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

FORM 10-Q

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

For the quarterly period ended March 31, 2003

Commission File Number 0-25346

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

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

224 South 108th Avenue Omaha, Nebraska 68154	(402) 334-5101
(Address of principal executive offices, including zip code)	(Registrant's telephone number, including area code)

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

Yes x No

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

Yes No x

As of April 30, 2003, there were 35,520,134 shares of the registrant's Class A Common Stock, par value $.005 per share, outstanding (excluding 1,476,145 shares held as Treasury Stock, and including 7,680 options to purchase shares of the registrant's Class A Common Stock at an exercise price of one cent per share).

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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TRANSACTION SYSTEMS ARCHITECTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

	March 31, 2003 (Unaudited)	September 30, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 91,408	$ 87,894
Marketable securities	3,183	3,757
Billed receivables, net	43,985	35,755
Accrued receivables	7,337	13,132
Deferred income taxes, net	10,599	17,554
Other	8,024	4,560
Total current assets	164,536	162,652
Property and equipment, net	10,071	11,597
Software, net	3,116	5,609
Goodwill, net	56,387	55,947
Deferred income taxes, net	22,469	27,546
Other	2,681	3,168
Total assets	$ 259,260	$ 266,519
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt - financing agreements	$ 17,106	$ 18,444
Accounts payable	6,442	7,348
Accrued employee compensation	7,095	7,583
Accrued liabilities	8,669	11,494
Income taxes payable	-	7,847
Deferred revenue	72,950	59,598
Other	764	872
Total current liabilities	113,026	113,186
Debt - financing agreements	15,228	24,866
Deferred revenue	19,463	23,860
Other	1,519	1,749
Total liabilities	149,236	163,661
Contingencies (Note 11)		
Stockholders' equity:		
Class A Common Stock, $.005 par value; 50,000,000 shares authorized; 36,928,954 and 36,887,805 shares issued at March 31, 2003 and September 30, 2002, respectively	183	183
Treasury stock, at cost, 1,476,145 shares	(35,258)	(35,258)
Additional paid-in capital	229,037	228,465
Accumulated deficit	(76,862)	(83,927)
Accumulated other comprehensive loss, net	(7,076)	(6,605)
Total stockholders' equity	110,024	102,858
Total liabilities and stockholders' equity	$ 259,260	$ 266,519

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

TRANSACTION SYSTEMS ARCHITECTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited and in thousands, except per share amounts)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2003	2002 (Restated)	2003	2002 (Restated)
Revenues:				
Software license fees	$ 38,167	$ 39,615	$ 69,497	$ 80,446
Maintenance fees	19,461	18,699	38,065	37,481
Services	11,622	12,923	24,177	26,547
Total revenues	69,250	71,237	131,739	144,474
Expenses:				
Cost of software license fees	6,289	7,947	12,228	17,165
Cost of maintenance and services	15,693	16,375	30,501	32,413
Research and development	8,357	8,918	16,307	17,967
Selling and marketing	13,529	13,481	27,265	27,738
General and administrative	14,104	14,800	26,687	27,696
Total expenses	57,972	61,521	112,988	122,979
Operating income	11,278	9,716	18,751	21,495
Other income (expense):				
Interest income	285	329	595	640
Interest expense	(787)	(1,444)	(1,743)	(3,063)
Other, net	79	8,069	(1,060)	3,598
Total other income (expense)	(423)	6,954	(2,208)	1,175
Income before income taxes	10,855	16,670	16,543	22,670
Income tax provision	(6,785)	(9,879)	(9,478)	(13,462)
Net income	$ 4,070	$ 6,791	$ 7,065	$ 9,208
Earnings per share information:				
Weighted average shares outstanding:				
Basic	35,486	35,299	35,462	35,277
Diluted	35,573	35,531	35,562	35,496
Earnings per share:				
Basic	$ 0.11	$ 0.19	$ 0.20	$ 0.26
Diluted	$ 0.11	$ 0.19	$ 0.20	$ 0.26

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

TRANSACTION SYSTEMS ARCHITECTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited and in thousands)

	Six Months Ended March 31,	
	2003	2002 (Restated)
Cash flows from operating activities:		
Net income	$ 7,065	$ 9,208
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,586	3,330
Amortization	2,211	6,105
Gain on sale of business	-	(8,265)
Loss on sale of marketable equity securities	115	-
Impairments of marketable equity securities and software	-	3,654
Changes in operating assets and liabilities:		
Billed and accrued receivables, net	(2,435)	7,036
Other current and noncurrent assets	(2,259)	(6,801)
Accounts payable	(906)	(6,689)
Deferred revenue	8,955	3,564
Income taxes	1,811	23,952
Other current and noncurrent liabilities	(3,199)	(3,117)
Net cash provided by operating activities	13,944	31,977
Cash flows from investing activities:		
Purchases of property and equipment, net	(907)	(2,758)
Purchases of software	(148)	(659)
Net proceeds from sale of business	-	4,951
Other, net	519	(88)
Net cash provided by (used in) investing activities	(536)	1,446
Cash flows from financing activities:		
Proceeds from issuance of Class A Common Stock	535	643
Proceeds from exercise of stock options	37	40
Repayments on line of credit	-	(12,000)
Proceeds from debt - financing agreements	-	5,777
Payments on debt - financing agreements	(10,976)	(12,970)
Other, net	(452)	582
Net cash used in financing activities	(10,856)	(17,928)
Effect of exchange rate fluctuations on cash	962	(459)
Net increase in cash and cash equivalents	3,514	15,036
Cash and cash equivalents, beginning of period	87,894	32,004
Cash and cash equivalents, end of period	$ 91,408	$ 47,040

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

TRANSACTION SYSTEMS ARCHITECTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 and electronic commerce. 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 e-payment processors, both in domestic and international markets.

Consolidated Financial Statements

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. The consolidated financial statements at March 31, 2003, and for the three and six months ended March 31, 2003 and 2002, are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods. Certain amounts previously reported have been reclassified to conform to current presentation.

The consolidated financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto, together with management's discussion and analysis of financial condition and results of operations, contained in the Company's annual report on Form 10-K for the fiscal year ended September 30, 2002. The results of operations for the three and six months ended March 31, 2003 are not necessarily indicative of the results that may be achieved for the entire fiscal year ending September 30, 2003.

During fiscal 2002, the Company identified transactions for which accounting adjustments were necessary, which resulted in restatements of the Company's consolidated financial statements, including previously reported amounts for the three and six months ended March 31, 2002 (see Note 12 for further discussion).

Use of Estimates in Preparation of Consolidated Financial Statements

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

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." For software license arrangements for which services rendered are not considered essential to the functionality of the software, the Company recognizes revenue upon delivery, provided (1) there is persuasive evidence of an arrangement, (2) collection of the fee is considered probable and (3) the fee is fixed or determinable. In most arrangements, vendor-specific objective evidence ("VSOE") of fair value does not exist for the license element; therefore, the Company uses the residual method under SOP 98-9 to determine the amount of revenue to be allocated to the license element. Under SOP 98-9, the fair value of all undelivered elements, such as postcontract customer support (maintenance or "PCS") or other products or services, is deferred and subsequently recognized as the products are delivered or the services are performed, with the residual difference between the total arrangement fee and revenues allocated to undelivered elements being allocated to the delivered element.

When a software license arrangement includes services to provide significant production, 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 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 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, which are used in current percentage-complete computations, 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 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, if all other conditions to 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. 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.

For software license arrangements in which the Company's ability to enforce payment terms depends on customer acceptance provisions, software license fee revenue is recognized upon the earlier of the point at which (1) the customer accepts the software products or (2) the acceptance provisions lapse.

For software license arrangements in which VSOE of the fair value of undelivered elements does not exist to allocate the total fee to all elements of the arrangement, revenue is deferred until the earlier of the point at which (1) such sufficient VSOE of the fair value of undelivered elements does exist or (2) all elements of the arrangement have been delivered.

Gross versus Net. 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.

Subscriptions and Usage Fees. 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 software license fees based on usage of the product, the Company recognizes revenue as usage occurs over the term of the licenses, 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 a multi-year time-based software license has a duration of one year or less or the initial PCS term is relatively long (i.e. greater than fifty percent) compared to the term of the software license, the Company recognizes revenue for the entire arrangement ratably over the PCS term as VSOE of fair value cannot be established.

Services. Revenues from arrangements to provide professional services on a time and materials basis are recognized as the related services are performed. Revenues from professional services provided on a fixed fee basis are recognized using the percentage-of-completion method.

Non-monetary Transactions. Non-monetary transactions are accounted for in accordance with Accounting Principles Board ("APB") Opinion No. 29, "Accounting for Non-monetary Transactions," which requires that the transfer or distribution of a non-monetary asset or liability generally be based on the fair value of the asset or liability that is received or surrendered, whichever is more clearly evident. In those cases where fair value of the assets exchanged is not readily determinable, the exchange is recorded at the historical cost of the asset surrendered.

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

Deferred Revenue. Deferred revenue represents (1) 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 does not exist, or (3) amounts deferred if other conditions to revenue recognition have not been met.

Debt - Financing Agreements

The Company periodically sells rights to future payment streams under software license arrangements with extended payment terms. In accordance with the Financial Accounting Standards Board's ("FASB") Emerging Issues Task Force ("EITF") 88-18, "Sales of Future Revenues," the Company records the proceeds received from these arrangements as debt and reduces the debt principal as payments are made. Interest on the debt accrues monthly and is computed using the effective interest method.

Recent Accounting Pronouncements

In October 2002, the Company adopted EITF 01-14, "Income Statement Characterization of Reimbursements Received for "Out-of-Pocket" Expenses Incurred," which requires (1) that reimbursements received for out-of-pocket expenses be classified as revenue, rather than as a reduction of expenses, and (2) upon adoption, comparative financial statements for prior periods be reclassified to comply with the guidance of EITF 01-14. As a result of adopting EITF 01-14, results for the three and six months ended March 31, 2002 were restated to increase revenues and increase operating expenses by $483,000 and $969,000, respectively. The adoption of EITF 01-14 had no effect on net income.

In December 2002, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," which amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 is effective for the Company's fiscal year ending September 30, 2003, with disclosure provisions for interim periods beginning after December 15, 2002. The Company does not expect to voluntarily adopt the fair value based method of SFAS No. 123 and, therefore, does not expect the measurement provisions of SFAS No. 148 to affect the Company's financial position or results of operations. The Company has adopted the disclosure provisions required by SFAS No. 148 (see Note 2).

2. Stock-Based Compensation Plans

The Company accounts for its stock-based compensation plans under the intrinsic value method in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" and follows the disclosure provisions of SFAS No. 123, as amended by SFAS No. 148. In accordance with APB No. 25, no compensation expense has been recognized in the Company's consolidated statements of operations for the three and six months ended March 31, 2003 and 2002 related to its stock-based compensation plans. Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value 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 six months ended March 31, 2003 and 2002 would have approximated the following pro forma amounts (in thousands, except per share amounts):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2003	2002 (Restated)	2003	2002 (Restated)
Net income:				
As reported	$ 4,070	$ 6,791	$ 7,065	$ 9,208
Deduct: stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,488)	(427)	(3,027)	(674)
Pro forma	$ 2,582	$ 6,364	$ 4,038	$ 8,534
Earnings per share:				
Basic and diluted, as reported	$ 0.11	$ 0.19	$ 0.20	$ 0.26
Basic and diluted, pro forma	$ 0.07	$ 0.18	$ 0.11	$ 0.24

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. The effects of applying SFAS No. 123 in this pro forma disclosure are not indicative of future amounts. SFAS No. 123 applies only to options granted since fiscal 1996, and additional future awards are anticipated.

3. Corporate Restructuring Charges and Asset Impairment Losses

During fiscal 2001, the Company closed or significantly reduced the size of certain product development organizations and geographic sales offices, resulting in restructuring charges and asset impairment losses. The following table shows activity related to these exit activities since September 30, 2002 (in thousands):

	Lease Obligations
Balance, September 30, 2002	$ 1,047
Amounts paid year-to-date during fiscal 2003	(158)
Balance, March 31, 2003	$ 889

The liability for lease obligations relates to the abandonment or reduction of office facilities with lease terms ending on various dates through March 2005, net of expected third-party purchases or sub-leases, and an estimated lease termination loss for the corporate aircraft. The Company continues to seek subleases for certain of the properties as well as an exit to the corporate aircraft lease. The final settlement of these obligations may result in adjustments to these liabilities.

4. Line of Credit Agreement

The Company has a $15.0 million bank line of credit agreement with a United States bank that expires in June 2003. This credit agreement is secured by certain trade receivables and provides that the Company must satisfy certain specified earnings, working capital and minimum tangible net worth requirements, as defined, and places restrictions on the Company's ability to, among other things, sell assets, incur debt, pay dividends, participate in mergers and make investments or guarantees. As a result of the restatement of its consolidated financial statements during fiscal 2002, the Company is not in compliance with the debt covenants as of March 31, 2003. Interest on this credit facility, which is payable monthly, accrues at an annual rate, selected by the Company, equal to either the bank's prime rate or the LIBOR rate plus 2%. The Company had no line of credit borrowings outstanding on this credit facility during the six months ended March 31, 2003. During the three and six months ended March 31, 2002, the Company recorded interest expense and related fees of $36,000 and $164,000, respectively, related to its line of credit facilities.

5. Goodwill and Software

Changes to the carrying amount of goodwill during the six months ended March 31, 2003 resulted only from foreign currency translation adjustments.

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

	March 31, 2003	Sept. 30, 2002
Internally-developed software	$ 15,494	$ 15,372
Purchased software	43,596	43,312
	59,090	58,684
Less: accumulated amortization	(55,974)	(53,075)
Software, net	$ 3,116	$ 5,609

Amortization of software is computed using the greater of the ratio of current revenues to total estimated revenues expected to be derived from the software or the straight-line method over an estimated useful life of three years. Software amortization expense recorded in the three and six months ended March 31, 2003 was $0.8 million and $1.6 million, respectively. Based on capitalized software at March 31, 2003, and assuming no impairment of these software assets, estimated amortization expense for the remainder of fiscal 2003 and in succeeding fiscal years is as follows (in thousands):

2003	$1,235
2004	1,680
2005	181
2006	20
Thereafter	-

6. Debt - Financing Agreements

During the six months ended March 31, 2002, the Company sold the rights to future payment streams under software license arrangements with extended payment terms to financial institutions and received cash of approximately $5.8 million. The Company did not sell any rights to future payment streams under software license arrangements with extended payment terms during the six months ended March 31, 2003. The amount of the proceeds received from the financing arrangements is typically determined by applying a discount rate to the gross future payments to be received from the customer. The discount rates used to determine the proceeds during the six months ended March 31, 2002 ranged from 6.81% to 7.75%. The Company recorded interest expense of $0.8 million and $1.3 million during the three months ended March 31, 2003 and 2002, respectively, and $1.7 million and $2.7 million during the six months ended March 31, 2003 and 2002, respectively, related to debt - financing agreements.

7. Common Stock and Earnings Per Share

Exchangeable shares, and options to purchase shares of TSA Class A Common Stock ("Common Stock") at an exercise price of one cent per share, received by shareholders of MessagingDirect Ltd. ("MDL"), that have not yet been converted into Common Stock are included in Class A Common Stock for presentation purposes on the March 31, 2003 and September 30, 2002 consolidated balance sheets. Exchangeable shares and MDL options included in Common Stock totaled 7,680 options as of March 31, 2003, and 73,909 shares and 11,010 options as of September 30, 2002. There were no outstanding exchangeable shares at March 31, 2003.

Earnings per share ("EPS") has been computed in accordance with SFAS No. 128, "Earnings Per Share." Basic EPS is calculated by dividing net income available to common stockholders (the numerator) by the weighted average number of common shares outstanding during the period (the denominator). Diluted EPS is computed by dividing net income available to common stockholders (the numerator), by the weighted average number of common shares

outstanding, adjusted for the dilutive effect of outstanding dilutive securities (the denominator). Exchangeable shares and options received by shareholders of MDL that have not yet been converted into Common Stock are included in common shares outstanding for EPS computations. The differences between the basic and diluted EPS denominators for the three months ended March 31, 2003 and 2002, which amounted to approximately 87,000 and 232,000 shares, respectively, and for the six months ended March 31, 2003 and 2002, which amounted to approximately 100,000 and 219,000 shares, respectively, were due to the dilutive effect of the Company's outstanding stock options using the treasury stock method. Weighted average shares from stock options of 5,149,000 and 1,680,000 were excluded from the computation of diluted EPS for the three months ended March 31, 2003 and 2002, respectively, and weighted average shares from stock options of 5,137,000 and 1,666,000 were excluded from the computation of diluted EPS for the six months ended March 31, 2003 and 2002, respectively, because the exercise prices of the stock options were greater than the average market price of the Company's common shares.

8. Comprehensive Income/Loss

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2003	2002	2003	2002
		(Restated)		(Restated)
Net income	$ 4,070	$ 6,791	$ 7,065	$ 9,208
Other comprehensive income (loss):				
Foreign currency translation adjustments	(76)	584	(531)	1,277
Change in unrealized loss on investments	456	143	60	2,606
Comprehensive income	$ 4,450	$ 7,518	$ 6,594	$ 13,091

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, 2002	$ (6,162)	$ (443)	$ (6,605)
Fiscal 2003 year-to-date activity	(531)	60	(471)
Balance, March 31, 2003	$ (6,693)	$ (383)	$ (7,076)

9. Income Taxes

The effective tax rate for the first six months of fiscal 2003 was approximately 57.3% as compared to 59.4% for the same period of fiscal 2002. The effective tax rate for the first six months of fiscal 2003 was primarily impacted by non-recognition of tax benefits for operating losses in certain foreign locations and recognition of a valuation allowance for foreign tax credits. The effective tax rate for the first six months of fiscal 2002 was primarily impacted by non-recognition of tax benefits for operating losses in certain foreign locations, recognition of a valuation allowance for foreign tax credits, foreign tax rate differentials and gain on sale of subsidiary.

10. Segment Information

The Company has three operating segments, referred to as business units. These three business units are ACI Worldwide, Insession Technologies and IntraNet. ACI Worldwide products represent the Company's largest product line and include its most mature and well-established applications, which are used primarily by financial institutions, retailers and e-payment processors. Its products are used to route and process transactions for automated teller machine networks; process transactions from 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 products offer high value payments processing, bulk payments processing, global messaging and continuous link settlement processing.

The Company's chief operating decision makers review business unit financial information presented on a consolidated basis, accompanied by disaggregated information about revenues and operating income by business unit. The Company does not track assets by business unit. No single customer accounted for more than 10% of the Company's consolidated revenues during the three and six months ended March 31, 2003 and 2002. The following are revenues and operating income for these business units for the periods indicated (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2003	2002 (Restated)	2003	2002 (Restated)
Revenues:				
ACI Worldwide	$ 48,665	$ 52,351	$ 94,271	$ 107,676
Insession Technologies	8,828	9,973	15,828	18,069
IntraNet	11,757	8,913	21,640	18,729
	$ 69,250	$ 71,237	$ 131,739	$ 144,474
Operating income:				
ACI Worldwide	$ 5,350	$ 7,503	$ 10,260	$ 16,938
Insession Technologies	2,379	2,308	3,228	3,239
IntraNet	3,549	(95)	5,263	1,318
	$ 11,278	$ 9,716	$ 18,751	$ 21,495

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2003	2002 (Restated)	2003	2002 (Restated)
Revenues:				
United States	$ 27,975	$ 30,488	$ 57,850	$ 63,747
Other Americas	8,142	10,766	15,609	20,569
Total Americas	36,117	41,254	73,459	84,316
EMEA	24,946	23,492	41,835	46,200
Asia/Pacific	8,187	6,491	16,445	13,958
	$ 69,250	$ 71,237	$ 131,739	$ 144,474

	March 31, 2003	Sept. 30, 2002
Long-lived assets:		
United States	$ 54,978	$ 57,616
Other Americas	6,437	6,098
Total Americas	61,415	63,714
EMEA	9,913	11,805
Asia/Pacific	927	802
	$ 72,255	$ 76,321

11. Contingencies

Legal Proceedings

Class Action Litigation. The Company is aware of announcements for three class action complaints in connection with the re-audit and restatement of the Company's prior period financial statements. The Company has obtained copies of two class action complaints. The Company and its external legal advisors have searched for the third announced class action complaint but have not found it filed in the court where it was stated to be filed and have concluded that the third announced complaint has not been filed. The two complaints obtained by the Company are Desert Orchid Partners v. the Company, et al and Nancy Rosen v. the Company, et al. Based on the two complaints which are publicly available, the Company understands that the plaintiffs allege violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 thereunder, on the grounds that certain of the Company's Exchange Act reports and press releases contained untrue statements of material facts, or omitted to state facts necessary to make the statements therein not misleading, with regard to the Company's revenues and expenses during the class period. The complaints allege that during the purported class periods, the Company and the named officers and directors 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 plaintiffs are seeking unspecified damages, interest, fees, costs and rescission. The class periods stated in the two complaints are January 21, 1999 through November 18, 2002 and December 29, 1999 through August 14, 2002. The Company and four of the individual defendants have been served with process with respect to the Rosen case only. The Company and the individual defendants that have been served plan on filing a motion to dismiss on or before their required answer dates.

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 shareholders 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 of 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' 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 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 shareholders 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 of 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' 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 when and if service of process is achieved. 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.

These class action and derivative lawsuits were brought in the United States District Court for the District of Nebraska and the Nebraska District Courts, respectively, and are at preliminary stages. The Company is currently in the process of preparing to respond to the claims made in the lawsuits. The Company intends to defend the foregoing lawsuits vigorously, but, since the lawsuits have only recently been filed and are in the very early stages, the Company cannot predict the outcome and is not currently able to evaluate the likelihood of success or the range of potential loss, if any, that might be incurred in connection with such actions. However, if the Company were to lose any of these lawsuits or if they were not settled on favorable terms, the judgment or settlement may have a material adverse effect on the Company's consolidated financial position, results of operations and 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.

Additional suits against the Company may be commenced in the future. The Company will fully analyze these allegations once all of the complaints are received and intends to vigorously defend against them. There is a risk that such litigation could result in substantial costs and divert management attention and resources from its business, which could adversely affect the Company's business.

In connection with the re-audit and restatement of the Company's prior period financial statements, the Company has been in contact with the Securities and Exchange Commission Enforcement Division. On December 9, 2002, certain of the Company's officers and external legal counsel held a telephone conference with representatives of the SEC Enforcement Division. The Company had a follow-up meeting with the SEC Enforcement Division on March 14, 2003. At this meeting, the SEC representatives asked questions about the restatement. The SEC Enforcement Division also requested that the Company provide additional written information regarding the restatement. The Company supplied this information on March 21, 2003. The Company has not received any follow-up inquiries from the SEC Enforcement Division since March 21, 2003. To the knowledge of the Company, the SEC Enforcement Division has not issued a formal order of investigation. The Company intends to cooperate fully with the SEC on any additional inquiries.

In addition to the foregoing, from time to time, the Company is involved in litigation relating to claims arising out of its operations in the normal course of business. The Company is not currently a party to any such legal proceedings, other than as described above, the adverse outcome of which, individually or in the aggregate, would have a material adverse effect on the Company's financial condition or results of operations

12. Restatement of Consolidated Financial Results

During fiscal 2002, in the course of the Company's review of its consolidated financial statements, the Company identified transactions for which accounting adjustments were necessary, which resulted in restatements of the Company's consolidated financial statements for fiscal 2001 and 2000, as well as restatements of previously reported quarterly results for the first three quarters of fiscal 2002 and each quarter during fiscal 2001 and 2000. The following is a description of the restatement adjustment categories. The dollar effect of adjustments within each category for the three and six months ended March 31, 2002 is shown below under the heading Presentation of Restated Consolidated Financial Information.

Revenue Recognition

Fixed or Determinable. In fiscal 1999, the Company adopted SOP 97-2, which requires that a software vendor's fee be fixed or determinable before it can recognize the license fee revenue upon shipment of the software. SOP 97-2 states that if payment of a significant portion of the software license fee is not due until after expiration of the license or more than twelve months after delivery, the license fee should be presumed not to be fixed or determinable. However, SOP 97-2 provides that the software vendor can overcome the presumption that the software license fees are not fixed or determinable if the vendor has a standard business practice of using long-term or installment contracts and has a history of successfully collecting the software license fees under the original payment terms of the software license arrangement without making concessions.

Previously, the Company concluded that for certain BASE24 and ICE software arrangements where the customer is contractually committed to make license payments that extend beyond twelve months, the fixed or determinable presumption had been overcome and software license fee revenue should be recognized upon delivery of the software, assuming that all other revenue recognition criteria had been met. Software license fee revenues recognized under these arrangements were referred to in the Company's previous filings with the SEC as "Recognized-Up-Front MLFs ("RUFs")." Software license fee revenues previously recognized as RUFs totaled approximately $2.8 million and $6.9 million during the three and six months ended March 31, 2002.

Subsequently, it was determined that upon adoption of SOP 97-2, the Company lacked a history of successfully collecting software license fees under the original terms of the software license arrangement without making concessions, which would have enabled it to recognize software license fee revenue upon delivery of the software products. In addition, certain contracts previously accounted for under the RUF policy contained cancellation clauses and MLFs that vary with customer usage (i.e., usage-based fees). Therefore, license fees for these arrangements were also not fixed and determinable at the outset of the arrangement. As a result, the Company's consolidated financial statements have been restated to recognize revenues under software license arrangements with extended payment terms over the term of the underlying license arrangements, as payments become due and payable rather than up-front (or ratably for subscription arrangements).

Under the Company's previous accounting, the license fee revenue recognized-up-front was generally the net present value of the monthly license fee ("MLF") payments. The difference between the payments to be received from the customer and the amount of license fee revenue recognized was accounted for as interest income using the effective interest rate method. The revised treatment for these arrangements has resulted in a reduction in interest income for the amounts previously recorded under these arrangements. In addition, the Company previously sold the MLF payment stream for certain of these previously recognized software license arrangements. The previous treatment resulted in the derecognition of the transferred asset accounts receivable following the sale of the MLF receivable. The revised treatment for these arrangements has resulted in the recording of periodic interest expense for the difference between the proceeds received under the factoring arrangements and the license fee revenues recognized under the arrangements. Due to the Company's continuing involvement in the maintenance services, the cash proceeds have been recorded as debt - financing agreements.

VSOE. The Company's software license arrangements typically include the licensing of software and providing of PCS. The bundled software license arrangements generally have a separate stated term for the software license and the PCS. The software license term generally ranges from 12 to 60 months, although some arrangements have a software license term extending beyond 60 months. The PCS term is generally 12 to 24 months, although certain of these arrangements have a PCS term that is the same as the software license term.

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

determined that it does not have VSOE of the PCS element from renewal terms, and license fee and PCS revenues have been restated and recognized ratably over the PCS period.

Customer Acceptance. Certain of the Company's software arrangements (primarily those in the Asia/Pacific region) include payment terms that are enforceable only upon the passage of time or customer acceptance. Historically, for most of the software license arrangements that contain customer acceptance provisions, the Company recognized software license fee revenue upon delivery of the software products, assuming that all other revenue recognition criteria had been met. The Company's consolidated financial statements have been restated to recognize revenues under software license arrangements with customer acceptance provisions upon the earlier of the point at which (1) the customer accepts the software products or (2) the acceptance provisions lapse. For those software license arrangements in which acceptance did not ultimately occur, this restated treatment resulted in a reduction in previously recognized revenues.

Collectibility. It has been determined that certain software license revenue was recognized for which collection was not reasonably assured. The Company's consolidated financial statements have been restated to recognize revenue from these arrangements as cash was received. For those software license arrangements in which collectibility was not probable at the onset of the arrangement and for which the Company received no cash or only a portion of the fees, this restated treatment resulted in a reduction of previously recognized revenues and bad debts expense.

Contract Accounting. SOP 97-2 requires that an arrangement to deliver software that requires significant production, modification, or customization of software should be accounted for in accordance with ARB No. 45 and the relevant guidance provided by SOP 81-1. This guidance is often referred to as contract accounting. The Company has certain software license arrangements, which are subject to contract accounting. Although payment terms are generally spread out over time in contract accounting, the concepts and risks of extended payment terms also apply to arrangements accounted for under contract accounting. The Company has determined that certain of its contract accounting arrangements contain extended payment terms and therefore the associated fees are not considered fixed or determinable. In addition, the Company previously recognized revenue up-front on certain contracts that required significant production, modification, or customization. The Company's consolidated financial statements have been restated to (1) revise the estimated total revenue under the contract which was used in the current percentage complete computations to exclude amounts due under extended payment terms, and (2) recognize revenue based on percentage completion estimated for those contracts in which revenue was previously recorded when the software was delivered even though significant customization of the delivered software was required.

Subscription Accounting. The Company has certain software license arrangements in which the customer has the ability to receive additional unspecified products over a limited period. Previously the Company recognized software license fee revenue upon delivery of the initial products specified in the software license arrangement. SOP 97-2 states that the software license revenue under these arrangements should be recognized ratably over the term of the arrangement, beginning with the delivery of the first product. One of the software license arrangements identified is Digital Courier Technologies, Inc. ("DCTI"). The Company's consolidated financial statements have been restated to recognize revenue from these arrangements ratably over the term of the arrangement.

Multiple-Element Arrangements. The Company has certain multiple-product arrangements of which only a portion of the software products are delivered to the customer. Previously, the Company recognized license fee revenue for the portion of the total fee that related to the delivered products as determined by stated contract values. SOP 97-2, as amended by SOP 98-9, states that for arrangements that involve multiple elements either (1) the entire fee from the arrangement must be allocated to each of the individual elements, based on each element's VSOE of fair value, or (2) VSOE of the fair value must be established for the undelivered elements with the entire discount allocated to the delivered elements. In addition, the Company occasionally enters into more than one contract with a single customer within a short period of time. Certain of these arrangements are so closely related that they are, in substance, parts of a single arrangement. If VSOE of fair value does not exist, all revenue from the arrangement must be deferred until the earlier of when (1) such evidence does exist for each element, (2) all the elements have been delivered, or (3) the evidence of fair value exists for the undelivered elements. For certain software license arrangements in which only a portion of the products are delivered, it has been determined that VSOE of fair value for the undelivered products does not exist. The Company's consolidated financial statements have been restated for these arrangements to defer recognition of revenue for the entire arrangement until all the products in the arrangement have been delivered or at such time that it has been determined that the additional products will not be

delivered, as evidenced by customer acknowledgement of credits due, if any.

Delivery/Term Commencement. The Company has identified certain arrangements in which delivery of the software products and/or commencement of the license term had not occurred prior to revenue being recognized. The Company has restated its consolidated financial statements for these arrangements to recognize revenue upon delivery to the customer and commencement of the license term.

Gross versus Net, Distributor Arrangements. The Company has inconsistently classified revenues generated from arrangements in which it has acted as a sales agent for another company's product. The Company has restated its revenues related to arrangements previously reported gross. This has resulted in the reduction of previously reported costs of software licenses 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 commissions.

Operating Expenses and Other

Purchase Accounting. The Company has adjusted the purchase accounting for the acquisitions of Insession Inc., SDM International, Inc. ("SDM") and MDL, which were made in fiscal 2001, 2000 and 1999, respectively. The adjustments relate to the determination of the fair market value of the Common Stock issued to the shareholders of SDM and MDL and the determination of the fair value of deferred revenue of Insession, Inc. These adjustments resulted in a net increase to the amount of purchase price allocated to goodwill. The Company based the valuation of the SDM and MDL acquisitions on the fair market value of the Common Stock given as consideration for the acquisitions. The acquisition of SDM was valued based upon the Company's stock price on the third day subsequent to the announcement of the transaction. The acquisition of MDL was valued based on an average of the Company's stock price for one day prior to and four days after the announcement of the transaction. The Company has re-measured the purchase price of each acquisition based on the average closing sale price of a share of Common Stock using a period beginning two days before and ending two days after the date of the announcement. Additionally, the deferred revenue of Insession Inc. has been reduced to fair market value resulting in a reduction in previously recorded goodwill and previously recorded revenues.

In addition, SFAS No. 109, "Accounting for Income Taxes," requires the recognition of deferred tax liabilities for the tax consequences of differences between the assigned values of identifiable intangible assets acquired in a business combination and the tax basis of such assets. Previously, the Company did not record the deferred tax liability for certain identifiable intangible assets acquired in the Insession Inc. and MDL transactions. The Company's consolidated financial statements have been restated to recognize the deferred tax liabilities for these identifiable intangible assets. This treatment results in an increase in the allocation of purchase price to goodwill for these transactions.

These purchase accounting adjustments resulted in increases to goodwill, goodwill amortization expense for all periods prior to the adoption of SFAS No. 142, "Goodwill and Other Intangible Assets," on October 1, 2001, and the subsequent impairment losses recorded for those acquisitions.

Capitalized Software. Regency Systems, Inc. ("Regency"), a wholly-owned subsidiary of the Company until February 2002, previously capitalized costs associated with the development of its Internet banking product. Regency began amortizing the capitalized software in the second quarter of fiscal 2001. Subsequent to the Internet banking product being made generally available for sale, Regency continued to capitalize software development costs that should have been expensed. Therefore, previously capitalized software development costs have been charged to research and development costs, and software amortization expense has been reversed. In addition, the Company was previously capitalizing costs associated with the development of the IntraNet CO-ach software product. It has been determined that these software costs should not have been capitalized as the underlying product was also part of an on-going international customer project under which the Company was recognizing revenue using percentage-of-completion contract accounting. Therefore, previously capitalized software development costs have been reclassified to cost of software license fees.

Bad Debts. The allowance for doubtful accounts and bad debts expense has been reduced for the various revisions the Company has made to its revenue recognition policies (described above). The changes to revenue recognition have generally resulted in the deferral or elimination of previously recognized revenue and accounts

receivable. The Company has restated its allowance for doubtful accounts and bad debts expense to take into account changes to revenue recognition for those accounts for which revenue was previously recognized and subsequently written off as bad debts expense.

Accrued Liabilities. Certain accounting differences were discovered with respect to the recorded amount of accrued liabilities when compared to amounts actually paid out related to these accrued liabilities, resulting in a reduction in accrued liabilities in fiscal 2002 and 2001, and an increase in accrued liabilities in fiscal 2000 and 1999. Such differences included adjustments for commission liabilities, variable compensation and other accrued expenses.

Facilities Management Set-up Costs. In fiscal 1999, the Company capitalized set-up costs associated with a facilities management arrangement. These set-up costs were being amortized over the three-year term of the arrangement although the Company had previously recognized up-front fees related to initial installation. In the third quarter of fiscal 2002, the Company wrote-off the unamortized balance of the previously capitalized set-up costs. It was subsequently determined that these costs should have been expensed as incurred in the absence of deferral of the installation revenues. Therefore, previously capitalized set-up costs have been reclassified to operating expenses, and amortization expense has been reduced. In addition, the previously recorded write-off of the unamortized balance has been reversed.

Distributor Commissions. Certain of the revenue adjustments described previously resulted in changes to the amount of royalty expense owed to the owners of third-party products.

Corporate Restructuring. The Company has determined that certain previously recognized restructuring liabilities associated with the Company's fiscal 2001 restructuring plan did not meet the requirements for liability recognition at the commitment date. In certain cases, the original plan of workforce reductions was not in sufficient detail to ensure that significant changes to the plan were unlikely before completion and, in other cases, the requirements for notifying employees of the workforce reductions did not occur. The liabilities for restructuring activities also included other human resource, bad debt, warranty and operating expenses that either benefited future periods or were unrelated to exit activities in the restructuring plan. As a result, the Company has restated the consolidated financial statements to reduce the fiscal 2001 restructuring charge. Costs unrelated to exit activities under the restructuring plan have been reclassified to recognize the expense as incurred and classified separately from restructuring charges.

The Company also determined that certain previously recognized impairment losses and other charges were unrelated to restructuring and exit plans. Those entries included corrections of previous purchase price allocations for an acquisition, unrecoverable software development costs, and impairments of notes receivable and equity investments. As a result, the Company has reclassified the previously reported impairment losses for items unrelated to exit activities and, where appropriate, corrected the measurement and timing of loss recognition.

Software Impairment. In connection with the restatement, the Company performed an analysis of the carrying value of the MDL software as of September 30, 2001. From this analysis, it was determined recovery of the MDL software was impaired. Consequently, the MDL software was written off to impairment of long-lived assets in the fourth quarter of fiscal 2001 and entries have been made to reduce amortization expense previously recognized.

Interest Income and Interest Expense. As discussed above under the heading Fixed or Determinable, certain revenue recognition restatements also resulted in restatements of interest income and interest expense. Proceeds from the factoring of extended payment term license arrangements have been recorded as debt, whereas the Company's previous accounting had resulted in the derecognition of unbilled receivables. Interest income has been reduced as a result of adjustments related to RUF accounting (described above). Interest expense has been increased as a result of the amortization of discounts on proceeds from factored license arrangements classified as debt.

Investments. The Company has licensed its products to certain customers immediately prior to, contemporaneously with, or immediately after it had made an investment in those customers. It was subsequently determined that fair value of the underlying equity investments could not be readily determined. Therefore, these transactions should have been accounted for as non-monetary exchanges in accordance with APB Opinion No. 29. Under APB Opinion No. 29, the exchange of assets when fair value cannot be readily determined is recorded at the historical cost of the asset surrendered. In addition, in certain circumstances it was not clear that the investee/customer could satisfy the cash requirements of the license arrangement absent the cash investment. As a

result, the carrying value of certain investments was reduced by the amount of license revenue recognized prior to October 1, 1999 in the restatement of the Company's consolidated financial statements. This restated treatment has resulted in a reduction in previously recognized revenues and, in certain cases reduced previously reported impairment losses for other than temporary declines in the related investments.

In addition, the Company made investments in publicly-traded companies. Previously the Company recorded charges to earnings for the other than temporary declines in market values for these investments. The Company revised the amount of charges to earnings for these other than temporary declines of these investments to adjust the carrying value of the securities to quoted market value on the date of impairment.

Foreign Currency. As a result of the adjustments, the computed amount of transaction gains and losses has changed.

Income Taxes

The tax provision for all periods presented was adjusted for (1) the impact of adjustments described above, (2) a previously recognized tax benefit for the MDL impairment loss which was a permanent difference for accounting purposes, and (3) adjustments to previously reported current income tax expense for the effects of changes in accrued tax reserves for tax exposure items.

Presentation of Restated Consolidated Financial Information

The following table sets forth selected unaudited consolidated quarterly financial data for the Company, showing previously reported amounts (as reclassified pursuant to the adoption of EITF 01-14, as discussed in Note 1), restatement adjustments and restated amounts, for the three and six months ended March 31, 2002 (in thousands, except per share amounts):

	Three Months Ended March 31, 2002 (Unaudited)	Six Months Ended March 31, 2002 (Unaudited)
Total revenues, as previously reported	$ 66,156	$ 131,952
Fixed or determinable	7,017	13,360
VSOE	(1,490)	(842)
Customer acceptance	(44)	(316)
Collectibility	842	501
Contract accounting	(433)	(368)
Subscription accounting	449	980
Multiple-element arrangements	(329)	191
Delivery/term commencement	56	(222)
Gross versus net distributor arrangements	(359)	(624)
Other	(628)	(138)
Revenue adjustments	5,081	12,522
Total revenues, restated	71,237	144,474
Total operating expenses, as previously reported	64,454	131,011
Purchase accounting	1	(41)
Capitalized software	90	(18)
Bad debts	(137)	(1,424)
Accrued liabilities	(1,393)	(3,438)
FM set-up costs	(152)	(418)
Distributor commissions	(125)	(297)
Corporate restructuring	263	356
Software impairment	(930)	(1,870)
Gross versus net distributor arrangements	(359)	(624)
Other	(191)	(258)
Operating expense adjustments	(2,933)	(8,032)
Total operating expenses, restated	61,521	122,979

Operating income, as previously reported	1,702	941
Revenue adjustments	5,081	12,522
Operating expense adjustments	2,933	8,032
Operating income, restated	9,716	21,495
Total other income (expense), as previously reported	5,068	1,982
Interest income	(572)	(1,420)
Interest expense	(1,271)	(2,652)
Investments	(475)	(647)
Foreign currency	(25)	(54)
Regency gain	4,142	4,142
Other	87	(176)
Total other income (expense) adjustments	1,886	(807)
Total other income (expense), restated	6,954	1,175
Income before income taxes, as previously reported	6,770	2,923
Income before income taxes, restated	16,670	22,670
Income tax provision, as previously reported	(2,220)	(1,173)
Income tax provision, restated	(9,879)	(13,462)
Net income (loss), as previously reported	4,550	(23,954)
Net income (loss), restated	6,791	9,208
Earnings (loss) per share:		
Basic, as previously reported	0.13	(0.68)
Basic, restated	0.19	0.26
Diluted, as previously reported	0.13	(0.68)
Diluted, restated	0.19	0.26

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company develops, markets, installs and supports a broad line of software products and services primarily focused on facilitating e-payments and e-commerce. 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 e-payment processors, both in domestic and international markets.

Restatement of Consolidated Financial Results

During fiscal 2002, the Company identified transactions for which accounting adjustments were necessary, which resulted in restatements of the Company's consolidated financial statements for fiscal 2001 and 2000, as well as restatements of previously reported quarterly results for the first three quarters of fiscal 2002 and each quarter during fiscal 2001 and 2000. A description of the restatement adjustment categories and the dollar effect of adjustments within each category, for the three and six months ended March 31, 2002, are shown in Note 12 to the Consolidated Financial Statements.

Business Units

The Company's products and services are currently organized within three operating segments, referred to as business units. These three business units are ACI Worldwide, Insession Technologies and IntraNet. Most of the Company's products and services are marketed and supported through distribution networks covering three geographic regions: the Americas, Europe/Middle East/Africa ("EMEA") and Asia/Pacific. Each distribution network has its own sales force and supplements this with reseller and/or distributor networks. The following are revenues and operating income for these business units for the three and six months ended March 31, 2003 and 2002 (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2003	2002 (Restated)	2003	2002 (Restated)
Revenues:				
ACI Worldwide	$ 48,665	$ 52,351	$ 94,271	$ 107,676
Insession Technologies	8,828	9,973	15,828	18,069
IntraNet	11,757	8,913	21,640	18,729
	$ 69,250	$ 71,237	$ 131,739	$ 144,474
Operating income:				
ACI Worldwide	$ 5,350	$ 7,503	$ 10,260	$ 16,938
Insession Technologies	2,379	2,308	3,228	3,239
IntraNet	3,549	(95)	5,263	1,318
	$ 11,278	$ 9,716	$ 18,751	$ 21,495

Backlog

The Company defines recurring revenue backlog to be all monthly license fees, maintenance fees and facilities management fees specified in executed contracts to the extent that the Company believes that recognition of the related revenue will occur within one year. The Company includes in its non-recurring revenue backlog all fees (other than recurring) specified in executed contracts to the extent that the Company believes that recognition of the related revenue will occur within one year.

The following table sets forth the Company's recurring and non-recurring revenue backlog, by business unit, as of March 31, 2003 (in thousands):

	March 31, 2003	
	Recurring	Non-Recurring
ACI Worldwide	$ 129,641	$ 47,154
Insession Technologies	19,662	6,131
IntraNet, Inc	13,086	17,428
	$ 162,389	$ 70,713

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 revenue backlog will actually generate the specified revenues or that the actual revenues will be generated within the one-year period. In evaluating the Company's revenue backlog, the risk factors described below in Forward-Looking Statements should be considered.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are 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 are believed to be proper and reasonable under the circumstances. The Company continually evaluates the appropriateness of its estimates and assumptions, including those related to revenue recognition, provision for doubtful accounts, fair value of investments, fair value of goodwill and software, useful lives of intangible and fixed assets, income taxes, and contingencies and litigation, among others. Actual results could differ from those estimates.

The Company believes that there are several accounting policies that are critical to understanding the Company's historical and future performance, as these policies affect the reported amounts of revenue and the more significant areas involving management's judgments and estimates. These critical policies, and the Company's procedures related to these policies, are described in detail below.

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." For software license arrangements for which services rendered are not considered essential to the functionality of the software, the Company recognizes revenue upon delivery, provided (1) there is persuasive evidence of an arrangement, (2) collection of the fee is considered probable and (3) the fee is fixed or determinable. In most arrangements, vendor-specific objective evidence ("VSOE") of fair value does not exist for the license element; therefore, the Company uses the residual method under SOP 98-9 to determine the amount of revenue to be allocated to the license element. Under SOP 98-9, the fair value of all undelivered elements, such as postcontract customer support (maintenance or "PCS") or other products or services, is deferred and subsequently recognized as the products are delivered or the services are performed, with the residual difference between the total arrangement fee and revenues allocated to undelivered elements being allocated to the delivered element.

When a software license arrangement includes services to provide significant production, 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 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 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, which are used in current percentage-complete computations, 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 and determinable.

For software license arrangements in which a significant portion of the fee is due more than 12 months after delivery, the software license fee is deemed not to be fixed or determinable. For software license arrangements in which the fee is not considered fixed or determinable, the software license fee is recognized as revenue as payments become due and payable, if all other conditions to 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. 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.

For software license arrangements in which the Company's ability to enforce payment terms depends on customer acceptance provisions, software license fee revenue is recognized upon the earlier of the point at which (1) the customer accepts the software products or (2) the acceptance provisions lapse.

For software license arrangements in which VSOE of the fair value of undelivered elements does not exist to allocate the total fee to all elements of the arrangement, revenue is deferred until the earlier of the point at which (1) such sufficient VSOE of the fair value of undelivered elements does exist or (2) all elements of the arrangement have been delivered.

Gross versus Net. 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.

Subscriptions and Usage Fees. 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 software license fees based on usage of the product, the Company recognizes revenue as usage occurs over the term of the licenses, 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 a multi-year time-based software license has a duration of one year or less or the initial PCS term is relatively long (i.e. greater than fifty percent) compared to the term of the software license, the Company recognizes revenue for the entire arrangement ratably over the PCS term as VSOE of fair value cannot be established.

Services. Revenues from arrangements to provide professional services on a time and materials basis are recognized as the related services are performed. Revenues from professional services provided on a fixed fee basis are recognized using the percentage-of-completion method.

Non-monetary Transactions. Non-monetary transactions are accounted for in accordance with Accounting Principles Board ("APB") Opinion No. 29, "Accounting for Non-monetary Transactions," which requires that the transfer or distribution of a non-monetary asset or liability generally be based on the fair value of the asset or liability that is received or surrendered, whichever is more clearly evident. In those cases where fair value of the assets

exchanged is not readily determinable, the exchange is recorded at the historical cost of the asset surrendered.

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

Deferred Revenue. Deferred revenue represents (1) 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 does not exist, or (3) amounts deferred if other conditions to revenue recognition have not been met.

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 will also change, which in turn impacts 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 provision 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 provision for doubtful accounts may be recorded to reserve for potential future losses. A portion of the Company's allowance is related to issues other than creditworthiness, such as disagreements with customers.

Impairment of Investments

The Company records a non-cash charge to earnings when it determines that an investment has experienced an "other than temporary" decline in market value. To make this determination, the Company reviews the carrying value of its marketable equity security investments at the end of each reporting period for impairment. Other-than-temporary impairments are generally recognized if the market value of the investment is below its current carrying value for an extended period, which the Company generally defines as six to nine months, or if the issuer has experienced significant financial declines or difficulties in raising capital to continue operations, among other factors. Future adverse changes in market conditions or poor operating results of underlying investments could result in an inability to recover the carrying value of the recorded marketable securities, thereby possibly requiring additional impairment charges in the future.

Impairment of Goodwill

In accordance with SFAS No. 142, goodwill is tested for impairment at the reporting unit level and must be tested at least annually, utilizing a two-step methodology. The initial step requires the Company to determine the fair value of each reporting unit and compare it to the carrying value, including goodwill, of such reporting unit. If the fair value exceeds the carrying value, no impairment loss is to be recognized. However, if the carrying value of the reporting unit exceeds its fair value, the goodwill of this unit may be impaired. The amount of impairment, if any, is then measured in the second step. For impairment testing purposes, the Company has utilized the services of an independent consultant to perform valuations of the Company's reporting units that contained goodwill. Under SFAS No. 142, goodwill is no longer amortized.

Software Amortization and Impairment

Software consists of internally-developed software and purchased software. The Company capitalizes costs related to certain internally-developed software when the resulting products reach technological feasibility. Technological feasibility is determined upon completion of a detailed program design or internal specification. The internal specification establishes that the product can be produced to meet its design specifications including functions, features and technical performance requirements. Purchased software consists of software to be marketed externally that was acquired primarily as the result of a business acquisition ("acquired software") and costs of computer software obtained for internal use that were capitalized.

Amortization of internally-developed software costs begins when the products are available for licensing to

customers and is computed separately for each product as the greater of (a) the ratio of current gross revenue for a product to the total of current and anticipated gross revenue for the product or (b) the straight-line method over three years. Due to competitive pressures, it may be possible the anticipated gross revenue or remaining estimated economic life of the software products will be reduced significantly. As a result, the carrying amount of the software product may be reduced accordingly. Amortization of acquired and internal-use software is generally computed using the straight-line method over its estimated useful life of approximately three years.

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. An impairment loss is recorded if the sum of the future cash flows expected to result from the use of the asset (undiscounted and without interest charges) is less than the carrying amount of the asset. The amount of the impairment charge is measured based upon the fair value of the asset.

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 would not be limited to, the likelihood the Company would realize the benefits of net operating loss 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 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 those currently recorded. 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 based on estimation of future taxable income in each jurisdiction, 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 the 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 was 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.

Results of Operations

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

	Three Months Ended March 31,				Six Months Ended March 31,			
	2003		2002		2003		2002	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
			(1)	(1)			(1)	(1)
Revenues:								
Initial license fees (ILFs).	$ 16,238	23.4%	$ 18,554	26.0%	$ 27,481	20.9%	$ 38,277	26.5%
Monthly license fees (MLFs).	21,929	31.7	21,061	29.6	42,016	31.9	42,169	29.2
Software license fees.......	38,167	55.1	39,615	55.6	69,497	52.8	80,446	55.7
Maintenance fees...........	19,461	28.1	18,699	26.3	38,065	28.9	37,481	25.9
Services....................	11,622	16.8	12,923	18.1	24,177	18.3	26,547	18.4
Total revenues...........	69,250	100.0	71,237	100.0	131,739	100.0	144,474	100.0
Expenses:								
Cost of software license fees.....................	6,289	9.1	7,947	11.2	12,228	9.3	17,165	11.9
Cost of maintenance and services.................	15,693	22.6	16,375	23.0	30,501	23.1	32,413	22.4
Research and development....	8,357	12.1	8,918	12.5	16,307	12.4	17,967	12.4
Selling and marketing.......	13,529	19.5	13,481	18.9	27,265	20.7	27,738	19.2
General and administrative..	14,104	20.4	14,800	20.8	26,687	20.3	27,696	19.2
Total expenses...........	57,972	83.7	61,521	86.4	112,988	85.8	122,979	85.1
Operating income..............	11,278	16.3	9,716	13.6	18,751	14.2	21,495	14.9
Other income (expense):								
Interest income............	285	0.4	329	0.5	595	0.5	640	0.4
Interest expense...........	(787)	(1.1)	(1,444)	(2.0)	(1,743)	(1.3)	(3,063)	(2.1)
Other, net..................	79	0.1	8,069	11.3	(1,060)	(0.8)	3,598	2.5
Total other income (expense)..............	(423)	(0.6)	6,954	9.8	(2,208)	(1.6)	1,175	0.8
Income before income taxes.....	10,855	15.7	16,670	23.4	16,543	12.6	22,670	15.7
Income tax provision...........	(6,785)	(9.8)	(9,879)	(13.9)	(9,478)	(7.2)	(13,462)	(9.3)
Net income.....................	$ 4,070	5.9%	$ 6,791	9.5%	$ 7,065	5.4%	$ 9,208	6.4%

(1) The Company has reclassified and restated its consolidated financial information. See Notes 1 and 12 to the consolidated financial statements for further details.

Revenues. Total revenues for the second quarter of fiscal 2003 decreased $2.0 million, or 2.8%, as compared to the same period of fiscal 2002. Total revenues for the first six months of fiscal 2003 decreased $12.7 million, or 8.8%, as compared to the same period of fiscal 2002. The three-month decrease is the result of a $1.4 million, or 3.7%, decrease in software license fee revenues and a $1.3 million, or 10.1%, decrease in services revenues, offset by a $0.8 million, or 4.1%, increase in maintenance fee revenues. The six-month decrease is the result of a $10.9 million, or 13.6%, decrease in software license fee revenues and a $2.4 million, or 8.9%, decrease in services revenues, offset by a $0.6 million, or 1.6%, increase in maintenance fee revenues. Approximately $0.8 million of the decrease in total revenues for second quarter of fiscal 2003, and $2.3 million of the decrease in total revenues for first six months of fiscal 2003, was due to the sale of Regency Systems, Inc. ("Regency") in February 2002, which was part of the ACI Worldwide business unit.

ACI Worldwide's software license fee revenues decreased primarily due to a shift in sales focus from the Company's more-established products to its newer BASE24-es product and its Payments Management products. As a result of this shift to newer products, absent other factors, the Company will experience a decrease in revenues due to differences in the timing of revenue recognition for the respective products. Revenues under less-established products are typically recognized upon acceptance, or first production use by the customer due to uncertainties surrounding customer acceptance of the product, whereas revenues from mature products, such as

BASE24, are generally recognized upon delivery of the product. In addition, demand for ACI Worldwide's products in the EMEA region has decreased due to depressed economic conditions that have caused customers to forecast a slowing of electronic transaction volume growth. As a result, these customers have reduced their information technology budgets and spending commitments. Insession Technologies' software license fee revenues decreased primarily due to system consolidations and company consolidations. In addition, as customers within the Insession Technologies business unit renew existing contracts, the renewal contract generally has a higher proportion of the total fees that relate to maintenance. IntraNet software license fee revenues increased due to the completion of the final phase of an ACH project with a large European bank, allowing the Company to recognize approximately $3.6 million in revenues.

The increase in maintenance fee revenues is primarily due to growth in the installed base of software products within the ACI Worldwide business unit, along with the higher proportion of maintenance revenues resulting from contract renewals within the Insession Technologies business unit, as discussed above, offset by decreases resulting from the sale of Regency.

The decrease in services revenues for the second quarter and first six months of fiscal 2003, as compared to the same periods in fiscal 2002, is primarily the result of a decreased demand in the ACI Worldwide and Insession Technologies business units for technical and project management services. This decreased demand is primarily due to (1) increased competition in the marketplace by companies that offer services work at lower rates, (2) many larger customers increasing their internal staffs in order to reduce their dependence on external resources and (3) general decreases in worldwide demand for services as a result of depressed economic conditions. Offsetting the decreased services revenues in the ACI Worldwide and Insession Technologies business units is an increase in demand for services in the IntraNet business unit resulting from the migration of its customers from the Digital VAX-based Money Transfer System ("MTS") product to the new RS6000-based MTS product.

Expenses. Total operating expenses for the second quarter of fiscal 2003 decreased $3.5 million, or 5.8%, as compared to the same period of fiscal 2002. Total operating expenses for the first six months of fiscal 2003 decreased $10.0 million, or 8.1%, as compared to the same period of fiscal 2002. During fiscal 2002, the Company put an emphasis on reducing overall staffing levels through attrition or delayed hiring decisions in an attempt to reduce operating expenses. In addition, approximately $1.4 million of the decrease in operating expenses for the second quarter of fiscal 2003, and $4.0 million of the decrease in operating expenses for first six months of fiscal 2003, was due to the sale of Regency.

Cost of software license fees for the second quarter of fiscal 2003 decreased $1.7 million, or 20.9%, as compared to the same period of fiscal 2002. Cost of software license fees for the first six months of fiscal 2003 decreased $4.9 million, or 28.8%, as compared to the same period of fiscal 2002. The decrease in cost of software license fees for the second quarter and first six months of fiscal 2003, as compared to the same periods in fiscal 2002, was due primarily to a decrease in amortization of software products that are now fully amortized of $1.5 million and $3.5 million, respectively, for the three and six months ended March 31, 2003, as well as decreases in personnel-related expenses due to reduced staff levels. In addition, distributor commissions decreased due to lower revenue levels.

Cost of maintenance and services for the second quarter of fiscal 2003 decreased $0.7 million, or 4.2%, as compared to the same period of fiscal 2002. Cost of maintenance and services for the first six months of fiscal 2003 decreased $1.9 million, or 5.9%, as compared to the same period of fiscal 2002. The decrease in cost of maintenance and services for the second quarter and first six months of fiscal 2003, as compared to the same periods in fiscal 2002, was primarily the result of fewer staff (internal and external) needed to support the Company's ACI Worldwide and Insession Technologies services-related business, which experienced declines in demand.

Research and development ("R&D") costs for the second quarter of fiscal 2003 decreased $0.6 million, or 6.3%, as compared to the same period of fiscal 2002. Research and development ("R&D") costs for the first six months of fiscal 2003 decreased $1.7 million, or 9.2%, as compared to the same period of fiscal 2002. R&D costs as a percentage of total revenues for the first six months of fiscal 2003 and 2002 were 12.4% and 12.4%, respectively.

Selling and marketing costs for the second quarter of fiscal 2003 were comparable to the same period of fiscal 2002. Selling and marketing costs for the first six months of fiscal 2003 decreased $0.5 million, or 1.7%, as compared to the same period of fiscal 2002, resulting primarily from a decreased emphasis on advertising and promotional

programs, offset by increased marketing commissions. Selling and marketing costs as a percentage of total revenues for the first six months of fiscal 2003 and 2002 were 20.7% and 19.2%, respectively. This increase is primarily due to lower revenue levels and the shift in sales focus from the Company's more-established products to its newer BASE24-es product and its Payments Management products.

General and administrative costs for the second quarter of fiscal 2003 decreased $0.7 million, or 4.7%, as compared to the same period of fiscal 2002. General and administrative costs for the first six months of fiscal 2003 decreased $1.0 million, or 3.6%, as compared to the same period of fiscal 2002. The decrease in general and administrative costs for the second quarter and first six months of fiscal 2003, as compared to the same periods in fiscal 2002, is primarily due to the sale of Regency during the second quarter of fiscal 2002.

Other Income and Expense. Interest expense for the second quarter of fiscal 2003 decreased $0.7 million, or 45.5%, as compared to the same period of fiscal 2002. Interest expense for the first six months of fiscal 2003 decreased $1.3 million, or 43.1%, as compared to the same period of fiscal 2002. The decrease was attributable to a reduction in debt - financing agreements (balance at March 31, 2003 of $32.3 million as compared to $50.0 million at March 31, 2002) and a change in the amount of borrowings outstanding under the line of credit (there were no borrowings under the line of credit during the six months ended March 31, 2003).

Other income (net) for the second quarter of fiscal 2003 decreased $8.0 million as compared to the same period of fiscal 2002. Results from the second quarter of fiscal 2002 included a gain on $8.3 million from the sale of Regency. Other income (net) for the first six months of fiscal 2003 decreased by $4.7 million as compared to the same period of fiscal 2002. During the first six months of fiscal 2002, the Company recorded a gain of $8.3 million from the sale of Regency offset by impairments of marketable equity securities totaling $3.7 million, which resulted in the decrease between corresponding periods.

Income Taxes. The effective tax rate for the second quarter of fiscal 2003 was approximately 62.5% as compared to 59.3% for the same period of fiscal 2002. The effective tax rate for the first six months of fiscal 2003 was approximately 57.3% as compared to 59.4% for the same period of fiscal 2002. The effective tax rate for the second quarter and first six months of fiscal 2003 was primarily impacted by non-recognition of tax benefits for operating losses in certain foreign locations and recognition of a valuation allowance for foreign tax credits. The effective tax rate for the second quarter and first six months of fiscal 2002 was primarily impacted by non-recognition of tax benefits for operating losses in certain foreign locations, recognition of a valuation allowance for foreign tax credits, foreign tax rate differentials and gain on sale of subsidiary.

Each quarter, the Company evaluates its historical operating results as well as its projections for the future to determine the realizability of its deferred tax assets. As of March 31, 2003, the Company has deferred tax assets of $33.1 million (net of $54.1 million valuation allowance). The Company analyzes the recoverability of its net deferred tax assets at each reporting period. Because unforeseen factors may affect future taxable income, additional increases to the valuation reserve may be required in future periods.

The Company has retained tax professionals to review the Company's overall tax position and make recommendations for reducing the effective tax rate. The tax professionals are in the initial stages of their review. It is possible that the Company will be able to reduce its current effective tax rate, which could have a positive impact on net income (loss). There can be no assurance that the Company will be able to reduce its effective tax rate, and assuming the Company is successful in reducing the rate, there can be no assurance of the timing and amount of any such reduction.

Liquidity and Capital Resources

As of March 31, 2003, the Company's principal sources of liquidity consisted of $94.6 million in cash, cash equivalents and marketable securities. The Company has a $15.0 million line of credit agreement that expires in June 2003. This credit agreement is secured by certain trade receivables and provides that the Company must satisfy certain specified earnings, working capital and minimum tangible net worth requirements, as defined, and places restrictions on the Company's ability to, among other things, sell assets, incur debt, pay dividends, participate in mergers and make investments or guarantees. Interest on this credit facility, which is payable monthly, accrues at an annual rate, selected by the Company, equal to either the bank's prime rate or the LIBOR rate plus 2%. As a result of the restatements of its consolidated financial statements, the Company is not in compliance with the debt covenants

as of March 31, 2003 and the line is unavailable for borrowing purposes. The Company had no line of credit borrowings outstanding as of March 31, 2003, and currently does not intend to renew the line of credit agreement.

The Company's net cash flows provided by operating activities for the first six months of fiscal 2003 amounted to $13.9 million as compared to $32.0 million provided by operating activities during the same period of fiscal 2002. The decrease in operating cash flows resulted primarily from changes in billed and accrued receivables, accounts payable, deferred revenue and income taxes.

The Company's net cash flows used in investing activities totaled $0.5 million for the first six months of fiscal 2003 as compared to $1.4 million provided by investing activities during the same period of fiscal 2002. During the first six months of fiscal 2003, the Company purchased software, property and equipment of $1.1 million as compared to $3.4 million for the same period of fiscal 2002. The Company also realized net proceeds of $5.0 million related to the sale of Regency during the second quarter of fiscal 2002.

The Company's net cash flows used in financing activities totaled $10.9 million for the first six months of fiscal 2003 as compared to $17.9 million used in financing activities during the same period of fiscal 2002. In the past, an important contributor to the cash management program was the Company's factoring of future revenue streams, whereby interest in its future monthly license payments under installment or long-term payment arrangements is transferred on a non-recourse basis to third-party financial institutions in exchange for cash. The Company did not factor any future revenue streams during the first six months of fiscal 2003. During the first six months of fiscal 2002, the Company generated cash flows from the factoring of future revenue streams of $5.8 million. During the first six months of fiscal 2003 and 2002, payments made to the third-party financial institutions were $11.0 million and $13.0 million, respectively. In addition, during the first six months of fiscal 2002, the Company made payments on its bank line of credit facilities of $12.0 million.

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.

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," and words and phrases of similar impact, and include but are not limited to statements regarding operations, 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. Actual results could differ materially. Factors that could cause actual results to differ include, but are not limited to, the following:

- The Company's calculation of backlog is based on customer contracts that exist on the date of the calculation. A number of factors may change after the date of calculation that could result in actual revenues being less than the amounts contained in backlog. The Company's customers may attempt to renegotiate or terminate their contracts 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 revenue backlog will actually generate the specified revenues or that the actual revenues will be generated within the one-year period.

- The Company is currently in the process of evaluating the claims made in various lawsuits filed against the Company relating to its recent restatement of financial results. The Company intends to defend the foregoing lawsuits vigorously, but cannot predict the outcome 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 these lawsuits or if they were not settled on favorable terms, the judgment or settlement would likely have a material adverse effect on its consolidated financial position, results of operations and cash flows.

The Company has insurance that provides an aggregate coverage of $20.0 million for the period during which the lawsuits 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 certain liabilities relating to these lawsuits, the Company's consolidated 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 has restated certain of its prior financial statements as a result of reevaluating the accounting for several historical transactions. The Company is uncertain whether the lawsuits, change in the application of accounting principles and/or the restatement of prior period financial results will have a material adverse effect on the Company's customer, supplier or other business relationships.

- As a result of the Company's restatement of its prior consolidated financial statements, it is likely that the Company will be subject to investigation by governmental authorities, including the Securities and Exchange Commission. The Securities and Exchange Commission has been in contact with the Company about the restatement process, but the Company has not been notified of a formal investigation. In the event that the Company is subject to such a formal investigation, the Company intends to cooperate with such investigation. There is risk that such an investigation could result in substantial costs and divert management attention and resources, which could adversely affect the Company's business.

- New accounting standards, or additional interpretations or guidance regarding existing standards, could be issued in the future, which could lead to unanticipated changes in the Company's current financial accounting policies. These changes could affect the timing of revenue or expense recognition and cause fluctuations in operating results.

- No assurance can be given that operating results will not vary. 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 high-technology sector and changing market conditions in the industry. The Company's stock price may also become volatile, in part, due to the announced change in the application of certain accounting principles and/or the restatement of prior period financial results.

- The Company will continue to derive a majority of its total revenue from international operations and is subject to risks of conducting international operations including: difficulties in staffing and management, reliance on independent distributors, longer payment cycles, volatilities of foreign currency exchange rates, compliance with foreign regulatory requirements, variability of foreign economic conditions, and changing restrictions imposed by U.S. export laws.

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

- Prior to its May 2002 merger with HP, Compaq Computer Corporation announced a plan to consolidate its high-end performance enterprise servers on the Intel Corp. Itanium microprocessor by 2004. The Company has not determined whether consolidation of the high-end servers, if it occurs as announced, will materially affect the Company's business, financial position or results of operations.

- The Company will continue to derive a substantial portion of its revenues from licensing of software products that operate on HP NonStop Himalaya servers. Any reduction in demand for these servers or in HP's ability to deliver products on a timely basis could have a material adverse effect on the Company's financial condition and results of operations.

- The Company's business is concentrated in the banking industry, making it susceptible to a downturn in that industry. Further, banks are continuing to consolidate, decreasing the overall number of potential buyers of the Company's products and services.

Any or all of the forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many of these factors will be important in determining the Company's actual future results. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially from those expressed or implied in any forward-looking statements.

These cautionary statements and any other cautionary statements that may accompany such forward-looking statements, whether written or oral, expressly qualify all of the forward-looking statements. In addition, the Company disclaims any obligation to update any forward-looking statements after the date of this report unless applicable securities laws require it to do so.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the Company's market risk for the six months ended March 31, 2003. See the Company's annual report on Form 10-K for the fiscal year ended September 30, 2002 for additional discussions regarding quantitative and qualitative disclosures about market risk.

Item 4. Controls and Procedures

As noted in the Company's Form 10-K for the fiscal year ended September 30, 2002 and the Form 10-Q for the quarter ended December 31, 2002, management and KPMG advised the Company's Audit Committee that within the 90-day period prior to the date of filing those reports, they noted deficiencies in internal controls relating to:

- revenue recognition procedures;
- formal policies and procedures for significant transactions;
- centralized oversight for international operations;
- timely reconciliation of general ledger accounts; and
- staffing and training of personnel.

KPMG has advised the Audit Committee that these internal control deficiencies constitute reportable conditions and, collectively, a material weakness as defined in Statement of Auditing Standards No. 60. Certain of these internal control weaknesses may also constitute deficiencies in the Company's disclosure controls. Within the 90-day period prior to the date of filing this quarterly report on Form 10-Q, management has advised the Company's Audit Committee that the previously noted deficiencies in internal controls continue to exist although corrective actions have been taken and additional corrective actions will be implemented in the future. The Company has performed substantial additional procedures designed to ensure that these internal control deficiencies do not lead to material misstatements in its consolidated financial statements and to enable the completion of KPMG's quarterly review of its consolidated financial statements, notwithstanding the presence of the internal control weaknesses noted above. Based on these additional procedures, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

The corrective actions that have been taken by the Company are as follows:

1. The Company has retained an independent accounting firm to assist in the evaluation of the Company's existing internal controls and disclosure controls and make suggestions for improvement;

2. The Company has reviewed and revised certain of its revenue recognition practices and contracting management policies and procedures;

3. The Company has conducted formalized training of finance, sales and other staffs;

4. The Company has enhanced its internal audit department and hired two full-time professionals;

5. The Company has established a disclosure control committee to review all public reporting; and

The Company intends to implement additional corrective actions to enhance the previously adopted corrective actions. In connection with the requirements of Section 404 of the Sarbanes-Oxley Act, the Company has begun to evaluate its internal controls over financial reporting and has retained an independent accounting firm to assist in this evaluation. The Company will also continue to evaluate the effectiveness of its disclosure controls and internal controls and procedures on an ongoing basis, and will take further action as appropriate.

PART II--OTHER INFORMATION

Item 1. Legal Proceedings

Class Action Litigation. The Company is aware of announcements for three class action complaints in connection with the re-audit and restatement of the Company's prior period financial statements. The Company has obtained copies of two class action complaints. The Company and its external legal advisors have searched for the third announced class action complaint but have not found it filed in the court where it was stated to be filed and have concluded that the third announced complaint has not been filed. The two complaints obtained by the Company are Desert Orchid Partners v. the Company, et al and Nancy Rosen v. the Company, et al. Based on the two complaints which are publicly available, the Company understands that the plaintiffs allege violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 thereunder, on the grounds that certain of the Company's Exchange Act reports and press releases contained untrue statements of material facts, or omitted to state facts necessary to make the statements therein not misleading, with regard to the Company's revenues and expenses during the class period. The complaints allege that during the purported class periods, the Company and the named officers and directors 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 plaintiffs are seeking unspecified damages, interest, fees, costs and rescission. The class periods stated in the two complaints are January 21, 1999 through November 18, 2002 and December 29, 1999 through August 14, 2002. The Company and four of the individual defendants have been served with process with respect to the Rosen case only. The Company and the individual defendants that have been served plan on filing a motion to dismiss on or before their required answer dates.

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 shareholders 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 of 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' 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 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 shareholders 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 of 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' 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 when and if service of process is achieved.

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.

These class action and derivative lawsuits were brought in the United States District Court for the District of Nebraska and the Nebraska District Courts, respectively, and are at preliminary stages. The Company is currently in the process of preparing to respond to the claims made in the lawsuits. The Company intends to defend the foregoing lawsuits vigorously, but, since the lawsuits have only recently been filed and are in the very early stages, the Company cannot predict the outcome and is not currently able to evaluate the likelihood of success or the range of potential loss, if any, that might be incurred in connection with such actions. However, if the Company were to lose any of these lawsuits or if they were not settled on favorable terms, the judgment or settlement may have a material adverse effect on the Company's consolidated financial position, results of operations and 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.

Additional suits against the Company may be commenced in the future. The Company will fully analyze these allegations once all of the complaints are received and intends to vigorously defend against them. There is a risk that such litigation could result in substantial costs and divert management attention and resources from its business, which could adversely affect the Company's business.

In connection with the re-audit and restatement of the Company's prior period financial statements, the Company has been in contact with the Securities and Exchange Commission Enforcement Division. On December 9, 2002, certain of the Company's officers and external legal counsel held a telephone conference with representatives of the SEC Enforcement Division. The Company had a follow-up meeting with the SEC Enforcement Division on March 14, 2003. At this meeting, the SEC representatives asked questions about the restatement. The SEC Enforcement Division also requested that the Company provide additional written information regarding the restatement. The Company supplied this information on March 21, 2003. The Company has not received any follow-up inquiries from the SEC Enforcement Division since March 21, 2003. To the knowledge of the Company, the SEC Enforcement Division has not issued a formal order of investigation. The Company intends to cooperate fully with the SEC on any additional inquiries.

In addition to the foregoing, from time to time, the Company is involved in litigation relating to claims arising out of its operations in the normal course of business. The Company is not currently a party to any such legal proceedings, other than as described above, the adverse outcome of which, individually or in the aggregate, would have a material adverse effect on the Company's financial condition or results of operations

Item 4. Submission of Matters to a Vote of Security Holders

The Company's Annual Meeting of Stockholders was held on February 27, 2003. The only matter voted upon at such meeting and the number of shares cast for, or withheld, are as follows:

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

Nominee	For	Withheld
Harlan F. Seymour	33,417,419	927,959
Frank R. Sanchez	33,889,407	455,971
Jim D. Kever	33,298,171	1,047,207
Roger K. Alexander	33,366,290	979,088
Gregory D. Derkacht	33,244,644	1,100,734

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

10.01 First Amended and Restated Employment Agreement between Transaction Systems Architects, Inc. and Gregory D. Derkacht

10.02 Severance Compensation Employment Agreement between Transaction Systems Architects, Inc. and Gregory D. Derkacht

99.01 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

99.02 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

(b) Reports on Form 8-K:

The Company filed a current report on Form 8-K on January 8, 2003 announcing that it received an extension to January 13, 2003 to file restated financial information for fiscal 2002, 2001 and 2000 with the SEC and Nasdaq, and that it will continue to be listed on the NASDAQ National Market during the extension period.

The Company filed a current report on Form 8-K on January 14, 2003 announcing the completion of its re-audit and the January 13, 2003 filing of its Form 10-K, including fourth quarter results and restated financial statements for prior periods.

The Company filed a current report on Form 8-K on January 16, 2003 announcing that NASDAQ Listing Qualifications Panel determined to continue the listing of the Company's common stock on the NASDAQ National Market and that the delisting proceedings have been closed.

The Company filed a current report on Form 8-K on February 18, 2003 announcing that on February 13, 2003, the Company issued a press release with its fiscal 2003 first quarter results.

The Company filed a current report on Form 8-K on March 5, 2003 announcing the issuance of a reminder notice to its Directors and Executive Officers that March 20th is the beginning of the Company's Stock Trading Black-Out Period for the current quarter, continuing through and including the third business day after the quarter's financial results have been publicly released.

The Company filed a current report on Form 8-K on March 13, 2003 announcing the addition of John D. Curtis and John E. Stokely to the Company's Board of Directors, bringing the total number of board members to seven, effective March 11, 2003.

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: May 14, 2003

By: /s/ DWIGHT G. HANSON

Dwight G. Hanson
Chief Financial Officer, Treasurer
and Senior Vice President

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Gregory D. Derkacht, certify that:

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

By: /s/ GREGORY D. DERKACHT

Gregory D. Derkacht
Chief Executive Officer, President and Director

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Dwight G. Hanson, certify that:

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

By: /s/ DWIGHT G. HANSON

Dwight G. Hanson
Chief Financial Officer, Treasurer
and Senior Vice President

Exhibit 10.01

FIRST AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This First Amended and Restated Employment Agreement ("Agreement") is made as of April 28, 2003, by and between Transaction Systems Architects, Inc., a Delaware corporation, ("Employer") and Gregory D. Derkacht ("Employee").

PRELIMINARY STATEMENTS

A. Employer and Employee have entered into that certain employment agreement (the "2001 Employment Agreement") dated as of December 3, 2001 pertaining to the terms of the employment of Employee by Employer.

B. Employer believes that it is advisable and in the best interests of the company to amend and restate certain provisions of the 2001 Employment Agreement to provide Employee with an incentive to continue employment.

AGREEMENT

The parties to this Agreement, intending to be legally bound, agree as follows:

1. Employment. Employer hereby agrees to employ Employee as President and Chief Executive Officer ("CEO"), and Employee hereby accepts such employment by Employer upon the terms and conditions and with such duties as determined by the Board of Directors of Employer from time to time and which shall be related or appropriate to the position.

2. Term. The term of employment commenced on January 2, 2002, and shall continue for a period of three years thereafter, unless sooner terminated as hereinafter set forth in Section 6, subject to certain provisions surviving termination as set forth below. Thereafter, this Agreement and the term of employment pursuant hereto will be automatically extended for successive one-year terms, unless either party elects to terminate this Agreement by giving the other party written notice thereof not less than 90 days prior to the end of the then-current term.

3. Duties. Employee shall, during the term hereof:

(a) Execute Duties. Execute the duties attendant to his position as determined and directed by the Board of Directors from time to time.

(b) Board Service. Serve as a member of the Employer's Board of Directors.

(c) Full Efforts and Time. Consistent with the foregoing, Employee shall devote full business time, energy, and skill to the businesses of Employer, and to the promotion of Employer's best interests; provided, however, that this Agreement shall not preclude Employee from participating in the affairs of any governmental, educational or other charitable institution, from engaging in professional speaking and writing activities, and from serving as a member of the board of directors of other corporations or entities (subject to the approval by the Chairman of the Board of Directors of Employer) so long as such activities do not unreasonably interfere with the businesses of Employer or conflict with Employee's obligations under this Agreement.

4. Compensation.

(a) Base. Effective January 1, 2003, Employer shall pay Employee for all services to be performed by Employee during the term of this Agreement a base salary (the "Base Salary") at the minimum rate of $360,000 per year, payable in substantially equal semi-monthly payments in accordance with Employer's customary practice for other employees, as such practice may be determined from time to time. The Board of Directors may increase such Base Salary but not decrease such Base Salary unless, as a result of a reasonable business judgment by the Board of Directors of Employer, there is a prorata across-the-board salary reduction for all executive level management employees of Employer.

(b) Management Incentive Compensation. In addition to the Base Salary, Employee shall be entitled to participate in the Employer's Management Incentive Compensation Program ("MICP"). Employee's "on target" incentive compensation will be $150,000 per fiscal year prorated quarterly in the amount of $37,500. The amount of incentive compensation payable to Employee with respect to a fiscal quarter will depend on the achievement of certain financial results achieved by Employer in such fiscal quarter. The Board of Directors may increase the incentive compensation paid or payable to Employee pursuant to the MICP, but not decrease such incentive compensation unless, as a result of a reasonable business judgment by the Board of Directors of Employer, there is a prorata across-the-board decrease for all executive level management employees of Employer. The terms and conditions of the MICP applicable to Employee are attached hereto as Exhibit A.

(c) Business Expenses. In addition to the Base Salary set forth above, Employer agrees that during the term of this Agreement Employee shall be entitled to reimbursement by Employer for all reasonable and documented business expenses incurred by him on Employer's behalf in the course of his employment hereunder in accordance with Employer's policy concerning the same.

(d) Board Service. No separate or additional compensation will be paid to Employee with respect to service on the Board of Directors.

(e) Stock Options. Employee has received three stock option grants from the Employer's existing stock option plans. The first grant was in the amount of 100,000 shares and was made on January 2, 2002. The second and third grants were in the amount of 200,000 shares each and were made February 19, 2002. The terms and conditions for each of the grants are set forth in separate stock option agreements. The stock option agreements for each of the grants are attached hereto as Exhibits B, C and D, respectively.

5. Additional Benefits. Employee and his dependents shall be entitled to participate in and receive health insurance and other benefits ("Benefit Plans") under the Employer's Benefit Plans, whether qualified or non-qualified, subject to and on a basis consistent with the terms, conditions, and overall administration of such Benefit Plans as provided to similarly situated employees of Employer, as changed from time to time. Employee shall be entitled to a minimum of four weeks of paid vacation and holidays in accordance with Employer's policies in effect from time to time for its employees.

6. Termination.

(a) Types of Termination.

(i) For Cause by Employer. Any termination of Employee's employment by Employer for Cause (as defined in Exhibit E attached hereto) shall be authorized by a vote of at least a majority of the non-employee members of the Board of Directors of Employer within 12 months of a majority of such non-employee members of the Board of Directors having actual knowledge of the event or circumstances providing a basis for such termination. In the case of clause (ii) of the definition of Cause, Employee shall be given notice by the Board of Directors specifying in detail the particular act or failure to act on which the Board of Directors is relying in proposing to terminate him for Cause and offering Employee an opportunity, on a date at least 14 days after receipt of such notice, to have a hearing, with counsel, before a majority of the non-employee members of the Board of Directors, including each of the members of the Board of Directors who authorized the termination for Cause. Employee shall not be terminated for Cause if, within 30 days after the date of Employee's hearing before the Board of Directors (or if Employee waives a hearing, within 30 days after receiving notice of the proposed termination), he has corrected the particular act or failure to act specified in the notice and by so correcting such act or failure to act he has reduced the economic damage his act or failure to act has allegedly caused Employer to a level which is no longer material or has eliminated the probability that such act or failure to act is likely to result in material economic damage to Employer. No termination for Cause shall take effect until the expiration of the correction period described in the preceding sentence and the determination by a majority of the non-employee members of the Board of Directors that Employee has failed to correct the act or failure to act in accordance with the terms of the preceding sentence.

Anything herein to the contrary notwithstanding, if, following a termination of Employee's employment by Employer for Cause based upon the conviction of Employee for a felony involving moral turpitude such conviction is finally overturned on appeal, Employee shall be entitled to the compensation provided in Sections 4(a) and 4(c) of that certain severance compensation agreement (the "Severance Compensation Agreement") made as of April 28, 2003 between Employer and Employee, a copy of which is attached hereto as Exhibit F. In lieu of the interest provided in clause (iv) of the first sentence of Section 4(a) of the Severance Compensation Agreement and the interest provided in the second sentence of Section 4(c) of the Severance Compensation Agreement, however, the compensation provided in Sections 4(a) and 4(c) of the Severance Compensation Agreement shall be increased by a 10% rate of interest, compounded annually, calculated from the date such compensation would have been paid if Employee's employment had been terminated without Cause.

(ii) By Employee Voluntarily. Employee may terminate his employment voluntarily hereunder 30 days after providing Employer written notice setting forth his intention to do so.

(iii) Death, Disability or Retirement of Employee. If Employee's employment is terminated during the term of this Agreement due to the death, Disability (as defined below) or Retirement (as defined in Exhibit E) of Employee, then an amount equal to Employee's Base Salary (at the rate most recently in effect) shall be paid through the date of his death, Disability or Retirement, plus an amount in respect of any accrued but unused vacation days; provided, however, that if Employee's employment is terminated due to death, Disability or Retirement subsequent to a Change in Control, then the applicable provisions of the Severance Compensation Agreement shall govern.

In addition to any other compensation provided for under this Agreement or the Severance Compensation Agreement, Employee's beneficiaries shall also receive any insurance benefits under the Benefit Plans to which Employee or his beneficiaries are entitled on the date of his death or Disability. Furthermore, if Employee's employment is terminated during the term of this Agreement due to Disability, then Employee will be entitled to continued participation in all Benefit Plans or programs available to Employer's employees generally, until the earlier of (A) the date, or dates, he receives equivalent coverage and benefits under the plans and programs of a subsequent employer (such coverages and benefits to be determined on a coverage-by-coverage or benefit-by-benefit basis) or (B) two years from the Termination Date; provided (1) if Employee is precluded from continuing his participation in any Benefit Plan or program as provided in the preceding sentence, he shall be paid, in a

lump sum cash payment, within 30 days following the date it is determined he is unable to participate in any Benefit Plan or program, the after-tax economic equivalent of the benefits provided under the plan or program in which he is unable to participate for the period specified in the preceding sentence, and (2) the economic equivalent of any benefit foregone shall he deemed to be the lowest cost that would be incurred by Employee in obtaining such benefit for himself (including family or dependent coverage, if applicable) on an individual basis. Employee shall be eligible for group health plan continuation coverage under and in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1965, as amended, when he ceases to be eligible for continued participation in Employer's group health plan under this Section 6(a)(iii).

As used in this Agreement, the term "Disability" shall mean the inability of Employee, due to physical or mental illness, with or without a reasonable accommodation, to perform his duties with Employer on a full-time basis for six months and, within 30 days after a Notice of Termination (as defined in Exhibit E) is thereafter given by Employer, Employee's failure to return to the full-time performance of Employee's duties as set forth in Section 3.

In the case of the Disability or Retirement of Employee, the Noncompetition and Confidentiality and other provisions of Sections 7 and 8 hereof shall remain in effect.

(iv) Without Cause by Employer. Employer may terminate the employment of Employee at any time without Cause after providing Employee with 30 days' prior written notice setting forth its intention to do so.

(v) Expiration of Term. The expiration of this Agreement is by its own term, as set forth in Section 2.

(b) Compensation on Termination. Except as otherwise set forth in the Severance Compensation Agreement, if Employee is terminated for Cause, death, Disability, Retirement, or voluntarily terminates his employment, or if this Agreement terminates by its own term, he shall not be entitled to any compensation following the date of termination as defined below (the "Termination Date"):

(i) for Cause by Employer - immediately upon the expiration of the correction period described in Section 6(a)(i) and the determination by a majority of the non-employee members of the Board of Directors that Employee has failed to correct the act or failure to act in accordance with the terms of Section 6(a)(i);

(ii) for death, Disability or Retirement - for death or Retirement, immediately upon the date of such occurrence; for Disability, immediately upon expiration of the notice period described in Section 6(a)(iii) if Employee fails to return to the full-time performance of Employee's duties as set forth in Section 3;

(iii) for voluntary termination - on the 30th day following notice by Employee to Employer; and

(iv) by its own term - on the date set forth in Section 2,

(c) Compensation for Termination Without Cause. In the event Employee is terminated by Employer without Cause, Employer shall pay to Employee $150,000.

(d) Change in Control Compensation. Employee shall be entitled to the compensation provided in the Severance Compensation Agreement pursuant to the terms stated in such agreement.

(e) Any termination of Employee by Employer pursuant to Section 6(a)(i) or 6(a)(iii) above, or by Employee pursuant to Section 6(a)(ii) above, shall be communicated by a Notice of Termination to the other party to this Agreement.

7. Noncompetition, Noninducement, Nonsolicitation.

(a) Employee hereby agrees that commencing on the date of this Agreement and continuing through 180 days after the termination date (the "Non-Compete Period"), he shall not singly, jointly, or as a member, employee, or agent of any partnership or as an officer, agent, employee, director or stockholder, or investor of any other corporation or entity, or in any other capacity, which is engaged in a similar business to that of Employer during the period of non-competition:

(i) solicit, contact and/or service any person, firm, corporation, partnership, or entity of any kind whatsoever for purposes which are competitive to that of Employer, and for purposes similar to those performed by Employee for Employer, a client of Employer for which Employee performed service or had personal contact with on behalf of Employer during the last one year of Employee's employment with Employer; provided, that Employee shall be able to acquire and hold up to 1% of the outstanding shares of any publicly traded stock of any company, and an unlimited percentage of outstanding shares in the Employer, its parent, affiliates, or subsidiaries; and

(ii) directly or indirectly induce or attempt to induce any person who, during the term of Employee's employment hereunder, was an employee, representative or agent of Employer or any of its affiliates to terminate his

employment with Employer or any of its affiliates, or to violate the terms of any agreement between said employee, representative or agent and Employer or any of its affiliates.

(b) It is understood and agreed by Employer and Employee that the time periods of the restrictions set forth in Section 7(a) of this Agreement are intended by Employer and Employee to be extended by any time period during which Employee violates the terms and conditions of Section 7(a). Notwithstanding anything which could be construed to the contrary, this Section 7(b) is not intended to and shall not be deemed to permit Employee to violate any term or condition of Section 7(a).

(c) In the event any of the provisions of this Agreement shall be held to be invalid or unenforceable, the remaining portions thereof shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included herein.

(d) Employer and Employee specifically agree that the provisions of Sections 7, 8, 9, and 10 shall survive the termination of this Agreement.

(e) Employer and Employee agree that the provisions of this Section 7 may be waived in whole or in part by mutual agreement in writing by Employer and Employee.

8. Confidentiality. Without the consent of Employer, Employee will not, during his Employment or after termination of this Agreement, (a) disclose any trade secret or proprietary or confidential knowledge or information of Employer or any affiliate of Employer to any person or entity (other than to Employer or shareholders, directors, officers or employees of Employer or representatives thereof), or (b) otherwise make use of any such secret, knowledge or information for other than Employers purposes, unless in the case of (a) or (b) above such secret, knowledge or information is readily ascertainable from publicly available information. Employee will hold confidential, on behalf of Employer as the property of Employer, all memoranda, manuals, books, papers, letters, documents, computer software and other similar property obtained during the course of performing duties under this Agreement, and will return such property to Employer at any time upon demand by Employer and, in any event, within three calendar days after termination of his employment under this Agreement or after the end of the term of this Agreement.

9. Developments.

(a) As used in this Agreement, the term "Employee Developments" shall mean all technological, financial, operating and training ideas, processes, methods and materials, specifically including, but not limited to, all inventions, discoveries, improvements, devices, apparatus, designs, practices, processes, methods, formulas, know-how, products, enhancements and all software, computer programs (including source code, object code, documentation and programmer's notes) and other works of authorship, whether or not patentable or copyrightable, developed, written, conceived or reduced to practice during Employee's employment by Employer or within a period of 90 days thereafter (i) which result from any work performed by Employee for the Employer, or (ii) which relate to the Employer's business or research or development of the Employer at the time Employee develops, writes, conceives or reduces to practice any of the foregoing, alone or with others.

(b) Employee shall promptly disclose all Employee Developments to the Employer and make available to the Employer any work papers, drawings, designs, schematics, specifications, descriptions, models, diskettes, computer tapes, source codes or other tangible incidents of Employee Developments. Employee agrees that all Employee Developments shall be considered work made by Employee for the Employer and prepared within the scope of Employee's employment and that all right, title and ownership interest in and to the Employee Developments, including, without limitation, copyright, trade secret, patent or other intellectual property rights, shall exclusively vest in and be retained by the Employer, both during and following the term of employment. Employee agrees to perform upon request of the Employer any acts that may be necessary or convenient during his term of employment or thereafter to establish, perfect, evidence, register, transfer, assign or convey ownership of Employee Developments in or to the Employer, to the fullest extent possible, including without limitation, assignment to the Employer of all ownership, copyright, trade secret, patent and other intellectual property rights without any further consideration.

10. Remedies.

(a) Employer shall be entitled, if it elects, to enjoin any breach or threatened breach of, or enforce the specific performance of, the obligations of Employee under Sections 7 and 8, without showing any actual damage or that monetary damages would be inadequate. Any such equitable remedy will not be the sole and exclusive remedy for any such breach, and Employer may pursue other remedies for such a breach.

(b) Any court proceeding to enforce the specific performance provisions of this Agreement may be commenced in the federal courts located in the State of Nebraska, or in the absence of federal jurisdiction, the state courts of Nebraska having jurisdiction. Employer and Employee submit to the jurisdiction of such courts and waive any objection which they may have to the pursuit of any such proceeding in any such court for purposes of specific performance only.

11. Employer Assignment. Employer may assign this Agreement, provided, however, that in the event of such assignment by the Employer, Employer's obligations hereunder shall be binding legal obligations and shall inure to the benefit of any successor.

12. Relocation. Employee agrees to relocate to Omaha, Nebraska, for the term of this Agreement. Employer will pay for movement of Employee's household and personal belongings. Employer will pay for real estate commission and other customary and reasonable closing costs associated with the sale of Employee's current home in Chicago. Employer will not pay for any fees or costs associated with the purchase of a home in Omaha. Employer will pay for two house-hunting trips in Omaha for Employee and spouse. No tax gross-up or equalization allowances will be provided. Temporary housing in Omaha and related travel to and from Chicago will be provided and paid for by the Employer while Employees attempts to sell home in Chicago. Payment by Employer for such expenses will cease at the earlier of (1) Employee moving into anew residence in Omaha; (2) closing the sale of Employee's Chicago house; or (3) March 31, 2002.

13. Benefits Unfunded. All rights of Employee and his spouse or other beneficiary under this Agreement shall at all times be entirely unfunded and no provision shall at any time be made with respect to segregating any assets of Employer for payment of any amounts due hereunder. Neither Employee nor his spouse or other beneficiary shall have any interest in or rights against any specific assets of Employer.

14. Waiver. No waiver by any party at any time of any breach by any other party of, or compliance with, any condition or provision of this Agreement to be performed by any other party shall be deemed a waiver of any other provisions or conditions at the same time or at any prior or subsequent time.

15. Applicable Law . This Agreement shall be construed and interpreted pursuant to the laws of the State of Nebraska without giving effect to the conflict of laws provisions thereof.

16. Entire Agreement. This Agreement and the Severance Compensation Agreement contain the entire agreement between Employer and Employee and supersede any and all previous agreements, written or oral, between the parties relating to the subject matter hereof and thereof including, without limitation, the 2001 Employment Agreement. In the event of a conflict between the provisions of this Agreement and the provisions contained in the Severance Compensation Agreement, the provisions of the Severance Compensation Agreement shall govern. No amendment or modification of the terms of this Agreement shall be binding upon the parties hereto unless reduced to writing and signed by Employer and Employee.

17. Counterparts. This Agreement may be executed in counterparts and by facsimile signatures, each of which shall be deemed an original, and all of which taken together shall constitute one instrument.

18. Severability. In the event any provision of this Agreement is held illegal or invalid, the remaining provisions of this Agreement shall not be affected thereby.

19. Notice. Notices under this Agreement shall be in writing and sent by registered mail, return receipt requested, to the following addresses or to such other addresses as the party being notified may have previously furnished to the others by written notice.

If to Employer or its Board of Directors:

Transaction Systems Architects, Inc.
Attn: Chairman of the Board of Directors
224 South 108th Avenue
Omaha, NE 68154

with a copy to:

Transaction Systems Architects, Inc.
Attn: General Counsel
224 South 108th Avenue
Omaha, Nebraska 68154

If to Employee:

Gregory D. Derkacht
2441 South 191st Circle
Omaha, NE 68130

Such notices shall be deemed received three business days after they are so sent.

IN WITNESS WHEREOF, the parties have executed this Agreement, on the day year first above written.

Transaction Systems Architects, Inc.
("Employer")

By:________________________________
Dwight G. Hanson,
Senior Vice President

Gregory D. Derkacht
("Employee")

____

Exhibit 10.02

SEVERANCE COMPENSATION AGREEMENT

SEVERANCE COMPENSATION AGREEMENT dated as of April 28, 2003 between Transaction Systems Architects, Inc., a Delaware corporation (the "Company"), and Gregory D. Derkacht (the "Executive").

WHEREAS, the Company's Board of Directors has determined that it is appropriate to reinforce and encourage the continued attention and dedication of the Executive to his assigned duties without distraction in potentially disturbing circumstances arising from the possibility of a change in control of the Company.

NOW, THEREFORE, this Agreement sets forth the severance compensation which the Company agrees it will pay to the Executive if the Executive's employment with the Company terminates under certain circumstances described herein following a Change in Control (as defined herein) and the other benefits the Company will provide the Executive following a Change in Control.

1. TERM.

This Agreement shall terminate, except to the extent that any obligation of the Company hereunder remains unpaid as of such time, upon the earlier of (i) the termination of Executive's employment for any reason prior to a Change in Control; and (ii) three years after the date of a Change in Control.

2. CHANGE IN CONTROL.

For purposes of this Agreement, Change in Control shall mean:

(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 Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company (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 Company or any corporation controlled by the Company 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 2 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 Company'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) approval by the stockholders of the Company 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 Company Common Stock and Outstanding Company 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 Company Common Stock and Outstanding Company 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 Company'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 Company), (ii) no Person (excluding the Company, any employee benefit plan (or related trust) of the Company, 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 Company Common Stock or Outstanding Company 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 Company of a complete liquidation or dissolution of the Company 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 Company, or (B) the approval by the stockholders of the Company 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 Company Common Stock and Outstanding Company 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 Company Common Stock and Outstanding Company 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 Company'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 Company), (2) no Person (excluding the Company and any employee benefit plan (or related trust) of the Company, 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 Company Common Stock or Outstanding Company 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 Company.

3. TERMINATION FOLLOWING A CHANGE IN CONTROL.

(a) The Executive shall be entitled to the compensation provided in Section 4 of this Agreement if all of the following conditions are satisfied:

(i) there is a Change in Control of the Company while the Executive is still an employee of the Company;

(ii) the Executive's employment with the Company is terminated within two years after the Change in Control; and

(iii) the Executive's termination of employment is not a result of (A) the Executive's death; (B) the Executive's Disability (as defined in section 3(b) below); (C) the Executive's Retirement (as defined in section 3(c) below); (D) the Executive's termination by the Company for Cause (as defined in Section 3(d) below); or (E) the Executive's decision to terminate employment other than for Good Reason (as defined in Section 3(e) below).

(b) If, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been unable, with or without a reasonable accommodation, to perform his duties with the Company on a full-time basis for six months and within 30 days after a Notice of Termination (as defined in Section 3(f) below) is thereafter given by the Company, the Executive shall not have returned to the full-time performance of the Executive's duties, the Company may terminate the Executive's employment for "Disability". If there is a Change in Control of the Company while the Executive is still an employee and if the Executive's employment with the Company is terminated for Disability within two years after the Change in Control, the Executive shall be entitled to receive in a lump sum cash payment within five days after his Date of Termination (as defined in section 3(g) below) the following:

(i) one times the Base Amount (as defined in Section 4(b)(i)) determined with respect to the Base Period (as defined in Section 4(b)(ii)); plus

(ii) his earned but unpaid base salary through his Date of Termination; plus

(iii) a quarterly incentive award for the current fiscal quarter prorated through the Date of Termination equal to the greater of (A) the quarterly incentive award (whether paid or payable in cash or in securities of the Company) awarded to the Executive with respect to the Company's most recent fiscal quarter ending prior to the Date of Termination or (B) the average quarterly incentive award (whether paid or payable in cash or in securities of the Company) made to the Executive with respect to the Company's most recent three fiscal years ending prior to the Date of Termination; plus

(iv) interest on the amounts payable pursuant to clauses (i), (ii) and (iii) above calculated from the Date of Termination until paid at a rate equal to the prime rate as published in The Wall Street Journal on the Date of Termination plus three percentage points.

(c) For purposes of this Agreement only, "Retirement" shall mean termination by the Company or the Executive of the Executive's employment based on the Executive's having reached age 65 or such other age as shall have been fixed in any arrangement established pursuant to this Agreement with the Executive's consent with respect to the Executive.

(d) For purposes of this Agreement only, "Cause" shall mean: (i) the Executive's conviction of a felony involving moral turpitude; or (ii) the Executive's serious, willful gross misconduct or willful gross neglect of duties (other than any such neglect resulting from the Executive's incapacity due to physical or mental illness or any such neglect after the issuance of a Notice of Termination by the Executive for Good Reason, as such terms are defined in subsections (e) and (f) below), which, in either case, has resulted, or in all probability is likely to result, in material economic damage to the Company; provided no act or failure to act by the Executive will constitute Cause under clause (ii) if the Executive believed in good faith that such act or failure to act was in the best interest of the Company.

For purposes of this Agreement only, any termination of the Executive's employment by the Company for Cause shall be authorized by a vote of at least a majority of the non-employee members of the Board of Directors of the Company (the "Board") within 12 months of a majority of such non-employee members of the Board having actual knowledge of the event or circumstances providing a basis for such termination. In the case of clause (ii) of the second sentence of this subsection (d), the Executive shall be given notice by the Board specifying in detail the particular act or failure to act on which the Board is relying in proposing to terminate him for cause and offering the Executive an opportunity, on a date at least 14 days after receipt of such notice, to have a hearing, with counsel, before a majority of the non-employee members of the Board, including each of the members of the Board who authorized the termination for Cause. The Executive shall not be terminated for Cause if, within 30 days after the date of the Executive's hearing before the Board (or if the Executive waives a hearing, within 30 days after receiving notice of the proposed termination), he has corrected the particular act or failure to act specified in the notice and by so correcting such act or failure to act he has reduced the economic damage his act or failure to act has allegedly caused the Company to a level which is no longer material or has eliminated the probability that such act or failure to act is likely to result in material economic damage to the Company. No termination for Cause shall take effect until the expiration of the correction period described in the preceding sentence and the determination by a majority of the non-employee members of the Board that the Executive has failed to correct the act or failure to act in accordance with the terms of the preceding sentence.

Anything herein to the contrary notwithstanding, if, following a termination of the Executive's employment by the Company for Cause based upon the conviction of the Executive for a felony involving moral turpitude such conviction is finally overturned on appeal, the Executive shall be entitled to the compensation provided in Sections 4(a) and 4(c). In lieu of the interest provided in clause (iv) of the first sentence of Section 4(a) and the interest provided in the second sentence of Section 4(c), however, the compensation provided in Sections 4(a) and 4(c) shall be increased by a ten percent rate of interest, compounded annually, calculated from the date such compensation would have been paid if the Executive's employment had been terminated without Cause.

(e) For purposes of this Agreement, "Good Reason" shall mean, after any Change in Control and without the Executive's express written consent, any of the following:

(i) a significant diminution in the Executive's duties and responsibilities, or the assignment to the Executive by the Company of duties inconsistent with the Executive's position, duties, responsibilities or status with the Company immediately prior to a Change in Control of the Company, or a change in the Executive's titles or offices as in effect immediately prior to a Change in Control of the Company, or any removal of the Executive from or any failure to re-elect the Executive to any of such positions, except in connection with the termination of his employment for Disability, Retirement or

Cause or as a result of the Executive's death or by the Executive other than for Good Reason;

(ii) a reduction by the Company in the Executive's annual rate of base salary as in effect on the date hereof or as the same may be increased from time to time during the term of this Agreement or the Company's failure to increase (within 12 months of the Executive's last increase in his annual rate of base salary) the Executive's annual rate of base salary after a Change in Control of the Company in an amount which at least equals, on a percentage basis, the greater of (A) the average percentage increase in the annual rate of base salary for all officers of the Company effected in the preceding 12 months; or (B) the Consumer Price Index as published by the United States Government (or, in the event such index is discontinued, any similar index published by the United States Government as designated in good faith by the Executive); provided, however, that nothing contained in this clause (ii) shall he construed under any circumstances as permitting the Company to decrease the Executive's annual rate of base salary;

(iii) (A) any failure by the Company to continue in effect any benefit plan or arrangement (including, without limitation, the life insurance, medical, dental, accident and disability plans) in which the Executive is participating at the time of a Change in Control of the Company, or any other plan or arrangement providing the Executive with benefits that are no less favorable (hereinafter referred to as "Benefit Plans"), (B) the taking of any action by the Company which would adversely affect the Executive's participation in or materially reduce the Executive's benefits under any such Benefit Plan or deprive the Executive of any material fringe benefit or perquisite of office enjoyed by the Executive at the time of a Change in Control of the Company, unless in the case of either sub-clause (A) or (B) above, there is substituted a comparable plan or program that is economically equivalent or superior, in terms of the benefit offered to the Executive, to the Benefit Plan being altered, reduced, affected or ended;

(iv) (A) any failure by the Company to continue in effect any incentive plan or arrangement (including, without limitation, the Company's bonus arrangements, the Transaction Systems Architects, Inc., Deferred Compensation Plan, the Transaction Systems Architects, Inc. 401(k) Plan, the sales incentive plans, and the management incentive plans) in which the Executive is participating at the time of a Change in Control of the Company, or any other plans or arrangements providing him with substantially similar benefits, (hereinafter referred to as "Incentive Plans"), (B) the taking of any action by the Company which would adversely affect the Executive's participation in any such Incentive Plan or reduce the Executive's benefits under any such Incentive Plan, unless in the case of either sub-clause (A) or (B) above, there is substituted a comparable plan or program that is economically equivalent or superior, in terms of the benefit offered to the Executive, to the Incentive Plan being altered, reduced, affected or ended, or (C) any failure by the Company with respect to any fiscal year to make an award to the Executive pursuant to each such Incentive Plan or such substituted comparable plan or program equal to or greater than the greater of (1) the award (whether paid or payable in cash or in securities of the Company) made to the Executive pursuant to such Incentive Plan or such substituted comparable plan or program with respect to the immediately preceding fiscal year or (2) the average annual award (whether paid or payable in cash or in securities of the Company) made to the Executive pursuant to such Incentive Plan or such substituted comparable plan with respect to the prior three fiscal years (or such lesser number of prior fiscal years that the Executive was employed by the Company or that the Incentive Plan (together with any substituted comparable plan) was maintained);

(v) (A) any failure by the Company to continue in effect any plan or arrangement to receive securities of the Company (including, without limitation, the Transaction Systems Architects, Inc. 1999 Employee Stock Purchase Plan and the Transaction Systems Architects Inc. 1999 Stock Option Plan) in which the Executive is participating at the time of a Change in Control of the Company, or any other plan or arrangement providing him with substantially similar benefits, (hereinafter referred to as "Securities Plans"), (B) the taking of any action by the Company which would adversely affect the Executive's participation in or materially reduce the Executive's benefits under any such Securities Plan, unless in the case of either sub-clause (A) or (B) above, there is substituted a comparable plan or program that is economically equivalent or superior, in terms of the benefit offered to the Executive, to the Securities Plan being altered, reduced, affected or ended, or (C) any failure by the Company in any fiscal year to grant stock options, stock appreciation rights or securities awards to the Executive pursuant to such Securities Plans with respect to an aggregate number of securities of the Company of each kind that is equal to or greater than the greater of (1) the aggregate number of securities of the Company of that kind covered by stock options, stock appreciation rights, or securities awards granted to the Executive pursuant to such Securities Plans in the immediately preceding fiscal year; or (2) the average annual aggregate number of securities of the Company of that kind covered by stock options, stock appreciation rights, or securities awards granted to the Executive pursuant to such Securities Plans in the prior three fiscal years; and provided further

the material terms and conditions of such stock options, stock appreciation rights, and securities awards granted to the Executive after the Change in Control (including, but not limited to, the exercise price, vesting schedule, period and methods of exercise, expiration date, forfeiture provisions and other restrictions) are substantially similar to the material terms and conditions of the stock options, stock appreciation rights, and securities awards granted to the Executive under the Securities Plans immediately prior to the Change in Control of the Company;

(vi) the Executive's relocation more than 50 miles from the location at which the Executive performed the Executive's duties prior to a Change in Control of the Company, except for required travel by the Executive on the Company's business to an extent substantially consistent with the Executive's business travel obligations at the time of a Change in Control of the Company;

(vii) any failure by the Company to provide the Executive with the number of annual paid vacation days to which the Executive is entitled for the year in which a Change in Control of the Company occurs;

(viii) any material breach by the Company of any provision of this Agreement;

(ix) any failure by the Company to obtain the assumption of this Agreement by any successor or assign of the Company prior to such succession or assignment;

(x) any failure by the Company or its successor to enter into an agreement with the Executive that is substantially similar to this Agreement with respect to a Change in Control of the Company or its successor occurring thereafter; or

(xi) any purported termination of the Executive's employment by the Company pursuant to Section 3(b), 3(c) or 3(d) above which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 3(f) below (and, if applicable, Section 3(d) above), and for purposes of this Agreement, no such purported termination shall be effective.

For purposes of this subsection (e), an isolated, immaterial, and inadvertent action not taken in bad faith by the Company in violation of clause (ii), (iii), (iv), (v) or (vii) of this subsection that is remedied by the Company promptly after receipt of notice thereof given by the Executive shall not be considered Good Reason for the Executive's termination of employment with the Company. In the event the Executive terminates his employment for Good Reason hereunder, then notwithstanding that the Executive may also retire for purposes of the Benefit Plans, Incentive Plans or Securities Plans, the Executive shall be deemed to have terminated his employment for Good Reason for purposes of this Agreement.

(f) Any termination of the Executive by the Company pursuant to Section 3(b), 3(c) or 3(d) above, or by the Executive pursuant to Section 3(e) above, shall be communicated by a Notice of Termination to the other party hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a written notice which shall indicate those specific termination provisions in this Agreement relied upon and which sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. For purposes of this Agreement, no such purported termination by the Company shall be effective without such Notice of Termination.

(g) "Date of Termination" shall mean (i) if the Executive's employment is terminated by the Company for Disability, 30 days after Notice of Termination is given to the Executive (provided that the Executive shall not have returned to the performance of the Executive's duties on a full-time basis during such 30-day period), (ii) if the Executive's employment is terminated by the Executive for Good Reason, the date specified in the Notice of Termination, and (iii) if the Executive's employment is terminated by the Company for any other reason, the date on which a Notice of Termination is given; provided, however, that if within 30 days after any Notice of Termination is given to the Executive by the Company, the Executive notifies the Company that a dispute exists concerning the termination, the Date of Termination shall be the date the dispute is finally determined, whether by mutual written agreement of the parties or upon final judgment, order or decree of a court of competent jurisdiction (the time for appeal therefrom having expired and no appeal having been perfected).

4. SEVERANCE COMPENSATION UPON TERMINATION OF EMPLOYMENT.

(a) If pursuant to Section 3(a) above the Executive is entitled to the compensation provided in this Section 4, then the Company shall pay to the Executive in a lump sum cash payment within five days after the Date of Termination the following:

(i) the Severance Amount as defined in Section 4(b) below; plus

(ii) his earned but unpaid base salary through his Date of Termination; plus

(iii) a quarterly incentive award for the current fiscal quarter prorated through the Date of Termination equal to the greater of (A) the quarterly incentive award (whether paid or payable in cash or in securities of the Company) awarded to the Executive with respect to the Company's most recent fiscal quarter ending prior to the Date of Termination or (B) the average quarterly incentive award (whether paid or payable in cash or in securities of the Company) made to the Executive with respect to the Company's most recent three fiscal years ending prior to the Date of Termination; plus

(iv) interest on the amounts payable pursuant to clauses (i), (ii) and (iii) above calculated from the Date of Termination until paid at a rate equal to the prime rate as published in The Wall Street Journal on the Date of Termination plus three percentage points, compounded annually.

(b) "Severance Amount" shall mean an amount equal to one times the Base Amount (as defined below) determined with respect to the Base Period (as defined below); provided, however, in no event shall the Severance Amount be less than two times the Executive's annual rate of base salary at the higher of the annual rate in effect (i) immediately prior to the Date of Termination or (ii) on the date six months prior to the Date of Termination. For purposes of this subsection (b):

(i) "Base Amount" means the Executive's average fiscal-year Compensation (as defined below) for fiscal years of the Company in the Base Period. Such average shall be computed by dividing the total of the Executive's Compensation for the Base Period by the number of fiscal years in the Base Period. If the Executive's Base Period includes a portion of a fiscal year during which he was not an employee of the Company (or a predecessor entity or a related entity, as such terms are defined in clause (iii) below), the Executive's Compensation for such fiscal year shall be annualized before determining the average fiscal-year Compensation for the Base Period. In annualizing Compensation, the frequency with which payments are expected to be made over a fiscal year shall be taken into account; thus, any amount of Compensation that represents a payment that will not be made more often than once per fiscal year is not annualized. Set forth on Appendix A, which is attached hereto and made a part hereof, are three examples illustrating the calculation of the Base Amount.

(ii) "Base Period" means the most recent two consecutive fiscal years of the Company ending prior to the Date of Termination. However, if the Executive was not an employee of the Company (or a predecessor entity or a related entity, as such terms are defined in clause (iii) below) at any time during one of such two fiscal years, the Executive's Base Period is the one fiscal year of such two-fiscal-year period during which the Executive performed personal services for the Company or a predecessor entity or a related entity.

(iii) "Compensation" means the compensation which was payable by the Company, by a predecessor entity, or by a related entity and which was includible in the gross income of the Executive (or either was excludible from such gross income as "foreign earned income" within the meaning of Section 911 of the Internal Revenue Code of 1986, as amended (the "Code"), or would have been includible in such gross income if the Executive had been a United States citizen or resident), but excluding the following: (A) amounts realized from the exercise of a non-qualified stock option; and (B) amounts realized from the sale, exchange or other disposition of stock acquired under an incentive stock option described in Code Section 422 (b) or under an employee stock purchase plan described in code Section 423 (b). Notwithstanding the preceding sentence, Compensation shall be determined without regard to any compensation deferral election under any plan, program or arrangement, qualified or non-qualified, maintained or contributed to by the Company, a predecessor entity or a related entity, including but not limited to a cash-or-deferred arrangement described in Code Section 401(k), a cafeteria plan described in Code Section 125 or a non-qualified deferred compensation plan. A "predecessor entity" is any entity which, as a result of a merger, consolidation, purchase or acquisition of property or stock, corporate separation, or other similar business transaction transfers some or all of its employees to the Company or to a related entity or to a predecessor entity of the Company. The term "related entity" includes any entity treated as a single employer with the Company in accordance with subsections (b), (c), (m) and (o) of Code Section 414.

(c) If pursuant to Section 3(a) above the Executive is entitled to the compensation provided in this Section 4, then the Executive will be entitled to continued participation in all employee benefit plans or programs available to Company employees generally in which the Executive was participating on the Date of Termination, such continued participation to be at Company cost and otherwise on the same basis as

Company employees generally, until the earlier of (i) the date, or dates, he receives equivalent coverage and benefits under the plans and programs of a subsequent employer (such coverages and benefits to be determined on a coverage-by-coverage or benefit-by-benefit basis) or (ii) two years from the Date of Termination; provided (A) if the Executive is precluded from continuing his participation in any employee benefit plan or program as provided in this sentence, he shall be paid, in a lump sum cash payment, within 30 days following the date it is determined he is unable to participate in any employee benefit plan or program, the after-tax economic equivalent of the benefits provided under the plan or program in which he is unable to participate for the period specified in this sentence, and (B) the economic equivalent of any benefit foregone shall he deemed to be the lowest cost that would be incurred by the Executive in obtaining such benefit for himself (including family or dependent coverage, if applicable) on an individual basis. The Executive shall be eligible for group health plan continuation coverage under and in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1965, as amended, when he ceases to be eligible for continued participation in the Company's group health plan under this subsection (c).

5. NO OBLIGATION TO MITIGATE DAMAGES; NO EFFECT ON OTHER CONTRACTUAL RIGHTS.

(a) The Executive shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Agreement be reduced by any compensation earned by the Executive as the result of employment by another employer after the Date of Termination or otherwise.

(b) The provisions of this Agreement, and any payment provided for hereunder, shall not reduce any amounts otherwise payable, or in any way diminish the Executive's existing rights, or rights which would accrue solely as a result of the passage of time, under any Benefit Plan, Incentive Plan or Securities Plan, employment agreement or other contract, plan or agreement with or of the Company.

6. INCENTIVE AWARDS.

In the event of a Change in Control of the Company, then notwithstanding the terms and conditions of any Incentive Plan, the Company agrees (i) to immediately and fully vest all unvested awards, units, and benefits (other than options to acquire securities of the Company or awards of securities of the Company) which have been awarded or allocated to the Executive under the Incentive Plans; and (ii) upon the exercise of such awards or units or the distribution of such benefits, to pay all amounts due under the Incentive Plans solely in cash.

7. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to of for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 7) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) All determinations required to be made under this Section 7, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Accounting Firm which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days after the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. The determination of tax liability made by the Accounting Firm shall be subject to review by the Executive's tax advisor, and, if the Executive's tax advisor does not agree with the determination reached by the Accounting Firm, then the Accounting Firm and the Executive's tax advisor shall jointly designate a nationally recognized public accounting firm which shall make the determination. All fees and expenses of the accountants and tax advisors retained by both the Executive and the Company shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 7, shall be paid by the Company to the Executive within five days after the receipt of the determination. Any determination by such jointly designated public accounting firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination hereunder, it is possible that Gross-Up Payments will not have been made by the Company that should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Executive hereafter is required to make a payment of any Excise Tax, any such underpayment

shall be promptly paid by the Company to or for the benefit of the Executive. Upon notice by the Executive of any audit or other proceeding that may result in a liability to the Company hereunder, the Executive shall promptly notify the Company of such audit or other proceeding; and the Company may, at its option, but solely with respect to the item or items that relate to such potential liability, choose to assume the defense of such audit or other proceeding at its own cost, provided that (i) the Executive shall cooperate with the Company in such defense and (ii) the Company will not settle such audit or other proceeding without the consent of the Executive (such consent not to be unreasonably withheld). The highest effective marginal tax rate (determined by taking into account any reduction in itemized deductions and/or exemptions attributable to the inclusion of the additional amounts payable under this Section 7 in the Executive's adjusted gross or taxable income) based upon the state and locality where the Executive is resident at the time of payment of such amounts will be used for purposes of determining the federal and state income and other taxes with respect thereto.

8. INDEMNIFICATION.

(a) The Company agrees to indemnify the Executive to the fullest extent permitted by law if the Executive is a party or threatened to be made a party to any Proceeding (as defined below).

(b) If requested by the Executive, the Company shall advance (within two business days of such request) any and all Expenses, as defined below, relating to a Proceeding to the Executive (an "Expense Advance"), upon the receipt of a written undertaking by or on behalf of the Executive to repay such Expense Advance if a judgment or other final adjudication adverse to the Executive (as to which all rights of appeal therefrom have been exhausted or lapsed) establishes that the Executive is not entitled to indemnification by the Company. Expenses shall include attorney's fees and all other costs, charges and expenses paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in any Proceeding.

(c) The Company agrees to obtain a directors' and officers' liability insurance policy covering the Executive and to continue and maintain such policy. The amount of coverage shall be reasonable in relation to the Executive's position and responsibilities during his employment by the Company.

(d) This Section 8 is a supplement to and in furtherance of the Certificate of Incorporation and Bylaws of the Company and shall not be deemed a substitute therefor, or diminish or abrogate any rights of the Executive thereunder.

(e) For purposes of Section 8(a), the meaning of the phrase "to the fullest extent permitted by law" shall include but not be limited to:

(i) to the fullest extent permitted by the provision of the Delaware General Corporation Law ("DGCL") that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL, and

(ii) to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which a corporation may indemnify its officers and directors.

(f) For purposes of Sections 8(a) and 8(b), "Proceeding" shall mean any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, in which the Executive was, is or will be involved as a party or otherwise by reason of the fact that the Executive is or was a director or officer of the Company, by reason of any action taken by him or of any action on his part while acting as director or officer of the Company, or by reason of the fact that he is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses can be provided under this Agreement.

9. SUCCESSORS.

(a) The Company will require any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Executive, expressly, absolutely and unconditionally to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. Any failure of the Company to obtain such agreement prior to the effectiveness of any such succession or assignment shall be a material breach of this Agreement and shall entitle the Executive to terminate the Executive's employment for Good Reason and receive the compensation provided for in Section 4 hereof. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor or assign to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) This Agreement shall inure to the benefit of and be enforceable by the Executive's personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts are still payable to him hereunder, all such amounts, unless otherwise provided herein, shall he paid in accordance with the terms of this Agreement to the Executive's devisee, legatee or other designee or, if there be no such designee, to the Executive's estate.

10. NOTICE.

For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, as follows:

If to the Company:

Transaction Systems Architects, Inc.
224 South 108th Avenue
Omaha, NE 68154
Attn: General Counsel

If to the Executive:

Gregory D. Derkacht
2441 South 191st Circle
Omaha, NE 68130

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

11. MISCELLANEOUS.

No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of Nebraska, without giving effect to any principles of conflicts of law.

12. CONFLICT IN BENEFITS.

Except as otherwise provided in the preceding sentences, this Agreement is not intended to and shall not limit or terminate any other agreement or arrangement between the Executive and the Company presently in effect or hereafter entered into.

13. VALIDITY.

The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

14. SURVIVORSHIP.

The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations and to the extent that any performance is required following termination of this Agreement. Without limiting the foregoing, Sections 7, 8 and 15 shall expressly survive the termination of this Agreement.

15. LEGAL FEES AND EXPENSES.

If a claim or dispute arises concerning the rights of the Executive under this Agreement, regardless of the party by whom such claim or dispute is initiated, the Company shall, upon presentation of appropriate vouchers, pay all legal expenses, including reasonable attorneys' fees, court costs and ordinary and necessary out-of-pocket costs of attorneys, billed to and payable by the Executive or by anyone claiming under or through the Executive, in connection with the bringing, prosecuting, arbitrating, defending, litigating, negotiating, or settling such claim or dispute. In no event shall the Executive be required to reimburse the Company for any of the costs of expenses incurred by the Company relating to arbitration or litigation. Pending the outcome or resolution of any claim or dispute, the Company shall continue payment of all amounts due the Executive without regard to any dispute.

16. EFFECTIVE DATE.

This Agreement shall become effective upon execution.

17. COUNTERPARTS.

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

18. NO GUARANTEE OF EMPLOYMENT.

Neither this Agreement nor any action taken hereunder shall be construed as giving the Executive the right to be retained in employment with the Company, nor shall it interfere with either the Company's right to terminate the employment of the Executive at any time or the Executive's right to terminate his employment at any time.

19. NO ASSIGNMENT BY EXECUTIVE.

Except as otherwise provided in Section 9(b), the Executive's rights and interests under this Agreement shall not be assignable (in law or in equity) or subject to any manner of alienation, sale, transfer, claims of creditors, pledge, attachment, garnishment, levy, execution or encumbrances of any kind.

20. WAIVER.

The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement shall not he deemed a waiver of such provision or any other provision of this Agreement. Any waiver of any provision of this Agreement shall not be deemed to be a waiver of any other provision, and any waiver of default in any provision of this Agreement shall not be deemed to be a waiver of any later default thereof or of any other provision.

21. WITHHOLDING.

All amounts paid pursuant to this Agreement shall be subject to withholding for taxes (federal, state, local or otherwise) to the extent required by applicable law.

22. HEADINGS.

The headings of this Agreement have been inserted for convenience of reference only and are to be ignored in the construction of the provisions hereof.

23. NUMBERS AND GENDER.

The use of the singular shall be interpreted to include the plural and the plural the singular, as the context requires. The use of the masculine, feminine or neuter shall be interpreted to include the masculine, feminine or neuter as the context shall require.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

TRANSACTION SYSTEMS ARCHITECTS, INC.

By:

Dwight G. Hanson,
Senior Vice President

Gregory D. Derkacht

APPENDIX A

EXAMPLE 1 - Executive was employed by the Company for 1-1/3 fiscal years preceding the fiscal year in which a Change in Control of the Company occurs. The Executive's Compensation from the Company was $30,000 for the 4-month period and $120,000 for the full fiscal year. The Executive's Base Amount is $105,000.

Year 1: 3 x $30,000 = $90,000
Year 2: $120,000
[90,000 + 120,000] DIVIDED BY 2 = $105,000

$105,000 is the average fiscal-year Compensation for the Base Period.

EXAMPLE 2 - Assume the same facts as in Example 1, except that the Executive also received a $70,000 sign-on bonus when his employment with the Company commenced at the beginning of the 4-month period. The Executive's Base Amount is $140,000.

Year 1: [3 X $30,000] + $70,000 = $160,000
Year 2: $120,000
[160,000 + 120,000] DIVIDED BY 2 = $140,000

Since the sign-on bonus will not be paid more often than once per fiscal year, the amount of the bonus is not increased in annualizing the Executive's Compensation for the 4-month period.

EXAMPLE 3 - Executive was employed by the Company for the last 4 months of the fiscal year preceding the fiscal year in which a Change in Control of the Company occurs. The Executive's Compensation from the Company was $30,000 for the 4-month period. The Executive's Base Amount is $90,000.

Year 1: 3 x $30,000 = $90,000
$90,000 DIVIDED BY 1 = $90,000

$90,000 is the average fiscal-year Compensation for the Base Period.

Exhibit 99.01

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 quarter ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory D. Derkacht, 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: May 14, 2003

By: /s/ GREGORY D. DERKACHT

Gregory D. Derkacht
Chief Executive Officer, President and Director

Exhibit 99.02

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 quarter ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dwight G. Hanson, 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.

Date: May 14, 2003

By: /s/ DWIGHT G. HANSON

Dwight G. Hanson
Chief Financial Officer, Treasurer
and Senior Vice President