

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 1998

OR

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

For the transition period from to .

Commission File Number 0-25346

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

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

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

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

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

Yes No

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

27,509,103 shares of Class A Common Stock at August 7, 1998
1,171,252 shares of Class B Common Stock at August 7, 1998

TRANSACTION SYSTEMS ARCHITECTS, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1998
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TRANSACTION SYSTEMS ARCHITECTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited and in thousands)

	June 30, 1998	September 30, 1997
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 48,601	\$ 46,600
Marketable securities	5,000	-
Billed receivables, net	42,520	39,864
Accrued receivables	35,159	25,063
Deferred income taxes	4,767	3,517
Other	3,231	3,043
	-----	-----
Total current assets	139,278	118,087
Property and equipment, net	17,887	16,263
Software, net	6,419	6,105
Intangible assets, net	9,794	9,539
Installment receivables	1,017	2,394
Investments and notes receivable	15,936	7,969
Other	4,659	4,877
	-----	-----
Total assets	\$ 194,990	\$ 165,234
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 793	\$ 768
Current portion of capital lease obligations	356	524
Accounts payable	9,442	7,896
Accrued employee compensation	4,977	5,559
Accrued liabilities	9,258	9,048
Income taxes	3,858	6,230
Deferred revenue	33,278	28,792
	-----	-----
Total current liabilities	61,962	58,817
Long-term debt	863	1,465
Capital lease obligations	1,204	914
	-----	-----
Total liabilities	64,029	61,196
	-----	-----
Stockholders' equity:		
Class A Common Stock	137	134
Class B Common Stock	6	6
Additional paid-in capital	109,707	103,708
Accumulated translation adjustments	(2,568)	(260)
Retained earnings	23,691	462
Treasury stock, at cost	(12)	(12)
	-----	-----
Total stockholders' equity	130,961	104,038
	-----	-----
Total liabilities and stockholders' equity	\$ 194,990	\$ 165,234
	=====	=====

See notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	1998	1997	1998	1997
Revenues:				
Software license fees	\$ 40,610	\$ 31,186	\$ 114,263	\$ 89,504
Maintenance fees	12,504	10,746	36,089	31,031
Services	14,988	12,395	40,601	35,745
Hardware, net	997	881	3,404	2,218
	69,099	55,208	194,357	158,498
Expenses:				
Cost of software license fees:				
Software costs	8,094	6,494	22,691	18,413
Amortization of purchased software	-	-	-	801
Cost of maintenance and services	15,724	13,038	43,402	38,055
Research and development	6,017	4,618	17,100	13,321
Selling and marketing	15,202	12,368	43,397	34,967
General and administrative:				
General and administrative costs	10,780	8,814	30,677	25,882
Amortization of goodwill and purchased intangibles	347	210	1,076	664
	56,164	45,542	158,343	132,103
Operating income	12,935	9,666	36,014	26,395
Other income (expense):				
Interest income	777	557	2,091	1,497
Interest expense	(46)	(55)	(144)	(136)
Other	(204)	(38)	(258)	(582)
	527	464	1,689	779
Income before income taxes	13,462	10,130	37,703	27,174
Provision for income taxes	(5,040)	(3,793)	(14,187)	(11,046)
	8,422	6,337	23,516	16,128
Net income	\$ 8,422	\$ 6,337	\$ 23,516	\$ 16,128
Earnings Per Share Data:				
Basic:				
Net income	\$ 0.30	\$ 0.23	\$ 0.83	\$ 0.58
	28,392	27,904	28,215	27,828
Average shares outstanding	28,392	27,904	28,215	27,828
Diluted:				
Net income	\$ 0.29	\$ 0.22	\$ 0.81	\$ 0.56
	29,269	28,821	29,147	28,676
Average shares outstanding	29,269	28,821	29,147	28,676

See notes to condensed consolidated financial statements.

TRANSACTION SYSTEMS ARCHITECTS, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the nine months ended June 30, 1998
(unaudited and in thousands)

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Accumulated Translation Adjustments	Retained Earnings	Treasury Stock	Total
	-----	-----	-----	-----	-----	-----	-----
Balance, September 30, 1997	\$ 134	\$ 6	\$ 103,708	\$ (260)	\$ 462	\$ (12)	\$ 104,038
Adjustment for Edgeware, Inc. pooling of interests	1		3		(287)		(283)
Issuance of Class A Common Stock for purchase of Coyote Systems, Inc.	1		1,086				1,087
Exercise of stock options	1		1,676				1,677
Tax benefit of stock options exercised			2,541				2,541
Sale of Class A Common Stock pursuant to Employee Stock Purchase Plan			693				693
Net Income					23,516		23,516
Translation adjustments				(2,308)			(2,308)
	-----	-----	-----	-----	-----	-----	-----
Balance, June 30, 1998	\$ 137	\$ 6	\$ 109,707	\$ (2,568)	\$ 23,691	\$ (12)	\$ 130,961
	=====	=====	=====	=====	=====	=====	=====

See notes to condensed consolidated financial statements.

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

	Nine Months Ended June 30,	
	1998	1997
	-----	-----
Cash flows from operating activities:		
Net income	\$ 23,5\$6	\$ 16,635
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,636	4,006
Amortization	3,578	3,392
Increase in receivables, net	(13,905)	(11,263)
(Increase) decrease in other current assets	(256)	1,802
Decrease in installment receivables	1,377	318
Increase in other assets	(1,529)	(3,202)
Increase (decrease) in accounts payable	482	(1,349)
Decrease in accrued employee compensation	(559)	(1,972)
Increase in accrued liabilities	92	2,431
Increase in income tax liabilities	172	3,535
Increase in deferred revenue	4,133	6,597
	-----	-----
Net cash provided by operating activities	21,737	20,930
	-----	-----
Cash flows from investing activities:		
Purchases of property and equipment	(6,007)	(4,918)
Purchases of software and distribution rights	(2,368)	(4,312)
Purchase of marketable securities	(5,000)	-
Acquisition of businesses, net of cash acquired	(253)	(2,422)
Additions to investment and notes receivable	(7,022)	(3,886)
Proceeds from notes receivable repayments	149	4,180
	-----	-----
Net cash used in investing activities	(20,501)	(11,358)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of Class A Common Stock	693	582
Proceeds from sale and exercise of stock options	1,676	4,021
Distribution to RVS owners	-	(3,306)
Payments of long-term debt	(759)	(934)
Payments on capital lease obligations	(209)	(85)
	-----	-----
Net cash provided by financing activities	1,401	278
	-----	-----
Effect of exchange rate fluctuations on cash	(636)	(22)
	-----	-----
Increase in cash and cash equivalents	2,001	9,828
Cash and cash equivalents, beginning of period	46,600	32,751
	-----	-----
Cash and cash equivalents, end of period	\$ 48,601	\$ 42,579
	=====	=====

See notes to condensed consolidated financial statements.

1. Consolidated Financial Statements

Transaction Systems Architects, Inc. (the Company or TSA) develops, markets 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 software developed by third parties. The products are used principally by financial institutions, retailers and third-party processors, both in domestic and international markets.

The condensed consolidated financial statements at June 30, 1998 and for the three and nine months ended June 30, 1998 and 1997 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, 1997. The results of operations for the three and nine months ended June 30, 1998 are not necessarily indicative of the results for the entire fiscal year ending September 30, 1998.

The condensed consolidated financial statements include all domestic and foreign subsidiaries which are more than 50% owned and controlled. Investments in companies less than 20% owned are carried at cost.

2. Earnings Per Share

Effective October 1, 1997, the Company adopted Statement of Financial Accounting Standards No. 128 "Earnings Per Share." Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the periods. Diluted earnings per share is computed by dividing net income by the sum of the weighted average number of shares of common stock outstanding and the potential dilutive effect of the outstanding stock options associated with the Company's stock incentive plans.

3. Acquisitions

In October 1996, the Company completed the acquisition of Open Systems Solutions, Inc. (OSSSI). Stockholders of OSSSI received 210,000 shares of TSA Class A Common Stock in exchange for 100% of OSSSI's common stock. The stock exchange was accounted for as a pooling of interests. OSSSI's results of operations prior to the acquisition were not material.

In May 1997, the Company completed the acquisition of Regency Voice Systems, Inc. and related entities (RVS). Shareholders of RVS received 1,615,383 shares of TSA Class A Common Stock in exchange for 100% of RVS's shares. The stock exchange was accounted for as a pooling of interests. The accompanying condensed consolidated financial statements for the three and nine months ended June 30, 1997 have been restated to reflect the results of operations of RVS.

In February 1998, the Company completed the acquisition of Coyote Systems, Inc. (Coyote). Shareholders of Coyote received 26,400 shares of TSA Class A Common Stock in exchange for 100% of Coyote's shares. The stock exchange has been accounted for using the purchase method of accounting and, accordingly, the cost in excess of the fair value of the net tangible assets acquired totaling approximately \$1.1 million was allocated to goodwill.

In May 1998, the Company completed the acquisition of Edgeware, Inc. (Edgeware). Edgeware is a provider of customer specific marketing software and services to the retail industry. Under the terms of the agreement, owners of Edgeware received 143,436 shares of TSA Class A Common Stock in exchange for 100% of Edgeware's outstanding stock. The exchange was accounted for as a pooling of interests. Edgeware's results of operations prior to the acquisition were not material.

4. Marketable Securities

In April 1998, the Company entered into a transaction with Nestor, Inc. (Nestor), whereby the Company acquired 2.5 million shares of Nestor's Common Stock for \$5.0 million. In addition, the Company received warrants to purchase an additional 2.5 million shares at an exercise price of \$3 per share. Nestor is a provider of neural-network solutions for financial, internet and transportation industries. The Company distributes Nestor's PRISM intelligent fraud detection product. The Company has accounted for the investment in Nestor's Common Stock and warrants in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities".

The investment in marketable securities has been classified as available-for-sale and recorded at fair market value, which is estimated based on quoted market prices. Net unrealized holding gains and losses, net of the related tax effect, are reported as a separate component of stockholders' equity. Unrealized gains and losses are determined by specific identification.

5. Investments and Notes Receivable

In January 1996, the Company entered into a transaction with Insession, Inc. (Insession) whereby the Company acquired a 6% minority interest in Insession for \$1.5 million. In addition, the Company has extended Insession \$6.6 million in promissory notes as of June 30, 1998. The promissory notes bear an interest rate of prime plus 0.25%, and are payable in January 1999 (\$1.0 million), January 2000 (\$1.0 million) and January 2001 (\$1.5 million). The remaining \$3.1 million

of promissory notes are payable upon demand. The promissory notes are secured by future royalties owed by the Company to Insession.

The Company has extended a line of credit facility to U.S. Processing, Inc. (USPI), a transaction processing business in which the Company has a 19.9% ownership interest. As of June 30, 1998, borrowings under the line of credit totaled \$5.2 million.

5. Subsequent Events

On August 7, 1998 the Company completed the acquisition of IntraNet, Inc. (IntraNet). IntraNet is a provider of electronic funds transfer and payment processing systems for financial institutions. Under the terms of the agreement, owners of IntraNet received 1,220,300 shares of TSA Class A Common Stock in exchange for 100% of IntraNet's outstanding stock. The exchange will be accounted for as a pooling of interests and accordingly the Company's consolidated financial statements to be issued in the future will be restated to reflect the results of operations of IntraNet for the periods presented prior to the date of acquisition.

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

Results of Operations

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

	Three Months Ended June 30,				Nine Months Ended June 30,			
	1998		1997		1998		1997	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Revenues:								
Software license fees	\$ 40,610	58.8%	\$ 31,186	56.5%	\$ 114,263	58.9%	\$ 89,504	56.5%
Maintenance fees	12,504	18.1	10,746	19.5	36,089	18.6	31,031	19.6
Services	14,988	21.7	12,395	22.5	40,601	20.8	35,745	22.6
Hardware, net	997	1.4	881	1.5	3,404	1.7	2,218	1.3
Total revenues	69,099	100.0	55,208	100.0	194,357	100.0	158,498	100.0
Expenses:								
Cost of software license fees:								
Software costs	8,094	11.7	6,494	11.8	22,691	11.7	18,413	11.6
Amortization of purchased software	0	0.0	0	0.0	0	0.0	801	0.5
Cost of maintenance and services	15,724	22.8	13,038	23.6	43,402	22.3	38,055	24.0
Research and development	6,017	8.7	4,618	8.4	17,100	8.8	13,321	8.4
Selling and marketing	15,202	22.0	12,368	22.4	43,397	22.3	34,967	22.1
General and administrative:								
General and administrative costs	10,780	15.6	8,814	16.0	30,677	15.8	25,882	16.3
Amortization of goodwill and purchase intangibles	347	0.6	210	0.4	1,076	0.6	664	0.4
Total expenses	56,164	81.3	45,542	82.5	158,343	81.5	132,103	83.3
Operating income	12,935	18.7	9,666	17.5	36,014	18.5	26,395	16.7
Other income (expense):								
Interest income	777	1.1	557	1.0	2,091	1.1	1,497	0.9
Interest expense	(46)	(0.1)	(55)	(0.1)	(144)	(0.1)	(136)	(0.1)
Other	(204)	(0.2)	(38)	(0.1)	(258)	(0.1)	(582)	(0.3)
Total other	527	0.8	464	0.8	1,689	0.9	779	0.5
Income before income taxes	13,462	19.5	10,130	18.3	37,703	19.4	27,174	17.1
Provision for income taxes	(5,040)	(7.4)	(3,793)	(6.9)	(14,187)	(7.3)	(11,046)	(7.0)
Net income	\$ 8,422	12%	\$ 6,337	12%	\$ 23,516	12%	\$ 16,128	10%

Results of Operations (continued)

Revenues

Total revenues for the third quarter of fiscal 1998 increased 25.2% or \$13.9 million over the comparable period in fiscal 1997. Of this increase, \$9.4 million of the growth resulted from a 30.2% increase in software license fee revenue, \$2.6 million from a 20.9% increase in services revenue and \$1.8 million from a 16.4% increase in maintenance fee revenue.

Total revenues for the first three quarters of fiscal 1998 increased 22.6% or \$35.9 million over the comparable period in fiscal 1997. Of this increase, \$24.8 million of the growth resulted from a 27.7% increase in software license fee revenue, \$4.9 million from a 13.6% increase in services revenue and \$5.1 million from a 16.3% increase in maintenance fee revenue.

The growth in software license fee revenue is the result of increased demand for the Company's BASE24 products and continued growth of the installed base of customers paying monthly license fee (MLF) revenue. Contributing to the strong demand for the Company's products is the continued world-wide growth of electronic payment transaction volume and the growing complexity of electronic payment systems. MLF revenue was \$11.5 million in the third quarter of fiscal 1998 compared to \$8.6 million in the third quarter of fiscal 1997. MLF revenue was \$31.9 million in the first three quarters of fiscal 1998 compared to \$23.7 million in the first three quarters of fiscal 1997.

The growth in services revenue for both the third quarter and first three quarters of fiscal 1998 is the result of increased demand for technical and project management services which is a direct result of the increased installed base of the Company's BASE24 products.

The increase in maintenance fee revenue for the third quarter and first three quarters of fiscal 1998 is a result of the continued growth of the installed base of the Company's BASE24 products.

During the third quarter of fiscal 1998, the Company finalized the terms of a market development funding (MDF) agreement with Tandem. The MDF agreement replaces the previous hardware commission agreement which expired in December 1997. Revenue from the MDF agreement is expected to approximate revenue the Company received under the hardware commission agreement.

Expenses

Total operating expenses for the third quarter of fiscal 1998 increased 23.3% or \$10.6 million over the comparable period in fiscal 1997. Total operating expenses for the first three quarters of fiscal 1998 increased 19.9% or \$26.2 million over the comparable period in fiscal 1997. The primary reason for the overall increase in operating expenses is the increase in staff required to support the increased demand for the Company's products and services. Total staff (including both employees and independent contractors) increased from 1,508 at June 30, 1997 to 1,791 at June 30, 1998.

The Company's operating margin for the third quarter of fiscal 1998 was 18.7% as compared to 17.5% for the comparable period in fiscal 1997. Operating margin for the first three quarters of fiscal 1998 was 18.5% as compared to 16.7% for the first three quarters of fiscal 1997. These improvements are primarily due to the impact of the growth in the Company's recurring revenues (MLF's, maintenance and facilities management fees) and the conclusion in December 1996 of the software amortization associated with the acquisition of Applied Communications, Inc. (ACI) and Applied Communications Inc. Limited (ACIL) in December 1993.

The Company's gross margin (total revenues minus cost of software and cost of maintenance and services) for the third quarter of fiscal 1998 was 65.5% as compared to 64.6% for the comparable period in fiscal 1997. The gross margin for the first three quarters of fiscal 1998 was 66.0% as compared to 64.4% for the first three quarters of fiscal 1997. The improvements are due to the conclusion of the software amortization associated with the acquisitions of ACI and ACIL and higher amounts of hardware and MLF revenue. Hardware revenue generates the highest gross margin as the generation of this revenue is incidental to the generation of software license fee and services revenue and has minimal incremental costs associated with it.

EBITDA

The Company's earnings before interest expense, income taxes, depreciation and amortization (EBITDA) increased from \$11.8 million in the third quarter of fiscal 1997 to \$15.9 million in the third quarter of fiscal 1998. EBITDA increased from \$33.7 million in the first three quarters of fiscal 1997 to \$44.2 million in the first three quarters of fiscal 1998. The increase in EBITDA can be attributed to the continued growth in both recurring and non-recurring revenues more than offsetting the growth in operating expenses. EBITDA is not intended to represent cash flows for the periods.

Income Taxes

The effective tax rates for the third quarter and first three quarters of fiscal 1998 were 37.4% and 37.6%, respectively. This compares to 39.1% for all of fiscal 1997. The change in the effective tax rates is principally the result of the amount of deferred tax assets recognized in the first three quarters of fiscal 1998 as compared to fiscal year 1997.

As of June 30, 1998, the Company has deferred tax assets of \$15.6 million and deferred tax liabilities of \$0.4 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 \$4.8 million of the deferred tax assets were more likely than not to be realized. Accordingly, the Company has recorded a valuation allowance of \$10.8 million as of June 30, 1998.

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 reduced.

Backlog

As of June 30, 1998 and 1997, the Company had non-recurring revenue backlog of \$29.3 million and \$24.4 million in software license fees, respectively, and \$29.5 million and \$16.6 million in services, respectively. The Company includes in its non-recurring revenue backlog all fees specified in contracts which have been executed by the Company to the extent that the Company contemplates recognition of the related revenue within one year. There can be no assurance that the contracts included in non-recurring revenue backlog will actually generate the specified revenues or that the actual revenues will be generated within the one year period.

As of June 30, 1998 and 1997, the Company had recurring revenue backlog of \$108.7 million and \$88.1 million, respectively. The Company defines recurring revenue backlog to be all monthly license fees, maintenance fees and facilities management fees specified in contracts which have been executed by the Company and its customers to the extent that the Company contemplates recognition of the related revenue within one year. There can be no assurance, however, that contracts included in recurring revenue backlog will actually generate the specified revenues.

Liquidity and Capital Resources

As of June 30, 1998, the Company had working capital of \$77.3 million which includes cash and cash equivalents and marketable securities of \$53.6 million. The Company has a \$10 million bank line of credit of which there are no borrowings outstanding. The bank line of credit expires on June 30, 1999.

During the nine months ended June 30, 1998, the Company's cash flow from operations amounted to \$21.7 million and cash used in investing activities amounted to \$20.5 million. Of the \$20.5 million of cash used in investing activities, \$2.1 million consisted of advances to Insession under promissory notes and \$3.2 million consisted of advances to USPI under a line of credit.

In the normal course of business, the Company evaluates potential acquisitions of complementary businesses, products or technologies. In fiscal year 1997, the Company acquired 100% of RVS and OSSII in exchange for 1,615,383 and 210,000 shares, respectively, of the Company's Class A Common Stock. In February 1998 the Company acquired 100% of Coyote in exchange for 26,400 shares of the Company's Class A Common Stock.

In April 1998, the Company acquired 2.5 million shares of Nestor Common Stock for \$5.0 million. The Company also received warrants to purchase an additional 2.5 million shares of Nestor Common Stock for an exercise price of \$3 per share. In May 1998 the Company acquired 100% of Edgware in exchange for 143,436 shares of the Company's Class A Common Stock. On August 7, 1998 the Company acquired 100% of IntraNet in exchange for 1,220,300 shares of the Company's Class A Common Stock.

Management believes that the Company's working capital, cash flow generated from operations and borrowing capacity are sufficient to meet the Company's working capital requirements for the foreseeable future.

Year 2000

Management has initiated a Company-wide program to prepare the Company's computer systems and applications as well as the Company's product offerings for the year 2000. The Company expects to incur internal staff costs as well as consulting and other expenses related to system enhancements and product modifications for the year 2000. The majority of the Company's product offerings are currently year 2000 compliant. The total cost to be incurred by the Company for all year 2000 related projects is not expected to have a material impact on the future results of operations. However, there could be a material adverse effect on the results of operations of the Company if the system enhancements and product modifications for the year 2000 prove not to be effective.

TRANSACTION SYSTEMS ARCHITECTS, INC.
PART II. OTHER INFORMATION

Item 5. Other Information

Pursuant to Rule 14a-4(c) under the Securities Exchange Act of 1934, if the Company does not receive advance notice of a stockholder proposal to be raised at its 1999 Annual Meeting in accordance with the requirements of the Company's By-laws, management may use its discretionary voting authority to vote management proxies on the stockholder proposal without any discussion of the matter in the proxy statement. The Company's By-laws provide that written notice of a stockholder proposal must be delivered to or mailed and received by the Secretary of the Company at the principal executive offices of the Company not less than 80 days prior to the meeting; provided, however, that in the event that the date of the meeting is not publicly announced by the Company by mail, press release or otherwise more than 90 days prior to the meeting, notice by the stockholder to be timely must be delivered to the Secretary of the Company not later than the close of business on the tenth day following the day on which such announcement of the date of the meeting was communicated to stockholders. The stockholder's notice must set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the Company's books, of the stockholder proposing such business, (c) the class and number of shares of the Company which are beneficially owned by the stockholder, and (d) any material interest of the stockholder in such business. The Company's By-laws also provide that the chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting, and if he should so determine, any such business not properly brought before the meeting shall not be transacted.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

27.00 Financial Data Schedule

(b) Reports on Form 8-K

None

SIGNATURES

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

Dated: August 12, 1998

TRANSACTION SYSTEMS ARCHITECTS, INC
(Registrant)

/s/Dwight G. Hanson

Dwight G. Hanson
Vice President of Finance
(Principal Accounting Officer)

TRANSACTION SYSTEMS ARCHITECTS, INC.

INDEX TO EXHIBITS

Exhibit Number -----	Description -----
27.00	Financial Data Schedule

1000

9-MOS

SEP-30-1998

OCT-01-1997

JUN-30-1998

48,601

5,000

77,679

0

0

139,278

37,779

19,892

194,990

61,962

0

0

0

143

130,818

194,990

194,357

194,357

66,093

158,343

(1,833)

0

144

37,703

14,187

23,516

0

0

0

23,516

.83

.81