# 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 June 30, 2005**

**Commission File Number 0-25346**

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

| | |
|---|---|
| **Delaware**<br>(State or other jurisdiction of incorporation or organization) | **47-0772104**<br>(I.R.S. Employer Identification No.) |
| **224 South 108th Avenue**<br>**Omaha, Nebraska 68154**<br>(Address of principal executive offices, including zip code) | **(402) 334-5101**<br>(Registrant's telephone number, including area code) |

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

Yes ☑ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☑ No ☐

As of July 29, 2005, there were 37,172,528 shares of the registrant's common stock, par value $.005 per share, outstanding (which includes 2,212 options to purchase shares of the registrant's common stock at an exercise price of one cent per share).

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## PART I - FINANCIAL INFORMATION

### Item 1. FINANCIAL STATEMENTS

## TRANSACTION SYSTEMS ARCHITECTS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

**(in thousands, except share amounts)**

| | June 30, 2005 (unaudited) | September 30, 2004 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 113,015 | $ 134,198 |
| Marketable securities | 76,083 | 35,434 |
| Billed receivables, net of allowances of $2,179 and $2,834, respectively | 45,754 | 44,487 |
| Accrued receivables | 6,387 | 11,206 |
| Recoverable income taxes | - | 11,524 |
| Deferred income taxes, net | 2,545 | 230 |
| Other | 10,192 | 6,901 |
| Total current assets | 253,976 | 243,980 |
| Property and equipment, net | 8,543 | 8,251 |
| Software, net | 2,053 | 1,454 |
| Goodwill | 46,792 | 46,706 |
| Deferred income taxes, net | 27,668 | 22,943 |
| Other | 3,462 | 2,124 |
| Total assets | $ 342,494 | $ 325,458 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Current portion of debt - financing agreements | $ 3,202 | $ 7,027 |
| Accounts payable | 8,069 | 6,974 |
| Accrued employee compensation | 13,538 | 13,354 |
| Income taxes payable | 3,007 | - |
| Deferred revenue | 77,764 | 82,647 |
| Accrued and other liabilities | 11,212 | 9,890 |
| Total current liabilities | 116,792 | 119,892 |
| Debt - financing agreements | 406 | 2,327 |
| Deferred revenue | 19,508 | 15,427 |
| Other | 1,373 | 851 |
| Total liabilities | 138,079 | 138,497 |
| Commitments and contingencies (Note 7) | | |
| Stockholders' equity: | | |
| Preferred stock, $.01 par value; 5,000,000 shares authorized; no shares issued and outstanding at June 30, 2005 and September 30, 2004 | - | - |
| Common stock, $.005 par value; 70,000,000 shares authorized; 39,992,357 and 39,105,484 shares issued at June 30, 2005 and September 30, 2004, respectively | 200 | 196 |
| Treasury stock, at cost; 2,786,955 and 1,476,145 shares at June 30, 2005 and September 30, 2004, respectively | (64,534) | (35,258) |
| Additional paid-in capital | 266,850 | 254,715 |
| Retained earnings (accumulated deficit) | 11,194 | (22,917) |
| Accumulated other comprehensive loss, net | (9,295) | (9,775) |
| Total stockholders' equity | 204,415 | 186,961 |
| Total liabilities and stockholders' equity | $ 342,494 | $ 325,458 |

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

**TRANSACTION SYSTEMS ARCHITECTS, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**(unaudited and in thousands, except per share amounts)**

| | Three Months Ended June 30, 2005 | Three Months Ended June 30, 2004 | Nine Months Ended June 30, 2005 | Nine Months Ended June 30, 2004 |
|---|---|---|---|---|
| Revenues: | | | | |
| Software license fees | $ 37,656 | $ 37,549 | $ 128,415 | $ 121,162 |
| Maintenance fees | 24,938 | 23,087 | 69,667 | 66,770 |
| Services | 15,409 | 11,896 | 36,153 | 35,144 |
| Total revenues | 78,003 | 72,532 | 234,235 | 223,076 |
| Expenses: | | | | |
| Cost of software license fees | 6,539 | 6,280 | 18,170 | 19,108 |
| Cost of maintenance and services | 14,102 | 13,390 | 41,756 | 43,108 |
| Research and development | 9,704 | 9,303 | 29,842 | 28,308 |
| Selling and marketing | 16,183 | 16,030 | 46,852 | 45,947 |
| General and administrative | 16,289 | 14,554 | 44,301 | 44,056 |
| Total expenses | 62,817 | 59,557 | 180,921 | 180,527 |
| Operating income | 15,186 | 12,975 | 53,314 | 42,549 |
| Other income (expense): | | | | |
| Interest income | 1,279 | 354 | 2,727 | 1,226 |
| Interest expense | (102) | (284) | (407) | (1,196) |
| Other, net | (453) | 995 | (1,445) | 3,069 |
| Total other income (expense) | 724 | 1,065 | 875 | 3,099 |
| Income before income taxes | 15,910 | 14,040 | 54,189 | 45,648 |
| Income tax (provision) benefit | (5,915) | 4,622 | (20,078) | (8,969) |
| Net income | $ 9,995 | $ 18,662 | $ 34,111 | $ 36,679 |
| Earnings per share information: | | | | |
| Weighted average shares outstanding: | | | | |
| Basic | 37,576 | 37,277 | 37,825 | 36,833 |
| Diluted | 38,312 | 38,352 | 38,598 | 38,009 |
| Earnings per share: | | | | |
| Basic | $ 0.27 | $ 0.50 | $ 0.90 | $ 1.00 |
| Diluted | $ 0.26 | $ 0.49 | $ 0.88 | $ 0.97 |

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

## TRANSACTION SYSTEMS ARCHITECTS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

**(unaudited and in thousands)**

| | Nine Months Ended June 30, 2005 | Nine Months Ended June 30, 2004 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 34,111 | $ 36,679 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 2,869 | 3,212 |
| Amortization | 714 | 1,839 |
| Loss on sale of marketable securities | - | 107 |
| Deferred income taxes | (7,007) | (4,135) |
| Tax benefit of stock options exercised | 2,736 | 4,001 |
| Changes in operating assets and liabilities: | | |
| Billed and accrued receivables, net | 4,325 | (3,751) |
| Other current and noncurrent assets | (4,436) | (4,232) |
| Accounts payable | 1,025 | (1,078) |
| Recoverable income taxes | 14,531 | 1,551 |
| Deferred revenue | (1,490) | 7,433 |
| Other current and noncurrent liabilities | 1,086 | 3,028 |
| Net cash provided by operating activities | 48,464 | 44,654 |
| | | |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (3,170) | (2,099) |
| Purchases of software | (1,347) | (454) |
| Net (purchases) sales of marketable securities | (40,709) | 1,221 |
| Net cash used in investing activities | (45,226) | (1,332) |
| | | |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock | 736 | 719 |
| Proceeds from exercises of stock options | 8,489 | 12,231 |
| Repurchases of common stock | (28,897) | - |
| Payments on debt - financing agreements | (5,943) | (13,092) |
| Other | 402 | (474) |
| Net cash used in financing activities | (25,213) | (616) |
| | | |
| Effect of exchange rate fluctuations on cash | 792 | 2,013 |
| Net increase (decrease) in cash and cash equivalents | (21,183) | 44,719 |
| Cash and cash equivalents, beginning of period | 134,198 | 78,959 |
| Cash and cash equivalents, end of period | $ 113,015 | $ 123,678 |

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**(unaudited)**

### 1. Summary of Significant Accounting Policies

*Nature of Business*

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

*Condensed Consolidated Financial Statements*

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 June 30, 2005, and for the three and nine months ended June 30, 2005 and 2004, are unaudited and reflect all adjustments (consisting of normal recurring adjustments except as otherwise discussed herein) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods. Certain amounts previously reported have been reclassified to conform to current year presentation.

The condensed consolidated financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto, together with management's discussion and analysis of financial condition and results of operations, contained in the Company's annual report on Form 10-K for the fiscal year ended September 30, 2004. The results of operations for the three and nine months ended June 30, 2005, are not necessarily indicative of the results that may be achieved for the entire fiscal year ending September 30, 2005.

*Use of Estimates in Preparation of Condensed Consolidated Financial Statements*

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

*Revenue Recognition, Accrued Receivables and Deferred Revenue*

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

When a software license arrangement includes services to provide significant modification or customization of software, those services are not separable from the software and are accounted for in accordance with Accounting

Research Bulletin ("ARB") No. 45, "Long-Term Construction-Type Contracts," and the relevant guidance provided by SOP 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts." Accounting for services delivered over time under ARB No. 45 and SOP 81-1 is referred to as contract accounting. Under contract accounting, the Company generally uses the percentage-of-completion method. Under the percentage-of-completion method, the Company records revenue for the software license fee and services over the development and implementation period, with the percentage of completion generally measured by the percentage of labor hours incurred to-date to estimated total labor hours for each contract. For those contracts subject to percentage-of-completion contract accounting, estimates of total revenue under the contract exclude amounts due under extended payment terms. In certain cases, the Company provides its customers with extended terms where payment is deferred beyond when the services are rendered. Because the Company is unable to demonstrate a history of enforcing payment terms under such arrangements without granting concessions, the Company excludes revenues due on extended payment terms from its current percentage-of-completion computation because it cannot be presumed that those fees are fixed or determinable.

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

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

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

For those software license arrangements that include customer-specific acceptance provisions, such provisions are generally presumed to be substantive and the Company does not recognize revenue until the earlier of the receipt of a written customer acceptance, objective demonstration that the delivered product meets the customer-specific acceptance criteria or the expiration of the acceptance period. The Company also defers the recognition of revenue on transactions involving less-established or newly released software products that do not have an established history of customer acceptance without making concessions. The Company recognizes revenues on such arrangements upon the earlier of receipt of written acceptance or the first production use of the software by the customer.

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

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

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

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

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

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

*Cash, Cash Equivalents and Marketable Securities*

The Company has reviewed the classification of securities within its investment portfolio and has reclassified its investments in auction rate notes from cash equivalents to marketable securities. Although such auction rate notes are rated as AAA or AA and are traditionally traded via the auction process within a period of three months or less, the Company determined that reclassification was appropriate due to the potential uncertainties inherent with any auction process. This reclassification had no impact on current assets, working capital or reported earnings. However, changes in marketable securities are presented in the investing activities section of the cash flows, resulting in reclassifications within that section of the consolidated statement of cash flows. Marketable securities held by the Company as of June 30, 2005 and September 30, 2004, consisting primarily of the aforementioned auction rate notes, were $76.1 million and $35.4 million, respectively. The Company considers all other highly liquid investments with original maturities of three months or less to be cash equivalents.

The Company accounts for its investments in marketable securities in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 115, “Accounting for Certain Investments in Debt and Equity Securities.” The Company’s portfolio consists of securities classified as available-for-sale, which are recorded at fair market values based on quoted market prices. Net unrealized gains and losses on marketable securities (excluding other than temporary losses) are reflected in the consolidated financial statements as a component of accumulated other comprehensive income. Net realized gains and losses are computed on the basis of average cost and are recognized when realized.

*Stock-Based Compensation Plans*

The Company accounts for its stock-based compensation plans under the intrinsic value method in accordance with Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees,” and follows the disclosure provisions of Statement of Financial Accounting Standard (“SFAS”) No. 123, “Accounting for Stock-Based Compensation,” as amended by SFAS No. 148, “Accounting for Stock-Based Compensation - Transition and Disclosure.” The significant majority of the Company’s stock options are subject only to time-based vesting provisions and include exercise prices that are equal to the fair market value of the Company’s stock at the time of grant. Consequently, no compensation expense is recorded for such options under the intrinsic value method of APB Opinion No. 25. On March 9, 2005, the Company granted 400,000 stock options to Mr. Philip G. Heasley, President, Chief Executive Officer and Director of the Company, that vest, if at all, at any time following the second anniversary of the date of grant, upon attainment by the Company of a market price of at least $50 per share for sixty consecutive trading days. Pursuant to the requirements of the intrinsic value method of APB Opinion No. 25, the Company will record compensation expense when it becomes probable that the target stock price will be achieved. At June 30, 2005, no compensation expense has been recorded for this grant of stock options.

The Company calculates stock-based compensation pursuant to the disclosure provisions of SFAS No. 123 using the straight-line method over the vesting period of the option. Had compensation cost for the Company's stock-based compensation plans been determined using the fair value method at the grant date of the stock options awarded under those plans, consistent with the fair value method of SFAS No. 123, the Company's net income and earnings per share for the three and nine months ended June 30, 2005 and 2004 would have approximated the following pro forma amounts (in thousands, except per share amounts):

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| Net income: | | | | |
| As reported | $ 9,995 | $ 18,662 | $ 34,111 | $ 36,679 |
| Deduct: stock-based employee compensation expense determined under the fair value method for all awards, net of related tax effects | (717) | (648) | (2,010) | (1,860) |
| Add: stock-based employee compensation expense recorded under the intrinsic value method, net of related tax effects | 19 | 19 | 114 | 71 |
| Pro forma | $ 9,297 | $ 18,033 | $ 32,215 | $ 34,890 |
| Earnings per share: | | | | |
| Basic, as reported | $ 0.27 | $ 0.50 | $ 0.90 | $ 1.00 |
| Basic, pro forma | $ 0.25 | $ 0.48 | $ 0.85 | $ 0.95 |
| Diluted, as reported | $ 0.26 | $ 0.49 | $ 0.88 | $ 0.97 |
| Diluted, pro forma | $ 0.24 | $ 0.47 | $ 0.83 | $ 0.92 |

As noted above, the Company has issued options that vest over time as well as options that vest upon the Company's stock achieving a stated market price level in the future. With respect to options granted that vest with the passage of time, the fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model, a pricing model acceptable under SFAS No. 123, with the following weighted-average assumptions:

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| Expected life | 3.6 | 3.4 | 4.1 | 3.8 |
| Interest rate | 3.7% | 3.4% | 4.0% | 2.9% |
| Volatility | 46% | 93% | 48% | 88% |
| Dividend yield | — | — | — | — |

For purposes of SFAS No. 123, in order to determine the grant date fair value of the 400,000 options granted to Mr. Heasley that vest based on the achievement of certain market conditions, a Monte Carlo simulation model was used to estimate (i) the probability that the performance goal will be achieved and (ii) the length of time required to attain the target market price. The Monte Carlo simulation model analyzed the Company's historical price movements, changes in the value of The NASDAQ Stock Market over time, and the correlation coefficient and beta between the Company's stock price and The NASDAQ Stock Market. The Monte Carlo simulation indicated that on a risk-weighted basis these stock options would vest 3.6 years after the date of grant. The expected vesting period was then incorporated into a statistical regression analysis of the historical exercise behavior of other Company senior executives to arrive at an expected option life. With respect to options granted that vest based on the achievement of certain market conditions, the grant date fair value of such options was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| Expected life | 5.7 | N/A | 5.7 | N/A |
| Interest rate | 4.2% | N/A | 4.2% | N/A |
| Volatility | 46% | N/A | 46% | N/A |
| Dividend yield | — | — | — | — |

The effects of applying SFAS No. 123 in this pro forma disclosure are not indicative of future amounts. The assumptions used above in the Black-Scholes option-pricing model and the Monte Carlo simulation model, and the results of the Monte Carlo simulation model relating to stock price appreciation, are not the Company's estimate or projection of future market conditions or stock prices. The Company's actual future stock prices could differ materially. Additional future awards that vest with the passage of time as well as awards that vest based on the achievement of certain market conditions are anticipated.

*Recent Accounting Pronouncements*

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123 (Revised 2004), "Share-Based Payment" ("SFAS No. 123R"). This revised accounting standard eliminates the ability to account for share-based compensation transactions using the intrinsic value method in accordance with APB Opinion No. 25 and requires instead that such transactions be accounted for using a fair-value-based method. SFAS No. 123R requires public entities to record noncash compensation expense related to payment for employee services by an equity award, such as stock options, in their financial statements over the requisite service period as of the first interim or annual period that begins after June 15, 2005. In March 2005, the SEC issued Staff Accounting Bulletin ("SAB") 107, "Share-Based Payment," which includes recognition, measurement and disclosure guidance for companies as they begin to implement SFAS No. 123R. SAB 107 does not modify any of SFAS No. 123R's conclusions or requirements. In April 2005, the SEC issued a new rule that allows companies to implement the provisions of SFAS No. 123R at the beginning of their next fiscal year, instead of the next reporting period, that begins after June 15, 2005. The Company does not plan to adopt SFAS No. 123R prior to its first quarter of fiscal 2006. The adoption of SFAS No. 123R is expected to have a negative impact on the Company's consolidated results of operations and earnings per share. The Company has historically provided pro forma disclosures pursuant to SFAS No. 123 and SFAS No. 148 as if the fair value method of accounting for stock options had been applied, assuming use of the Black-Scholes option-pricing model.

## 2. Goodwill and Software

Changes to the carrying amount of goodwill during the first nine months of fiscal 2005 resulted from foreign currency translation adjustments. The carrying amount and accumulated amortization of the Company's intangible assets that were subject to amortization at each balance sheet date, consisting only of software, were as follows (in thousands):

| | June 30, 2005 | Sept. 30, 2004 |
|---|---|---|
| Internally-developed software | $ 16,012 | $ 15,929 |
| Purchased software | 47,035 | 45,596 |
| | 63,047 | 61,525 |
| Less: accumulated amortization | (60,994) | (60,071) |
| Software, net | $ 2,053 | $ 1,454 |

The Company did not capitalize software development costs during the first nine months of fiscal 2005. The increase in carrying amount of internally-developed software resulted primarily from foreign currency translation adjustments. Amortization of software is computed using the greater of the ratio of current revenues to total estimated revenues expected to be derived from the software or the straight-line method over an estimated useful life of three years. Software amortization expense recorded in the three and nine months ended June 30, 2005 totaled $0.2 million and $0.7 million, respectively. Based on capitalized software at June 30, 2005, and assuming no impairment of these software assets, estimated amortization expense for the remainder of fiscal 2005 and in succeeding fiscal years is as follows (in thousands):

| | Software Amortization |
|---|---|
| 2005 | $ 242 |
| 2006 | 899 |
| 2007 | 728 |
| 2008 | 183 |
| Thereafter | 1 |

**3. Common Stock, Treasury Stock and Earnings Per Share**

At the Annual Meeting of Stockholders held on March 8, 2005, the Company's stockholders approved a proposal that increased the Company's authorized capital stock; re-designated the Company's Class A Common Stock as Common Stock without modification of the rights, preferences or privileges associated with such shares; eliminated the Company's Class A Common Stock and Class B Common Stock; and decreased the number of authorized shares of Preferred Stock.

Options to purchase shares of the Company's common stock at an exercise price of one cent per share, received by shareholders of MessagingDirect Ltd. ("MDL") as part of its acquisition by the Company during fiscal 2001, that have not yet been converted into common stock are included in common stock for presentation purposes on the June 30, 2005 and September 30, 2004 consolidated balance sheets, and are included in common shares outstanding for earnings per share ("EPS") computations for the three and nine months ended June 30, 2005 and 2004. Included in common stock are 2,212 and 3,645 MDL options, respectively, as of June 30, 2005 and September 30, 2004.

In December 2004, the Company announced that its Board of Directors approved a stock repurchase program authorizing the Company, from time to time as market and business conditions warrant, to acquire up to $80 million of its common stock. The Company did not make any purchases under its stock repurchase program during the first quarter of fiscal 2005. During the second quarter of fiscal 2005, the Company repurchased 351,064 shares of its common stock at an average price of $22.89 per share under this stock repurchase program. During the third quarter of fiscal 2005, the Company repurchased an additional 959,746 shares of its common stock at an average price of $22.13 per share, with settlements of $0.4 million occurring the first week of July on these repurchased shares. The maximum approximate dollar value of shares that may yet be purchased under the stock repurchase program is approximately $50.7 million as of June 30, 2005. During the month of July 2005, the Company repurchased an additional 36,374 shares of its common stock under this stock repurchase program for approximately $0.9 million.

EPS has been computed in accordance with SFAS No. 128, "Earnings Per Share." Basic EPS is calculated by dividing net income available to common stockholders (the numerator) by the weighted average number of common shares outstanding during the period (the denominator). Diluted EPS is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period, adjusted for the dilutive effect of any outstanding dilutive securities (the denominator). The differences between the basic and diluted EPS denominators for the three months ended June 30, 2005 and 2004, which amounted to 736,000 and 1,075,000 shares, respectively, and for the nine months ended June 30, 2005 and 2004, which amounted to 773,000 and 1,176,000 shares, respectively, were due to the dilutive effect of the Company's outstanding stock options. Excluded from the computations of diluted EPS for the three months ended June 30, 2005 and 2004 were options for 1,624,000 and 654,000 shares, respectively, and for the nine months ended June 30, 2005 and 2004 were options for 1,019,000 and 754,000 shares, respectively, because the stock options were for contingently issuable shares or the exercise prices of the corresponding stock options were greater than the average market price of the Company's common shares during the respective periods.

### 4. Comprehensive Income/Loss

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

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| Net income | $ 9,995 | $ 18,662 | $ 34,111 | $ 36,679 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments | 568 | (662) | 495 | (2,385) |
| Change in unrealized investment holding loss: | | | | |
| Unrealized holding gain (loss) arising during the period | 32 | - | (15) | 77 |
| Reclassification adjustment for loss included in net income | - | - | - | 107 |
| Comprehensive income | $ 10,595 | $ 18,000 | $ 34,591 | $ 34,478 |

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

| | Foreign Currency Translation Adjustments | Unrealized Investment Holding Loss | Accumulated Other Comprehensive Income (Loss) |
|---|---|---|---|
| Balance, September 30, 2004 | $ (9,775) | $ - | $ (9,775) |
| Fiscal 2005 year-to-date activity | 495 | (15) | 480 |
| Balance, June 30, 2005 | $ (9,280) | $ (15) | $ (9,295) |

### 5. Segment Information

The Company has three operating segments, referred to as business units. These three business units are ACI Worldwide, Insession Technologies and IntraNet Worldwide. ACI Worldwide is the Company's largest business unit. Its product line includes the Company’s 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 point-of-sale devices, wireless devices and the Internet; control fraud and money laundering; authorize checks; establish frequent shopper programs; automate transaction settlement, card management and claims processing; and issue and manage multi-functional applications on smart cards. Insession Technologies products facilitate communication, data movement, monitoring of systems, and business process automation across computing systems involving mainframes, distributed computing networks and the Internet. IntraNet Worldwide products offer high value payments processing, bulk payments processing, global messaging and continuous link settlement processing.

The Company's chief operating decision makers, together with other senior management personnel, review 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. Most of the Company's products are sold and supported through distribution networks covering the geographic regions of the Americas, Europe/Middle East/Africa and Asia/Pacific. Each distribution network has its own sales force. The Company supplements its distribution networks with independent reseller and/or distributor arrangements. Although revenues attributable to customers in the United Kingdom accounted for approximately 11% of the Company’s consolidated revenues during the third quarter and first nine months of fiscal 2005, no single customer accounted for more than 10% of the Company's consolidated revenues during the three or nine months ended June 30, 2005 or 2004.

The following are revenues and operating income for these business units for the periods indicated (in thousands):

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| Revenues: | | | | |
| ACI Worldwide | $ 61,366 | $ 55,365 | $ 183,428 | $ 170,956 |
| Insession Technologies | 10,149 | 9,382 | 29,824 | 28,348 |
| IntraNet Worldwide | 6,488 | 7,785 | 20,983 | 23,772 |
| | $ 78,003 | $ 72,532 | $ 234,235 | $ 223,076 |
| Operating income: | | | | |
| ACI Worldwide | $ 12,503 | $ 9,019 | $ 42,417 | $ 30,259 |
| Insession Technologies | 2,912 | 2,205 | 8,675 | 7,449 |
| IntraNet Worldwide | (229) | 1,751 | 2,222 | 4,841 |
| | $ 15,186 | $ 12,975 | $ 53,314 | $ 42,549 |

## 6. Income Taxes

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

The effective tax rate for the third quarter of fiscal 2005 was approximately 37.2% as compared to a benefit of 32.9% for the same period of fiscal 2004. The effective tax rate for the first nine months of fiscal 2005 was approximately 37.1% as compared to 19.6% for the same period of fiscal 2004. The effective tax rates for the third quarter and first nine months of fiscal 2005 were primarily impacted by the recognition of additional valuation allowances for income taxes withheld on payments to foreign subsidiaries, a reduction to valuation allowances on foreign net operating losses, and recognition of benefits from the extraterritorial income exclusion and municipal interest income. The effective tax rates for the third quarter and first nine months of 2004 were primarily impacted by the recognition of benefits related to the tax reorganization of MessagingDirect Ltd. and its related entities, the adjustment of the Company’s deferred tax assets for a change in the effective state tax rates, and an increase in the valuation allowance for foreign withholding taxes and foreign net operating losses. The Company treated all foreign taxes withheld on payments to U.S. entities during the first nine months of fiscal 2005 and 2004 as creditable against its U.S. tax liability.

## 7. Contingencies

*Legal Proceedings*

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

*Class Action Litigation*. In November 2002, two class action complaints were filed in the U.S. District Court for the District of Nebraska (the “Court”) against the Company and certain individuals alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. Pursuant to a Court order, the two complaints were consolidated as Desert Orchid Partners v. Transaction Systems Architects, Inc., et al., with Genesee County Employees’ Retirement System designated as the Lead Plaintiff. The First Amended Consolidated Class Action Complaint, filed on June 30, 2003 (the “Consolidated Complaint”), alleges that during the purported class period, the Company and the named defendants misrepresented the Company’s historical financial condition, results of operations and its future prospects, and failed to disclose facts that could have indicated an impending decline in the Company’s revenues. The Consolidated Complaint seeks unspecified damages, interest, fees, costs and rescission. The class period alleged in the Consolidated Complaint is January 21, 1999 through November 18, 2002.

The Company and the individual defendants filed a motion to dismiss the Consolidated Complaint. In response, on December 15, 2003, the Court dismissed, without prejudice, Gregory Derkacht, the Company's President and Chief Executive Officer, as a defendant, but denied the motion to dismiss with respect to the remaining defendants, including the Company. On February 6, 2004, the Court entered a mediation reference order requiring the parties to mediate before a private mediator. The parties held a mediation session on March 18, 2004, which did not result in a settlement of the matter. On July 1, 2004, lead plaintiff filed a motion for class certification wherein, for the first time, lead plaintiff sought to add an additional class representative, Roger M. Wally. On August 20, 2004, defendants filed their opposition to the motion. On March 22, 2005, the Court issued an order certifying the class. Discovery is continuing.

*Derivative Litigation*. On January 10, 2003, Samuel Naito filed the suit of "Samuel Naito, derivatively on behalf of nominal defendant Transaction Systems Architects, Inc. v. Roger K. Alexander, Gregory D. Derkacht, Gregory J. Duman, Larry G. Fendley, Jim D. Kever, and Charles E. Noell, III and Transaction Systems Architects, Inc." in the State District Court in Douglas County, Nebraska (the "Naito matter"). The suit is a shareholder derivative action that generally alleges that the named individuals breached their fiduciary duties of loyalty and good faith owed to the Company and its stockholders by causing the Company to conduct its business in an unsafe, imprudent and unlawful manner, resulting in damage to the Company. More specifically, the plaintiff alleges that the individual defendants, and particularly the members of the Company's audit committee, failed to implement and maintain an adequate internal accounting control system that would have enabled the Company to discover irregularities in its accounting procedures with regard to certain transactions prior to August 2002, thus violating their fiduciary duties of loyalty and good faith, generally accepted accounting principles and the Company's audit committee charter. The plaintiff seeks to recover an unspecified amount of money damages allegedly sustained by the Company as a result of the individual defendants' alleged breaches of fiduciary duties, as well as the plaintiff's costs and disbursements related to the suit.

On January 24, 2003, Michael Russiello filed the suit of "Michael Russiello, derivatively on behalf of nominal defendant Transaction Systems Architects, Inc. v. Roger K. Alexander, Gregory D. Derkacht, Gregory J. Duman, Larry G. Fendley, Jim D. Kever, and Charles E. Noell, III and Transaction Systems Architects, Inc." in the State District Court in Douglas County, Nebraska (the "Russiello matter"). The suit is a stockholder derivative action involving allegations similar to those in the Naito matter. The plaintiff seeks to recover an unspecified amount of money damages allegedly sustained by the Company as a result of the individual defendants' alleged breaches of fiduciary duties, as well as the plaintiff's costs and disbursements related to the suit.

The Company filed a motion to dismiss in the Naito matter on February 14, 2003 and a motion to dismiss in the Russiello matter on February 21, 2003. A hearing was scheduled on those motions for March 14, 2003. Just prior to that date, plaintiffs' counsel requested that the derivative lawsuits be stayed pending a determination of an anticipated motion to dismiss to be filed in the class action lawsuits. The Company, by and through its counsel, agreed to that stay. As a result, no other defendants have been served and no discovery has been commenced. The Company has not determined what effect the Court's ruling in the class action litigation will have on the Naito or Russiello matters.

*Federal Derivative Litigation.* On January 27, 2005, Norbert C. Abel, as Trustee on behalf of the Norbert C. Abel Trust, instituted a derivative action in federal District Court for the District of Nebraska against Gregory Derkacht, Seymour F. Harlan (sic), Roger K. Alexander, Jim D. Kever, Frank R. Sanchez, Jim Kerr, Charles E. Noell, III, Gregory J. Duman, Larry G. Fendley, William E. Fisher, Dwight Hanson, and David C. Russell, as individual defendants, and the Company, as nominal defendant (the "Abel matter"). The suit is a stockholder derivative action that contains virtually the same factual allegations as contained in the class action litigation described above. In addition, the suit alleges that the individual defendants breached fiduciary duties by failing to establish and maintain adequate accounting controls and, as to defendants Fisher, Russell, Duman, Fendley, Hanson and Derkacht, for breach of fiduciary duty and unjust enrichment based upon their receipt of salaries, bonuses and stock options based upon the Company's alleged false performance. The Complaint alleges Jim Kerr was a director of TSA. However, TSA has no record of an individual by the name of Jim Kerr ever having served as a director. As of this date, none of the defendants have been served with the Complaint. If the plaintiff effects service, the defendants intend to seek a stay of the Abel matter pending an outcome of the class action litigation, further intend to file a motion to dismiss the Complaint, and otherwise intend to vigorously defend the suit. Plaintiff does not specify what damages the Company has purportedly suffered, but does allege that the amount in controversy exceeds $75,000, as it must in order to maintain the action in federal court based upon diversity of citizenship. On July 11, 2005, the individual defendants filed a motion to dismiss the complaint with prejudice.

## 8. Subsequent Event - Acquisition of S2 Systems, Inc.

On July 29, 2005, the Company acquired the business of S2 Systems, Inc. ("S2") through the acquisition of substantially all of its assets. S2 is a global provider of electronic payments and network connectivity software. S2 primarily serves financial services and retail customers, which are homogeneous and complementary to the Company's target markets. In addition to its U.S. operations, S2 has a significant presence in Europe, the Middle East and the Asia-Pacific region, generating nearly half of its revenue from international markets.

At closing, the Company paid cash of $35.7 million, inclusive of a working capital adjustment, of which $8.0 million is currently held in escrow. The escrow amount has been established with respect to (i) seller indemnification obligations that may arise under the acquisition agreement and (ii) reimbursement for adverse developments that may arise in fulfilling the terms of certain customer contracts. Subject to any claims that may be made against the escrow amount, and pursuant to the terms of the escrow agreement between the parties, a portion of the escrow amount will be distributed to the seller 18 months after closing, and the balance of the escrow amount will be distributed to the seller 36 months after closing.

The Company is in the process of allocating the purchase price to the various tangible and intangible assets acquired, as well as any liabilities assumed. In addition, the Company may pay additional consideration based upon transaction-based license fee revenues of certain customer contracts acquired, with computation of such amounts on a quarterly basis through the fiscal quarter ended September 30, 2008. Any such contingent consideration incurred will be recorded as an increase in purchase price when the amount is determinable and payable. The Company also anticipates the execution of certain activities that could result in adjustments to the purchase price.

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

### Forward-Looking Statements

This report contains forward-looking statements based on current expectations that involve a number of risks and uncertainties. Generally, forward-looking statements do not relate strictly to historical or current facts, and include words or phrases such as "management anticipates,""the Company believes,""the Company anticipates,""the Company expects,""the Company plans,""the Company will,""the Company is well positioned," and words and phrases of similar impact, and include, but are not limited to, statements regarding future operations, results, business strategy and business environment. The forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Any or all of the forward-looking statements in this document may turn out to be wrong. They may be based on inaccurate assumptions or may not adequately account for known or unknown risks and uncertainties. Consequently, no forward-looking statement is guaranteed, and the Company's actual future results may vary materially from the results expressed or implied in the Company's forward-looking statements. The cautionary statements in this report expressly qualify all of the Company's forward-looking statements. In addition, the Company is not obligated, and does not intend, to update any of its forward-looking statements at any time unless an update is required by applicable securities laws. Factors that could cause actual results to differ from those expressed or implied in the forward-looking statements include, but are not limited to, those discussed below in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors That May Affect the Company's Future Results or the Market Price of the Company's Common Stock."

### Overview

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

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

Certain industry-specific trends may also impact the Company's operating results from quarter to quarter. For example, growth rates in ATM deployment and transaction volumes are declining to flat in the U.S. while ATM markets outside the U.S. are growing. The Company cannot determine with certainty how this changing mix of ATM usage may impact the Company's future financial results. Point-of-sale debit transaction volumes are increasing and this may result in increased sales of the Company's e-payment solutions. Additionally, increased levels of fraud and identity theft may result in increased demand for the Company's fraud detection and payment authorization products. Increasing regulatory requirements imposed upon financial services companies, and other companies utilizing e-payment solutions, may also drive increased demand for certain of the Company's products.

Consolidation activity among financial institutions has increased in recent years. While it is difficult to assess the impact of this consolidation activity, management believes that recent consolidation activity may have negatively impacted the Company's financial results. Continuing consolidation activity may negatively impact the Company throughout fiscal 2005. While all three of the Company's business units are affected by this consolidation activity, the Company's IntraNet Worldwide business unit is particularly impacted because its customer base is concentrated within the largest U.S. financial institutions, which have been party to several of the recent consolidations. However, it is difficult to predict to what extent increased consolidation activity will continue, and if it does, whether it will have an overall long-term positive or negative impact on the Company's future operating results. There are several potential negative effects of increased consolidation activity. Continuing consolidation of financial institutions may result in a fewer number of existing and potential customers for the Company's products and services. Consolidation of two of the Company's customers could result in reduced revenues if the combined entity were to negotiate greater volume discounts or discontinue use of certain of the Company's products. Additionally, if a non-customer and a customer combine and the combined entity in turn decides to forego future use of the Company's products, the Company's revenue would decline. Conversely, the Company could benefit from the combination of a non-customer and a customer when the combined entity continues usage of the Company's products and, as a larger combined entity, increases its demand for the Company's products and services.

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

**Critical Accounting Policies and Estimates**

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

The following key accounting policies are impacted significantly by judgments, assumptions and estimates used in the preparation of the consolidated financial statements. See Note 1 to the consolidated financial statements for a further discussion of revenue recognition and other significant accounting policies.

*Revenue Recognition*

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

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

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

*Provision for Doubtful Accounts*

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

*Accounting for Income Taxes*

Accounting for income taxes requires significant judgments in the development of estimates used in income tax calculations. Such judgments include, but are not limited to, the likelihood the Company would realize the benefits of net operating loss carryforwards and/or foreign tax credit carryforwards, the adequacy of valuation allowances, and the rates used to measure transactions with foreign subsidiaries. As part of the process of preparing the Company's consolidated financial statements, the Company is required to estimate its income taxes in each of the jurisdictions in which the Company operates. The judgments and estimates used are subject to challenge by domestic and foreign taxing authorities. It is possible that either domestic or foreign taxing authorities could challenge those judgments and estimates and draw conclusions that would cause the Company to incur tax liabilities in excess of, or realize benefits less than, those currently recorded. In addition, changes in the geographical mix or estimated amount of annual pretax income could impact the Company's overall effective tax rate.

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

The Company has reached a tentative agreement with the Internal Revenue Service (“IRS”) to settle its open audit years, 1997 through 2003, which is anticipated to result in a refund to the Company. Because certain refunds approved by the IRS must be submitted to the Joint Committee on Taxation (“Joint Committee”) for payment approval, the Company has submitted a refund claim to the Joint Committee. Upon approval by the Joint Committee, the Company will record the effects of the refund in its consolidated financial statements, including, but not limited to, its impact on the Company’s tax assets, liabilities and related valuation allowances, as well as interest income.

**Business Units**

The Company's products and services are currently organized within three operating segments, referred to as business units - ACI Worldwide, Insession Technologies and IntraNet Worldwide. The Company's chief operating decision makers review financial information presented on a consolidated basis, accompanied by disaggregated information about revenues and operating income by business unit. The following are revenues and operating income for these business units for the periods indicated (in thousands):

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| Revenues: | | | | |
| ACI Worldwide | $ 61,366 | $ 55,365 | $ 183,428 | $ 170,956 |
| Insession Technologies | 10,149 | 9,382 | 29,824 | 28,348 |
| IntraNet Worldwide | 6,488 | 7,785 | 20,983 | 23,772 |
| | $ 78,003 | $ 72,532 | $ 234,235 | $ 223,076 |
| | | | | |
| Operating income: | | | | |
| ACI Worldwide | $ 12,503 | $ 9,019 | $ 42,417 | $ 30,259 |
| Insession Technologies | 2,912 | 2,205 | 8,675 | 7,449 |
| IntraNet Worldwide | (229) | 1,751 | 2,222 | 4,841 |
| | $ 15,186 | $ 12,975 | $ 53,314 | $ 42,549 |

**Backlog**

Included in backlog are all software license fees, maintenance fees and services specified in executed contracts to the extent that the Company believes that recognition of the related revenues will occur within the next 12 months. Recurring backlog includes all monthly license fees, maintenance fees and facilities management fees. Non-recurring backlog includes other software license fees and services.

The following table sets forth the Company’s recurring and non-recurring backlog, by business unit, as of June 30, 2005 (in thousands):

| | Recurring | Non-Recurring | Total |
|---|---|---|---|
| ACI Worldwide | $ 127,800 | $ 48,964 | $ 176,764 |
| Insession Technologies | 20,962 | 9,027 | 29,989 |
| IntraNet Worldwide | 11,543 | 5,027 | 16,570 |
| | $ 160,305 | $ 63,018 | $ 223,323 |

Customers may request that their contracts be renegotiated or terminated due to a number of factors, including mergers, changes in their financial condition, or general changes in economic conditions in the customer's industry or geographic location, or the Company may experience delays in the development or delivery of products or services specified in customer contracts. Accordingly, there can be no assurance that contracts included in recurring or non-recurring backlog will actually generate the specified revenues or that the actual revenues will be generated within a 12-month period.

**Recent Accounting Pronouncements**

In December 2004, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 123 (Revised 2004), “Share-Based Payment” (“SFAS No. 123R”). This revised accounting standard eliminates the ability to account for share-based compensation transactions using the intrinsic value method in accordance with APB Opinion No. 25 and requires instead that such transactions be accounted for using a fair-value-based method. SFAS No. 123R requires public entities to record noncash compensation expense related to payment for employee services by an equity award, such as stock options, in their financial statements over the requisite service period as of the first interim or annual period that begins after June 15, 2005. In March 2005, the SEC issued Staff Accounting Bulletin (“SAB”) 107, “Share-Based Payment,” which included recognition, measurement and disclosure guidance for companies as they begin to implement SFAS No. 123R. SAB 107 does not modify any of SFAS No. 123R’s conclusions or requirements. In April 2005, the SEC issued a new rule that allows companies to implement the provisions of SFAS No. 123R at the beginning of their next fiscal year, instead of the next reporting period, that begins after June 15, 2005. The Company does not plan to adopt SFAS No. 123R prior to its first quarter of fiscal 2006. The adoption of SFAS No. 123R is expected to have a negative impact on the Company’s consolidated results of operations and earnings per share. The Company has historically provided pro forma disclosures pursuant to SFAS No. 123 and SFAS No. 148 as if the fair value method of accounting for stock options had been applied, assuming use of the Black-Scholes option-pricing model.

## Results of Operations

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

| | Three Months Ended June 30, | | | | Nine Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2005 | | 2004 | | 2005 | | 2004 | |
| | Amount | % of Revenue | Amount | % of Revenue | Amount | % of Revenue | Amount | % of Revenue |
| Revenues: | | | | | | | | |
| Initial license fees (ILFs) | $ 19,171 | 24.6% | $ 17,372 | 24.0% | $ 73,323 | 31.3% | $ 57,761 | 25.9% |
| Monthly license fees (MLFs) | 18,485 | 23.7 | 20,177 | 27.8 | 55,092 | 23.5 | 63,401 | 28.4 |
| Software license fees | 37,656 | 48.3 | 37,549 | 51.8 | 128,415 | 54.8 | 121,162 | 54.3 |
| Maintenance fees | 24,938 | 32.0 | 23,087 | 31.8 | 69,667 | 29.8 | 66,770 | 29.9 |
| Services | 15,409 | 19.7 | 11,896 | 16.4 | 36,153 | 15.4 | 35,144 | 15.8 |
| Total revenues | 78,003 | 100.0 | 72,532 | 100.0 | 234,235 | 100.0 | 223,076 | 100.0 |
| Expenses: | | | | | | | | |
| Cost of software license fees | 6,539 | 8.4 | 6,280 | 8.6 | 18,170 | 7.8 | 19,108 | 8.6 |
| Cost of maintenance and services | 14,102 | 18.1 | 13,390 | 18.5 | 41,756 | 17.8 | 43,108 | 19.3 |
| Research and development | 9,704 | 12.4 | 9,303 | 12.8 | 29,842 | 12.7 | 28,308 | 12.7 |
| Selling and marketing | 16,183 | 20.7 | 16,030 | 22.1 | 46,852 | 20.0 | 45,947 | 20.6 |
| General and administrative | 16,289 | 20.9 | 14,554 | 20.1 | 44,301 | 18.9 | 44,056 | 19.7 |
| Total expenses | 62,817 | 80.5 | 59,557 | 82.1 | 180,921 | 77.2 | 180,527 | 80.9 |
| Operating income | 15,186 | 19.5 | 12,975 | 17.9 | 53,314 | 22.8 | 42,549 | 19.1 |
| Other income (expense): | | | | | | | | |
| Interest income | 1,279 | 1.6 | 354 | 0.5 | 2,727 | 1.2 | 1,226 | 0.5 |
| Interest expense | (102) | (0.1) | (284) | (0.4) | (407) | (0.2) | (1,196) | (0.5) |
| Other, net | (453) | (0.6) | 995 | 1.4 | (1,445) | (0.6) | 3,069 | 1.4 |
| Total other income (expense) | 724 | 0.9 | 1,065 | 1.5 | 875 | 0.4 | 3,099 | 1.4 |
| Income before income taxes | 15,910 | 20.4 | 14,040 | 19.4 | 54,189 | 23.2 | 45,648 | 20.5 |
| Income tax (provision) benefit | (5,915) | (7.6) | 4,622 | 6.3 | (20,078) | (8.6) | (8,969) | (4.1) |
| Net income | $ 9,995 | 12.8% | $ 18,662 | 25.7% | $ 34,111 | 14.6% | $ 36,679 | 16.4% |

**Revenues.** Total revenues for the third quarter of fiscal 2005 increased $5.5 million, or 7.5%, as compared to the same period of fiscal 2004. Total revenues for the first nine months of fiscal 2005 increased $11.2 million, or 5.0%, as compared to the same period of fiscal 2004. The three-month increase is the result of a $0.1 million, or 0.3%, increase in software license fee revenues, a $1.9 million, or 8.0%, increase in maintenance fee revenues, and a $3.5 million, or 29.5%, increase in services revenues. The nine-month increase is the result of a $7.3 million, or 6.0%, increase in software license fee revenues, a $2.9 million, or 4.3%, increase in maintenance fee revenues, and a $1.0 million, or 2.9%, increase in services revenues.

For the first nine months of fiscal 2005, as compared to the same period of fiscal 2004, ACI Worldwide's software license fee revenues increased by $4.8 million. This increase resulted from a sales mix during the current nine-month period, and primarily in the first quarter, that was more heavily weighted toward the BASE24 product line, including increased license renewals and capacity upgrades in the Americas region, allowing an increased comparative percentage of sales to be recognized as revenues during the nine-month period rather than being deferred, as well as recognition of previously-deferred revenues for several large projects that were completed during the third quarter of fiscal 2005 and recognition of software license fees from customer acceptance of a significant BASE24-es application during the first quarter of fiscal 2005. As previously disclosed, there was also a significant license renewal that occurred within the EMEA region during the first quarter of fiscal 2004 which resulted in an increase in ACI Worldwide's software license fee revenues during that quarter, offsetting some of the comparative year-to-date increase in ACI Worldwide software license fee revenues. Insession Technologies' software license fee revenues were $1.2 million higher for the first nine months of fiscal 2005, as compared to the same period of fiscal 2004, primarily due to increased activity related to its transactional data management products. For the first nine months of fiscal 2005, as compared to the same period of fiscal 2004, IntraNet Worldwide's software license fee revenues increased by $1.3 million, primarily due to a large Money Transfer System ("MTS") product contract extension that was recognized during the first quarter of fiscal 2005.

The increase in maintenance fee revenues during the third quarter of fiscal 2005 as compared to the same period of fiscal 2004 is primarily due to the recognition of previously-deferred maintenance fee revenues for projects that were completed during the quarter. The increase in maintenance fee revenues during the first nine months of fiscal 2005 as compared to the same period of fiscal 2004 is primarily due to growth in the installed base of software products within the ACI Worldwide and Insession Technologies' business units, along with recognition of previously-deferred maintenance fee revenues for projects that were completed during the third quarter.

The increases in services revenues during both the third quarter of fiscal 2005 and first nine months of fiscal 2005, as compared to the same periods of fiscal 2004, were primarily due to the recognition of previously-deferred services revenues for three large projects that were completed during the third quarter of fiscal 2005, with offsetting decreases in IntraNet Worldwide services revenues, as well as the deferrals of ACI Worldwide services revenues. Since all of IntraNet Worldwide's MTS customers have successfully completed their migration from the HP AlphaServer-based MTS product (previously referred to as the Digital VAX-based MTS product) to the IBM pSeries-based MTS product (previously referred to as the RS6000-based MTS product), corresponding services revenues associated with the migration process have declined. Within the ACI Worldwide business unit, a greater percentage of services work during the first nine months of fiscal 2005 related to the Company's newer BASE24-es product, which resulted in deferral of the corresponding services revenues until a time whereupon acceptance or first production use of the product occurs.

**Expenses.** Total operating expenses for the third quarter of fiscal 2005 increased $3.3 million, or 5.5%, as compared to the same period of fiscal 2004. Total operating expenses for the first nine months of fiscal 2005 increased $0.4 million, or 0.2%, as compared to the same period of fiscal 2004.

Cost of software license fees for the third quarter of fiscal 2005 increased $0.3 million, or 4.1%, as compared to the same period of fiscal 2004. Cost of software license fees for the first nine months of fiscal 2005 decreased $0.9 million, or 4.9%, as compared to the same period of fiscal 2004. The decrease in cost of software license fees during the first nine months of fiscal 2005, as compared to the same periods of fiscal 2004, was primarily attributable to higher commissions paid to distributors of the Company's products during the first nine months of fiscal 2004. The Company increased its use of outside contractors within the ACI Worldwide business unit during fiscal 2005, resulting in higher costs in the third quarter of fiscal 2005 as compared to the same period of fiscal 2004 and offsetting some of the year-to-date benefits received from the decrease in distributor commission costs.

Cost of maintenance and services for the third quarter of fiscal 2005 increased $0.7 million, or 5.3%, as compared to the same period of fiscal 2004. Cost of maintenance and services for the first nine months of fiscal 2005 decreased $1.4 million, or 3.1%, as compared to the same period of fiscal 2004. The decrease in cost of maintenance and services during the first nine months of fiscal 2005, as compared to the same period of fiscal 2004, was primarily due to the deferral of direct and incremental costs related to implementation services for the Company's newer BASE24-es product. For arrangements in which services revenues are deferred and the Company determines that the costs of services are recoverable, such costs are deferred and subsequently expensed in proportion to the services revenues as they are recognized. The nine-month decrease also resulted from higher third-party royalty fees during the first quarter of fiscal 2004, which were offset by higher expenses in the first nine months of fiscal 2005 resulting from changes in foreign currency exchange rates. The increase in cost of maintenance and services during the third quarter of fiscal 2005 as compared to the same period of fiscal 2004 resulted primarily from the recognition of previously-deferred maintenance and services revenues and related expenses for several large projects that were completed during the quarter.

R&D costs for the third quarter of fiscal 2005 increased $0.4 million, or 4.3%, as compared to the same period of fiscal 2004. R&D costs for the first nine months of fiscal 2005 increased $1.5 million, or 5.4%, as compared to the same period of fiscal 2004. The increases in R&D costs during both the third quarter and the first nine months of fiscal 2005, as compared to the same periods of fiscal 2004, resulted primarily from increased personnel assigned to R&D activities and higher expenses in the first nine months of fiscal 2005 resulting from changes in foreign currency exchange rates.

Selling and marketing costs for the third quarter of fiscal 2005 increased $0.2 million, or 1.0%, as compared to the same period of fiscal 2004. Selling and marketing costs for the first nine months of fiscal 2005 increased $0.9 million, or 2.0%, as compared to the same period of fiscal 2004. The increases in selling and marketing costs during the third quarter and first nine months of fiscal 2005, as compared to the same periods of fiscal 2004, were primarily due to higher expenses in the first nine months of fiscal 2005 resulting from changes in foreign currency exchange rates, primarily in the EMEA region, as well as increases in travel-related expenses.

General and administrative costs for the third quarter of fiscal 2005 increased $1.7 million, or 11.9%, as compared to the same period of fiscal 2004. General and administrative costs for the first nine months of fiscal 2005 decreased $0.2 million, or 0.6%, as compared to the same period of fiscal 2004. The increase in general and administrative costs during the third quarter of fiscal 2005, as compared to the same period of fiscal 2004, was primarily due to increased professional fees related to legal services, internal controls compliance testing, and other corporate level strategic planning costs. Reduced costs of director and officer liability insurance, and a reduction in bad debt expenses offset some of the quarterly and year-to-date increase in professional fees.

**Other Income and Expense.** Interest income for the third quarter of fiscal 2005 increased $0.9 million, or 261.3%, as compared to the same period of fiscal 2004. Interest income for the first nine months of fiscal 2005 increased $1.5 million, or 122.4%, as compared to the same period of fiscal 2004. The increases in interest income during the third quarter and first nine months of fiscal 2005, as compared to the same periods of fiscal 2004, are attributable to higher cash balances, marginal increases in interest rates and global consolidation of excess cash amounts into higher yielding investments.

Interest expense for the third quarter of fiscal 2005 decreased $0.2 million, or 64.1%, as compared to the same period of fiscal 2004. Interest expense for the first nine months of fiscal 2005 decreased $0.8 million, or 66.0%, as compared to the same period of fiscal 2004. While no new debt under financing agreements has been incurred by the Company during the past two fiscal years, scheduled payments continue to be made, decreasing outstanding debt balances and corresponding interest expense.

Other income and expense consists of foreign currency gains and losses, and other non-operating items. Other expense for the third quarter of fiscal 2005 was $0.5 million as compared to other income for the same period of fiscal 2004 of $1.0 million. Other expense for the first nine months of fiscal 2005 was $1.4 million as compared to other income for the same period of fiscal 2004 of $3.1 million. These amounts were primarily attributable to foreign currency gains or losses realized by the Company, with minimal other non-operating items incurred during these fiscal periods.

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

The effective tax rate for the third quarter of fiscal 2005 was approximately 37.2% as compared to a benefit of 32.9% for the same period of fiscal 2004. The effective tax rate for the first nine months of fiscal 2005 was approximately 37.1% as compared to 19.6% for the same period of fiscal 2004. The effective tax rates for the third quarter and first nine months of fiscal 2005 were primarily impacted by the recognition of additional valuation allowances for income taxes withheld on payments to foreign subsidiaries, a reduction to valuation allowances on foreign net operating losses, and recognition of benefits from the extraterritorial income exclusion and municipal interest income. The effective tax rates for the third quarter and first nine months of 2004 were primarily impacted by the recognition of benefits related to the tax reorganization of its MessagingDirect Ltd. subsidiary and its related entities (collectively referred to as “the MDL entities”), the adjustment of the Company’s deferred tax assets for a change in the effective state tax rates, and an increase in the valuation allowance for foreign withholding taxes and foreign net operating losses. The Company treated all foreign taxes withheld on payments to U.S. entities during the first nine months of fiscal 2005 and 2004 as creditable against its U.S. tax liability.

During fiscal 2004, the Company completed a reorganization of the MDL entities. This transaction resulted in the recognition of a tax benefit related to the excess of tax basis over the book carrying value of these foreign assets following the tax election. The improvement in the effective tax rates for the third quarter and first nine months of fiscal 2005, as compared to the same periods of fiscal 2004, after excluding the impact of tax benefits recognized during the third quarter and first nine months of fiscal 2004 arising from reorganization of the MDL entities and the adjustment to state deferred taxes, resulted primarily from increased utilization of foreign tax losses, lower tax rates than the U.S. in certain foreign jurisdictions, and decreased federal tax expense related to municipal interest income.

Each quarter, the Company evaluates its historical operating results as well as its projections for the future to determine the realizability of the deferred tax assets. As of June 30, 2005, the Company had net deferred tax assets of $30.2 million (net of a $53.2 million valuation allowance). The Company's valuation allowance primarily relates to foreign net operating loss carryforwards and, to a lesser extent, foreign tax credit carryforwards and capital loss carryforwards. The valuation allowance is based on the extent to which management believes these carryforwards could expire unused due to the Company's historical or projected losses in certain of its foreign subsidiaries. The Company analyzes the recoverability of its net deferred tax assets at each reporting period. Because unforeseen factors may affect future taxable income, increases or decreases to the valuation reserve may be required in future periods.

The Company has reached a tentative agreement with the IRS to settle its open audit years, 1997 through 2003, which is anticipated to result in a refund to the Company. A refund claim has been submitted to the Joint Committee on Taxation ("Joint Committee") for approval. Procedurally, the Joint Committee will notify the Company of its approval or disapproval for payment of the refund when its final review is complete. If approved, the Company will then record the effects of the refund in its consolidated financial statements.

**Liquidity and Capital Resources**

As of June 30, 2005, the Company's principal sources of liquidity consisted of $189.1 million in cash, cash equivalents and marketable securities. In December 2004, the Company announced that its Board of Directors approved a stock repurchase program authorizing the Company, from time to time as market and business conditions warrant, to acquire up to $80 million of its common stock, and that it intends to use existing cash and cash equivalents to fund these repurchases. During the first nine months of fiscal 2005, the Company repurchased 1.3 million shares of its common stock at an average price of $22.33 per share under this stock repurchase program, with cash paid of $28.9 million by June 30, 2005 and remaining settlements of $0.4 million occurring the first week of July on these repurchased shares. As of June 30, 2005, the maximum approximate remaining dollar value of shares authorized for purchase under the stock repurchase program was approximately $50.7 million. During the month of July 2005, the Company repurchased additional shares of its common stock under this stock repurchase program for approximately $0.9 million.

The Company may also decide to use cash to acquire new products and services or enhance existing products and services through acquisitions of other companies, product lines, technologies and personnel, or through investments in other companies. On June 29, 2005, the Company announced the signing of a definitive agreement to acquire substantially all of the assets of S2 Systems, Inc. ("S2"). S2, which generates nearly half of its revenue from international markets, is a global provider of electronic payments and network connectivity software. S2 primarily serves financial services and retail customers, which are homogeneous and complementary to the Company's target markets. The Company completed the acquisition on July 29, 2005 for $35.7 million in cash, inclusive of a working capital adjustment, of which $8.0 million is currently held in escrow. In addition, the Company may pay additional consideration based upon transaction-based license fee revenues of certain customer contracts acquired, with computation of such amounts on a quarterly basis through the fiscal quarter ended September 30, 2008.

The Company's net cash flows provided by operating activities for the first nine months of fiscal 2005 amounted to $48.5 million as compared to $44.7 million provided by operating activities during the same period of fiscal 2004. The increase in operating cash flows in the first nine months of fiscal 2005 as compared to the same period of fiscal 2004 resulted primarily from changes in billed and accrued receivables and recoverable income taxes offset by decreases in operating cash flows resulting from changes in deferred income taxes.

The Company's net cash flows used in investing activities totaled $45.2 million for the first nine months of fiscal 2005 as compared to $1.3 million used in investing activities during the same period of fiscal 2004. During the first nine months of fiscal 2005, the Company increased its holdings of marketable securities by $40.7 million and purchased $4.5 million of software, property and equipment. During the first nine months of fiscal 2004, the Company purchased $2.5 million of software, property and equipment and received net proceeds from sales of marketable securities of $1.2 million.

The Company's net cash flows used in financing activities totaled $25.2 million for the first nine months of fiscal 2005 as compared to $0.6 million used in financing activities during the same period of fiscal 2004. In the first nine months of fiscal 2005, the Company used cash of $28.9 million to purchase shares of its common stock under the Company’s stock repurchase program, made scheduled payments to the third-party financial institutions totaling $5.9 million and received proceeds of $8.5 million from exercises of stock options. In the first nine months of fiscal 2004, the Company made scheduled payments to the third-party financial institutions totaling $13.1 million and received proceeds of $12.2 million from exercises of stock options.

The Company also realized an increase in cash of $0.8 million for the first nine months of fiscal 2005 as compared to $2.0 million during the same period of fiscal 2004 pertaining to foreign exchange rate fluctuations.

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

**Factors That May Affect the Company’s Future Results or the Market Price of the Company’s Common Stock**

The Company operates in a rapidly changing technological and economic environment that presents numerous risks. Many of these risks are beyond the Company’s control and are driven by factors that often cannot be predicted. The following discussion highlights some of these risks.

- The Company's backlog estimate is based on management’s assessment of the customer contracts that exist as of the date the estimate is made. Included in the backlog estimate are all software license fees, maintenance fees and services specified in executed contracts to the extent that the Company believes that recognition of the related revenues will occur within the next 12 months. A number of factors could result in actual revenues being less than the amounts reflected in backlog. The Company’s customers may attempt to renegotiate or terminate their contracts for a number of reasons, including mergers, changes in their financial condition, or general changes in economic conditions in their industries or geographic locations, or the Company may experience delays in the development or delivery of products or services specified in customer contracts. Accordingly, there can be no assurance that contracts included in recurring or non-recurring backlog will actually generate the specified revenues or that the actual revenues will be generated within a 12-month period.

- In December 2004, the FASB issued SFAS No. 123R, “Share-Based Payment.” This revised accounting standard requires most public entities to record noncash compensation expense related to payment for employee services by equity awards, such as stock options, in their financial statements commencing in the first annual or interim period that begins after June 15, 2005. In April 2005, the SEC issued a new rule that allows companies to implement the provisions of SFAS No. 123R at the beginning of their next fiscal year, instead of the next reporting period, that begins after June 15, 2005. The Company does not plan to adopt this revised accounting standard prior to its first quarter of fiscal 2006. The adoption of SFAS No. 123R and the noncash expense that will be recorded thereby will have a negative impact on the Company’s results of operations and will reduce the Company’s earnings per share. Future grants of stock options and other equity awards, if any, would also increase the noncash expenses the Company must record, which would negatively impact the Company’s results of operations and earnings per share.

- The Company is subject to income taxes, as well as non-income based taxes, in the United States and in various foreign jurisdictions. Significant judgment is required in determining the Company’s worldwide provision for income taxes and other tax liabilities. In addition, the Company has benefited from, and expects to continue to benefit from, implemented tax-saving strategies. The Company believes that implemented tax-saving strategies comply with applicable tax law. However, taxing authorities could disagree with the Company’s positions. If the taxing authorities decided to challenge any of the Company’s tax positions and were successful in such challenges, the Company’s financial condition and/or results of operations could be adversely affected.

The Company’s tax positions in its income tax returns filed for its 1997 through 2003 tax years have been the subject of an examination by the Internal Revenue Service. The Company believes that its tax positions comply with applicable tax law. This examination has resulted in the IRS issuing proposed adjustments, the majority of which relate to the timing of revenue recognition. The IRS and the Company have tentatively agreed to a settlement, and a refund claim has been submitted to the Joint Committee on Taxation for approval. However, the IRS could issue additional proposed adjustments that could adversely affect the Company’s financial condition and/or results of operations.

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

· The Company's business is concentrated in the financial services industry, making it susceptible to a downturn in that industry. Consolidation activity among financial institutions has increased in recent years. There are several potential negative effects of increased consolidation activity. Continuing consolidation of financial institutions may result in a fewer number of existing and potential customers for the Company’s products and services. Consolidation of two of the Company’s customers could result in reduced revenues if the combined entity were to negotiate greater volume discounts or discontinue use of certain of the Company’s products. Additionally, if a non-customer and a customer combine and the combined entity in turn decided to forego future use of the Company’s products, the Company’s revenues would decline.

· No assurance can be given that operating results will not vary from quarter to quarter, and any fluctuations in quarterly operating results may result in volatility in the Company's stock price. 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 technology sector and changing market conditions in the software industry. The Company’s stock price may also become volatile, in part, due to developments in the various lawsuits filed against the Company relating to its restatement of prior consolidated financial results.

· The Company has historically derived a majority of its revenues from international operations and anticipates continuing to do so, and is thereby subject to risks of conducting international operations. One of the principal risks associated with international operations is potentially adverse movements of foreign currency exchange rates. The Company’s exposures resulting from fluctuations in foreign currency exchange rates may change over time as the Company’s business evolves and could have an adverse impact on the Company’s financial condition and/or results of operations. The Company has not entered into any derivative instruments or hedging contracts to reduce exposure to adverse foreign currency changes. Other potential risks associated with the Company’s international operations include difficulties in staffing and management, reliance on independent distributors, longer payment cycles, potentially unfavorable changes to foreign tax rules, compliance with foreign regulatory requirements, reduced protection of intellectual property rights, variability of foreign economic conditions, changing restrictions imposed by U.S. export laws, and general economic and political conditions in the countries where the Company sells its products and services.

· Acts of terrorism or acts of war may cause death or injury to our employees, as well as damage or disruption to the Company’s facilities, customers, partners, distributors or resellers, which could have a material adverse effect on the Company’s business, financial condition and/or results of operations. Such conflicts may also cause damage or disruption to transportation and communication systems and to our ability to manage logistics in such environments, including delivery of products.

· The Company’s BASE24-es product is a significant new product for the Company. If the Company is unable to generate adequate sales of BASE24-es, if market acceptance of BASE24-es is delayed, or if the Company is unable to successfully deploy BASE24-es in production environments, the Company’s business, financial condition and/or results of operations could be materially adversely affected.

· Historically, a majority of the Company’s total revenues resulted from licensing its BASE24 product line and providing related services and maintenance. Any reduction in demand for, or increase in competition with respect to, the BASE24 product line could have a material adverse effect on the Company's financial condition and/or results of operations.

- The Company has historically derived a substantial portion of its revenues from licensing of software products that operate on Hewlett-Packard (“HP”) NonStop servers. Any reduction in demand for HP NonStop servers, or any change in strategy by HP related to support of its NonStop servers, could have a material adverse effect on the Company’s financial condition and/or results of operations.

- The Company's software products are complex. They may contain undetected errors or failures when first introduced or as new versions are released. This may result in loss of, or delay in, market acceptance of the Company's products and a corresponding loss of sales or revenues. Customers depend upon the Company’s products for mission-critical applications. Software product errors or failures could subject the Company to product liability, as well as performance and warranty claims, which could materially adversely affect the Company’s business, financial condition and/or results of operations.

- The Company may acquire new products and services or enhance existing products and services through acquisitions of other companies, product lines, technologies and personnel, or through investments in other companies. Any acquisition or investment may be subject to a number of risks, including diversion of management time and resources, disruption of the Company’s ongoing business, difficulties in integrating acquisitions, dilution to existing stockholders if the Company’s common stock is issued in consideration for an acquisition or investment, the incurring or assuming of indebtedness or other liabilities in connection with an acquisition, and lack of familiarity with new markets, product lines and competition. The failure to manage acquisitions or investments, or successfully integrate acquisitions, could have a material adverse effect on the Company’s business, financial condition and/or results of operations.

- The Company may acquire new products and services or enhance existing products and services through acquisitions of other companies, product lines, technologies and personnel, or through investments in other companies. On July 29, 2005, the Company acquired substantially all of the assets of S2 Systems, Inc. Any acquisition or investment, including the acquisition of S2, is subject to a number of risks. Such risks may include diversion of management time and resources, disruption of the Company’s ongoing business, difficulties in integrating acquisitions, dilution to existing stockholders if the Company’s common stock is issued in consideration for an acquisition or investment, incurring or assuming indebtedness or other liabilities in connection with an acquisition, lack of familiarity with new markets, and difficulties in supporting new product lines. The Company’s failure to successfully manage acquisitions or investments, or successfully integrate acquisitions, including the acquisition of S2, could have a material adverse effect on the Company’s business, financial condition and/or results of operations.

- To protect its proprietary rights, the Company relies on a combination of contractual provisions, including customer licenses that restrict use of the Company's products, confidentiality agreements and procedures, and trade secret and copyright laws. Despite such efforts, the Company may not be able to adequately protect its proprietary rights, or the Company's competitors may independently develop similar technology, duplicate products or design around any rights the Company believes to be proprietary. This may be particularly true in countries other than the United States because some foreign laws do not protect proprietary rights to the same extent as certain laws of the United States. Any failure or inability of the Company to protect its proprietary rights could materially adversely affect the Company.

- There has been a substantial amount of litigation in the software industry regarding intellectual property rights. The Company anticipates that software product developers and providers of electronic commerce solutions could increasingly be subject to infringement claims, and third parties may claim that the Company's present and future products infringe upon their intellectual property rights. Third parties may also claim, and the Company is aware that at least one third party has claimed on several occasions, that the third party’s intellectual property rights are being infringed by the Company’s customers’ use of a business process method which utilizes the Company’s products in conjunction with other products. Any claim against the Company, with or without merit, could be time-consuming, result in costly litigation, cause product delivery delays or require the Company to enter into royalty or licensing agreements. Claims against the Company’s customers related to the Company’s products, whether or not meritorious, could harm the Company’s reputation and reduce demand for its products. The Company could also be required to defend or indemnify its customers against such claims. A successful claim by a third party of intellectual property infringement by the Company could compel the Company to enter into costly royalty or license agreements, pay significant damages or even stop selling certain products. Royalty or licensing agreements, if required, may not be available on terms acceptable to the Company or at all, which could adversely affect the Company's business.

- The Company continues to evaluate the claims made in various lawsuits filed against the Company and certain directors and officers relating to its restatement of prior consolidated financial results. The Company intends to defend these lawsuits vigorously, but cannot predict their outcomes and is not currently able to evaluate the likelihood of its success or the range of potential loss, if any. However, if the Company were to lose any of these lawsuits or if they were not settled on favorable terms, the judgment or settlement could have a material adverse effect on its financial condition, results of operations and/or cash flows.

  The Company has insurance that provides an aggregate coverage of $20.0 million for the period during which the claims were filed, but cannot evaluate at this time whether such coverage will be available or adequate to cover losses, if any, arising out of these lawsuits. If these policies do not adequately cover expenses and liabilities relating to these lawsuits, the Company's financial condition, results of operations and cash flows could be materially harmed. The Company's certificate of incorporation provides that it will indemnify, and advance expenses to, its directors and officers to the maximum extent permitted by Delaware law. The indemnification covers any expenses and liabilities reasonably incurred by a person, by reason of the fact that such person is or was or has agreed to be a director or officer, in connection with the investigation, defense and settlement of any threatened, pending or completed action, suit, proceeding or claim. The Company’s certificate of incorporation authorizes the use of indemnification agreements and the Company enters into such agreements with its directors and certain officers from time to time. These indemnification agreements typically provide for a broader scope of the Company’s obligation to indemnify the directors and officers than set forth in the certificate of incorporation. The Company’s contractual indemnification obligations under these agreements are in addition to the respective directors’ and officers’ rights under the certificate of incorporation or under Delaware law.

  Additional related suits against the Company may be commenced in the future. The Company will fully analyze such suits and intends to vigorously defend against them. There is a risk that the above-described litigation, as well as any additional suits, could result in substantial costs and divert management attention and resources, which could adversely affect the Company's business, financial condition and/or results of operations.

- From time to time, the Company is involved in litigation relating to claims arising out of its operations. Any claims, with or without merit, could be time-consuming and result in costly litigation. Failure to successfully defend against these claims could result in a material adverse effect on the Company's business, financial condition, results of operations and/or cash flows.

- Beginning in fiscal 2005, Section 404 of the Sarbanes-Oxley Act of 2002 will require the Company’s annual report on Form 10-K to include (1) a report on management’s assessment of the effectiveness of the Company’s internal controls over financial reporting, (2) a statement that the Company’s independent auditor has issued an attestation report on management’s assessment of the Company’s internal controls over financial reporting, and (3) a report by the Company’s independent auditor on their assessment of the effectiveness of the Company’s internal controls over financial reporting. There are no assurances that the Company will discover and remediate all deficiencies in its internal controls, including any significant deficiencies or material weaknesses, as it implements new documentation and testing procedures to comply with the Section 404 reporting requirements. If the Company is unable to remediate such deficiencies or is unable to complete the work necessary to properly evaluate its internal controls over financial reporting, there is a risk that management and/or the Company’s independent auditor may not be able to conclude that the Company’s internal controls over financial reporting are effective. If the Company reports any such deficiencies, negative publicity and/or a decline in the Company's stock price could result.

- New accounting standards, revised interpretations or guidance regarding existing standards, or changes in the Company’s business practices could result in future changes to the Company’s revenue recognition or other accounting policies. These changes could have a material adverse effect on the Company’s business, financial condition and/or results of operations.

**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes to the Company's market risk for the nine months ended June 30, 2005. The Company conducts business in all parts of the world and is thereby exposed to market risks related to fluctuations in foreign currency exchange rates. As a general rule, the Company's revenue contracts are denominated in U.S. dollars. Thus, any decline in the value of local foreign currencies against the U.S. dollar results in the

Company's products and services being more expensive to a potential foreign customer, and in those instances where the Company's goods and services have already been sold, may result in the receivables being more difficult to collect. The Company at times enters into revenue contracts that are denominated in the country's local currency, principally in Australia, Canada, the United Kingdom and other European countries. This practice serves as a natural hedge to finance the local currency expenses incurred in those locations. The Company has not entered into any foreign currency hedging transactions. The Company does not purchase or hold any derivative financial instruments for the purpose of speculation or arbitrage.

The primary objective of the Company's cash investment policy is to preserve principal without significantly increasing risk. Based on the Company's cash investments and interest rates on these investments at June 30, 2005, a hypothetical ten percent increase or decrease in interest rates would not have a material impact on the Company's financial position, results of operations and/or cash flows.

**Item 4. CONTROLS AND PROCEDURES**

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

No changes occurred in the Company's internal controls over financial reporting during the third quarter of fiscal 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS

From time to time the Company is involved in various litigation matters arising in the ordinary course of its business. None of these matters, either individually or in the aggregate, currently is material to the Company except as reported in the Company's annual report on Form 10-K for the year ended September 30, 2004 or in the Company's quarterly report on Form 10-Q for the quarterly period ended December 31, 2004 and there were no material developments to such matters.

*Plus Tecnologia*

On August 31, 2001, Plus Tecnologia ("Plus") filed a complaint in Circuit Court in the Sixth Judicial Circuit for Pinellas County, Florida against Transaction Systems Architects, Inc., ACI Worldwide Inc., ACI Worldwide (Florida) Inc. n/k/a ACI Worldwide (Texas) LLC, Open Systems Solutions, Inc., the predecessor to ACI Worldwide (Florida) Inc., and ACI Worldwide (Mexico) S.A. de C.V. The complaint alleges breach of contract, breach of non-disclosure agreements, tortious interference with prospective business relationships of Plus and an additional cause of concert of action. Plus has claimed various items of damages, including lost profits in excess of $30,000,000, interest, fees, costs and punitive damages. The Company believes that the complaint is without merit and is vigorously defending this lawsuit. On April 21, 2005, the Company filed a Motion for Sanctions seeking to dismiss the complaint with prejudice and to impose sanctions against Plus alleging that Plus has engaged in improper, unfair, unethical and fraudulent actions. The Company cannot predict the outcome of this matter; however, at this time, the Company's management does not believe that the outcome will have a material adverse impact on the Company's financial condition, results of operations or cash flows.

On December 16, 2004, ACI Worldwide Inc. filed a complaint in the Nebraska District Court for Douglas County against certain individuals, including the principal officer of Plus, alleging, in part, fraud, deceptive trade practices and violations of the consumer protection act in connection with the license agreement between ACI Worldwide Inc. and Plus.

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

**Issuer Purchases of Equity Securities**

The following table provides information regarding the Company's repurchases of its common stock during the third quarter of fiscal 2005:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Program | Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program |
|---|---|---|---|---|
| April 1 through April 30, 2005 | 402,205 | $ 21.59 | 402,205 | $ 63,283,000 |
| May 1 through May 31, 2005 | 348,668 | $ 21.96 | 348,668 | $ 55,625,000 |
| June 1 through June 30, 2005 | 208,873 | $ 23.46 | 208,873 | $ 50,724,000 |
| Total (1) | 959,746 | $ 22.13 | 959,746 | |

(1) On December 13, 2004, the Company announced that its Board of Directors approved a stock repurchase program authorizing the Company, from time to time as market and business conditions warrant, to acquire up to $80 million of its common stock, and that it intends to use existing cash and cash equivalents to fund these repurchases. There is no guarantee as to the exact number of shares that will be repurchased by the Company. Repurchased shares would be returned to the status of authorized but unissued shares of common stock. In March 2005, the Company's Board of Directors approved a plan under Rule 10b5-1 of the Securities Exchange Act of 1934 to facilitate the repurchase of shares of common stock under the existing stock repurchase program. Under the Company's Rule 10b5-1 plan, the Company has delegated

authority over the timing and amount of repurchases to an independent broker who does not have access to inside information about the Company. Rule 10b5-1 allows the Company, through the independent broker, to purchase Company shares at times when the Company ordinarily would not be in the market because of self-imposed trading blackout periods, such as the time immediately preceding the end of the fiscal quarter through a period three business days following the Company's quarterly earnings release. During the third quarter of fiscal 2005, all shares were purchased in open-market transactions.

### Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Not applicable.

### Item 5. OTHER INFORMATION

Not applicable.

### Item 6. EXHIBITS

| Exhibit No. | | Description |
|---|---|---|
| 10.1 | | Form of Nonqualified Stock Option Agreement - Employee (under the Company's 2005 Equity and Performance Incentive Plan) |
| 31.1 | | Certification of Chief Executive Officer pursuant to SEC Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | | Certification of Chief Financial Officer pursuant to SEC Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | * | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | * | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

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

## 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.

**TRANSACTION SYSTEMS ARCHITECTS, INC.**
(Registrant)

Date: August 5, 2005

By: /s/ DAVID R. BANKHEAD

David R. Bankhead
*Senior Vice President,*
*Chief Financial Officer and Treasurer*
*(principal financial officer)*

## EXHIBIT INDEX

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**TRANSACTION SYSTEMS ARCHITECTS, INC.**

**Nonqualified Stock Option Agreement - Employee**

**(2005 Equity and Performance Incentive Plan)**

This Stock Option Agreement (the "Option Agreement") is made as of ____________, by and between Transaction Systems Architects, Inc., a Delaware corporation (the "Corporation"), and **[___________________]**, an employee of the Corporation or its Subsidiaries (the "Optionee").

WHEREAS, the Board of Directors of the Corporation has duly adopted, and the stockholders of the Corporation have approved, the 2005 Equity and Performance Incentive Plan (the "Plan"), which Plan authorizes the Corporation to grant to eligible individuals options for the purchase of shares of the Corporation's Class A Common Stock (reclassified as Common Stock) (the "Stock"); and

WHEREAS, the Board of Directors of the Corporation has determined that it is desirable and in the best interests of the Corporation and its stockholders to grant the Optionee an option to purchase a certain number of shares of Stock, in order to provide the Optionee with an incentive to advance the interests of the Corporation, all according to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties hereto do hereby agree as follows:

## 1. GRANT OF NON-QUALIFIED STOCK OPTION

Subject to the terms of the Plan, the Corporation hereby grants to the Optionee the right and option (the "Option") to purchase from the Corporation, on the terms and subject to the conditions set forth in this Option Agreement, **[__________]** shares of Stock (the "Option Shares"). The Date of Grant of this Option is ______________. **This Option shall not constitute an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").**

## 2. TERMS OF PLAN

The Option granted pursuant to this Option Agreement is granted subject to the terms and conditions set forth in the Plan, a copy of which has been delivered to the Optionee. All terms and conditions of the Plan, as may be amended from time to time, are hereby incorporated into this Option Agreement by reference and shall be deemed to be a part of this Option Agreement, without regard to whether such terms and conditions (including, for example, provisions relating to certain changes in capitalization of the Corporation) are otherwise set forth in this Option Agreement. In the event that there is any inconsistency between the provisions of this Option Agreement and of the Plan, the provisions of the Plan shall govern. Capitalized terms used herein that are not otherwise defined shall have the meaning ascribed to them in the Plan.

## 3. EXERCISE PRICE

The exercise price for the shares of Stock subject to the Option granted by this Option Agreement is $_______ per share (the "Exercise Price").

## 4. EXERCISE OF OPTION

Subject to the provisions of the Plan and subject to the earlier expiration or termination of this Option in accordance with its terms, the Option granted pursuant to this Option Agreement shall be exercisable only as follows:

### 4.1 Time of Exercise of Option

4.1.1 The Option shall become exercisable with respect to the Option Shares only as follows: One-quarter of the Option Shares ([________] Option Shares) shall become exercisable on each of the first four anniversaries of the Date of Grant if the Optionee shall have remained in the continuous employ of the Corporation or any of its Subsidiaries as of each such date.

4.1.2 Notwithstanding Section 4.1.1 above, in accordance with the provisions of the Plan, if the Optionee ceases to be an employee of the Corporation or a Subsidiary of the Corporation by reason of Disability (as defined in Section 4.3.2

below), the unexercised portion of any Option held by such Optionee at that time will become immediately vested and will be exercisable until terminated in accordance with Section 4.3 below.

4.1.3 Notwithstanding Section 4.1.1 above, in accordance with the provisions of the Plan, if the Optionee dies while employed by the Corporation or a Subsidiary of the Corporation (or dies within a period of one month after ceasing to be an employee for any reason other than Disability or within a period of one year after ceasing to be an employee by reason of Disability), the unexercised portion of any Option held by such Optionee at the time of death will become immediately vested and will be exercisable until terminated in accordance with Section 4.3 below.

4.1.4 Notwithstanding Section 4.1.1 above, in accordance with the provisions of the Plan, the Option granted under this Option Agreement shall become immediately exercisable upon the occurrence of a Change in Control (as defined in Section 10 below) if the Optionee is an employee of the Corporation or any Subsidiary on the date of the consummation of such Change in Control.

**4.2 Limitations**

The portion of the Option that has not become exercisable as of the date of the Optionee's termination of employment with the Corporation or any of its Subsidiaries for any reason shall automatically terminate as of the date of the Optionee's termination of employment with the Corporation or its Subsidiaries and shall not become exercisable after such termination. To the extent the Option is exercisable, it may be exercised, in whole or in part; provided, that no single exercise of the Option shall be for less than 100 shares, unless at the time of the exercise, the maximum number of shares available for purchase under this Option is less than 100 shares. In no event shall the Option be exercised for a fractional share.

**4.3 Termination of Option**

This Agreement and the Option granted hereby shall terminate automatically and without further notice on the earliest of the following dates:

4.3.1 90 calendar days from the date of the Optionee's termination of employment with the Corporation or a Subsidiary for any reason other than death or Disability (as defined below);

4.3.2 one year after the Optionee's permanent and total disability as defined in Section 22(e)(3) of the Code ("Disability");

4.3.3 one year after the Optionee's death, if such death occurs (i) while the Optionee is employed by the Corporation or a Subsidiary, (ii) within the 90-day period following the Optionee's termination of employment for any reason other than Disability; or (iii) within the one-year period following the Optionee's termination of employment by reason of the Optionee's Disability; or

4.3.4 ten years from the Date of Grant.

The Corporation shall have the authority to determine the date an Optionee ceases to be an employee by reason of Disability. In the case of death, the Option may be exercised by the executor or administrator of the Optionee's estate or by any person or persons who shall have acquired the Option directly from the Optionee by bequest or inheritance. The Optionee shall be deemed to be an employee of the Corporation or any Subsidiary if on a leave of absence approved by the Board of Directors of the Corporation and the continuous employment of the Optionee with the Corporation or any of its Subsidiaries will not be deemed to have been interrupted, and the Optionee shall not be deemed to have ceased to be an employee of the Corporation or its Subsidiaries, by reason of the transfer of the Optionee's employment among the Corporation and its Subsidiaries.

**4.4 Limitations on Exercise of Option**

In no event may the Option be exercised, in whole or in part, after the occurrence of an event which results in termination of the Option, as set forth in Section 4.3 above. The Option shall not be exercisable if and to the extent the Corporation determines such exercise or method of exercise would violate applicable securities laws, the rules and regulations of any securities exchange or quotation system on which the Stock is listed, or the Corporation's policies and procedures.

**4.5 Method of Exercise of Option**

4.5.1 To the extent then exercisable, the Option may be exercised in whole or in part by written notice to the Corporation stating the number of shares for which the Option is being exercised and the intended manner of payment. The date of such notice shall be the exercise date. Payment equal to the aggregate Exercise Price of the shares shall be payable (i) in cash in the form of currency or check or other cash equivalent acceptable to the Corporation, (ii) by actual or constructive transfer to the Corporation of nonforfeitable, outstanding shares of Stock that have been owned by the Optionee for at least six months prior to the date of exercise, (iii) by any combination of the foregoing methods of payment or (iv) in accordance with such other method or manner as set forth below.

(A) Cash Exercise (to exercise and retain the Option Shares): Subject to the terms and conditions of this Option Agreement and the Plan, the Option may be exercised by delivering written notice of exercise to the Corporation, at its principal office, addressed to the attention of Stock Plan Administration, or to the agent/broker designated by the Corporation, which notice shall specify the number of shares for which the Option is being exercised, and shall be accompanied by payment in full of the Exercise Price of the shares for which the Option is being exercised plus the full amount of all applicable withholding taxes due on the Option exercise. Payment of the Exercise Price for the shares of Stock purchased pursuant to the exercise of the Option shall be made either in cash or by certified check payable to the order of the Corporation. If the person exercising the Option is not the Optionee, such person shall also deliver with the notice of exercise appropriate proof of his or her right to exercise the Option, as the Corporation may require in its sole discretion. Promptly after exercise of the Option as provided for above, the Corporation shall deliver to the person exercising the Option a certificate or certificates for the shares of Stock being purchased.

(B) Same-Day-Sale Exercise (to exercise and immediately sell all the Option Shares): Subject to the terms and conditions of this Option Agreement and the Plan, the Option may be exercised by delivering written notice of exercise to the agent/broker designated by the Corporation, which notice shall specify the number of shares for which the Option is being exercised and irrevocable instructions to promptly (1) sell all of the shares of Stock to be issued upon exercise and (2) remit to the Corporation the portion of the sale proceeds sufficient to pay the Exercise Price for the shares of Stock purchased pursuant to the exercise of the Option and all applicable taxes due on the Option exercise. The agent/broker shall request issuance of the shares and immediately and concurrently sell the shares on the Optionee's behalf. Payment of the Exercise Price for the shares of Stock purchased pursuant to the exercise of the Option, any brokerage fees, transfer fees, and all applicable taxes due on the Option exercise, shall be deducted from the proceeds of the sale of the shares. If the person exercising the Option is not the Optionee, such person shall also deliver with the notice of exercise appropriate proof of his or her right to exercise the Option, as the Corporation may require in its sole discretion. Promptly after exercise of the Option as provided for above, the agent/broker shall deliver to the person exercising the Option the net proceeds from the sale of the shares of Stock being exercised and sold.

(C) Sell-to-Cover Exercise (to exercise and immediately sell a portion of the Option Shares): Subject to the terms and conditions of this Option Agreement and the Plan, the Option may be exercised by delivering written notice of exercise to the agent/broker designated by the Corporation, which notice shall specify the number of shares for which the Option is being exercised and irrevocable instructions to promptly (1) sell the portion (which must be a whole number) of the shares of Stock to be issued upon exercise sufficient to generate proceeds to pay the Exercise Price for the shares of Stock purchased pursuant to the exercise of the Option, any brokerage or transfer fees, and all applicable taxes due on the Option exercise (collectively the "Exercise Costs") and (2) remit to the Corporation a sufficient portion of the sale proceeds to pay the Exercise Price for the shares of Stock purchased pursuant to the exercise of the Option and all applicable taxes due on the Option exercise. The agent/broker shall request issuance of the shares and immediately and concurrently sell on the Optionee's behalf only such number of the Shares as is required to generate proceeds sufficient to pay the Exercise Costs. Promptly after exercise of the Option as provided for above, the Corporation shall deliver to the person exercising the Option a certificate for the shares of Stock issued upon exercise which are not sold to pay the Exercise Costs. Promptly after exercise of the Option as provided for above, the agent/broker shall deliver to the person exercising the Option any net proceeds from the sale of the Shares in excess of the Exercise Costs. If the person exercising the Option is not the Optionee, such person shall also deliver with the notice of exercise appropriate proof of his or her right to exercise the Option, as the Corporation may require in its sole discretion.

4.5.2 As soon as practicable upon the Corporation's receipt of the Optionee's notice of exercise and payment, the Corporation shall direct the due issuance of the shares so purchased.

4.5.3 As a further condition precedent to the exercise of this Option in whole or in part, the Optionee shall comply with all regulations and the requirements of any regulatory authority having control of, or supervision over, the issuance of the shares of Stock and in connection therewith shall execute any documents which the Board shall in its sole discretion deem necessary or advisable.

**5. TRANSFERABILITY OF OPTIONS**

During the lifetime of an Optionee, only such Optionee (or, in the event of legal incapacity or incompetency, the Optionee's guardian or legal representative) may exercise the Option. No Option shall be assignable or transferable by the Optionee to whom it is granted, other than by will or the laws of descent and distribution.

**6. COMPLIANCE WITH LAW**

The Corporation shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, that notwithstanding any other provision of this Option Agreement, the Option shall not be exercisable if the exercise thereof would result in a violation of any such law.

**7. RIGHTS AS STOCKHOLDER**

Neither the Optionee nor any executor, administrator, distributee or legatee of the Optionee's estate shall be, or have any of the rights or privileges of, a stockholder of the Corporation in respect of any shares of Stock issuable hereunder unless and until such shares have been fully paid and certificates representing such shares have been endorsed, transferred and delivered, and the name of the Optionee (or of such personal representative, administrator, distributee or legatee of the Optionee's estate) has been entered as the stockholder of record on the books of the Corporation.

**8. WITHHOLDING OF TAXES**

If the Corporation shall be required to withhold any federal, state, local or foreign tax in connection with exercise of this Option, it shall be a condition to such exercise that the Optionee pay or make provision satisfactory to the Corporation for payment of all such taxes. The Optionee may elect that all or any part of such withholding requirement be satisfied by retention by the Corporation of a portion of the shares purchased upon exercise of this Option. If such election is made, the shares so retained shall be credited against such withholding requirement at the fair market value on the date of exercise.

**9. DISCLAIMER OF RIGHTS**

No provision in this Option Agreement shall be construed to confer upon the Optionee the right to be employed by the Corporation or any Subsidiary, or to interfere in any way with the right and authority of the Corporation or any Subsidiary either to increase or decrease the compensation of the Optionee at any time, or to terminate any employment or other relationship between the Optionee and the Corporation or any Subsidiary.

**10. CHANGE IN CONTROL**

For purposes of this Option Agreement, "Change in Control" means

(a) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person"), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then-outstanding shares of common stock of the Corporation (the "Outstanding Corporation Common Stock") or (ii) the combined voting power of the then-outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding Corporation Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Corporation (excluding an acquisition by virtue of the exercise of a conversion privilege), (B) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any corporation controlled by the Corporation or (C) any acquisition by any corporation pursuant to a reorganization, merger or consolidation, if, following such reorganization, merger or consolidation, the conditions described in sub-clauses (i), (ii) and (iii) of clause (c) of this Section 10 are satisfied; or

(b) if individuals who, as of the date hereof, constitute the Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation's stockholders, was approved by a vote of at least two-thirds of the directors then constituting the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest subject to Rule 14a-11 of Regulation 14A promulgated under the Exchange Act or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) consummation of a reorganization, merger or consolidation, unless following such reorganization, merger or consolidation (i) more than 60% of, respectively, the then-outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Corporation

Common Stock and Outstanding Corporation Voting Securities immediately prior to such reorganization, merger, or consolidation in substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities, as the case may be (for purposes of determining whether such percentage test is satisfied, there shall be excluded from the number of shares and voting securities of the resulting corporation owned by the Corporation's stockholders, but not from the total number of outstanding shares and voting securities of the resulting corporation, any shares or voting securities received by any such stockholder in respect of any consideration other than shares or voting securities of the Corporation), (ii) no Person (excluding the Corporation, any employee benefit plan (or related trust) of the Corporation, any qualified employee benefit plan of such corporation resulting from such reorganization, merger or consolidation and any Person beneficially owning, immediately prior to such reorganization, merger or consolidation, directly or indirectly, 20% or more of the Outstanding Corporation Common Stock or Outstanding Corporation Voting Securities, as the case may be) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then-outstanding voting securities of such corporation entitled to vote generally in the election of directors and (iii) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were members of the Incumbent Board at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation; or

(d) (i) approval by the stockholders of the Corporation of a complete liquidation or dissolution of the Corporation, or (ii) the first to occur of (A) the sale or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets of the Corporation, or (B) the approval by the stockholders of the Corporation of any such sale or disposition, other than, in each case, any such sale or disposition to a corporation, with respect to which immediately thereafter, (1) more than 60% of, respectively, the then-outstanding shares of common stock of such corporation and the combined voting power of the then-outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Corporation Common Stock and Outstanding Corporation Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities, as the case may be (for purposes of determining whether such percentage test is satisfied, there shall be excluded from the number of shares and voting securities of the transferee corporation owned by the Corporation's stockholders, but not from the total number of outstanding shares and voting securities of the transferee corporation, any shares or voting securities received by any such stockholder in respect of any consideration other than shares or voting securities of the Corporation), (2) no Person (excluding the Corporation and any employee benefit plan (or related trust) of the Corporation, any qualified employee benefit plan of such transferee corporation and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 20% or more of the Outstanding Corporation Common Stock or Outstanding Corporation Voting Securities, as the case may be) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of such transferee corporation and the combined voting power of the then-outstanding voting securities of such transferee corporation entitled to vote generally in the election of directors and (3) at least a majority of the members of the board of directors of such transferee corporation were members of the Incumbent Board at the time of the execution of the initial agreement or action of the board providing for such sale or other disposition of assets of the Corporation.

## 11. COMPLIANCE WITH SECTION 409A OF THE CODE.

To the extent applicable, it is intended that this Option Agreement and the Plan comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) do not apply to Optionee. This Option Agreement and the Plan shall be administered in a manner consistent with this intent, and any provision that would cause the Option Agreement or the Plan to fail to satisfy Section 409A of the Code shall have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Corporation without the consent of the Optionee).

## 12. INTERPRETATION OF THIS OPTION AGREEMENT

All decisions and interpretations made by the Board or the Compensation Committee thereof with regard to any question arising under the Plan or this Option Agreement shall be binding and conclusive on the Corporation and the Optionee and any other person entitled to exercise the Option as provided for herein.

## 13. GOVERNING LAW

This Option Agreement shall be governed by the laws of the State of Delaware (but not including the choice of law rules thereof).

## 14. BINDING EFFECT

Subject to all restrictions provided for in this Option Agreement, the Plan, and by applicable law relating to assignment and transfer of this Option Agreement and the Option provided for herein, this Option Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and assigns.

**15. NOTICE**

Any notice hereunder by the Optionee to the Corporation shall be in writing and shall be deemed duly given if mailed or delivered to the Corporation at its principal office, addressed to the attention of Stock Plan Administration or if so mailed or delivered to such other address as the Corporation may hereafter designate by notice to the Optionee. Any notice hereunder by the Corporation to the Optionee shall be in writing and shall be deemed duly given if mailed or delivered to the Optionee at the address specified below by the Optionee for such purpose, or if so mailed or delivered to such other address as the Optionee may hereafter designate by written notice given to the Corporation.

**16. SEVERABILITY**

If one or more of the provisions of this Option Agreement is invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

**17. ENTIRE AGREEMENT; ELIGIBILITY**

This Option Agreement and the Plan together constitute the entire agreement and supersedes all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. Except for amendments to the Plan incorporated into this Option Agreement by reference pursuant to Section 2 above, neither this Option Agreement nor any term hereof may be amended, waived, discharged or terminated except by a written instrument signed by the Corporation and the Optionee; provided, however, that the Corporation unilaterally may waive any provision hereof in writing to the extent that such waiver does not adversely affect the interests of the Optionee hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof. In the event that it is determined that the Optionee was not eligible to receive this Option, the Option and this Option Agreement shall be null and void and of no further effect.

# SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have duly executed this Option Agreement, or caused this Option Agreement to be duly executed on their behalf, as of the day and year first above written.

**Transaction Systems Architects, Inc.**
By: ______________________________
**[___________________]**

**Optionee:**
By: ______________________________
**[________________________]**

**ADDRESS FOR NOTICE TO OPTIONEE:**

_____________________________________
Number Street Apt.

_____________________________________
City State Zip Code

_____________________________________
SS# Hire Date

**DESIGNATED BENEFICIARY**:

_____________________________________
Please Print Last Name, First Name MI

_____________________________________
Beneficiary's Street Address

_____________________________________
City State Zip Code

_____________________________________
Beneficiary's Social Security Number

I understand that in the event of my death, the above named beneficiary will have control of any unexercised options remaining in my account at that time. If no beneficiary is designated or if the named beneficiary does not survive me, the options will become part of my estate. This beneficiary designation does NOT apply to stock acquired by the exercise of options prior to my death.

_____________________________________
SIGNATURE DATE

After completing this page, please make a copy for your records and return it to
Stock Plan Administration, Transaction Systems Architects, Inc., 330 S. 108 Avenue, Omaha, NE 68154

**2005 Equity and Performance Incentive Plan - US Plan**
_________ Options $________/Share Exercise Price _______ Date

**Exhibit 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Philip G. Heasley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Transaction Systems Architects, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2005

By: /s/ PHILIP G. HEASLEY

Philip G. Heasley

*President, Chief Executive Officer*
*and Director*

**Exhibit 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, David R. Bankhead, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Transaction Systems Architects, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2005

By: /s/ DAVID R. BANKHEAD

David R. Bankhead

*Senior Vice President,*
*Chief Financial Officer and Treasurer*

**Exhibit 32.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Transaction Systems Architects, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Philip G. Heasley, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2005

By: /s/ PHILIP G. HEASLEY
Philip G. Heasley
*President, Chief Executive Officer and Director*

**Exhibit 32.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Transaction Systems Architects, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David R. Bankhead, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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|---|---|---|
| Date: August 5, 2005 | By: | /s/ DAVID R. BANKHEAD |
| | | David R. Bankhead |
| | | *Senior Vice President,* |
| | | *Chief Financial Officer and Treasurer* |