bank acknowledges (i) that the Joint Borrowers and Domestic Guarantors have previously factored a portion of their receivables, (ii) that the Joint Borrowers and Domestic Guarantors will factor a portion of their receivables in the

future, and (iii) that the foregoing actions will not constitute a breach of any representation, covenant or other provision of this Facility Letter; provided that the Joint Borrowers shall be in compliance with the covenant requiring a minimum balance of eligible receivables both before and after any such factoring of $40,000,000 from the date of this amendment to March 31, 2001, and thereafter of $35,000,000, as set forth in Section 15(j).

15) Covenants: (c) (vii) As soon as available and in any event within 30 days after the end of each month, an accounts receivable report in form and substance satisfactory to the Bank, containing sufficient information to enable the Bank to test compliance by the Joint Borrowers with Section 15(j).

(j) The Joint Borrowers shall maintain a balance of eligible accounts receivable (accounts receivable that remain unpaid 90 days or less after the date of invoice) at all times of not less than Forty Million and No/100 United States Dollars (USD) ($40,000,000) in the aggregate from the date of this amendment to March 31, 2001, and thereafter of not less than Thirty Five Million and No/100 United States Dollars (USD) ($35,000,000.00) in the aggregate.

Except as specifically amended herein, all of the terms of the Facility Letter shall continue in full force and effect according to its original terms, and are hereby ratified and confirmed in all respects. Without limiting the generality of the preceding sentence, the Joint Borrowers specifically ratify and confirm the security interest and first lien on the accounts of the Joint Borrowers and the Domestic Guarantors given to the Bank to secure the Obligations, including, without limitation, the Interim Note. By their execution of this amendment to the Facility Letter, Joint Borrowers hereby certify and warrant that each of the representations set forth in the Facility Letter is true and correct as of the date hereof, and that the Joint Borrowers are in full compliance with all of the terms and conditions of the Facility Letter, as amended hereby, and no Event of Default, or any event or condition, which, with the lapse of time, or giving of notice, or both, would constitute an Event of Default, has occurred or is continuing. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Facility Letter.

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

This amendment to the Facility Letter shall become effective as of the date set forth above when this letter amendment has been executed and delivered by the Joint Borrowers and the Bank, the Joint Borrowers have executed and delivered the Interim Promissory Note to the Bank and the Guarantors have executed and delivered Guarantor's Consents to the Bank. Furthermore, prior to borrowing under the Interim Credit Facility, the Joint Borrowers and the Guarantors shall provide the Bank with satisfactory corporate resolutions and incumbency certificates authorizing the execution and delivery of this letter amendment, the Interim Promissory Note and the Guarantor's Consents to the Bank.

Sincerely,

Craig Strutzel
Vice President
Corporate Banking

Acknowledged and Agreed
as of December 28, 2000

TRANSACTION SYSTEMS ARCHITECTS, INC.

By: /s/ Dwight G. Hanson

Dwight G. Hanson

Title: Chief Financial Officer

By:

Title:

ACI WORLD WIDE INC.

By: /s/ Dwight G. Hanson

Dwight G. Hanson

Title: Chief Financial Officer

By:

Title:

INTERIM PROMISSORY NOTE

USD $5,000,000.00 Dated: December 28, 2000

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

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

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

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

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

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

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

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

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

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

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

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

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

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

All amounts outstanding under this Note shall become immediately due and payable at the option of the Bank, without any demand or notice whatsoever, in the event that (i) the Joint Borrowers shall fail to make any payment when due of principal or interest on this Note or on any other obligation of the Joint Borrowers to the Bank or (ii) any other Event of

Default shall occur under the Facility Letter. In addition, this and all other obligations of the Joint Borrowers to the Bank shall be and become due and payable immediately without any demand or notice whatsoever: (a) in the event of any assignment for the benefit of creditors of the Joint Borrowers, or the commencement of any bankruptcy, receivership, insolvency reorganization, or liquidation proceedings by or against the Joint Borrowers; or (b) the event of any garnishment, attachment, levy or lien being asserted against any deposit balance maintained (or any property deposited) by the Joint Borrowers with the Bank.

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

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

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

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

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

(A) in the case of disclosures pursuant to (i), (ii) and (iii) above, the Bank shall have first received from each such disclosee, a written agreement to maintain such confidential information in strict confidence and;

(B) in the case of disclosures pursuant to (iv), (v) and (vi) above, the Bank shall have given TSA reasonable notice so as to afford TSA an opportunity to secure protection of the confidential information.

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

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

TRANSACTION SYSTEMS ARCHITECTS, INC.

By: /s/ Dwight G. Hanson

Dwight G. Hanson

Its: Chief Financial Officer

By:

Its:

ACI WORLDWIDE INC.

By: /s/ Dwight G. Hanson

Dwight G. Hanson

Its: Chief Financial Officer

By:

Its:

SCHEDULE

to be attached and become a part of the Interim Promissory Note
dated December 28, 2000 executed by Transaction Systems Architects Inc.
and ACI Worldwide Inc. as "Joint Borrowers" and payable to
Wells Fargo Bank Nebraska, National Association

Date of Transaction	Amount of Loan	Maturity	Amount of Interest Rate	Principal Payment	Unpaid Principal Balance of Note	Initials of Person Making Notation

Corporate
Banking
Services

- ---

Advice of Borrowing Terms
for
ACI Worldwide (EMEA) Ltd

- ---

From:
Northern Home Counties
Corporate Business Centre

14 August 2000

Advice of Borrowing Terms

Relationship Office:	Northern Home Counties	Date:	14 August 2000
Office:	Corporate Business Centre		

Borrower(s)	Registered Number:
ACI Worldwide (EMEA) Ltd	2310474

We intend that the facilities listed in Part 1 of the attached Facility Schedule (the "on-demand facilities") should remain available to the borrower(s) until 09 August 2001 and all facilities should be reviewed on or before that date. The facilities are, however, subject to the following:-

o the terms and conditions below,

o the specific conditions applicable to an individual facility as detailed in the Facility Schedule,

o the Security detailed in the attached Security Schedule, and

o the attached General Terms.

All amounts outstanding are repayable on demand which may be made by us at our discretion at any time and the facilities may be withdrawn, reduced, made subject to further conditions or otherwise varied by us giving notice in writing.

Preconditions:

Preconditions which must be satisfied before facilities can be utilised:

o A signed copy of this Advice of Borrowing Terms to be returned to us.

o Receipt of an amended Letter of Comfort from Transaction Systems Architects reflecting the date of this Advice of Borrowing Terms.

Conditions:

The following conditions must be satisfied at all times while the facilities are outstanding, but this will not affect our right to demand repayment at any time:

o Audited accounts to be provided to us within 9 months of the financial year end to which they relate for:
  ACI Worldwide (EMEA) Ltd
  Applied Communications UK Inc Holding Ltd
  T.S.A. Inc.

o Quarterly Management Information pack to be forwarded within 21 days of the end of the period to which they relate. To include Profit & Loss, Balance Sheet, Actual out turn Vs Projected Forecasts with brief commentary per any significant divergence.

o Tangible Net Worth (T.N.W.) of ACI Worldwide (EMEA) Ltd maintained in excess of GBP6,000,000.[T.N.W. defined as the amount for the time being paid up or credited as paid up on your issued share capital plus all reserves of the Company which would, in accordance with generally accepted United Kingdom accounting principles (consistently applied) be classified as shareholders capital plus retained earnings of the Company but deducting assets of the Company which would, in accordance with such principles, be classified as intangible assets).

M S Yates
Corporate Manager
For and on behalf of
National Westminster Bank Plc

Acceptance:
To signify your agreement to the terms and conditions outlined above please sign and return the enclosed copy of this Advice of Borrowing Terms within 14 days.

Form of Acceptance

I accept the facility/facilities on the above terms and conditions and confirm that I have been authorised by the Board(s) of Directors of the Borrower(s) to sign this Form of Acceptance on behalf of the Borrower(s).

By (name and title): ....   Date
For and on behalf of: ACI Worldwide (EMEA) Ltd

Facility Schedule

Part 1 - Facilities Repayable on Demand:

Composite Overdraft :- Base rate

Account Numbers:	49011413 /140-01-03353257 / 550-00-06850871
Name of Borrower	ACI Worldwide (EMEA) Ltd
Limit:	Sterling Equivalent GBP3,000,000
Purpose:	To finance working capital
Repayment:	Fully fluctuating
1st Debit Interest Rate:	1% above the Bank's Base rate
2nd Debit Interest Rate:	4% above the Bank's Base rate on borrowing in excess of agreed facilities
Interest Payable:	Quarterly
Arrangement Fee:	Non utilisation fee - 0.25% (GBP7,500) will be debited on receipt of the signed copy of this advice
Excess Fees:	We will be entitled to charge an excess fee at the Bank's published rate for each day any agreed limit is exceeded (see our "Services & Charges for Business Customers" brochure for details).

Terminable Indemnities

Name of Borrower:	ACI Worldwide (EMEA) Ltd
Limit:	US$120,000
Type and Purpose:	Guarantee in favour of Bank Dhofar Al-Omani Al-Fransi
Basis of Expiry:	Expiry on return of original Guarantee documentation
Indemnity Fee:	1% p.a. payable quarterly in advance, to be debited to account number 49011413 quarterly

Forward Exchange

Name of Borrower:	ACI Worldwide (EMEA) Ltd
Notional Limit:	GBP300,000 where utilisation is calculated in accordance with the Bank's Forward Exchange Matrix from time to time.

Settlement Risk

Name of Borrower:	ACI Worldwide (EMEA) Ltd
Limit/Frequency:	GBP750,000 per month
Type and Purpose:	BACS submissions

Security Schedule

We rely on the security detailed below (and require additional security where specified) to repay, on demand, all your current and future liabilities (both actual and contingent) to us. These liabilities include, without limitation, those incurred by you under the facility(ies) specified in the Facility Schedule.

Date Executed/New:	Security:	Given/to be given by:
New	Letter of Comfort	Transaction Systems Architects INC.
N/A	Informal deposit of credit balance US$120,000	ACI Worldwide (EMEA) Ltd