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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2006
Commission File Number 0-25346

TRANSACTION SYSTEMS ARCHITECTS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**47-0772104** (I.R.S. Employer Identification No.)
120 Broadway, Suite 3350 **New York, New York 10271** (Address of principal executive offices, including zip code)	**(646) 348-6700** (Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.005 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act).

Yes o No ☑

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 o No ☑

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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

Large accelerated filer ☑ Accelerated filer o Non-accelerated filer o

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

Yes o No ☑

The aggregate market value of the Company's voting common stock held by non-affiliates of the registrant on March 31, 2007 (the last business day of the registrant's most recently completed second fiscal quarter), based upon the last sale price of the common stock on that date of $31.21, was $1,196,191,786. For purposes of this calculation, executive officers, directors and holders of 10% or more of the outstanding shares of the registrant's common stock are deemed to be affiliates of the registrant.

As of May 8, 2007, there were 37,161,165 shares of the registrant's common stock outstanding (including 1,270 options to purchase shares of the registrant's common stock at an exercise price of one cent per share).

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Explanatory Note

In this Annual Report on Form 10-K, which we refer to as our "2006 10-K," we are restating prior period financial statements to reflect additional stock-based compensation expense relating to stock option grants made during the period from fiscal years 1995 through 2002. The effects of these restatements are reflected in our consolidated balance sheet as of September 30, 2005 and each of the quarters in fiscal 2005 and fiscal 2006, and related consolidated statements of operations, stockholders' equity and cash flows for each of the fiscal years ended September 30, 2005 and 2004 and each of the quarters in fiscal years 2005 and 2006. Additionally, we have included in "Item 6. Selected Financial Data," restated financial information for the fiscal years 2002 through 2005, and in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," restated financial information for fiscal years 2004 and 2005. See Note 2, "Restatement of Consolidated Financial Statements," of the Notes to our Consolidated Financial Statements for a detailed discussion of the effect of the restatements. This Explanatory Note explains the circumstances giving rise to the restatements and amendments.

We initiated a review of our historical stock option granting practices following general public reports about option granting issues among public companies. Our review was self-initiated and not prompted by any inquiry from a regulatory body, a "whistleblower" or other source. On October 27, 2006, we publicly announced the voluntary internal review. The review was conducted by the audit committee of our board of directors with the assistance of special independent counsel and forensic accountants. On March 16, 2007, we publicly announced the completion and key results of the review, which are set forth in our Form 8-K filed with the Securities and Exchange Commission ("SEC") on that date.

The independent counsel and its forensic accountants reviewed approximately 80,000 pages of paper files and approximately 30,000 e-mails and electronic files, conducted interviews with current and former members of the board's compensation committee, current and former directors, officers, employees and advisors, reviewed and tested the company's option database, and also conducted an extensive review and analysis of facts and circumstances related to all stock option grants made from the date of our Initial Public Offering ("IPO") in 1995 through fiscal 2006.

The review indicated that our stock option granting practices from fiscal 1995 through fiscal 2002 were subject to control weaknesses and other deficiencies. As a result, a number of measurement date errors occurred in this period. Prior to 2003, based upon formal board action and informal consultations with board members, the CEO and CFO believed they had been delegated authority to carry out the employee option granting process. Generally, the CEO approved the numbers of options and recipients, while the CFO set the grant date, which determined the exercise price. In many instances, it appears that the CFO used hindsight and often looked for the lowest stock price in the quarter in selecting the grant date. The stock options granted by management were, at times, the subject of later board action. Although all options granted to the CEO and CFO were approved by the board of directors or compensation committee, the record of board action for other employee grants was inconsistent and incomplete; however, the review indicated no evidence of intentional misconduct on the part of the participants in this process, and these practices ended in 2002 (although adjustments to subsequent period financial statements are required for periods after 2002 under applicable accounting rules). In addition, based upon the turnover in executive management after 2002, the review concluded that our current CEO, CFO and general counsel were not involved in the option granting practices requiring the restatement of our prior period financial statements.

We previously applied Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and its related Interpretations and provided the required pro forma disclosures under Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation*, through the fiscal year ended September 30, 2005. Under APB Opinion No. 25,

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non-cash, stock based compensation expense should have been recognized for any option for which the exercise price was below the market price on the applicable measurement date. Because a number of our options had exercise prices below the market prices on applicable measurement dates, there should have been charges for these options under APB Opinion No. 25 equal to the number of option shares, multiplied by the difference between the exercise prices and the market prices on the actual grant dates. These charges should have been amortized over the service periods of the options. Additionally, we determined that certain grants made prior to June 1, 2001 totaling 191,000 stock options should be accounted for under the variable accounting method. Under that method, charges and benefits are taken each reporting period to reflect increases and decreases in the fair value of the stock over the option exercise price until the stock option is exercised or otherwise cancelled.

Based on the records and findings of our voluntary review of historical stock option granting practices, we determined that we should restate our prior period financial statements to correct the measurement date errors and to account for any compensation charges associated with revised measurement dates. We applied the accounting standards then in effect to determine, for every grant, the proper compensation expense. Accordingly, we are recording in this report additional non-cash compensation expense and related tax effects over the relevant option service periods consistent with then-controlling accounting principles during such periods to the extent that the prices of our common stock on the actual measurement dates were higher than the prices on the previously recorded dates. The non-cash compensation expense in aggregate was $18.8 million, pretax, substantially all of which is recorded and recognized from fiscal 1995 through fiscal 2001.

As concluded by the audit committee in its independent review, our stock option granting practices since late fiscal 2003 do not have similar control deficiencies of the historical stock option granting practices that gave rise to the restatement. For example, under the current practices, our board of directors and its compensation committee only act through meetings, and not by unanimous written consent, to take formal corporate action; our board and its compensation committee approve options contemporaneously on the date of grant, and not on a ratification basis; and only the compensation committee, not management, approves employee options and sets the terms. Commencing in fiscal 2004, our stock option administration function is supervised by our legal department. Additionally, our stock option granting processes are documented and tested as part of our Sarbanes-Oxley compliance programs.

Upon the completion of the review, our audit committee made certain recommendations to ensure that we continue to follow good corporate practices in connection with stock option administration, including (1) amendments to charters of the compensation committee and the nominating and corporate governance committee to reflect existing and possible additional measures regarding each committee's role in our option granting process, (2) requiring written reports to our board on existing options procedures, (3) evaluating, with the assistance of outside advisors, additional best practices and other improvements in our option granting procedures, and (4) conducting training for all employees involved in the option granting process. We are in process of evaluating and implementing these recommendations.

For more information and discussion of foregoing matters, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations;" Note 2 of the Notes to our Consolidated Financial Statements; and Item 9A, "Controls and Procedures."

We do not intend to specifically amend any of our previously filed Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q for the periods affected by the restatements. Instead, we are restating the consolidated financial statements and selected financial data in this 2006 10-K. Accordingly, the consolidated financial statements and related financial information contained in previously filed financial reports should no longer be relied upon.

The expense allocated to fiscal years 2003 through 2005 reflect the amortization of compensation expense and charges under the variable accounting method associated with options granted in fiscal year 2002 and prior years. The incremental effect of recognizing additional stock-based compensation expense is as follows (in thousands):

	Pre-Tax Expense	After Tax Expense
1995	$ 55	$ 40
1996	73	61
1997	2,660	1,657
1998	1,652	1,061
1999	1,897	1,320
2000	4,343	2,994
2001	6,497	5,094
2002	461	316
2003	392	268
Total 1995 – 2003 Impact	18,030	12,811
2004	520	379
2005	204	147
2006	—	—
Total for all fiscal periods	$ 18,754	$ 13,337

These additional charges do not affect previously reported revenue or cash provided by operating activities. As a result of these additional charges, we are restating our consolidated balance sheet as of September 30, 2005 and each of the quarters in fiscal 2005 and fiscal 2006, and related consolidated statements of operations, stockholders' equity and cash flows for each of the fiscal years ended September 30, 2005 and 2004 and each of the quarters in fiscal year 2005 appear in this 2006 10-K.

This 2006 10-K also reflects the restatement of "Selected Financial Data" in Item 6 for the fiscal years ended September 30, 2005, 2004, 2003 and 2002, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 for the fiscal years ended September 30, 2005 and 2004.

We are also restating the pro forma expense under SFAS No. 123 in Note 14, "Stock-Based Compensation Plans" of the Notes to Consolidated Financial Statements of this 2006 10-K to reflect the impact of these adjustments for the fiscal years ended September 30, 2005 and 2004.

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," "we believe," "we anticipate," "we expect," "we plan," "we will," "we are well positioned," and words and phrases of similar impact, and include, but are not limited to, statements regarding future operations, business strategy, business environment and key trends, as well as statements related to expected financial and other benefits from our recent acquisition of eps Electronic Payment Systems AG and P&H Solutions, Inc. and those related to our organizational restructuring activities. The forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Any or all of the forward-looking statements in this document may turn out to be incorrect. They may be based on inaccurate assumptions or may not account for known or unknown risks and uncertainties. Consequently, no forward-looking statement is guaranteed, and our actual future results may vary materially from the results expressed or implied in our forward-looking statements. The cautionary statements in this report expressly qualify all of our forward-looking statements. In addition, we are not obligated, and do not intend, to update any of our forward-looking statements at any time unless an update is required by applicable securities laws. Factors that could cause actual results to differ from those expressed or implied in the forward-looking statements include, but are not limited to, those discussed in Item 1A in the section entitled “Risk Factors — Factors That May Affect Our Future Results or The Market Price of Our Common Stock.”

Trademarks and Service Marks

ACI, the ACI logo, BASE24, ON/2, OpeN/2, ENGUARD, Network Express, PaymentWare and CO-ach, among others, are registered trademarks and/or registered service marks of Transaction Systems Architects, Inc., or one of its subsidiaries, in the United States and/or other countries. BASE24-eps, ACI Retail Commerce Server, NET24, Commerce Gateway, Smart Chip Manager, Proactive Risk Manager, PRM, ICE, WebGate, SafeTGate, DataWise, ACI Wholesale Payment System, ACI Money Transfer System or MTS, ACI Enterprise Banker, ACI Payments Manager, ACI Card Management System, ACI Dispute Management System, and WPS, among others, have pending registrations or are common-law trademarks and/or service marks of Transaction Systems Architects, Inc., or one of its subsidiaries, in the United States and/or other countries. Other parties’ marks are the property of their respective owners.

PART I

ITEM 1. BUSINESS

General

Transaction Systems Architects, Inc., a Delaware corporation, and our subsidiaries (collectively referred to as “TSA” the “Company,” “we,” “us” or “our”) develop, market, install and support a broad line of software products and services primarily focused on facilitating electronic payments. In addition to our own products, we distribute, or act as a sales agent for, software developed by third parties. These products and services are used principally by financial institutions, retailers and electronic payment processors, both in domestic and international markets. Most of our products are sold 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 independent reseller and/or distributor networks. Our products are marketed under the ACI Worldwide brand.

The electronic payments market is comprised of financial institutions, retailers, third-party electronic payment processors, payment associations, switch interchanges and a wide range of transaction-generating endpoints, including automated teller machines (“ATM”), retail merchant locations, bank branches, mobile phones, corporations and Internet commerce sites. The authentication, authorization, switching, settlement and reconciliation of electronic payments is a complex activity due to the large number of locations and variety of sources from which transactions can be generated, the large number of participants in the market, high transaction volumes, geographically dispersed networks, differing types of authorization, and varied reporting requirements. These activities are typically performed online and are often conducted 24 hours a day, seven days a week.

Transaction Systems Architects, Inc. was formed as a Delaware corporation in November 1993 under the name ACI Holding, Inc. and is largely the successor to Applied Communications, Inc. and Applied Communications Inc. Limited, which the Company acquired from Tandem Computers Incorporated on December 31, 1993.

Segment Information

Historically, we reported our results in three operating segments: ACI Worldwide, Insession Technologies and Intranet Worldwide. On October 5, 2005, during the first quarter of fiscal 2006, we announced a restructuring of our organization, combining products and services within these three business units into one operating unit under the ACI Worldwide name. In examining our market, opportunities and organization, management decided that combining the business units’ products and services provides us with a better structure to facilitate operating efficiency and strategic acquisition integration.

As a result of this restructuring, our chief operating decision maker, together with other senior management personnel, currently focus their review of consolidated financial information and the allocation of resources based on reporting of operating results, including revenues and operating income, for the geographic regions of the Americas, EMEA and Asia/Pacific. Our products are sold and supported through distribution networks covering these three geographic regions, with each distribution network having its own sales force. We supplement our distribution networks with independent reseller and/or distributor arrangements. As such, we have concluded that our three geographic regions are our reportable operating segments.

Financial information for fiscal 2005 and fiscal 2004 has been conformed to reflect the segment change. See Note 13, “Segment Information” in the Notes to Consolidated Financial Statements for further detail.

Acquisitions

On July 29, 2005, we acquired the business of S2 Systems, Inc. (“S2”) through the acquisition of substantially all of its assets. S2 was a global provider of electronic payments and network connectivity software, and it primarily served financial services and retail customers, which were homogeneous and complementary to our target markets. In addition to its U.S. operations, S2 had a significant presence in the Middle East, Europe, Latin America and the Asia/Pacific region, generating nearly half of its revenue from international markets.

On May 31, 2006, we acquired the outstanding shares of eps Electronic Payment Systems AG (“eps”), headquartered in Frankfurt, Germany. The acquisition of eps occurred in two closings. The initial closing occurred on May 31, 2006, and the second closing occurred on October 31, 2006. eps, with operations in Germany, Romania, the United Kingdom and other European locations, offers electronic payment and complementary solutions focused largely in the German market. The acquisition of eps will provide us additional opportunities to sell our value added solutions, such as Proactive Risk Manager and Smart Chip Manager, into the German marketplace, as well as to sell eps’ testing and dispute management solutions into markets beyond Germany. In addition, eps’ presence in Romania will help us more rapidly develop our global offshore development and support capabilities. The aggregate purchase price for eps was $30.4 million, which was comprised of cash payments of $19.1 million, 330,827 shares of common stock valued at $11.1 million, and direct costs of the acquisition.

On September 29, 2006, we completed the acquisition of P&H Solutions, Inc. (“P&H”). P&H is a leading provider of enterprise business banking solutions and complements our existing business. The aggregate purchase price for P&H, including direct costs of the acquisition, was $133.7 million, net of $20.2 million of cash acquired, approximately $73.3 million of which was financed by the Credit Agreement described in Note 8, “Debt” in the Notes to Consolidated Financial Statements, with the remaining cash of $60.4 million derived from the sale of investments. The acquisition of P&H will extend our wholesale payments solutions suite, provide us with an Application Software Provider ("ASP")-based offering and allow us to distribute P&H's solutions into international markets through our global distribution channel.

On February 7, 2007 we acquired Visual Web Solutions, Inc. Visual Web markets trade finance and web-based cash management solutions, primarily to financial institutions in the Asia/Pacific region.

On April 2, 2007, we acquired Stratasoft Sdn. Bhd. Stratasoft is a Kuala Lumpur based company focused on the provision of mainframe-based payments systems to the Malaysian market. Prior to the acquisition, Stratasoft had been a distributor of our OCM24 product within the Malaysian market since 1995.

Assets of Businesses Transferred Under Contractual Arrangements

On September 29, 2006, we completed the sale of the eCourier and Workpoint product lines to PlaNet Group, Inc. We have retained rights to distribute these products as components of our electronic payments solutions. See Note 17, "Assets of Businesses Transferred Under Contractual Arrangements" in the Notes to Consolidated Financial Statements for further detail.

Products

ACI Worldwide software products perform a wide range of functions designed to facilitate electronic payments. Generally, our products address three primary market segments:

- Retail banking, including debit and credit card issuers
- Wholesale banking, including corporate cash management and treasury management operations
- Retailers

In addition, we market our solutions to third-party electronic payment processors, who serve all three of the above market segments. We also offer solutions that are not industry-specific, and are used by customers in a wide range of industries to address needs for systems connectivity, data synchronization, testing and simulation and systems monitoring.

We offer five primary software product lines:

- Retail Payment Engines
- Risk Management
- Payments Management
- Wholesale Payments
- Cross Industry Solutions

See Note 13, "Segment Information" in the Notes to Consolidated Financial Statements for further detail.

An overview of major software products within these software product lines follows:

Retail Payment Engines

Generally, our Retail Payment Engines are designed to route electronic payment transactions from transaction generators to the acquiring institutions so that they can be authorized for payment. The software often interfaces with regional or national switches to access the account-holding financial institution or card issuer for approval or denial of the transactions (authorization). The software returns messages to the original transaction generator (e.g. an ATM), thereby completing the transactions. Depending on how the software is configured, it can perform all of the functions

necessary to authenticate, authorize, route and settle an electronic payment transaction, or it can interact with other systems to ensure that these functions are performed. Electronic payments software may be required to interact with dozens of devices, switch interchanges and communication protocols around the world. We currently offer a range of retail payment engine solutions, as follows:

- **BASE24.** BASE24 is an integrated family of software products marketed to customers operating electronic payment networks in the retail banking and retail industries. The modular architecture of the product enables customers to select the application and system components that are required to operate their networks. BASE24 offers a broad range of features and functions for electronic payment processing. BASE24 allows customers to adapt to changing network needs by supporting over 40 different types of ATM and POS terminals, over 50 interchange interfaces, and various authentication, authorization and reporting options. The majority of ACI Worldwide's revenues were derived from licensing the BASE24 family of products and providing related services and maintenance.

  The BASE24 product line operates exclusively on Hewlett-Packard ("HP") NonStop servers. The HP NonStop parallel-processing environment offers fault-tolerance, linear expandability and distributed processing capabilities. The combination of features offered by BASE24 and the HP NonStop technology are important characteristics in high volume, 24-hour per day electronic payment systems.

- **BASE24-eps (formerly called BASE24-es).** BASE24-eps is an integrated electronic payments processing product that supports similar features as BASE24, but uses a more modern set of technologies and architecture. BASE24-eps uses an object-based architecture and languages such as C++ and Java to offer a more flexible, open architecture for the processing of a wide range of electronic payment transactions. BASE24-eps also uses a scripting language to improve overall transaction processing flexibility and improve time to market for new services, reducing the need for traditional systems modifications. BASE24-eps is licensed as a standalone electronic payments solution for financial institutions, retailers and electronic payment processors, and it represents the future platform to which current BASE24, ON/2, OpeN/2, and AS/X customers are expected to migrate over time. BASE24-eps, which operates on International Business Machines ("IBM") zSeries, IBM pSeries, HP NonStop, HP-UX and Sun Solaris servers, provides flexible integration points to other applications and data within enterprises to support 24-hour per day access to money, services and information.

- **ACI Retail Commerce Server (formerly called WINPAY24).** The Retail Commerce Server is an integrated suite of electronic payments products that facilitates a broad range of capabilities, specifically focused on retailers. These capabilities include debit and credit card processing, automated clearing house ("ACH") processing, electronic benefits transfer, card issuance and management, check authorization, customer loyalty programs and returned check collection. The Retail Commerce Server product line operates on open systems technologies such as Microsoft Windows, UNIX and Linux, with most of the current installations deployed on the Microsoft Windows platform.

- **NET24.** NET24 is a message-oriented middleware product that acts as the layer of software that manages the interface between application software and computer operating systems and helps customers perform network and legacy systems integration projects. The NET24 product operates exclusively on the HP NonStop platform, and represents the middleware product on which BASE24 and BASE24-eps operate when deployed on HP NonStop servers. NET24 supports process management, network communications, systems configuration and management, and asynchronous messaging.

- **ON/2.** ON/2, a product acquired in the S2 asset acquisition, is an integrated electronic payments processing system, exclusively designed for the Stratus VOS operating environment. It authenticates, authorizes, routes and switches transactions generated at ATM's and merchant POS sites.

- **OpeN/2.** OpeN/2, a product acquired in the S2 asset acquisition, is an integrated electronic payments processing system, designed for open-systems environments such as Windows, UNIX and Linux. It offers a wide range of electronic payments processing capabilities for financial institutions, retailers and electronic payment processors.

- **AS/X.** AS/X, a product acquired in the eps acquisition, is an integrated electronic payments processing system designed for open-systems environments such as UNIX. It supports a wide range of electronic payments processing capabilities for financial institutions and electronic payment processors in Germany and Switzerland.

During fiscal 2006, 2005 and 2004, approximately 57%, 57% and 59%, respectively, of our total revenues were derived from licensing the BASE24 product line, which does not include the BASE24-eps product.

Risk Management

- **ACI Proactive Risk Manager ("PRM").** PRM is a neural network-based fraud detection system designed to help card issuers, merchants, merchant acquirers and financial institutions combat fraud schemes. The system combines the pattern recognition capability of neural-network transaction scoring with custom risk models of expert rules-based strategies and advanced client/server account management software. PRM operates on IBM zSeries, HP NonStop, Sun Solaris and Microsoft Windows servers. There are six editions of PRM, each of which is tailored for specific industry needs. The six editions are debit, credit, merchant, private label, money laundering detection and enterprise.

Payments Management

ACI Payments Management Solutions. Payments Management solutions are integrated products bringing value-added solutions to information captured during online processing. The suite of products includes management of dispute processing, card management and card statement products, merchant accounting applications, and settlement and reconciliation solutions for online and offline payment processing. The suite also includes a transaction warehouse product that accumulates and stores e-payment transaction information for subsequent transaction inquiry via browser-based presentation allowing transaction monitoring, alerting and executive analysis. These products operate on IBM zSeries, IBM pSeries, HP NonStop, Sun Solaris and Microsoft Windows servers.

- **ACI Payments Manager ("PM").** PM is an integrated, modular software solution that automates the processing, settlement and reconciliation of electronic transactions, as well as provides plastic card issuance and account management. Payments Manager's primary focus is to enable efficient back-office management through cost reductions and streamlined daily operations. The solution accesses a central transaction database that can be updated in batch or near-real time from the payment engine. Payments Manager integrates all transaction and processing data for transaction analysis, settlement processing, and card account and customer data. Application functions are accessed via the ACI desktop environment, an integrated graphical presentation and development tool.

- **ACI Card Management System ("CMS").** CMS is a complete plastic card system for issuing cards, maintaining account information, tracking card usage and providing customer service. It

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supports multiple account types and allows online display and modification of pertinent account information. It can be linked with a card authorization system for authorizing debit transactions from ATM and POS devices on the host system. Optionally, CMS can also be linked to a front-end processor for purposes of forwarding file maintenance activity and accepting financial transaction activity.

- **ACI Smart Chip Manager ("SCM").** SCM supports the deployment of stored-value and other chip card applications used at smart card-enabled devices. The solution facilitates authorization of funds transfers from existing accounts to cards. It also leverages chip technology to enhance debit/credit card authentication and security. SCM supports Europay/Mastercard/VISA ("EMV") standards for debit and credit card processing, and manages the complete lifecycle of the deployment of multi-function chip cards. In addition, SCM has been deployed in government identification environments, providing the core operating environment for multi-function electronic identification cards.

- **ACI Dispute Management System ("DMS").** DMS provides issuers the ability to work retail discrepancies caused by processing errors, disputes, charge backs and fraud. Failure to comply with card association rules or government regulations can result in the loss of chargeback and representation rights or fines. ACI's DMS runs through a Case Management work flow tracking disputes with debit and credit cards, EBT transactions, electronic banking and billpay, ACH, and network adjustments. An audit trail of operator actions ensures that staff members follow procedures. DMS also provides an interface to institutions' general ledger and transaction processing systems, which saves time and ensures better audit trails. Because electronic banking disputes may be subject to governmental and internal audits, DMS stores all due dates and required customer notifications to maintain a complete historical file on each claim. Furthermore, users can create specific compliance reports.

Wholesale Payments

Our wholesale payments solutions are focused on global, super-regional and regional financial institutions that provide treasury management services to large corporations. In addition, the market includes non-bank financial institutions with the need to conduct their own internal treasury management activities.

Our wholesale payments solutions include high value payments processing, bulk payments processing, global messaging and Continuous Link Settlement processing, and are collectively referred to as the ACI Money Transfer System (“MTS”). The high value payments processing products, which produce the majority of revenues within the MTS solution set, are used to generate, authorize, route, settle and control high value wire transfer transactions in domestic and international environments. The MTS product operates on IBM p-Series servers using the AIX operating system and communicates over proprietary networks using a variety of messaging formats, including S.W.I.F.T., EBA, Target, Ellips, CEC, RTGSplus, Fedwire, CHIPS and Telex.

ACI Enterprise Banker, acquired in the P&H acquisition, is a comprehensive internet-based business banking product for financial institutions, including banks, brokerage firms and credit units and can be flexibly packaged for small, medium and large business customers. This product provides these customers with electronic payment initiation capability, information reporting, and numerous other payment related services that allow the business customer to manage all its banking needs via the Internet.

Cross Industry Solutions

The market for our Cross Industry Solutions is comprised of large corporations, including financial institutions, telecommunication companies, retailers and other entities, with the need to move business data or financial information and process business transactions electronically over public and private communications networks. These companies typically have many different computing systems that were not originally designed to operate together, and they typically want to preserve their investments in existing mainframe computer systems.

Our Cross Industry Solutions comprise a suite of infrastructure software products that facilitate communication, data movement, transaction processing, systems monitoring and business process automation across incompatible computing systems that include mainframes, distributed computing networks and the Internet. The primary Company-owned software products within this suite are ICE, WebGate, SafeTGate, ENGUARD and DataWise. In addition, as part of the S2 acquisition, we acquired a product called Network Express and as part of the eps acquisition, we acquired a product called Asset. The primary third-party products distributed within this business unit are GoldenGate, VersaTest, SQLMagic and OpenNET/AO. ICE is a set of networking software products that allow applications running on the HP NonStop server to connect with applications running on, or access data stored on, computers that use the Systems Network Architecture protocol. WebGate is a product suite that allows HP NonStop servers to communicate with applications using web-based technology. SafeTGate is a family of security solutions that work in conjunction with ICE and WebGate. GoldenGate and DataWise are transactional data management products that capture, route, enhance and apply transactions in real time across a wide variety of data sources, most commonly for business continuity and data integration. ENGUARD is a proactive monitoring, alarm and dispatching software tool. Network Express provides network communications and middleware capabilities to support legacy systems integration and connectivity. Asset is a simulation and testing tool that allows companies involved in electronic payments to simulate devices and transactions, and perform application testing. SQLMagic is designed to improve system and database administration for HP NonStop servers. VersaTest provides online testing, simulation and support utilities for HP NonStop servers. OpenNET/AO provides policy-based management, monitoring and automation designed specifically for continuous availability of HP NonStop servers.

Third-Party Partners

We have two major types of third-party partners: strategic alliances where we work closely with industry leaders who drive key industry trends and mandates, and product partners, where we market or embed the products of other software companies.

Strategic alliances help us add value to our solutions, stay abreast of current market conditions, and extend our reach within our core markets. The following is a list of those companies with whom we have strategic alliances:

- Hewlett-Packard Company
- IBM Corporation
- Sun Microsystems, Inc.
- Stratus Technologies
- Microsoft Corporation
- Diebold, Incorporated
- NCR Corporation

- Wincor-Nixdorf
- Visa International
- MasterCard International Incorporated
- Oracle Corporation

Product partner relationships extend our product portfolio, improve our ability to get our solutions to market rapidly and enhance our ability to deliver market-leading solutions. We share revenues with these product partners based on relative responsibilities for the customer account. The agreements with product partners generally grant us the right to distribute or represent their products on a worldwide basis and have a term of several years. The following is a list of currently active product partners:

- GoldenGate, Inc.
- Merlon Software Corporation
- Ascert, LLC
- Gresham Computing, PLC
- Allen Systems Group, Inc.
- ESQ Business Services, Inc.
- ACE Software Solutions, Inc.
- Faircom Corporation
- Paragon Application Systems, Inc.
- Financial Software and Services, PTT
- IBM Corporation
- CB.Net Ltd.
- Side International S.A.
- eClassic Systems
- RDM Corporation
- Intuit, Inc.
- Vasco Data Security
- NCR Corporation
- Online Banking Solutions
- Metatomix Inc.
- PlaNet Group, Inc.

Services

We offer our customers a wide range of professional services, including analysis, design, development, implementation, integration and training. We have service professionals within each of our three geographic regions who generally perform the majority of the work associated with installing and integrating our software products, rather than relying on third-party systems integrators. Our

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service professionals have extensive experience performing such installation and integration services for clients operating on a range of computing platforms. We offer the following types of services for our customers:

- **Technical Services.** The majority of our technical services are provided to customers who have licensed one or more of our software products. Services offered include programming and programming support, day-to-day systems operations, network operations, help desk staffing, quality assurance testing, problem resolution, system design, and performance planning and review. Technical services are typically priced on a weekly basis according to the level of technical expertise required and the duration of the project.
- **Project Management.** We offer a Project Management and Implementation Plan (“PMIP”) which provides customers with a variety of support services, including on-site product integration reviews, project planning, training, site preparation, installation, testing and go-live support, and project management throughout the project life cycle. We offer additional services, if required, on a fee basis. PMIPs are offered for a fee that varies based on the level and quantity of included support services.
- **Facilities Management.** We offer facilities management services whereby we operate a customer’s electronic payments system for multi-year periods. Pricing and payment terms for facilities management services vary on a case-by-case basis giving consideration to the complexity of the facility or system to be managed, the level and quantity of technical services required, and other factors relevant to the facilities management agreement.
- **ACI On Demand.** We will offer a service whereby we will host a customer’s system for them as opposed to the customer licensing and installing the system on their own site. We offer several of our solutions in this manner, including our retail and wholesale payment engines, risk management and online banking products. Each customer gets a unique image of the system that can be tailored to meet their needs. The product will generally be located on facilities and hardware that we provide. Pricing and payment terms will depend on which solutions the customer requires and their transaction volumes. Generally, customers will be required to commit to a minimum contract of three to five years.

Customer Support

We provide our customers with product support that is available 24 hours a day, seven days a week. If requested by a customer, the product support group can remotely access that customer’s systems on a real-time basis. This allows the product support groups to help diagnose and correct problems to enhance the continuous availability of a customer’s business-critical systems. We offer our customers both a general maintenance plan and an extended service option.

- **General Maintenance.** After software installation and project completion, we provide maintenance services to customers for a monthly fee. Maintenance services include:

- 24-hour hotline for problem resolution
- Customer account management support
- Vendor-required mandates and updates
- Product documentation
- Hardware operating system compatibility
- User group membership

- **Enhanced Support Program.** Under the extended service option, referred to as the Enhanced Support Program, each customer is assigned an experienced technician to work with its system. The technician typically performs functions such as:
  - Install and test software fixes
  - Retrofit customer-specific software modifications ("CSMs") into new software releases
  - Answer questions and resolve problems related to CSM code
  - Maintain a detailed CSM history
  - Monitor customer problems on HELP24 hotline database on a priority basis
  - Supply on-site support, available upon demand
  - Perform an annual system review

We provide new releases of our products on a periodic basis. New releases of our products, which often contain product enhancements, are typically provided at no additional fee for customers under maintenance agreements. Agreements with our customers permit us to charge for substantial product enhancements that are not provided as part of the maintenance agreement.

Competition

The electronic payments market is highly competitive and subject to rapid change. Competitive factors affecting the market for our products and services include product features, price, availability of customer support, ease of implementation, product and company reputation, and a commitment to continued investment in research and development.

Our competitors vary by product line, geography and market segment. Generally, our most significant competition comes from in-house information technology departments of existing and potential customers, as well as third-party electronic payments processors (some of whom are ACI Worldwide customers). Many of these companies are significantly larger than us and have significantly greater financial, technical and marketing resources. Key competitors by product line include the following:

Retail Payment Engines

The principal third-party software competitors for the Retail Payment Engines product line are eFunds Corporation and S1 Corporation, as well as small, regionally-focused companies such as OpenWay, Distra Pty Ltd. and CTL, Ltd. Primary electronic payment processing competitors in this area include global entities such as First Data Corporation, Fiserv, Metavante, Euronet, Visa and Mastercard, as well as regional or country-specific processors.

Risk Management

Principal competitors for the Risk Management product line are Fair Isaac, Retail Decisions, Mantas, SearchSpace, Americas Software and Visa DPS, as well as dozens of smaller companies focused on niches of this segment such as Anti-Money Laundering.

Payments Management

Principal competitors for our Payments Management product line are eFunds, Baldwin Hacket and Meeks, Inc. and Bell ID.

Wholesale Payments

Principal competitors for our Wholesale Payments product line are Fundtech Ltd, LogicaCMG plc, Tieto Enator, Clear2Pay, Dovetail, Bankserv, SWIFT, Intuit Corporation, S1 Corporation, Metavante, Checkfree and a number of core banking processors.

Cross Industry Solutions

The principal competitor for our Cross Industry Solutions product line is Hewlett-Packard Co, as well as dozens of small, niche-focused competitors.

As markets continue to evolve in the electronic payments, risk management and smartcard sectors, we may encounter new competitors for our products and services. As electronic payment transaction volumes increase and banks face price competition, third-party processors may become stronger competition in our efforts to market our solutions to smaller financial institutions. In the larger financial institution market, we believe that third-party processors may be less competitive since large institutions attempt to differentiate their electronic payment product offerings from their competition, and are more likely to develop or continue to support their own internally-developed solutions or use third-party software packages such as those offered by us.

Research and Development

Our product development efforts focus on new products and improved versions of existing products. We facilitate user group meetings. The user groups are generally organized geographically or by product lines. The groups help us determine our product strategy, development plans and aspects of customer support. We believe that the timely development of new applications and enhancements is essential to maintain our competitive position in the market.

In developing new products, we work closely with our customers and industry leaders to determine requirements. We work with device manufacturers, such as Diebold, NCR and Wincor-Nixdorf, to ensure compatibility with the latest ATM technology. We work with interchange vendors, such as MasterCard and Visa, to ensure compliance with new regulations or processing mandates. We work with computer hardware and software manufacturers, such as Hewlett-Packard Company, IBM Corporation, Microsoft Corporation, Sun Microsystems, Inc. and Stratus Technologies, Inc. to ensure compatibility with new operating system releases and generations of hardware. Customers often provide additional information on requirements and serve as beta-test partners.

Our total research and development expenses during fiscal 2006, 2005 and 2004 were $40.8 million, $39.7 million and $38.0 million, or 11.7%, 12.7% and 13.0% of total revenues, respectively.

We develop new and enhanced versions of products in a number of product development locations. We have recently added product development facilities in Romania and Ireland to augment existing development staff and in anticipation of future personnel resource requirements to meet the needs of our product development efforts. We currently anticipate that these facilities will expanded to between 100 and 200 personnel within the next two years.

Customers

We provide software products and services to customers in a range of industries worldwide, with financial institutions, retailers and e-payment processors comprising our largest industry segments. As of September 30, 2006, our customers include 116 of the 500 largest banks in the world, as measured by asset size, and 33 of the top 100 retailers in the United States, as measured by revenue. As of September 30, 2006, we had 822 customers in 83 countries on six continents. Of this total, 452 are in the Americas region, 212 are in the EMEA region and 158 are in the Asia/Pacific region. No single

customer accounted for more than 10% of our consolidated revenues during fiscal 2006, 2005 or 2004.

Selling and Marketing

Our primary method of distribution is direct sales by employees assigned to specific regions or specific products. In addition, we use distributors and sales agents to supplement our direct sales force in countries where business practices or customs make it appropriate, or where it is more economical to do so. We generate a majority of our sales leads through existing relationships with vendors, direct marketing programs, customers and prospects, or through referrals.

Key international distributors and sales agents for us during fiscal 2006 included:

- PTESA (Colombia)
- PTESAVEN (Venezuela)
- North Data (Uruguay)
- Hewlett-Packard Peru (Peru)
- P.T. Abhimata Persada (Indonesia)
- Financial Software and Systems, Ltd. (India)
- HP Philippines (Philippines)
- Korea Computer, Inc. (Korea)
- DataOne Asia Co. Ltd (Thailand)
- Syscom (Taiwan and China)
- Stratasoft Sdn Bhd (Malaysia)

To date during fiscal 2007, we have terminated three of the above distribution relationships and established a direct distribution model in certain markets in the Asia-Pacific region. In January 2007, we gave notice of our intent to terminate certain distribution agreements with Financial Software and Systems, Ltd. which will become effective in July 2007.

In addition, in connection with the establishment of a direct presence in the Philippine Islands, we terminated our distribution relationship with HP Philippines effective March 31, 2007. Also, on April 2, 2007, we acquired Stratasoft Sdn. Bhd., a distributor of our OCM 24 product within the Malaysian market, and effective upon the acquisition, our distribution relationship with Stratasoft ceased.

We distribute the products of other vendors as complements to our existing product lines. We are typically responsible for the sales and marketing of the vendor’s products, and agreements with these vendors generally provide for revenue sharing based on relative responsibilities.

In addition to our principal sales office in Omaha, we also have sales offices located outside the United States in Athens, Bahrain, Buenos Aires, Dubai Internet City, Frankfurt, Gouda, Johannesburg, Madrid, Melbourne, Mexico City, Milan, Moscow, Naples, Paris, Riyadh, Sao Paulo, Seoul, Singapore, Sydney, Tokyo, Toronto, and Watford.

Proprietary Rights and Licenses

We rely on a combination of trade secret and copyright laws, license agreements, contractual provisions and confidentiality agreements to protect our proprietary rights. We distribute our software products under software license agreements that typically grant customers nonexclusive licenses to use the products. Use of the software products is usually restricted to designated computers, specified locations and/or specified capacity, and is subject to terms and conditions prohibiting unauthorized reproduction or transfer of the software products. We also seek to protect the source code of our software as a trade secret and as a copyrighted work. Despite these precautions, there can be no assurance that misappropriation of our software products and technology will not occur.

In addition to our own products, we distribute, or act as a sales agent for, software developed by third parties. However, we typically are not involved in the development process used by these third parties. Our rights to those third-party products and the associated intellectual property rights are limited by the terms of the contractual agreement between us and the respective third-party.

Although we believe that our owned and licensed intellectual property rights do not infringe upon the proprietary rights of third parties, there can be no assurance that third parties will not assert infringement claims against us. Further, there can be no assurance that intellectual property protection will be available for our products in all foreign countries.

Like many companies in the electronic commerce and other high-tech industries, third parties have in the past and may in the future assert claims or initiate litigation related to patent, copyright, trademark or other intellectual property rights to business processes, technologies and related standards that are relevant to us and our customers. These assertions have increased over time as a result of the general increase in patent claims assertions, particularly in the United States. Third parties may also claim that the third-party's intellectual property rights are being infringed by our customers' use of a business process method which utilizes products in conjunction with other products, which could result in indemnification claims against us by customers. Any claim against us, with or without merit, could be time-consuming, result in costly litigation, cause product delivery delays, require us to enter into royalty or licensing agreements or pay amounts in settlement, or require us to develop alternative non-infringing technology. We could also be required to defend or indemnify our customers against such claims. A successful claim by a third-party of intellectual property infringement by us or one of our customers could compel us to enter into costly royalty or license agreements, pay significant damages or even stop selling certain products and incur additional costs to develop alternative non-infringing technology.

Foreign Operations

We derive a significant portion of our revenues from foreign operations. For detail of revenue by geographic region see Note 13, "Segment Information" in the Notes to Consolidated Financial Statements.

Employees

As of September 30, 2006, we had a total of approximately 1,960 employees of whom 403 were in the Americas channel, 82 were in the Asia/Pacific channel, and 329 were in the EMEA channel. In addition, we had 905 employees in product development functions and 241 employees in corporate administration positions, including executive management, legal, human resources, finance, information systems, investor relations, internal audit and facility operations, providing supporting services to each of the regions.

None of our employees are subject to a collective bargaining agreement. We believe that relations with our employees are good.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), are available free of charge on our website at *www.tsainc.com* as soon as reasonably practicable after we file such information electronically with the Securities and Exchange Commission ("SEC"). As disclosed in our Current Report on Form 8-K filed October 27, 2006, our Board of Directors concluded, after consultation with management, that based on the Audit Committee's preliminary findings related to our historic stock option granting practices, our financial statements and all earnings releases and similar communications issued by us relating to financial periods since 1995 should not be relied upon. The restated financial statements included within this fiscal 2006 10-K address all of the issues related to these prior financial periods. The information found on our website is not part of this or any other report we file with or furnish to the SEC. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, Room 1580, NW, Washington DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at *www.sec.gov*.

ITEM 1A. RISK FACTORS

Factors That May Affect Our Future Results or the Market Price of Our Common Stock

We operate in a rapidly changing technological and economic environment that presents numerous risks. Many of these risks are beyond our control and are driven by factors that often cannot be predicted. The following discussion highlights some of these risks.

We may face risks related to the restatement of our financial statements.

We restated our consolidated financial statements, as more fully discussed in Item 8. Financial Statements and Supplementary Data under Note 2 "Restatement of Consolidated Financial Statements" to the consolidated financial statements included in this 2006 10-K. We restated our consolidated balance sheet as of September 30, 2005, and our consolidated statements of operations, our consolidated statements of stockholders' equity and comprehensive income and consolidated statements of cash flows for each of the years ended September 30, 2005 and 2004. In addition, we restated selected financial data for fiscal years 2004, 2003 and 2002.

Companies that restate their financial statements sometimes face litigation claims and/or SEC proceedings following such a restatement. We could face monetary judgments, penalties or other sanctions which could adversely affect our financial condition and could cause our stock price to decline. Additionally, we estimate that we will incur approximately $6 million to $7 million of expense, primarily professional fees, related to the historical stock option review and management analysis, substantially all of which was or will be expensed in the first ($3 million) and second ($3 million) quarters of fiscal 2007, and the remainder thereafter. In addition to the approximate $6 million to $7 million of expense incurred, we estimate that we will incur cash outlays of approximately $7 million for the settlement of vested options that optionees are or were unable to exercise due to the option review and which would otherwise expire. The actual amount incurred with respect to the settlement of options depends on the number of options that will expire prior to our becoming current on our quarterly financial statements as well as the stock price used to calculate any settlement amount. In most cases, these settlements reduced our additional paid-in capital balance and reduced our fully diluted outstanding shares. While we do not believe that the restatements or the costs of the review have or will have a material adverse effect on our financial condition or future prospects, no assurance can be given that additional expense or legal claims will not arise in the future.

While we believe we have made appropriate judgments in determining the financial and tax impacts of the historic stock option practices, we cannot provide assurance that the SEC or the IRS will agree with the manner in which we have accounted for and reported, or not reported, the financial and tax impacts. If the SEC or the IRS disagrees with our financial or tax adjustments, and such disagreement results in material changes to our historical financial statements, we may have to further restate our prior financial statements, amend prior filings with the SEC, or take other actions not currently contemplated.

We have postponed the filing of this 2006 10-K and of our Quarterly Reports on Form 10-Q for the quarters ended December 31, 2006 and March 31, 2007. As a result, we do not have current financial information available and will be limited in our ability to register our securities for offer and sale until we are deemed a current filer with the SEC.

As a result of the delayed filing of this 2006 10-K and our Quarterly Reports on Form 10-Q for the quarters ended December 31, 2006 and March 31, 2007, there is a lack of current publicly-available financial information concerning us. Investors must evaluate whether to purchase or sell our securities in light of the lack of current financial information. We are not in a position to predict at what date all current financial information will be available. Accordingly, any investment in our securities involves a high degree of risk. Until all current periodic reports and financial statements are filed, we will be precluded from registering our securities with the SEC for offer and sale. This precludes us from raising debt or equity financing in the public markets and will limit our ability to use stock options and other equity-based awards to attract, retain and provide incentives to our employees.

As a result of the delays in filing our periodic reports, we required certain extensions in connection with the delivery of financial statements and related matters under financing arrangements for our bank debt. We may require additional extensions in the future, and failure to obtain the necessary extensions could have a material adverse effect on our business, liquidity and financial condition.

We have previously obtained certain extensions and may continue to seek additional extensions under our credit facilities. The extensions waive certain potential breaches of representations and covenants under our credit facilities and establish the extended deadlines for the delivery of certain financial reports. Our current extensions under the credit facilities expire on May 16, 2007 for our annual financial statements, the extensions for our quarterly financial statements for the fiscal quarter ended December 31, 2006 expire the earlier of (i) 45 days after delivery of our annual financial statements, and (ii) July 2, 2007, and the extensions for our quarterly financial statements for the fiscal quarter ended March 31, 2007 expire the earlier of (i) 45 days after delivery of our quarterly financial statements for the fiscal quarter ended December 31, 2006, and (ii) August 16, 2007 and the extensions for our quarterly financial statements for the fiscal quarter ended June 30, 2007 expire the earlier of (i) 45 days after delivery of our quarterly financial statements for the fiscal quarter ended March 31, 2007, and (ii) October 1, 2007. We may not be able to deliver our quarterly financial statements for the first quarter of fiscal 2007 within the extended period, which may impact whether we are able to file our quarterly results for the second and third quarters of fiscal 2007 within the extended periods, and therefore, we may seek additional extensions under the credit facilities.

Under our credit facilities, the lenders have the right to notify us if they believe we have breached a representation or covenant under the operative debt instruments and may declare an event of default. If one or more notices of default were to be given, we believe we would have various periods in which to cure such events of default or obtain necessary extensions. If we do not cure the events of default or obtain necessary extensions within the required time periods or certain extended time periods, the maturity of some of our debt could be accelerated and our ability to incur additional indebtedness could be restricted. Moreover, defaults under our bank loan agreements could trigger

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cross-default provisions under those and other arrangements. There can be no assurance that any additional extensions will be received on a timely basis, if at all, or that any extensions obtained, including the extensions we have already obtained, will extend for a sufficient period of time to avoid an acceleration event, an event of default or other restrictions on our business operations. The failure to obtain such extensions could have a material adverse effect on our business, liquidity and financial condition.

The delay in filing this 2006 10-K on Form 10-K and our Quarterly Report on Form 10-Q for the quarter ended December 31, 2006 with the SEC and any failure to satisfy other NASDAQ listing requirements could cause the NASDAQ to commence suspension or delisting procedures with respect to our common stock.

As a result of the delay in filing this annual report, we were in breach of certain continued listing requirements of the NASDAQ. We have received from the NASDAQ an additional period in which to trade our securities until July 2, 2007 in order for us to file this annual report and our Quarterly Report on Form 10-Q for the quarter ended December 31, 2006 before that date. If we do not file the Quarterly Report on Form 10-Q for the quarter ended December 31, 2006 by such date or fail to satisfy other NASDAQ listing requirements, including the timely filing of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, if not waived by the NASDAQ, NASDAQ could commence suspension or delisting procedures with respect to our common stock. The commencement of any suspension or delisting procedures by the NASDAQ remains, at all times, at the discretion of the NASDAQ and would be publicly announced by the NASDAQ. The delisting of our common stock from NASDAQ may have a material adverse effect on us by, among other things, limiting:

- the liquidity of our common stock;
- the market price of our common stock;
- the number of institutional and other investors that will consider investing in our common stock;
- the availability of information concerning the trading prices and volume of our common stock;
- the number of broker-dealers willing to execute trades in shares of our common stock; and
- our ability to obtain equity financing for the continuation of our operations.

Our performance could be materially adversely affected by a general economic downturn or lessening demand in the software sector.

Our financial condition depends on the health of the general economy as well as the software sector. Our revenue and profits are driven by demand for our products and services. A lessening demand in either the overall economy or the software sector could lead to a material decrease in our future revenues and earnings.

The software market is a highly competitive industry, and we may not be able to compete effectively.

The software market evolves quickly and is highly competitive. There is no assurance that we will be able to maintain our current market share or customer base. For instance, we may not be able to accurately predict future changes in our customers' needs and our competitors may develop new technologies or products that lessen demand for our products or make our products obsolete. Increased competition in the software sector could lead to price reductions, reduced profits, or loss of market share.

Management's backlog estimate may not be accurate and may not generate the predicted revenues.

Estimates of future financial results are inherently unreliable. Our backlog estimates are based on management's assessment of the customer contracts that exist as of the date the estimates are made, as well as revenues from assumed contract renewals, to the extent that we believe that recognition of the related revenue will occur within the corresponding backlog period. A number of factors could result in actual revenues being less than the amounts reflected in backlog. Our customers may attempt to renegotiate or terminate their contracts for a number of reasons, including mergers, changes in their financial condition, or general changes in economic conditions in their industries or geographic locations, or we may experience delays in the development or delivery of products or services specified in customer contracts. Actual renewal rates and amounts may differ from historical experiences used to estimate backlog amounts. Changes in foreign currency exchange rates may also impact the amount of revenue actually recognized in future periods. Accordingly, there can be no assurance that contracts included in backlog will actually generate the specified revenues or that the actual revenues will be generated within a 12-month or 60-month period.

We may face exposure to unknown tax liabilities, which could adversely affect our financial condition and/or results of operations.

We are subject to income and non-income based taxes in the United States and in various foreign jurisdictions. Significant judgment is required in determining our worldwide income tax liabilities and other tax liabilities. In addition, we expect to continue to benefit from implemented tax-saving strategies. We believe that these tax-saving strategies comply with applicable tax law. If the governing tax authorities have a different interpretation of the applicable law and successfully challenge any of our tax positions, our financial condition and/or results of operations could be adversely affected.

Two of our foreign subsidiaries are the subject of tax examinations by the local taxing authorities. Other foreign subsidiaries could face challenges from various foreign tax authorities. It is not certain that the local authorities will accept our tax positions. We believe our tax positions comply with applicable tax law and intend to vigorously defend our positions. However, differing positions on certain issues could be upheld by foreign tax authorities, which could adversely affect our financial condition and/or results of operations.

Consolidation in the financial services industry may adversely impact the number of customers and our revenues in the future.

Mergers, acquisitions and personnel changes at key financial services organizations have the potential to adversely affect our business, financial condition, and results of operations. Our business is concentrated in the financial services industry, making us susceptible to a downturn in that industry. Consolidation activity among financial institutions has increased in recent years. There are several potential negative effects of increased consolidation activity. Continuing consolidation of financial institutions could cause us to lose existing and potential customers for our products and services. For instance, consolidation of two of our customers could result in reduced revenues if the combined entity were to negotiate greater volume discounts or discontinue use of certain of our products. Additionally, if a non-customer and a customer combine and the combined entity in turn decided to forego future use of our products, our revenues would decline.

Our stock price may be volatile.

No assurance can be given that operating results will not vary from quarter to quarter, and past performance may not accurately predict future performance. Any fluctuations in quarterly operating results may result in volatility in our stock price. Our stock price may also be volatile, in part, due to

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external factors such as announcements by third parties or competitors, inherent volatility in the technology sector, and changing market conditions in the software industry.

There are a number of risks associated with our international operations.

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

One of our most strategic products, BASE24-eps could prove to be unsuccessful in the market.

Our BASE24-eps product is strategic for us, in that it is designated to help us win new accounts, replace legacy payments systems on multiple hardware platforms and help us transition our existing customers to a new, open-systems product architecture. Our business, financial condition and/or results of operations could be materially adversely affected if we are unable to generate adequate sales of BASE24-eps, if market acceptance of BASE24-eps is delayed, or if we are unable to successfully deploy BASE24-eps in production environments.

Our future profitability depends on demand for our products; lower demand in the future could adversely affect our business.

Our revenue and profitability depend on the overall demand for our products and services. Historically, a majority of our total revenues resulted from licensing our BASE24 product line and providing related services and maintenance. Any reduction in demand for, or increase in competition with respect to, the BASE24 product line could have a material adverse effect on our financial condition and/or results of operations.

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

Our software products may contain undetected errors or other defects, which could damage our reputation with customers, decrease profitability, and expose us to liability.

Our software products are complex. They may contain undetected errors or flaws when first introduced or as new versions are released. These undetected errors may result in loss of, or delay in, market acceptance of our products and a corresponding loss of sales or revenues. Customers depend upon our products for mission-critical applications, and these errors may hurt our reputation with customers. In addition, software product errors or failures could subject us to product liability, as well as performance and warranty claims, which could materially adversely affect our business, financial condition and/or results of operations.

Risks associated with future acquisitions and investments could materially adversely affect our business.

We may acquire new products and services or enhance existing products and services through acquisitions of other companies, product lines, technologies and personnel, or through investments in other companies. During fiscal 2006, we acquired eps and P&H. Any acquisition or investment, including the acquisitions of eps and P&H, is subject to a number of risks. Such risks include the diversion of management time and resources, disruption of our ongoing business, difficulties in integrating acquisitions, dilution to existing stockholders if our common stock is issued in consideration for an acquisition or investment, incurring or assuming indebtedness or other liabilities in connection with an acquisition, lack of familiarity with new markets, and difficulties in supporting new product lines. Our failure to successfully manage acquisitions or investments, or successfully integrate acquisitions could have a material adverse effect on our business, financial condition and/or results of operations. Correspondingly, our expectations related to the benefits related to the eps and P&H acquisitions or any other future acquisition or investment could be inaccurate.

We may be unable to protect our intellectual property and technology and may be subject to increasing litigation over our intellectual property rights.

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

There has been a substantial amount of litigation in the software industry regarding intellectual property rights. Third parties have in the past and may in the future assert claims or initiate litigation related to exclusive patent, copyright, trademark or other intellectual property rights to business processes, technologies and related standards that are relevant to us and our customers. These assertions have increased over time as a result of the general increase in patent claims assertions, particularly in the United States. Because of the existence of a large number of patents in the electronic commerce field, the secrecy of some pending patents and the rapid issuance of new patents, it is not economical or even possible to determine in advance whether a product or any of its components infringes or will infringe on the patent rights of others. Any claim against us, with or without merit, could be time-consuming, result in costly litigation, cause product delivery delays, require us to enter into royalty or licensing agreements or pay amounts in settlement, or require us to develop alternative non-infringing technology.

We anticipate that software product developers and providers of electronic commerce solutions could increasingly be subject to infringement claims, and third parties may claim that our present and future products infringe upon their intellectual property rights. Third parties may also claim, and we are aware that at least two parties have claimed on several occasions, that our customers' use of a business process method which utilizes our products in conjunction with other products infringe on the third-party's intellectual property rights. These third-party claims could lead to indemnification claims against us by our customers. Claims against our customers related to our products, whether or not meritorious, could harm our reputation and reduce demand for our products. Where indemnification claims are made by customers, resistance even to unmeritorious claims could damage the customer relationship. A successful claim by a third-party of intellectual property infringement by us or one of our customers could compel us to enter into costly royalty or license agreements, pay significant damages, or stop selling certain products and incur additional costs to

develop alternative non-infringing technology. Royalty or licensing agreements, if required, may not be available on terms acceptable to us or at all, which could adversely affect our business.

Our exposure to risks associated with the use of intellectual property may be increased for third-party products distributed by us or as a result of acquisitions since we have a lower level of visibility, if any, into the development process with respect to such third-party products and acquired technology or the care taken to safeguard against infringement risks.

Our restructuring plan may not achieve expected efficiencies.

In October 2005, we announced a plan to restructure our organization because we believed that combining our three business units into a single operating unit would provide us with the best opportunities for focus, operating efficiency and strategic acquisition integration. This restructuring of our three business units into one operating unit is subject to a number of risks, including but not limited to diversion of management time and resources, disruption of our service to customers, and lack of familiarity with markets or products. We cannot assure investors that our expectation of savings expected to stem from the restructuring will be achieved.

We may become involved in litigation that could materially adversely affect our business financial condition and/or results of operations.

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

Changes in the generally accepted accounting principles (GAAP) may have significant adverse effects on us.

From time to time, the Financial Standards Accounting Board (FASB) promulgates new accounting rules applicable to us. New accounting standards, revised interpretations or guidance regarding existing standards, or changes in our business practices could result in future changes to our revenue recognition or other accounting policies. These changes could also have a material adverse effect on our business, financial condition and/or results of operations.

Management has identified a number of material weaknesses in our internal control over financial reporting.

Effective internal control over financial reporting is necessary for compliance with the Sarbanes-Oxley Act of 2002 and appropriate financial reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process, under the supervision of our CEO and CFO, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with GAAP. As disclosed in this 2006 10-K, management's assessment of our internal control over financial reporting identified material weaknesses in various areas as discussed in *Item 9A. Controls and Procedures*. No assurance can be given that we will be able to successfully implement revised internal controls and procedures, if any, or that revised controls and procedures, if any, will be effective in remedying the potential material weakness in our prior controls and procedures, nor can we provide assurance that we will not identify additional material weaknesses the future. In addition, we may be required to hire additional employees to help implement these changes, and may experience higher than anticipated capital expenditures and operating expenses during the implementation of these changes and thereafter. If we are unable to implement these changes effectively or if other material weaknesses develop and we are unable to

effectively address these matters, there could be a material adverse effect on our business, financial condition and results of operations.

ITEM 2. PROPERTIES

We lease office space in New York, New York for our corporate headquarters. We also lease office space in Omaha, Nebraska, for our principal product development group, sales and support groups for the Americas, as well as our corporate, accounting and administrative functions. The leases for our current Omaha-based facilities expire in fiscal 2008. We have contracted for new Omaha-based facilities to be first occupied at the end of 2008 and to continue through fiscal 2028. Our Europe/Middle East/Africa headquarters are located in Watford, England. The various leases for the Watford facilities expire in fiscal 2009 and 2017. Our Asia/Pacific headquarters are located in Sydney, Australia, with the lease for this facility expiring in fiscal 2011. We also lease office space in numerous other locations in the United States and in many other countries.

We believe that our current facilities are adequate for our present and short-term foreseeable needs and that additional suitable space will be available as required. We also believe that we will be able to renew leases as they expire or secure alternate suitable space. See Note 18, "Commitments and Contingencies" in the Notes to Consolidated Financial Statements for additional information regarding our obligations under our facilities leases.

ITEM 3. LEGAL PROCEEDINGS

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

Class Action Litigation. In November 2002, two class action complaints were filed in the U.S. District Court for the District of Nebraska (the "Court") against us and certain individuals alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. Pursuant to a Court order, the two complaints were consolidated as Desert Orchid Partners v. Transaction Systems Architects, Inc., et al., with Genesee County Employees' Retirement System designated as lead plaintiff. The Second Amended Consolidated Class Action Complaint previously alleged that during the purported class period, we and the named defendants misrepresented our historical financial condition, results of operations and our future prospects, and failed to disclose facts that could have indicated an impending decline in our revenues. That Complaint also alleged that, prior to August 2002, the purported truth regarding our financial condition had not been disclosed to the market. We and the individual defendants initially filed a motion to dismiss the lawsuit. In response, on December 15, 2003, the Court dismissed, without prejudice, Gregory Derkacht, our former president and chief executive officer, as a defendant, but denied the motion to dismiss with respect to the remaining defendants, including us.

On July 1, 2004, lead plaintiff filed a motion for class certification wherein, for the first time, lead plaintiff sought to add an additional class representative, Roger M. Wally. On August 20, 2004, defendants filed their opposition to the motion. On March 22, 2005, the Court issued an order certifying the class of persons that purchased our common stock from January 21, 1999 through November 18, 2002.

On January 27, 2006, we and the individual defendants filed a motion for judgment on the pleadings, seeking a dismissal of the lead plaintiff and certain other class members, as well as a limitation on damages based upon plaintiffs' inability to establish loss causation with respect to a large portion of their claims. On February 6, 2006, additional class representative Roger M. Wally filed a motion to withdraw as a class representative and class member. On April 21, 2006, and based upon the pending motion for judgment, a motion to intervene as a class representative was filed by the Louisiana District Attorneys Retirement System (“LDARS”). LDARS previously attempted to be named as lead plaintiff in the case. On July 5, 2006, the Magistrate denied LDARS’ motion to intervene, which LDARS appealed to the District Judge. That appeal has not yet been decided.

On May 17, 2006, the Court denied the motion for judgment on the pleadings as being moot based upon the Court’s granting lead plaintiff leave to file a Third Amended Complaint (“Third Complaint”), which it did on May 31, 2006. The Third Complaint alleges the same misrepresentations as described above, while simultaneously alleging that the purported truth about our financial condition was being disclosed throughout that time, commencing in April 1999. The Third Complaint seeks unspecified damages, interest, fees, and costs.

On June 14, 2006, we and the individual defendants filed a motion to dismiss the Third Complaint pursuant to Rules 8 and 12 of the Federal Rules of Civil Procedure. Lead Plaintiff opposed the motion. Prior to any ruling on the motion to dismiss, on November 7, 2006, the parties entered into a Stipulation of Settlement for purposes of settling all of the claims in the Class Action Litigation, with no admissions of wrongdoing by us or any individual defendant. The settlement provides for an aggregate cash payment of $24.5 million of which, net of insurance, we contributed approximately $8.5 million. The settlement was approved by the Court on March 2, 2007 and the Court ordered the case dismissed with prejudice against us and the individual defendants.

On March 27, 2007, James J. Hayes, a class member, filed a notice of appeal with the United States Court of Appeals for the Eighth Circuit appealing this order. We intend to respond to this appeal in accordance with the Court of Appeals’ orders and procedures.

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

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2006.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock trades on The NASDAQ Global Select Market under the symbol TSAI. The following table sets forth, for the periods indicated, the high and low sale prices of our common stock as reported by The NASDAQ Global Select Market:

Fiscal Year Ended September 30, 2006	High	Low
Fourth quarter	$ 42.37	$ 31.05
Third quarter	43.00	30.25
Second quarter	34.37	28.06
First quarter	30.67	24.91
Fiscal Year Ended September 30, 2005		
Fourth quarter	$ 28.95	$ 24.44
Third quarter	25.15	20.28
Second quarter	24.34	17.55
First quarter	21.58	15.22

As of May 8, 2007, there were 237 holders of record of our common stock. A substantially greater number of holders of our common stock are “street name” or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

Dividends

We have never declared nor paid cash dividends on our common stock. We do not presently anticipate paying cash dividends. However, any future determination relating to our dividend policy will be made at the discretion of our Board of Directors and will depend upon our financial condition, capital requirements and earnings, as well as other factors the Board of Directors may deem relevant.

Issuer Purchases of Equity Securities

The following table provides information regarding repurchases of our common stock during the fourth quarter of fiscal 2006:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
July 1 through July 31, 2006	179,031	$ 36.33	179,031	$ 45,665,000
August 1 through August 31, 2006	162,990	$ 34.45	162,990	$ 40,050,000
September 1 through September 30, 2006	106,857	$ 33.18	106,857	$ 36,505,000
Total (1)	448,878	$ 34.90	448,878	

(1) In December 2004, we announced that our Board of Directors approved a stock repurchase program authorizing us, from time to time as market and business conditions warrant, to acquire up to $80 million of our common stock, and that we intend to use existing cash and cash equivalents to fund these repurchases. In May 2006, our Board of Directors approved an increase of $30.0 million to the stock repurchase program, bringing the total of the approved program to $110.0 million. In February 2007, our Board of Directors approved another increase of

$100.0 million to the stock purchase program, bringing the total of the approved program to $210.0 million. There is no guarantee as to the exact number of shares that will be repurchased by us. Repurchased shares are returned to the status of authorized but unissued shares of common stock. In March 2005, our Board of Directors approved a plan under Rule 10b5-1 of the Securities Exchange Act of 1934 to facilitate the repurchase of shares of common stock under the existing stock repurchase program. Under our Rule 10b5-1 plan we have delegated authority over the timing and amount of repurchases to an independent broker who does not have access to inside information about us. Rule 10b5-1 allows us, through the independent broker, to purchase our shares at times when we ordinarily would not be in the market because of self-imposed trading blackout periods, such as the time immediately preceding the end of the fiscal quarter through a period two business days following our quarterly earnings release. During the fourth quarter of fiscal 2006, all shares were purchased in open-market transactions.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data has been derived from our consolidated financial statements. This data should be read together with Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, and the consolidated financial statements and related notes included elsewhere in this 2006 10-K. The financial information below is not necessarily indicative of the results of future operations. Future results could differ materially from historical results due to many factors, including those discussed in Item 1A in the section entitled “Risk Factors — Factors That May Affect the Company’s Future Results or the Market Price of our Common Stock.”

As explained in the “Explanatory Note” to this 2006 10-K, our consolidated balance sheet as of September 30, 2005 and the consolidated statements of operations for the fiscal years ended September 30, 2005 and 2004 have been restated to correct certain errors in the recognition of stock-based compensation expense relating to stock options granted in fiscal periods between 1995 and 2002. These errors resulted in additional non-cash stock-based compensation expense of $0.2 million, $0.5 million, $0.4 million, and $0.5 million for the years ended September 30, 2005, 2004, 2003 and 2002, respectively. The cumulative effect of the related after-tax charges for periods prior to 2002 was $12.2 million. The data for the consolidated balance sheets as of September 30, 2004, 2003 and 2002 and the consolidated statements of operations for the fiscal years ended September 30, 2003 and 2002 have been restated to reflect the impact of the stock-based compensation adjustments, but such restated data have not been audited and are derived from our books and records. We have also adjusted certain prior period financial statements to reflect other items. The information presented in the following tables has been adjusted to reflect the restatement of our financial results, which is more fully described in the “Explanatory Note” immediately preceding Part I, Item 1 and in Note 2, “Restatement of Consolidated Financial Statements,” in the Notes to Consolidated Financial Statements of this 2006 10-K.

We have not amended our previously filed Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for the periods affected by these adjustments. The financial information that has been previously filed or otherwise reported for these periods is superseded by the information in this 2006 10-K, and the financial statements and related financial information contained in such previously filed reports should no longer be relied upon.

	Year Ended September 30, (in thousands, except per share amounts)				
	2006 (1)	2005 Restated (2)	2004 Restated (2)	2003 Restated (4)	2002 Restated (4)
Income Statement Data:					
Total Revenues	$ 347,902	$ 313,237	$ 292,784	$ 277,291	$ 284,667
Net income	$ 55,365	$ 43,099	$ 46,306	$ 14,057	$ 14,953
Earnings per share:					
Basic	$ 1.48	$ 1.14	$ 1.25	$ 0.40	$ 0.42
Diluted	$ 1.45	$ 1.12	$ 1.21	$ 0.39	$ 0.42
Shares used in computing earnings per share:					
Basic	37,369	37,682	37,001	35,558	35,326
Diluted	38,237	38,507	38,117	35,722	35,547

	As of September 30, (in thousands)				
	2006	2005 Restated (2)	2004 Restated (2)	2003 Restated (4)	2002 Restated (4)
Balance Sheet Data:					
Working capital (3)	$ 67,932	$ 120,594	$ 124,088	$ 81,084	$ 49,466
Total assets (3)	$ 534,147	$ 363,700	$ 325,959	$ 264,405	$ 268,166
Current portion of debt	$ —	$ 2,165	$ 7,027	$ 15,493	$ 18,444
Debt (long-term portion) (3)	$ 75,000	$ 154	$ 2,327	$ 9,444	$ 24,866
Stockholders’ equity	$ 267,212	$ 217,438	$ 187,462	$ 123,379	$ 103,873(1)

(1) We adopted FAS 123(R) using the modified prospective transition method.

(2) See the “Explanatory Note” immediately preceding Part I, Item 1 and Note 2, “Restatement of Consolidated Financial Statements,” in our Notes to Consolidated Financial Statements of this 2006 10-K.

(3) On September 29, 2006, we acquired P&H Solutions, Inc. The aggregate purchase price for P&H was approximately $134 million, of which $73 million was financed by long-term debt.

(4) The Selected Income Statement Data for 2003 and 2002 have been restated to reflect adjustments related to stock-based compensation expense and the associated tax impact as further described in the “Explanatory Note” immediately preceding Part I, Item 1 of this Form 10-K. As a result of these

adjustments, net income was reduced by $0.3 million and $0.3 million for the years ended September 30, 2003 and 2002, respectively, as follows:

	For the fiscal year ended September 30, 2003			For the fiscal year ended September 30, 2002		
	Previously Reported	Option Adjustments	As Restated	Previously Reported	Option Adjustments	As Restated
	(in thousands, except per share amounts)					
Total Revenues	$ 277,291	$ —	$ 277,291	$ 284,667	$ —	$ 284,667
Net income	$ 14,325	$ (268) A	$ 14,057	$ 15,269	$ (316) A	$ 14,953
Earnings per share						
Basic	$ 0.40	$ (0.00) A	$ 0.40	$ 0.43	$ (0.01) A	$ 0.42
Diluted	$ 0.40	$ (0.01) A	$ 0.39	$ 0.43	$ (0.01) A	$ 0.42
Weighted average shares outstanding						
Basic	35,558	—	35,558	35,326	—	35,326
Diluted	35,707	15 A	35,722	35,572	(25) A	35,547

A: Adjusted for stock compensation expense and the tax provision associated with it pursuant to APB Opinion No. 25 and related interpretations.

	For the fiscal year ended September 30, 2004		
	Previously Reported	Option Adjustments	Restated
	(in thousands)		
Working Capital	$ 124,088	$ —	$ 124,088
Total Assets	$ 325,458	$ 501 B	$ 325,959
Shareholders' Equity	$ 186,961	$ 501 B	$ 187,462

	For the fiscal year ended September 30, 2003			For the fiscal year ended September 30, 2002		
	Previously Reported	Option Adjustments	Restated	Previously Reported	Option Adjustments	Restated
	(in thousands)					
Working Capital	$ 81,084	$ —	$ 81,084	$ 49,466	$ —	$ 49,466
Total Assets	$ 263,900	$ 505 B	$ 264,405	$ 267,151	$ 1,015 B	$ 268,166
Shareholders' Equity	$ 122,874	$ 505 B	$ 123,379	$ 102,858	$ 1,015 B	$ 103,873

B: Adjusted for stock compensation expense and the related income tax assets pursuant to APB Opinion No. 25 and related interpretations.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We develop, market, install and support a broad line of software products and services primarily focused on facilitating electronic payments. In addition to our own products, we distribute, or act as a sales agent for, software developed by third parties. Our products are sold and supported through distribution networks covering three geographic regions — the Americas, EMEA and Asia/Pacific. Each distribution network has its own sales force and supplements this with independent reseller and/or distributor networks. Our products and services are used principally by financial institutions, retailers and electronic payment processors, both in domestic and international markets. Accordingly, our business and operating results are influenced by trends such as information technology spending levels, the growth rate of the electronic payments industry, mandated regulatory changes, and changes in the number and type of customers in the financial services industry. As set forth in Note 9, "Corporate Restructuring and Other Reorganization Charges" of the Notes to Consolidated Financial Statements, at the beginning of fiscal 2006, we underwent a corporate reorganization, combining our products and services under the ACI Worldwide name.

We derive a majority of our revenues from non-domestic operations and believe our greatest opportunities for growth exist largely in international markets. Refining our global infrastructure is a critical component of driving our growth. We have launched a globalization strategy which includes elements intended to streamline our supply chain and provide low-cost centers of expertise to support a growing international customer base. In fiscal 2006, we established a new subsidiary in Ireland to serve as the focal point for certain international product development and commercialization efforts. This subsidiary will oversee remote software development operations in Romania and elsewhere, as well as manage certain of our intellectual property rights. We are forming a "ACI On Demand" group to develop new business and market-entry vehicles where we sell a service directly to end-user banks, retailers or processors. We also moved our principal executive offices to New York City in September 2006 to more strategically manage our global infrastructure.

Key trends that currently impact our strategies and operations include:

- **Increasing electronic payment transaction volumes.** Electronic payment volumes continue to increase around the world, taking market share from traditional cash and check transactions. We recently commissioned an industry study that determined that electronic payment volumes are expected to grow at approximately 13% per year for the next five years, with varying growth rates based on the type of payment and part of the world. We leverage the growth in transaction volumes through the licensing of new systems to customers whose older systems cannot handle increased volume and through the licensing of capacity upgrades to existing customers.
- **Increasing competition.** The electronic payments market is highly competitive and subject to rapid change. Our competition comes from in-house information technology departments, third-party electronic payment processors and third-party software companies located both within and outside of the United States. Many of these companies are significantly larger than us and have significantly greater financial, technical and marketing resources. As electronic payment transaction volumes increase, third-party processors tend to provide competition to our solutions, particularly among customers

that do not seek to differentiate their electronic payment offerings. As consolidation in the financial services industry continues, we anticipate that competition for those customers will intensify.

- **Aging payments software.** In many markets, electronic payments are processed using software developed by internal information technology departments, much of which was

originally developed over ten years ago. Increasing transaction volumes, industry mandates and the overall costs of supporting these older technologies often serve to make these older systems obsolete, creating opportunities for us to replace this aging software with newer and more advanced products.

- **Adoption of open systems technology.** In an effort to leverage lower-cost computing technologies and current technology staffing and resources, many financial institutions, retailers and electronic payment processors are seeking to transition their systems from proprietary technologies to open technologies such as Windows, UNIX and Linux. Our continued investment in open systems technologies is, in part, designed to address this demand.
- **Electronic payments fraud and compliance.** As electronic payment transaction volumes increase, criminal elements continue to find ways to commit a growing volume of fraudulent transactions using a wide range of techniques. Financial institutions, retailers and electronic payment processors continue to seek ways to leverage new technologies to identify and prevent fraudulent transactions. Due to concerns with international terrorism and money laundering, financial institutions in particular are being faced with increasing scrutiny and regulatory pressures. We continue to see opportunity to offer our fraud detection solutions to help customers manage the growing levels of electronic payment fraud and compliance activity.
- **Adoption of smartcard technology.** In many markets, card issuers are being required to issue new cards with embedded chip technology. Chip-based cards are more secure, harder to copy and offer the opportunity for multiple functions on one card (e.g. debit, credit, electronic purse, identification, health records, etc.). The Europay/Mastercard/Visa (“EMV”) standard for issuing and processing debit and credit card transactions has emerged as the global standard, with many regions throughout the world working on EMV rollouts. The primary benefit of EMV deployment is a reduction in electronic payment fraud, with the additional benefit that the core infrastructure necessary for multi-function chip cards is being put in place (e.g. chip card readers in ATM’s and POS devices). We are working with many customers around the world to facilitate EMV deployments, leveraging several of our solutions.
- **Single Euro Payments Area (“SEPA”) and Faster Payments Mandates.** The SEPA and Faster Payment initiatives, primarily focused on the European Economic Community and the United Kingdom, are designed to facilitate lower costs for cross-border payments and facilitate reduced timeframes for settling electronic payment transactions. Our retail and wholesale banking solutions provide key functions that help financial institutions address these mandated regulations.
- **Financial institution consolidation.** Consolidation continues on a national and international basis, as financial institutions seek to add market share and increase overall efficiency. There are several potential negative effects of increased consolidation activity. Continuing consolidation of financial institutions may result in a fewer number of existing and potential customers for our products and services. Consolidation of two of our customers could result in reduced revenues if the combined entity were to negotiate greater volume discounts or discontinue use of certain of our products. Additionally, if a non-customer and a customer combine and the combined entity in turn decide to forego future use of our products, our revenue would decline. Conversely, we could benefit from the combination of a non-customer and a customer when the combined entity continues use of our products and, as a larger combined entity, increases its demand for our products and services. We tend to focus on larger financial institutions as customers, often resulting in our solutions being the solutions that survive in the consolidated entity.

- **Electronic payments convergence.** As electronic payment volumes grow and pressures to lower overall cost per transaction increase, financial institutions are seeking methods to consolidate their payment processing across the enterprise. We believe that the strategy of using service-oriented-architectures to allow for re-use of common electronic payment functions such as authentication, authorization, routing and settlement will become more common. Using these techniques, financial institutions will be able to reduce costs, increase overall service levels, enable one-to-one marketing in multiple bank channels and manage enterprise risk. Our reorganization was, in part, focused on this trend, by facilitating the delivery of integrated payment functions that can be re-used by multiple bank channels, across both the consumer and wholesale bank. While this trend presents an opportunity for us, it may also expand the competition from third-party electronic payment technology and service providers specializing in other forms of electronic payments. Many of these providers are larger than us and have significantly greater financial, technical and marketing resources.

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

We continue to seek ways to grow, through both organic sources and acquisitions. We continually look for potential acquisitions designed to improve our solutions’ breadth or provide access to new markets. As part of our acquisition strategy, we seek acquisition candidates that are strategic, capable of being integrated into our operating environment, and financially accretive to our financial performance.

We continue to evaluate strategies intended to improve our overall effective tax rate. Our degree of success in this regard and related acceptance by taxing authorities of tax positions taken, as well as changes to tax laws in the United States and in various foreign jurisdictions, could cause our effective tax rate to fluctuate from period to period. During the third quarter of fiscal 2006, we began to manage certain intellectual property rights from our Irish subsidiary as part of our overall globalization strategy. We expect these globalization efforts to result in future improvements in profitability and reductions in our overall effective tax rate.

RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

We initiated a review of our historic stock option granting practices following general public reports about option granting issues among public companies. The review was self-initiated and not prompted by any inquiry from a regulatory body, a "whistleblower" or other source. On October 27, 2006, we announced the voluntary internal review ("the review"). The review was conducted by the audit committee of our board of directors (the board) with the assistance of independent counsel and forensic accountants. On March 16, 2007, we publicly announced the completion and key results of the review, which are set forth in the Form 8-K filed with the SEC on that date.

The independent counsel and its forensic accountants reviewed paper files, e-mails and electronic files; conducted interviews with current and former members of the board's compensation

committee, current and former directors, officers, employees and advisors; and conducted an extensive analysis of facts and circumstances related to all stock option grants made from the date of our IPO in 1995 to 2006.

In the course of the review, measurement date errors were noted. We applied the accounting standards then in effect to determine, for every grant, the proper measurement dates. As a result, we have restated our prior period financial statements to account for any stock based compensation charges associated with the revised measurement dates. Accordingly, in this report, additional non-cash compensation expense and related tax effects are recorded over the relevant option service periods.

We previously applied APB Opinion No. 25, and its related Interpretations and provided the required pro forma disclosures under SFAS No. 123 through the fiscal year ended September 30, 2005. APB Opinion No. 25, and its related interpretations required stock based compensation expense to be recognized for any stock option for which the exercise price was below the market price on the applicable measurement date, and expense to be recognized over the service period of the stock option. The measurement date, as defined by APB Opinion No. 25, is the first date on which both (1) the number of stock options that an individual employee is entitled to receive and (2) the exercise price, if any, are established.

During the period from the IPO in 1995 through 2002, we issued a total of approximately 8.8 million stock options. Major classifications of the options granted during this time were: broad-based grants to employees excluding the CEO and CFO (5.2 million stock options); CEO and CFO grants (1.4 million stock options); 1997 Management Plan excluding the CEO and CFO (0.8 million stock options); employee recognition awards (0.2 million stock options); non-employee director grants (0.2 million stock options). The remaining grants relate to employee hiring and promotions. Approximately 92%, or 8.1 million of the stock options granted in this period, were granted pursuant to 18 large grants and the remainder was granted pursuant to approximately 360 small grants.

Broad-Based Annual Grants to Employees Excluding the CEO and CFO — Approximately 5.2 million of the 8.8 million stock options issued during this period were issued pursuant to seven awards to over 2,000 employees, excluding options granted to the CEO and CFO. Prior to 2003, based upon formal board action and informal consultations with board members, the CEO and CFO believed they had been delegated authority to carry out the employee option granting process. Generally, the CEO approved the numbers of options and recipients, while the CFO set the grant date, which determined the exercise price.

For these grants, the review identified that the Compensation Committee and the CEO typically discussed the general allocation of stock options prior to the grant. The stock option granting process then included gathering recommendations from division level managers for the allocation of options within those divisions. When the proposed stock option lists were submitted by the manager, they were reviewed and approved by the CEO or CFO. This process typically continued beyond the original grant date. Generally, the investigation identified evidence of an approval of the list by the CEO or the CFO and the determination of the exercise price by the CFO. In many instances, the CFO used hindsight and often looked for the lowest stock price in the quarter in selecting the original grant date.

Based on all available evidence, we typically determined that the appropriate measurement date for these grants was the later of the following two dates: (a) the date on which evidence indicated that a communication to or from our former CEOs or CFOs approves a particular list (evidencing finality of that list) or (b) the date on which the price of the options was determined by the CFO with finality. Where information was not available to evidence either (a) or (b) above, we determined the appropriate measurement date to be the date on which, based upon all available evidence, the granting process was completed with finality. In most of those instances, we determined the

measurement date to be when the grant was entered into our stock option software. Where changes were noted subsequent to the date a list appeared to be substantially complete, we determined, based on best available evidence, whether the changes constituted an extension of the option-granting process for the entire list or for the specific changes noted.

Option Exchange Program — On August 29, 2001, 1.95 million outstanding stock options were cancelled by us pursuant to a previously announced exchange program. On March 4, 2002, 1.82 million options (included in the 5.2 million of Annual Broad Based awards) were issued in replacement of these cancelled options. The difference between the number of cancelled options and the number of replacement options was due to employee departures between August 29, 2001 and March 4, 2002. The review indicated that the measurement date with respect to the March 4, 2002 options was the same as the original grant date. As a result, no compensation charge related to substantially all of the replacement options was required. We did determine that options for three individuals were cancelled after August 29, 2001 which resulted in variable plan accounting for the respective replacement awards granted on March 4, 2002, as the lapsed period between the cancellation and replacement awards was not sufficient to permit the replacement options to be considered new grants.

Under APB Opinion No. 25 and FASB Interpretation Number 44 ("FIN 44"), *Accounting for Certain Transactions involving Stock Compensation an interpretation of APB Opinion No. 25*, the cancellation of options other than for non-performance of termination of employment, requires that any unamortized stock based compensation expense associated with the cancelled options be recognized in the period in which the cancellation occurs. Based on changes to measurement dates for grants prior to the August 29, 2001 cancellation that remained unvested, we were required to record the unrecognized compensation expense of approximately $2.1 million associated with the cancelled stock options on August 29, 2001.

CEO and CFO Grants — Approximately 1.4 million of the 8.8 million options issued during this period were granted to the then CEOs and CFOs. While approving grant awards to other employees, the CEO and CFO granted options to themselves. Given the role the CEO and CFO played in the options granting process, we have determined that the appropriate measurement date for options issued to the former CEOs and CFOs was the date on which the

Board or Compensation Committee took action to ratify their grants, except for the 1997 Management Plan Grants noted below. Also, as noted above, in many instances, the CFO used hindsight and often looked for the lowest stock price in the quarter in selecting the original grant date. The change in measurement dates for these grants resulted in an additional compensation charge of approximately $2.9 million.

1997 Management Plan Grants — In March and April 1997, we issued approximately 0.8 million options to certain members of management, excluding options granted to the CEO and CFO. The terms of the 1997 Option Plan included that the grantees accept the options and pay $3 for each option. Based on the acceptance provision, we have determined the appropriate measurement dates to be the date on which the grantee accepted the offer to purchase the options. In the few situations where we did not have evidence of acceptance by or payment from the grantee, we utilized best available evidence for the determination of a measurement date. Based on the Compensation Committee's consideration of this plan and anticipated grants to the CEO and the CFO prior to the acceptance of their awards, we determined that the acceptance criteria should also be used in determining the measurement dates for the CEO and CFO. The change in measurement dates for these grants resulted in an additional compensation charge of approximately $0.2 million.

Employee Recognition Awards — Approximately 0.2 million of the 8.8 million options issued during this period were granted as part of our *"President's Awards"* program. In these grants, managers were given an annual allotment based on CEO and CFO discussions with the Board. The allocation process typically continued beyond the original grant date. Also, as noted above, in many

instances, the CFO used hindsight and often looked for the lowest stock price in the quarter in selecting the original grant date. The change in measurement dates for these grants resulted in an additional charge of approximately $0.2 million.

We have determined that the appropriate measurement date for these awards was the later of the following two dates: (a) the date on which evidence indicated that our former CEOs or CFOs approved a particular list (evidencing finality of that list) or (b) the date on which the price of the options was determined by the CFO with finality. Where definitive information was not available to evidence either (a) or (b), we determined the appropriate measurement date to be the date on which, based upon all available evidence, the granting process was completed with finality. In most of those instances, we determined the measurement date to be when the grant was entered into our stock option software. Where changes were noted subsequent to the date a list appeared to be substantially complete, we determined, based on best available evidence, whether the changes constituted an extension of the option-granting process for the entire list or for the specific changes noted.

Non-Employee director grants — Non-Employee Directors generally received automatic option grants pursuant to the 1996, 2000 and 2002 Directors Option Plans based on their initial election to the board, on the anniversary thereof, and other designated dates thereafter, as specified in the plans. Management has determined that the measurement dates related to the Non-Employee Directors followed the provisions of the plans and their exercise price was the date the Director was initially elected to the board and the anniversary dates thereafter. Accordingly, no compensation expense has been recognized for these awards.

For certain of the plans above, compensation expense was also recognized as a result of modifications that resulted in new measurement dates that were made to certain employee option grant awards in connection with termination agreements from fiscal 1995 through April 30, 2001, including acceleration of vesting for unvested options and extensions of exercise periods for vested options. Compensation expense for these modifications was recorded during the relevant periods. In almost all cases, no substantial services were rendered by the terminated employees. As a result, substantially all of the incremental compensation expense from these modifications was recognized in the period of the termination. The total compensation charge for these modifications from fiscal 1995 through April 30, 2001 was approximately $2.2 million.

While we believe we have made appropriate judgments in determining the financial and tax impacts of our historic stock option practices, we cannot provide assurance that the SEC or the IRS will agree with the manner in which we have accounted for and reported, or not reported, the financial and tax impacts. If the SEC or the IRS disagrees with our financial or tax adjustments, and such disagreement results in material changes to the historical financial statements, we may have to further restate the prior financial statements, amend prior filings with the SEC, or take other actions not currently contemplated.

The cumulative pretax incremental stock compensation expense recognized by us for these errors (as described above) is approximately $18.0 million for fiscal years 1995 through 2003. The cumulative after tax amount for these fiscal years is $12.8 million.

The pretax incremental stock compensation expense recognized by us for these errors (as described above) in 2005 and 2004 is $0.2 million and $0.5 million, respectively and related after tax impact for these years was $0.1 million and $0.4 million, respectively.

The balance sheet impact of the errors, which resulted in an increase to deferred tax assets, was $0.3 million at September 30, 2005.

We utilized all available evidence from the review to determine the revised measurement dates noted above which required a significant amount of judgment. Based on the judgment required, in

many cases, we considered potential alternative measurement dates. Typically, these were rejected as we determined that the best available evidence supported the selected measurement dates. As part of the consideration of potential alternative dates, the evidence was generally sufficient to establish: (1) a date which was defined as the earliest possible date that met all the conditions that constitute a measurement date under APB Opinion No. 25 (the "Inside Date") and (2) a date which was defined as the next possible date that met all the conditions that constitute a measurement date under APB Opinion No. 25 after the selected measurement date (the "Outside Date").

In light of the significant judgment used, alternate measurement date selections to those identified by us could have resulted in different stock compensation charges than those recorded in the restatement. Based on all available evidence and applying the lowest and highest trading prices of our common stock between alternative dates for the majority of applicable grants, the total cumulative pre-tax, non-cash, stock compensation charge that could alternatively have been recognized by us ranged from approximately $12 million to $27 million for the fiscal periods 1995 through 2005.

We utilized all available evidence from the review to determine the revised measurement dates noted above. This process required a significant amount of judgment. In light of the significant judgment used, alternate approaches to those used by us could have resulted in different stock compensation charges than those recorded in the restatement.

We estimate that we will incur approximately $6 million to $7 million of expense, primarily professional fees, related to the historical stock option review and management analysis, substantially all of which was or will be expensed in the first ($3 million) and second ($3 million) quarters of fiscal 2007 and the remainder thereafter. In addition to the approximate $6 million to $7 million of expense incurred, we estimate that we will incur cash outlays of approximately $7 million for the settlement of vested options that optionees are or were unable to exercise due to the option review and which would otherwise expire. The actual amount incurred with respect to the settlement of options depends on the number of options that will expire prior to the Company becoming current on its quarterly financial statements as well as the stock price used to calculate any settlement amount. In most cases, these settlements reduced our additional paid-in capital balance and reduced our fully diluted outstanding shares.

Acquisitions

On July 29, 2005, we acquired the business of S2 Systems, Inc. (“S2”) through the acquisition of substantially all of its assets. S2 was a global provider of electronic payments and network connectivity software, and it primarily served financial services and retail customers, which were homogeneous and complementary to our target markets. In addition to its operations in the United States, S2 had a significant presence in the Middle East, Europe, Latin America, and the Asia/Pacific region, generating nearly half of its revenue from international markets.

On May 31, 2006, we acquired the outstanding shares of eps Electronic Payment Systems AG (“eps”), headquartered in Frankfurt, Germany. The acquisition of eps occurred in two closings. The initial closing occurred on May 31, 2006, and the second closing occurred on October 31, 2006. eps, with operations in Germany, Romania, the United Kingdom and other European locations, offers electronic payment and complementary solutions focused largely in the German market. The acquisition of eps will provide us additional opportunities to sell our value added solutions, such as Proactive Risk Manager and Smart Chip Manager, into the German marketplace, as well as to sell eps’ testing and dispute management solutions into markets beyond Germany. In addition, eps’ presence in Romania will help us more rapidly develop our global offshore development and support capabilities. The aggregate purchase price for eps was $30.4 million, which was comprised of cash payments of $19.1 million, 330,827 shares of common stock valued at $11.1 million, and direct costs of the acquisition.

On September 29, 2006, we completed the acquisition of P&H Solutions, Inc. (“P&H”). P&H is a leading provider of enterprise business banking solutions and provides a complement to our existing revenue producing activities. The aggregate purchase price for P&H, including direct costs of the acquisition, was $133.7 million, net of $20.2 million of cash acquired, approximately $73.3 million of which was financed by the Credit Agreement described in Note 8, “Debt” in the Notes to Consolidated Financial Statements, with the remaining cash of $60.4 million derived from the sale of investments The acquisition of P&H will extend our wholesale payments solutions suite, provide us with an Application Software Provider (“ASP”)-based offering and allow us to distribute P&H’s solutions into international markets through our global distribution channel.

On February 7, 2007, we acquired Visual Web Solutions, Inc. Visual Web markets trade finance and web-based cash management solutions, primarily to financial institutions in the Asia-Pacific region.

On April 2, 2007, we acquired Stratasoft Sdn. Bhd. Stratasoft is a Kuala Lumpur based company focused on the provision of mainframe based payments systems to the Malaysian market. Prior to the acquisition, Stratasoft had been a distributor of our OCM 24 product within the Malaysian market since 1995.

Assets of Businesses Transferred Under Contractual Arrangements

On September 29, 2006, we completed the sale of the eCourier and Workpoint product lines to PlaNet Group, Inc. We retained rights to distribute these products as components of our electronic payments solutions. See Note 17, “Assets of Businesses Transferred Under Contractual Arrangements” in the Notes to Consolidated Financial Statements for further detail.

Backlog

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

Our 60-month backlog represents expected revenues from existing customers using the following key assumptions:

- Maintenance fees are assumed to exist for the duration of the license term for those contracts in which the committed maintenance term is less than the committed license term.
- License and facilities management arrangements are assumed to renew at the end of their committed term at a rate consistent with our historical experiences.
- Non-recurring license arrangements are assumed to renew as recurring revenue streams.
- Foreign currency exchange rates are assumed to remain constant over the 60-month backlog period for those contracts stated in currencies other than the U.S. dollar.
- Our pricing policies and practices are assumed to remain constant over the 60-month backlog period.

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

- Anticipated increases in transaction volumes in customer systems.
- Optional annual uplifts or inflationary increases in recurring fees.

- Services engagements, other than facilities management, are not assumed to renew over the 60-month backlog period.

· The potential impact of merger activity within our markets and/or customers is not reflected in the computation of 60-month backlog.

The 60-month and 12-month backlog estimates set forth below for the periods ended September 30, 2005, December 31, 2005, March 31, 2006 and June 30, 2006 have been revised to reflect the exclusion of previously expected revenue associated with certain cancelled or replaced customer contracts. The revisions resulted in a reduction in 60-month backlog estimates in the following amounts, $4 million, $9 million, $10 million and $14 million, respectively for these periods.

The following table sets forth our 60-month backlog, by geographic region, as of September 30, 2006, September 30, 2005, and all interim periods (in millions):

	September 30, 2006	June 30, 2006 (revised)	March 31, 2006 (revised)	December 31, 2005 (revised)	September 30, 2005 (revised)
Americas	$ 671	$ 529	$ 521	$ 518	$ 525
EMEA	433	424	393	382	379
Asia/Pacific	122	125	126	126	123
	$ 1,226	$ 1,078	$ 1,040	$ 1,026	$ 1,027

Included in the September 30, 2006 and June 30, 2006 EMEA 60-month backlog estimate is approximately $19 million from the eps acquisition. Included in the September 30, 2006 Americas 60-month backlog estimate is approximately $135 million from the P&H acquisition. Periods other than those specifically referred to above do not contain backlog estimates from the eps or P&H acquisitions as the respective acquisition had not closed at the time backlog estimates were computed.

Included in 60-month backlog estimates for the June 30, 2006 and prior periods is approximately $8 million associated with our Workpoint and E-Courier product lines which were sold during the fourth quarter of fiscal 2006.

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

	September 30, 2006			September 30, 2005		
	Monthly Recurring	Non-Recurring	Total	Monthly Recurring	Non-Recurring	Total
Americas	$ 122	$ 32	$ 154	$ 97	$ 33	$ 130
EMEA	67	39	106	60	33	93
Asia/Pacific	23	6	29	26	1	27
	$ 212	$ 77	$ 289	$ 183	$ 67	$ 250

The revision referred to above reduced 12-month backlog for the period ended June 30, 2006 by $1 million to $257 million in total of which $190 million is Monthly Recurring and $67 million is Non-Recurring. The 12-month backlog amounts reported as of March 31, 2006, December 31, 2005, and September 30, 2005 are unchanged.

Included in the September 30, 2006 and June 30, 2006 12-month EMEA backlog results is approximately $5 million from the eps acquisition. Included in the September 30, 2006 Americas 12-month backlog results is approximately $25 million from the P&H acquisition. Periods other than those specifically referred to above do not contain backlog results from the eps or P&H acquisitions as the respective acquisition had not closed at the time backlog results were computed.

Included in 12-month backlog results for the June 30, 2006 and prior periods is approximately $4 million associated with our Workpoint and E-Courier product lines which were sold during the fourth quarter of fiscal 2006.

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

RESULTS OF OPERATIONS

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

	Year Ended September 30,					
	2006		2005		2004	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue
			Restated (1)		Restated (1)	
Revenues:						
Initial license fees (ILFs)	$ 107,347	30.9%	$ 95,206	30.4%	$ 74,426	25.4%

Monthly license fees (MLFs)	68,282	19.6%	73,216	23.4%	82,976	28.3%
Software license fees	175,629	50.5%	168,422	53.8%	157,402	53.8%
Maintenance fees	103,708	29.8%	93,501	29.8%	88,484	30.2%
Services	68,565	19.7%	51,314	16.4%	46,898	16.0%
Total revenues	347,902		313,237		292,784	
Expenses:						
Cost of software license fees	31,124	8.9%	24,666	7.9%	25,045	8.6%
Cost of maintenance and services	79,622	22.9%	60,337	19.3%	57,380	19.6%
Research and development	40,768	11.7%	39,688	12.7%	38,013	13.0%
Selling and marketing	66,720	19.2%	65,612	20.9%	61,139	20.9%
General and administrative	67,440	19.4%	58,683	18.7%	56,913	19.4%
Settlement of class action litigation	8,450	2.4%	—	—	—	—
Total expenses	294,124	84.5%	248,986	79.5%	238,490	81.5%
Operating income	53,778	15.5%	64,251	20.5%	54,294	18.5%
Other income (expense):						
Interest income	7,825	2.2%	3,843	1.2%	1,762	0.6%
Interest expense	(185)	(0.1)%	(510)	(0.2)%	(1,435)	(0.5)%
Other, net	(543)	(0.2)%	(1,681)	(0.5)%	2,294	0.8%
Total other income	7,097	2.0%	1,652	0.5%	2,621	0.9%
Income before income taxes	60,875	17.5%	65,903	21.0%	56,915	19.4%
Income tax provision	(5,510)	(1.6)%	(22,804)	(7.3)%	(10,609)	(3.6)%
Net income	$ 55,365	15.9%	$ 43,099	13.8%	$ 46,306	15.8%

(1) See Note 2, "Restatement of Consolidated Financial Statements," in the Notes to Consolidated Financial Statements.

Revenues

2006 vs. 2005

Total revenues for fiscal 2006 increased $34.7 million, or 11.1%, as compared to fiscal 2005. The increase is the result of a $7.2 million, or 4.3%, increase in software license fee revenues, a $10.2 million, or 10.9%, increase in maintenance fee revenues, and a $17.3 million, or 33.6%, increase in services revenues. Included in fiscal 2006 results, with no corresponding amount in fiscal 2005, was approximately $2.9 million in eps related revenue.

The majority of the revenue increase resulted from revenue growth in international markets, primarily in the EMEA region, with an increase of $21.5 million, or 19.5%, over 2005. Revenues from the Americas region increased by $11.7 million, or 6.9%, and revenues from the Asia/Pacific region increased by $1.5 million, or 4.4%.

The increases in software license fee revenues for 2006 are primarily due to the completion of several large implementation projects that resulted in software license fee revenue recognition and increased revenues for the Company's Retail Payment Engines and Cross Industry Solutions product lines.

The comparative increases in maintenance fee revenues during both fiscal 2006 and fiscal 2005 were primarily due to growth in the installed base of software products as well as maintenance fee revenues recognized from S2 products during the year. Maintenance fee revenue recognized during the year partly reflects the recognition of acquired deferred maintenance amounts which have been reduced to cost, plus a normal profit margin, as required under Financial Accounting Standards Board ("FASB") Emerging Issues Task Force ("EITF") Issue No. 01-03, *Accounting in a Business Combination for Deferred Revenue of an Acquiree*. In addition, maintenance fee revenues of $0.4 million were recognized from eps products during fiscal 2006.

The increases in services revenues for fiscal year 2006, as compared to fiscal 2005, resulted primarily from the recognition of previously deferred services revenues for several large projects which were completed during the year, as well as services revenues recognized from S2 products. In addition, services revenues of $2.1 million were recognized from eps products during fiscal 2006. For some of our contracts, including certain S2 contracts, services revenues are being recognized to the extent direct and incremental costs are incurred until such time that project profitability can be estimated. This revenue recognition treatment negatively impacted the margins on services revenues for the year.

2005 vs. 2004

Total revenues for fiscal 2005 increased by $20.4 million, or 7.0%, as compared to fiscal 2004. The increase is the result of an $11.0 million, or 7.0%, increase in software license fee revenues, a $5.0 million, or 5.7%, increase in maintenance fee revenues, and a $4.4 million, or 9.4%, increase in services revenues. Included in fiscal 2005 results, with no corresponding amount in fiscal 2004, was approximately $2.4 million in S2 related revenues.

For fiscal 2005 as compared to fiscal 2004, software license fee revenues increased by $11.0 million. This increase resulted from a sales mix during fiscal 2005 that was more heavily weighted toward the Retail Payment Systems product line, as well as recognition of previously-deferred revenues for several large projects that were completed during fiscal 2005, including software license fee revenue following customer acceptance of a significant BASE24-eps application.

The comparative increases in maintenance fee revenues during fiscal 2005 was primarily due to growth in the installed base of software products as well as maintenance fee revenues recognized from S2 products during the year.

The increase in services revenues during fiscal 2005 as compared to fiscal 2004 was primarily due to the recognition of previously-deferred services revenues for several large projects that were completed during fiscal 2005, with offsetting decreases in the Wholesale Payments product line. In addition, services revenues of $1.1 million were recognized from S2 products during fiscal 2005.

Expenses

2006 vs. 2005 (Restated)

Total operating expenses for fiscal 2006 increased $45.1 million, or 18.1%, as compared to fiscal 2005. Included in operating expenses with no corresponding amounts in fiscal 2005, were approximately $3.8 million in eps related expenses and $6.3 million in stock-based compensation. The effect of changes in foreign currency exchange rates was a decrease to overall expenses by approximately $1.9 million for fiscal 2006 as compared with fiscal 2005.

Cost of software license fees for fiscal 2006 increased by $6.5 million, or 26.2%, as compared to fiscal 2005. The increase was due to additional personnel assigned to support our PRM, Smart Card and BASE24-eps products as well as costs associated with additional personnel assigned to support these products following the previously discussed reorganization. The increase also resulted in expenses from eps of $0.7 million in fiscal 2006. In addition, stock-based compensation costs of $0.5 million, resulting from the adoption of Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), *Share-Based Payment*, ("SFAS No. 123(R)") in fiscal 2006, were recognized during the fiscal year.

Cost of maintenance and services for fiscal 2006 increased $19.3 million, or 32.0%, as compared to 2005. The increase resulted from eps expenses of $1.6 million incurred during the last two quarters of fiscal 2006, additional expenses incurred related to prior acquisitions, and the recognition of previously deferred compensation-related expenses resulting from the completion of several large projects during the year. For these projects, revenues previously recognized were being deferred until acceptance or first production use of the software, and the associated costs, including compensation-related expenses, were being deferred until the related services revenue was recognized.

Research and development ("R&D") costs increased $1.1 million, or 2.7%, in fiscal 2006 as compared to fiscal 2005, primarily as a result of an increased number of personnel assigned to R&D activities.

Selling and marketing costs increased $1.1 million, or 1.7%, in fiscal 2006 as compared to fiscal 2005. The increase was primarily due to higher sales commissions and other costs resulting from strong sales during the year. In addition, stock-based compensation costs of $0.3 million, resulting from adoption of SFAS No. 123(R) in fiscal 2006, were recognized during the fiscal year.

General and administrative costs for fiscal 2006 increased $8.8 million, or 14.9%, as compared to fiscal 2005. The increase was due to stock-based compensation costs of $3.9 million recognized during the year resulting from the adoption of SFAS No. 123(R), severance costs related to two reorganizations that were effected during the year (see Note 9, "Corporate Restructuring and Other Reorganization Charges" in the Notes to Consolidated Financial Statements for further detail), increased costs resulting from globalization initiatives and additional compensation and benefit costs.

We also recorded an expense of $8.5 million in connection with the recently announced settlement of the class action suit.

2005 (Restated) vs. 2004 (Restated)

Total operating expenses for fiscal 2005 increased $10.5 million, or 4.4%, as compared to fiscal 2004. Included in fiscal 2005 operating expenses, with no corresponding amounts in fiscal 2004, were approximately $3.8 million in S2 related expenses and $1.3 million in charges resulting from a reorganization of our business units.

Cost of software license fees decreased $0.4 million, or 1.5%, for fiscal 2005 as compared to fiscal 2004. The decrease was primarily attributable to higher commissions paid to distributors of our products during fiscal 2004. However, we experienced increased expenses surrounding customizations and/or enhancements of our newer software products during fiscal 2005, resulting in higher costs in fiscal 2005 as compared to fiscal 2004, which offset some of the year-to-date benefits received from the decrease in distributor commission costs.

Cost of maintenance and services for fiscal 2005 increased $3.0 million, or 5.2%, as compared to fiscal 2004. The comparative increase resulted primarily from $3.4 million in costs incurred to support the S2 products and higher expenses in fiscal 2005 resulting from changes in foreign currency exchange rates, offset by a reduction in compensation related expenses resulting from the shift of certain personnel to installation services associated with increasing sales of newer products such as our BASE24-eps product, for which revenues are being deferred until acceptance or first production use and the associated costs are capitalized and subsequently expensed when the related services revenue recognition occurs.

R&D costs for fiscal 2005 increased $1.7 million, or 4.4%, as compared to fiscal 2004. The increase was primarily due to increased personnel assigned to R&D activities, as well as higher expenses in fiscal 2005 that resulted from changes in foreign currency exchange rates.

Selling and marketing costs increased $4.5 million, or 7.3%, in fiscal 2005 as compared to fiscal 2004. The increase was primarily due to higher expenses in fiscal 2005 resulting from commissions due on strong sales, changes in foreign currency exchange rates, primarily in the EMEA region, increases in travel-related expenses and $0.5 million in fiscal 2005 restructuring charges.

General and administrative costs for fiscal 2005 increased $1.8 million, or 3.1%, as compared to fiscal 2004. The increase was primarily due to increased professional fees related to legal services, internal controls compliance testing, and other corporate level strategic planning costs. Reduced costs of director and officer liability insurance offset some of the increase in professional fees.

Other Income and Expense

Interest income for fiscal 2006 increased $4.0 million, or 103.6%, as compared to fiscal 2005. Interest income for fiscal 2005 increased $2.1 million, or 118.1%, as compared to fiscal 2004. The increase in interest income during fiscal 2006 as compared to fiscal 2005 is attributable to interest income of $1.9 million on a refund of income taxes as well as increases in interest rates and global consolidation of excess cash amounts into higher yielding investments. The increase in interest income in 2005 as compared to 2004 is attributable to higher average cash balances and marketable securities balances, marginal increases in interest rates, and global consolidation of excess cash amounts into higher yielding investments.

Interest expense for fiscal 2006 decreased $0.3 million, or 63.7%, as compared to fiscal 2005. Interest expense for fiscal 2005 decreased $0.9 million, or 64.5%, as compared to fiscal 2004. Scheduled payments of debt under financing agreements continued to be made during fiscal 2006, which decreased outstanding debt balances and corresponding interest expense. As discussed in Note 8, "Debt" in the Notes to Consolidated Financial Statements, we entered into a long term credit facility agreement with aggregate available borrowings of $150 million under which $75 million was outstanding as of September 30, 2006.

Other income and expense consists of foreign currency gains and losses, and other non-operating items. Other expense for fiscal 2006 was $0.5 million as compared to other expense for fiscal 2005 of $1.7 million. Comparative changes in other income and expense amounts were primarily attributable to fluctuating currency rates which impacted the amounts of foreign currency gains or losses recognized by us during the respective fiscal years. We realized $0.2 million in net foreign currency losses during fiscal 2006 as compared with $1.4 million in net losses during fiscal 2005 and net gains of $2.6 million in fiscal 2004.

Income Taxes

The effective tax rates for fiscal 2006, 2005 and 2004 were approximately 9.1%, 34.6% and 18.6%, respectively. There are a number of items which impact our effective tax rate each year and the most significant of those items are discussed in the following paragraphs. Our effective tax rate each year also varies from our federal statutory rate because we operate in multiple foreign countries where we apply their tax laws and rates which vary from those that we apply to the income we generate from our domestic operations.

In fiscal 2006, our effective tax rate was lower than fiscal 2005 because we completed the federal tax audit for fiscal years 1997 through 2003 in that year and we released a valuation reserve we had previously established on our foreign tax credit carry forwards. With the final settlement of the federal tax audit we released all accruals and tax contingencies for those years resulting in a 6.4% reduction in the effective tax rate. In fiscal 2006, we were able to utilize significant foreign tax credits and based on this fact, as well as our estimates of our ability to utilize the remaining foreign tax credits in future years we also released the valuation reserves related to our carryover general limitation foreign tax credits, resulting in a 20.7% decrease in the effective tax rate.

In fiscal 2004, the primary reason our effective tax rate was lower as compared to fiscal 2005 was the reorganization in fiscal 2004 of our MessagingDirect Ltd. subsidiary and its related entities which decreased the effective tax rate by 21.2% In fiscal 2005, there was no one event which significantly increased or decreased our effective tax rate; however, in that year the taxable income generated in foreign jurisdictions in fiscal 2005 was subject to a 2.9% lower rate in fiscal 2005 as compared to fiscal 2004.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2006, our principal sources of liquidity consisted of $110.1 million in cash, cash equivalents and marketable securities and $75.0 million of unused borrowings under our revolving credit facility. We had bank borrowings of $75.0 million outstanding under our revolving credit facility as of September 30, 2006. In December 2004, we announced that our board of directors approved a stock repurchase program authorizing us, from time to time as market and business conditions warrant, to acquire up to $80.0 million of our common stock. In May 2006, our board of directors approved an increase of $30.0 million to the stock repurchase program, bringing the total of the approved plan to $110.0 million. During fiscal 2006, we repurchased 1,217,645 shares of our common stock at an average price of $32.95 per share under this stock repurchase program. The maximum remaining dollar value of shares authorized for purchase under the stock repurchase program was $36.5 million as of September 30, 2006. We may also decide to use cash to acquire new products and services or enhance existing products and services through acquisitions of other companies, product lines, technologies and personnel, or through investments in other companies.

In March 2007, our board of directors approved an increase of $100 million to our current repurchase authorization, bringing the total authorization to $210 million. This increase in the repurchase program will be implemented as soon as we are able to amend our repurchase instructions in accordance with applicable laws, after we become compliant with our regulatory filings.

Under the program to date, we have purchased approximately 2.8 million shares for approximately $77.0 million. Purchases will be made from time to time as market and business conditions warrant, in open market, negotiated or block transactions, subject to applicable laws, rules and regulations.

In connection with funding the purchase of P&H, as discussed in Note 8, “Debt” in the Notes to Consolidated Financial Statements, on September 29, 2006, we entered into a five year revolving credit facility with a syndicate of financial institutions, as lenders, providing for revolving loans and letters of credit in an aggregate principal amount not to exceed $150 million. We have the option to increase the aggregate principal amount to $200 million. The facility has a maturity date of September 29, 2011. Obligations under the facility are unsecured and uncollateralized, but are jointly and severally guaranteed by certain of our domestic subsidiaries.

We may select either a base rate loan or a LIBOR based loan. Base rate loans are computed at the national prime interest rate plus a margin ranging from 0% to 0.125%. LIBOR based loans are computed at the applicable LIBOR rate plus a margin ranging from 0.625% to 1.375%. The margins are dependent upon our total leverage ratio at the end of each quarter.

On October 5, 2006, we exercised our right to convert the rate on our initial borrowing to the LIBOR based option, thereby reducing the effective interest rate to 6.12%. There is also an unused commitment fee to be paid annually of 0.15% to 0.3% based on our leverage ratio. The initial principal borrowings of $75 million were outstanding at September 30, 2006. There is $75 million remaining under the credit facility for future borrowings.

The credit facility contains certain affirmative and negative covenants including certain financial measurements. The facility also provides for certain events of default. The facility does not contain any subjective acceleration features and does not have any required payment or principal reduction schedule and is included as a non-current liability in our consolidated balance sheet.

We have previously obtained certain extensions and may continue to seek additional extensions under our credit facilities. The extensions waive certain potential breaches of representations and covenants under our credit facilities and establish the extended deadlines for the delivery of certain financial reports. Our current extensions under the credit facilities expire on May 16, 2007 for our annual financial statements, the extensions for our quarterly financial statements for the fiscal quarter ended December 31, 2006 expire the earlier of (i) 45 days after delivery of our annual financial statements, and (ii) July 2, 2007, and the extensions for our quarterly financial statements for the fiscal quarter ended March 31, 2007 expire the earlier of (i) 45 days after delivery of our quarterly financial statements for the fiscal quarter ended December 31, 2006, and (ii) August 16, 2007 and the extensions for our quarterly financial statements for the fiscal quarter ended June 30, 2007 expire the earlier of (i) 45 days after delivery of our quarterly financial statements for the fiscal quarter ended March 31, 2007, and (ii) October 1, 2007. We may not be able to deliver our quarterly financial statements for the first quarter of fiscal 2007 within the extended period, which may impact whether we are able to file our quarterly results for the second and third quarters of fiscal 2007 within the extended periods, and therefore, we may seek additional extensions under the credit facilities.

Net cash flows provided by operating activities in fiscal 2006, 2005 and 2004 were $60.7 million, $53.2 million and $58.1 million, respectively. The increase in operating cash flows in fiscal 2006 as compared to fiscal 2005 resulted primarily from increased net income along with the receipt of a cash refund of $10.9 million, including interest, in February 2006 related to the settlement of the IRS audit of tax years 1997 through 2003. This was offset by changes in billed and accrued receivables, deferred revenues, accounts payable, accrued employee compensation, and other assets. The decrease in operating cash flows in fiscal 2005 as compared to fiscal 2004 resulted primarily from decreased net income, along with changes in billed and accrued receivables and deferred revenues, offset by increases in operating cash flows resulting from changes in recoverable income taxes.

Net cash flows used in investing activities in fiscal 2006, 2005 and 2004 were $79.4 million, $79.4 million and $2.9 million, respectively. In fiscal 2006, we generated cash of $72.8 million by decreasing our net holdings of marketable securities, and used cash of $146.3 million in the acquisition of businesses (eps and P&H), and $5.9 million to purchase software, property and equipment. In fiscal 2005, we used cash to increase our net holdings of marketable securities by $37.4 million, used $36.6 million to acquire the business of S2 (including $35.7 million paid to owners of S2 as well as acquisition-related expenses), and purchased $5.4 million of software, property and equipment. In fiscal 2004, we purchased $3.9 million of software, property and equipment, and reduced our holdings of marketable securities by $1.0 million.

Our net cash flows provided by (used in) financing activities were $45.2 million, ($24.8) million and ($2.8) million in fiscal 2006, 2005 and 2004, respectively. In fiscal 2006, we incurred $75.0 million of debt under our revolving credit facility in connection with the P&H acquisition, used cash of $39.7 million to purchase shares of our common stock under our stock repurchase program, made payments to third-party financial institutions for debt and capital lease payments totaling $3.8 million, and received proceeds of $14.0 million, including corresponding excess tax benefits, from exercises of stock options. In fiscal 2005, we used cash of $33.0 million to purchase shares of our common stock under our stock repurchase program, made scheduled payments to third-party financial institutions totaling $7.3 million, and received proceeds of $14.1 million from exercises of stock options. In fiscal 2004, we made scheduled payments to third-party financial institutions totaling $16.4 million and received proceeds of $13.1 million from exercises of stock options.

We also realized an increase in cash of $0.03 million, $0.5 million and $2.9 million during fiscal 2006, 2005 and 2004, respectively, due to foreign exchange rate variances.

We believe that our existing sources of liquidity, including cash on hand, marketable securities and cash provided by operating activities, will satisfy our projected liquidity requirements for the foreseeable future.

Quarterly Results

The selected quarterly information has been restated for all quarters of fiscal 2005 and the third quarter of 2006 from previously reported information filed on Form 10-Q and Form 10K, as a result of our restatement of our financial results discussed in this 2006 10-K. Amounts presented are in thousands, except per share data:

2006	Quarter Ended Sept. 30, 2006 (1)	June 30, 2006 Restated (2)	March 31, 2006	Dec. 31, 2005
Revenues:				
Software license fees	$ 42,552	$ 41,955	$ 47,730	$ 43,392
Maintenance fees	27,655	25,989	24,746	25,318
Services	18,023	16,820	17,357	16,365
Total revenues	88,230	84,764	89,833	85,075
Expenses:				
Cost of software license fees	8,789	7,895	7,505	6,935
Cost of maintenance and services	20,289	19,385	19,056	20,891
Research and development	10,847	10,191	9,978	9,752
Selling and marketing	18,284	15,896	16,529	16,012
General and administrative	19,030	15,877	15,563	16,970
Settlement of class action litigation	8,450	—	—	—
Total expenses	85,689	69,244	68,631	70,560
Operating income	2,541	15,520	21,202	14,515
Other income (expense):				
Interest income	1,671	1,641	1,586	2,927
Interest expense	(59)	(10)	(87)	(29)
Other, net	(304)	(227)	354	(366)
Total other income (expense)	1,308	1,404	1,853	2,532
Income before income taxes	3,849	16,924	23,055	17,047
Income tax (provision) benefit	(1,189)	5,605	(8,069)	(1,857)
Net income	$ 2,660	$ 22,529	$ 14,986	$ 15,190
Earnings per share				
Basic	$ 0.07	$ 0.60	$ 0.40	$ 0.41

Diluted	$ 0.07	$ 0.59	$ 0.39	$ 0.40

(1) Net income for the fourth quarter of 2006 includes an $8.5 million charge related to the settlement of class action litigation. The effective tax rate for the fourth quarter of 2006 was primarily impacted by the adjustment of cumulative deferred tax balances, the differential between tax effecting income at the statutory federal tax rate in the U.S. and certain foreign jurisdictions in which we operate, offset by an increase in nontaxable municipal interest and a decrease in valuation allowances.

(2) As a result of errors discovered in our reconciliation of deferred tax accounts, we recorded an entry to correct a deferred tax benefit that was previously recognized during the quarter ended June 30, 2006.

2005	Quarter Ended Sept. 30, 2005 Restated (1)	June 30, 2005 Restated (1)	March 31, 2005 Restated (1)	Dec. 31, 2004 Restated (1)
Revenues:				
Software license fees	$ 40,007	$ 37,656	$ 42,953	$ 47,806
Maintenance fees	23,834	24,938	22,649	22,080
Services	15,161	15,409	10,024	10,720
Total revenues	79,002	78,003	75,626	80,606
Expenses:				
Cost of software license fees	6,483	6,542	5,730	5,911
Cost of maintenance and services	18,581	14,101	13,818	13,836
Research and development	9,844	9,705	10,223	9,916
Selling and marketing	18,752	16,186	15,370	15,305
General and administrative	14,259	16,322	14,487	13,615
Total expenses	67,919	62,856	59,628	58,583
Operating income	11,083	15,147	15,998	22,023
Other income (expense):				
Interest income	1,116	1,279	864	584
Interest expense	(103)	(102)	(137)	(168)
Other, net	(236)	(453)	255	(1,247)
Total other income (expense)	777	724	982	(831)
Income before income taxes	11,860	15,871	16,980	21,192
Income tax provision	(2,767)	(5,904)	(5,820)	(8,313)
Net income	$ 9,093	$ 9,967	$ 11,160	$ 12,879
Earnings per share				
Basic	$ 0.24	$ 0.27	$ 0.29	$ 0.34
Diluted	$ 0.24	$ 0.26	$ 0.29	$ 0.33

(1) Includes adjustments for additional stock compensation expense pursuant to APB Opinion No. 25 and related interpretations.

The following tables present the effects of the adjustments made to our previously reported quarterly financial information during fiscal 2006 and 2005 (in thousands, except per share amounts):

	Three Months Ended June 30, 2006 Previously Reported	Adjustments	As Restated
Revenues:			
Software license fees	$ 41,955	$ —	$ 41,955
Maintenance fees	25,989	—	25,989
Services	16,820	—	16,820
Total revenues	84,764	—	84,764
Expenses:			
Cost of software license fees	7,895	—	7,895
Cost of maintenance and services	19,385	—	19,385
Research and development	10,191	—	10,191
Selling and marketing	15,896	—	15,896
General and administrative	15,877	—	15,877
Total expenses	69,244	—	69,244
Operating income	15,520	—	15,520
Other income (expense):			
Interest income	1,641	—	1,641
Interest expense	(10)	—	(10)
Other, net	(227)	—	(227)

Total other income	1,404	—	1,404
Income before income taxes	16,924	—	16,924
Income tax benefit	6,384	(779) A	5,605
Net income	$ 23,308	$ (779)	$ 22,529
Earnings per share			
Basic	$ 0.62	$ (0.02) A	$ 0.60
Diluted	$ 0.61	$ (0.02) A	$ 0.59

A: As a result of errors discovered in our reconciliation of deferred tax accounts, we recorded an entry to correct a deferred tax benefit that was previously recognized during the quarter ended June 30, 2006.

	Three Months Ended September 30, 2005		
	Previously Reported	Adjustments	As Restated
Revenues:			
Software license fees	$ 40,007	$ —	$ 40,007
Maintenance fees	23,834	—	23,834
Services	15,161	—	15,161
Total revenues	79,002	—	79,002
Expenses:			
Cost of software license fees	6,478	5 A	6,483
Cost of maintenance and services	18,580	1 A	18,581
Research and development	9,844		9,844
Selling and marketing	18,748	4 A	18,752
General and administrative	14,211	48 A	14,259
Total expenses	67,861	58	67,919
Operating income	11,141	(58)	11,083
Other income (expense):			
Interest income	1,116	—	1,116
Interest expense	(103)	—	(103)
Other, net	(236)	—	(236)
Total other income	777	—	777
Income before income taxes	11,918	(58)	11,860
Income tax provision	(2,783)	16 B	(2,767)
Net income	$ 9,135	$ (42)	$ 9,093
Earnings per share			
Basic	$ 0.25	$ (0.01)	$ 0.24
Diluted	$ 0.24	$ —	$ 0.24

A: Adjustment for additional stock compensation expense pursuant to APB Opinion No. 25 and related interpretations.

B: Adjustment to the tax provision arising from the additional stock compensation expense.

	Three Months Ended June 30, 2005		
	Previously Reported	Adjustments	As Restated
Revenues:			
Software license fees	$ 37,656	$ —	$ 37,656
Maintenance fees	24,938	—	24,938
Services	15,409	—	15,409
Total revenues	78,003	—	78,003
Expenses:			
Cost of software license fees	6,539	3 A	6,542
Cost of maintenance and services	14,102	(1) A	14,101
Research and development	9,704	1 A	9,705
Selling and marketing	16,183	3 A	16,186
General and administrative	16,289	33 A	16,322
Total expenses	62,817	39	62,856
Operating income	15,186	(39)	15,147
Other income (expense):			

Interest income	1,279	—	1,279
Interest expense	(102)	—	(102)
Other, net	(453)	—	(453)
Total other income	724	—	724
Income before income taxes	15,910	(39)	15,871
Income tax provision	(5,915)	11 B	(5,904)
Net income	$ 9,995	$ (28)	$ 9,967
Earnings per share			
Basic	$ 0.27	$ —	$ 0.27
Diluted	$ 0.26	$ —	$ 0.26

A: Adjustment for additional stock compensation expense pursuant to APB Opinion No. 25 and related interpretations.

B: Adjustment to the tax provision arising from the additional stock compensation expense.

	Three Months Ended March 31, 2005		
	Previously Reported	Adjustments	As Restated
Revenues:			
Software license fees	$ 42,953	$ —	$ 42,953
Maintenance fees	22,649	—	22,649
Services	10,024	—	10,024
Total revenues	75,626	—	75,626
Expenses:			
Cost of software license fees	5,725	5 A	5,730
Cost of maintenance and services	13,818	—	13,818
Research and development	10,223	—	10,223
Selling and marketing	15,368	2 A	15,370
General and administrative	14,449	38 A	14,487
Total expenses	59,583	45	59,628
Operating income	16,043	(45)	15,998
Other income (expense):			
Interest income	864	—	864
Interest expense	(137)	—	(137)
Other, net	255	—	255
Total other income	982	—	982
Income before income taxes	17,025	(45)	16,980
Income tax provision	(5,832)	12 B	(5,820)
Net income	$ 11,193	$ (33)	$ 11,160
Earnings per share			
Basic	$ 0.29	$ —	$ 0.29
Diluted	$ 0.29	$ —	$ 0.29

A: Adjustment for additional stock compensation expense pursuant to APB Opinion No. 25 and related interpretations.

B: Adjustment to the tax provision arising from the additional stock compensation expense.

	Three Months Ended December 31, 2004		
	Previously Reported	Adjustments	As Restated
Revenues:			
Software license fees	$ 47,806	$ —	$ 47,806
Maintenance fees	22,080	—	22,080
Services	10,720	—	10,720
Total revenues	80,606	—	80,606
Expenses:			
Cost of software license fees	5,906	5 A	5,911
Cost of maintenance and services	13,836	—	13,836
Research and development	9,915	1 A	9,916
Selling and marketing	15,301	4 A	15,305
General and administrative	13,563	52 A	13,615
Total expenses	58,521	62	58,583
Operating income	22,085	(62)	22,023

Other income (expense):			
Interest income	584	—	584
Interest expense	(168)	—	(168)
Other, net	(1,247)	—	(1,247)
Total other income (expense)	(831)	—	(831)
Income before income taxes	21,254	(62)	21,192
Income tax provision	(8,331)	18 B	(8,313)
Net income	$ 12,923	$ (44)	$ 12,879
Earnings per share			
Basic	$ 0.34	$ —	$ 0.34
Diluted	$ 0.34	$ (0.01)	$ 0.33

A: Adjustment for additional stock compensation expense pursuant to APB Opinion No. 25 and related interpretations.

B: Adjustment to the tax provision arising from the additional stock compensation expense.

The following tables present the impact of the financial statement adjustments on our previously reported Consolidated Balance Sheets as of December 31, 2004, March 31, 2005, June 30, 2005, December 31, 2005, March 31, 2006 and June 30, 2006 (in thousands).

	As of December 31, 2004			As of March 31, 2005		
	Previously Reported	Adjustments	As Restated	Previously Reported	Adjustments	As Restated
Current Assets:						
Cash and cash equivalents	$ 178,317	$ —	$ 178,317	$ 87,499	$ —	$ 87,499
Marketable securities	8,169	—	8,169	108,439	—	108,439
Billed receivables, net of allowances	46,008	—	46,008	52,484	—	52,484
Accrued receivables	13,998	—	13,998	7,821	—	7,821
Recoverable income taxes	7,624	—	7,624	3,462	—	3,462
Other	7,634	—	7,634	8,565	—	8,565
Total current assets	261,750	—	261,750	268,270	—	268,270
Property and equipment, net	7,921	—	7,921	7,974	—	7,974
Software, net	1,956	—	1,956	1,861	—	1,861
Goodwill	47,044	—	47,044	46,905	—	46,905
Deferred income taxes, net	23,176	381 A	23,557	28,999	362 A	29,361
Other	2,586	—	2,586	2,941	—	2,941
Total assets	$ 344,433	$ 381	$ 344,814	$ 356,950	$ 362	$ 357,312
Current Liabilities:						
Current portion of debt — financing agreements	$ 4,256	$ —	$ 4,256	$ 3,799	$ —	$ 3,799
Accounts payable	6,657	—	6,657	7,856	—	7,856
Accrued employee compensation	12,205	—	12,205	12,397	—	12,397
Deferred income taxes, net	1,742	—	1,742	363	—	363
Deferred revenue	82,517	—	82,517	89,491	—	89,491
Accrued and other liabilities	12,220	—	12,220	10,601	—	10,601
Total current liabilities	119,597	—	119,597	124,507	—	124,507
Debt — financing agreements	1,449	—	1,449	807	—	807
Deferred revenue	17,433	—	17,433	16,348	—	16,348
Other	954	—	954	1,314	—	1,314
Total liabilities	139,433	—	139,433	142,976	—	142,976
Stockholders' Equity						
Common stock	198	—	198	200	—	200
Treasury stock	(35,258)	—	(35,258)	(43,293)	—	(43,293)
Additional paid-in capital	260,000	13,615 A	273,615	265,763	13,628 A	279,391
Retained earnings	(9,994)	(13,234) A	(23,228)	1,199	(13,266) A	(12,067)
Accumulated other comprehensive loss	(9,946)	—	(9,946)	(9,895)	—	(9,895)
Total stockholders' equity	205,000	381	205,381	213,974	362	214,336
Total liabilities and stockholders' equity	$ 344,433	$ 381	$ 344,814	$ 356,950	$ 362	$ 357,312

A: Adjustment for additional stock compensation expense and the associated deferred tax asset adjustments pursuant to APB Opinion No. 25 and related interpretations.

	As of June 30, 2005			As of December 31, 2005		
	Previously Reported	Adjustments	As Restated	Previously Reported	Adjustments	As Restated
Current Assets:						
Cash and cash equivalents	$ 113,015	$ —	$ 113,015	$ 95,705	$ —	$ 95,705
Marketable securities	76,083	—	76,083	62,093	—	62,093
Billed receivables, net of allowances	45,754	—	45,754	53,806	—	53,806
Accrued receivables	6,387	—	6,387	11,882	—	11,882
Recoverable income taxes	—	—	—	4,976	—	4,976
Deferred income taxes, net	2,545	—	2,545	2,688	—	2,688
Other	10,192	—	10,192	13,427	—	13,427
Total current assets	253,976	—	253,976	244,577	—	244,577
Property and equipment, net	8,543	—	8,543	9,264	—	9,264
Software, net	2,053	—	2,053	4,649	—	4,649
Goodwill	46,792	—	46,792	66,482	—	66,482
Other intangible assets, net	—	—	—	12,908	—	12,908
Deferred income taxes, net	27,668	370 A	28,038	21,459	320 A	21,779
Other	3,462	—	3,462	2,967	—	2,967
Total assets	$ 342,494	$ 370 A	$ 342,864	$ 362,306	$ 320 A	$ 362,626
Current Liabilities:						
Current portion of debt — financing agreements	$ 3,202	$ —	$ 3,202	$ 975	$ —	$ 975
Accounts payable	8,069	—	8,069	7,442	—	7,442
Accrued employee compensation	13,538	—	13,538	14,590	—	14,590
Income taxes payable	3,007	—	3,007	—	—	—

Deferred revenue	77,764	—	77,764	80,746	—	80,746
Accrued and other liabilities	11,212	—	11,212	12,535	—	12,535
Total current liabilities	116,792	—	116,792	116,288	—	116,288
Debt — financing agreements	406	—	406	58	—	58
Deferred revenue	19,508	—	19,508	19,515	—	19,515
Other	1,373	—	1,373	1,645	—	1,645
Total liabilities	138,079	—	138,079	$ 137,506	—	137,506
Stockholders' Equity						
Common stock	200	—	200	203	—	203
Treasury stock	(64,534)	—	(64,534)	(81,924)	—	(81,924)
Additional paid-in capital	266,850	13,667 A	280,517	280,410	13,657 A	294,067
Retained earnings	11,194	(13,297) A	(2,103)	35,519	(13,337) A	22,182
Accumulated other comprehensive loss	(9,295)	—	(9,295)	(9,408)	—	(9,408)
Total stockholders' equity	204,415	370	204,785	224,800	320	225,120
Total liabilities and stockholders' equity	$ 342,494	$ 370	$ 342,864	$ 362,306	$ 320	$ 362,626

A: Adjustment for additional stock compensation expense and the associated deferred tax asset adjustments pursuant to APB Opinion No. 25 and related interpretations.

	As of March 31, 2006			As of June 30, 2006		
	Previously Reported	Adjustments	As Restated	Previously Reported	Adjustments	As Restated
Current Assets:						
Cash and cash equivalents	$ 113,539	$ —	$ 113,539	$ 108,365	$ —	$ 108,365
Marketable securities	76,182	—	76,182	67,725	—	67,725
Billed receivables, net of allowances	59,110	—	59,110	62,324	—	62,324
Accrued receivables	8,547	—	8,547	9,992	—	9,992
Deferred income taxes, net	4,509	—	4,509	3,103	—	3,103
Other	11,959	—	11,959	13,740	—	13,740
Total current assets	273,846	—	273,846	265,249	—	265,249
Property and equipment, net	9,642	—	9,642	9,234	—	9,234
Software, net	4,275	—	4,275	11,044	—	11,044
Goodwill	66,248	—	66,248	88,411	—	88,411
Other intangible assets, net	12,481	—	12,481	17,985	—	17,985
Deferred income taxes, net	21,566	320 A	21,886	29,125	121 A B	29,246
Other	2,737	—	2,737	6,288	—	6,288
Total assets	$ 390,795	$ 320	$ 391,115	$ 427,336	$ 121	$ 427,457
Current Liabilities:						
Current portion of debt — financing agreements	$ 308	$ —	$ 308	$ 78	$ —	$ 78
Accounts payable	6,316	—	6,316	6,960	—	6,960
Accrued employee compensation	15,967	—	15,967	15,794	—	15,794
Income taxes payable	8,999	—	8,999	8,362	580 B	8,942
Deferred revenue	80,134	—	80,134	78,808	—	78,808
Accrued and other liabilities	10,666	—	10,666	19,638	—	19,638
Total current liabilities	122,390	—	122,390	129,640	580	130,220
Deferred revenue	20,429	—	20,429	16,561	—	16,561
Other	1,854	—	1,854	2,638	—	2,638
Total liabilities	144,673	—	144,673	148,839	580	149,419
Stockholders' Equity						
Common stock	204	—	204	204	—	204
Treasury stock	(82,251)	—	(82,251)	(79,305)	—	(79,305)
Additional paid-in capital	287,059	13,657 A	300,716	292,322	13,657 A	305,979
Retained earnings	50,505	(13,337) A	37,168	73,813	(14,116) A B	59,697
Accumulated other comprehensive loss	(9,395)	—	(9,395)	(8,537)	—	(8,537)
Total stockholders' equity	246,122	320	246,442	278,497	(459)	278,038
Total liabilities and stockholders' equity	$ 390,795	$ 320	$ 391,115	$ 427,336	$ 121	$ 427,457

A: Adjustment for additional stock compensation expense and the associated deferred tax asset adjustments pursuant to APB Opinion No. 25 and related interpretations.

B: As a result of errors discovered in our reconciliation of deferred tax accounts, we recorded an entry to correct a deferred tax benefit that was previously recognized during the quarter ended June 30, 2006.

Operating Income (Restated)

Three Months Ended June 30, 2005

Operating income increased $2.1 million to $15.1 million from $13.0 million for the three months ended June 30, 2005. Total revenues for the third quarter of fiscal 2005 increased $5.5 million, or 7.5%, as compared to the same period of fiscal 2004. The three-month increase is the result of a $0.1 million, or 0.3%, increase in software license fee revenues, a $1.9 million, or 8.0%, increase in maintenance fee revenues, and a $3.5 million, or 29.5%, increase in services revenues. Total operating expenses for the third quarter of fiscal 2005 increased $3.3 million, or 5.5%, as compared to the same period of fiscal 2004. Cost of maintenance and services for the third quarter of fiscal 2005 increased $0.7 million, or 5.3%, as compared to the same period of fiscal 2004. General and administrative costs for the third quarter of fiscal 2005 increased $1.8 million, or 12.2%, as compared to the same period of fiscal 2004.

Three Months Ended March 31, 2005

Operating income increased $1.9 million to $16.0 million from $14.1 million for the three months ended March 31, 2005. Total revenues for the second quarter of fiscal 2005 decreased $0.9 million, or 1.2%, as compared to the same period of fiscal 2004. The three-month decrease is the result of a $1.8 million, or 14.9%, decrease in services revenues, offset by a $0.6 million, or 1.4%, increase in software license fee revenues and a $0.3 million, or 1.2%, increase in maintenance fee revenues. Total operating expenses for the second quarter of fiscal 2005 decreased $2.8 million, or 4.5%, as compared to the same period of fiscal 2004. General and administrative costs for the second quarter of fiscal 2005 decreased $1.4 million, or 8.5%, as compared to the same period of fiscal

2004. Cost of maintenance and services for the second quarter of fiscal 2005 decreased $0.9 million, or 6.2%, as compared to the same period of fiscal 2004. Selling and marketing costs for the second quarter of fiscal 2005 decreased $0.8 million, or 4.7%, as compared to the same period of fiscal 2004. R&D costs for the second quarter of fiscal 2005 increased $0.7 million, or 6.8%, as compared to the same period of fiscal 2004.

Three Months Ended December 31, 2004

Operating income increased $6.5 million to $22.0 million from $15.5 million for the three months ended December 31, 2004. Total revenues for the first quarter of fiscal 2005 increased $6.6 million, or 8.9%, as compared to the same period of fiscal 2004. The three-month increase is the result of a $6.6 million, or 15.9%, increase in software license fee revenues and a $0.8 million, or 3.6%, increase in maintenance fee revenues, offset by a $0.8 million, or 6.5%, decrease in services revenues.

Income Taxes (Restated)

Three Months Ended June 30, 2006

The effective tax rate for the third quarter of fiscal 2006 changed from a benefit of 37.7% to a benefit of 33.1%.

Contractual Obligations and Commercial Commitments

We lease office space, equipment and the corporate aircraft under operating leases that run through August 2028, and also lease certain property under capital lease agreements that expire in various years through 2010. Additionally, we have entered into a long term credit facility agreement that expires in 2011. Contractual obligations as of September 30, 2006 are as follows (in thousands):

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations					
Operating Lease Obligations	$ 97,610	$ 12,387	$ 21,828	$ 15,761	$ 47,634
Capital Leases	5,654	3,050	2,593	11	—
Long Term Credit Facility	75,000	—	—	75,000	—
Total	$ 178,264	$ 15,437	$ 24,421	$ 90,772	$ 47,634

Critical Accounting Estimates

The preparation of the consolidated financial statements requires that we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and other assumptions that we believe to be proper and reasonable under the circumstances. We continually evaluate the appropriateness of estimates and assumptions used in the preparation of our consolidated financial statements. Actual results could differ from those estimates.

The following key accounting policies are impacted significantly by judgments, assumptions and estimates used in the preparation of the consolidated financial statements. See Note 1, “Summary of Significant Accounting Policies” in the Notes to Consolidated Financial Statements for a further discussion of revenue recognition and other significant accounting policies.

Revenue Recognition

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

Our sales focus continues to shift from our more-established (“mature”) products to our BASE24-eps product and less-established (collectively referred to as “newer”) products. As a result of this shift to newer products, absent other factors, we initially experience an increase in deferred revenue and a corresponding decrease in current period revenue due to differences in the timing of revenue recognition for the respective products. Revenues from newer products are typically recognized upon acceptance or first production use by the customer whereas revenues from mature products, such as BASE24, are generally recognized upon delivery of the product, provided all other

conditions for revenue recognition have been met. For those arrangements where revenues are being deferred and we determine that related direct and incremental costs are recoverable, such costs are deferred and subsequently expensed as the revenues are recognized. Newer products are continually evaluated by our management and product development personnel to determine when any such product meets specific internally defined product maturity criteria that would support its classification as a mature product. Evaluation criteria used in making this determination include successful demonstration of product features and functionality; standardization of sale, installation, and support functions; and customer acceptance at multiple production site installations, among others. A change in product classification (from newer to mature) would allow us to recognize revenues from new sales of the product upon delivery of the product rather than upon acceptance or first production use by the customer, resulting in earlier recognition of revenues from sales of that product, as well as related costs, provided all other revenue recognition criteria have been met. BASE24-eps was reclassified as a mature product as of October 1, 2006.

When a software license arrangement includes services to provide significant modification or customization of software, those services are not considered to be separable from the software. Accounting for such services delivered over time is referred to as contract accounting. Under contract accounting, we generally use the percentage-of-completion method. Under the percentage-of-completion method, we record revenue for the software license fee and services over the development and implementation period, with the percentage of completion generally measured by the percentage of labor hours incurred to-date to estimated total labor hours for each contract. Estimated total labor hours for each contract are based on the project scope, complexity, skill level requirements, and similarities with other projects of similar size and scope. For those contracts subject to contract accounting, estimates of total revenue and profitability under the contract consider amounts due under extended payment terms. For arrangements where we believe it is reasonably assured that no loss will be incurred under the arrangement and fair value for maintenance services does not exist, we use a zero margin approach of applying percentage-of-completion accounting until software customization services are completed. We exclude revenues due on extended payment terms from our current percentage-of-completion computation until such time that collection of the fees becomes probable.

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

Allowance for Doubtful Accounts

We maintain a general allowance for doubtful accounts based on our historical experience, along with additional customer-specific allowances. We regularly monitor credit risk exposures in our accounts receivable. In estimating the necessary level of our allowance for doubtful accounts, management considers the aging of our accounts receivable, the creditworthiness of our customers, economic conditions within the customer's industry, and general economic conditions, among other factors. Should any of these factors change, the estimates made by management would also change, which in turn would impact the level of our future provision for doubtful accounts. Specifically, if the financial condition of our customers were to deteriorate, affecting their ability to make payments, additional customer-specific provisions for doubtful accounts may be required. Also, should deterioration occur in general economic conditions, or within a particular industry or region in which we have a number of customers, additional provisions for doubtful accounts may be recorded to

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reserve for potential future losses. Any such additional provisions would reduce operating income in the periods in which they were recorded.

Valuation of Intangible Assets and Goodwill

Our business acquisitions typically result in the recording of intangible assets, and the recorded values of those assets may become impaired in the future. As of September 30, 2006 and 2005, our intangible assets, net of accumulated amortization, were $42 million and $14 million, respectively. The determination of the value of such intangible assets requires management to make estimates and assumptions that affect the consolidated financial statements. We assess potential impairments to intangible assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. Judgments regarding the existence of impairment indicators and future cash flows related to intangible assets are based on operational performance of our businesses, market conditions and other factors. Although there are inherent uncertainties in this assessment process, the estimates and assumptions used, including estimates of future cash flows, volumes, market penetration and discount rates, are consistent with our internal planning. If these estimates or their related assumptions change in the future, we may be required to record an impairment charge on all or a portion of our intangible assets. Furthermore, we cannot predict the occurrence of future impairment-triggering events nor the impact such events might have on our reported asset values. Future events could cause us to conclude that impairment indicators exist and that intangible assets associated with acquired businesses is impaired. Any resulting impairment loss could have an adverse impact on our results of operations.

In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* ("SFAS No. 142"), we assess goodwill for impairment at least annually. During this assessment, which is completed as of the end of the fiscal year, management relies on a number of factors, including operating results, business plans and anticipated future cash flows. We assess potential impairments to other intangible assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered.

Other intangible assets are amortized using the straight-line method over periods ranging from 18 months to 12 years.

Stock-Based Compensation

In connection with the restatement of our consolidated financial statements, we have applied judgment in choosing how to revise measurement dates for prior option grants. Information regarding the restatement is set forth in the "Explanatory Note" immediately preceding Part I, Item 1 and in Note 2, "Restatement of Consolidated Financial Statements" in Notes to Consolidated Financial Statements of this Form 10-K.

Effective October 1, 2005 we began recording compensation expense associated with stock-based awards in accordance with SFAS No. 123(R). We adopted the modified prospective transition method provided for under SFAS No. 123(R), and consequently have not retroactively adjusted results from prior periods. Under this transition method, compensation cost associated with stock-based awards for fiscal year 2006 now includes (1) amortization related to the remaining unvested portion of stock-based awards granted prior to September 30, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123; and (2) amortization related to stock-based awards granted subsequent to September 30, 2005, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123(R).

Under the provisions of SFAS No. 123(R), stock-based compensation cost for stock option awards is estimated at the grant date based on the award's fair value as calculated by the Black-Scholes option-pricing model and is recognized as expense ratably over the requisite service period.

We recognize stock-based compensation costs for only those shares that are expected to vest. The impact of forfeitures that may occur prior to vesting is estimated and considered in the amount of expense recognized. Forfeiture estimates will be revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Black-Scholes model requires various highly judgmental assumptions including volatility and expected option life. If any of the assumptions used in the Black-Scholes model change significantly, stock-based compensation expense may differ materially for future awards from that recorded for existing awards.

We also have stock options outstanding that vest upon attainment by us of certain market conditions. In order to determine the grant date fair value of these stock options that vest based on the achievement of certain market conditions, a Monte Carlo simulation model is used to estimate (i) the probability that the performance goal will be achieved and (ii) the length of time required to attain the target market price.

Long term incentive program performance share awards ("LTIP Performance Shares") were issued in fiscal 2006 and fiscal 2005. These awards are earned based on the achievement over a three year period of performance goals related to certain performance indicators. In order to determine compensation expense to be recorded for these LTIP Performance Shares, each quarter management evaluates the probability that the target performance goals will be achieved, if at all, and the anticipated level of attainment.

The assumptions utilized in the Black-Scholes option-pricing model as well as the description of the plans the stock-based awards are granted under are described in further detail in Note 14, "Stock-Based Compensation Plans" in the Notes to Consolidated Financial Statements.

Accounting for Income Taxes

Accounting for income taxes requires significant judgments in the development of estimates used in income tax calculations. Such judgments include, but are not limited to, the likelihood we would realize the benefits of net operating loss carryforwards and/or foreign tax credit carryforwards, the adequacy of valuation allowances, and the rates used to measure transactions with foreign subsidiaries. As part of the process of preparing our consolidated financial statements, we are required to estimate our 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 us to incur tax liabilities in excess of, or realize benefits less than, those currently recorded. In addition, changes in the geographical mix or estimated amount of annual pretax income could impact our overall effective tax rate.

To the extent recovery of deferred tax assets is not likely, we record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. Although we have considered future taxable income along with prudent and feasible tax planning strategies in assessing the need for a valuation allowance, if we should determine that we would not be able to realize all or part of our 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 we are able to realize our 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.

Recent Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*, which supersedes APB 20, *Accounting Changes*, and SFAS 3, *Reporting Accounting Changes in Interim Financial Statements*. SFAS No. 154 changes the method for reporting an accounting change. Under

SFAS No. 154, accounting changes must be retrospectively applied to all prior periods whose financial statements are presented, unless the change in accounting principle is due to a new pronouncement that provides other transition guidance or unless application of the retrospective method is impracticable. Under the retrospective method, companies will no longer present the cumulative effect of a change in accounting principle in their statement of operations for the period of the change. SFAS No. 154 carries forward unchanged APB 20's guidance for reporting corrections of errors in previously issued financial statements and for reporting changes in accounting estimates. SFAS No. 154 will be effective for our fiscal year 2007.

In June 2005, the FASB issued FASB Staff Position No. ("FSP") FAS 143-1, *Accounting for Electronic Equipment Waste Obligations*. FSP FAS 143-1 addresses the accounting for obligations associated with Directive 2002/96/EC on Electrical and Electronic Equipment (the "Directive") adopted by the European Union ("EU"). FSP FAS 143-1 is effective the later of the Company's fiscal 2006 or the date that an EU member country in which the Company might have an obligation adopts the Directive. To date, the adoption of FSP FAS 143-1 in those countries which have already adopted the Directive has not had a material effect on our financial position, results of operations or cash flows and we do not expect the adoption of FSP FAS 143-1 by countries in the future to have a material effect on our financial position, results of operations or cash flows.

In June 2006, the FASB EITF reached a consensus on Issue No. 06–3, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)* ("EITF No. 06-3"). EITF No. 06–3 requires the disclosure of the Company's accounting policy regarding its gross or net presentation of externally imposed taxes on revenue producing transactions in the notes to the consolidated financial statements. EITF No. 06–3 is effective for the first annual or interim reporting period beginning after December 15, 2006. We do not expect that the adoption of EITF No. 06-3 will have a material effect on our consolidated financial statements.

In June 2006, the FASB ratified EITF No. 06-2 *Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43, Accounting for Compensated Absences* ("EITF No. 06-2"). EITF No. 06-2 provides guidelines under which sabbatical leave or other similar benefits provided to an employee are considered to accumulate, as defined in FASB Statement 43. If such benefits are deemed to accumulate, then the compensation cost associated with a sabbatical or other similar benefit arrangement should be accrued over the requisite service period. The provisions of this Issue are effective for our fiscal year 2008 and allow for either retrospective application or a cumulative effect adjustment to accumulated deficit approach upon adoption. We do not expect that the adoption of EITF No. 06-2 will have a material effect on our consolidated financial statements.

In July 2006, the FASB issued FASB Interpretation No. ("FIN") 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109* ("FIN 48"), which establishes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. FIN 48 is effective for our 2008 fiscal year. We are currently evaluating the impact that this interpretation will have on our financial condition and/or results of operations.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 provides a common definition of fair value and establishes a framework to make the measurement of fair value in generally accepted accounting principles more consistent and comparable. SFAS No. 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on earnings. SFAS No. 157 is effective for our 2009 fiscal year, although early adoption is permitted. We are currently assessing the potential effect of SFAS No. 157 on our financial statements.

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (“SAB 108”). SAB 108 was issued in order to eliminate the diversity in practice surrounding how public companies quantify financial statement misstatements. SAB 108 requires that registrants quantify errors using both a balance sheet and income statement approach and evaluate whether either approach results in a misstated amount that, when all relevant quantitative and qualitative factors are considered, is material. SAB 108 must be implemented by the end of our fiscal 2007. We are currently assessing the potential effect of SAB 108 on our financial statements.

In September 2006, the FASB issued SFAS No. 158, *Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans-an Amendment of FASB Statements No. 87, 88, 106 and 132(R)* (“SFAS No. 158”). SFAS No. 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize the changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. SFAS No. 158 is effective for the Company as of the end of our fiscal 2007. We do not expect the adoption of SFAS No. 158 to significantly affect our financial condition or results of operations.

In February 2007, the FASB issued FAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115* (FAS 159). FAS 159 permits an entity to elect fair value as the initial and subsequent measurement attribute for many financial assets and liabilities. Entities electing the fair value option would be required to recognize changes in fair value in earnings. Entities electing the fair value option are required to distinguish, on the face of the statement of financial position, the fair value of assets and liabilities for which the fair value option has been elected and similar assets and liabilities measured using another measurement attribute. FAS 159 is effective for our fiscal year 2008. The adjustment to reflect the difference between the fair value and the carrying amount would be accounted for as a cumulative-effect adjustment to retained earnings as of the date of initial adoption. We are currently evaluating the impact, if any, of FAS 159 on our Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We conduct business in all parts of the world and are thereby exposed to market risks related to fluctuations in foreign currency exchange rates. As a general rule, our revenue contracts are denominated in U.S. dollars. Thus, any decline in the value of local foreign currencies against the U.S. dollar results in our products and services being more expensive to a potential foreign customer, and in those instances where our goods and services have already been sold, may result in the receivables being more difficult to collect. We at times enter into revenue contracts that are denominated in the country’s local currency, principally in Australia, Canada, the United Kingdom and other European countries. This practice serves as a natural hedge to finance the local currency expenses incurred in those locations. We have not entered into any foreign currency hedging transactions. We do not purchase or hold any derivative financial instruments for the purpose of speculation or arbitrage.

The primary objective of our cash investment policy is to preserve principal without significantly increasing risk. Based on our cash investments and interest rates on these investments at September 30, 2006, and if we maintained this level of similar cash investments for a period of one year, a hypothetical ten percent increase or decrease in interest rates would increase or decrease interest income by approximately $0.4 million annually.

Based on our debt balances at September 30, 2006, and if we maintained this level of debt for a period of one year, a hypothetical ten percent increase or decrease in interest rates would increase or decrease interest expense by approximately $0.5 million annually.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The required consolidated financial statements and notes thereto are included in this 2006 10-K and are listed in Part IV, Item 15

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

a) Evaluation of Disclosure Controls and Procedures

Our management, under the supervision of and with the participation of the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)) as of the end of the period covered by this report, September 30, 2006.

As of September 30, 2006, we identified material weaknesses in internal control over financial reporting related to accounting for non-routine transactions, financial reporting, recognition of revenue and income taxes. We believe that these weaknesses resulted primarily from the turnover of our Corporate Controller, Assistant Corporate Controller and Director of Regulatory Reporting during the 2006 accounting close cycle. In addition, certain complex strategic initiatives underway at that time may have served to compound the weaknesses. A material weakness is defined in Public Company Accounting Oversight Board Auditing Standard No. 2 as a significant deficiency, or a combination of significant deficiencies, in internal control over financial reporting that results in there being more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. In light of matters discussed herein, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of September 30, 2006.

b) Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with United States Generally Accepted Accounting Principles (“US GAAP”). Under the supervision of and with the participation of our Chief Executive Officer and Chief Financial Officer, management assessed the effectiveness of internal control over financial reporting as of September 30, 2006. Management based its assessment on criteria established in “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

As permitted by applicable requirements, our evaluation of and conclusion on the effectiveness of internal control over financial reporting exclude P&H Solutions, which was acquired by us on September 29, 2006 and Electronic Payment Systems, which we acquired on May 31, 2006. The combined assets recorded for these businesses represented $213.7 million, or 40.0%, of our 2006 total consolidated assets and contributed $2.9 million, or 0.8%, to total consolidated revenues for fiscal year 2006.

During the six-week timeframe from October 3, 2006 to November 10, 2006, we experienced the departure of three key members of the Accounting Department, including our Corporate Controller, Assistant Corporate Controller and Director of Regulatory Reporting. During an overlapping timeframe, we were conducting a publicly announced internal review of historical stock option grants and the accounting treatment thereof, acquired P&H Solutions, divested our Workpoint and eCourier product businesses, finalized the valuation of intellectual property for the transfer of such property between subsidiaries in different jurisdictions, executed a restructuring plan and experienced a significant increase in contract volumes. Management concluded these circumstances contributed to the material weaknesses in internal control over financial reporting as described below.

As of September 30, 2006, we identified the following material weaknesses in internal control over financial reporting.

- We did not have the appropriate level of staffing with the necessary knowledge, experience and training to adequately account for complex and non-recurring transactions, including business combinations. As a result of this material weakness, material misstatements existed in goodwill, current asset and liability accounts in our preliminary consolidated fiscal 2006 financial statements. These errors were corrected prior to the finalization of our consolidated 2006 fiscal year financial statements.
- We did not have the appropriate level of staffing with the necessary knowledge, experience and training for the financial close process. As a result of this material weakness, our preliminary Statement of Cash Flows overstated ‘Net Cash provided by Operating Activities’, ‘Net Cash used in Investing Activities’ and the ‘Effect of Exchange Rate Fluctuations on Cash’. Additionally, ‘Net Cash provided by Financing Activities’ was understated. Certain items in our preliminary financial statements and related disclosures contained material errors and omissions including errors in the Statement of Stockholders’ Equity and Comprehensive Income, significant accounting policies, lease commitments, stock based compensation, segment disclosures and goodwill and other intangibles. Additionally, errors were noted in our earnings per share calculations. These errors were corrected prior to the finalization of our consolidated 2006 fiscal year financial statements.
- We did not have a sufficient level of staffing with the necessary knowledge, experience and training to ensure the completeness and existence of revenue recognition. As a result of this material weakness, material misstatements in revenue and deferred revenue existed in our preliminary consolidated fiscal 2006 financial statements. These errors were corrected prior to the finalization of our consolidated 2006 fiscal year financial statements.
- We did not have the appropriate level of staffing with the necessary knowledge, experience and training in the application of income tax accounting commensurate with our financial reporting requirements. Additionally, we did not design adequate internal control procedures related to the transfer of intellectual property between subsidiaries in different tax jurisdictions. As a result of this material weakness, material misstatements in income tax expense, deferred income taxes, income taxes payable and goodwill accounts existed in our preliminary consolidated fiscal 2006 financial statements. These errors were corrected prior to the finalization of our consolidated 2006 fiscal year financial statements. Additionally we have restated income tax expense for the three and nine month periods ended June 30, 2006..

As a result of the foregoing, management has concluded that its internal control over financial reporting was not effective as of September 30, 2006. Management’s assessment of the effectiveness of internal control over financial reporting as of September 30, 2006 has been audited by KPMG LLP, an independent registered public accounting firm.

c) Changes in Internal Control over Financial Reporting

Our Chief Executive Officer and Chief Financial Officer have concluded that the departure of our Corporate Controller, Assistant Corporate Controller and Director of Regulatory Reporting during the 2006 accounting close cycle represent changes to our internal control over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act) that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. There were no other changes in our internal control over financial reporting during the quarter ended September 30, 2006 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Management is responsible for maintaining effective internal control over financial reporting including the adequacy of accounting resources. Accordingly, remediation efforts include 1) establishing detailed project plans, 2) weekly executive review of remediation progress, 3) evaluating our finance organization, talent, processes, and internal controls and 4) improving communications between finance and other constituents involved in the financial closing process.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Transaction Systems Architects, Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting appearing under item 9A(b), that Transaction Systems Architects, Inc. and subsidiaries (the Company) did not maintain effective internal control over financial reporting as of September 30, 2006, because of the effect of material weakness identified in management's assessment, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weaknesses have been identified and included in management's assessment:

· The Company did not have the appropriate level of staffing with the necessary knowledge, experience, and training to adequately account for complex and nonrecurring transactions, including business combinations. As a result of this material weakness, material misstatements existed in goodwill, current asset, and liability accounts in the Company's preliminary consolidated fiscal 2006 financial statements.

· The Company did not have the appropriate level of staffing with the necessary knowledge, experience and training for the financial close process. As a result of this material weakness, the Company's preliminary Statement of Cash Flows overstated 'Net Cash provided by Operating Activities', 'Net Cash used in Investing Activities' and the 'Effect of Exchange Rate Fluctuations on Cash'. Additionally, 'Net Cash provided by Financing Activities' was understated. Certain items in the Company's preliminary financial statements and related disclosures contained material errors and omissions including the Statement of Stockholders' Equity and Comprehensive Income, significant accounting policies, lease commitments, stock based compensation, segment disclosures and goodwill and other intangibles. Additionally, errors were noted in the Company's earnings per share calculations.

· The Company did not have a sufficient level of staffing with the necessary knowledge, experience and training to ensure the completeness and existence of revenue recognition. As a result of this material weakness, material misstatements in revenue and deferred revenue existed in the Company's preliminary consolidated fiscal 2006 financial statements.

· The Company did not have the appropriate level of staffing with the necessary knowledge, experience and training in the application of income tax accounting commensurate with the Company's financial reporting requirements. Additionally, the Company did not design adequate internal control procedures related to the transfer of intellectual property between subsidiaries in different tax jurisdictions. As a result of this material weakness, material misstatements in income tax expense, deferred income taxes, income taxes payable and goodwill accounts existed in the Company's preliminary consolidated fiscal 2006 financial statements. Additionally, the Company has restated income tax expense for the three and nine month periods ended June 30, 2006.

We also have audited, in accordance with the standards of the PCAOB, the consolidated balance sheets of the Company as of September 30, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended September 30, 2006. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2006 consolidated financial statements, and this report does not affect our report dated May 10, 2007, which expressed an unqualified opinion on those consolidated financial statements.

In our opinion, management's assessment that the Company did not maintain effective internal control over financial reporting as of September 30, 2006, is fairly stated, in all material respects, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of September 30, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We do not express an opinion or any other form of assurance on any of management's statements in the third paragraph of Management's Report on Internal Control over Financial Reporting (Item 9A(b)).

The Company acquired the businesses of P&H Solutions, Inc. and Electronic Payment Systems, AG during the year ended September 30, 2006, and management excluded from its assessment of the effectiveness of the Company's internal controls over financial reporting as of September 30, 2006, the P&H Solutions, Inc.'s and the Electronic Payment Systems, AG's internal control over financial reporting associated with total assets of $213.7 million and total revenues of $2.9 million included in the consolidated financial statements of the Company and its subsidiaries as of and the for the year ended September 30, 2006. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of P&H Solutions, Inc. and Electronic Payment Systems, AG.

/s/ KPMG LLP

Omaha, Nebraska
May 10, 2007

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

Directors and Executive Officers of the Registrant

As of May 8, 2007, our directors and executive officers, their ages and their positions were as follows:

Name	Age	Position
Philip G. Heasley	57	President, Chief Executive Officer and Director
Roger K. Alexander	58	Director
John D. Curtis	66	Director
Jim D. Kever	54	Director
Harlan F. Seymour	57	Director
John M. Shay, Jr.	59	Director
John E. Stokely	54	Director
Mark R. Vipond	47	Senior Vice President and Chief Operating Officer
Anthony J. Parkinson	54	Senior Vice President and President — ACI Worldwide — Americas
Richard N. Launder	57	Senior Vice President and President — ACI Worldwide — EMEA and Asia/Pacific
Henry C. Lyons	43	Senior Vice President and Chief Financial Officer
Dennis P. Byrnes	43	Senior Vice President, General Counsel and Secretary
David N. Morem	49	Senior Vice President and Chief Administrative Officer
Craig A. Maki	41	Senior Vice President and Chief Corporate Development Officer
David R. Bankhead	57	Senior Vice President and Chief Accounting Officer (1)

(1) Mr. Bankhead served as Chief Accounting Officer until May 10, 2007, after which time Mr. Lyons became Chief Accounting Officer.

Mr. Heasley serves as President and Chief Executive Officer and has been a director since March 2005. Mr. Heasley has a comprehensive background in payment systems and financial services. From October 2003 to March 2005, Mr. Heasley served as Chairman and Chief Executive Officer of PayPower LLC, an acquisition and consulting firm specializing in financial services and payment services. Mr. Heasley served as Chairman and Chief Executive Officer of First USA Bank from October 2000 to November 2003. Prior to joining First USA Bank, from 1987 until 2000, Mr. Heasley served in various capacities for U.S. Bancorp, including Executive Vice President, and President and Chief Operating Officer. Before joining U.S. Bancorp, Mr. Heasley spent 13 years at Citicorp, including three years as President and Chief Operating Officer of Diners Club, Inc. Mr. Heasley is also a director of Fidelity National Title Group now known as Fidelity National Financial, Inc. (NYSE: FNF), Ohio Casualty Insurance Company (NASDAQ: OCAS) and Kintera, Inc. (NASDAQ: KNTA). Mr. Heasley also serves as a director on a private company board.

Mr. Alexander has been a director since February 2000. In January 2006, Mr. Alexander was appointed Chief Executive Officer of euroConex Technologies Ltd., the European subsidiary of US Bancorp (NYSE: USB) that provides integrated payment processing (Acquiring) services to merchants across Europe. From October 2003 to December 2005, Mr. Alexander served as the Chief Executive Officer of S2 Card Services Ltd. (formerly Switch Card Services), a privately-held debit card service company based in the United Kingdom. From January 2000 to October 2003, Mr. Alexander was a partner in the London office of Edgar, Dunn & Company, a management-consulting firm based in San Francisco. From 1994 through 1999, Mr. Alexander was Managing Director of Barclays Bank's

Emerging Markets Group, a division of Barclays Bank plc, based in London, England. Mr. Alexander also serves as a director on a private company board in the UK.

Mr. Curtis has been a director since March 2003. Since August 2002, Mr. Curtis has provided legal and business consulting services to various clients. From July 2001 to July 2002, Mr. Curtis was General Counsel of Combined Specialty Corporation and a director of Combined Specialty Insurance Company, wholly-owned subsidiaries of Aon Corporation (NYSE: AOC). From November 1995 to July 2001, when Aon Corporation acquired the company, Mr. Curtis was President of First Extended, Inc., a holding company with two principal operating subsidiaries: First Extended Service Corporation, an administrator of vehicle extended service contracts and FFG Insurance Company, a property and casualty insurance company. Mr. Curtis also serves as a director on two private company boards.

Mr. Kever has been a director since November 1996. Mr. Kever is a member of Voyent Partners, LLC, a privately-held investment firm. Mr. Kever has held various positions with Envoy Corporation, which provides electronic processing services primarily to the health care industry, and which became a wholly-owned subsidiary of Quintiles Transnational Corp. in March 1999. From June 1995 until May 2001, Mr. Kever served as Envoy's President and Chief Executive Officer. Mr. Kever is also a director of (i) Luminex Corporation (NASDAQ: LMNX), a biological test manufacturer, (ii) 3D Systems Corporation (NASDAQ: TDSC), an imaging system manufacturer, and (iii) Tyson Foods, Inc. (NYSE: TSN), which produces, distributes and markets beef, chicken, pork and prepared foods.

Mr. Seymour has been a director since May 2002, and has served as Chairman of the Board since September 2002. Mr. Seymour is presently the sole owner of HFS, LLC, a privately-held investment firm. From June 2000 to March 2001, Mr. Seymour served as Executive Vice President of Envoy Corporation, which provides electronic processing services, primarily to the health care industry, and which became a wholly-owned subsidiary of Quintiles Transnational Corp. in March 1999. From March 1999 to June 2000, Mr. Seymour served as an independent consultant to Envoy Corporation. From July 1997 to March 1999, Mr. Seymour served as Senior Vice President of Envoy Corporation. Mr. Seymour is also a director of SCP Pool Corporation (NASDAQ: POOL), a wholesale distributor of swimming pool supplies and related equipment, and serves on its audit and governance committees. Mr. Seymour also serves as a director on three private company boards.

Mr. Shay has been a director since May 2006. Mr. Shay is a certified public accountant and is presently the President and owner of Fairway Consulting LLC, a business consulting firm. From 1972 through March 2006, Mr. Shay was employed by Ernst & Young LLP, a Big Four accounting firm offering audit, business advisory and tax services. From October 1984 to March 2006, Mr. Shay was an audit partner at Ernst & Young LLP. He also served as managing partner of the firm's New Orleans office from October 1998 through June 2005. While with Ernst & Young, LLP, Mr. Shay served as an adjunct auditing professor in the graduate business program of the A.B. Freeman School of business at Tulane University for a period of approximately 10 years. Mr. Shay also serves as a director on a private company board.

Mr. Stokely has been a director since March 2003. Since August 1999, Mr. Stokely has served as President of JES, Inc., an investment and consulting firm providing strategic and financial advice to companies in various industries. From 1996 to August 1999, Mr. Stokely served as President, Chief Executive Officer and Chairman of the Board of Richfood Holdings, Inc., a publicly-traded FORTUNE 500 food retailer and wholesale grocery distributor, which merged with Supervalu Inc. (NYSE: SVU) in August 1999. Mr. Stokely is also a director of (i) Performance Food Group Company (NASDAQ: PFGC), a foodservice distributor, (ii) O'Charley's Inc. (NASDAQ: CHUX), a casual dining restaurant company, and (iii) SCP Pool Corporation (NASDAQ: POOL), a wholesale distributor of swimming pool supplies and related equipment.

Mr. Vipond serves as Chief Operating Officer. Mr. Vipond joined us in 1985 and has served in various capacities, including Senior Vice President and President of ACI Worldwide, Inc. — Product, President of the ACI Worldwide business unit, National Sales Manager of ACI Canada, Vice President of the Emerging Technologies and Network Systems divisions, President of the USSI, Inc. operating unit, and Senior Vice President of Consumer Banking.

Mr. Parkinson serves as a Senior Vice President with primary responsibility for the Americas Channel of ACI Worldwide. Mr. Parkinson joined us in 1984 and has served in various capacities, including President of the Insession Technologies business unit, Director of Sales and Marketing for EMEA, Vice President of the Emerging Technologies and Network Systems divisions, Vice President of System Solutions Sales, and Senior Vice President of the Enterprise Solutions Group. On March 15, 2007, Mr. Parkinson announced his intention to retire. His retirement will become effective upon his completion of various transition services.

Mr. Launder served as President of ACI's Europe, Middle East and Africa (EMEA) distribution channel from 2000 through April 2007 and as President of ACI's Asia/Pacific distribution channel from December 2006 through April 2007. In these roles, he was responsible for sales and support in EMEA and Asia/Pacific. In April 2007, Mr. Launder became President of Global Operations. He is now responsible for the management of global sales and support in all three of our distribution channels. He first joined ACI in 1989 and was responsible for the EMEA operation until the end of 1996. Mr. Launder then spent three years in the payments industry working as a consultant. In the spring of 2000 he returned to ACI, to head up the EMEA channel. Prior to joining ACI, Richard Launder worked for Olivetti Computers, IBM and in the 1980s Tandem Computers where he was the sales director for Tandem Computers' UK subsidiary.

Mr. Lyons was named Senior Vice President, Chief Financial Officer of Transaction Systems Architects in September of 2006. Also, on May 10, 2007, Mr. Lyons was named Chief Accounting Officer. Mr. Lyons served from April 2004 to September 2006 as Chief Financial Officer for Discovery Systems, a business unit of GE Healthcare Biosciences, Inc. From April 2001 to April 2004, Mr. Lyons was employed by Amersham Biosciences, Inc. (which was acquired by GE Healthcare in 2004) as Corporate Controller of the Biosciences division and then as Vice President of Finance of the Discovery Systems segment. Prior to joining Amersham Biosciences, Inc., Mr. Lyons held various positions with W.R. Grace & Company and Ernst & Young.

Mr. Byrnes serves as Senior Vice President, General Counsel and Secretary. Mr. Byrnes joined us in June 2003. Mr. Byrnes served as First Vice President and Senior Counsel for Bank One Corporation from October 2002 to June 2003. From April 1996 to November 2001, Mr. Byrnes was employed by Sterling Commerce, Inc., an electronic commerce software and services company, where he served in several capacities, including as that company's general counsel.

Mr. Morem joined us in June 2005 and serves as Senior Vice President and Chief Administrative Officer. Prior to joining us, Mr. Morem was Chief Operating Officer of GE Home Finance from November 2003 to April 2005. From January 2003 to November 2003, Mr. Morem served as Senior Vice President of Credit Risk Management for Bank One Card Services. Mr. Morem worked as a Consultant for Acquisition Consulting from July 2001 to December 2002. From September 1978 to June 2001, Mr. Morem served in several capacities with US Bancorp, serving as its Senior Vice President of Credit Operations / Credit Risk Management from 1995 to 2001.

Mr. Maki joined us in July 2006 and serves as Senior Vice President of Corporate Development. Prior to joining us, Mr. Maki was Senior Vice President of Investment Banking since 1999 at Stephens, Inc. of Little Rock, Arkansas. While at Stephens, Mr. Maki focused on mergers and acquisitions in the financial services technology and information technology sectors. From 1994 to 1999, Mr. Maki served as Director at Arthur Andersen LLP in the Corporate Finance group.

Mr. Bankhead served as Senior Vice President and Chief Accounting Officer until May 10, 2007. Mr. Bankhead joined us in July 2003 as Senior Vice President, Chief Financial Officer and Treasurer and served in that capacity until September 2006. Prior to joining us, Mr. Bankhead was Vice President and Chief Financial Officer of Alysis Technologies, Inc. from February 2000 to May 2001.

Code of Ethics

We have adopted a Code of Ethics for the Chief Executive Officer and Senior Financial Officers (the “Code of Ethics”), which applies to the Chief Executive Officer, the Chief Financial Officer, the Chief Accounting Officer and Controller, and persons performing similar functions. The full text of the Code of Ethics is published on our website at *www.tsainc.com* in the “Investor Relations — Corporate Governance” section. We intend to disclose future amendments to, or waivers from, certain provisions of the Code of Ethics on our website within five business days following the adoption of such amendment or waiver.

Audit Committee Information

During fiscal 2006, the members of the Audit Committee were Messrs. Alexander, Curtis, Shay and Stokely, each having served for the entire fiscal year with the exception of Mr. Shay, who began serving on the Audit Committee on May 23, 2006. Each of the directors serving on the Audit Committee is “independent” as defined in Rule 4200(a) of the NASD listing standards. The Board has determined that each of the members meets the NASD regulatory requirements for financial literacy and that Mr. Stokely and Mr. Shay are “audit committee financial experts” as defined under SEC rules. The Audit Committee operates pursuant to a charter (the “Audit Committee Charter”) approved and adopted by the Board. The Board amended the Audit Committee Charter on December 14, 2005. A copy of the Audit Committee Charter was attached to the proxy statement for our 2006 Annual Meeting of Stockholders and is available on our website at *www.tsainc.com* in the Investor Relations — Corporate Governance section.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act and the rules of the SEC require our directors, certain officers and beneficial owners of more than 10% of the outstanding common stock to file reports of their ownership and changes in ownership of common stock with the SEC. Company employees generally prepare these reports on behalf of our executive officers on the basis of information obtained from them and review the forms submitted to us by our non-employee directors and beneficial owners of more than 10% of the common stock. Based on such information, we believe that all reports required by Section 16(a) of the Exchange Act to be filed by our directors, officers and beneficial owners of more than ten percent of the common stock during or with respect to fiscal 2006 were filed on time.

ITEM 11. EXECUTIVE COMPENSATION

INFORMATION REGARDING EXECUTIVE OFFICER COMPENSATION

Summary Compensation Table

The following table sets forth certain compensation information for fiscal 2006, 2005 and 2004 as to our CEO and our four other most highly compensated executive officers who were serving as executive officers at the end of fiscal 2006. The listed individuals are collectively referred to in this 2006 10-K as the “Named Executive Officers.”

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation		
Name and Principal Position	Year Ended September 30,	Salary ($)	Bonus ($) (1)	Other Annual Compensation ($) (2)	Securities Underlying Options (#) (3)	LTIP Payouts ($)	All Other Compensation ($) (4)
Philip G. Heasley (5)	2006	500,000	360,378	289,512	—	—	4,315
President and Chief Executive	2005	282,609	250,000	11,418	1,000,000	—	—
Officer	2004	—	—	—	—	—	—
Mark R. Vipond	2006	275,000	199,602	8,035	—	—	4,358
Senior Vice President and	2005	248,768	269,760	7,533	20,000	—	4,164
Chief Operating Officer	2004	239,200	210,911	5,487	50,000	—	43,335
Anthony J. Parkinson (6)	2006	250,000	157,351	—	—	—	4,358
Senior Vice President and	2005	218,400	238,743	—	17,500	—	4,164
President — ACI Worldwide Americas	2004	210,000	200,893	—	40,000	—	266,650
Richard N. Launder (7)	2006	270,243	267,806	28,777	—	—	63,408
Senior Vice President and	2005	—	—	—	—	—	—
President — ACI Worldwide EMEA and	2004	—	—	—	—	—	—
Asia/Pacific							
David R. Bankhead (8)	2006	234,000	78,426	—	—	—	4,358
Senior Vice President and	2005	234,000	147,541	1,285	—	—	4,164
Chief Accounting Officer	2004	225,000	142,450	42,306	—	—	7,613

(1) Our executive officers were eligible for quarterly cash incentive compensation amounts payable pursuant to our Management Incentive Compensation Plan (the “MIC Plan”). Such incentive compensation amounts were generally based upon our revenue, profit attainment, backlog, cash flow and the financial performance of the executive’s division, with each component having an established weighting within the plan. As previously disclosed in the Report of the Compensation Committee in the Proxy Statement filed in connection with the 2006 Annual Meeting of Stockholders, the fiscal 2005 amount includes a $250,000 incentive compensation payment earned by Mr. Heasley based upon our fiscal 2005 performance which we paid in the first quarter of fiscal 2006.

(2) For Mr. Heasley, this amount includes reimbursement of moving expenses (and the income taxes attributable thereto) in fiscal 2006 and fiscal 2005 in the amount of $262,817 and $11,418, respectively, and a $26,695 housing allowance in fiscal 2006. For Mr. Vipond, this amount includes the value of trips in fiscal 2006, fiscal 2005 and fiscal 2004 in the amounts of $8,035, $7,533 and $5,487, respectively. For Mr. Launder, this amount includes an annual car allowance in the amount of $18,724 and an additional payment of $10,053 in respect of taxes incurred by Mr. Launder as a result of his use of company-provided housing. For Mr. Bankhead, this amount includes reimbursement of moving expenses (and the income taxes attributable thereto) in fiscal 2005 and fiscal 2004 in the amounts of $1,285 and $42,306, respectively.

(3) Includes options granted under the 2005 Equity and Performance Incentive Plan (the “2005 Incentive Plan”), 1999 Stock Option Plan, as amended, 1996 Stock Option Plan and 1994 Stock Option Plan, as amended.

(4) Includes contributions made to our 401(k) Retirement Plan and the ACI Worldwide EMEA Group Personal Pension Scheme (the “EMEA Pension”) and amounts paid in connection with long-term disability insurance. For fiscal 2006, our contributions to the 401(k) Retirement Plan were $4,000 for each of Messrs. Heasley, Vipond, Parkinson, and Bankhead and the contribution to the EMEA Pension for Mr. Launder was $26,682. In fiscal 2006, we paid $358 for long-term disability insurance for each of Messrs. Vipond, Parkinson, and Bankhead. In fiscal 2006, we paid $315 for long-term disability insurance for Mr. Heasley and $36,726 for long-term disability insurance for Mr. Launder.

(5) Mr. Heasley’s employment with us commenced in March 2005. Accordingly, compensation information for fiscal 2005 reflects less than full-year amounts.

(6) On March 15, 2007, Mr. Parkinson announced his intention to retire. His retirement will become effective upon his completion of various transition services.

(7) The amounts reflected for Mr. Launder's compensation have been converted from British pounds sterling (£) to U.S. dollars ($) based on the currency exchange rate as of September 29, 2006 as published in the *Wall Street Journal*, which was 1.8724. Mr. Launder became an executive officer effective as of August 8, 2006. Accordingly, compensation information for fiscal 2005 and fiscal 2004, when Mr. Launder was not an executive officer, is not reflected. In April 2007, Mr. Launder's title changed to Senior Vice President and President — Global Operations.

(8) Mr. Bankhead served as Chief Financial Officer and Treasurer until September 18, 2006 when Henry C. Lyons was appointed as Chief Financial Officer and Treasurer. Mr. Bankhead served as Chief Accounting officer until May 10, 2007 when Mr. Lyons was appointed as Chief Accounting Officer.

Options Granted in Last Fiscal Year

No stock options were granted to any of the Named Executive Officers during fiscal 2006.

Aggregated Option Exercises in Last Fiscal Year

The following table sets forth information regarding stock option exercises by Named Executive Officers during fiscal 2006, along with option values as of September 30, 2006.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES

Name	Shares Acquired on Exercise (#)	Value Realized ($) (1)	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#)		Value of Unexercised In-the-Money Options at Fiscal Year-End ($) (2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Philip G. Heasley	—	—	150,000	850,000	1,750,500	9,919,500
Mark R. Vipond	—	—	78,128	31,003	1,531,691	358,327
Anthony J. Parkinson	—	—	79,986	33,125	1,695,904	405,806
Richard N. Launder	—	—	41,249	18,751	733,109	194,191
David R. Bankhead	—	—	112,500	37,500	2,709,000	903,000

(1) Value realized is calculated based on the difference between the fair market value of the shares acquired and the exercise prices of the exercised options.

(2) Dollar value of unexercised in-the-money options is calculated based on the difference between the closing price of the common stock on The NASDAQ Global Select Stock Market on September 29, 2006 ($34.32 per share) and the exercise prices of the options held.

Long-Term Incentive Awards

The following table sets forth, as of September 30, 2006, certain information related to certain long-term incentive awards granted to the Named Executive Officers:

LONG-TERM INCENTIVE PLANS — AWARDS IN LAST FISCAL YEAR

Name	Number of Shares, Units or Other Rights (#) (1)(2)	Performance or Other Period Until Maturation Or Payout (1)	Estimated Future Payments under Non-Stock Price-Based Plans		
			Threshold (#)	Target (#)	Maximum (#)
Philip G. Heasley	12,000	3 years	0	12,000	18,000
Mark R. Vipond	—	—	—	—	—
Anthony J. Parkinson	—	—	—	—	—
Richard N. Launder	—	—	—	—	—
David R. Bankhead	—	—	—	—	—

(1) Pursuant to the 2005 Incentive Plan, we granted long-term incentive program performance share awards ("LTIP Performance Shares") representing shares of our common stock with a grant date fair value of $29.96 per share. These LTIP Performance Shares are earned, if at all, based upon

the achievement, over the three-year period from October 1, 2005 through September 30, 2008 (the "Performance Period"), of performance goals related to (i) the compound annual growth over the Performance Period in our 60-month contracted backlog as determined by us, (ii) the compound annual growth over the Performance Period in the diluted earnings per share as reported in our consolidated financial statements, and (iii) the compound annual growth over the Performance Period in the total revenues as reported in our consolidated financial statements. The performance goal weightings are 20% for 60-month contracted backlog, 40% for diluted earnings per share and 40% for total revenues. In no event will any of the LTIP Performance Shares become earned if our earnings per share is below a predetermined minimum threshold level at the conclusion of the Performance Period.

(2) Number of shares assuming 100% attainment of performance goals.

DIRECTOR COMPENSATION

It is the Board's general policy that compensation for independent directors should be a mix of cash and equity-based compensation. As part of a director's total compensation, and to create a direct linkage with corporate performance and stockholder interests, the Board believes that a meaningful portion of a director's compensation should be provided in, or otherwise based on, the value of appreciation in the our common stock. We do not pay our employee directors for Board service in addition to their regular employee compensation.

Prior to setting fiscal 2005 independent director compensation, we engaged Watson Wyatt Worldwide ("Watson Wyatt") to evaluate the competitiveness of our independent director compensation. Utilizing a peer group of similar companies, Watson Wyatt provided an assessment of our independent director compensation. This assessment was considered in establishing the fiscal 2005 compensation program for independent directors and we did not make any change to the compensation program for independent directors for fiscal 2006.

The independent director compensation program provides that each independent director receives a $10,000 quarterly fee. The Chairman of the Board receives an additional $5,000 quarterly fee. The chairman of the Audit Committee receives an additional $2,500 quarterly fee and independent directors who serve on the Audit Committee receive an additional $1,000 quarterly fee. Each Board committee chairman, other than the chairman of the Audit Committee, receives an additional $1,250 quarterly fee and independent directors who serve on the Board committees, other than the Audit Committee, receive an additional $750 quarterly fee for service on each committee. Each independent director receives $2,000 for each Board or Board committee meeting attended in person and $1,000 for each Board or Board committee meeting attended by telephone. All directors are reimbursed for expenses incurred in connection with attendance at Board and Board committee meetings and our annual meetings of stockholders.

In fiscal 2006, our independent directors were each granted a non-qualified option to purchase 10,000 shares of common stock pursuant to the 2005 Incentive Plan. All stock options granted under the 2005 Incentive Plan are issued with an exercise price not less than the closing sale price (price for last trade) of the common stock as reported by The NASDAQ Global Select Stock Market for the day preceding the date of grant. The independent director options will vest on the earlier to occur of (i) the date which is one year following the date of grant, and (ii) the day immediately prior to the date of the next annual meeting of our stockholders occurring following the date of grant. The independent director options provide for accelerated vesting upon the director's death or disability or upon a change in control of the company. Future equity awards will be granted at the discretion of the Nominating and Corporate Governance Committee (the "Corporate Governance Committee") based upon continued evaluations of the competitive assessment of our independent director compensation and the level of Board and committee responsibilities and time commitments.

The Corporate Governance Committee has adopted a policy that strongly encourages ownership of our common stock by our directors in order to further align the interests of the Board to our long-term success and the interests of our stockholders.

EMPLOYMENT AND CHANGE OF CONTROL AGREEMENTS

CEO Employment Agreement

On March 8, 2005, we entered into an Employment Agreement (the "CEO Employment Agreement") with Philip G. Heasley, pursuant to which Mr. Heasley agreed to serve as our President and CEO for an initial term of four years. A copy of the CEO Employment Agreement was attached as Exhibit 10.1 to our Current Report on Form 8-K filed March 10, 2005. Under the CEO Employment Agreement, Mr. Heasley will be employed through March 8, 2009 (the "Employment Period"), after which the Employment Period will be extended for successive one-year periods, unless we give 30 days written notice to Mr. Heasley that the Employment Period will not be extended for an additional year or unless the Employment Period otherwise terminates. So long as Mr. Heasley continues to serve as President and CEO, the Board will nominate Mr. Heasley to serve as a member of our Board of Directors. The CEO Employment Agreement provides that Mr. Heasley will receive an initial base salary of $500,000 per year as well as other compensation, including bonus opportunities, as set forth in the CEO Employment Agreement. For fiscal year 2005, Mr. Heasley's bonus was based on (i) the achievement of the financial performance objectives set forth in the 2005 Fiscal Year Management Incentive Compensation Plan, and (ii) the attainment of certain internal planning objectives.

The CEO Employment Agreement requires that Mr. Heasley purchase and hold, during the initial Employment Period, a minimum of 100,000 shares of our common stock. At the end of fiscal 2006, Mr. Heasley held 113,877 shares of our common stock.

Pursuant to the CEO Employment Agreement, if Mr. Heasley's employment is terminated by us without cause or by Mr. Heasley for good reason, Mr. Heasley will be entitled to (i) a lump sum payment equal to his bonus for the quarter in which his employment is terminated; (ii) a lump sum payment equal to two times the sum of (A) his base salary at the time of termination and (B) his average annual bonus amount received during our two most recent fiscal years ending prior to the date of termination; and (iii) continued participation in our medical and dental plans for two years or until he is covered under the plans of another employer. Mr. Heasley will also be subject to non-competition obligations for a period of one year following termination of his employment. The CEO Employment Agreement also provides that if payments by us to Mr. Heasley would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, then Mr. Heasley will be entitled to a gross up payment such that he will be in the same after-tax position as if no excise tax had been imposed. If Mr. Heasley is entitled to payments under the Change in Control Severance Compensation Agreement (as described below), no payment will be made to Mr. Heasley under the CEO Employment Agreement.

Launder Employment Agreement

ACI Worldwide (EMEA) Limited ("ACI EMEA"), a wholly-owned subsidiary of ours, and Richard N. Launder are parties to a Services Agreement dated July 10, 2000 (the "Services Agreement"). Pursuant to the Services Agreement, either party may terminate employment upon six months prior written notice, or payment in lieu thereof, and ACI EMEA may terminate Mr. Launder's employment immediately for breach or non-performance of his obligations under the Services Agreement. Upon termination of the Services Agreement, Mr. Launder is subject to certain non-competition and non-solicitation obligations for a period of six months following termination of his employment regardless of the reason for termination.

CEO Change in Control Severance Agreement

On March 8, 2005, in connection with the entry into the CEO Employment Agreement described above, we entered into a Change in Control Severance Compensation Agreement (the "CEO Change in Control Agreement") with Mr. Heasley. The CEO Change in Control Agreement provides for a severance payment if Mr. Heasley's employment is terminated by us without cause or by Mr. Heasley with good reason within two years after a change in control of the company. A copy of the CEO Change in Control Agreement was attached as Exhibit 10.3 to our Current Report on Form 8-K filed March 10, 2005. The CEO Change in Control Agreement provides that the severance payment will be a lump sum cash payment and will include (i) a lump sum payment equal to two times the sum of (A) his base salary at the time of termination and (B) his average annual bonus amount received during the two most recent fiscal years of the company ending prior to the date of termination; (ii) his earned but unpaid base salary through the date of termination of employment; (iii) a quarterly incentive award for the current fiscal quarter, prorated through the date of termination of employment; and (iv) interest on the amounts described in (i), (ii) and (iii). Additionally, Mr. Heasley will be entitled to continued participation in our employee benefit plans and programs for two years or until he receives equivalent coverage and benefits under the plans or programs of a subsequent employer. The CEO Change in Control Agreement also provides that if payments by us to Mr. Heasley would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, then Mr. Heasley will be entitled to a gross up payment such that he will be in the same after-tax position as if no excise tax had been imposed.

Change in Control and Severance Compensation Agreements

At the end of fiscal 2006, we had entered into Change in Control Severance Compensation Agreements (the "Severance Agreements") with four of the Named Executive Officers, five other executive officers and six other employees. As of May 8, 2007, we had Severance Agreements with four of the Named Executive Officers, four other executive officers and five other employees. The Severance Agreement for Mr. Heasley is described under "CEO Change in Control Severance Agreement" and is not included in the numbers for named executive officers listed above. The following is a summary of the other Severance Agreements.

Generally, the Severance Agreements provide that if there is a change in control (as defined in the Severance Agreements) of the company and the employee's employment with us is subsequently terminated within two years after the change in control, other than as a result of death, retirement, termination by us for cause or the employee's decision to terminate employment other than for good reason, the employee will be entitled to receive from us certain payments and benefits. These payments and benefits include (i) a lump-sum payment (the "Lump-Sum Payment") equal to the employee's average fiscal-year compensation for our two most recent fiscal years of ending prior to the date of termination; (ii) earned but unpaid base salary through the date of termination; (iii) a quarterly incentive award for the current fiscal quarter prorated through the date of termination equal to the greater of the quarterly incentive award made to the employee for the most recent fiscal quarter ending prior to the date of termination or the average quarterly incentive award made to the employee for the most recent three fiscal years ending prior to the date of termination; (iv) interest on the amounts described in (i), (ii) and (iii); and (v) unless the employee's termination of employment is the result of the employee's disability, continued participation at our cost in employee benefit plans available to our employees generally in which the employee was participating, until the earlier of receiving equivalent benefits from a subsequent employer or one year from the date of termination.

For purposes of the Severance Agreements, an employee's fiscal-year compensation generally includes compensation includable in the gross income of the employee, but excludes amounts realized on the exercise of non-qualified stock options, amounts realized from the sale of stock acquired under an incentive stock option or an employee stock purchase plan and compensation

deferrals made pursuant to any plan or arrangement maintained by us. In the case of two executive officers, the Lump-Sum Payment shall in no event be less than two times the employee'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. In the case of the other executive officers and other employees party to the Severance Agreements, the Lump-Sum Payment shall in no event be less than one times the employee'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. Under the Severance Agreements, in the event of a change in control, unvested awards and benefits (other than stock options or awards) allocated to the employee under incentive plans shall fully vest and become payable in cash. However, vesting of stock options or other awards may accelerate upon a change in control as set forth in the applicable option or award agreement.

The Severance Agreements provide that in the event any payment by us would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties are incurred by the employee with respect to such excise tax, then the employee will be entitled to an additional payment in an amount such that, after payment by the employee of all taxes, the employee is in the same after-tax position as if no excise tax had been imposed. Under the Severance Agreements, we agree to indemnify the employee to the fullest extent permitted by law if the employee is a party or threatened to be made a party to any action, suit or proceeding in which the employee is involved by reason of the fact that the employee is or was a director or officer of ours, by reason of any action taken by him or of any action on his part while acting as director or officer of ours or by reason of the fact that he is or was serving at the request of us as a director, officer, employee or agent of another enterprise. We also agree to obtain and maintain a directors' and officers' liability insurance policy covering the employee. The Severance Agreements terminate upon the earlier of (a) termination of employment for any reason prior to a change in control or (b) three years after the date of a change in control.

In addition to the above Severance Agreements, we entered into Severance Compensation Agreements (the "Severance Compensation Agreements") with one executive officer that joined us during fiscal 2004 and two executive officers that joined us in fiscal 2003. A form of the Severance Compensation Agreement was attached as Exhibit 10.3 to our Current Report on Form 8-K filed on September 29, 2004 and as Exhibit 10.15 to our annual report on Form 10-K for fiscal 2003. As of May 8, 2007, we only have Severance Compensation Agreements with the two executive officers that joined us in fiscal 2003. The Severance Compensation Agreements provide that if the employee's employment with us is terminated, other than as a result of death, disability, retirement or termination by us for cause, the employee will be entitled to receive from us a lump-sum payment within five days after the date of termination and certain benefits. The lump-sum payment and benefits include (i) base salary for six months; (ii) earned but unpaid base salary through the date of termination; (iii) a quarterly incentive award for the current fiscal quarter prorated through the date of termination equal to the quarterly incentive award made to the employee for the most recent fiscal quarter ending prior to the date of termination; and (iv) continued participation at our cost in employee benefit plans available to our employees generally in which the employee was participating, until the earlier of receiving equivalent benefits from a subsequent employer or six months from the date of termination.

Non-Compete Agreements

Each of Messrs. Parkinson and Vipond are parties to the Stock and Warrant Holders Agreement, dated as of December 31, 1993, whereby each has agreed not to compete with us for so long as he is employed by us. At our election, the non-compete agreement may be extended for two years after termination of employment provided that, we pay for a period of two years, in accordance with our normal pay periods, 50% of the individual's average annual compensation, defined to be the average annual compensation (consisting of salary and cash compensation pursuant to incentive plans) for

the three calendar years preceding the date of termination if termination of employment is voluntary or for cause and 100% if employment terminates for any other reason.

REPORT OF COMPENSATION COMMITTEE

We have a standing Compensation Committee. The Compensation Committee operates pursuant to a charter (the "Compensation Committee Charter") approved and adopted by the Board. A copy of the Compensation Committee Charter is available on our website at *www.tsainc.com* in the Investor Relations — Corporate Governance section. The Compensation Committee members are Messrs. Alexander, Kever and Seymour, each of whom served for all of fiscal 2006 and is "independent" as defined in Rule 4200(a) of the NASD listing standards. The Compensation Committee approves base salary and incentive compensation for, and addresses other compensation matters with respect to, our officers, including executive officers. The Compensation Committee grants all stock options and other equity awards to executive officers and other employees based on management recommendations.

Compensation Philosophy and Process

We operate in the extremely competitive and rapidly changing technology industry. Our compensation program is intended to provide executive officers with overall levels of compensation opportunity that are competitive within the software and computer services industries, as well as within a broader spectrum of companies of comparable size and complexity. Our compensation program is structured and administered to (i) attract, motivate and retain talented executives responsible for our success, (ii) support our business strategy and (iii) generate favorable returns for our stockholders by aligning the interests of executive officers with those of stockholders.

Prior to setting fiscal 2006 executive officer compensation, we engaged Watson Wyatt to provide independent advice regarding the structure and competitiveness of the overall executive officer compensation program. Competitive data from a peer group of similar companies approved by the Compensation Committee was utilized in the establishment of the fiscal 2006 compensation program for executive officers.

Compensation Components

Our fiscal 2006 executive compensation program consisted of base salaries, annual incentive plans, and long-term equity incentive awards.

Base Salary. Each executive officer's base salary, except the CEO's, is based on the recommendation of the CEO to the Compensation Committee taking into account competitive data from the peer group as well as our operating budget for the year, relative levels of incentive compensation and long-term equity, the performance of a particular executive's business unit or department in relation to established strategic plans, and our overall operating performance.

Incentive Compensation Plan. A cash incentive compensation plan is established for each executive officer at the beginning of each fiscal year as part of the review of our strategic plan and establishment of our annual operating budget. The CEO provides recommendations to the Compensation Committee for incentive compensation for each executive officer, excluding himself.

In fiscal 2006, an executive's potential compensation under our incentive compensation plans was related to our revenue, operating margins, recurring revenue, the financial performance of the executive's division or department and individual business objectives, with each component having an established weighting within a plan. The plans provided for incentive payments ranging from 0% to 200% of the targeted incentive with 10% of the targeted incentive compensation being earned for 91% achievement of the established components to 200% of the targeted incentive compensation being earned for 108.3% achievement of the established components. The incentive compensation earned

during fiscal 2006 by our executive officers exceeded targeted levels established for one executive officer.

Long-Term Equity Compensation. In fiscal 2006, long-term equity compensation consisted of the expected value of stock options and LTIP Performance Shares (as defined below). The goal of our long-term equity compensation is to align the interests of executive officers with stockholders and to provide each executive officer with an incentive to manage the company from the perspective of an owner with an equity stake in the business.

Stock Options. Stock options are granted to executive officers and other key employees in amounts based upon their position and individual performance. Stock options are granted at fair market value at the time of grant and have a term of ten years. Each stock option grant allows the executive officer to acquire shares of our common stock at a fixed price per share based on the fair market value at the time of grant. The stock option grants will only provide a return to the executive if our common stock appreciates over the option term.

LTIP Performance Shares. In late fiscal 2005, we adopted a long term-incentive program ("LTIP") pursuant to which our executive officers and other senior managers will be eligible to receive performance shares representing shares of our common stock ("LTIP Performance Shares") on an annual basis. The LTIP Performance Shares are earned based upon the achievement, over a three-year period (the "Performance Period"), of performance goals relating to the following: (a) the compound annual growth over the Performance Period in the 60-month contracted backlog for the company and all subsidiaries as determined by us, (b) the compound annual growth over the Performance Period in the diluted earnings per share as reported in our financial statements, and (c) the compound annual growth over the Performance Period in the total revenues as reported in our financial statements. Each of the performance goals will have an established weighting within the applicable annual statement of performance goals. Together with stock options, LTIP Performance Shares serve to align executives' interests with stockholders and provide incentives for the creation of long-term stockholder value. The Performance Period for the initial grant of LTIP Performance Shares commenced with fiscal 2006 and runs through fiscal 2008.

CEO's Compensation. On March 8, 2005, we entered into an employment agreement with Philip G. Heasley (the "CEO Employment Agreement"). The CEO Employment Agreement provides that Mr. Heasley will receive an initial base salary of $500,000 per year and shall be eligible for on-target incentive compensation of $500,000 per year. In determining the CEO compensation, we engaged Watson Wyatt to provide a competitive analysis of CEO compensation and, along with other of our outside advisors, to provide advice and counsel on the material terms of the CEO Employment Agreement. The Compensation Committee believes that the structure of Mr. Heasley's compensation, consisting of base salary, incentive compensation and stock option awards, aligns Mr. Heasley's interests with the long-term interest of our stockholders.

As of the date of the CEO Employment Agreement, Mr. Heasley's annualized base salary of $500,000 was between the 50^{th} and 75^{th} percentile of the competitive market data provided by Watson Wyatt. At 100% of his base salary, Mr. Heasley's on-target incentive compensation is a significant portion of his total potential annual compensation. The Compensation Committee determined that tying a significant portion of Mr. Heasley's potential annual compensation to performance criteria established under our incentive compensation plans provides appropriate incentive for Mr. Heasley to achieve our financial and strategic objectives. As of the date of the CEO Employment Agreement, Mr. Heasley's total on-target annualized compensation of $1,000,000 was at approximately the 75^{th} percentile of the competitive market data.

For fiscal 2006, Mr. Heasley's cash incentive compensation was based upon the achievement of key financial performance objectives established under our 2006 incentive compensation plan for executive officers generally. In accordance with the terms of our 2006 incentive compensation plan, Mr. Heasley received fiscal 2006 cash incentive compensation of $360,378 which represents 72% of his annual on-target amount.

Pursuant to the CEO Employment Agreement, we granted Mr. Heasley an option to purchase 1,000,000 shares of our common stock with an exercise price of $22.65 per share. Six hundred thousand (600,000) of the option shares are time-vested and will vest 25% per year beginning with the first anniversary of the date of grant. The remaining four hundred thousand (400,000) of the option shares are performance-vested and will vest, if at all, upon the attainment by us, at any time following the second anniversary of the date of grant of the option, of a market price per share of our common stock of at least $50 for 60 consecutive trading days. Mr. Heasley's stock option agreement provides for accelerated vesting of the option shares under certain circumstances as set forth in the option agreements.

On December 13, 2005, we granted Mr. Heasley 12,000 LTIP Performance Shares with a grant date fair value of $29.96 per share. These Performance Shares are earned, if at all, based upon the achievement during a Performance Period from October 1, 2005 through September 30, 2008, of performance goals related to (i) the compound annual growth over the Performance Period in our 60-month contracted backlog as determined by us, (ii) the compound annual growth over the Performance Period in the diluted earnings per share as reported in our consolidated financial statements, and (iii) the compound annual growth over the Performance Period in the total revenues as reported in our consolidated financial statements. The performance goal weightings are 20% for 60-month contracted backlog, 40% for diluted earnings per share and 40% for total revenues. In no event will any of Mr. Heasley's LTIP Performance Shares become earned if our earnings per share is below a predetermined minimum threshold level at the conclusion of the Performance Period.

The CEO Employment Agreement requires that Mr. Heasley purchase and hold during the initial four-year term of the agreement a minimum of 100,000 shares of our common stock. At the end of fiscal 2006, Mr. Heasley held 113,877 shares of our common stock.

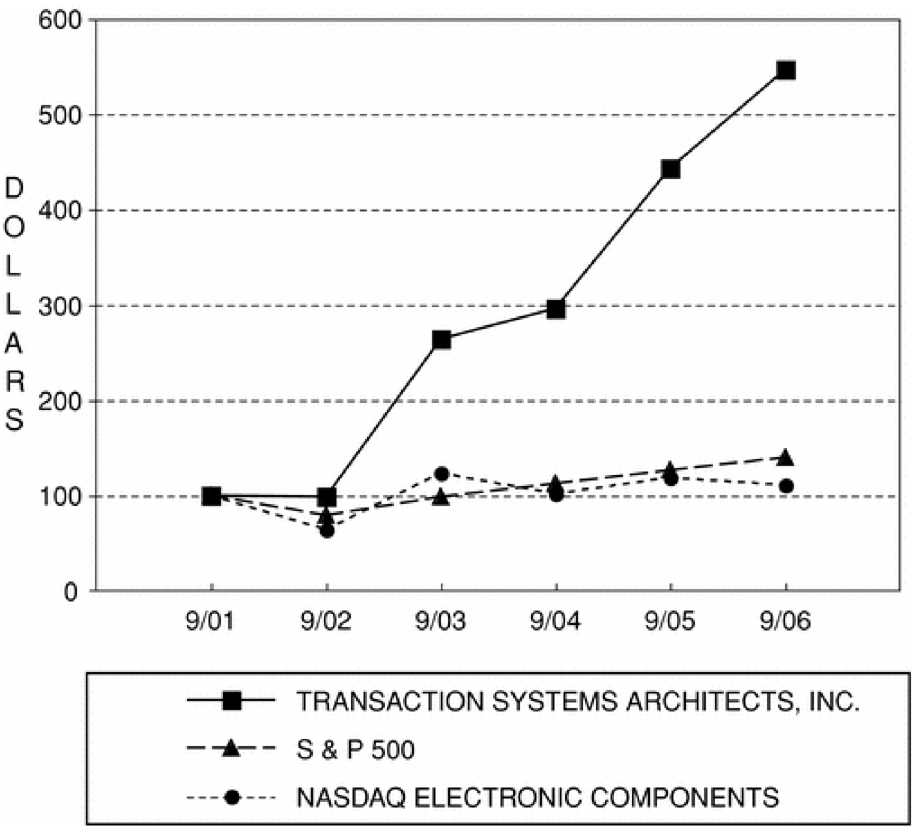
Compliance with Internal Revenue Code Section 162(m). Section 162(m) of the Code generally disallows a tax deduction to public companies for compensation over $1,000,000 paid to the corporation's CEO and the four other most highly compensated executive officers. Qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met.

Compensation Committee Interlocks and Insider Participation. No member of the Compensation Committee was at any time during fiscal 2006, or at any other time, an officer or employee of ours. No executive officer of ours serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of the Board or Compensation Committee.

PERFORMANCE GRAPH

In accordance with applicable SEC rules, the following table shows a line-graph presentation comparing cumulative stockholder return on an indexed basis with a broad equity market index and either a nationally-recognized industry standard or an index of peer companies selected by us. We selected the S&P 500 Index and the NASDAQ Computer & Data Processing Services Index for comparison.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
AMONG TRANSACTION SYSTEMS ARCHITECTS, INC., THE S & P 500 INDEX
AND THE NASDAQ ELECTRONIC COMPONENTS INDEX



* $100 invested on 9/30/01 in stock or index-including reinvestment of dividends. Fiscal year ending September 30.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plans

The following table sets forth, as of September 30, 2006, certain information related to our compensation plans under which shares of common stock are authorized for issuance:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	3,444,378	$ 18.26	1,567,135(1)
Equity compensation plans not approved by security holders (2)	14,712	$ 14.18	0
Total	3,459,090	$ 18.24	1,567,135

(1) Includes shares remaining available for future issuance under the 1999 Stock Option Plan, as amended, and the 2005 Incentive Plan. This number reflects shares reserved for issuance in connection with long-term incentive awards under the 2005 Incentive Plan outstanding as of September 30, 2006 based on the targeted award amounts. The maximum number of shares that may be issued under the 2005 Incentive Plan as restricted stock, restricted stock units, performance shares and performance units (after taking into account forfeitures, expirations and transfers upon satisfaction of any withholding amount) is 2,500,000 shares of common stock.

(2) In connection with the acquisition of MessagingDirect, Ltd. ("MDL") in 2001, we assumed the MDL Amended and Restated Employee Share Option Plan. Options under this plan became 100% vested upon the acquisition and have terms of eight years from the original date of grant by MDL. Under the 2000 Non-Employee Director Stock Option Plan, options vest annually over a period of three years and have a term of ten years from the date of grant. The exercise price of options granted under the 2000 Non-Employee Director Stock Option Plan is equal to the fair market value of the underlying common stock at the time of grant. Stockholder approval was neither required nor received in connection with the adoption of these plans and arrangements. Of the 14,712 outstanding options under these plans, 2,212 are options outstanding under the MDL Amended and Restated Employee Share Option Plan and 12,500 are options outstanding under the 2000 Non-Employee Director Stock Option Plan. In connection with stockholder approval of the 2005 Incentive Plan, the Board terminated both the MDL Amended and Restated Employee Share Option Plan and the 2000 Non-Employee Director Stock Option Plan. Termination of such plans did not affect any options outstanding under these plans immediately prior to termination thereof.

Information Regarding Stock Ownership

The following table sets forth certain information regarding the beneficial ownership of common stock as of May 8, 2007 by (i) each of our directors, (ii) each of our Named Executive Officers, (iii) all executive officers and directors as a group, and (iv) each person known by us to beneficially own more than 5% of the outstanding shares of common stock. The percentages in this table are based on 37,159,895 outstanding shares of common stock, exclusive of 3,661,621 shares of common stock held as treasury stock by us. Beneficial ownership is determined in accordance with the rules of the

SEC and generally includes voting or investment power with respect to the securities. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares underlying options held by that person that will be exercisable within 60 days of May 8, 2007, are deemed to be outstanding. Such shares, however, are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

Beneficial Owner	Number of Shares	Percent
Westfield Capital Management Co. LLC (1) One Financial Center, 23rd Floor, Boston, MA 02111	1,976,964	5.32%
Philip G. Heasley (2)	463,877	1.25%
Mark R. Vipond (3)	115,617	*
David R. Bankhead (4)	112,500	*
Anthony J. Parkinson (5)	96,080	*
Jim D. Kever (6)	71,750	*
Roger K. Alexander (7)	70,750	*
Richard Launder (8)	55,975	*
Harlan F. Seymour (9)	50,000	*
John E. Stokely (10)	44,000	*
John D. Curtis (11)	43,000	*
John M. Shay, Jr. (12)	11,000	*
All Directors and current Executive Officers as a group (15 persons)	1,254,476	3.38%

* Less than 1% of the outstanding common stock.

(1) The number of shares in this table is based on reporting from NASDAQ Online as of May 8, 2007, based on the Schedule 13G and 13F filings as of such date. The Company is not aware of any additional filings by any person or company known to beneficially own more than 5% of the outstanding shares

of common stock.

(2) Includes 300,000 shares issuable upon exercise of vested stock options (as of 60 days following May 8, 2007) and 163,877 shares owned directly.

(3) Includes 86,441 shares issuable upon exercise of vested stock options (as of 60 days following May 8, 2007) and 29,176 shares owned directly.

(4) Consists solely of shares issuable upon exercise of vested stock options (as of 60 days following May 8, 2007).

(5) Includes 89,986 shares issuable upon exercise of vested stock options (as of 60 days following May 8, 2007) and 6,094 shares owned directly.

(6) Includes 68,250 shares issuable upon exercise of vested stock options (as of 60 days following May 8, 2007) and 3,500 shares owned directly.

(7) Includes 68,250 shares issuable upon exercise of vested stock options (as of 60 days following May 8, 2007) and 2,500 shares owned directly.

(8) Includes 44,999 shares issuable upon exercise of vested stock options (as of 60 days following May 8, 2007), 9,376 shares owned directly and 1,600 shares owned by Mr. Launder's wife.

(9) Includes 46,000 shares issuable upon exercise of vested stock options (as of 60 days following May 8, 2007) and 4,000 shares owned directly.

(10) Includes 42,000 shares issuable upon exercise of vested stock options (as of 60 days following May 8, 2007) and 2,000 shares owned directly.

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(11) Includes 42,000 shares issuable upon exercise of vested stock options (as of 60 days following May 8, 2007) and 1,000 shares owned directly.

(12) Includes 10,000 shares issuable upon exercise of vested stock options (as of 60 days following May 8, 2007) and 1,000 shares owned directly.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Independent Registered Public Accounting Firm Fees

Audit Fees.

The aggregate fees billed by KPMG for professional services rendered for the audit of our annual consolidated financial statements for fiscal 2006, the review of our quarterly financial statements and the audit of the effectiveness of our internal controls over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) (established under the Sarbanes-Oxley Act of 2002) totaled approximately $4.9 million. The aggregate fees billed by KPMG for professional services rendered for the audit of our annual consolidated financial statements for fiscal 2005, the review of our quarterly financial statements and the audit of the effectiveness of our internal controls over financial reporting in accordance with the standards of the PCAOB totaled approximately $2.4 million.

Audit-Related Fees.

The aggregate fees billed by KPMG for professional services rendered for assurance and related services that were reasonably related to the performance of the audit or review of our financial statements that are not reported under "Audit Fees" above totaled $24,390 for fiscal 2006. The professional services rendered consisted of (i) technical accounting consultations related to acquisition accounting matters, and (ii) other technical accounting consultations. The aggregate fees billed by KPMG for professional services rendered for assurance and related services that were reasonably related to the performance of the audit or review of our financial statements that are not reported under "Audit Fees" above totaled $36,500 for fiscal 2005. The professional services rendered consisted of (i) services associated with our filing of an SEC S-8 registration statement; and (iii) other technical accounting consultations related to acquisition accounting matters.

Tax Fees.

The aggregate fees billed by KPMG for tax-related services rendered to us for fiscal 2006 and 2005 totaled approximately $137,813 and $191,000, respectively. Tax fees billed by KPMG during fiscal 2006 and 2005 related primarily to tax planning projects and, to a lesser extent, tax compliance issues, including assistance in the preparation of (i) expatriate tax returns and payroll calculations, (ii) original and amended foreign income tax returns, (iii) amended state income tax returns, and (iv) foreign tax credit calculations.

All Other Fees.

In fiscal 2006 and fiscal 2005, there were no other fees billed by KPMG for services rendered to us, other than the services described above under "Audit Fees," "Audit-Related Fees" and "Tax Fees."

The Audit Committee has considered whether the provision of the services by KPMG, as described above in "Tax Fees" and "All Other Fees," is compatible with maintaining the independent auditor's independence.

Pre-Approval of Audit and Non-Audit Services

We have adopted policies and procedures for pre-approval of all audit and non-audit services to be provided to us by our independent auditor and its member firms. Under these policies and procedures, all audit and non-audit services to be performed by the independent auditor must be approved by the Audit Committee. A proposal for audit and non-audit services must include a description and purpose of the services, estimated fees and other terms of the services. To the extent a proposal relates to non-audit services, a determination that such services qualify as permitted non-audit services and an explanation as to why the provision of such services would not impair the independence of the independent auditor are also required. Any engagement letter relating to a proposal must be presented to the Audit Committee for review and approval, and the chairman of the Audit Committee may sign, or authorize an officer of us to sign, such engagement letter.

All services provided by the independent auditor in fiscal 2006 were approved by the Audit Committee.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Documents filed as part of this annual report on Form 10-K:

(1) Financial Statements. The following index lists consolidated financial statements and notes thereto filed as part of this annual report on Form 10-K: (The Statements are restated as noted)

(2) Financial Statement Schedules. All schedules have been omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

(3) Exhibits. The following exhibit index lists exhibits incorporated herein by reference, filed as part of this annual report on Form 10-K, or furnished as part of this annual report on Form 10-K:

EXHIBIT INDEX

Exhibit No.			Description
3.01	(1)		Amended and Restated Certificate of Incorporation of the Company, and amendments thereto
3.02			Amended and Restated Bylaws of the Company (filed herewith)
4.01	(2)		Form of Common Stock Certificate
10.01	(3)	*	Stock and Warrant Holders Agreement, dated as of December 30, 1993
10.02	(4)	*	ACI Holding, Inc. 1994 Stock Option Plan, as amended
10.03	(5)	*	Transaction Systems Architects, Inc. 1996 Stock Option Plan, as amended
10.04	(6)	*	Transaction Systems Architects, Inc. 1997 Management Stock Option Plan, as amended
10.05	(7)	*	Transaction Systems Architects, Inc. 1999 Stock Option Plan, as amended
10.06	(8)	*	Transaction Systems Architects, Inc. 1999 Employee Stock Purchase Plan, as amended
10.07	(9)	*	Transaction Systems Architects, Inc. 2000 Non-Employee Director Stock Option Plan, as amended
10.08	(10)	*	Transaction Systems Architects, Inc. 2002 Non-Employee Director Stock Option Plan, as amended
10.09	(11)	*	Amendment to 2002 Non-Employee Director Stock Option Plan, Amendment No. 1 to Stock Option Agreement (dated as of May 8, 2002) and Amendment No. 1 to Stock Option Agreement (dated as of March 9, 2004)
10.10	(12)	*	Transaction Systems Architects, Inc. 2005 Equity and Performance Incentive Plan
10.11	(13)	*	Amended and Restated Severance Compensation Agreement between the Company and Gregory D. Derkacht

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10.12	(14)	*	Severance Compensation Agreement between the Company and certain officers, including executive officers
10.13	(15)	*	Severance Compensation Agreement (Change in Control) between the Company and certain officers, including executive officers
10.14	(16)	*	Indemnification Agreement between the Company and certain officers, including executive officers
10.15	(17)		Asset Purchase Agreement by and between S2 Systems, Inc. and the Company
10.16	(18)	*	Form of Stock Option Agreement for the Company's 1994 Stock Option Plan
10.17	(19)	*	Form of Stock Option Agreement for the Company's 1996 Stock Option Plan
10.18	(20)	*	Form of Stock Option Agreement for the Company's 1997 Management Stock Option Plan
10.19	(21)	*	Form of Stock Option Agreement for the Company's 1999 Stock Option Plan
10.20	(22)	*	Form of Stock Option Agreement for the Company's 2000 Non-Employee Director Plan
10.21	(23)	*	Form of Stock Option Agreement for the Company's 2002 Non-Employee Director Plan
10.22	(24)	*	Form of Nonqualified Stock Option Agreement — Non-Employee Director for the Company's 2005 Equity and Performance Incentive Plan
10.23	(25)	*	Form of Nonqualified Stock Option Agreement — Employee for the Company's 2005 Equity and Performance Incentive Plan
10.24	(26)	*	Form of LTIP Performance Shares Agreement for the Company's 2005 Equity and Performance Incentive Plan
10.25	(27)	*	Employment Agreement by and between the Company and Philip G. Heasley, dated March 8, 2005

10.26	(28)	*	Stock Option Agreement by and between the Company and Philip G. Heasley, dated March 9, 2005
10.27	(29)	*	Change in Control Severance Compensation Agreement by and between the Company and Philip G. Heasley, dated March 8, 2005
10.28	(30)	*	Description of the 2006 Fiscal Year Management Incentive Compensation Plan
10.29	(31)	*	Separation Agreement and General Release between Dennis Jorgensen and the Company
10.30	(32)	*	MessagingDirect Ltd. Amended and Restated Employee Share Option Plan, as amended
10.31	(33)		Share Purchase Agreement dated as of May 11, 2006 by and between Transaction Systems Architects, Inc.; PREIPO Bating- und Beteiligungsgesellschaft mbH; RP Vermögensverwaltung GmbH; Mr. Christian Jaron; Mr. Johann Praschinger; and eps Electronic Payment Systems AG
10.32	(34)		Agreement and Plan of Merger dated August 28, 2006 by and among Transaction Systems Architects, Inc., Parakeet MergerSub Corp., and P&H Solutions, Inc.
10.33			Credit Agreement by and among Transaction Systems Architects, Inc. and Wachovia Bank, National Association (filed herewith)
10.34	(35)	*	Fifth Amended and Restated Employment Agreement between the Company and Gregory D. Derkacht
10.35	(36)	*	Description of the 2007 Fiscal Year Management Incentive Compensation Plan
10.36	(37)	*	Description of the 2007 Calendar Year Management Incentive Compensation Plan
21.01			Subsidiaries of the Registrant (filed herewith)
23.01			Consent of Independent Registered Public Accounting Firm (filed herewith)

31.01			Certification of Chief Executive Officer pursuant to S.E.C. Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.02			Certification of Chief Financial Officer pursuant to S.E.C. Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.01			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 (furnished herewith)
32.02			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 (furnished herewith)

(1) Incorporated herein by reference to Annex A to the registrant’s Proxy Statement for the 2005 Annual Meeting of Stockholders filed on January 26, 2005 (File No. 000-25346).

(2) Incorporated herein by reference to Exhibit 4.01 to the registrant’s Registration Statement No. 33-88292 on Form S-1.

(3) Incorporated herein by reference to Exhibit 10.09 to the registrant’s Registration Statement No. 33-88292 on Form S-1.

(4) Incorporated herein by reference to Exhibit 10.1 to the registrant’s quarterly report on Form 10-Q for the period ended March 31, 2006.

(5) Incorporated herein by reference to Exhibit 10.2 to the registrant’s quarterly report on Form 10-Q for the period ended March 31, 2006.

(6) Incorporated herein by reference to Exhibit 10.3 to the registrant’s quarterly report on Form 10-Q for the period ended March 31, 2006.

(7) Incorporated herein by reference to Exhibit 10.4 to the registrant’s quarterly report on Form 10-Q for the period ended March 31, 2006.

(8) Incorporated herein by reference to Exhibit 10.1 to the registrant’s quarterly report on Form 10-Q for the period ended March 31, 2005.

(9) Incorporated herein by reference to Exhibit 10.6 to the registrant’s quarterly report on Form 10-Q for the period ended March 31, 2006.

(10) Incorporated herein by reference to Exhibit 10.7 to the registrant’s quarterly report on Form 10-Q for the period ended March 31, 2006.

(11) Incorporated herein by reference to Exhibit 10.6 to the registrant’s current report on Form 8-K filed on March 10, 2005.

(12) Incorporated herein by reference to Annex B to the registrant’s Proxy Statement for the 2005 Annual Meeting of Stockholders filed on January 26, 2005 (File No. 000-25346).

(13) Incorporated herein by reference to Exhibit E of Exhibit 10.1 to the registrant’s current report on Form 8-K filed on September 29, 2004.

(14) Incorporated herein by reference to Exhibit 10.15 to the registrant’s annual report on Form 10-K for the fiscal year ended September 30, 2003.

(15) Incorporated herein by reference to Exhibit 10.16 to the registrant’s annual report on Form 10-K for the fiscal year ended September 30, 2003.

(16) Incorporated herein by reference to Exhibit 10.17 to the registrant’s annual report on Form 10-K for the fiscal year ended September 30, 2003.

(17) Incorporated herein by reference to Exhibit 2.1 to the registrant’s current report on Form 8-K filed on July 1, 2005.

(18) Incorporated herein by reference to Exhibit 10.18 to the registrant’s annual report on Form 10-K for the fiscal year ended September 30, 2004.

(19) Incorporated herein by reference to Exhibit 10.19 to the registrant’s annual report on Form 10-K for the fiscal year ended September 30, 2004.

(20) Incorporated herein by reference to Exhibit 10.20 to the registrant’s annual report on Form 10-K for the fiscal year ended September 30, 2004.

(21) Incorporated herein by reference to Exhibit 10.21 to the registrant’s annual report on Form 10-K for the fiscal year ended September 30, 2004.

(22) Incorporated herein by reference to Exhibit 10.22 to the registrant’s annual report on Form 10-K for the fiscal year ended September 30, 2004.

(23) Incorporated herein by reference to Exhibit 10.23 to the registrant’s annual report on Form 10-K for the fiscal year ended September 30, 2004.

(24) Incorporated herein by reference to Exhibit 10.5 to the registrant's current report on Form 8-K filed on March 10, 2005.

(25) Incorporated herein by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q for the period ended June 30, 2005.

(26) Incorporated herein by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed on September 20, 2005.

(27) Incorporated herein by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed on March 10, 2005.

(28) Incorporated herein by reference to Exhibit 10.2 to the registrant's current report on Form 8-K filed on March 10, 2005.

(29) Incorporated herein by reference to Exhibit 10.3 to the registrant's current report on Form 8-K filed on March 10, 2005.

(30) Incorporated herein by reference to Exhibit 10.2 to the registrant's current report on Form 8-K filed on September 20, 2005.

(31) Incorporated herein by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed on October 13, 2005.

(32) Incorporated herein by reference to Exhibit 10.5 to the registrant's quarterly report on Form 10-Q for the period ended March 31, 2006.

(33) Incorporated herein by reference to Exhibit 2.1 to the registrant's quarterly report on Form 10-Q for the period ended June 30, 2006.

(34) Incorporated herein by reference to Exhibit 2.1 to the registrant's current report on Form 8-K filed on September 1, 2006.

(35) Incorporated herein by reference to Exhibit 10.1 to the registrant's current report on Form 8-K/A filed December 21, 2005.

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(36) Incorporated herein by reference to Exhibit 10.1 of the registrant's current report on Form 8-K filed December 21, 2006.

(37) Incorporated herein by reference to Exhibit 10.1 of the registrant's current report on Form 8-K filed March 21, 2007.

* **Denotes exhibit that constitutes a management contract, or compensatory plan or arrangement.**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Transaction Systems Architects, Inc.:

We have audited the accompanying consolidated balance sheets of Transaction Systems Architects, Inc. and subsidiaries (the Company) as of September 30, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended September 30, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Transaction Systems Architects, Inc. and subsidiaries as of September 30, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in note 2 to the consolidated financial statements, the consolidated financial statements as of September 30, 2005, and for each of the years in the two-year period ended September 30, 2005, have been restated. In 2006, the Company changed its method of accounting for stock-based compensation upon adoption of Statement of Financial Accounting Standard No. 123(R), *Share-Based Payment.*

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of September 30, 2006, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated May 10, 2007 expressed an unqualified opinion on management's assessment of, and an adverse opinion on the effective operation of, internal control over financial reporting.

/s/ KPMG LLP

Omaha, Nebraska
May 10, 2007

TRANSACTION SYSTEMS ARCHITECTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)

	September 30, 2006	September 30, 2005 Restated
ASSETS		
Current assets		
Cash and cash equivalents	$ 110,148	$ 83,693
Marketable securities	—	72,819
Billed receivables, net of allowances of $2,110 and $2,390	72,439	63,530
Accrued receivables	14,443	5,535
Recoverable income taxes	—	3,474
Deferred income taxes, net	9,410	2,552
Other current assets	19,079	13,009
Total current assets	225,519	244,612
Property, plant and equipment, net	14,306	9,089
Software, net	34,294	4,930
Goodwill	191,518	66,169
Other intangible assets, net	42,435	13,573
Deferred income taxes, net	12,294	22,204
Other assets	13,781	3,123
Total assets	$ 534,147	$ 363,700
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of debt — financing agreements	$ —	$ 2,165
Accounts payable	15,090	9,521
Accrued employee compensation	30,089	19,296
Deferred revenue	78,996	81,374
Income taxes payable	1,788	—
Accrued settlement for class action litigation (Note 18)	8,450	—
Accrued and other current liabilities	23,174	11,662
Total current liabilities	157,587	124,018
Debt — financing agreements	—	154
Deferred revenue	20,380	20,450
Note payable under credit facility	75,000	—
Other noncurrent liabilities	13,968	1,640
Total liabilities	266,935	146,262
Commitments and contingencies (Note 18)		
Stockholders' equity		
Preferred stock, $0.01 par value; 5,000,000 shares authorized; no shares issued and outstanding at September 30, 2006 and 2005	—	—
Common stock, $0.005 par value; 70,000,000 shares authorized; 40,823,728 shares issued at September 30, 2006	204	202
Treasury stock, at cost, 3,561,745 and 2,943,109 shares issued at September 30, 2006 and 2005, respectively	(94,313)	(68,596)
Additional paid-in capital	307,553	288,001
Retained earnings	62,357	6,992
Accumulated other comprehensive loss	(8,589)	(9,161)
Total stockholders' equity	267,212	217,438
Total liabilities and stockholders' equity	$534,147	$ 363,700

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

TRANSACTION SYSTEMS ARCHITECTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	For the Fiscal Years Ended September 30, 2006	2005 Restated	2004 Restated
Revenues:			
Software license fees	$ 175,629	$ 168,422	$ 157,402
Maintenance fees	103,708	93,501	88,484
Services	68,565	51,314	46,898
Total revenues	347,902	313,237	292,784
Expenses:			
Cost of software license fees	31,124	24,666	25,045
Cost of maintenance and services	79,622	60,337	57,380
Research and development	40,768	39,688	38,013
Selling and marketing	66,720	65,612	61,139
General and administrative	67,440	58,683	56,913
Settlement of class action litigation	8,450	—	—
Total expenses	294,124	248,986	238,490
Operating income	53,778	64,251	54,294
Other income (expense):			
Interest income	7,825	3,843	1,762

Interest expense	(185)	(510)	(1,435)
Other, net	(543)	(1,681)	2,294
Total other income (expense)	7,097	1,652	2,621
Income before income taxes	60,875	65,903	56,915
Income tax provision	(5,510)	(22,804)	(10,609)
Net income	$ 55,365	$ 43,099	$ 46,306
Earnings per share information			
Weighted average shares outstanding			
Basic	37,369	37,682	37,001
Diluted	38,237	38,507	38,117
Earnings per share			
Basic	$ 1.48	$ 1.14	$ 1.25
Diluted	$ 1.45	$ 1.12	$ 1.21

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

TRANSACTION SYSTEMS ARCHITECTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

(in thousands)

	Common Stock (1)	Treasury Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total
Balance at September 30, 2003 as previously reported	$ 188	$ (35,258)	$ 235,767	$ (69,602)	$ (8,221)	$ 122,874
Adjustments to opening shareholders' equity			13,316	(12,811)		505
Balance as of September 30, 2003 (restated)	$ 188	$ (35,258)	$ 249,083	$ (82,413)	$ (8,221)	$ 123,379
Comprehensive income information:						
Net income (restated)	—	—	—	46,306	—	46,306
Other comprehensive income:						
Foreign currency translation adjustments	—	—	—	—	(1,755)	(1,755)
Change in unrealized investment holding loss	—	—	—	—	77	77
Reclassification adjustment for loss realized in net income	—	—	—	—	124	124
Comprehensive income (restated)						44,752
Issuance of common stock pursuant to Employee Stock Purchase Plan	—	—	957	—	—	957
Exercises of stock options	8	—	13,106	—	—	13,114
Tax benefit of stock options exercised (restated)	—	—	4,593	—	—	4,593
Stock option compensation (restated)	—	—	667	—	—	667
Balance at September 30, 2004 (restated)	196	(35,258)	268,406	(36,107)	(9,775)	187,462
Comprehensive income information:						
Net income (restated)	—	—	—	43,099	—	43,099
Other comprehensive income:						
Foreign currency translation adjustments	—	—	—	—	620	620
Change in unrealized investment holding loss	—	—	—	—	(6)	(6)
Comprehensive income (restated)						43,713
Repurchases of common stock	—	(33,338)	—	—	—	(33,338)
Issuance of common stock pursuant to Employee Stock Purchase Plan	—	—	1,007	—	—	1,007
Exercises of stock options	6	—	14,114	—	—	14,120
Tax benefit of stock options exercised (restated)	—	—	4,061	—	—	4,061
Stock option compensation (restated)	—	—	413	—	—	413
Balance at September 30, 2005 (restated)	202	(68,596)	288,001	6,992	(9,161)	217,438
Comprehensive income information:						
Net income	—	—	—	55,365	—	55,365
Other comprehensive income:						
Foreign currency translation adjustments	—	—	—	—	566	566
Change in unrealized investment holding loss	—	—	—	—	6	6
Comprehensive income						55,937
Repurchases of common stock	—	(40,156)	—	—	—	(40,156)
Issuance of common stock pursuant to Employee Stock Purchase Plan	—	507	751	—	—	1,258
Exercises of stock options	2	6,002	5,752	—	—	11,756
Issuance of common stock in connection with eps acquisition	—	7,930	3,125	—	—	11,055
Tax benefit of stock options exercised	—	—	3,610	—	—	3,610
Stock option compensation	—	—	6,314	—	—	6,314
Balance at September 30, 2006	$ 204	$ (94,313)	$ 307,553	$ 62,357	$ (8,589)	$ 267,212

(1) During fiscal 2005, the Company's stockholders approved a proposal that re-designated the Company's Class A Common Stock as Common Stock without modification of the rights, preferences or privileges associated with such shares and eliminated the Company's Class A Common Stock.

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

TRANSACTION SYSTEMS ARCHITECTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	For the Fiscal Years Ended September		
	2006	2005 Restated	2004 Restated
Cash flows from operating activities:			
Net income	$ 55,365	$ 43,099	$ 46,306
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation	3,984	3,832	4,203
Amortization	4,377	1,348	2,368
Tax expense of intellectual property shift	637	—	—
Loss on disposal of assets	452	119	36
Loss on sale of marketable securities	—	—	124
Deferred income taxes	(9,810)	(1,177)	(3,049)
Stock-based compensation expense	6,314	413	667
Tax benefit of stock options exercised	1,370	4,061	4,593
Changes in operating assets and liabilities:			
Billed and accrued receivables, net	(6,226)	(9,751)	(1,837)
Other current assets	(810)	(3,289)	(1,728)
Other assets	151	(1,073)	(3,917)
Accounts payable	(1,381)	1,792	(279)
Accrued employee compensation	(2,483)	4,372	3,057
Accrued liabilities	(334)	(375)	50
Accrued settlement for class action litigation	8,450	—	—
Current income taxes	(1,600)	8,050	461
Deferred revenue	(7,354)	1,502	6,743
Other current and noncurrent liabilities	9,599	228	293
Net cash flows from operating activities	60,701	53,151	58,091
Cash flows from investing activities:			
Purchases of property and equipment	(3,928)	(3,832)	(2,889)
Purchases of software and distribution rights	(2,060)	(1,573)	(973)
Purchases of marketable securities	(50,938)	(85,301)	(1,300)
Sales of marketable securities	123,763	47,864	2,258
Acquisition of businesses	(146,274)	(36,568)	—
Net cash flows from investing activities	(79,437)	(79,410)	(2,904)
Cash flows from financing activities:			
Proceeds from issuance of common stock	1,258	1,007	957
Proceeds from exercises of stock options	11,756	14,120	13,114
Excess tax benefit of stock options exercised	2,240	—	—
Purchases of common stock	(39,676)	(33,014)	—
Borrowings under revolving credit facility	75,000	—	—
Payments on debt	(2,319)	(7,264)	(16,319)
Payments on capital leases	(1,405)	(44)	(97)
Payment for debt issuance costs	(1,680)	—	—
Other	(18)	439	(475)
Net cash flows from financing activities	45,156	(24,756)	(2,820)
Effect of exchange rate fluctuations on cash	35	510	2,872
Net increase (decrease) in cash and cash equivalents	26,455	(50,505)	55,239
Cash and cash equivalents, beginning of period	83,693	134,198	78,959
Cash and cash equivalents, end of period	$ 110,148	$ 83,693	$ 134,198
Supplemental cash flow information:			
Income taxes paid, net	$ 2,069	$ 11,283	$ 7,189
Interest paid	$ 153	$ 519	$ 1,595
Supplemental noncash investing activities:			
Shares issued in connection with acquisition	$ 11,055	$ —	$ —
Costs accrued in connection with acquisition	$ 606	$ —	$ —

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. In addition to its own products, the Company distributes, or acts as a sales agent for software developed by third parties. These products and services are used principally by financial institutions, retailers, and electronic-payment processors, both in domestic and international markets.

The Company derives a substantial portion of its total revenues from licensing its BASE24 family of software products and providing services and maintenance related to those products. During fiscal 2006, 2005 and 2004, approximately 57%, 57%, and 59%, respectively, of the Company’s total revenues were derived from licensing the BASE24 product line, which does not include the BASE24-eps product, and providing related services and maintenance. A substantial majority of the Company’s licenses are time-based (“term”) licenses.

Consolidated Financial Statements

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Recently acquired subsidiaries that are included in the Company's consolidated financial statements as of the date of acquisition include: eps Electronic Payment Systems AG ("eps"), and its subsidiaries acquired during 2006; P&H Solutions, Inc. ("P&H"), acquired during 2006; and S2 Systems, Inc. ("S2"), acquired during 2005. All significant intercompany balances and transactions have been eliminated.

Use of Estimates in Preparation of Consolidated Financial Statements

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

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 97-2"), SOP 98-9, *Modification of SOP 97-2, Software Revenue Recognition With Respect to Certain Transactions* ("SOP 98-9"), and Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") 101, *Revenue Recognition in Financial Statements*, as codified by SAB 104, *Revenue Recognition*. For software license arrangements for which services rendered are not considered essential to the functionality of the software, the Company recognizes revenue upon delivery, provided (1) there is persuasive evidence of an arrangement, (2) collection of the fee is considered probable and (3) the fee is fixed or determinable. In most arrangements, vendor-specific objective evidence ("VSOE") of fair value does not exist for the license element; therefore, the Company uses the residual method under SOP 98-9 to determine the amount of revenue to be allocated to the license element. Under SOP 98-9, the fair value of all undelivered elements, such as postcontract customer support (maintenance or "PCS") or other

products or services, is deferred and subsequently recognized as the products are delivered or the services are performed, with the residual difference between the total arrangement fee and revenues allocated to undelivered elements being allocated to the delivered element.

When a software license arrangement includes services to provide significant modification or customization of software, those services are not separable from the software and are accounted for in accordance with Accounting Research Bulletin ("ARB") No. 45, *Long-Term Construction-Type Contracts* ("ARB No. 45"), and the relevant guidance provided by SOP 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts* ("SOP 81-1"). Accounting for services delivered over time (generally in excess of twelve months) under ARB No. 45 and SOP 81-1 is referred to as contract accounting. Under contract accounting, the Company generally uses the percentage-of-completion method. Under the percentage-of-completion method, the Company records revenue for the software license fee and services over the development and implementation period, with the percentage of completion generally measured by the percentage of labor hours incurred to-date to estimated total labor hours for each contract. For those contracts subject to percentage-of-completion contract accounting, estimates of total revenue and profitability under the contract consider amounts due under extended payment terms. In certain cases, the Company provides its customers with extended payment terms whereby payment is deferred beyond when the services are rendered. In other projects, the Company provides its customer with extended payment terms that are refundable in the event certain milestones are not achieved or the project scope changes. The Company excludes revenues due on extended payment terms from its current percentage-of-completion computation until such time that collection of the fees becomes probable. In the event project profitability is assured and estimable within a range, percentage-of-completion revenue recognition is computed using the lowest level of profitability in the range. If the range of profitability is not estimable but some level of profit is assured, revenues are recognized to the extent direct and incremental costs are incurred until such time that project profitability can be estimated. In the event some level of profitability cannot be reasonably assured, completed-contract accounting is applied.

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

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

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

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

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

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

Certain of the Company's software license arrangements are short-term, time-based license arrangements; allow the customer to vary their software mix; or include PCS terms that fail to achieve VSOE of fair value due to non-substantive renewal rates. For these arrangements, VSOE of fair value of PCS does not exist and revenues are therefore recognized ratably over the PCS term. The Company typically classifies revenues associated with these arrangements in accordance with the contractually-specified amounts assigned to the various elements, including software license fees, maintenance fees and services revenue. The following are amounts included in revenues in the consolidated statements of operations for which VSOE of fair value does not exist for each element (in thousands):

	Year Ended September 30,		
	2006	2005	2004
Software license fees	$ 15,432	$ 20,227	$ 26,618
Maintenance fees	5,632	6,455	7,603
Services	4,441	1,438	—
Total	$ 25,505	$ 28,120	$ 34,221

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

For those arrangements that meet the criteria to be accounted for under contract accounting, the Company determines whether VSOE exists for the PCS element. For those situations in which VSOE exists for the PCS element, PCS is accounted for separately and the balance of the arrangement is accounted for under ARB No. 45 and the relevant guidance provided by SOP 81-1. For those arrangements in which VSOE does not exist for the PCS element, revenue is recognized to the extent direct and incremental costs are incurred until such time as the services are complete when the Company believes that the contract will not result in a loss. Once services are complete, all remaining revenue is then recognized ratably over the remaining PCS period.

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

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

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

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

Cash, Cash Equivalents and Marketable Securities

The Company classifies its investments in auction rate notes as marketable securities. Although auction rate notes are AAA rated and are traded via the auction process within a period of three months or less, the Company determined that classification of these securities as marketable securities is appropriate due to the potential uncertainties inherent with any auction process plus the long-term nature of the underlying securities. The Company considers all other highly liquid investments with original maturities of three months or less to be cash equivalents.

Concentrations of Credit Risk

In the normal course of business, the Company is exposed to credit risk resulting from the possibility that a loss may occur from the failure of another party to perform according to the terms of

a contract. The Company regularly monitors credit risk exposures. Potential concentration of credit risk in the Company's receivables with respect to the banking, other financial services and telecommunications industries, as well as with retailers, processors and networks is mitigated by the Company's credit evaluation procedures and geographical dispersion of sales transactions. The Company generally does not require collateral or other security to support accounts receivable. The following reflects activity in the Company's allowance for uncollectible accounts receivable for the fiscal years ending September 30 (in thousands):

	Year Ended September 30,		
	2006	2005	2004
Balance, beginning of period	$ 2,390	$ 2,834	$ 4,037
Additions related to acquisition of S2	—	1,060	—
Additions related to acquisition of eps	113	—	—
Additions related to acquisition of P&H	235	—	—
Provision (recovery) released from (to) general and administrative expense	206	(1,391)	(1,247)
Amounts written off, net of recoveries	(834)	(113)	44
Balance, end of period	$ 2,110	$ 2,390	$ 2,834

Amounts released to general and administrative expenses during fiscal 2006, 2005 and 2004 reflect reductions in the general allowance for doubtful accounts based upon collection experience in the geographic regions in which the Company conducts business, as well as collection of customer-specific receivables which were previously reserved for as doubtful of collection.

Property and Equipment

Property and equipment are stated at cost. Depreciation of these assets is generally computed using the straight-line method over the following estimated useful lives:

Computer and office equipment	3-5 years
Furniture and fixtures	7 years
Leasehold improvements	Lesser of useful life of improvement or remaining term of lease
Vehicles and other	4-5 years

Assets under capital leases are amortized over the shorter of the asset life or the lease term.

Software

Software consists of internally-developed software and purchased software. Internally developed software may be for internal use or available for sale. Costs related to certain internally-developed software, which is available for sale, are capitalized in accordance with Statement of Financial Accounting Standard ("SFAS") No. 86, *Accounting for Costs of Computer Software to be Sold, Leased, or Otherwise Marketed* ("SFAS No. 86"), when the resulting product reaches technological feasibility. The Company generally determines technological feasibility when it has a detailed program design that takes product function, feature and technical requirements to their most detailed, logical form and is ready for coding. Internally-developed software for internal use is capitalized in accordance with

SOP 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* ("internal-use software").

Purchased software consists of computer software obtained from third-party suppliers for internal use that is capitalized in accordance with SOP 98-1. Purchased software also consists of software that was acquired primarily as the result of a business acquisition whether for internal use (accounted for in accordance with SOP 98-1) or to be marketed externally ("acquired software") (accounted for in accordance with SFAS No. 86).

Amortization of internally-developed software costs to be sold or marketed and purchased software acquired as a result of a business combination to be marketed externally, begins when the product is available for licensing to customers and is determined on a product-by-product basis. The annual amortization shall be the greater of the amount computed using (a) the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining estimated economic life of the product, including the period being reported on. Due to competitive pressures, it may be possible that the estimates of anticipated future gross revenue or remaining estimated economic life of the software product will be reduced significantly. As a result, the carrying amount of the software product may be reduced accordingly.

Amortization of internal-use software, including internally-developed and purchased software, is generally computed using the straight-line method over estimated useful lives of three years.

Goodwill and Other Intangibles

In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* ("SFAS No. 142"), the Company assesses goodwill for impairment at least annually. During this assessment, which is completed as of the end of the fiscal year, management relies on a number of factors, including operating results, business plans and anticipated future cash flows. The Company assesses potential impairments to other intangible assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered.

Other intangible assets are amortized using the straight-line method over periods ranging from 18 months to 12 years.

Impairment of Long-Lived Assets

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.

Debt — Financing Agreements

In the past, as an element of its cash management program, the Company periodically sold rights to future payment streams under software license arrangements with extended payment terms. In accordance with Financial Accounting Standards Board ("FASB") Emerging Issues Task Force ("EITF") Issue No. 88-18, *Sales of Future Revenues*, the Company recorded the proceeds received from these financing agreements as debt. The Company reduces the debt principal as payments are made. Interest on the debt accrues monthly and is computed using the effective interest method.

Treasury Stock

The Company accounts for shares of its common stock that are repurchased without intent to retire as treasury stock. Such shares are recorded at cost and reflected separately on the consolidated balance sheets as a reduction of stockholders' equity. The Company issues shares of treasury stock upon exercise of stock options and for issuances of common stock pursuant to the Company's employee stock purchase plan. The Company also issued shares of treasury stock in connection with the eps acquisition in which the Company issued restricted shares of the Company's common stock. For purposes of determining the cost of the treasury shares re-issued, the Company uses the average cost method.

Stock-Based Compensation Plans

On October 1, 2005, the Company adopted SFAS No. 123 (revised 2004), *Share-Based Payment* ("SFAS No. 123(R)"), which requires the measurement and recognition of compensation cost for all share-based payment awards made to employees based on estimated fair values. SFAS No. 123(R) also amends FASB Statement No. 95, *Statement of Cash Flows*, to require that excess tax benefits, as defined, realized from the exercise of stock options be reported as a financing cash inflow rather than as a reduction of taxes paid in cash flows from operations. In March 2005, the SEC issued SAB No. 107, which does not modify any of SFAS No. 123(R)'s conclusions or requirements, but rather includes recognition, measurement and disclosure guidance for companies as they implement SFAS No. 123(R). The Company applied the provisions of SAB 107 in its adoption of SFAS No. 123(R).

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

In accordance with SFAS No. 123(R), the Company recognizes stock-based compensation costs for only those shares expected to vest, on a straight-line basis over the requisite service period of the award, which is generally the option vesting term. The impact of forfeitures that may occur prior to vesting is also estimated and considered in the amount of expense recognized. Forfeiture estimates will be revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. In the Company's pro forma information required under SFAS No. 123 for periods prior to adoption of SFAS No. 123(R), the Company accounted for forfeitures as they occurred. Share-based compensation expense is recorded in operating expenses depending on where the respective individual's compensation is recorded. The Company generally utilizes the Black-Scholes option-pricing model to determine the fair value of stock options on the date of grant. The

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assumptions utilized in the Black-Scholes option-pricing model as well as the description of the plans the stock-based awards are granted under are described in further detail in Note 14, “Stock-Based Compensation Plans”.

During fiscal 2005, the Company granted 400,000 stock options with a grant date fair value of $9.12 per share and 40,000 stock options with a grant date fair value of $11.36 per share that vest, if at all, at any time following the second anniversary of the date of grant, upon attainment by the Company of a market price of at least $50 per share for sixty consecutive trading days. In order to determine the grant date fair value of the stock options granted during fiscal 2005 that vest based on the achievement of certain market conditions, a Monte Carlo simulation model was used to estimate (i) the probability that the performance goal will be achieved and (ii) the length of time required to attain the target market price. The Monte Carlo simulation model analyzed the Company’s historical price movements, changes in the value of The NASDAQ Stock Market over time, and the correlation coefficient and beta between the Company’s stock price and The NASDAQ Stock Market. These awards are expensed over the derived service period of 3.6 years.

Pursuant to the Company’s 2005 Equity and Performance Incentive Plan, the Company grants long-term incentive program performance share awards (“LTIP Performance Shares”) to key employees of the Company, including named executive officers. These LTIP Performance Shares are earned, if at all, based upon the achievement, over a three-year period (the “Performance Period”), of performance goals related to (i) the compound annual growth over the Performance Period in the Company’s 60-month contracted backlog as determined by the Company, (ii) the compound annual growth over the Performance Period in the diluted earnings per share as reported in the Company’s consolidated financial statements, and (iii) the compound annual growth over the Performance Period in the total revenues as reported in the Company’s consolidated financial statements. In no event will any of the LTIP Performance Shares become earned if the Company’s earnings per share is below a predetermined minimum threshold level at the conclusion of the Performance Period. Expense related to these awards is accrued if the attainment of performance indicators is probable as determined by management. The expense is recognized over the three year Performance Period.

Prior to the adoption of SFAS No. 123(R), the Company accounted for its stock option plans using the intrinsic-value-based method prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (“APB Opinion No. 25”), and related interpretations. Under APB Opinion No. 25, non-cash, stock based compensation expense was recognized for any option for which the exercise price was below the market price on the applicable measurement date. This expense was amortized over the service periods of the options. Additionally, there were certain awards that were accounted for under the variable accounting method. Under that method, charges or benefits are taken each reporting period to reflect increases or decreases in the fair value of the stock over the option exercise price until the stock option is exercised or otherwise cancelled.

Translation of Foreign Currencies

The Company’s foreign subsidiaries typically use the local currency of the countries in which they are located as their functional currency. Their assets and liabilities are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the average exchange rates during the period. Translation gains and losses are reflected in the consolidated financial statements as a component of accumulated other comprehensive income. Transaction gains and losses, including those related to intercompany accounts, that are not

considered to be of a long-term investment nature are included in the determination of net income. Transaction gains and losses, including those related to intercompany accounts, that are considered to be of a long-term investment nature are reflected in the consolidated financial statements as a component of accumulated other comprehensive income.

Income Taxes

The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company periodically assesses its tax exposures and establishes, or adjusts, estimated reserves for probable assessments by taxing authorities, including the Internal Revenue Service, and various foreign and state authorities. Such reserves represent the estimated provision for income taxes expected to ultimately be paid.

Recent Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*, which supersedes APB 20, *Accounting Changes*, and SFAS 3, *Reporting Accounting Changes in Interim Financial Statements*. SFAS No. 154 changes the method for reporting an accounting change. Under SFAS No. 154, accounting changes must be retrospectively applied to all prior periods whose financial statements are presented, unless the change in accounting principle is due to a new pronouncement that provides other transition guidance or unless application of the retrospective method is impracticable. Under the retrospective method, companies will no longer present the cumulative effect of a change in accounting principle in their statement of operations for the period of the change. SFAS No. 154 carries forward unchanged APB 20’s guidance for reporting corrections of errors in previously issued financial statements and for reporting changes in accounting estimates. SFAS No. 154 will be effective for the Company’s fiscal year 2007.

In June 2005, the FASB issued FASB Staff Position No. (“FSP”) FAS 143-1, *Accounting for Electronic Equipment Waste Obligations*. FSP FAS 143-1 addresses the accounting for obligations associated with Directive 2002/96/EC on Electrical and Electronic Equipment (the “Directive”) adopted by the European Union (“EU”). FSP FAS 143-1 is effective the later of the Company’s fiscal 2006 or the date that an EU member country in which the Company might have an obligation adopts the Directive. To date, the adoption of FSP FAS 143-1 in those countries which have already adopted the Directive has not had a material effect on the Company’s financial position, results of operations or cash flows and the Company does not expect the adoption of FSP FAS 143-1 by countries in the future to have a material effect on its financial position, results of operations or cash flows.

In June 2006, the FASB EITF reached a consensus on Issue No. 06-3, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)* (“EITF No. 06-3”). EITF No. 06-3 requires the disclosure of the Company’s accounting policy regarding its gross or net presentation of externally imposed taxes on revenue producing transactions in the notes to the consolidated financial statements. EITF No. 06-3 is effective for the first annual or interim reporting period beginning after December 15, 2006. The

Company does not expect that the adoption of EITF No. 06-3 will have a material effect on its consolidated financial statements.

In June 2006, the FASB ratified EITF No. 06-2 *Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43, Accounting for Compensated Absences* ("EITF No. 06-2"). EITF No. 06-2 provides guidelines under which sabbatical leave or other similar benefits provided to an employee are considered to accumulate, as defined in FASB Statement 43. If such benefits are deemed to accumulate, then the compensation cost associated with a sabbatical or other similar benefit arrangement should be accrued over the requisite service period. The provisions of this Issue are effective for our fiscal year 2008 and allow for either retrospective application or a cumulative effect adjustment to accumulated deficit approach upon adoption. The Company does not expect that the adoption of EITF No. 06-2 will have a material effect on its consolidated financial statements.

In July 2006, the FASB issued FASB Interpretation No. ("FIN") 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109* ("FIN 48"), which establishes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. FIN 48 is effective for the Company's 2008 fiscal year. The Company is currently evaluating the impact that this interpretation will have on its financial condition and/or results of operations.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 provides a common definition of fair value and establishes a framework to make the measurement of fair value in generally accepted accounting principles more consistent and comparable. SFAS No. 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on earnings. SFAS No. 157 is effective for the Company's 2009 fiscal year, although early adoption is permitted. The Company is currently assessing the potential effect of SFAS No. 157 on its financial statements.

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* ("SAB 108"). SAB 108 was issued in order to eliminate the diversity in practice surrounding how public companies quantify financial statement misstatements. SAB 108 requires that registrants quantify errors using both a balance sheet and income statement approach and evaluate whether either approach results in a misstated amount that, when all relevant quantitative and qualitative factors are considered, is material. SAB 108 must be implemented by the end of the Company's fiscal 2007. The Company is currently assessing the potential effect of SAB 108 on its financial statements.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans-an Amendment of FASB Statements No. 87, 88, 106 and 132(R)* ("SFAS No. 158"). SFAS No. 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize the changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. SFAS No. 158 is effective for the Company as of the end of its fiscal

2007. The Company does not expect the adoption of SFAS No. 158 to significantly affect its financial condition or results of operations.

In February 2007, the FASB issued FAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115* (FAS 159). FAS 159 permits an entity to elect fair value as the initial and subsequent measurement attribute for many financial assets and liabilities. Entities electing the fair value option would be required to recognize changes in fair value in earnings. Entities electing the fair value option are required to distinguish, on the face of the statement of financial position, the fair value of assets and liabilities for which the fair value option has been elected and similar assets and liabilities measured using another measurement attribute. FAS 159 is effective for the Company's fiscal year 2008. The adjustment to reflect the difference between the fair value and the carrying amount would be accounted for as a cumulative-effect adjustment to retained earnings as of the date of initial adoption. The Company is currently evaluating the impact, if any, of FAS 159 on its Consolidated Financial Statements.

2. Restatement of Consolidated Financial Statements

Stock Based Compensation Expense:

The Company initiated a review of its historical stock option granting practices following general public reports about option granting issues among public companies. The review was self-initiated and not prompted by any inquiry from a regulatory body, a "whistleblower" or other source. On October 27, 2006, the Company publicly announced a voluntary internal review ("the review"). The review was conducted by the audit committee of the Company's board of directors ("the board") with the assistance of independent counsel and forensic accountants. On March 16, 2007, the Company publicly announced the completion and key results of the review.

The independent counsel and its forensic accountants reviewed paper files, e-mails and electronic files; conducted interviews with current and former members of the board's compensation committee, current and former directors, officers, employees and advisors; and conducted an extensive analysis of facts and circumstances related to all stock option grants made from the date of the Company's IPO in 1995 to 2006.

In the course of the review, measurement date errors were noted. The Company applied the accounting standards then in effect to determine, for every grant, the proper measurement dates. As a result, the Company has restated its prior period financial statements to account for any stock-based compensation charges associated with the revised measurement dates. Accordingly, additional non-cash compensation expense and related tax effects are recorded over the relevant option service periods.

The Company previously applied APB Opinion No. 25, and its related Interpretations and provided the required pro forma disclosures under FAS No. 123 through the fiscal year ended September 30, 2005. APB Opinion No. 25, and its related interpretations required stock-based compensation expense to be recognized for any stock option for which the exercise price was below the market price on the applicable measurement date, and expense to be recognized over the service period of the stock option. The measurement date, as defined by APB Opinion No. 25, is the first date on which both (1) the number of stock options that an individual employee is entitled to receive and (2) the exercise price, if any, are established.

During the period from the IPO in 1995 through 2002, the Company issued a total of approximately 8.8 million stock options. Major classifications of the options granted during this time were: broad-based grants to employees excluding the CEO and CFO (5.2 million stock options); CEO and CFO grants (1.4 million stock options); 1997 Management Plan excluding the CEO and CFO (0.8 million stock options); employee recognition awards (0.2 million stock options); non-employee director grants (0.2 million stock options). The remaining grants relate to employee hiring and promotions. Approximately 92%, or 8.1 million of the stock options granted in this period, were granted pursuant to 18 large grants and the remainder was granted pursuant to approximately 360 small grants.

Broad-Based Annual Grants to Employees Excluding the CEO and CFO — Approximately 5.2 million of the 8.8 million stock options issued during this period were issued pursuant to seven awards to over 2,000 employees, excluding options granted to the CEO and CFO. Prior to 2003, based upon formal board action and informal consultations with board members, the CEO and CFO believed they had been delegated authority to carry out the employee option granting process. Generally, the CEO approved the numbers of options and recipients, while the CFO set the grant date, which determined the exercise price.

For these grants, the review identified that the Compensation Committee and the CEO typically discussed the general allocation of stock options prior to the grant. The stock option granting process then included gathering recommendations from division level managers for the allocation of options within those divisions. When the proposed stock option lists were submitted by the manager, they were reviewed and approved by the CEO or CFO. This process typically continued beyond the original grant date. Generally, the investigation identified evidence of an approval of the list by the CEO or the CFO and the determination of the exercise price by the CFO. In many instances, the CFO used hindsight and often looked for the lowest stock price in the quarter in selecting the original grant date.

Based on all available evidence, the Company typically determined that the appropriate measurement date for these grants was the later of the following two dates: (a) the date on which evidence indicated that the Company's former CEOs or CFOs approved a particular list (evidencing finality of that list) or (b) the date on which the price of the options was determined by the CFO with finality. Where information was not available to evidence either (a) or (b) above, the Company determined the appropriate measurement date to be the date on which, based upon all available evidence, the granting process was completed with finality. In most of those instances, the Company determined the measurement date to be when the grant was entered into the Company's stock option software. Where changes were noted subsequent to the date a list appeared to be substantially complete, the Company determined, based on best available evidence, whether the changes constituted an extension of the option-granting process for the entire list or for the specific changes noted.

Option Exchange Program — On August 29, 2001, 1.95 million outstanding stock options were cancelled by the Company pursuant to a previously announced exchange program. On March 4, 2002, 1.82 million options (included in the 5.2 million of Annual Broad Based awards) were issued in replacement of these cancelled options. The difference between the number of cancelled options and the number of replacement options was due to employee departures between August 29, 2001 and March 4, 2002. The review indicated that the measurement date with respect to the March 4, 2002 options was the same as the original grant date. As a result, no compensation charge related to

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substantially all of the replacement options was required. The Company did determine that options for three individuals were cancelled after August 29, 2001 which resulted in variable plan accounting for the respective replacement awards granted on March 4, 2002, as the lapsed period between the cancellation and replacement awards was not sufficient to permit the replacement options to be considered new grants.

Under APB Opinion No. 25 and FASB Interpretation Number 44 ("FIN 44"), *Accounting for Certain Transactions involving Stock Compensation an interpretation of APB Opinion No. 25*, the cancellation of options, other than for non-performance or termination of employment, requires that any unamortized stock-based compensation expense associated with the cancelled options be recognized in the period in which the cancellation occurs. Based on changes to measurement dates for grants prior to the August 29, 2001 cancellation that remained unvested, the Company was required to record the unrecognized compensation expense of approximately $2.1 million associated with the cancelled stock options on August 29, 2001.

CEO and CFO Grants — Approximately 1.4 million of the 8.8 million options issued during this period were granted to the then CEOs and CFOs. While approving grant awards to other employees, the CEO and CFO granted options to themselves. Given the role the CEO and CFO played in the options granting process, the Company has determined that the appropriate measurement date for options issued to the former CEOs and CFOs was the date on which the Board or Compensation Committee took action to ratify their grants, except for the 1997 Management Plan Grants noted below. Also, as noted above, in many instances, the CFO used hindsight and often looked for the lowest stock price in the quarter in selecting the original grant date. The change in measurement dates for these grants resulted in an additional compensation charge of approximately $2.9 million.

1997 Management Plan Grants — In March and April 1997, the Company issued approximately 0.8 million options to certain members of management, excluding options granted to the CEO and CFO. The terms of the 1997 Option Plan included that the grantees accept the options and pay $3 for each option. Based on the acceptance provision, the Company has determined the appropriate measurement dates to be the date on which the grantee accepted the offer to purchase the options. In the few situations where the Company did not have evidence of acceptance by or payment from the grantee, the Company utilized best available evidence for the determination of a measurement date. Based on the Compensation Committee's consideration of this plan and anticipated grants to the CEO and the CFO prior to the acceptance of their awards, the Company determined that the acceptance criteria should also be used in determining the measurement dates for the CEO and CFO. The change in measurement dates for these grants resulted in an additional compensation charge of approximately $0.2 million.

Employee Recognition Awards — Approximately 0.2 million of the 8.8 million options issued during this period were granted as part of the Company's *"President's Awards"* program. For these grants, managers were given an annual allotment based on CEO and CFO discussions with the Board. The allocation process typically continued beyond the original grant date. Also, as noted above, in many instances, the CFO used hindsight and often looked for the lowest stock price in the quarter in selecting the original grant date. The change in measurement dates for these grants resulted in an additional charge of approximately $0.2 million.

The Company has determined that the appropriate measurement date for these awards was the later of the following two dates: (a) the date on which evidence indicated that the Company's former CEOs or CFOs approved a particular list (evidencing finality of that list) or (b) the date on which the

price of the options was determined by the CFO with finality. Where definitive information was not available to evidence either (a) or (b), the Company determined the appropriate measurement date to be the date on which, based upon all available evidence, the granting process was completed with finality. In most of those instances, the Company determined the measurement date to be when the grant was entered into its stock option software. Where changes were noted subsequent to the date a list appeared to be substantially complete, the Company determined, based on best available evidence, whether the changes constituted an extension of the option-granting process for the entire list or for the specific changes noted.

Non-Employee director grants — Non-Employee Directors generally received automatic option grants pursuant to the 1996, 2000 and 2002 Directors Option Plans based on their initial election to the board, on the anniversary thereof, and other designated dates thereafter, as specified in the plans. Management has determined that the measurement dates related to the Non-Employee Directors followed the provisions of the plans and their exercise price was the date the Director was initially elected to the board and the anniversary dates thereafter. Accordingly, no compensation expense has been recognized for these awards.

For certain of the plans above, compensation expense was also recognized as a result of modifications that resulted in new measurement dates that were made to certain employee option grant awards in connection with termination agreements from fiscal 1995 through April 30, 2001, including acceleration of vesting for unvested options and extensions of exercise periods for vested options. Compensation expense for these modifications was recorded during the relevant periods. In almost all cases, no substantial services were rendered by the terminated employees. As a result, substantially all of the incremental compensation expense from these modifications was recognized in the period of the termination. The total compensation charge for these modifications from fiscal 1995 through April 30, 2001 was approximately $2.2 million.

The Company utilized all available evidence from the review to determine the revised measurement dates noted above. This process required a significant amount of judgment. In light of the significant judgment used, alternate approaches to those used by the Company could have resulted in different stock compensation charges than those recorded in the restatement.

While the Company believes it has made appropriate judgments in determining the financial and tax impacts of its historic stock option practices, the historical records and evidence available is incomplete and subject to interpretation. Consequently, additional or new information could bear on management's judgment and related accounting adjustments.

The cumulative incremental stock compensation expense recognized by the Company for these errors (net of tax) is approximately $12.8 million for the effect on retained earnings on October 1, 2003.

The pretax incremental stock compensation expense recognized by the company for these errors (as described above) in 2005 and 2004 is $0.2 million and $0.5 million, respectively and related after tax impact for these years was $0.1 million and $0.4 million, respectively.

The balance sheet impact of the errors, which resulted in an increase to deferred tax assets, was $0.3 million at September 30, 2005.

The expense allocated to fiscal years 2003 through 2005 include the amortization of compensation expense and charges under the variable accounting method associated with options

granted in fiscal year 2002 and prior years. The incremental effect of recognizing additional stock-based compensation expense is as follows (in thousands):

	Pre-Tax Expense	After Tax Expense
1995	$ 55	$ 40
1996	73	61

1997	2,660	1,657
1998	1,652	1,061
1999	1,897	1,320
2000	4,343	2,994
2001	6,497	5,094
2002	461	316
2003	392	268
Total 1995 – 2003 Impact	18,030	12,811
2004	520	379
2005	204	147
2006	—	—
Total for all fiscal periods	$ 18,754	$ 13,337

Impact of Adjustments

As a result of these additional charges, the Company is restating its consolidated balance sheet as of September 30, 2005, and related consolidated statements of operations, shareholders' equity and cash flows for each of the fiscal years ended September 30, 2005 and 2004.

The Company is also restating the pro forma expense disclosure required under SFAS No. 123 in Note 14 to reflect the impact of these adjustments for the years ended September 30, 2005 and 2004.

As a result of errors discovered in our reconciliation of deferred tax accounts, the Company recorded an entry to correct a deferred tax benefit that was previously recognized during the quarter ended June 30, 2006.

The following table presents the effects of the stock-based compensation, related tax adjustments, and other adjustments made to the Company's previously reported consolidated balance sheet as of September 30, 2005 (in thousands):

	September 30, 2005		
	Previously Reported	Adjustments	Restated
Current Assets:			
Cash and cash equivalents	$ 83,693	$ —	$ 83,693
Marketable securities	72,819	—	72,819
Billed receivables, net of allowances	63,530	—	63,530
Accrued receivables	5,535	—	5,535
Recoverable income taxes	3,474	—	3,474
Deferred income taxes, net	2,552	—	2,552
Other	13,009	—	13,009
Total current assets	244,612	—	244,612
Property and equipment, net	9,089	—	9,089
Software, net	4,930	—	4,930
Goodwill	66,169	—	66,169
Other intangible assets, net	13,573	—	13,573
Deferred income taxes, net	21,884	320 A	22,204
Other	3,123	—	3,123
Total assets	$ 363,380	$ 320	$ 363,700
Current Liabilities:			
Current portion of debt — financing agreements	$ 2,165	$ —	$ 2,165
Accounts payable	9,521	—	9,521
Accrued employee compensation	19,296	—	19,296
Deferred revenue	81,374	—	81,374
Accrued and other liabilities	11,662	—	11,662
Total current liabilities	124,018	—	124,018
Debt — financing agreements	154	—	154
Deferred revenue	20,450	—	20,450
Other	1,640	—	1,640
Total liabilities	146,262	—	146,262
Stockholders' Equity			
Common stock	202	—	202
Treasury stock	(68,596)	—	(68,596)
Additional paid-in capital	274,344	13,657 B	288,001
Retained earnings	20,329	(13,337)B	6,992
Accumulated other comprehensive loss	(9,161)	—	(9,161)
Total stockholders' equity	217,118	320	217,438
Total liabilities and stockholders' equity	$ 363,380	$ 320	$ 363,700

A: Adjustment to the deferred tax assets arising from the stock-based compensation charge.

B: Adjustment for additional stock compensation expense pursuant to APB Opinion No. 25 and related interpretations.

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

The following tables present the effect of the stock-based compensation and related tax adjustments made to the Company's previously reported consolidated statements of operations for the years ending September 30, 2005 and 2004 (in thousands):

	For the fiscal year ended September 30, 2005		
	Previously Reported	Adjustments	Restated
Revenues:			
Software license fees	$ 168,422	$ —	$ 168,422
Maintenance fees	93,501	—	93,501
Services	51,314	—	51,314
Total revenues	313,237	—	313,237
Expenses:			
Cost of software license fees	24,648	18 A	24,666
Cost of maintenance and services	60,336	1 A	60,337
Research and development	39,686	2 A	39,688
Selling and marketing	65,600	12 A	65,612
General and administrative	58,512	171 A	58,683
Total expenses	248,782	204	248,986
Operating income	64,455	(204)	64,251
Other income (expense):			
Interest income	3,843	—	3,843
Interest expense	(510)	—	(510)
Other, net	(1,681)	—	(1,681)
Total other income (expense)	1,652	—	1,652
Income before income taxes	66,107	(204)	65,903
Income tax provision	(22,861)	57 B	(22,804)
Net income	$ 43,246	$ (147)	$ 43,099
Earnings per share information			
Weighted average shares outstanding			
Basic	37,682	—	37,682
Diluted	38,501	6	38,507
Earnings per share			
Basic	$ 1.15	$ (0.01)	$ 1.14
Diluted	$ 1.12	$ —	$ 1.12

A: Adjustment for additional stock compensation expense pursuant to APB Opinion No. 25 and related interpretations.

B: Adjustment to the tax provision arising from the additional stock compensation expense.

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

	For the fiscal year ended September 30, 2004		
	Previously Reported	Adjustments	Restated
Revenues:			
Software license fees	$ 157,402	$ —	$ 157,402
Maintenance fees	88,484	—	88,484
Services	46,898	—	46,898
Total revenues	292,784	—	292,784
Expenses:			
Cost of software license fees	24,996	49 A	25,045
Cost of maintenance and services	57,380	—	57,380
Research and development	38,007	6 A	38,013
Selling and marketing	61,109	30 A	61,139
General and administrative	56,478	435 A	56,913
Total expenses	237,970	520	238,490
Operating income	54,814	(520)	54,294
Other income (expense):			

Interest income	1,762	—	1,762
Interest expense	(1,435)	—	(1,435)
Other, net	2,294	—	2,294
Total other income (expense)	2,621	—	2,621
Income before income taxes	57,435	(520)	56,915
Income tax provision	(10,750)	141 B	(10,609)
Net income	$ 46,685	$ (379)	$ 46,306
Earnings per share information			
Weighted average shares outstanding			
Basic	37,001	—	37,001
Diluted	38,076	41	38,117
Earnings per share			
Basic	$ 1.26	$ (0.01)	$ 1.25
Diluted	$ 1.23	$ (0.02)	$ 1.21

A: Adjustment for additional stock compensation expense pursuant to APB Opinion No. 25 and related interpretations.

B: Adjustment to the tax provision arising from the additional stock compensation expense.

The following tables reconciles adjustments of each component of stockholders' equity at the end of each fiscal year (in thousands):

	Additional Paid-In Capital	Retained Earnings	Net Impact on Stockholders' Equity
2003	$ 13,316	$ (12,811)	$ 505
2004	375	(379)	(4)
2005	(34)	(147)	(181)
	$ 13,657	$ (13,337)	$ 320

The following table presents the effect of the stock-based compensation and related tax adjustments made to the Company's previously reported consolidated statements of cash flows (in thousands) for the years ending September 30, 2005 and 2004:

	For the fiscal year ended September 30, 2005		
	Previously Reported	Adjustments	Restated
Cash flows from operating activities:			
Net income	$ 43,246	$ (147) A	$ 43,099
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation	3,832	—	3,832
Amortization	1,348	—	1,348
Loss on disposal of assets	—	119 D	119
Deferred income taxes	(1,358)	181 B	(1,177)
Stock-based compensation expense	—	204 A	413
		209 D	
Tax benefit of stock options exercised	4,299	(237) C	4,062
Changes in operating assets and liabilities:			
Billed and accrued receivables, net	(9,751)	—	(9,751)
Other current assets	(3,289)	—	(3,289)
Other assets	(1,073)	—	(1,073)
Accounts payable	1,792	—	1,792
Accrued employee compensation	4,372	—	4,372
Accrued liabilities	(375)	—	(375)
Current income taxes	8,050	—	8,050
Deferred revenue	1,502	—	1,502
Other current and noncurrent liabilities	556	(119) D	227
		(210) D	
Net cash flows from operating activities	53,151	—	53,151
Cash flows from investing activities:			
Purchases of property and equipment	(3,832)	—	(3,832)
Purchases of software and distribution rights	(1,573)	—	(1,573)
Purchases of marketable securities	(85,301)	—	(85,301)
Sales of marketable securities	47,864	—	47,864
Acquisition of businesses	(36,568)	—	(36,568)
Net cash flows from investing activities	(79,410)	—	(79,410)

Cash flows from financing activities:			
Proceeds from issuance of common stock	1,007	—	1,007
Proceeds from exercises of stock options	14,120	—	14,120
Purchases of common stock	(33,014)	—	(33,014)
Payments on debt	(7,264)	—	(7,264)
Payments on capital leases	(44)	—	(44)
Other	439	—	439
Net cash flows from financing activities	(24,756)	—	(24,756)
Effect of exchange rate fluctuations on cash	510	—	510
Net increase (decrease) in cash and cash equivalents	(50,505)	—	(50,505)
Cash and cash equivalents, beginning of period	134,198	—	134,198
Cash and cash equivalents, end of period	$ 83,693	$ —	$ 83,693
Supplemental cash flow information:			
Income taxes paid, net	$ 11,283		$ 11,283
Interest paid	$ 519		$ 519

A: Adjustment for additional stock compensation expense pursuant to APB Opinion No. 25 and related interpretations.

B: Adjustment to the deferred tax assets arising from the stock-based compensation charge.

C: Adjustment to the tax provision arising from the recording of the additional stock compensation expense.

D: Reclassifications to present stock-based compensation expense and loss on disposal of assets to conform to 2006 presentation.

	For the fiscal year ended September 30, 2004		
	Previously Reported	Adjustments	Restated
Cash flows from operating activities:			
Net income	$ 46,685	$ (379) A	$ 46,306
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation	4,203	—	4,203
Amortization	2,368	—	2,368
Loss on disposal of assets	—	36 D	36
Loss on sale of marketable securities	124	—	124
Deferred income taxes	(3,054)	5 B	(3,049)
Stock-based compensation expense	—	520 A	667
		147 D	
Tax benefit of stock options exercised	4,738	(145) B	4,593
Changes in operating assets and liabilities:			—
Billed and accrued receivables, net	(1,837)	—	(1,837)
Other current assets	(1,728)	—	(1,728)
Other assets	(3,917)	—	(3,917)
Accounts payable	(279)	—	(279)
Accrued employee compensation	3,057	—	3,057
Accrued liabilities	50	—	50
Current income taxes	461	—	461
Deferred revenue	6,743	—	6,743
Other current and noncurrent liabilities	477	(148) D	293
		(36) D	
Net cash flows from operating activities	58,091	—	58,091
Cash flows from investing activities:			
Purchases of property and equipment	(2,889)	—	(2,889)
Purchases of software and distribution rights	(973)	—	(973)
Purchases of marketable securities	(1,300)	—	(1,300)
Sales of marketable securities	2,258	—	2,258
Acquisition of businesses	—	—	—
Net cash flows from investing activities	(2,904)	—	(2,904)
Cash flows from financing activities:			
Proceeds from issuance of common stock	957	—	957
Proceeds from exercises of stock options	13,114	—	13,114
Payments on debt	(16,319)	—	(16,319)
Payments on capital leases	(97)	—	(97)
Other	(475)	—	(475)
Net cash flows from financing activities	(2,820)	—	(2,820)
Effect of exchange rate fluctuations on cash	2,872	—	2,872
Net increase (decrease) in cash and cash equivalents	55,239	—	55,239
Cash and cash equivalents, beginning of period	78,959	—	78,959
Cash and cash equivalents, end of period	$ 134,198	$ —	$ 134,198
Supplemental cash flow information:			
Income taxes paid, net	$ 7,189		$ 7,189
Interest paid	$ 1,595		$ 1,595

A: Adjustment for additional stock compensation expense pursuant to APB Opinion No. 25 and related interpretations.

B: Adjustment to the deferred tax assets arising from the stock-based compensation charge.

C: Adjustment to the tax provision arising from the recording of the additional stock compensation expense.

D: Reclassifications to present stock-based compensation expense and loss on disposal of assets to conform to 2006 presentation.

3. Acquisitions

Fiscal 2006 Acquisitions

eps

On May 31, 2006, the Company acquired the outstanding shares of eps. The aggregate purchase price for eps was $30.4 million, which was comprised of cash payments of $19.1 million, 330,827 shares of common stock valued at $11.1 million, and direct costs of the acquisition. eps, with operations in Germany, Romania, the United Kingdom and other European locations, offers electronic payment and complementary solutions focused largely in the German market. The acquisition of eps will provide the Company additional opportunities to sell its value added solutions, such as Proactive Risk Manager and Smart Chip Manager, into the German marketplace, as well as to sell eps' testing and dispute management solutions into markets beyond Germany. In addition, eps' presence in Romania will help the Company more rapidly develop its global offshore development and support capabilities.

The acquisition of eps occurred in two closings. The initial closing occurred on May 31, 2006, and the second closing occurred on October 31, 2006. Cash consideration paid at the initial closing totaled $13.0 million, net of $3.1 million of cash acquired and the remaining cash consideration of $6.1 million was paid on October 31, 2006. All shares of the Company's common stock issued as consideration for the eps acquisition were issued at the initial closing. The Company accounted for the acquisition of eps in its entirety as of May 31, 2006, and has recorded a liability, included in accrued and other liabilities at September 30, 2006, in the amount of $6.1 million for the remaining cash consideration that was paid on October 31, 2006. The Company has accounted for this as a delayed delivery of consideration as the price was fixed and not subject to change, with complete decision-making and control of eps held by the Company as of the date of the initial closing.

As noted, the consideration paid for eps included 330,827 shares of the Company's common stock, all of which were issued from the Company's treasury stock. Under the terms of the eps acquisition, the shares issued have restrictions that prohibit their resale for five years, provided, however, that these resale restrictions expire with respect to 20% of the shares each year commencing with the first anniversary of the initial closing. Due to the resale restrictions, with the assistance of an independent appraiser, the Company determined that a discount to the quoted market price of the Company's common stock in the amount of 19% was appropriate for determining the fair market value of the shares issued. The Company valued the shares issued using an average of the market price of the Company's common stock two days prior and subsequent to the parties agreeing to the terms of the acquisition and its announcement net of the 19% discount for the non-marketability of the shares. The fair market value of each share issued related to the eps acquisition was determined to be $33.42 per share.

Under the terms of the acquisition, the parties established a cash escrow arrangement in which approximately $1.0 million of the cash consideration paid at the initial closing will be held in escrow as security for a potential contingent obligation. The Company distributed the escrow in October 2006 in accordance with the terms of the escrow arrangement as the contingent liability paid by the Company was recovered from a third party. Additionally, certain of the sellers of eps have committed to certain indemnification obligations as part of the sale of eps. Those obligations are secured by the shares of common stock issued to the sellers pursuant to the eps acquisition to the degree such shares are restricted at the time such an indemnification obligation is triggered, if at all, the likelihood of which is deemed remote.

The allocation of the purchase price to specific assets and liabilities was based, in part, upon outside appraisals of the fair value of certain assets of eps. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed in connection with the acquisition, as well as the weighted-average useful lives of intangible assets (in thousands, except weighted-average useful lives):

	Amount	Weighted-Average Useful Lives
Current assets:		
Billed receivables, net of allowances	$ 1,902	
Accrued receivables	175	
Other	451	
Noncurrent assets:		
Property and equipment	183	
Developed software	5,012	5.0 years
Goodwill	22,349	
Customer relationships, trade names and other intangible assets	5,681	7.4 years
Total assets acquired	35,753	
Current liabilities	5,279	
Long-term liabilities	76	
Total liabilities assumed	5,355	
Net assets acquired	$ 30,398	

The finalization of the purchase price allocation, which is expected to be completed within one year from the date of the acquisition, may result in certain adjustments to the purchase price allocation. These adjustments may include claims related to a contract arrangement which includes contingencies not presently resolved which could directly impact the purchase price.

Subsequent to the initial allocation, the Company adjusted goodwill by $4.4 million in the fourth quarter of fiscal 2006 for certain items, primarily related to the establishment of deferred tax liabilities.

The goodwill is fully deductible for income tax purposes. Factors contributing to the purchase price which resulted in the recognized goodwill include the acquisition of management, sales and technology personnel with the skills to develop and market new products for the Company.

The financial operating results of eps beginning June 1, 2006, have been included in the consolidated financial results of the Company for the year ended September 30, 2006.

P&H Solutions, Inc.

On August 28, 2006, the Company entered into an Agreement and Plan of Merger with P&H under the terms of which P&H became a wholly-owned subsidiary of the Company. P&H is a provider of Web-based enterprise business banking solutions to financial institutions. The acquisition of P&H closed September 29, 2006. The aggregate purchase price for P&H, including direct costs of the acquisition, was $133.7 million, net of $20.2 million of cash acquired. The Company's accompanying consolidated statements of operations do not include any results of P&H operations as the acquisition occurred on the last business day of fiscal year 2006. The Company accounted for the acquisition as

a purchase using the accounting standards established in SFAS No. 141, *Business Combinations,* and accordingly, the excess purchase price over the fair value of the underlying net assets acquired, of $99.2 million, was allocated to goodwill.

The allocation of the purchase price to specific assets and liabilities was based, in part, upon outside appraisals of the fair value of certain assets of P&H. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed in connection with the acquisition, as well as the weighted-average useful lives of intangible assets (in thousands, except weighted-average useful lives):

	Amount	Weighted-Average Useful Lives
Current assets:		
Billed receivables, net of allowances	$ 6,131	
Accrued receivables	1,782	
Other	3,730	
Noncurrent assets:		
Property and equipment	5,317	
Developed software	24,550	5.7 years
Goodwill	99,180	
Customer relationships, noncompetes, and other intangible assets	25,134	7.6 years
Other	12,092	
Total assets acquired	177,916	
Current liabilities	22,340	
Long-term liabilities	21,831	
Total liabilities assumed	44,171	
Net assets acquired	$ 133,745	

This purchase price allocation is preliminary and may change due to the finalization of bad debt reserves and escrow distributions. The goodwill is fully deductible for income tax purposes. Factors contributing to the purchase price which resulted in the recognized goodwill include the acquisition of management, sales and technology personnel with the skills to develop and market new products for the Company and to develop and market the Company's products in an Application Software Provider ("ASP")/ Hosting model.

Fiscal 2005 Acquisition

S2 Systems, Inc.

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

At closing, the Company paid cash of $35.7 million, inclusive of a working capital adjustment, of which $8.0 million was held in escrow at September 30, 2005. The Company paid an additional $0.9 million for acquisition-related costs. In connection with the acquisition, the Company recorded the following amounts based upon its preliminary purchase price allocation (in thousands, except weighted-average useful lives):

	Amount	Weighted-Average Useful Lives
Current assets:		
Billed receivables, net of allowances	$ 3,171	
Other	2,610	
Non-current assets:		
Property and equipment	898	
Software	3,012	8.0 years
Goodwill	19,442	
Other intangible assets	13,310	8.6 years
Other assets	38	
Total assets acquired	42,481	
Current liabilities	5,872	
Long-term liabilities	41	
Total liabilities assumed	5,913	
Total	$ 36,568	

The Company finalized the purchase price allocation, and the goodwill associated with this acquisition was adjusted down by $0.5 million. These adjustments were attributed to finalization of bad debt reserves and severance liabilities. The goodwill amount is fully deductible for income tax purposes and presented in further detail in Note 6.

The escrow amount has been established with respect to (i) seller indemnification obligations that may arise under the acquisition agreement and (ii) reimbursement for adverse developments that may arise in fulfilling the terms of certain customer contracts. Subject to any claims that may be made against the escrow amount, and pursuant to the terms of the escrow agreement between the parties, a portion of the escrow amount will be distributed to the seller 18 months after closing, and the balance of the escrow amount will be distributed to the seller 36 months after closing. As of September 30, 2006, no distribution has occurred.

In addition, the Company may pay additional consideration based upon transaction-based license fee revenues of certain customer contracts acquired, with computation of such amounts on a quarterly basis through the fiscal quarter ended September 30, 2008. Any such contingent consideration incurred will be recorded as an increase in purchase price when the amount is determinable and payable. As of September 30, 2006, the Company did not pay any additional consideration resulting from revenue generated from transaction-based license fees.

As part of its acquisition of S2, the Company developed a detailed staff reduction plan (the “S2 Plan”) related to former S2 employees. The objective of the S2 Plan was to eliminate excess costs from the acquired operations. Under the S2 Plan, terminated employees may receive severance benefits which include cash payments based upon completed years of service and current compensation levels, and in some cases may include relocation benefits. Employees impacted by the S2 Plan include administrative and technical personnel. The following table shows activity related to the S2 Plan (in thousands):

Balance, September 30, 2005	$ 0.8
Amounts paid during fiscal 2006	(0.3)
Goodwill adjustment	(0.5)
Balance, September 30, 2006	$ —

Unaudited Pro Forma Financial Information

The unaudited financial information in the table below summarizes the combined results of operations of TSA’s significant acquisitions (S2, eps and P&H), on a pro forma basis, as though the companies had been combined as of the beginning of each of the periods presented. These results include certain adjustments related to the acquisitions, including adjustments associated with increased interest expense on debt incurred to fund the acquisitions, the depreciation of property, plant and equipment, the amortization of intangible assets, and the related income tax effects (in thousands, except per share amounts):

	Year Ended September 30, 2006	Year Ended September 30, 2005 Restated
Revenues	$ 391,664	$ 380,497
Net income	47,771	32,212
Earnings per share:		
Basic	$ 1.28	$ 0.85
Diluted	$ 1.25	$ 0.84

The pro forma information is shown for illustrative purposes only and is not necessarily indicative of future results of operations of the Company or results of operations of the Company that would have actually occurred had the transactions been in effect for the periods presented.

4. Marketable Securities

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

	September 30, 2006	September 30, 2005
Municipal auction rate notes	$—	$ 71,825
Municipal bonds/notes	—	994
Marketable securities	$—	$ 72,819

At September 30, 2005, all of the Company's investments in municipal auction rate notes and municipal bonds/notes had a AAA rating. During fiscal 2006, the Company sold all of its investments in marketable equity securities for cash.

5. Property and Equipment

Property and equipment at each balance sheet date consisted of the following (in thousands):

	September 30, 2006	September 30, 2005
Computer and office equipment	$ 35,982	$ 33,584
Furniture and fixtures	6,669	7,101
Leasehold improvements	6,233	6,187
Vehicles and other	115	224
	48,999	47,096
Less: accumulated depreciation and amortization	(34,693)	(38,007)
Property and equipment, net	$ 14,306	$ 9,089

During fiscal 2005, the Company performed a physical inventory of its fixed assets in all major locations, utilizing outside consultants and Company personnel. As a result of the physical counts, the Company removed from service $16.8 million of computer equipment, $3.1 million of furniture and fixtures, and $1.2 million of leasehold improvements. These fixed assets had a net book value of $58,000 at the time of write-off.

In connection with the fiscal 2006 acquisition of P&H, the Company recorded computer and office equipment of $5.0 million, office furniture and fixtures of $0.2 million and leasehold improvements of $0.1 million. The Company recorded computer and office equipment of $0.2 million with the fiscal 2006 acquisition of eps.

In connection with the fiscal 2005 acquisition of S2, the Company recorded computer and office equipment of $0.7 million and office furniture and fixtures of $0.2 million.

6. Goodwill

Changes in the carrying amount of goodwill attributable to each reporting unit with goodwill balances during fiscal 2006, 2005 and 2004 were as follows (in thousands):

	Americas	EMEA	Asia / Pacific	Total
Balance, September 30, 2003	$ 19,564	$ 17,120	$ 9,741	$ 46,425
Foreign currency translation adjustments	56	332	—	388
Other	(25)	(82)	—	(107)
Balance, September 30, 2004	19,595	17,370	9,741	46,706
Foreign currency translation adjustments	—	21	—	21
Additions — acquisition of S2	19,598	(156)	—	19,442
Balance, September 30, 2005	39,193	17,235	9,741	66,169
Foreign currency translation adjustments	55	267	—	322
Adjustments — acquisition of S2 (1)	(108)	—	(413)	(521)
Additions — acquisition of eps	—	26,603	—	26,603
Additions — acquisition of P&H	99,180	—	—	99,180
Assets of business transferred under contractual arrangements (Note 17)	(235)	—	—	(235)
Balance, September 30, 2006	$ 138,085	$ 44,105	$ 9,328	$ 191,518

(1) Adjustments relate to S2 acquisition adjustments primarily related to reduction in severance liabilities associated with acquired S2 employees.

Goodwill is assessed for impairment at each fiscal year-end at the reporting unit level. During this assessment, management relies on a number of factors, including operating results, business plans and anticipated future cash flows. 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 based upon the estimated fair value of goodwill at the valuation date. In fiscal 2006, 2005 and 2004, the Company performed an impairment test for each reporting unit. No impairment losses were recognized for the years reported.

7. Software and Other Intangible Assets

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

	September 30, 2006	September 30, 2005
Internally-developed software	$ 13,156	$ 14,916
Purchased software	73,863	43,177
	87,019	58,093
Less: accumulated amortization	(52,725)	(53,163)
Software, net	$ 34,294	$ 4,930

At September 30, 2006, the $34.3 million software net book value includes the following software purchased through acquisitions which is being marketed for external sale: $2.2 million in S2 purchased software, $4.7 million of eps purchased software, and $24.6 million of P&H purchased software, including $18.8 million in internal use software. The remaining software net book value of $2.8 million is comprised of various software that has been acquired or developed for internal use. The Company did not capitalize internal software development costs to be marketed for external sale in fiscal 2006, 2005 or 2004.

Amortization of acquired software marketed for external sale 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 to six years. Software amortization expense recorded in fiscal 2006, 2005 and 2004 totaled $2.2 million, $1.1 million and $1.8 million, respectively. The majority of these software amortization expense amounts are reflected in either cost of software license fees or general and administrative expenses in the consolidated statements of operations.

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

	September 30, 2006	September 30, 2005
Customer relationships	$ 36,891	$ 14,375
Purchased contracts	11,411	3,907
Trademarks and tradenames	2,152	1,400
Covenant not to compete	1,450	1,150
	51,904	20,832
Less: accumulated amortization	(9,469)	(7,259)
Other intangible assets, net	$ 42,435	$ 13,573

The Company added other intangible assets of $25.1 million and $5.7 million, respectively, from the acquisition of P&H and eps in fiscal 2006. Other intangible assets amortization expense recorded in fiscal 2006, 2005 and 2004 totaled $2.1 million, $0.2 million and $0.1 million, respectively. Based on capitalized intangible assets at September 30, 2006, and assuming no impairment of these intangible assets, estimated amortization expense amounts in future fiscal years are as follows (in thousands):

Fiscal Year Ending September 30,	Software Amortization	Other Intangible Assets Amortization
2007	$ 7,588	$ 6,209
2008	6,545	5,931
2009	6,025	5,797
2010	5,545	5,709
2011	5,278	5,709
Thereafter	3,313	13,080
Total	$ 34,294	$ 42,435

8. Debt

Financing Agreements

Prior to fiscal 2003, the Company sold the rights to future payment streams under software license arrangements with extended payment terms to financial institutions and received cash. The amount of the proceeds received from the financing agreements was typically determined by applying a discount rate to the gross future payments to be received from the customer. The outstanding balance at September 30, 2005 of $2.3 million was paid in full in fiscal 2006. During fiscal 2006, 2005 and 2004, the Company recorded interest expense of $0.1 million, $0.4 million and $1.4 million, respectively, related to these financing agreements.

Long-term Credit Facility

In connection with funding the purchase of P&H, on September 29, 2006 the Company entered into a five year revolving credit facility with a syndicate of financial institutions, as lenders, providing for revolving loans and letters of credit in an aggregate principal amount not to exceed $150 million. The facility has a maturity date of September 29, 2011, at which time any principal amounts outstanding are due. Obligations under the facility are unsecured and uncollateralized, but are jointly and severally guaranteed by certain domestic subsidiaries of the Company.

The Company may select either a base rate loan or a LIBOR based loan. Base rate loans are computed at the national prime interest rate plus a margin ranging from 0% to 0.125%. LIBOR based loans are computed at the applicable LIBOR rate plus a margin ranging from 0.625% to 1.375%. The margins are dependent upon the Company’s total leverage ratio at the end of each quarter. The initial borrowing rate on September 29, 2006 was set using the base rate option, effecting a rate of 8.25%. Interest is due and payable quarterly.

On October 5, 2006, the Company exercised its right to convert the rate on its initial borrowing to the LIBOR based option, thereby reducing the effective interest rate to 6.12%. There is also an unused commitment fee to be paid annually of 0.15% to 0.3% based on the Company’s leverage ratio. The initial principal borrowings of $75 million were outstanding at September 30, 2006. There is $75 million remaining under the credit facility as of September 30, 2006 and is available for future borrowings. In connection with the borrowing, the Company incurred debt issue costs of $1.7 million.

The credit facility contains certain affirmative and negative covenants including certain financial measurements. The facility also provides for certain events of default. The facility does not contain any subjective acceleration features and does not have any required payment or principal reduction schedule and is included as non-current in the accompanying consolidated balance sheet. The company has obtained waivers for events of noncompliance with restrictive debt covenants.

At September 30, 2006 the fair value of the Company’s long-term credit facility approximates its carrying value.

9. Corporate Restructuring and Other Reorganization Charges

On October 5, 2005, the Company announced a restructuring of its organization. In connection with this restructuring, the Company established a plan of termination which impacted 42 employees. These actions resulted in severance-related restructuring charges of $1.1 million and other charges of $0.2 million during fiscal 2005. Additional severance-related restructuring charges, net of adjustments

to previously recognized liabilities, of $0.2 million were incurred during fiscal 2006. Cash expenditures related to restructuring and other reorganization charges totaled $1.2 million during fiscal 2006. The Company anticipates that the remaining restructuring amounts will be paid by the end of fiscal 2007. The following table shows activity related to these exit activities (in thousands):

	Restructuring Termination Benefits	Other Reorganization Charges	Total
Fiscal 2005 restructuring charges	$ 1,080	$ 171	$ 1,251
Amounts paid during fiscal 2005	(46)	(171)	(217)
Balance, September 30, 2005	1,034	—	1,034
Additional restructuring charges incurred during fiscal 2006	424	—	424
Adjustments to previously recognized liabilities	(180)	—	(180)
Amounts paid during fiscal 2006	(1,218)	—	(1,218)
Balance, September 30, 2006	$ 60	$ —	$ 60

During fiscal 2006, the Company also restructured its Product and Americas Sales organizations. These actions resulted in severance-related restructuring charges of $0.9 million, which are reflected in operating expenses. The allocation of these charges was as follows: $0.1 million in cost of maintenance and services, $0.6 million in selling and marketing, $0.1 million in research and development, and $0.1 million in general and administrative. The charges, by channel, were as follows: $0.6 million in the Americas channel, $0.1 million in the EMEA channel, and $0.2 million in the Asia/Pacific channel. The Company anticipates that these restructuring amounts will be paid by the end of fiscal 2007. The following table shows activity related to these exit activities (in thousands):

	Termination Benefits
Fiscal 2006 restructuring charges	$ 865

Amounts paid during fiscal 2006	(141)
Balance, September 30, 2006	$ 724

During fiscal 2001, the Company closed, or significantly reduced the size of, certain product development organizations and geographic sales offices, resulting in restructuring charges. The following table shows activity during fiscal 2005 and 2004 related to these exit activities (in thousands):

	Lease Obligations
Balance, September 30, 2003	$ 681
Amounts paid during fiscal 2004	(133)
Balance, September 30, 2004	548
Amounts paid during fiscal 2005	(31)
Adjustments to previously recognized liabilities	(517)
Balance, September 30, 2005	$ —

The liability for lease obligations had included an estimated lease termination loss of $0.5 million for the corporate aircraft. During fiscal 2005, the Company reversed this estimated lease termination loss from general and administrative expenses resulting from a decision whereby the Company would continue to lease the aircraft through the term of the lease rather than seek an exit to this lease obligation.

10. Common Stock, Treasury Stock and Earnings Per Share

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

In fiscal 2005, the Company announced that its Board of Directors approved a stock repurchase program authorizing the Company, from time to time as market and business conditions warrant, to acquire up to $80.0 million of its common stock. In May 2006, the Company's Board of Directors approved an increase of $30.0 million to the current stock repurchase program, bringing the total of the approved plan to $110.0 million. During fiscal 2005, the Company repurchased 1,467,000 shares of its common stock at an average price of $22.73 per share under this stock repurchase program, with cash paid of $33.0 million by September 30, 2005 and remaining settlements of $0.3 million that occurred during the first week of October 2005 on these repurchased shares. The maximum remaining dollar value of shares authorized for purchase under the stock repurchase program was approximately $46.7 million as of September 30, 2005. During fiscal 2006, the Company repurchased 1,217,645 shares of its common stock at an average price of $32.95 per share under this stock repurchase program, with cash paid of $39.4 million as of September 30, 2006 and remaining settlements of $0.8 million occurring the first week of October 2006 on these repurchased shares. The maximum remaining dollar value of shares authorized for purchase under the stock repurchase program was $36.5 million as of September 30, 2006.

During the third quarter of fiscal 2006, the Company began to issue shares of treasury stock upon exercise of stock options and for issuances of common stock pursuant to the Company's employee stock purchase plan. Shares of treasury stock were also issued during the third quarter of fiscal 2006 in connection with the acquisition of eps. Treasury shares issued during fiscal 2006 included 720,471 shares issued pursuant to stock option exercises, 20,547 issued pursuant to the Company's employee stock purchase plan, and 330,827 related to the acquisition of eps.

Options to purchase shares of the Company's common stock at an exercise price of one cent per share are included in common stock for presentation purposes on the September 30, 2006 and 2005 consolidated balance sheets, and are included in common stock outstanding for earnings per share computations for fiscal 2006, 2005 and 2004. Included in common stock are 2,212 penny options at both September 30, 2006 and 2005.

Earnings per share ("EPS") is computed in accordance with SFAS No. 128, *Earnings per Share*. Basic earnings per share is calculated by dividing net income available to common stockholders (the numerator) by the weighted average number of shares of common stock outstanding during the period (the denominator). Diluted earnings per share is computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding during the period, adjusted for the dilutive effect of any outstanding dilutive securities (the

denominator). The differences between the basic and diluted EPS denominators for fiscal 2006, 2005 and 2004, which amounted to approximately 868,000 shares, 825,000 shares and 1,116,000 shares, respectively, were due to the dilutive effect of the Company's outstanding stock options. Excluded from the computations of diluted EPS for fiscal 2006, 2005 and 2004 were options to purchase 505,000 shares, 953,000 shares and 716,000 shares, respectively, because the stock options were for contingently issuable shares or the exercise prices of the corresponding stock options were greater than the average market price of the Company's common stock during the respective periods.

11. Other Income/Expense

Other income (expense) is comprised of the following items in fiscal 2006, 2005 and 2004 (in thousands):

	Year Ended September 30,		
	2006	2005	2004
Foreign currency transaction gains (losses)	$ (173)	$ (1,407)	$ 2,637
Other	(370)	(274)	(343)
Total	$ (543)	$ (1,681)	$ 2,294

12. Comprehensive Income/Loss

The Company discloses comprehensive income (loss) information in accordance with SFAS No. 130, *Reporting Comprehensive Income*, which establishes standards for reporting and display of comprehensive income and its components in a financial statement for the period in which they are recognized. The Company's components of accumulated other comprehensive income (loss) were as follows (in thousands):

	Foreign Currency Translation Adjustments	Unrealized Investment Holding Loss	Accumulated Other Comprehensive Income (Loss)
Balance, September 30, 2003	$ (8,020)	$ (201)	$ (8,221)
Fiscal 2004 activity	(1,755)	77	(1,678)
Reclassification adjustment for loss included in net income	—	124	124
Balance, September 30, 2004	(9,775)	—	(9,775)
Fiscal 2005 activity	620	(6)	614
Balance, September 30, 2005	(9,155)	(6)	(9,161)
Fiscal 2006 activity	566	—	566
Reclassification adjustment for loss included in net income	—	6	6
Balance, September 30, 2006	$ (8,589)	$ —	$ (8,589)

13. Segment Information

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

On October 5, 2005, the Company announced a restructuring of its organization, combining products and services within these three business units into one operating unit under the ACI Worldwide name. In examining the Company's market, opportunities and organization, management decided that combining the business units' products and services provides the Company with better insight and, therefore, an enhanced ability to focus on operating efficiency and strategic acquisition integration.

As a result of this restructuring, the Company's chief operating decision maker, together with other senior management personnel, currently focus their review of consolidated financial information and the allocation of resources based on reporting of operating results, including revenues and operating income, for the geographic regions of the Americas, Europe/Middle East/Africa ("EMEA") and Asia/Pacific. The Company's products are sold and supported through distribution networks covering these three geographic regions, with each distribution network having its own sales force. The Company supplements its distribution networks with independent reseller and/or distributor arrangements. As such, the Company has concluded that its three geographic regions are its reportable operating segments.

The Company's chief operating decision makers review financial information presented on a consolidated basis, accompanied by disaggregated information about revenues and operating income by geographical region.

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

	Year Ended September 30, 2006	2005 Restated	2004 Restated
Revenues:			
Americas	$ 180,718	$ 169,025	$ 158,504
EMEA	131,738	110,249	97,949
Asia/Pacific	35,446	33,963	36,331
	$ 347,902	$ 313,237	$ 292,784
Depreciation and amortization expense:			
Americas	$ 5,601	$ 4,076	$ 5,230
EMEA	2,311	238	226
Asia/Pacific	449	866	1,115
	$ 8,361	$ 5,180	$ 6,571
Stock-based compensation expense:			
Americas	$ 5,969	$ 388	$ 606
EMEA	252	21	48
Asia/Pacific	93	4	13
	$ 6,314	$ 413	$ 667
Operating income:			
Americas	$ 35,174	$ 39,958	$ 34,510
EMEA	11,180	15,714	10,839
Asia/Pacific	7,424	8,579	8,945
	$ 53,778	$ 64,251	$ 54,294

	September 30, 2006	2005
Long-lived assets:		
Americas — United States	$ 218,418	$ 56,542
Americas — Other	4,450	3,849
EMEA	61,556	25,017
Asia/Pacific	11,910	11,476
	$ 296,334	$ 96,884

Additionally, the Company offers five primary software product lines that are sold in each of the geographic regions listed above. Following are revenues, by product line, for fiscal 2006, 2005 and 2004 (in thousands):

	Year Ended September 30, 2006	2005	2004
Retail Payment Engines	$ 240,850	$ 220,565	$ 196,803
Risk Management	16,159	13,945	16,263
Payments Management	13,817	9,753	10,958
Wholesale Payments	27,140	27,973	31,053
Cross Industry Solutions	49,936	41,001	37,707
Total	$ 347,902	$ 313,237	$ 292,784

No country outside of the United States accounted for more than 10% of the Company's consolidated revenues during fiscal 2006 and 2004. Revenues attributable to customers in the United Kingdom accounted for approximately 10.2% of the Company's consolidated revenues in fiscal 2005. No single customer accounted for more than 10% of the Company's consolidated revenues during fiscal 2006, 2005 or 2004.

During fiscal 2006, 2005 and 2004 revenues in the United States accounted for approximately $118.8 million, $123.5 million, and $120.5 million, respectively, of consolidated revenue. Long-lived assets attributable to operations in the United States were approximately $218.4 million and $56.5 million, as of September 30, 2006 and 2005, respectively.

14. Stock-Based Compensation Plans

Employee Stock Purchase Plan

Under the Company's 1999 Employee Stock Purchase Plan (the "ESPP"), a total of 1,500,000 shares of the Company's common stock have been reserved for issuance to eligible employees. Participating employees are permitted to designate up to the lesser of $25,000 or 10% of their annual base compensation for the purchase of common stock under the ESPP. Purchases under the ESPP are made one calendar month after the end of each fiscal quarter. The price for shares of common stock purchased under the ESPP is 85% of the stock's fair market value on the last business day of the three-month participation period. Shares issued under the ESPP during fiscal 2006, 2005 and 2004 totaled 43,761, 61,009 and 66,254, respectively.

Additionally, the discount offered pursuant to the Company's ESPP discussed above is 15%, which exceeds the 5% non-compensatory guideline in SFAS No. 123(R) and exceeds the Company's estimated cost of raising capital. Consequently, the entire 15% discount to employees is deemed to be compensatory for purposes of calculating expense using a fair value method. Compensation cost related to the ESPP in fiscal 2006 was approximately $0.2 million.

Stock Incentive Plans — Active Plans

The Company has a 2005 Equity and Performance Incentive Plan (the “2005 Incentive Plan”) under which shares of the Company’s common stock have been reserved for issuance to eligible employees or non-employee directors of the Company. The 2005 Incentive Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock

awards, performance awards and other awards. The maximum number of shares of the Company’s common stock that may be issued or transferred in connection with awards granted under the 2005 Incentive Plan will be the sum of (i) 3,000,000 shares and (ii) any shares represented by outstanding options that had been granted under designated terminated stock option plans that are subsequently forfeited, expire or are canceled without delivery of the Company’s common stock.

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

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

Upon adoption of the 2005 Incentive Plan in March 2005, the Board terminated the following stock option plans of the Company: (i) the 2002 Non-Employee Director Stock Option Plan, as amended, (ii) the MDL Amended and Restated Employee Share Option Plan, (iii) the 2000 Non-Employee Director Stock Option Plan, (iv) the 1997 Management Stock Option Plan, (v) the 1996 Stock Option Plan; and (vi) the 1994 Stock Option Plan, as amended. Termination of these stock option plans did not affect any options outstanding under these plans immediately prior to termination thereof. The 1999 Stock Option Plan remains in effect.

The Company has a 1999 Stock Option Plan whereby 4,000,000 shares of the Company’s common stock have been reserved for issuance to eligible employees of the Company and its subsidiaries. Under APB Opinion No. 25, non-cash, stock based compensation expense was recognized for any option for which the exercise price was below the market price on the applicable measurement date. This expense was amortized over the service periods of the options. Additionally, there were certain awards that were accounted for under the variable accounting method. Under that method, charges are taken each reporting period to reflect increases in the fair value of the stock over the option exercise price until the stock option is exercised or otherwise cancelled. The term of the outstanding options is ten years. The options generally vest annually over a period of three years.

Stock Incentive Plans — Terminated Plans with Options Outstanding

The Company had a 2002 Non-Employee Director Stock Option Plan that was terminated in March 2005 whereby 250,000 shares of the Company’s common stock had been reserved for issuance to eligible non-employee directors of the Company. The term of the outstanding options is ten years. Options granted on or after March 9, 2004 vest on the first anniversary of the date of grant, whereas options granted prior to March 9, 2004 vest annually over a period of three years.

On August 1, 2001, the Company announced a voluntary stock option exchange program (the “Exchange Program”) offering to exchange all outstanding options to purchase shares of the

Company’s common stock granted under the 1994 Stock Option Plan, 1996 Stock Option Plan and 1999 Stock Option Plan held by eligible employees or eligible directors for new options under the same option plans by August 29, 2001. The Exchange Program required any person tendering an option grant for exchange to also tender all subsequent option grants with a lower exercise price received by that person during the six months immediately prior to the date the options accepted for exchange are cancelled. Options to acquire a total of 3,089,100 shares of common stock with exercise prices ranging from $2.50 to $45.00 were eligible to be exchanged under the Exchange Program. The offer expired on August 28, 2001, and the Company cancelled 1,946,550 shares tendered by 578 employees. As a result of the Exchange Program, the Company granted replacement stock options to acquire 1,823,000 shares of common stock at an exercise price of $10.04. The difference between the number of shares cancelled and the number of shares granted relates to options cancelled by employees who terminated their employment with the Company between the cancellation date and regrant date. With the exception of three employee grants, the exercise price of the replacement options was the fair market value of the common stock on the grant date of the new options, which was March 4, 2002 (a date at least six months and one day after the date of cancellation). Under APB Opinion No. 25, non-cash, stock based compensation expense was recognized for any option for which the exercise price was below the market price on the applicable measurement date. This expense was amortized over the service periods of the options. For three employees, the cancellation of their awards were within the six months and one day waiting period and were, therefore, treated as variable awards when they were reissued on March 4, 2002. Under the variable method, charges are taken each reporting period to reflect increases in the fair value of the stock over the option exercise price until the stock option is exercised or otherwise cancelled. The new shares have a service period schedule of 18 months beginning on the grant date of the new options, except for options tendered by executive officers under the 1994 Stock Option Plan, which vest 25% annually on each anniversary of the grant date of the new options. The Exchange Program was designed to comply with FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation*, for fixed plan accounting.

The Company had an MDL Amended and Restated Employee Share Option Plan (the "MDL Plan") that was terminated in March 2005 whereby options outstanding under the MDL Plan were converted at the time of the MDL acquisition to options to purchase 167,980 shares of the Company's common stock. These options have an exercise price of one cent per share of common stock and were included in the determination of purchase price for the MDL acquisition. The Options were issued as fully vested options and have a term of 8 years from the original date of grant by MDL.

The Company had a 2000 Non-Employee Director Stock Option Plan that was terminated in March 2005 whereby 25,000 shares of the Company's common stock had been reserved for issuance to eligible non-employee directors of the Company. The term of the outstanding options is ten years. The options vest annually over a period of three years.

The Company had a 1997 Management Stock Option Plan that was terminated in March 2005 whereby 1,050,000 shares of the Company's common stock had been reserved for issuance to eligible management employees of the Company and its subsidiaries. Under APB Opinion No. 25, non-cash, stock based compensation expense was recognized for any option for which the exercise price was below the market price on the applicable measurement date. This expense was amortized over the service periods of the options, net of a $3 per option payment from the participant. The term of the outstanding options is ten years. The options vest annually over a period of four years.

The Company had a 1996 Stock Option Plan that was terminated in March 2005 whereby 1,008,000 shares of the Company's common stock had been reserved for issuance to eligible employees of the Company and its subsidiaries and non-employee members of the Board of Directors. Under APB Opinion No. 25, non-cash, stock-based compensation expense was recognized for any option for which the exercise price was below the market price on the applicable measurement date. This expense was amortized over the service periods of the options. Additionally, there were certain awards that were accounted for under the variable accounting method. Under that method, charges are taken each reporting period to reflect increases in the fair value of the stock over the option exercise price until the stock option is exercised or otherwise cancelled. The term of the outstanding options is ten years. The options generally vest annually over a period of four years.

The Company had a 1994 Stock Option Plan that was terminated in March 2005 whereby 1,910,976 shares of the Company's common stock had been reserved for issuance to eligible employees of the Company and its subsidiaries. Under APB Opinion No. 25, non-cash, stock based compensation expense was recognized for any option for which the exercise price was below the market price on the applicable measurement date. This expense was amortized over the service periods of the options. The term of the outstanding options is ten years. The stock options vest ratably over a period of four years.

Accounting for Share-Based Payments Pursuant to SFAS No. 123(R)

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

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

A summary of stock options issued under the various Stock Incentive Plans previously described and changes during fiscal 2006 is as follows:

	Number of Shares	Weighted-Average Exercise Price ($)	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value of In-the-Money Options ($)
Outstanding, September 30, 2003	5,200,046	12.32		
Granted	275,400	18.28		
Exercised	(1,391,302)	9.47		
Cancelled/Forfeited/Expired	(283,870)	20.79		
Outstanding, September 30, 2004	3,800,274	13.16	6.82	24,630,279
Granted	1,335,000	23.33		
Exercised	(1,152,418)	12.09		
Cancelled/Forfeited/Expired	(56,638)	23.49		

Outstanding, September 30, 2005	3,926,218	16.79	7.15	43,612,745
Granted	300,000	33.23		
Exercised	(720,471)	16.32		
Cancelled/Forfeited/Expired	(46,657)	22.18		
Outstanding, September 30, 2006	3,459,090	18.24	6.98	55,737,495
Exercisable, September 30, 2006	1,947,650	13.36	5.71	40,828,771

The weighted-average grant date fair value of stock options granted during the year ended September 30, 2006 was $33.23. The weighted average grant date fair value of stock options granted during the years ended September 30, 2005 and 2004 was $23.33 and $18.28, respectively. During the first six months of fiscal 2006, the Company issued new shares of common stock for the exercise of stock options. Beginning in the third quarter and through the fourth quarter of fiscal 2006, the Company issued treasury shares for the exercise of stock options. The total intrinsic value of stock options exercised during the year ended September 30, 2006 was $12.0 million.

The fair value of options granted in the respective fiscal years was estimated on the date of grant using the Black-Scholes option-pricing model, a pricing model acceptable under SFAS No. 123(R), with the following weighted-average assumptions:

	Year Ended September 30,		
	2006	2005	2004
Expected life	5.0	4.3	3.4
Risk-free interest rate	4.8%	4.0%	2.9%
Expected volatility	51%	46%	93%
Expected dividend yield	—	—	—

Expected volatilities are based on implied volatilities from traded options on the Company's common stock as well as the Company's historical common stock volatility derived from historical stock price data for historical periods commensurate with the options' expected life. The expected life of options granted represents the period of time that options granted are expected to be outstanding, assuming differing exercise behaviors for stratified employee groupings. The risk-free interest rate is based on the implied yield currently available on U.S. Treasury zero coupon issues with a remaining

term equal to the expected term at the date of grant of the options. The expected dividend yield is zero as the Company has historically paid no dividends and does not anticipate dividends to be paid in the future.

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

	Year Ended September 30,		
	2006	2005	2004
Expected life	N/A	5.7	N/A
Risk-free interest rate	N/A	4.2%	N/A
Expected volatility	N/A	46%	N/A
Expected dividend yield	—	—	—

No options were issued in fiscal 2006 which vest based upon achievement of certain market conditions.

During fiscal 2006 and 2005, pursuant to the Company's 2005 Incentive Plan, the Company granted long-term incentive program performance share awards ("LTIP Performance Shares"). A summary of nonvested LTIP Performance Shares as of September 30, 2006 and changes during the years since adoption of this plan are as follows:

Nonvested LTIP Performance Shares	Number of shares at 150% Attainment	Weighted-Average Grant Date Fair Value
Nonvested at October 1, 2004	—	$ —
Granted	55,500	28.27
Nonvested at October 1, 2005	55,500	28.27
Granted	186,000	29.18
Vested	(2,379)	29.10
Forfeited or expired	(19,971)	28.79
Nonvested at September 30, 2006	219,150	$ 28.99

These LTIP Performance Shares are earned, if at all, based upon the achievement, over a three-year period (the “Performance Period”), of performance goals related to (i) the compound annual growth over the Performance Period in the Company’s 60-month backlog as determined and defined by the Company, (ii) the compound annual growth over the Performance Period in the diluted earnings per share as reported in the Company’s consolidated financial statements, and (iii) the compound annual growth over the Performance Period in the total revenues as reported in the Company’s consolidated financial statements. In no event will any of the LTIP Performance Shares become earned if the Company’s earnings per share is below a predetermined minimum threshold level at the conclusion of the Performance Period. Assuming achievement of the predetermined minimum earnings per share threshold level, up to 150% of the LTIP Performance Shares may be earned upon achievement of performance goals equal to or exceeding the maximum target levels for compound annual growth over the Performance Period in the Company’s 60-month backlog, diluted earnings per share and total revenues. Management must evaluate, on a quarterly basis, the probability that the target performance goals will be achieved, if at all, and the anticipated level of attainment in order to determine the amount of compensation costs to record in the consolidated financial statements.

During fiscal 2006, the Company made an acquisition which increased the probability of the 150% target achievement being reached. Consequently, this increased the number of outstanding LTIP Performance Shares by 73,050 that could potentially be earned by grantees. Prior to the acquisition, the number of LTIP Performance Shares outstanding was granted at the 100% probability target achievement level. The increase in the number of LTIP Performance Shares granted in the fourth quarter results in increased compensation cost which is recognized as a cumulative adjustment to compensation cost in fiscal 2006. The additional compensation expense is recognized net of estimated forfeitures.

As of September 30, 2006, there were unrecognized compensation costs of $11.4 million related to nonvested stock options and $3.0 million related to nonvested LTIP Performance Shares which the Company expects to recognize over weighted-average periods of 2.7 years and 2.0 years, respectively.

The Company recorded stock-based compensation expenses recognized under SFAS No. 123(R) in fiscal 2006 related to stock options, LTIP Performance Shares, and the ESPP of $6.3 million, with corresponding tax benefits of $2.2 million. Prior to the adoption of SFAS No. 123(R), tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options were classified as operating cash flows. These excess tax benefits are now classified as financing cash flows. No stock-based compensation costs were capitalized during fiscal 2006. Estimated forfeiture rates, stratified by employee classification, have been included as part of the Company’s calculations of compensation costs. The Company recognizes compensation costs for stock option awards which vest with the passage of time with only service conditions on a straight-line basis over the requisite service period.

Accounting for Stock-Based Payments Prior to Adoption of SFAS No. 123(R)

Prior to October 1, 2005, the Company accounted for its stock-based compensation plans under the intrinsic value method in accordance with APB Opinion No. 25 and followed the disclosure provisions of SFAS No. 123, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure*. Under APB Opinion No. 25, non-cash, stock based compensation expense was recognized for any option for which the exercise price was below the

market price on the applicable measurement date. This expense was amortized over the vesting periods of the options. Additionally, there were certain awards that were accounted for under the variable accounting method. Under that method, charges are taken each reporting period to reflect increases in the fair value of the stock over the option exercise price until the stock option is exercised or otherwise cancelled.

Prior to October 1, 2005, the Company disclosed stock-based compensation pursuant to SFAS No. 123 using the straight-line method over the vesting period of the option. In addition to the stock-based compensation expense recorded by the Company as part of the restatement (see Note 2), the Company had previously recognized $0.1 million and $0.1 million in stock-based compensation expense in fiscal 2005 and fiscal 2004, respectively. Had compensation cost for the Company’s stock-based compensation plans been determined using the fair value method at the grant date of the stock options awarded under those plans, consistent with the fair value method of SFAS No. 123, the Company’s net income and earnings per share for fiscal 2005 and 2004 would have approximated the following pro forma amounts (in thousands, except per share amounts):

	2005 Restated	2004 Restated
Net income:		
As reported	$ 43,099	$ 46,306
Deduct: stock-based employee compensation expense determined under the fair value method for all awards, net of related tax effects	(3,279)	(3,053)
Add: stock-based employee compensation expense recorded under the intrinsic value method, net of related tax effects	284	471
Pro forma	$ 40,104	$ 43,724
Earnings per share:		
Basic, as reported	$ 1.14	$ 1.25
Basic, pro forma	$ 1.06	$ 1.18

Diluted, as reported	$ 1.12	$ 1.21
Diluted, pro forma	$ 1.04	$ 1.15

15. Employee Benefit Plans

TSA 401(k) Plan

The TSA 401(k) Plan is a defined contribution plan covering all domestic employees of TSA. Participants may contribute up to 60% of their pretax annual compensation up to a maximum of $15,000 (for employees who are under the age of 50 on December 31, 2006) and $14,000 (for employees who are under the age of 50 on December 31, 2005) or a maximum of $20,000 (for employees aged 50 or older on December 31, 2006) and $18,000 (for employees aged 50 or older on December 31, 2005). The Company matches participant contributions 160% on every dollar deferred to a maximum of 2.5% of compensation, not to exceed $4,000 per employee annually. Company contributions charged to expense during fiscal 2006, 2005 and 2004 were $2.5 million, $2.4 million and $2.4 million, respectively.

ACI Worldwide EMEA Group Personal Pension Scheme

The ACI Worldwide EMEA Group Personal Pension Scheme is a defined contribution plan covering substantially all ACI Worldwide (EMEA) Limited (“ACI-EMEA”) employees. For those ACI-EMEA employees who elect to participate in the plan, the Company contributes a minimum of 8.5% of eligible compensation to the plan for employees employed at December 1, 2000 (up to a maximum of 15.5% for employees aged over 55 years on December 1, 2000) or 6.0% of eligible compensation for employees employed subsequent to December 1, 2000. ACI-EMEA contributions charged to expense during fiscal 2006, 2005 and 2004 were $1.7 million, $1.6 million and $1.0 million, respectively.

16. Income Taxes

The provision (benefit) for income taxes consists of the following (in thousands):

	Year Ended September 30,								
	2006			2005			2004		
	Current	Deferred	Total	Current Restated	Deferred Restated	Total Restated	Current Restated	Deferred Restated	Total Restated
Federal	$ 3,023	$ (2,672)	$ 351	$ 18,926	$ (1,992)	$ 16,934	$ 6,439	$ (4,839)	$ 1,600
State	837	592	1,429	2,052	220	2,272	1,284	1,272	2,556
Foreign	3,120	610	3,730	3,146	452	3,598	6,246	207	6,453
Total	$ 6,980	$ (1,470)	$ 5,510	$ 24,124	$ (1,320)	$ 22,804	$ 13,969	$ (3,360)	$ 10,609

Differences between the income tax provisions computed at the statutory federal income tax rate and per the consolidated statements of operations are summarized as follows (in thousands):

	Year Ended September 30,		
	2006	2005 Restated	2004 Restated
Tax expense at federal rate of 35%	$ 21,306	$ 23,066	$ 19,920
Increase (decrease) in valuation allowance	(13,479)	113	(2,798)
State income taxes, net of federal benefit	929	1,477	1,655
Foreign tax rate differential	1,724	(293)	1,410
MDL restructuring	—	—	(11,337)
Impact of foreign taxes on U.S. return	—	—	1,585
Research and development credits	(41)	(198)	(299)
Extraterritorial income exclusion	(359)	(494)	(448)
Nontaxable municipal interest	(815)	(753)	—
Tax examination settlement, including reduction of contingency reserves	(3,907)	—	—
Other	152	(114)	921
Income tax provision	$ 5,510	$ 22,804	$ 10,609

The deferred tax assets and liabilities result from differences in the timing of the recognition of certain income and expense items for tax and financial accounting purposes. The sources of these differences at each balance sheet date are as follows (in thousands):

September 30,

	2006	2005 Restated
Current net deferred tax assets:		
Foreign tax withholding	$ 114	$ 3,555
Impairment of investments	4,885	4,927
Allowance for uncollectible accounts	517	305
Deferred revenue	3,010	2,825
Shareholder lawsuit settlement	3,111	—
Other	2,909	1,544
	14,546	13,156
Less: valuation allowance	(5,136)	(10,604)
	$ 9,410	$ 2,552
Noncurrent net deferred tax assets:		
Noncurrent deferred tax assets		
Foreign tax credits	$ 11,237	$ 12,126
General business credits	4,328	—
U.S. net operating loss carryforwards	11,426	2,530
Stock based compensation	2,323	320
Foreign net operating loss carryforwards	18,941	17,279
Capital loss carryforwards	8,225	9,850
Deferred revenue	8,081	5,063
Depreciation and amortization	—	14,075
Other	711	1,695
Total noncurrent deferred tax assets	65,272	62,938
Noncurrent deferred tax liabilities		
Depreciation and amortization	(20,958)	—
Total noncurrent deferred tax liabilities	(20,958)	—
Less: valuation allowance	(32,020)	(40,734)
	$ 12,294	$ 22,204

As of September 30, 2006 the Company had net deferred tax assets of $21.7 million (net of a $37.2 million valuation allowance). In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income, carryback opportunities and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the valuation allowances recorded.

During 2006, the Company released $12.6 million in valuation reserves related to the carryover of U.S. general limitation foreign tax credits. The decision to release the reserves was based on the Company’s history of utilizing foreign tax credits in its prior years’ federal income tax returns and in particular, its ability to utilize substantial amounts in its 2005 federal income tax return that was filed during 2006. In addition, the Company prepares ongoing estimates of future taxable income and associated foreign source income, as well as estimates of the ability to utilize foreign tax credits in excess of any credits that will be generated in the future. The Company anticipates that all of the U.S. general limitation foreign tax credits previously reserved will be utilized before the expiration of the carryforward period. The valuation reserve against the U.S. passive limitation foreign tax credit carryovers was not released as the likelihood of utilizing those credits does not meet the more likely than not standard.

During fiscal 2004, the Company completed a reorganization of its MessagingDirect Ltd. subsidiary and its related entities (collectively referred to as “the MDL entities”), and elected to treat certain foreign operations as branches of the U.S. parent company, which resulted in the recognition of a $12.0 million tax benefit, of which the federal benefit was $11.3 million and the state benefit was $0.7 million. This tax benefit arises from the excess of tax basis over the book carrying value of these foreign assets following the reorganization. The Company recorded a deferred tax asset in the same amount.

The Company had U.S. foreign tax credit carryforwards at September 30, 2006 of $11.2 million, which will begin to expire in fiscal 2013. The Company also had domestic general business credit carryforwards at September 30, 2006 of $4.3 million, which will begin to expire in fiscal 2016. Approximately $1.0 million of these credits are alternative minimum tax (“AMT”) credits which have an indefinite carryforward life.

The Company had domestic net operating loss carryforwards (“NOLs”) for tax purposes of $26.4 million at September 30, 2006. Of the $26.4 million, $23.6 million are related to the pre-acquisition periods of acquired subsidiaries, which begin to expire in fiscal 2007, and $2.8 million related to pre-reorganization losses of U.S. corporations that were not previously a part of the Company’s U.S. consolidated income tax return, which begin to expire in 2021. Of the $23.6 million of pre-acquisition losses, $22.8 million are related to P&H Solutions, Inc., for which a $0.3 million valuation allowance has been established. P&H Solutions, Inc. was acquired during fiscal 2006. The utilization of these NOLs may be limited pursuant to Section 382 of the Internal Revenue Code and Treasury Regulations under Section 1502.

At September 30, 2006, the Company had foreign tax NOLs of $62.0 million, a majority of which may be utilized over an indefinite life, with the remainder expiring over the next 15 years, beginning next year. Approximately $1.9 million of these losses are related to eps, for which a $0.7 million valuation allowance has been established. eps was acquired during fiscal 2006. A valuation allowance has been provided for the deferred tax assets related to the foreign loss carryforwards to the extent management believes these carryforwards are more likely than not to expire unused due to the Company’s historical or projected losses in certain of its foreign subsidiaries.

At September 30, 2005, the Company had domestic capital loss carryforwards for tax purposes of $17.0 million, for which a full valuation allowance has been provided. During fiscal 2006 $4.8 million of these capital loss carryforwards expired. Accordingly, both the deferred tax asset and valuation allowance related to the expired losses were reversed. Remaining domestic capital loss carryforwards of $12.2 million begin to expire in fiscal 2007. The Company also had foreign capital loss

carryforwards for tax purposes of $12.5 million for which a full valuation allowance has been provided. These losses are available indefinitely to offset future capital gains.

The Company has provided tax contingencies of $5.0 million and $6.8 million against recoverable income taxes as of September 30, 2006 and 2005, respectively. The amounts are included in “Income taxes payable” at September 30, 2006 and “Recoverable Income Taxes” at September 30, 2005, in the consolidated balance sheets.

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

The undistributed earnings of the Company’s foreign subsidiaries of approximately $43.4 million are considered to be indefinitely reinvested. Accordingly, no provision for U.S. federal and state income taxes or foreign withholding taxes has been provided for such undistributed earnings. It is impractical to determine the additional income tax liability, if any, associated with the repatriation of undistributed foreign earnings.

During 2006, the Company reached an agreement with the Internal Revenue Service (“IRS”) to settle open audit issued related to years 1997 through 2003, resulting in a refund to the Company. The amount of the refund was $8.9 million. The refund and corresponding interest were dependent on the Company’s claims being approved by the Joint Committee on Taxation (the “Joint Committee”). In November 2005, the Company was notified that the Joint Committee approved the conclusions reached by the IRS with respect to the audit of the Company’s 1997 through 2003 tax years. During 2006, the Company received and recorded the effects of the refund in its consolidated financial statements, including interest of $1.9 million and entries to relieve related tax contingency reserves and other accruals relating to the audit in the amount of $3.9 million.

In fiscal 2006, the Company completed a transaction to divest its entire interest in the e-Courier and Workpoint products as well as the assets and personnel supporting those products. For tax purposes, the transaction was structured as a sale of the e-Courier and Workpoint related assets held by ACI and the MDL entities. This transaction accelerated the reversal of any remaining deferred tax asset related to the previously mentioned reorganization of the MDL entities.

17. Assets of Businesses Transferred Under Contractual Arrangements

On September 29, 2006, the Company entered into an agreement whereby certain assets and liabilities related to the Company’s Messaging Direct business and WorkPoint product line were legally conveyed to an unrelated party for a total selling price of $3.0 million. Net assets with a book value of $0.1 million were legally transferred under the agreement. At September 30, 2006, the Company has $1.3 million of assets related to this transfer recorded in other current assets, and $1.2 million of liabilities recorded in other current liabilities.

An initial payment of $0.5 million was due at signing. The remaining $2.5 million is to be paid in installments through 2010. In accordance with the terms of the Asset Purchase Agreement, the Company has certain obligations to fulfill on behalf of the buyer. Among other things, the Company is obligated to provide continuing support for certain customers of the aforementioned product lines by

furnishing a certain level of staffing to provide the support as well as administrative services for a period after the transaction. The Company will be reimbursed for such services at a rate equal to cost plus five percent. Additionally, the Company will remain a reseller of these products for royalty fee of 50% of revenues generated from sales. Subsequent to the close of the transaction, the Company has signed a termination agreement for the Edmonton, Canada office lease and all further obligations effective March 31, 2007. The buyer is required to obtain facilities at another location and vacate the current premises on or before the termination date.

Based on the continuing relationship and involvement subsequent to the closing date, uncertainty regarding collectability of the note receivable, as well as the level of financing provided by the Company, the above transaction has not been accounted for as a divestiture for accounting purposes. The accounting treatment for this type of transaction is outlined in SEC Staff Accounting Bulletin Topic 5E. Under this accounting treatment, the assets and liabilities to be divested are classified in other current assets and accrued other liabilities within the Company’s consolidated balance sheet. Under that guidance, the Company expects to recognize a gain of $2.9 million in future periods as payments are received. These future payments will be recognized as gains in the period in which they are recovered, once the net assets have been written down to zero. Subsequent to September 30, 2006, the Company collected $0.5 million of cash pursuant to the contractual arrangements and recognized a pretax gain of $0.4 million.

18. Commitments and Contingencies

In the normal course of business, the Company is liable for contract completion and product performance. From time to time, TSA may guarantee the performance of a contract on behalf of one or more of its subsidiaries, or a subsidiary may guarantee the performance of a contract on behalf of another subsidiary. In the opinion of management, such obligations will not significantly affect the Company's financial position, results of operations or cash flows.

Operating Leases

The Company leases office space, equipment and the corporate aircraft under operating leases that run through February 2028. The leases that the Company has entered into do not impose restrictions as to the Company's ability to pay dividends or borrow funds, or otherwise restrict the Company's ability to conduct business. On a limited basis, certain of the lease arrangements include escalation clauses which provide for rent adjustments due to inflation changes. Lease payments subject to inflation adjustments do not represent a significant portion of the Company's future minimum lease payments. A number of the leases provide renewal options, but in all cases such renewal options are at the election of the Company. Certain of the lease agreements provide the Company with the option to purchase the leased equipment at its fair market value at the conclusion of the lease term.

Total rent expense for fiscal 2006, 2005 and 2004 was $11.4 million, $11.3 million and $12.1 million, respectively.

Capital Leases

The Company leases certain property under capital lease agreements that expire during various years through 2010. The long term portion of capital leases is included in long term liabilities.

As a result of the P&H acquisition in fiscal 2006 the Company leases equipment under capital leases the net balance of which was $4.4 million at September 30, 2006. Amortization expense related to the capital leases is included in the amount reported as depreciation and amortization.

Aggregate minimum lease payments under these agreements in future fiscal years are as follows (in thousands):

Fiscal Year Ending September 30,	Capital Leases (1)	Operating Leases	Total
2007	$ 3,050	$ 12,387	$ 15,437
2008	2,022	12,037	14,059
2009	571	9,791	10,362
2010	11	8,488	8,499
2011	—	7,273	7,273
Thereafter	—	47,634	47,634
Total	$ 5,654	$ 97,610	$ 103,264

(1) Reflected in the balance sheet as accrued and other current and other noncurrent liabilities of $3.1 million and $2.6 million, respectively.

Legal Proceedings

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

Class Action Litigation. In November 2002, two class action complaints were filed in the U.S. District Court for the District of Nebraska (the "Court") against the Company and certain individuals alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. Pursuant to a Court order, the two complaints were consolidated as Desert Orchid Partners v. Transaction Systems Architects, Inc., et al., with Genesee County Employees' Retirement System designated as lead plaintiff. The Second Amended Consolidated Class Action Complaint previously alleged that during the purported class period, the Company and the named defendants misrepresented the Company's historical financial condition, results of operations and its future prospects, and failed to disclose facts that could have indicated an impending decline in the Company's revenues. That Complaint also alleged that, prior to August 2002, the purported truth regarding the Company's financial condition had not been disclosed to the market. The Company and the individual defendants initially filed a motion to dismiss the lawsuit. In response, on December 15, 2003, the Court dismissed, without prejudice, Gregory Derkacht, the Company's former president and chief executive officer, as a defendant, but denied the motion to dismiss with respect to the remaining defendants, including the Company.

On July 1, 2004, lead plaintiff filed a motion for class certification wherein, for the first time, lead plaintiff sought to add an additional class representative, Roger M. Wally. On August 20, 2004, defendants filed their opposition to the motion. On March 22, 2005, the Court issued an order certifying the class of persons that purchased the Company's common stock from January 21, 1999 through November 18, 2002.

On January 27, 2006, the Company and the individual defendants filed a motion for judgment on the pleadings, seeking a dismissal of the lead plaintiff and certain other class members, as well as a limitation on damages based upon plaintiffs' inability to establish loss causation with respect to a large portion of their claims. On February 6, 2006, additional class representative Roger M. Wally filed a motion to withdraw as a class representative and class member. On April 21, 2006, and based upon the pending motion for judgment, a motion to intervene as a class representative was filed by the Louisiana District Attorneys Retirement System ("LDARS"). LDARS previously attempted to be named as lead plaintiff in the case. On July 5, 2006, the Magistrate denied LDARS' motion to intervene, which LDARS appealed to the District Judge. That appeal has not yet been decided.

On May 17, 2006, the Court denied the motion for judgment on the pleadings as being moot based upon the Court's granting lead plaintiff leave to file a Third Amended Complaint ("Third Complaint"), which it did on May 31, 2006. The Third Complaint alleges the same misrepresentations as described above, while simultaneously alleging that the purported truth about the Company's financial condition was being disclosed throughout that time, commencing in April 1999. The Third Complaint seeks unspecified damages, interest, fees, and costs.

On June 14, 2006, the Company and the individual defendants filed a motion to dismiss the Third Complaint pursuant to Rules 8 and 12 of the Federal Rules of Civil Procedure. Lead Plaintiff opposed the motion. Prior to any ruling on the motion to dismiss, on November 7, 2006, the parties entered into a Stipulation of Settlement for purposes of settling all of the claims in the Class Action Litigation, with no admissions of wrongdoing by the Company or any individual defendant. The settlement provides for an aggregate cash payment of $24.5 million of which, net of insurance, the Company contributed approximately $8.5 million. The settlement was approved by the Court on March 2, 2007 and the Court ordered the case dismissed with prejudice against us and the individual defendants.

On March 27, 2007, James J. Hayes, a class member, filed a notice of appeal with the United States Court of Appeals for the Eighth Circuit appealing this order. The Company intends to respond to this appeal in accordance with the Court of Appeals' orders and procedures.

19. Related Party Transactions

Digital Courier Technologies, Inc.

Coinciding with the Company's purchase of Digital Courier Technologies, Inc. ("DCTI'') common stock in June 1999, DCTI agreed to allow one of the Company's designees to become a member of the DCTI Board of Directors, which was filled by an executive officer of the Company. This executive officer resigned as a member of the DCTI Board of Directors in 2001. No executive officer or director of the Company has served on the DCTI Board of Directors since his resignation.

On March 25, 1999, the Company and DCTI entered into a BASE24 software license arrangement. On March 31, 2000, the Company and DCTI entered into an additional software license arrangement which granted DCTI a non-transferable and non-exclusive software license to use the Company's BASE24 software in international markets. These arrangements came to their conclusions during fiscal 2004. Revenues recognized from DCTI under these arrangements totaled $1.4 million in fiscal 2004.

20. Subsequent Events

In March 2007, the Company's Board of Directors approved an increase of $100 million to its current repurchase authorization, bringing the total authorization to $210 million. This increase in the repurchase program will be implemented as soon as the Company is able to amend its repurchase instructions in accordance with applicable laws, after the Company becomes compliant with its regulatory filings. Under the program to date, the Company has purchased approximately 2.8 million shares for approximately $77.0 million. Purchases will be made from time to time as market and business conditions warrant, in open market, negotiated or block transactions, subject to applicable laws, rules and regulations.

On February 7, 2007 the Company acquired Visual Web Solutions, Inc., a leading provider of international trade finance and web-based cash management solutions, primarily to financial institutions in the Asia/Pacific region. These solutions will complement and be integrated with TSA's U.S.-centric cash management and online banking solutions to create a more complete international offering. Visual Web has wholly owned subsidiaries in Singapore for sales and customer support and in Bangalore, India for product development and services. Visual Web was purchased for $9.3 million in cash.

On April 2, 2007, the Company acquired Stratasoft Sdn Bhd ("Stratasoft"), a leading provider of electronic payment solutions in Malaysia. This acquisition will compliment ACI's strategy to move to a direct model in selected markets in Asia. Malaysia is a progressive payments market that consistently shows evidence of cutting edge payments deployment and thinking. This acquisition will also provide a platform to develop ACI's regional low cost services center strategy. Stratasoft was purchased for $2.9 million in cash. The Company will pay an additional aggregate amount of up to $1.2 million (subject to foreign currency fluctuations) to the sellers if Stratasoft achieves certain financial targets set forth in the purchase agreement for the periods ending December 31, 2007 and December 31, 2008.

In addition to the $6.0 million of expense incurred, the Company has incurred cash outlays of approximately $2.1 million for settlement of vested options that optionees were unable to exercise due to the option review and which would otherwise have expired either as a result of termination of employment or the expiration of the option.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 11, 2007	By:	/s/ PHILIP G. HEASLEY Philip G. Heasley *President and Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ PHILIP G. HEASLEY Philip G. Heasley	President, Chief Executive Officer and Director (principal executive officer)	May 11, 2007
/s/ HENRY C. LYONS Henry C. Lyons	Senior Vice President, Chief Financial Officer and Chief Accounting Officer (principal financial officer and principal accounting officer)	May 11, 2007
/s/ HARLAN F. SEYMOUR Harlan F. Seymour	Chairman of the Board and Director	May 11, 2007
/s/ ROGER K. ALEXANDER Roger K. Alexander	Director	May 11, 2007
/s/ JOHN D. CURTIS John D. Curtis	Director	May 11, 2007
/s/ JOHN SHAY JR. John Shay Jr.	Director	May 11, 2007
/s/ JIM D. KEVER Jim D. Kever	Director	May 11, 2007
/s/ JOHN E. STOKELY John E. Stokely	Director	May 11, 2007

Exhibit 3.02

TRANSACTION SYSTEMS ARCHITECTS, INC.

AMENDED AND RESTATED BYLAWS

As Adopted and in
Effect on March 6, 2007

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STOCKHOLDERS MEETINGS

1. Time and Place of Meetings. All meetings of the stockholders for the election of the members of the Board of Directors (the "***Directors***") or for any other purpose will be held at such time and place, within or without the State of Delaware, as may be designated by the Board of Directors of the Company (the "***Board***") or, in the absence of a designation by the Board, the Chairman of the Board (the "***Chairman***"), the Chief Executive Officer, the President or the Secretary, and stated in the notice of meeting. Notwithstanding the foregoing, the Board may, in its sole discretion, determine that meetings of the stockholders shall not be held at any place, but may instead be held by means of remote communications, subject to such guidelines and procedures as the Board may adopt from time to time. The Board may postpone and reschedule any previously scheduled annual or special meeting of the stockholders.

2. Annual Meeting. An annual meeting of the stockholders will be held at such date and time as may be designated from time to time by the Board, at which meeting the stockholders will elect by a plurality vote the Directors, and will transact such other business as may properly be brought before the meeting in accordance with Bylaw 8.

3. Special Meetings. Special meetings of the stockholders may be called only by (i) the Chairman, (ii) the President or (iii) the Secretary within 10 calendar days after receipt of the written request of a majority of the total number of Directors that the Company would have if there were no vacancies (the "***Whole Board***"). Any such request by a majority of the Whole Board must be sent to the Chairman and the Secretary and must state the purpose or purposes of the proposed meeting. Special meetings of holders of the outstanding Preferred Stock of the Company (the "***Preferred Stock***"), if any, may be called in the manner and for the purposes provided in the applicable Preferred Stock Designation (as defined in the certificate of incorporation of the Company, as amended from time to time (the "***Certificate of Incorporation***")).

4. Notice of Meetings. Written notice of every meeting of the stockholders, stating the place, if any, date and time thereof, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, will be given not less than 10 nor more than 60 calendar days before the date of the meeting to each stockholder of record entitled to vote at such meeting, except as otherwise provided herein or by law. When a meeting is adjourned to another place, date, or time, written notice need not be given of the adjourned meeting if the place, if any, date and time thereof, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken; provided, however, that if the adjournment is for more than 30 calendar days, or if after the adjournment a new record date is fixed for the adjourned

meeting, written notice of the place, if any, date and time thereof, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting must be given in conformity herewith. At any adjourned meeting, any business may be transacted which properly could have been transacted at the original meeting.

5. Inspectors for Stockholder Meetings. The Board may appoint one or more inspectors of election to act as judges of the voting and to determine those entitled to vote at any meeting of the stockholders, or any adjournment thereof, in advance of such meeting. The Board may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the presiding officer of the meeting may appoint one or more substitute inspectors.

6. Quorum. Except as otherwise provided by law or in a Preferred Stock Designation, the holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, will constitute a quorum at all meetings of the stockholders for the transaction of business thereat. If, however, such quorum is not present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, will have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented.

7. Voting; Proxies. Except as otherwise provided by law, by the Company's Certificate of Incorporation, or in a Preferred Stock Designation, each stockholder will be entitled at every meeting of the stockholders to one vote for each share of stock having voting power standing in the name of such stockholder on the books of the Company on the record date for the meeting and such votes may be cast either in person or by proxy. Every proxy must be authorized in a manner permitted by Section 212 of the Delaware General Corporation Law (or any successor provision). Without affecting any vote previously taken, a stockholder may revoke any proxy that is not irrevocable by attending the meeting and voting in person, by revoking the proxy by giving notice to the Secretary of the Company, or by a later appointment of a proxy. The vote upon any question brought before a meeting of the stockholders may be by voice vote, unless otherwise required by the Certificate of Incorporation or these Bylaws or unless the Chairman or the holders of a majority of the outstanding shares of all classes of stock entitled to vote thereon present in person or by proxy at such meeting otherwise determine. Every vote taken by written ballot will be counted by the inspectors of election. When a quorum is present at any meeting, the affirmative vote of the holders of a majority of the stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter and which has actually been voted (the "***Voting Stock***") will be the act of the stockholders, except in the election of Directors or as otherwise provided in these Bylaws, the Certificate of Incorporation, a Preferred Stock Designation, or by law.

8. Order of Business.

(a) The Chairman, or such other officer of the Company designated by a majority of the Whole Board, will call meetings of the stockholders to order and will act as presiding officer thereof. Unless otherwise determined by the Board prior to the meeting, the presiding officer of the meeting of the stockholders will also determine the order of business and have the authority in his or her sole discretion to regulate the conduct of any such meeting, including without limitation by imposing restrictions on the persons (other than stockholders of the Company or their duly appointed proxies) that may attend any such stockholders' meeting, by ascertaining whether any stockholder or his proxy may be excluded from any meeting of the stockholders based upon any determination by the presiding officer, in his sole discretion, that any such person has disrupted or is likely to disrupt the proceedings thereat, and by determining the circumstances in which any person may make a statement or ask questions at any meeting of the stockholders.

(b) At an annual meeting of the stockholders, only such business will be conducted or considered as is properly brought before the annual meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of the annual meeting (or any supplement thereto) given by or at the direction of the Board in accordance with Bylaw 4, (ii) otherwise properly brought before the annual meeting by the presiding officer or by or at the direction of a majority of the Whole Board, or (iii) otherwise properly requested to be brought before the annual meeting by a stockholder of the Company in accordance with Bylaw 8(c).

(c) For business to be properly requested by a stockholder to be brought before an annual meeting, (i) the stockholder must be a stockholder of the Company of record at the time of the giving of the notice for such annual meeting provided for in these Bylaws, (ii) the stockholder must be entitled to vote at such meeting, (iii) the stockholder must have given timely notice thereof in writing to the Secretary and (iv) if the stockholder, or the beneficial owner on whose behalf any business is brought before the meeting, has provided the Company with a Proposal Solicitation Notice, as that term is defined in this Bylaw 8(c), such stockholder or beneficial owner must have delivered a proxy statement and form of proxy to the holders of at the least the percentage of shares of the Company entitled to vote required to approve such business that the stockholder proposes to bring before the annual meeting and included in such materials. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Company not less than 60 nor more than 90 calendar days prior to the first anniversary of the date on which the Company first mailed its proxy materials for the preceding year's annual meeting of stockholders; provided, however, that if the date of the annual meeting is advanced more than 30 calendar days prior to or

delayed by more than 30 calendar days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not later than the close of business on the later of the 90th calendar day prior to such annual meeting or the 10th calendar day following the day on which public disclosure of the date of such meeting is first made. In no event shall the public disclosure of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. A stockholder's notice to the Secretary must set forth as to each matter the stockholder proposes to bring before the annual meeting (A) a description in reasonable detail of the business desired to brought before the annual meeting and the reasons for conducting such business at the annual meeting, (B) the name and address, as they appear on the Company's books, of the stockholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made, (C) the class and series and number of shares of capital stock of the Company that are owned beneficially and of record by the stockholder proposing such business and by the beneficial owner, if any, on whose behalf the proposal is made, (D) a description of all arrangements or understandings among such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business, (E) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of at least the percentage of shares of the Company entitled to vote required to approve the proposal (an affirmative statement of such intent, a "***Proposal Solicitation Notice***"), and (F) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the annual meeting. Notwithstanding the foregoing provisions of this Bylaw 8(c), a stockholder must also comply with all applicable requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (the "***Exchange Act***") with respect to matters set forth in this Bylaw 8(c). For purposes of this Bylaw 8 and Bylaw 14, "***public disclosure***" means disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document filed by the Company with the Securities and Exchange Commission pursuant to the Exchange Act or furnished by the Company to stockholders. Nothing in this Bylaw 8(c) will be deemed to affect any rights of stockholders to request inclusion of proposals in the Company's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

(d) At a special meeting of stockholders, only such business may be conducted or considered as is properly brought before the meeting. To be properly brought before a special meeting, business must be (i) specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the Chairman, the President or a majority of the Whole Board in accordance with Bylaw 4 or (ii) otherwise properly brought before the

meeting by the presiding officer or by or at the direction of a majority of the Whole Board.

(e) The determination of whether any business sought to be brought before any annual or special meeting of the stockholders is properly brought before such meeting in accordance with this Bylaw 8 will be made by the presiding officer of such meeting. If the presiding officer determines that any business is not properly brought before such meeting, he or she will so declare to the meeting and any such business will not be conducted or considered.

CONSENTS OF STOCKHOLDERS

9. Consent of Stockholders in Lieu of Meeting. Subject to the requirements of Bylaw 32 and unless otherwise provided in the Certificate of Incorporation, any corporate action required to be taken at a meeting of the stockholders, or any other corporate action which may be taken at a meeting of the stockholders, may be taken without a meeting, if a consent or consents in writing setting forth the corporate action to be so taken shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such corporate action at a meeting at which all shares entitled to vote thereon were present and voted, and delivered to the Company's registered office in the State of Delaware, to its principal place of business or to any officer or agent of the Company having custody of the book in which proceedings of stockholders meetings are recorded, in each case addressed to the attention of the Secretary. Delivery shall be by hand or by certified or registered mail, return receipt requested. The Company shall give prompt notice of the taking of corporate action without a meeting by less than unanimous written consent to stockholders who have not consented in writing and who, if the corporate action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of stockholders to take the corporate action were delivered to the Company in the manner provided herein and in the Delaware General Corporation Law.

10. Inspectors for Consent of Stockholders in Lieu of Meeting. The Board may appoint one or more inspectors of elections to perform a ministerial review, or act as judges, of the validity of written consents delivered in accordance with Bylaw 9 and any revocations thereof. No corporate action by written consent without a meeting shall be effective until such date as the inspectors certify to the Company that the signed written consents delivered to the Company in accordance with Bylaw 9 represent at least the minimum number of votes that would be necessary to authorize or take such corporate action at a meeting at which all shares entitled to vote thereon were present and voted.

DIRECTORS

11. Function. The business and affairs of the Company will be managed under the direction of its Board.

12. Number, Election and Terms. Subject to the rights, if any, of any series of Preferred Stock to elect additional Directors under circumstances specified in a Preferred Stock Designation, and to any minimum and maximum number of authorized Directors provided in the Certificate of Incorporation, the authorized number of Directors may be determined from time to time only by a vote of a majority of the Whole Board, but such number shall be no fewer than three nor more than nine.

13. Vacancies and Newly Created Directorships. Subject to the rights, if any, of the holders of any series of Preferred Stock to elect additional Directors under circumstances specified in a Preferred Stock Designation, newly created directorships resulting from any increase in the number of Directors and any vacancies on the Board resulting from death, resignation, disqualification, removal, or other cause will be filled solely by the affirmative vote of a majority of the remaining Directors then in office, even though less than a quorum of the Board, or by a sole remaining Director. Any Director elected in accordance with the preceding sentence will hold office for the remainder of the full term of the class of Directors in which the

new directorship was created or the vacancy occurred and until such Director's successor is elected and qualified. No decrease in the number of Directors constituting the Board will shorten the term of an incumbent Director.

14. Nominations of Directors; Election.

(a) Subject to the rights, if any, of the holders of any series of Preferred Stock to elect additional Directors under circumstances specified in a Preferred Stock Designation, only persons who are nominated in accordance with this Bylaw 14 will be eligible for election at a meeting of stockholders as Directors of the Company.

(b) Nominations of persons for election as Directors of the Company may be made only at an annual meeting of stockholders (i) by or at the direction of the Board or a committee thereof or (ii) by any stockholder that is a stockholder of record at the time of giving of notice provided for in this Bylaw 14, who is entitled to vote for the election of Directors at such annual meeting, and who complies with the procedures set forth in this Bylaw 14. If a stockholder, or a beneficial owner on whose behalf any such nomination is made, has provided the Company with a Nomination Solicitation Notice, as that term is defined in this Bylaw 14 below, such stockholder or beneficial owner must have delivered a proxy statement and form of proxy to the holders of at least the percentage of shares of the Company entitled to vote required to approve such nomination and

included in such materials the Nomination Solicitation Notice. All nominations by stockholders must be made pursuant to timely notice in proper written form to the Secretary.

(c) To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Company not less than 60 nor more than 90 calendar days prior to the first anniversary of the date on which the Company first mailed its proxy materials for the preceding year's annual meeting of stockholders; provided, however, that if the date of the annual meeting is advanced more than 30 calendar days prior to or delayed by more than 30 calendar days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not later than the close of business on the later of the 90th calendar day prior to such annual meeting or the 10th calendar day following the day on which public disclosure of the date of such meeting is first made. In no event shall the public disclosure of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. To be in proper written form, such stockholder's notice must set forth or include (i) the name and address, as they appear on the Company's books, of the stockholder giving the notice and of the beneficial owner, if any, on whose behalf the nomination is made; (ii) a representation that the stockholder giving the notice is a holder of record of stock of the Company entitled to vote at such annual meeting and intends to appear in person or by proxy at the annual meeting to nominate the person or persons specified in the notice; (iii) the class and number of shares of stock of the Company owned beneficially and of record by the stockholder giving the notice and by the beneficial owner, if any, on whose behalf the nomination is made; (iv) a description of all arrangements or understandings between or among any of (A) the stockholder giving the notice, (B) the beneficial owner on whose behalf the notice is given, (C) each nominee, and (D) any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder giving the notice; (v) such other information regarding each nominee proposed by the stockholder giving the notice as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the nominee been nominated, or intended to be nominated, by the Board; (vi) the signed consent of each nominee to serve as a Director of the Company if so elected; (vii) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of at least the percentage of shares of the Company entitled to vote required to elect such nominee or nominees (an affirmative statement of such intent, a "***Nomination Solicitation Notice***"); and (viii) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in the notice. At the request of the Board, any person nominated by the Board for election as a Director must furnish to the Secretary that information

required to be set forth in a stockholder's notice of nomination that pertains to the nominee. The presiding officer of any annual meeting will, if the facts warrant, determine that a nomination was not made in accordance with the procedures prescribed by this Bylaw 14, and if he or she should so determine, he or she will so declare to the meeting and the defective nomination will be disregarded. Notwithstanding the foregoing provisions of this Bylaw 14, a stockholder must also comply with all applicable requirements of the Exchange Act with respect to the matters set forth in this Bylaw 14.

15. Resignation. Any Director may resign at any time by giving notice in writing or by electronic transmission of his or her resignation to the Chairman or the Secretary. Any resignation will be effective upon actual receipt by any such person or, if later, as of the date and time specified in such written notice.

16. Regular Meetings. Regular meetings of the Board may be held immediately after the annual meeting of the stockholders and at such other time and place either within or without the State of Delaware as may from time to time be determined by the Board. Notice of regular meetings of the Board need not be given.

17. Special Meetings. Special meetings of the Board may be called by the Chairman or the President on one day's notice to each Director by whom such notice is not waived, given either personally or by mail, courier, telephone, facsimile, or similar medium of communication, and will be called by the Chairman or the President, in like manner and on like notice, on the written request of a majority of the Whole Board. Special meetings of the Board may be held at such time and place either within or without the State of Delaware as is determined by the Board or specified in the notice of any such meeting.

18. Quorum. At all meetings of the Board, a majority of the Whole Board will constitute a quorum for the transaction of business. Except for the designation of committees as hereinafter provided and except for actions required by these Bylaws or the Certificate of Incorporation to be taken by a majority of the Whole Board, the act of a majority of the Directors present at any meeting at which there is a quorum will be the act of the Board. If a quorum is not present at any meeting of the Board, the Directors present thereat may adjourn the meeting from time to time to another place, time, or date, without notice other than announcement at the meeting, until a quorum is present.

19. Participation in Meetings by Remote Communications. Members of the Board or any committee designated by the Board may participate in a meeting of the Board or any such committee, as the case may be, by means of telephone conference or other means by which all persons participating in the meeting can hear each other, and such participation in a meeting will constitute presence in person at the meeting.

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20. Committees.

(a) The Board, by resolution passed by a majority of the Whole Board, may designate one or more committees. Each such committee will consist of one or more Directors and will have such lawfully delegable powers and duties as the Board may confer; provided, however, that no committee shall exercise any power or duty expressly required by the Delaware General Corporation Law, as it may be amended from time to time, to be acted upon by the Board. Any such committee designated by the Board will have such name as may be determined from time to time by resolution adopted by the Board.

(b) The members of each committee of the Board will serve in such capacity at the pleasure of the Board or as may be specified in any resolution from time to time adopted by the Board. The Board may designate one or more Directors as alternate members of any such committee, who may replace any absent or disqualified member at any meeting of such committee. In lieu of such designation by the Board, in the absence or disqualification of any member of a committee of the Board, the members thereof present at any such meeting of such committee and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member.

(c) Except as otherwise provided in these Bylaws, by law or in any resolution from time to time adopted by the Board, any committee of the Board will have and may exercise all the powers and authority of the Board in the direction of the management of the business and affairs of the Company. Any such committee designated by the Board will have such name as may be determined from time to time by resolution adopted by the Board. Unless otherwise prescribed by the Board, meetings of any committee of the Board may be held in the same manner as provided in Bylaw 19 or by unanimous written consent in lieu of a meeting, a majority of the members of any such committee will constitute a quorum for the transaction of business, and the act of a majority of the members present at a meeting at which there is a quorum will be the act of such committee. Each committee of the Board may prescribe its own rules for calling and holding meetings and its method of procedure, subject to any rules prescribed by the Board, will keep minutes of its proceedings and all actions taken by it, and will report its proceedings to the Board when required or when requested by a Director to do so.

21. Compensation. The Board may establish the compensation for, and reimbursement of the expenses of, Directors for membership on the Board and on committees of the Board, attendance at meetings of the Board or committees of the Board, and for other services by Directors to the Company or any of its majority-owned subsidiaries.

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22. Rules. The Board may adopt rules and regulations for the conduct of meetings and the oversight of the management of the affairs of the Company.

NOTICES

23. Generally. Except as otherwise provided by law, these Bylaws, or the Certificate of Incorporation, whenever by law or under the provisions of the Certificate of Incorporation or these Bylaws notice is required to be given to any Director or stockholder, it will not be construed to require personal notice, but such notice may be given in writing, by mail or courier service, addressed to such Director or stockholder, at the address of such Director or stockholder as it appears on the records of the Company, with postage thereon prepaid, and such notice will be deemed to be given at the time when the same is deposited in the United States mail. Notice to Directors may also be given by telephone, facsimile, electronic transmission or similar medium of communication or as otherwise may be permitted by these Bylaws.

24. Waivers. Whenever any notice is required to be given by law or under the provisions of the Certificate of Incorporation or these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to such notice, or a waiver by electronic transmission by the person or persons entitled to such notice, whether before or after the time of the event for which notice is to be given, will be deemed equivalent to such notice. Attendance of a person at a meeting will constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

OFFICERS

25. Generally. The officers of the Company will be elected by the Board and will consist of a Chairman, a President, a Secretary and a Treasurer. The Board may also choose any or all of the following: one or more Vice Chairmen, one or more Assistants to the Chairman, one or more Vice Presidents (who may be given particular designations with respect to authority, function, or seniority), one or more Assistant Secretaries, one or more Assistant Treasurers and such other officers as the Board may from time to time determine. Notwithstanding the foregoing, by specific action the Board may authorize the Chairman to appoint any person to any office other than Chairman, Chief Executive Officer, President, Secretary or Treasurer. Any number of offices may be held by the same person. Any of the offices may be left vacant from time to time as the Board may

determine. In the case of the absence or disability of any officer of the Company or for any other reason deemed sufficient by a majority of the Board, the Board may delegate the absent or disabled officer's powers or duties to any other officer or to any Director.

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26. Compensation. The compensation of all officers and agents of the Company who are also Directors of the Company will be fixed by the Board or by a committee of the Board. The Board may fix, or delegate the power to fix, the compensation of other officers and agents of the Company to an officer of the Company.

27. Succession. The officers of the Company will hold office until their successors are elected and qualified. Any officer may be removed at any time by the affirmative vote of a majority of the Whole Board. Any vacancy occurring in any office of the Company may be filled by the Board or by the Chairman as provided in Bylaw 23.

28. Authority and Duties. Each of the officers of the Company will have such authority and will perform such duties as are customarily incident to their respective offices or as may be specified from time to time by the Board.

STOCK

29. Certificated and Uncertificated Shares. Shares of the Company's common stock or Preferred Stock may be certificated or uncertificated, as permitted under Section 158 of the Delaware General Corporation Law. Certificates representing shares of stock of the Company will be in such form as is determined by the Board, subject to applicable legal requirements. Each such certificate will be numbered and its issuance recorded in the books of the Company, and such certificate will exhibit the holder's name and the number of shares and will be mechanically signed with a facsimile of the signature of the President or a Vice President, and a facsimile of the signature of the Secretary or an Assistant Secretary, and shall also be signed by, or bear the facsimile signature of, a duly authorized officer or agent of any properly designated transfer agent of the Company. Any or all of the signatures and the seal of the Company, if any, upon such certificates may be facsimiles, engraved, or printed. Such certificates may be issued and delivered notwithstanding that the person whose facsimile signature appears thereon may have ceased to be such officer at the time the certificates are issued and delivered.

30. Classes of Stock. The designations, powers, preferences and relative participating, optional or other special rights of the various classes of stock or series thereof, and the qualifications, limitations or restrictions thereof, will be set forth in full or summarized on the face or back of the certificates which the Company issues to represent its stock or, in lieu thereof, such certificates will set forth the office of the Company from which the holders of certificates may obtain a copy of such information at no charge.

31. Lost, Stolen or Destroyed Certificates. An executive officer or the Secretary may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Company alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact, satisfactory to such executive officer or the Secretary, by the person claiming the certificate of stock

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to be lost, stolen or destroyed. As a condition precedent to the issuance of a new certificate or certificates, such executive officer or the Secretary may require the owners of such lost, stolen or destroyed certificate or certificates to advertise the alleged loss, theft or destruction in such a manner as such executive officer or the Secretary may require, and/or to give the Company a bond in such sum and with such surety or sureties as such executive officer or the Secretary may direct as indemnity against any claims that may be made against the Company with respect to the certificate alleged to have been lost, stolen or destroyed or the issuance of the new certificate.

32. Record Dates.

(a) In order that the Company may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board may fix a record date, which will not be more than 60 nor less than 10 calendar days before the date of such meeting. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders will be at the close of business on the calendar day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the calendar day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of the stockholders will apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

(b) In order that the Company may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Company, request that the Board fix a record date. Any such written notice shall be delivered to the Company in the same manner as signed written consents are required to be delivered pursuant to Bylaw 9. The Board shall promptly, but in all events within 10 days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board within 10 days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Company in accordance with Bylaw 9. If no record date has been fixed by the Board and prior action by the Board is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board adopts the resolution taking such prior action.

(c) In order that the Company may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board may fix a record date, which record date will not be more than 60 calendar days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose will be at the close of business on the calendar day on which the Board adopts the resolution relating thereto.

(d) The Company will be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes, and will not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Company has notice thereof, except as expressly provided by applicable law. In addition, subject to applicable legal requirements, the Company may (by action of the Whole Board) establish procedures for the verification that depositary or other holders of shares beneficially owned by others have been properly instructed with respect to the voting of such shares and in respect of the effect of changes in beneficial ownership on the validity of proxies or consents.

GENERAL

33. Contracts, Checks, Etc. All contracts, agreements, checks, drafts, notes, bonds, bills of exchange and orders for the payment of money shall be signed or endorsed by the persons whom the Board of Directors prescribes therefor.

34. Fiscal Year. Effective as of January 1, 2008, the fiscal year of the Company shall commence on January 1 of each year and shall end the following December 31.

35. Seal. The Board may adopt a corporate seal and use the same by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

36. Reliance Upon Books, Reports and Records. Each Director, each member of a committee designated by the Board, and each officer of the Company will, in the performance of his or her duties, be fully protected in relying in good faith upon the records of the Company and upon such information, opinions, reports, or statements presented to the Company by any of the Company's officers or employees, or committees of the Board, or by any other person or entity as to matters the Director, committee member, or officer believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company.

37. Time Periods. In applying any provision of these Bylaws that requires that an act be performed or not be performed a specified number of days prior to an event or that an act be performed during a period of a specified number of days prior to an event, calendar days will be used unless otherwise specified, the day of the doing of the act will be excluded, and the day of the event will be included.

38. Amendments. Except as otherwise provided by law or by the Certificate of Incorporation or these Bylaws, these Bylaws or any of them may be amended in any respect or repealed at any time, either (i) at any meeting of stockholders, provided that any amendment or supplement proposed to be acted upon at any such meeting has been described or referred to in the notice of such meeting, or (ii) at any meeting of the Board, provided that no amendment adopted by the Board may vary or conflict with any amendment adopted by the stockholders in accordance with the Certificate of Incorporation and these Bylaws. Notwithstanding the foregoing and anything contained in these Bylaws to the contrary, Bylaws 1, 3, 8, 9, 10, 12, 13, 14, 32(b) and 38 may not be amended or repealed by the stockholders, and no provision inconsistent therewith may be adopted by the stockholders, without the affirmative vote of the holders of at least a majority of all classes of voting stock issued and outstanding.

39. Insurance. The Company shall purchase and maintain insurance on behalf of any person who is a director or officer of the Company, or is a director or officer of the Company serving at the request of the Company as a director, officer, employee or agent of another company or of a partnership, joint venture, trust or other enterprise, against any expense, liability and loss asserted against and incurred or suffered by such person or on such person's behalf in any such capacity, or arising out of such person's status as such, whether or not the Company would have the power to indemnify such against such liability under the provisions of the Certificate of Incorporation or applicable law, provided that such insurance is available on reasonably acceptable terms as determined by (i) the executive officer(s) responsible for purchasing or maintaining such insurance; or (ii) a vote of a majority of the Whole Board.

40. Certificate of Incorporation and Applicable Law. These Bylaws are subject to the provisions of the Certificate of Incorporation and applicable law.

Exhibit 10.33
EXECUTION COPY

Published CUSIP Number: 893419AA9
Revolving Credit CUSIP Number: 893419AB7

$150,000,000

CREDIT AGREEMENT

dated as of September 29, 2006,

by and among

TRANSACTION SYSTEMS ARCHITECTS, INC.,
as Borrower,

the Lenders referred to herein,

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent,
Swingline Lender and Issuing Lender

BANK OF AMERICA, N.A.,
U.S. BANK NATIONAL ASSOCIATION,
each as a Syndication Agent

and

LASALLE BANK NATIONAL ASSOCIATION,
CITIZENS BANK OF MASSACHUSETTS,
each as a Documentation Agent

WACHOVIA CAPITAL MARKETS, LLC
as Sole Lead Arranger and Sole Book Manager

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EXHIBITS

SCHEDULES

CREDIT AGREEMENT, dated as of September 29, 2006, by and among TRANSACTION SYSTEMS ARCHITECTS, INC., a Delaware corporation (the "Borrower"), the lenders who are or may become a party to this Agreement (collectively, the "Lenders") and WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association, as Administrative Agent for the Lenders, BANK OF AMERICA, N.A. and U.S. BANK NATIONAL ASSOCIATION, each as a Syndication Agent and LASALLE BANK NATIONAL ASSOCIATION and CITIZENS BANK OF MASSACHUSETTS, each as a Documentation Agent.

STATEMENT OF PURPOSE

The Borrower has requested, and the Lenders have agreed, to extend certain credit facilities to the Borrower on the terms and conditions of this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, such parties hereby agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 Definitions. The following terms when used in this Agreement shall have the meanings assigned to them below:

"Administrative Agent" means Wachovia, in its capacity as Administrative Agent hereunder, and any successor thereto appointed pursuant to Section 12.6.

"Administrative Agent's Office" means the office of the Administrative Agent specified in or determined in accordance with the provisions of Section 13.1(c).

"Administrative Questionnaire" means an administrative questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to any Person, any other Person (other than, with respect to the Borrower, a Subsidiary of the Borrower) which directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person or any of its Subsidiaries. As used in this definition, the term "control" means (a) the power to vote five percent (5%) or more of the securities or other equity interests of a Person having ordinary voting power, or (b) the possession, directly or indirectly, of any other power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Aggregate Commitment" means the aggregate amount of the Lenders' Commitments hereunder, as such amount may be increased, reduced or otherwise modified at any time or from time to time pursuant to the terms hereof. On the Closing Date, the Aggregate Commitment shall be $150,000,000.

"Agreement" means this Credit Agreement, as amended, restated, supplemented or otherwise modified from time to time.

"Applicable Law" means all applicable provisions of constitutions, laws, statutes, ordinances, rules, treaties, regulations, permits, licenses, approvals, interpretations and orders of courts or Governmental Authorities and all orders and decrees of all courts and arbitrators.

"Applicable Margin" means the corresponding percentages per annum as set forth below based on the Consolidated Total Leverage Ratio:

Pricing Level	Consolidated Total Leverage Ratio	Commitment Fee	Revolving Credit Loans LIBOR Rate +	Revolving Credit Loans Base Rate +
I	Greater than or equal to 2.25 to 1.00	0.300%	1.375%	0.125%
II	Greater than or equal to 1.75 to 1.00, but less than 2.25 to 1.00	0.250%	1.000%	0.000%
III	Greater than or equal to 1.25 to 1.00, but less than 1.75 to 1.00	0.200%	0.875%	0.000%
IV	Greater than or equal to 0.75 to 1.00, but less than 1.25 to 1.00	0.175%	0.750%	0.000%
V	Less than 0.75 to 1.00	0.150%	0.625%	0.000%

The Applicable Margin shall be determined and adjusted quarterly on the date (each a "Calculation Date") ten (10) Business Days after receipt by the Administrative Agent of the Officer's Compliance Certificate pursuant to Section 7.2 for the most recently ended fiscal quarter of the Borrower; provided that (a) the Applicable Margin shall be based on Pricing Level IV until the first Calculation Date occurring after the Closing Date and, thereafter the Pricing Level shall be determined by reference to the Consolidated Total Leverage Ratio as of the last day of the most recently ended fiscal quarter of the Borrower preceding the applicable Calculation Date, and (b) if the Borrower fails to provide the Officer's Compliance Certificate as required by Section 7.2 for the most recently ended fiscal quarter of the Borrower preceding the applicable Calculation Date, the Applicable Margin from such Calculation Date shall be based on Pricing Level I until such time as an appropriate Officer's Compliance Certificate is provided, at which time the Pricing Level shall be determined by reference to the Consolidated Total Leverage Ratio as of the last day of the most recently ended fiscal quarter of the Borrower preceding such Calculation Date. The Applicable Margin shall be effective from one Calculation Date until the next Calculation Date. Any adjustment in the Applicable Margin shall be applicable to all Revolving Credit Loans and Swingline Loans then existing or subsequently made or issued.

If, as a result of any restatement of or other adjustment to the financial statements of the Borrower or for any other reason, the Lenders determine that (a) the Consolidated Total Leverage Ratio as calculated by the Borrower as of any applicable date was inaccurate and (b) a proper calculation of the Consolidated Total Leverage Ratio would have resulted in different pricing for any period, then (i) if the proper calculation of the Consolidated Total Leverage Ratio would have resulted in higher pricing for such period, the Borrower shall automatically and retroactively be obligated to pay to the Administrative Agent for the benefit of the applicable Lenders, promptly on demand by the Administrative Agent, an amount equal to the excess of the amount of interest and fees that should have been paid for such period over the amount of interest and fees actually paid for such period, and (ii) if the proper calculation of the Consolidated Total Leverage Ratio would have resulted in lower pricing for such period, the Lenders shall have no obligation to repay any interest or fees to the Borrower; provided that if, as a result of any restatement or other event, a proper calculation of the Consolidated Total Leverage Ratio would have resulted in higher pricing for one or more periods and lower pricing for one or more other periods (due to the shifting of income or expenses from one period to another period or any similar reason), then the amount payable by the Borrower pursuant to clause (i) above shall be based upon the excess, if any, of the amount of interest and fees that should have been paid for all applicable periods over the amount of interest and fees paid for all such periods.

"Approved Fund" means any Person (other than a natural Person), including, without limitation, any special purpose entity, that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business; provided, that such Approved Fund must be administered, managed or underwritten by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 13.10), and accepted by the Administrative Agent, in substantially the form of ***Exhibit G*** or any other form approved by the Administrative Agent.

"Attributable Indebtedness" means, on any date, (a) in respect of any Capital Lease of any Person, the capitalized amount thereof that would appear as a liability on a balance sheet of such Person prepared as of such date in accordance with GAAP, and (b) in respect of any Synthetic Lease, the capitalized amount or principal amount of the remaining lease payments under the relevant lease that would appear as a liability on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a Capital Lease.

"Available Commitment" means an amount equal to (a) the Aggregate Commitment less (b) the aggregate amount of all Extensions of Credit.

"Base Rate" means, at any time, the higher of (a) the Prime Rate and (b) the sum of the Federal Funds Rate plus 1/2 of 1%; each change in the Base Rate shall take effect simultaneously with the corresponding change or changes in the Prime Rate or the Federal Funds Rate.

"Base Rate Loan" means any Loan bearing interest at a rate based upon the Base Rate as provided in Section 4.1(a).

"Borrower" has the meaning assigned thereto in the introductory paragraph hereto.

"Business Day" means (a) for all purposes other than as set forth in clause (b) below, any day other than a Saturday, Sunday or legal holiday on which banks in Charlotte, North Carolina and New York, New York, are open for the conduct of their commercial banking business, and (b) with respect to all notices and determinations in connection with, and payments of principal and interest on, any LIBOR Rate Loan, any day that is a Business Day described in clause (a) and that is also a day for trading by and between banks in Dollar deposits in the London interbank market.

“Calculation Date” has the meaning assigned thereto in the definition of Applicable Margin.

“Capital Lease” means any lease of any property by the Borrower or any of its Subsidiaries, as lessee, that should, in accordance with GAAP, be classified and accounted for as a capital lease on a Consolidated balance sheet of the Borrower and its Subsidiaries.

“Capital Stock” means (a) in the case of a corporation, capital stock, (b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock, (c) in the case of a partnership, partnership interests (whether general or limited), (d) in the case of a limited liability company, membership interests and (e) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

“Cash Equivalents” has the meaning assigned thereto in Section 10.3(b).

“Change in Control” means an event or series of events by which (a) any person or group of persons (within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended), shall obtain ownership or control in one or more series of transactions of more than thirty percent (30%) of the Capital Stock or thirty percent (30%) of the voting power of the Borrower entitled to vote in the election of members of the board of directors of the Borrower or (b) there shall have occurred under any indenture or other instrument evidencing any Indebtedness in excess of $25,000,000 any “change in control” or similar provision (as set forth in the indenture, agreement or other evidence of such Indebtedness) obligating the Borrower to repurchase, redeem or repay all or any part of the Indebtedness or Capital Stock provided for therein.

“Change in Law” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority.

“Class Action Suit” means that certain class action lawsuit captioned as Desert Orchid Partners v. Transaction Systems Architects, Inc., et al. filed in the U.S. District Court for the

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District of Nebraska and more particularly described in the Borrower’s 10-Q for the fiscal quarter ended June 30, 2006 and Schedule 6.1(r).

“Closing Date” means the date of this Agreement or such later Business Day upon which each condition described in Section 5.2 shall be satisfied or waived in all respects in a manner acceptable to the Administrative Agent, in its sole discretion.

“Code” means the Internal Revenue Code of 1986, and the rules and regulations thereunder, each as amended or modified from time to time.

“Commitment” means, as to any Lender, such Lender’s Revolving Credit Commitment and/or Incremental Term Loan Commitment, as applicable.

“Commitment Percentage” means, as to any Lender at any time, such Lender’s Revolving Credit Commitment Percentage or Incremental Term Loan Percentage, as applicable.

“Consolidated” means, when used with reference to financial statements or financial statement items of any Person, such statements or items on a consolidated basis in accordance with applicable principles of consolidation under GAAP.

“Consolidated EBITDA” means, for any period, the sum of the following determined on a Consolidated basis, without duplication, for the Borrower and its Subsidiaries in accordance with GAAP: (a) Consolidated Net Income for such period plus (b) the sum of the following to the extent deducted in determining Consolidated Net Income: (i) income and franchise taxes, (ii) Consolidated Interest Expense, (iii) amortization, depreciation and other non-cash charges including, without limitation, non-cash equity compensation expenses (except to the extent that such non-cash charges are reserved for cash charges to be taken in the future), (iv) extraordinary losses (other than from discontinued operations) and (v) Transaction Costs less (c) interest income and any extraordinary or non-cash gains. For purposes of this Agreement, Consolidated EBITDA shall be adjusted on a pro forma basis, in a manner reasonably acceptable to the Administrative Agent, to include, as of the first day of any applicable period, any acquisition closed during such period, including, without limitation, adjustments reflecting any non-recurring costs and any extraordinary expenses of any acquisition closed during such period calculated on a basis consistent with GAAP and Regulation S-X of the Securities Exchange Act of 1934, as amended, or as approved by the Administrative Agent.

“Consolidated Interest Coverage Ratio” means, as of any date of determination, the ratio of (a) Consolidated EBITDA for the period of four (4) consecutive fiscal quarters ending on or immediately prior to such date to (b) Consolidated Interest Expense for the period of four (4) fiscal quarters ending on or immediately prior to such date.

“Consolidated Interest Expense” means, with respect to the Borrower and its Subsidiaries for any period, the gross interest expense (including, without limitation, interest expense attributable to Capital Leases and all net payment obligations pursuant to Hedging Agreements) of the Borrower and its Subsidiaries, all determined for such period on a Consolidated basis, without duplication, in accordance with GAAP.

“Consolidated Net Income” means, with respect to the Borrower and its Subsidiaries, for any period of determination, the net income (or loss) of the Borrower and its Subsidiaries for such period, determined on a Consolidated basis in accordance with GAAP; provided that there shall be excluded from Consolidated Net Income (a) the net income (or loss) of any Person (other than a Subsidiary which shall be subject to clause (c) below), in which the Borrower or any of its Subsidiaries has a joint interest with a third party, except to the extent such net income is actually paid in cash to the Borrower or any of its Subsidiaries by dividend or other distribution during such period, (b) the net income (or loss) of any Person accrued prior to the date it becomes a Subsidiary of such Person or is merged into or consolidated with such Person or any of its Subsidiaries or that Person’s assets are acquired by such Person or any of its Subsidiaries except to the extent included pursuant to the foregoing clause (a), and (c) the net income (if positive) of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary to the Borrower or any of its Subsidiaries of such net income (i) is not at the time permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute rule or governmental regulation applicable to such Subsidiary or (ii) would be subject to any taxes payable on such dividends or distributions.

"Consolidated Total Leverage Ratio" means, as of any date of determination, the ratio of (a) Consolidated Total Indebtedness on such date to (b) Consolidated EBITDA for the period of four (4) consecutive fiscal quarters ending on or immediately prior to such date.

"Consolidated Total Indebtedness" means, as of any date of determination with respect to the Borrower and its Subsidiaries on a Consolidated basis without duplication, the sum of all Indebtedness of the Borrower and its Subsidiaries.

"Credit Facility" means, collectively, the Revolving Credit Facility, the Swingline Facility, the L/C Facility and the Incremental Term Loan Facility.

"Credit Parties" means, collectively, the Borrower and the Subsidiary Guarantors.

"Default" means any of the events specified in Section 11.1 which with the passage of time, the giving of notice or any other condition, would constitute an Event of Default.

"Defaulting Lender" means any Lender that (a) has failed to fund any portion of the Revolving Credit Loans, any Incremental Term Loan, participations in L/C Obligations or participations in Swingline Loans required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due, unless such amount is the subject of a good faith dispute, or (c) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

"Disputes" means any dispute, claim or controversy arising out of, connected with or relating to this Agreement or any other Loan Document, between or among parties hereto and to the other Loan Documents.

"Disregarded Foreign Entity" means any Foreign Subsidiary that is a "disregarded foreign entity" as defined in the Code.

"Dollars" or "$" means, unless otherwise qualified, dollars in lawful currency of the United States.

"Domestic Subsidiary" means any Subsidiary organized under the laws of any political subdivision of the United States.

"Eligible Assignee" means (a) a Lender, (b) an Affiliate of a Lender, (c) an Approved Fund, and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent, (ii) in the case of any assignment of a Revolving Credit Commitment, the Swingline Lender and the Issuing Lender, and (iii) unless a Default or Event of Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of the Borrower's Affiliates or Subsidiaries.

"Employee Benefit Plan" means any employee benefit plan within the meaning of Section 3(3) of ERISA, other than a Multiemployer Plan, which (a) is maintained for employees of any Credit Party or any ERISA Affiliate or (b) has at any time within the preceding six (6) years been maintained for the employees of any Credit Party or any current or former ERISA Affiliate.

"Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, written claims, liens, written accusations, written allegations, notices of noncompliance or violation, investigations (other than internal reports prepared by any Person in the ordinary course of business and not in response to any third party action or request of any kind) or proceedings relating in any way to any actual or alleged violation of or liability under any Environmental Law or relating to any permit issued, or any approval given, under any such Environmental Law, including, without limitation, any and all claims by Governmental Authorities for enforcement, cleanup, removal, response, remedial or other actions or damages, contribution, indemnification cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to human health or the environment.

"Environmental Laws" means any and all federal, foreign, state, provincial and local laws, statutes, ordinances, codes, rules, standards and regulations, permits, licenses, approvals, interpretations and orders of courts or Governmental Authorities, relating to the protection of human health or the environment, including, but not limited to, requirements pertaining to the manufacture, processing, distribution, use, treatment, storage, disposal, transportation, handling, reporting, licensing, permitting, investigation or remediation of Hazardous Materials.

"ERISA" means the Employee Retirement Income Security Act of 1974, and the rules, regulations and published interpretations thereunder, each as amended or modified from time to time.

"ERISA Affiliate" means any Person who together with any Credit Party is treated as a single employer within the meaning of Section 414(b), (c), (m) or (o) of the Code or Section 4001(b) of ERISA.

"Eurodollar Reserve Percentage" means, for any day, the percentage (expressed as a decimal and rounded upwards, if necessary, to the next higher 1/100th of 1%) which is in effect for such day as prescribed by the Board of Governors of the Federal Reserve system (or any successor) for determining the maximum reserve requirement (including, without limitation, any basic, supplemental or emergency reserves) in respect of eurocurrency liabilities or any similar category of liabilities for a member bank of the Federal Reserve System in New York City.

"Event of Default" means any of the events specified in Section 11.1; provided that any requirement for passage of time, giving of notice, or any other condition, has been satisfied.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, the Issuing Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable Lending Office is located, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 4.12(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party hereto (or designates a new Lending Office) or is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with Section 4.11(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Lending Office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 4.11(a).

"Extensions of Credit" means, as to any Lender at any time, (a) an amount equal to the sum of (i) the aggregate principal amount of all Revolving Credit Loans made by such Lender then outstanding, (ii) such Lender's Revolving Credit Commitment Percentage of the L/C Obligations then outstanding, (iii) such Lender's Revolving Credit Commitment Percentage of the Swingline Loans then outstanding and (iv) the aggregate principal amount of all Incremental Term Loans made by such Lender then outstanding or (b) the making of any Loan or participation in any Letter of Credit by such Lender, as the context requires.

"FDIC" means the Federal Deposit Insurance Corporation, or any successor thereto.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day (or, if such day is not a Business Day, for the immediately preceding Business Day), as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that if such rate is not so published for any day which is a Business Day, the average of the quotation for such day on such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by the Administrative Agent.

"Fee Letter" means the separate fee letter agreement executed by the Borrower and the Administrative Agent and/or certain of its affiliates dated August 23, 2006.

"Fiscal Year" means each fiscal year of the Borrower and its Subsidiaries ending on September 30.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Foreign Subsidiary" means any Subsidiary that is not a Domestic Subsidiary.

"GAAP" means generally accepted accounting principles, as recognized by the American Institute of Certified Public Accountants and the Financial Accounting Standards Board, consistently applied and maintained on a consistent basis for the Borrower and its Subsidiaries throughout the period indicated and (subject to Section 13.9) consistent with the prior financial practice of the Borrower and its Subsidiaries.

"Governmental Approvals" means all authorizations, consents, approvals, permits, licenses and exemptions of, registrations and filings with, and reports to, all Governmental Authorities.

"Governmental Authority" means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Guaranty Obligation" means, with respect to the Borrower and its Subsidiaries, without duplication, any obligation, contingent or otherwise, of any such Person pursuant to which such Person has directly or indirectly guaranteed any Indebtedness of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of any such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness (whether arising by virtue of partnership arrangements, by agreement to keep well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement condition or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, that the term Guaranty Obligation shall not include endorsements for collection or deposit in the ordinary course of business.

"Hazardous Materials" means any substances or materials (a) which are or become defined as hazardous wastes, hazardous substances, pollutants, contaminants, chemical substances or mixtures or toxic substances under any Environmental Law, (b) which are toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise harmful to human health or the environment and are or become regulated by any Governmental

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Authority, (c) the presence of which require investigation or remediation under any Environmental Law or common law, (d) the discharge or emission or release of which requires a permit or license under any Environmental Law or other Governmental Approval, (e) which are deemed to constitute a nuisance or a trespass which pose a health or safety hazard to Persons or neighboring properties, (f) which consist of underground or aboveground storage tanks, whether empty, filled or partially filled with any substance, or (g) which contain, without limitation, asbestos, polychlorinated biphenyls, urea formaldehyde foam insulation, petroleum hydrocarbons, petroleum derived substances or waste, crude oil, nuclear fuel, natural gas or synthetic gas.

"Hedging Agreement" means any agreement with respect to any Interest Rate Contract, forward rate agreement, commodity swap, forward foreign exchange agreement, currency swap agreement, cross-currency rate swap agreement, currency option agreement or other agreement or arrangement designed to alter the risks of any Person arising from fluctuations in interest rates, currency values or commodity prices, all as amended, restated, supplemented or otherwise modified from time to time.

"Hedging Obligations" means all existing or future payment and other obligations owing by the Borrower under any Hedging Agreement (which such Hedging Agreement is permitted hereunder) with any Person that is a Lender or an Affiliate of a Lender at the time such Hedging Agreement is executed.

"Increasing Revolving Lender" has the meaning assigned thereto in Section 2.7.

"Incremental Term Lender" has the meaning assigned thereto in Section 2.8.

"Incremental Term Loan Commitment" means (a) as to any Incremental Term Lender, the obligation of such Incremental Term Lender to make an Incremental Term Loan to or for the account of the Borrower in accordance with Section 2.8 and (b) as to all Incremental Term Lenders, the aggregate commitment of all Incremental Term Lenders to make Incremental Term Loans in accordance with Section 2.8.

"Incremental Term Loan Effective Date" means the date, which shall be a Business Day, on or before the Revolving Credit Maturity Date, but no earlier than thirty (30) days after any Incremental Term Loan Notification Date (unless a shorter period is agreed to by all the affected Incremental Term Lenders), on which each of the Incremental Term Lenders makes Incremental Term Loans to the Borrower pursuant to Section 2.8.

"Incremental Term Loan Facility" means the incremental term loan facility established pursuant to Section 2.8.

"Incremental Term Loans" has the meaning assigned thereto in Section 2.8.

"Incremental Term Loan Note" means a promissory note made by the Borrower in favor of an Incremental Term Lender evidencing the Incremental Term Loans made by such Incremental Term Lender, and any amendments, supplements and modifications thereto, any

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substitutes therefor, and any replacements, restatements, renewals or extension thereof, in whole or in part.

"Incremental Term Loan Notification" means the written notice by the Borrower of its request to borrow Incremental Term Loans pursuant to Section 2.8.

"Incremental Term Loan Notification Date" means the date on which the Incremental Term Loan Notification is received by the Administrative Agent.

"Incremental Term Loan Percentage" means, as to any Incremental Term Lender at any time, the ratio of (a) the amount of the Incremental Term Loan Commitment of such Incremental Term Lender to (b) the Incremental Term Loan Commitments of all Incremental Term Lenders.

"Indebtedness" means, with respect to the Borrower and its Subsidiaries at any date and without duplication, the sum of the following calculated in accordance with GAAP:

(a) all liabilities, obligations and indebtedness for borrowed money including, but not limited to, obligations evidenced by bonds, debentures, notes or other similar instruments of any such Person;

(b) all obligations to pay the deferred purchase price of property or services of any such Person (including, without limitation, all obligations under non-competition, earn-out or similar agreements), except trade payables arising in the ordinary course of business not more than ninety (90) days past due;

(c) the Attributable Indebtedness of such Person with respect to such Person's obligations in respect of Capital Leases and Synthetic Leases (regardless of whether accounted for as indebtedness under GAAP);

(d) all Indebtedness of any other Person secured by a Lien on any asset owned or being purchased by the Borrower or any of its Subsidiaries (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by the Borrower or any of its Subsidiaries or is limited in recourse;

(e) all Guaranty Obligations of any such Person;

(f) all obligations, contingent or otherwise, of any such Person relative to the face amount of letters of credit, whether or not drawn, including, without limitation, any Reimbursement Obligation, and banker's acceptances issued for the account of any such Person;

(g) all obligations of any such Person to redeem, repurchase, exchange, defease or otherwise make payments in respect of Capital Stock of such Person; and

(h) all Net Hedging Obligations.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person.

"Indemnified Taxes" means Taxes and Other Taxes other than Excluded Taxes.

"Interest Period" has the meaning assigned thereto in Section 4.1(b).

"Interest Rate Contract" means any interest rate swap agreement, interest rate cap agreement, interest rate floor agreement, interest rate collar agreement, interest rate option or any other agreement regarding the hedging of interest rate risk exposure executed in connection with hedging the interest rate exposure of any Person and any confirming letter executed pursuant to such agreement, all as amended, restated, supplemented or otherwise modified from time to time.

"ISP98" means the International Standby Practices (1998 Revision, effective January 1, 1999), International Chamber of Commerce Publication No. 590.

"Issuing Lender" means Wachovia, in its capacity as issuer of any Letter of Credit, or any successor thereto.

"L/C Commitment" means the lesser of (a) $25,000,000 and (b) an amount equal to the Revolving Credit Commitment.

"L/C Facility" means the letter of credit facility established pursuant to Article III.

"L/C Obligations" means at any time, an amount equal to the sum of (a) the aggregate undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit which have not then been reimbursed pursuant to Section 3.5.

"L/C Participants" means the collective reference to all the Revolving Credit Lenders other than the Issuing Lender.

"Lender" means each Person executing this Agreement as a Lender (including, without limitation, the Issuing Lender and the Swingline Lender unless the context otherwise requires) set forth on the signature pages hereto and each Person that hereafter becomes a party to this Agreement as a Lender pursuant to Sections 2.7, 2.8 or 13.10.

"Lender Addition and Acknowledgement Agreement" means, each agreement, in form and substance satisfactory to the Administrative Agent, executed pursuant to Section 2.7 and/or Section 2.8 by the Borrower and any existing Lender or New Lender committing to provide an increase in the Revolving Credit Commitment and/or Incremental Term Loans and, in each case, acknowledged by the Administrative Agent and each Subsidiary Guarantor, (a) setting forth the terms and conditions of (i) any increase in the Revolving Credit Commitment pursuant to Section 2.7 and/or (ii) any Incremental Term Loans pursuant to Section 2.8 and (b) acknowledging that any New Lender shall be a party hereto and have the rights (including, without limitation, voting rights) and obligations of a Lender hereunder.

"Lending Office" means, with respect to any Lender, the office of such Lender maintaining such Lender's Extensions of Credit.

"Letter of Credit Application" means an application, in the form specified by the Issuing Lender from time to time, requesting the Issuing Lender to issue a Letter of Credit.

"Letters of Credit" has the meaning assigned thereto in Section 3.1.

"LIBOR" means the rate of interest per annum determined on the basis of the rate for deposits in Dollars in minimum amounts of at least $5,000,000 for a period equal to the applicable Interest Period which appears on the Telerate Page 3750 at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of the applicable Interest Period (rounded upward, if necessary, to the nearest 1/100th of 1%). If, for any reason, such rate does not appear on Telerate Page 3750, then "LIBOR" shall be reasonably determined by the Administrative Agent to be the arithmetic average of the rate per annum at which deposits in Dollars in minimum amounts of at least $5,000,000 would be offered by first class banks in the London interbank market to the Administrative Agent at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of the applicable Interest Period for a period equal to such Interest Period. Each calculation by the Administrative Agent of LIBOR shall be conclusive and binding for all purposes, absent manifest error.

"LIBOR Rate" means a rate per annum (rounded upwards, if necessary, to the next higher 1/100th of 1%) determined by the Administrative Agent pursuant to the following formula:

$$\text{LIBOR Rate} = \frac{\text{LIBOR}}{1.00\text{-Eurodollar Reserve Percentage}}$$

"LIBOR Rate Loan" means any Loan bearing interest at a rate based upon the LIBOR Rate as provided in Section 4.1(a).

"Lien" means, with respect to any asset, any mortgage, leasehold mortgage, lien, pledge, charge, security interest, hypothecation or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capital Lease or other title retention agreement relating to such asset.

"Liquidity Amount" means, as of any date of determination, an amount equal to the sum of (a) the total amount of unrestricted cash on hand of the Borrower and its Subsidiaries as of such date plus (b) the total amount of unrestricted Cash Equivalents of the Borrower and its Subsidiaries as of such date plus (c) the aggregate principal amount of the Available Commitment; provided that the amounts set forth in clauses (a) and (b) above shall be determined in good faith by the Borrower and certified as accurate by a Responsible Officer of the Borrower.

"Loan Documents" means, collectively, this Agreement, each Note, the Letter of Credit Applications, the Subsidiary Guaranty Agreement, each Security Document (if any), each Lender Addition and Acknowledgment Agreement (if any) and each other document, instrument,

certificate and agreement executed and delivered by the Borrower or any of its Subsidiaries in connection with this Agreement or otherwise referred to herein or contemplated hereby, all as may be amended, restated, supplemented or otherwise modified from time to time.

"Loans" means the collective reference to the Revolving Credit Loans, the Swingline Loans and the Incremental Term Loans, if any, and "Loan" means any of such Loans.

"Material Adverse Effect" means, with respect to the Borrower or any of its Subsidiaries, a material adverse effect on (a) the business, assets, liabilities (actual or contingent), operations or condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole, or (b) the ability of any such Person to perform its obligations under the Loan Documents to which it is a party.

"Material Contract" means any contract or other agreement, written or oral, of the Borrower or any of its Subsidiaries the failure to comply with which could reasonably be expected to have a Material Adverse Effect.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA to which any Credit Party or any ERISA Affiliate is making, or is accruing an obligation to make, or has accrued an obligation to make contributions within the preceding six (6) years.

"Net Hedging Obligations" means, as of any date, the Termination Value of any such Hedging Agreement on such date.

"New Lender" means any bank, financial institution or investment fund committing to make Extensions of Credit pursuant to Section 2.7 or Section 2.8 that was not a Lender as of the applicable Revolving Credit Increase Effective Date or Incremental Term Loan Effective Date relating to such Extensions of Credit.

"Notes" means the collective reference to the Revolving Credit Notes, the Swingline Note and the Incremental Term Loan Notes, if any.

"Notice of Account Designation" has the meaning assigned thereto in Section 2.3(b).

"Notice of Borrowing" has the meaning assigned thereto in Section 2.3(a).

"Notice of Conversion/Continuation" has the meaning assigned thereto in Section 4.2.

"Notice of Prepayment" has the meaning assigned thereto in Section 2.4(c).

"Obligations" means, in each case, whether now in existence or hereafter arising: (a) the principal of and interest on (including interest accruing after the filing of any bankruptcy or similar petition) the Loans, (b) the L/C Obligations, (c) all Hedging Obligations and (d) all other fees and commissions (including attorneys' fees), charges, indebtedness, loans, liabilities, financial accommodations, obligations, covenants and duties owing by the Borrower or any of its Subsidiaries to the Lenders or the Administrative Agent, in each case under any Loan Document or otherwise, with respect to any Loan or Letter of Credit of every kind, nature and description,

direct or indirect, absolute or contingent, due or to become due, contractual or tortious, liquidated or unliquidated, and whether or not evidenced by any note.

"OFAC" means the U.S. Department of the Treasury's Office of Foreign Assets Control.

"Officer's Compliance Certificate" means a certificate of the chief financial officer or the treasurer of the Borrower substantially in the form of ***Exhibit F***.

"Operating Lease" means, as to any Person as determined in accordance with GAAP, any lease of property (whether real, personal or mixed) by such Person as lessee which is not a Capital Lease.

"Other Taxes" means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"Participant" has the meaning assigned thereto in Section 13.10(d).

"PBGC" means the Pension Benefit Guaranty Corporation or any successor agency.

"Pension Plan" means any Employee Benefit Plan which is subject to the provisions of Title IV of ERISA or Section 412 of the Code.

"Permitted Acquisition" means any investment by the Borrower or any Subsidiary in the form of acquisitions of all or substantially all of the business or a line of business (whether by the acquisition of Capital Stock, assets or any combination thereof) of any other Person if each such acquisition meets all of the following requirements:

(a) the Borrower shall have delivered to the Administrative Agent on or before the closing date of such acquisition, evidence of approval of the acquisition by the acquiree's board of directors or equivalent governing body or a copy of the opinion of counsel delivered by legal counsel to the acquiree in connection with the acquisition which evidences such approval or opines that such approval is not required;

(b) (i) the Person or business to be acquired shall be in a substantially similar or related line of business as the Borrower and its Subsidiaries or (ii) the assets to be acquired shall be used by the Borrower or its Subsidiaries in a business which is substantially similar or related to the line of business of the Borrower and its Subsidiaries;

(c) if such acquisition involves the Borrower or any Subsidiary Guarantor, the Borrower or such Subsidiary Guarantor shall be the surviving Person and no Change of Control shall have been effected thereby;

(d) if such transaction involves the acquisition of a new Subsidiary, the Borrower shall have delivered to the Administrative Agent by the time required pursuant to Section 8.10 such documents as are reasonably requested by the Administrative Agent or the Required Lenders (through the Administrative Agent) pursuant to Section 8.10;

(e) prior to the proposed closing date of such acquisition, the Borrower shall have delivered to the Administrative Agent an Officer's Compliance Certificate for the most recent fiscal quarter end preceding such acquisition demonstrating, in form and substance reasonably satisfactory thereto, pro forma compliance (as of the date of the acquisition and after giving effect thereto and any Extensions of Credit made or to be made in connection therewith) with each covenant contained in Article IX;

(f) no Default or Event of Default shall have occurred and be continuing both before and after giving effect to such acquisition;

(g) both before and after giving effect to the acquisition and any Extensions of Credit made in connection with such acquisition, the Liquidity Amount shall be greater than or equal to $15,000,000; and

(h) as of the closing date of the acquisition, the Person or business to be acquired shall not be subject or party to any material pending or threatened litigation.

"Permitted Liens" means the Liens permitted pursuant to Section 10.2.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental authority or other entity.

"P&H" means P&H Solutions Inc., a Delaware corporation.

"P&H Acquisition" means the acquisition by the Borrower of all of the issued and outstanding Capital Stock of P&H.

"P&H Purchase Agreement" means that certain Agreement and Plan of Merger (together with the exhibits and the schedules thereto) dated as of August 28, 2006 between the shareholders of P&H, as sellers and the Borrower, as buyer.

"Prime Rate" means, at any time, the rate of interest per annum publicly announced from time to time by Wachovia as its prime rate. Each change in the Prime Rate shall be effective as of the opening of business on the day such change in such prime rate occurs. The parties hereto acknowledge that the rate announced publicly by Wachovia as its prime rate is an index or base rate and shall not necessarily be its lowest or best rate charged to its customers or other banks.

"Register" has the meaning assigned thereto in Section 13.10(c).

"Reimbursement Obligation" means the obligation of the Borrower to reimburse the Issuing Lender pursuant to Section 3.5 for amounts drawn under Letters of Credit.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

"Required Lenders" means, at any date, any combination of Lenders who hold in aggregate more than fifty percent (50%) of the sum of (a) the Commitments and (b) the

aggregate outstanding Extensions of Credit under the Incremental Term Loans, or, if the Credit Facility has been terminated pursuant to Section 11.2, any combination of Lenders holding more than fifty percent (50%) of the aggregate Extensions of Credit; provided that the Commitment of, and the portion of the Extensions of Credit, as applicable, held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

“Responsible Officer” means the chief executive officer, president, chief financial officer, controller, treasurer or assistant treasurer of a Credit Party or any other officer of such Credit Party reasonably acceptable to the Administrative Agent. Any document delivered hereunder that is signed by a Responsible Officer of a Credit Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Credit Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Credit Party.

“Revolving Credit Commitment” means (a) as to any Revolving Credit Lender, the obligation of such Revolving Credit Lender to make Revolving Credit Loans for the account of the Borrower hereunder in an aggregate principal amount at any time outstanding not to exceed the amount set forth opposite such Revolving Credit Lender’s name on the Register, as such Revolving Credit Commitment may be increased, reduced or modified at any time or from time to time pursuant to the terms hereof and (b) as to all Revolving Credit Lenders, the aggregate commitment of all Revolving Credit Lenders to make Revolving Credit Loans, as such amount may be increased, reduced or modified at any time or from time to time pursuant to the terms hereof.

“Revolving Credit Commitment Percentage” means, as to any Revolving Credit Lender at any time, the ratio of (a) the amount of the Revolving Credit Commitment of such Revolving Credit Lender to (b) the Revolving Credit Commitments of all Revolving Credit Lenders.

“Revolving Credit Facility” means the revolving credit facility established pursuant to Article II but excluding the Swingline Facility and any Incremental Term Loan Facility established pursuant to Section 2.8.

“Revolving Credit Increase Effective Date” means the date, which shall be a Business Day, on or before the Revolving Credit Maturity Date, but no earlier than thirty (30) days after any Revolving Credit Increase Notification Date (unless a shorter period is agreed to by all affected Increasing Revolving Lenders), on which each of the Increasing Revolving Lenders increase (or, in the case of New Revolving Lenders, provide) their respective Revolving Credit Commitments to the Borrower pursuant to Section 2.7.

“Revolving Credit Increase Notification” means the written notice by the Borrower of its desire to increase the Revolving Credit Commitment pursuant to Section 2.7.

“Revolving Credit Increase Notification Date” means the date on which the Revolving Credit Increase Notification is received by the Administrative Agent.

“Revolving Credit Lenders” means Lenders with a Revolving Credit Commitment.

“Revolving Credit Loans” means any revolving loan made to the Borrower pursuant to Section 2.1, and all such revolving loans collectively as the context requires.

“Revolving Credit Maturity Date” means the earliest to occur of (a) September 29, 2011, (b) the date of termination by the Borrower pursuant to Section 2.5, or (c) the date of termination of the Revolving Credit Commitment by the Administrative Agent on behalf of the Lenders pursuant to Section 11.2(a).

“Revolving Credit Note” means a promissory note made by the Borrower in favor of a Revolving Credit Lender evidencing the Revolving Credit Loans made by such Revolving Credit Lender, substantially in the form of ***Exhibit A-1***, and any amendments, supplements and modifications thereto, any substitutes therefor, and any replacements, restatements, renewals or extension thereof, in whole or in part.

“Sanctioned Entity” shall mean (a) an agency of the government of, (b) an organization directly or indirectly controlled by, or (c) a person resident in, a country that is subject to a sanctions program identified on the list maintained by OFAC and available at http://www.treas.gov/offices/enforcement/ofac/programs, or as otherwise published from time to time as such program may be applicable to such agency, organization or person.

“Sanctioned Person” shall mean a person named on the list of Specially Designated Nationals or Blocked Persons maintained by OFAC available at http://www.treas.gov/offices/enforcement/ofac/sdn/index.html, or as otherwise published from time to time.

“SEC” means the Securities and Exchange Commission.

“Security Documents” means the collective reference to the Subsidiary Guaranty Agreement and any collateral agreement or other agreement or writing pursuant to which any Credit Party purports to pledge or grant a security interest in any property or assets securing the Obligations or any such Person purports to guaranty the payment and/or performance of the Obligations, in each case, as amended, restated, supplemented or otherwise modified from time to time.

“Solvent” means, as to the Borrower and its Subsidiaries on a particular date, that any such Person (a) has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage and is able to pay its debts as they mature, (b) has assets having a value, both at fair valuation and at present fair saleable value, greater than the amount required to pay its probable liabilities (including contingencies), and (c) does not believe that it will incur debts or liabilities beyond its ability to pay such debts or liabilities as they mature.

“Subordinated Indebtedness” means the collective reference to any Indebtedness of the Borrower or any Subsidiary subordinated in right and time of payment to the Obligations and containing such other terms and conditions, in each case as are satisfactory to the Required Lenders.

“Subsidiary” means as to any Person, any corporation, partnership, limited liability company or other entity of which more than fifty percent (50%) of the outstanding Capital Stock having ordinary voting power to elect a majority of the board of directors or other managers of such corporation, partnership, limited liability company or other entity is at the time owned by, or the management of which is otherwise controlled by, such Person (irrespective of whether, at the time, Capital Stock of any other class or classes of such corporation, partnership, limited liability company or other entity shall have or might have voting power by reason of the happening of any contingency). Unless otherwise qualified references to “Subsidiary” or “Subsidiaries” herein shall refer to those of the Borrower.

“Subsidiary Guarantors” means each direct or indirect Domestic Subsidiary of the Borrower in existence on the Closing Date which is a party to the Subsidiary Guaranty Agreement and any other Subsidiary of the Borrower which becomes a party to a Subsidiary Guaranty Agreement pursuant to Section 8.10.

“Subsidiary Guaranty Agreement” means the unconditional guaranty agreement of even date executed by the Subsidiary Guarantors in favor of the Administrative Agent for the ratable benefit of itself and the Lenders, substantially in the form of ***Exhibit H***, as amended, restated, supplemented or otherwise modified from time to time.

“Swingline Commitment” means the lesser of (a) $10,000,000 and (b) an amount equal to the Revolving Credit Commitment.

“Swingline Facility” means the swingline facility established pursuant to Section 2.2.

“Swingline Lender” means Wachovia in its capacity as swingline lender hereunder.

“Swingline Loan” means any swingline loan made by the Swingline Lender to the Borrower pursuant to Section 2.2, and all such swingline loans collectively as the context requires.

“Swingline Note” means a promissory note made by the Borrower in favor of the Swingline Lender evidencing the Swingline Loans made by the Swingline Lender, substantially in the form of ***Exhibit A-2***, and any amendments, supplements and modifications thereto, any substitutes therefor, and any replacements, restatements, renewals or extension thereof, in whole or in part.

“Swingline Termination Date” means the first to occur of (a) the resignation of Wachovia as Administrative Agent in accordance with Section 12.6 and (b) the Revolving Credit Maturity Date.

“Synthetic Lease” means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an Operating Lease in accordance with GAAP.

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Termination Event” means except for any such event or condition that could not reasonably be expected to have a Material Adverse Effect: (a) the occurrence with respect to any Pension Plan subject to Title IV of ERISA of a “Reportable Event” described in Section 4043 of ERISA for which the notice requirement has not been waived by the PBGC, or (b) the withdrawal of any Credit Party or any ERISA Affiliate from a Pension Plan subject to Title IV of ERISA during a plan year in which it was a “substantial employer” as defined in Section 4001(a)(2) of ERISA, or (c) the termination of a Pension Plan, the filing of a notice of intent to terminate a Pension Plan or the treatment of a Pension Plan amendment as a termination, under Section 4041 of ERISA, if the plan assets are not sufficient to pay all plan liabilities, or (d) the institution of proceedings to terminate, or the appointment of a trustee with respect to, any Pension Plan by the PBGC under Section 4042 of ERISA, or (e) the occurrence of any other event or condition which would constitute grounds under Section 4042(a) of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan, or (f) the imposition of a Lien on the assets of any Credit Party or any ERISA Affiliate pursuant to Section 412 of the Code or Section 302 of ERISA, or (g) the partial or complete withdrawal of any Credit Party or any ERISA Affiliate from a Multiemployer Plan if withdrawal liability is asserted by such plan, or (h) the reorganization or insolvency of a Multiemployer Plan under Sections 4241 or 4245 of ERISA, or (i) the termination of a Multiemployer Plan under Section 4041A of ERISA or the institution by PBGC of proceedings to terminate a Multiemployer Plan under Section 4042 of ERISA.

“Termination Value” means, in respect of any one or more Hedging Agreements, after taking into account the effect of any legally enforceable netting agreement relating to such Hedging Agreements, (a) for any date on or after the date such Hedging Agreements have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Hedging Agreements, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Hedging Agreements (which may include a Lender or any Affiliate of a Lender).

“Transaction Costs” means all transaction fees, charges and other amounts related to this Credit Facility, the P&H Acquisition and any other Permitted Acquisition (including, without limitation, (a) any financing fees, merger and acquisition fees (including consulting, advisory or brokerage fees), legal fees and expenses, due diligence fees or any other fees and expenses during such period in connection therewith and (b) the aggregate amount of all payments funded from the earnings of the Borrower and its Subsidiaries and made during such period in connection with the P&H Acquisition or any other Permitted Acquisition, including, without limitation, indemnity payments, working capital and purchase price adjustments, earn outs or other contingent payments), as approved by the Administrative Agent.

“UCC” means the Uniform Commercial Code as in effect in the State of New York, as amended or modified from time to time.

"United States" means the United States of America.

"Wachovia" means Wachovia Bank, National Association, a national banking association, and its successors.

"Wholly-Owned" means, with respect to a Subsidiary, that all of the shares of Capital Stock of such Subsidiary are, directly or indirectly, owned or controlled by the Borrower and/or one or more of its Wholly-Owned Subsidiaries (except for directors' qualifying shares or other shares required by Applicable Law to be owned by a Person other than the Borrower).

SECTION 1.2 Other Definitions and Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document: (a) the definitions of terms herein shall apply equally to the singular and plural forms of the terms defined, (b) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms, (c) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation", (d) the word "will" shall be construed to have the same meaning and effect as the word "shall", (e) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (f) any reference herein to any Person shall be construed to include such Person's successors and assigns, (g) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (h) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (i) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights, (j) the term "documents" includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form, (k) in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including", and (l) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

SECTION 1.3 Accounting Terms. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the audited financial statements required by Section 7.1(b), except as otherwise specifically prescribed herein.

SECTION 1.4 UCC Terms. Terms defined in the UCC in effect on the Closing Date and not otherwise defined herein shall, unless the context otherwise indicates, have the meanings provided by those definitions. Subject to the foregoing, the term "UCC" refers, as of any date of determination, to the UCC then in effect.

SECTION 1.5 Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

SECTION 1.6 References to Agreement and Laws. Unless otherwise expressly provided herein, (a) references to formation documents, governing documents, agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Loan Document; and (b) references to any Applicable Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Applicable Law.

SECTION 1.7 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

SECTION 1.8 Letter of Credit Amounts. Unless otherwise specified, all references herein to the amount of a Letter of Credit at any time shall be deemed to mean the maximum face amount of such Letter of Credit after giving effect to all increases thereof contemplated by such Letter of Credit or the Letter of Credit Application therefor, whether or not such maximum face amount is in effect at such time.

ARTICLE II

REVOLVING CREDIT FACILITY

SECTION 2.1 Revolving Credit Loans. Subject to the terms and conditions of this Agreement, and in reliance upon the representations and warranties set forth herein, each Revolving Credit Lender severally agrees to make Revolving Credit Loans to the Borrower from time to time from the Closing Date through, but not including, the Revolving Credit Maturity Date as requested by the Borrower in accordance with the terms of Section 2.3; provided, that (a) the aggregate principal amount of all outstanding Revolving Credit Loans (after giving effect to any amount requested) shall not exceed an amount equal to the Revolving Credit Commitment less the sum of all outstanding Swingline Loans and L/C Obligations and (b) the principal amount of outstanding Revolving Credit Loans from any Revolving Credit Lender to the Borrower shall not at any time exceed such Revolving Credit Lender's Revolving Credit Commitment less such Revolving Credit Lender's Revolving Credit Commitment Percentage of outstanding L/C Obligations and outstanding Swingline Loans. Each Revolving Credit Loan by a Revolving Credit Lender shall be in a principal amount equal to such Revolving Credit Lender's Revolving Credit Commitment Percentage of the aggregate principal amount of Revolving Credit Loans requested on such occasion. Subject to the terms and conditions hereof, the Borrower may borrow, repay and reborrow Revolving Credit Loans hereunder until the Revolving Credit Maturity Date.

SECTION 2.2 Swingline Loans.

(a) Availability. Subject to the terms and conditions of this Agreement, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time from the Closing Date through, but not including, the Swingline Termination Date; provided, that the aggregate principal amount of all outstanding Swingline Loans (after giving effect to any amount requested), shall not exceed the lesser of (i) an amount equal to the Revolving Credit Commitment less the sum of all outstanding Revolving Credit Loans and the L/C Obligations and (ii) the Swingline Commitment.

(b) Refunding.

(i) Swingline Loans shall be refunded by the Revolving Credit Lenders on demand by the Swingline Lender. Such refundings shall be made by the Revolving Credit Lenders in accordance with their respective Revolving Credit Commitment Percentages and shall thereafter be reflected as Revolving Credit Loans of the Revolving Credit Lenders on the Register. Each Revolving Credit Lender shall fund its respective Revolving Credit Commitment Percentage of Revolving Credit Loans as required to repay Swingline Loans outstanding to the Swingline Lender upon demand by the Swingline Lender but in no event later than 1:00 p.m. on the next succeeding Business Day after such demand is made. No Revolving Credit Lender's obligation to fund its respective Revolving Credit Commitment Percentage of a Swingline Loan shall be affected by any other Revolving Credit Lender's failure to fund its Revolving Credit Commitment Percentage of a Swingline Loan, nor shall any Revolving Credit Lender's Revolving Credit Commitment Percentage be increased as a result of any such failure of any other Revolving Credit Lender to fund its Revolving Credit Commitment Percentage of a Swingline Loan.

(ii) The Borrower shall pay to the Swingline Lender on demand the amount of such Swingline Loans to the extent amounts received from the Revolving Credit Lenders are not sufficient to repay in full the outstanding Swingline Loans requested or required to be refunded. In addition, the Borrower hereby authorizes the Administrative Agent to charge any account maintained by the Borrower with the Swingline Lender (up to the amount available therein) in order to immediately pay the Swingline Lender the amount of such Swingline Loans to the extent amounts received from the Revolving Credit Lenders are not sufficient to repay in full the outstanding Swingline Loans requested or required to be refunded. If any portion of any such amount paid to the Swingline Lender shall be recovered by or on behalf of the Borrower from the Swingline Lender in bankruptcy or otherwise, the loss of the amount so recovered shall be ratably shared among all the Revolving Credit Lenders in accordance with their respective Revolving Credit Commitment Percentages (unless the amounts so recovered by or on behalf of the Borrower pertain to a Swingline Loan extended after the occurrence and during the continuance of an Event of Default of which the Administrative Agent has received notice in the manner required pursuant to Section 12.3 and which such Event of Default has not been waived in accordance with Section 13.2). If, at any time after the Swingline Lender has received from any Revolving Credit Lender such Revolving Credit Lender's Revolving Credit Commitment Percentage of any amount recovered from the Swingline Lender as provided in the preceding sentence, the Swingline Lender receives any payment on account thereof, the Swingline Lender

will distribute to such Revolving Credit Lender its Revolving Credit Commitment Percentage of such payment.

(iii) Each Revolving Credit Lender acknowledges and agrees that its obligation to refund Swingline Loans in accordance with the terms of this Section is absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, non-satisfaction of the conditions set forth in Article V. Further, each Revolving Credit Lender agrees and acknowledges that if prior to the refunding of any outstanding Swingline Loans pursuant to this Section, one of the events described in Section 11.1(i) or (j) shall have occurred, each Revolving Credit Lender will, immediately upon demand, purchase an undivided participating interest in the Swingline Loan to be refunded in an amount equal to its Revolving Credit Commitment Percentage of the aggregate amount of such Swingline Loan. Each Revolving Credit Lender will immediately transfer to the Swingline Lender, in immediately available funds, the amount of its participation and upon receipt thereof the Swingline Lender will deliver to such Revolving Credit Lender a certificate evidencing such participation dated the date of receipt of such funds and for such amount. Whenever, at any time after the Swingline Lender has received from any Revolving Credit Lender such Revolving Credit Lender's participating interest in a Swingline Loan, the Swingline Lender receives any payment on account thereof, the Swingline Lender will distribute to such Revolving Credit Lender its participating interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Revolving Credit Lender's participating interest was outstanding and funded).

SECTION 2.3 Procedure for Advances of Revolving Credit Loans and Swingline Loans.

(a) Requests for Borrowing. The Borrower shall give the Administrative Agent irrevocable prior written notice substantially in the form of ***Exhibit B*** (a "Notice of Borrowing") not later than 11:00 a.m. (i) on the same Business Day as each Base Rate Loan and each Swingline Loan and (ii) at least three (3) Business Days before each LIBOR Rate Loan, of its intention to borrow, specifying (A) the date of such borrowing, which shall be a Business Day, (B) the amount of such borrowing, which shall be, (x) with respect to Base Rate Loans (other than Swingline Loans) in an aggregate principal amount of $3,000,000 or a whole multiple of $1,000,000 in excess thereof, (y) with respect to LIBOR Rate Loans in an aggregate principal amount of $5,000,000 or a whole multiple of $1,000,000 in excess thereof and (z) with respect to Swingline Loans in an aggregate principal amount of $100,000 or a whole multiple of $100,000 in excess thereof, (C) whether such Loan is to be a Revolving Credit Loan or Swingline Loan, (D) in the case of a Revolving Credit Loan whether the Loans are to be LIBOR Rate Loans or Base Rate Loans, and (E) in the case of a LIBOR Rate Loan, the duration of the Interest Period applicable thereto. A Notice of Borrowing received after 11:00 a.m. shall be deemed received on the next Business Day. The Administrative Agent shall promptly notify the Revolving Credit Lenders of each Notice of Borrowing.

(b) Disbursement of Revolving Credit Loans and Swingline Loans. Not later than 1:00 p.m. on the proposed borrowing date, (i) each Revolving Credit Lender will make available to the Administrative Agent, for the account of the Borrower, at the Administrative Agent's Office in funds immediately available to the Administrative Agent, such Revolving Credit Lender's Revolving Credit Commitment Percentage of the Revolving Credit Loans to be made on such borrowing date and (ii) the Swingline Lender will make available to the Administrative Agent, for the account of the Borrower, at the Administrative Agent's Office in funds immediately available to the Administrative Agent, the Swingline Loans to be made on such borrowing date. The Borrower hereby irrevocably authorizes the Administrative Agent to disburse the proceeds of each borrowing requested pursuant to this Section in immediately available funds by crediting or wiring such proceeds to the deposit account of the Borrower identified in the most recent notice substantially in the form of ***Exhibit C*** (a "Notice of Account Designation") delivered by the Borrower to the Administrative Agent or as may be otherwise agreed upon by the Borrower and the Administrative Agent from time to time. Subject to Section 4.7 hereof, the Administrative Agent shall not be obligated to disburse the portion of the proceeds of any Revolving Credit Loan requested pursuant to this Section to the extent that any Revolving Credit Lender has not made available to the Administrative Agent its Revolving Credit Commitment Percentage of such Revolving Credit Loan. Revolving Credit Loans to be made for the purpose of refunding Swingline Loans shall be made by the Revolving Credit Lenders as provided in Section 2.2(b).

SECTION 2.4 Repayment and Prepayment of Revolving Credit Loans and Swingline Loans.

(a) Repayment on Revolving Credit Maturity Date. The Borrower hereby agrees to repay the outstanding principal amount of (i) all Revolving Credit Loans in full on the Revolving Credit Maturity Date, and (ii) all Swingline Loans in accordance with Section 2.2(b), together, in each case, with all accrued but unpaid interest thereon.

(b) Mandatory Prepayments. If at any time the outstanding principal amount of all Revolving Credit Loans plus the sum of all outstanding Swingline Loans and L/C Obligations exceeds an amount equal to the Revolving Credit Commitment, the Borrower agrees to repay immediately upon notice from the Administrative Agent, by payment to the Administrative Agent for the account of the Revolving Credit Lenders, Extensions of Credit in an amount equal to such excess with each such repayment applied first to the principal amount of outstanding Swingline Loans, second to the principal amount of outstanding Revolving Credit Loans and third, with respect to any Letters of Credit then outstanding, a payment of cash collateral into a cash collateral account opened by the Administrative Agent, for the benefit of the Revolving Credit Lenders in an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit (such cash collateral to be applied in accordance with Section 11.2(b)). The application of any prepayment of Revolving Credit Loans pursuant to this Section 2.4(b) shall be made first to Base Rate Loans and second, to LIBOR Rate Loans.

(c) Optional Prepayments. The Borrower may at any time and from time to time prepay Revolving Credit Loans and Swingline Loans, in whole or in part, with irrevocable prior written notice to the Administrative Agent substantially in the form of ***Exhibit D*** (a "Notice of Prepayment") given not later than 11:00 a.m. (i) on the same Business Day as each Base Rate Loan and each Swingline Loan and (ii) at least three (3) Business Days before each LIBOR Rate Loan, specifying the date and amount of prepayment and whether the prepayment is of LIBOR Rate Loans, Base Rate Loans, Swingline Loans or a combination thereof, and, if of a combination thereof, the amount allocable to each. Upon receipt of such notice, the Administrative Agent shall promptly notify each Revolving Credit Lender. If any such notice is

given, the amount specified in such notice shall be due and payable on the date set forth in such notice. Partial prepayments shall be in an aggregate amount of $3,000,000 or a whole multiple of $1,000,000 in excess thereof with respect to Base Rate Loans (other than Swingline Loans), $5,000,000 or a whole multiple of $1,000,000 in excess thereof with respect to LIBOR Rate Loans and $100,000 or a whole multiple of $100,000 in excess thereof with respect to Swingline Loans. A Notice of Prepayment received after 11:00 a.m. shall be deemed received on the next Business Day. Each such repayment shall be accompanied by any amount required to be paid pursuant to Section 4.9 hereof.

(d) Limitation on Prepayment of LIBOR Rate Loans. The Borrower may not prepay any LIBOR Rate Loan on any day other than on the last day of the Interest Period applicable thereto unless such prepayment is accompanied by any amount required to be paid pursuant to Section 4.9 hereof.

(e) Hedging Agreements. No repayment or prepayment pursuant to this Section shall affect any of the Borrower's obligations under any Hedging Agreement.

SECTION 2.5 Permanent Reduction of the Commitments.

(a) Voluntary Reduction. The Borrower shall have the right at any time and from time to time, upon at least five (5) Business Days' prior written notice to the Administrative Agent, to permanently reduce, without premium or penalty, (i) the entire Revolving Credit Commitment at any time or (ii) portions of the Revolving Credit Commitment, from time to time, in an aggregate principal amount not less than $3,000,000 or any whole multiple of $1,000,000 in excess thereof. Any reduction of the Revolving Credit Commitment shall be applied to the Revolving Credit Commitment of each Revolving Credit Lender according to its Revolving Credit Commitment Percentage.

(b) Corresponding Payment. Each permanent reduction permitted pursuant to this Section shall be accompanied by a payment of principal sufficient to reduce the aggregate outstanding Revolving Credit Loans, Swingline Loans and L/C Obligations, as applicable, after such reduction to the Revolving Credit Commitment as so reduced and if the Revolving Credit Commitment as so reduced is less than the aggregate amount of all outstanding Letters of Credit, the Borrower shall be required to deposit cash collateral in a cash collateral account opened by the Administrative Agent in an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Such cash collateral shall be applied in accordance with Section 11.2(b). Any reduction of the Revolving Credit Commitment to zero shall be accompanied by payment of all outstanding Revolving Credit Loans and Swingline Loans (and furnishing of cash collateral satisfactory to the Administrative Agent for all L/C Obligations) and shall result in the termination of the Revolving Credit Commitment, the Swingline Commitment, the Swingline Facility, the L/C Facility and the Revolving Credit Facility. Such cash collateral shall be applied in accordance with Section 11.2(b). All commitment fees accrued until the effective date of any termination of the Revolving Credit Commitments shall be paid on the effective date of such termination. If the reduction of the Revolving Credit Commitment requires the repayment of any LIBOR Rate Loan, such repayment shall be accompanied by any amount required to be paid pursuant to Section 4.9 hereof.

SECTION 2.6 Termination of Revolving Credit Facility. The Revolving Credit Facility shall terminate on the Revolving Credit Maturity Date.

SECTION 2.7 Increase of Revolving Credit Commitment.

(a) As an alternative to, or in addition to, Section 2.8 below, subject to the conditions set forth below, at any time prior to the Revolving Credit Maturity Date, the Borrower shall have the right upon not less than thirty (30) days' (or such shorter period as may be agreed to by the Administrative Agent) prior written notice to the Administrative Agent pursuant to a Revolving Credit Increase Notification, to request an increase in the Revolving Credit Commitment in an aggregate principal amount as may be specified by the Borrower. Such Revolving Credit Increase Notification shall specify the applicable Revolving Credit Increase Effective Date.

(b) Increases in the Revolving Credit Commitment shall be obtained from existing Revolving Credit Lenders or New Lenders that qualify as Eligible Assignees (each such New Lender, collectively with the existing Revolving Credit Lenders providing increased Revolving Credit Commitments, the "Increasing Revolving Lenders"), in each case in accordance with this Section 2.7; provided that no Lender shall have any obligation to provide any portion of such increase.

(c) The following terms and conditions shall apply to each increase in the Revolving Credit Commitment:

(i) such increase in the Revolving Credit Commitment pursuant to this Section 2.7 (and any Extensions of Credit made thereunder) shall constitute Obligations of the Borrower and shall be guaranteed and, if applicable, secured with the other Extensions of Credit on a pari passu basis;

(ii) the Administrative Agent shall have received from the Borrower, updated financial projections and an Officer's Compliance Certificate, in each case in form and substance reasonably satisfactory to the Administrative Agent, demonstrating that, as of the Revolving Credit Increase Effective Date and after giving effect to any such increase in the Revolving Credit Commitment (and, if applicable, any simultaneous Incremental Term Loan made pursuant to Section 2.8) and any Extensions of Credit made or to be made in connection therewith (it being understood that the full principal amount of such increase shall be deemed to be an Extension of Credit to be made in connection therewith), the Borrower will be in pro forma compliance with the financial covenants set forth in Article IX;

(iii) no Default or Event of Default shall have occurred and be continuing as of the applicable Revolving Credit Increase Effective Date and after giving effect to such increase in the Revolving Credit Commitment pursuant to this Section 2.7 (and, if applicable, any simultaneous Incremental Term Loan made pursuant to Section 2.8) and any Extensions of Credit made in connection therewith;

(iv) the representations and warranties made by each Credit Party in this Agreement and the other Loan Documents shall be true and correct on and as of the Revolving Credit Increase Effective Date with the same effect as if made on and as of such date (other than

those representations and warranties that by their terms speak as of a particular date, which representations and warranties shall be true and correct as of such particular date);

(v) in no event shall the aggregate amount of all increases in the Revolving Credit Commitment pursuant to this Section 2.7 (including the requested increase) plus the aggregate amount of all Incremental Term Loans made pursuant to Section 2.8, exceed $50,000,000;

(vi) the amount of such increase in the Revolving Credit Commitment pursuant to this Section 2.7 shall not be less than a minimum principal amount of $10,000,000, or, if less, the remaining amount permitted pursuant to clause (v) above;

(vii) unless previously provided, the Administrative Agent shall have received a resolution duly adopted by the board of directors of each Credit Party authorizing such increase in the Revolving Credit Commitment;

(viii) the Borrower and each Increasing Revolving Lender shall execute and deliver a Lender Addition and Acknowledgement Agreement to the Administrative Agent, for its acceptance and recording in the Register;

(ix) the Administrative Agent shall have received any documents or information, including any joinder agreements, in connection with such increase in the Revolving Credit Commitment as it may request in its reasonable discretion; and

(x) the outstanding Revolving Credit Loans and Revolving Credit Commitment Percentages of L/C Obligations will be reallocated by the Administrative Agent on the applicable Revolving Credit Increase Effective Date among the Revolving Credit Lenders in accordance with their revised Revolving Credit Commitment Percentages (and the Revolving Credit Lenders agree to make all payments and adjustments necessary to effect such reallocation and the Borrower shall pay any and all costs required pursuant to Section 4.9 in connection with such reallocation as if such reallocation were a repayment).

(d) Notwithstanding the provisions of Section 13.2 to the contrary, the Administrative Agent is hereby authorized to execute and deliver amendment documentation evidencing any amendments necessary to effectuate the proposed increase in the Revolving Credit Commitment pursuant to this Section 2.7 on behalf of the Lenders; provided that such amendment shall not modify this Agreement or any other Loan Document in any manner materially adverse to any Lender without the consent of such Lenders adversely affected thereby in accordance with Section 13.2 hereof.

(e) Upon the execution, delivery, acceptance and recording of the applicable Lender Addition and Acknowledgment Agreement, from and after the applicable Revolving Credit Increase Effective Date, (i) each Increasing Revolving Lender shall have a Revolving Credit Commitment as set forth in the Register and all the rights and obligations of a Revolving Credit Lender with a Revolving Credit Commitment hereunder and (ii) all Revolving Credit Loans made on account of any increase in the Revolving Credit Commitment pursuant to this Section 2.7 shall bear interest at the rate applicable to the Revolving Credit Loans immediately prior to giving effect to such increase in the Revolving Credit Commitment pursuant to this Section 2.7.

(f) The Administrative Agent shall maintain a copy of each Lender Addition and Acknowledgment Agreement delivered to it in accordance with Section 13.10(c).

(g) Upon the request of any Increasing Revolving Lender, the Borrower shall execute and deliver to the Administrative Agent, in exchange for any surrendered Revolving Credit Note or Revolving Credit Notes of any existing Revolving Credit Lender or with respect to any New Lender, a new Revolving Credit Note or Revolving Credit Notes to the order of the applicable Revolving Credit Lenders in amounts equal to the Revolving Credit Commitment of such Revolving Credit Lenders as set forth in the Register. Such new Revolving Credit Note or Revolving Credit Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such Revolving Credit Commitments, shall be dated as of the Revolving Credit Increase Effective Date and shall otherwise be in substantially the form of the existing Revolving Credit Notes. Each surrendered Revolving Credit Note and/or Revolving Credit Notes shall be canceled and returned to the Borrower.

SECTION 2.8 Optional Incremental Term Loans.

(a) As an alternative to, or in addition to, Section 2.7 above, subject to the conditions set forth below, at any time prior to the Revolving Credit Maturity Date, the Borrower shall have the right upon not less than thirty (30) days' (or such shorter period as may be agreed to by the Administrative Agent) prior written notice to the Administrative Agent pursuant to an Incremental Term Loan Notification, to request term loans in an aggregate principal amount as may be specified by the Borrower (such term loans, the "Incremental Term Loans"). Such Incremental Term Loan Notification shall specify the applicable Incremental Term Loan Effective Date, and on or prior to such date, the Borrower shall deliver a Notice of Borrowing with respect to such Incremental Term Loan.

(b) Each Incremental Term Loan shall be obtained from existing Lenders or from New Lenders that qualify as Eligible Assignees (each such New Lender, collectively with the existing Lenders providing Incremental Term Loans, the "Incremental Term Lenders"), in each case in accordance with this Section 2.8; provided that no Lender shall have any obligation to provide any portion of such Incremental Term Loans.

(c) The following terms and conditions shall apply to each Incremental Term Loan:

(i) such Incremental Term Loan made pursuant to this Section 2.8 shall constitute an Obligation of the Borrower and shall be guaranteed and, if applicable, secured with the other Extensions of Credit on a pari passu basis;

(ii) the Administrative Agent shall have received from the Borrower, updated financial projections and an Officer's Compliance Certificate, in each case in form and substance reasonably satisfactory to the Administrative Agent, demonstrating that, as of the Incremental Term Loan Effective Date and after giving effect to any such Incremental Term Loan (and, if applicable, any simultaneous increase in the Revolving Credit Commitment pursuant to Section 2.7), the Borrower will be in pro forma compliance with the financial covenants set forth in Article IX;

(iii) no Default or Event of Default shall have occurred and be continuing as of the applicable Incremental Term Loan Effective Date and after giving effect to the making of any such Incremental Term Loans (and, if applicable, any simultaneous increase in the Revolving Credit Commitment pursuant to Section 2.7);

(iv) the representations and warranties made by each Credit Party in this Agreement and in the other Loan Documents shall be true and correct on and as of the Incremental Term Loan Effective Date with the same effect as if made on and as of such date (other than those representations and warranties that by their terms speak as of a particular date, which representations and warranties shall be true and correct as of such particular date);

(v) in no event shall the aggregate principal amount of all Incremental Term Loans made pursuant to this Section 2.8 (including the requested Incremental Term Loan) plus the aggregate amount of all increases in the Revolving Credit Commitment pursuant to Section 2.7, exceed $50,000,000;

(vi) the amount of such Incremental Term Loan obtained hereunder shall not be less than a minimum principal amount of $25,000,000, or, if less, the remaining amount permitted pursuant to clause (v) above;

(vii) unless previously provided, the Administrative Agent shall have received a resolution duly adopted by the board of directors of each Credit Party authorizing such Incremental Term Loan;

(viii) each Incremental Term Loan shall be made on the applicable Incremental Term Loan Effective Date specified in the Incremental Term Loan Notification and will mature and amortize in a manner reasonably acceptable to the Administrative Agent, the Incremental Term Lenders making such Incremental Term Loan and the Borrower, but such Incremental Term Loan will not in any event have a maturity date earlier than the Revolving Credit Maturity Date;

(ix) the Borrower and each Incremental Term Lender shall execute and deliver a Lender Addition and Acknowledgment Agreement to the Administrative Agent, for its acceptance and recording in the Register; and

(x) the Administrative Agent shall have received any documents or information, including any joinder agreements, in connection with such Incremental Term Loan as it may request in its reasonable discretion.

(d) Notwithstanding the provisions of Section 13.2 to the contrary, the Administrative Agent is hereby authorized to execute and deliver amendment documentation evidencing any amendments necessary to effectuate the Incremental Term Loan pursuant to this Section 2.8 on behalf of the Lenders; provided that such amendment shall not modify this Agreement or any other Loan Document in any manner materially adverse to any Lender without the consent of such Lenders adversely affected thereby in accordance with Section 13.2 hereof.

(e) Upon the execution, delivery, acceptance and recording of the applicable Lender Addition and Acknowledgement Agreement, from and after the applicable Incremental Term

Loan Effective Date, each Incremental Term Lender shall have an Incremental Term Loan Commitment as set forth in the Register and all the rights and obligations of a Lender with such an Incremental Term Loan Commitment hereunder. The applicable Incremental Term Lenders shall make the Incremental Term Loans to the Borrower on the applicable Incremental Term Loan Effective Date in an amount equal to the Incremental Term Loan Commitment of each Incremental Term Lender with respect to such Incremental Term Loan as agreed upon pursuant to subsection (b) above.

(f) The Administrative Agent shall maintain a copy of each Lender Addition and Acknowledgment Agreement delivered to it in accordance with Section 13.10(c).

(g) Upon the request of any Incremental Term Lender, the Borrower shall execute and deliver to the Administrative Agent Incremental Term Loan Notes to the order of such applicable Incremental Term Lenders in amounts equal to the Incremental Term Loans of such Incremental Term Lenders as set forth in the Register. Such Incremental Term Loan Note or Incremental Term Loan Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such Incremental Term Loans and shall be dated as of the Incremental Term Loan Effective Date.

(h) The Applicable Margin and pricing grid, if applicable, for the Incremental Term Loans shall be determined on the applicable Incremental Term Loan Effective Date.

ARTICLE III

LETTER OF CREDIT FACILITY

SECTION 3.1 L/C Commitment. Subject to the terms and conditions hereof, the Issuing Lender, in reliance on the agreements of the other Revolving Credit Lenders set forth in Section 3.4(a), agrees to issue standby letters of credit ("Letters of Credit") for the account of the Borrower on any Business Day from the Closing Date to but not including the fifth (5^{th}) Business Day prior to the Revolving Credit Maturity Date in such form as may be approved from time to time by the Issuing Lender; provided, that after giving effect to such issuance, (a) the L/C Obligations shall not exceed the L/C Commitment and (b) the aggregate principal amount of outstanding Revolving Credit Loans, plus the aggregate principal amount of outstanding Swingline Loans, plus the aggregate amount of L/C Obligations shall not exceed an amount equal to the Revolving Credit Commitment. Each Letter of Credit shall (i) be denominated in Dollars in a minimum amount of $100,000 or such other amount agreed to by the Administrative Agent and the Issuing Lender, (ii) be a standby letter of credit issued to support obligations of the Borrower or any of its Subsidiaries, contingent or otherwise, incurred in the ordinary course of business, (iii) expire on a date no more than twelve (12) months after the date of issuance or last renewal of such Letter of Credit, which date shall be no later than the fifth (5^{th}) Business Day prior to the Revolving Credit Maturity Date and (iv) be subject to ISP98, as set forth in the Letter of Credit Application or as determined by the Issuing Lender and, to the extent not inconsistent therewith, the laws of the State of New York. The Issuing Lender shall not at any time be obligated to issue any Letter of Credit hereunder if such issuance would conflict with, or cause the Issuing Lender or any L/C Participant to exceed any limits imposed by, any Applicable Law.

References herein to "issue" and derivations thereof with respect to Letters of Credit shall also include extensions or modifications of any outstanding Letters of Credit, unless the context otherwise requires.

SECTION 3.2 Procedure for Issuance of Letters of Credit. The Borrower may from time to time request that the Issuing Lender issue a Letter of Credit by delivering to the Issuing Lender at the Administrative Agent's Office a Letter of Credit Application therefor, completed to the satisfaction of the Issuing Lender, and such other certificates, documents and other papers and information as the Issuing Lender may request. Upon receipt of any Letter of Credit Application, the Issuing Lender shall process such Letter of Credit Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall, subject to Section 3.1 and Article V, promptly issue the Letter of Credit requested thereby (but in no event shall the Issuing Lender be required to issue any Letter of Credit earlier than three (3) Business Days after its receipt of the Letter of Credit Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed by the Issuing Lender and the Borrower. The Issuing Lender shall promptly furnish to the Borrower a copy of such Letter of Credit and promptly notify each L/C Participant of the issuance and upon request by any L/C Participant, furnish to such L/C Participant a copy of such Letter of Credit and the amount of such L/C Participant's participation therein.

SECTION 3.3 Commissions and Other Charges.

(a) Letter of Credit Commissions. The Borrower shall pay to the Administrative Agent, for the account of the Issuing Lender and the L/C Participants, a letter of credit commission with respect to each Letter of Credit in an amount equal to the face amount of such Letter of Credit multiplied by the Applicable Margin with respect to Revolving Credit Loans that are LIBOR Rate Loans (determined on a per annum basis). Such commission shall be payable quarterly in arrears on the last Business Day of each calendar quarter, on the Revolving Credit Maturity Date and thereafter on demand of the Administrative Agent. The Administrative Agent shall, promptly following its receipt thereof, distribute to the Issuing Lender and the L/C Participants all commissions received pursuant to this Section in accordance with their respective Revolving Credit Commitment Percentages.

(b) Issuance Fee. In addition to the foregoing commission, the Borrower shall pay to the Administrative Agent, for the account of the Issuing Lender, an issuance fee with respect to each Letter of Credit in an amount equal to the face amount of such Letter of Credit multiplied by one-eighth of one percent (0.125%) per annum. Such issuance fee shall be payable quarterly in arrears on the last Business Day of each calendar quarter commencing with the first such date to occur after the issuance of such Letter of Credit, on the Revolving Credit Maturity Date and thereafter on demand of the Administrative Agent.

(c) Other Costs. In addition to the foregoing fees and commissions, the Borrower shall pay or reimburse the Issuing Lender for such normal and customary costs and expenses as are incurred or charged by the Issuing Lender in issuing, effecting payment under, amending or otherwise administering any Letter of Credit.

SECTION 3.4 L/C Participations.

(a) The Issuing Lender irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce the Issuing Lender to issue Letters of Credit hereunder, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from the Issuing Lender, on the terms and conditions hereinafter stated, for such L/C Participant's own account and risk an undivided interest equal to such L/C Participant's Revolving Credit Commitment Percentage in the Issuing Lender's obligations and rights under and in respect of each Letter of Credit issued hereunder and the amount of each draft paid by the Issuing Lender thereunder. Each L/C Participant unconditionally and irrevocably agrees with the Issuing Lender that, if a draft is paid under any Letter of Credit for which the Issuing Lender is not reimbursed in full by the Borrower through a Revolving Credit Loan or otherwise in accordance with the terms of this Agreement, such L/C Participant shall pay to the Issuing Lender upon demand at the Issuing Lender's address for notices specified herein an amount equal to such L/C Participant's Revolving Credit Commitment Percentage of the amount of such draft, or any part thereof, which is not so reimbursed.

(b) Upon becoming aware of any amount required to be paid by any L/C Participant to the Issuing Lender pursuant to Section 3.4(a) in respect of any unreimbursed portion of any payment made by the Issuing Lender under any Letter of Credit, the Issuing Lender shall notify each L/C Participant of the amount and due date of such required payment and such L/C Participant shall pay to the Issuing Lender the amount specified on the applicable due date. If any such amount is paid to the Issuing Lender after the date such payment is due, such L/C Participant shall pay to the Issuing Lender on demand, in addition to such amount, the product of (i) such amount, times (ii) the daily average Federal Funds Rate as determined by the Administrative Agent during the period from and including the date such payment is due to the date on which such payment is immediately available to the Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. A certificate of the Issuing Lender with respect to any amounts owing under this Section shall be conclusive in the absence of manifest error. With respect to payment to the Issuing Lender of the unreimbursed amounts described in this Section, if the L/C Participants receive notice that any such payment is due (A) prior to 1:00 p.m. on any Business Day, such payment shall be due that Business Day, and (B) after 1:00 p.m. on any Business Day, such payment shall be due on the following Business Day.

(c) Whenever, at any time after the Issuing Lender has made payment under any Letter of Credit and has received from any L/C Participant its Revolving Credit Commitment Percentage of such payment in accordance with this Section, the Issuing Lender receives any payment related to such Letter of Credit (whether directly from the Borrower or otherwise), or any payment of interest on account thereof, the Issuing Lender will distribute to such L/C Participant its pro rata share thereof; provided, that in the event that any such payment received by the Issuing Lender shall be required to be returned by the Issuing Lender, such L/C Participant shall return to the Issuing Lender the portion thereof previously distributed by the Issuing Lender to it.

SECTION 3.5 Reimbursement Obligation of the Borrower. In the event of any drawing under any Letter of Credit, the Borrower agrees to reimburse (either with the proceeds of a

Revolving Credit Loan as provided for in this Section or with funds from other sources), in same day funds, the Issuing Lender on each date on which the Issuing Lender notifies the Borrower of the date and amount of a draft paid under any Letter of Credit for the amount of the sum of: (a) such draft so paid and (b) any amounts referred to in Section 3.3(c) incurred by the Issuing Lender in connection with such payment. Unless the Borrower shall immediately notify the Issuing Lender that the Borrower intends to reimburse the Issuing Lender for such drawing from other sources or funds, the Borrower shall be deemed to have timely given a Notice of Borrowing to the Administrative Agent requesting that the Revolving Credit Lenders make a Revolving Credit Loan bearing interest at the Base Rate on such date in the amount of the sum of: (a) such draft so paid and (b) any amounts referred to in Section 3.3(c) incurred by the Issuing Lender in connection with such payment, and the Revolving Credit Lenders shall make a Revolving Credit Loan bearing interest at the Base Rate in such amount, the proceeds of which shall be applied to reimburse the Issuing Lender for the amount of the related drawing and costs and expenses. Each Revolving Credit Lender acknowledges and agrees that its obligation to fund a Revolving Credit Loan in accordance with this Section to reimburse the Issuing Lender for any draft paid under a Letter of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, non-satisfaction of the conditions set forth in Section 2.3(a) or Article V. If the Borrower has elected to pay the amount of such drawing with funds from other sources and shall fail to reimburse the Issuing Lender as provided above, the unreimbursed amount of such drawing shall bear interest at the rate which would be payable on any outstanding Revolving Credit Loans which are Base Rate Loans which were then overdue from the date such amounts become payable (whether at stated maturity, by acceleration or otherwise) until payment in full.

SECTION 3.6 Obligations Absolute. The Borrower's obligations under this Article III (including, without limitation, the Reimbursement Obligation) shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower may have or have had against the Issuing Lender or any beneficiary of a Letter of Credit or any other Person. The Borrower also agrees that the Issuing Lender and the L/C Participants shall not be responsible for, and the Borrower's Reimbursement Obligation under Section 3.5 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee. The Issuing Lender shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions caused by the Issuing Lender's gross negligence or willful misconduct, as determined by a court of competent jurisdiction by final nonappealable judgment. The Borrower agrees that any action taken or omitted by the Issuing Lender under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct shall be binding on the Borrower and shall not result in any liability of the Issuing Lender or any L/C Participant to the Borrower. The responsibility of the Issuing Lender to the Borrower in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment are in conformity with such Letter of Credit.

SECTION 3.7 Effect of Letter of Credit Application. To the extent that any provision of any Letter of Credit Application related to any Letter of Credit is inconsistent with the provisions of this Article III, the provisions of this Article III shall apply.

ARTICLE IV

GENERAL LOAN PROVISIONS

SECTION 4.1 Interest.

(a) Interest Rate Options. Subject to the provisions of this Section, at the election of the Borrower, (i) Revolving Credit Loans and Incremental Term Loans, if any, shall bear interest at (A) the Base Rate plus the Applicable Margin or (B) the LIBOR Rate plus the Applicable Margin (provided that the LIBOR Rate shall not be available until three (3) Business Days after the Closing Date) and (ii) any Swingline Loan shall bear interest at the Base Rate plus the Applicable Margin. The Borrower shall select the rate of interest and Interest Period, if any, applicable to any Revolving Credit Loan or Incremental Term Loan at the time a Notice of Borrowing is given or at the time a Notice of Conversion/Continuation is given pursuant to Section 4.2. Any Revolving Credit Loan, Incremental Term Loan or any portion thereof as to which the Borrower has not duly specified an interest rate as provided herein shall be deemed a Base Rate Loan.

(b) Interest Periods. In connection with each LIBOR Rate Loan, the Borrower, by giving notice at the times described in Section 2.3, 2.8 or 4.2, as applicable, shall elect an interest period (each, an "Interest Period") to be applicable to such Loan, which Interest Period shall be a period of one (1), two (2), three (3) or six (6) months; provided that:

(i) the Interest Period shall commence on the date of advance of or conversion to any LIBOR Rate Loan and, in the case of immediately successive Interest Periods, each successive Interest Period shall commence on the date on which the immediately preceding Interest Period expires;

(ii) if any Interest Period would otherwise expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided, that if any Interest Period with respect to a LIBOR Rate Loan would otherwise expire on a day that is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the immediately preceding Business Day;

(iii) any Interest Period with respect to a LIBOR Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the relevant calendar month at the end of such Interest Period; and

(iv) there shall be no more than eight (8) Interest Periods in effect at any time.

(c) Default Rate. Subject to Section 11.3, (i) immediately upon the occurrence and during the continuance of an Event of Default under Section 11.1(a), (b), (i) or (j), or (ii) at the election of the Required Lenders, upon the occurrence and during the continuance of any other Event of Default, (A) the Borrower shall no longer have the option to request LIBOR Rate Loans, Swingline Loans or Letters of Credit, (B) all outstanding LIBOR Rate Loans shall bear interest at a rate per annum of two percent (2%) in excess of the rate then applicable to LIBOR Rate Loans until the end of the applicable Interest Period and thereafter at a rate equal to two percent (2%) in excess of the rate then applicable to Base Rate Loans, and (C) all outstanding Base Rate Loans and other Obligations arising hereunder or under any other Loan Document shall bear interest at a rate per annum equal to two percent (2%) in excess of the rate then applicable to Base Rate Loans or such other Obligations arising hereunder or under any other Loan Document. Interest shall continue to accrue on the Obligations after the filing by or against the Borrower of any petition seeking any relief in bankruptcy or under any act or law pertaining to insolvency or debtor relief, whether state, federal or foreign.

(d) Interest Payment and Computation. Interest on each Base Rate Loan shall be due and payable in arrears on the last Business Day of each calendar quarter commencing December 31, 2006; and interest on each LIBOR Rate Loan shall be due and payable on the last day of each Interest Period applicable thereto, and if such Interest Period extends over three (3) months, at the end of each three (3) month interval during such Interest Period. Interest on LIBOR Rate Loans and all fees payable hereunder shall be computed on the basis of a 360-day year and assessed for the actual number of days elapsed and interest on Base Rate Loans shall be computed on the basis of a 365/366-day year and assessed for the actual number of days elapsed.

(e) Maximum Rate. In no contingency or event whatsoever shall the aggregate of all amounts deemed interest under this Agreement charged or collected pursuant to the terms of this Agreement exceed the highest rate permissible under any Applicable Law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event that such a court determines that the Lenders have charged or received interest hereunder in excess of the highest applicable rate, the rate in effect hereunder shall automatically be reduced to the maximum rate permitted by Applicable Law and the Lenders shall at the Administrative Agent's option (i) promptly refund to the Borrower any interest received by the Lenders in excess of the maximum lawful rate or (ii) apply such excess to the principal balance of the Obligations on a pro rata basis. It is the intent hereof that the Borrower not pay or contract to pay, and that neither the Administrative Agent nor any Lender receive or contract to receive, directly or indirectly in any manner whatsoever, interest in excess of that which may be paid by the Borrower under Applicable Law.

SECTION 4.2 Notice and Manner of Conversion or Continuation of Loans. Provided that no Default or Event of Default has occurred and is then continuing, the Borrower shall have the option to (a) convert at any time following the third Business Day after the Closing Date all or any portion of any outstanding Base Rate Loans (other than Swingline Loans) in a principal amount equal to $5,000,000 or any whole multiple of $1,000,000 in excess thereof into one or more LIBOR Rate Loans and (b) upon the expiration of any Interest Period, (i) convert all or any part of its outstanding LIBOR Rate Loans in a principal amount equal to $3,000,000 or a whole multiple of $1,000,000 in excess thereof into Base Rate Loans (other than Swingline Loans) or (ii) continue such LIBOR Rate Loans as LIBOR Rate Loans. Whenever the Borrower desires to convert or continue Loans as provided above, the Borrower shall give the Administrative Agent irrevocable prior written notice in the form attached as ***Exhibit E*** (a "Notice of Conversion/Continuation") not later than 11:00 a.m. three (3) Business Days before the day on which a proposed conversion or continuation of such Loan is to be effective specifying (A) the Loans to be converted or continued, and, in the case of any LIBOR Rate Loan to be converted or continued, the last day of the Interest Period therefor, (B) the effective date of such conversion or continuation (which shall be a Business Day), (C) the principal amount of such Loans to be converted or continued, and (D) the Interest Period to be applicable to such converted or continued LIBOR Rate Loan. The Administrative Agent shall promptly notify the Lenders of such Notice of Conversion/Continuation.

SECTION 4.3 Fees.

(a) Commitment Fee. Commencing on the Closing Date, the Borrower shall pay to the Administrative Agent, for the account of the Revolving Credit Lenders, a non-refundable commitment fee at a rate per annum equal to the Applicable Margin on the average daily unused portion of the Revolving Credit Commitment; provided, that the amount of outstanding Swingline Loans shall not be considered usage of the Revolving Credit Commitment for the purpose of calculating such commitment fee. The commitment fee shall be payable in arrears on the last Business Day of each calendar quarter during the term of this Agreement commencing March 31, 2007 and ending on the Revolving Credit Maturity Date. Such commitment fee shall be distributed by the Administrative Agent to the Revolving Credit Lenders pro rata in accordance with the Revolving Credit Lenders' respective Revolving Credit Commitment Percentages.

(b) Administrative Agent's and Other Fees. The Borrower agrees to pay any fees set forth in the Fee Letter.

SECTION 4.4 Manner of Payment. Each payment by the Borrower on account of the principal of or interest on the Loans or of any fee, commission or other amounts (including the Reimbursement Obligation) payable to the Lenders under this Agreement shall be made not later than 1:00 p.m. on the date specified for payment under this Agreement to the Administrative Agent at the Administrative Agent's Office for the account of the Lenders (other than as set forth below) pro rata in accordance with their respective Commitment Percentages, (except as specified below), in Dollars, in immediately available funds and shall be made without any setoff, counterclaim or deduction whatsoever. Any payment received after such time but before 2:00 p.m. on such day shall be deemed a payment on such date for the purposes of Section 11.1, but for all other purposes shall be deemed to have been made on the next succeeding Business Day. Any payment received after 2:00 p.m. shall be deemed to have been made on the next succeeding Business Day for all purposes. Upon receipt by the Administrative Agent of each such payment, the Administrative Agent shall distribute to each Lender at its address for notices set forth herein its pro rata share of such payment in accordance with such Lender's Commitment Percentage, (except as specified below) and shall wire advice of the amount of such credit to each Lender. Each payment to the Administrative Agent of the Issuing Lender's fees or L/C Participants' commissions shall be made in like manner, but for the account of the Issuing Lender or the L/C Participants, as the case may be. Each payment to the Administrative Agent of Administrative Agent's fees or expenses shall be made for the account of the

Administrative Agent and any amount payable to any Lender under Sections 4.9, 4.10, 4.11 or 13.3 shall be paid to the Administrative Agent for the account of the applicable Lender. Subject to Section 4.1(b)(ii) if any payment under this Agreement shall be specified to be made upon a day which is not a Business Day, it shall be made on the next succeeding day which is a Business Day and such extension of time shall in such case be included in computing any interest if payable along with such payment.

SECTION 4.5 Evidence of Indebtedness.

(a) Extensions of Credit. The Extensions of Credit made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Extensions of Credit made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Borrower shall execute and deliver to such Lender (through the Administrative Agent) a Revolving Credit Note, Swingline Note and/or Incremental Term Loan Note, as applicable, which shall evidence such Lender's Revolving Credit Loans, Swingline Loan and/or Incremental Term Loan, as applicable, in addition to such accounts or records. Each Lender may attach schedules to its Notes and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

(b) Participations. In addition to the accounts and records referred to in subsection (a), each Revolving Credit Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Revolving Credit Lender of participations in Letters of Credit and Swingline Loans. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Revolving Credit Lender in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

SECTION 4.6 Adjustments. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or other obligations hereunder resulting in such Lender's receiving payment of a proportion of the aggregate amount of its Loans and accrued interest thereon or other such obligations (other than pursuant to Sections 4.9, 4.10, 4.11 or 13.3 hereof) greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them; provided that

(a) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and

(b) the provisions of this paragraph shall not be construed to apply to (x) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in Swingline Loans and Letters of Credit to any assignee or participant, other than to the Borrower or any of its Subsidiaries (as to which the provisions of this paragraph shall apply).

Each Credit Party consents to the foregoing and agrees, to the extent it may effectively do so under Applicable Law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Credit Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Credit Party in the amount of such participation.

SECTION 4.7 Nature of Obligations of Lenders Regarding Extensions of Credit; Assumption by the Administrative Agent. The obligations of the Lenders under this Agreement to make the Loans and issue or participate in Letters of Credit are several and are not joint or joint and several. Unless the Administrative Agent shall have received notice from a Lender prior to a proposed borrowing date that such Lender will not make available to the Administrative Agent such Lender's ratable portion of the amount to be borrowed on such date (which notice shall not release such Lender of its obligations hereunder), the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the proposed borrowing date in accordance with Section 2.3(b), and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If such amount is made available to the Administrative Agent on a date after such borrowing date, such Lender shall pay to the Administrative Agent on demand an amount, until paid, equal to the product of (a) the amount not made available by such Lender in accordance with the terms hereof, times (b) the daily average Federal Funds Rate during such period as determined by the Administrative Agent, times (c) a fraction the numerator of which is the number of days that elapse from and including such borrowing date to the date on which such amount not made available by such Lender in accordance with the terms hereof shall have become immediately available to the Administrative Agent and the denominator of which is 360. A certificate of the Administrative Agent with respect to any amounts owing under this Section shall be conclusive, absent manifest error. If such Lender's Commitment Percentage of such borrowing is not made available to the Administrative Agent by such Lender within three (3) Business Days after such borrowing date, the Administrative Agent shall be entitled to recover such amount made available by the Administrative Agent with interest thereon at the rate per annum applicable to Base Rate Loans hereunder, on demand, from the Borrower. The failure of any Lender to make available its Commitment Percentage of any Loan requested by the Borrower shall not relieve it or any other Lender of its obligation, if any, hereunder to make its Commitment Percentage of such Loan available on the borrowing date, but no Lender shall be responsible for the failure of any other Lender to make its Commitment Percentage of such Loan available on the borrowing date.

SECTION 4.8 Changed Circumstances.

(a) Circumstances Affecting LIBOR Rate Availability. If with respect to any Interest Period the Administrative Agent or any Lender (after consultation with the Administrative Agent) shall determine that, by reason of circumstances affecting the foreign exchange and interbank markets generally, deposits in eurodollars, in the applicable amounts are not being quoted via the Telerate Page 3750 or offered to the Administrative Agent or such Lender for such Interest Period, then the Administrative Agent shall forthwith give notice thereof to the Borrower. Thereafter, until the Administrative Agent notifies the Borrower that such circumstances no longer exist, the obligation of the Lenders to make LIBOR Rate Loans and the right of the Borrower to convert any Loan to or continue any Loan as a LIBOR Rate Loan shall be suspended, and the Borrower shall repay in full (or cause to be repaid in full) the then outstanding principal amount of each such LIBOR Rate Loan together with accrued interest thereon, on the last day of the then current Interest Period applicable to such LIBOR Rate Loan or convert the then outstanding principal amount of each such LIBOR Rate Loan to a Base Rate Loan as of the last day of such Interest Period.

(b) Laws Affecting LIBOR Rate Availability. If, after the date hereof, the introduction of, or any change in, any Applicable Law or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any of the Lenders (or any of their respective Lending Offices) with any request or directive (whether or not having the force of law) of any such Governmental Authority, central bank or comparable agency, shall make it unlawful or impossible for any of the Lenders (or any of their respective Lending Offices) to honor its obligations hereunder to make or maintain any LIBOR Rate Loan, such Lender shall promptly give notice thereof to the Administrative Agent and the Administrative Agent shall promptly give notice to the Borrower and the other Lenders. Thereafter, until the Administrative Agent notifies the Borrower that such circumstances no longer exist, (i) the obligations of the Lenders to make LIBOR Rate Loans and the right of the Borrower to convert any Loan or continue any Loan as a LIBOR Rate Loan shall be suspended and thereafter the Borrower may select only Base Rate Loans hereunder, and (ii) if any of the Lenders may not lawfully continue to maintain a LIBOR Rate Loan to the end of the then current Interest Period applicable thereto as a LIBOR Rate Loan, the applicable LIBOR Rate Loan shall immediately be converted to a Base Rate Loan for the remainder of such Interest Period.

SECTION 4.9 Indemnity. The Borrower hereby indemnifies each of the Lenders against any loss or expense which may arise or be attributable to each Lender's obtaining, liquidating or employing deposits or other funds acquired to effect, fund or maintain any Loan (a) as a consequence of any failure by the Borrower to make any payment when due of any amount due hereunder in connection with a LIBOR Rate Loan, (b) due to any failure of the Borrower to borrow, continue or convert on a date specified therefor in a Notice of Borrowing or Notice of Conversion/Continuation or (c) due to any payment, prepayment or conversion of any LIBOR Rate Loan on a date other than the last day of the Interest Period therefor. The amount of such loss or expense shall be determined, in the applicable Lender's sole discretion, based upon the assumption that such Lender funded its Commitment Percentage of the LIBOR Rate Loans in the London interbank market and using any reasonable attribution or averaging methods which such Lender deems appropriate and practical. A certificate of such Lender setting forth the basis for determining such amount or amounts necessary to compensate such Lender shall be forwarded to the Borrower through the Administrative Agent and shall be conclusively presumed to be correct save for manifest error.

SECTION 4.10 Increased Costs.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or advances, loans or other credit extended or participated in by, any Lender (except any reserve requirement reflected in the LIBOR Rate) or the Issuing Lender;

(ii) subject any Lender or the Issuing Lender to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any participation in a Letter of Credit or any LIBOR Rate Loan made by it, or change the basis of taxation of payments to such Lender or the Issuing Lender in respect thereof (except for Indemnified Taxes or Other Taxes covered by Section 4.11 and the imposition of, or any change in the rate of any Excluded Tax payable by such Lender or the Issuing Lender); or

(iii) impose on any Lender or the Issuing Lender or the London interbank market any other condition, cost or expense affecting this Agreement or LIBOR Rate Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making, converting into or maintaining any LIBOR Rate Loan (or of maintaining its obligation to make any such Loan), or to increase the cost to such Lender or the Issuing Lender of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or the Issuing Lender hereunder (whether of principal, interest or any other amount) then, upon written request of such Lender or the Issuing Lender, the Borrower shall promptly pay to any such Lender or the Issuing Lender, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Lender, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender or the Issuing Lender determines that any Change in Law affecting such Lender or the Issuing Lender or any lending office of such Lender or such Lender's or the Issuing Lender's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Lender's capital or on the capital of such Lender's or the Issuing Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Lender, to a level below that which such Lender or the Issuing Lender or such Lender's or the Issuing Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Lender's policies and the policies of such Lender's or the Issuing Lender's holding company with respect to capital adequacy), then from time to time upon written request of such Lender or such Issuing Lender the Borrower shall

promptly pay to such Lender or the Issuing Lender, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Lender or such Lender's or the Issuing Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender or the Issuing Lender setting forth the amount or amounts necessary to compensate such Lender or the Issuing Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Lender or the Issuing Lender, as the case may be, the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender or the Issuing Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or the Issuing Lender pursuant to this Section for any increased costs incurred or reductions suffered more than nine (9) months prior to the date that such Lender or the Issuing Lender, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

SECTION 4.11 Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required by Applicable Law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or Issuing Lender, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with Applicable Law.

(b) Payment of Other Taxes by the Borrower. Without limiting the provisions of paragraph (a) above, the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.

(c) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent, each Lender and the Issuing Lender, within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent, such Lender or the Issuing Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or

asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or the Issuing Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender or the Issuing Lender, shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Status of Lenders. Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by Applicable Law or reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation prescribed by Applicable Law as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by Applicable Law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Without limiting the generality of the foregoing, in the event that the Borrower is a resident for tax purposes in the United States, any Foreign Lender shall deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Borrower or the Administrative Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(i) duly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party,

(ii) duly completed copies of Internal Revenue Service Form W-8ECI,

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender is not (A) a “bank” within the meaning of section 881(c)(3)(A) of the Code, (B) a “10 percent shareholder” of the Borrower within the meaning of section 881(c)(3)(B) of the Code, or (C) a “controlled foreign corporation” described in section 881(c)(3)(C) of the Code and (y) duly completed copies of Internal Revenue Service Form W-8BEN, or

(iv) any other form prescribed by Applicable Law as a basis for claiming exemption from or a reduction in United States Federal withholding tax duly completed together with such supplementary documentation as may be prescribed by Applicable Law to permit the Borrower to determine the withholding or deduction required to be made.

(f) Treatment of Certain Refunds. If the Administrative Agent, a Lender or the Issuing Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent, such Lender or the Issuing Lender, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided that the Borrower, upon the request of the Administrative Agent, such Lender or the Issuing Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent, such Lender or the Issuing Lender in the event the Administrative Agent, such Lender or the Issuing Lender is required to repay such refund to such Governmental Authority. This paragraph shall not be construed to require the Administrative Agent, any Lender or the Issuing Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

(g) Survival. Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section shall survive the payment in full of the Obligations and the termination of the Commitments.

SECTION 4.12 Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 4.10, or requires the Borrower to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 4.11, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 4.10 or Section 4.11, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 4.10, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 4.11, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 13.10), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that

(i) the Borrower (or in the case of an assignment resulting from a Lender defaulting in its obligation to fund Loans hereunder, such defaulting Lender) shall have paid to the Administrative Agent the assignment fee specified in Section 13.10,

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in Letters of Credit, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 4.9) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts),

(iii) in the case of any such assignment resulting from a claim for compensation under Section 4.10 or payments required to be made pursuant to Section 4.11, such assignment will result in a reduction in such compensation or payments thereafter, and

(iv) such assignment does not conflict with Applicable Law.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

ARTICLE V

CLOSING; CONDITIONS OF CLOSING AND BORROWING

SECTION 5.1 Closing. The closing shall take place at the offices of Kennedy Covington Lobdell & Hickman, L.L.P. at 10:00 a.m. on September 29, 2006, or on such other place, date and time as the parties hereto shall mutually agree.

SECTION 5.2 Conditions to Closing and Initial Extensions of Credit. The obligation of the Lenders to close this Agreement and to make the initial Loan or issue or participate in the initial Letter of Credit, if any, is subject to the satisfaction of each of the following conditions:

(a) Executed Loan Documents. This Agreement, a Revolving Credit Note in favor of each Revolving Credit Lender requesting a Revolving Credit Note, a Swingline Note in favor of the Swingline Lender (if requested thereby), together with any other applicable Loan Documents, shall have been duly authorized, executed and delivered to the Administrative Agent by the parties thereto, shall be in full force and effect and no Default or Event of Default shall exist hereunder or thereunder.

(b) Closing Certificates; Etc. The Administrative Agent shall have received each of the following in form and substance reasonably satisfactory to the Administrative Agent:

(i) Officer's Certificate of the Borrower. A certificate from a Responsible Officer of the Borrower to the effect that (A) all representations and warranties of the Borrower and its Subsidiaries contained in this Agreement and the other Loan Documents are true, correct and complete; (B) neither the Borrower nor any of its Subsidiaries is in violation of any of the covenants contained in this Agreement and the other Loan Documents; (C) after giving effect to

the transactions contemplated by this Agreement, no Default or Event of Default has occurred and is continuing; (D) each Credit Party has satisfied each of the conditions set forth in Section 5.2 and Section 5.3; (E) the Borrower and each of its Subsidiaries are each Solvent; (F) the Borrower's payables are current and not past due; (G) the financial projections previously delivered to the Administrative Agent represent good faith estimates (utilizing reasonable assumptions) of the financial condition and operations of the Borrower and its Subsidiaries; and (H) attached thereto are calculations evidencing compliance on a pro forma basis with the covenants contained in Article IX.

(ii) Certificate of Secretary of each Credit Party. A certificate of a Responsible Officer of each Credit Party certifying as to the incumbency and genuineness of the signature of each officer of such Credit Party executing Loan Documents to which it is a party and certifying that attached thereto is a true, correct and complete copy of (A) the articles or certificate of incorporation or formation of such Credit Party and all amendments thereto, certified as of a recent date by the appropriate Governmental Authority in its jurisdiction of incorporation or formation, (B) the bylaws or other governing document of such Credit Party as in effect on the Closing Date, (C) resolutions duly adopted by the board of directors or other governing body of such Credit Party authorizing the transactions contemplated hereunder and the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party, and (D) each certificate required to be delivered pursuant to Section 5.2(b)(iii).

(iii) Certificates of Good Standing. Certificates as of a recent date of the good standing of each Credit Party under the laws of its jurisdiction of organization and, to the extent requested by the Administrative Agent, each other jurisdiction where such Credit Party is qualified to do business and, to the extent available, a certificate of the relevant taxing authorities of such jurisdictions certifying that such Credit Party has filed required tax returns and owes no delinquent taxes.

(iv) Opinions of Counsel. Favorable opinions of counsel to the Credit Parties addressed to the Administrative Agent and the Lenders with respect to the Credit Parties, the Loan Documents and such other matters as the Lenders shall request.

(v) Tax Forms. Copies of the United States Internal Revenue Service forms required by Section 4.11(e).

(c) P&H Acquisition.

(i) P&H Purchase Agreement. The Administrative Agent shall have received the P&H Purchase Agreement and such additional documents and information relating to the P&H Acquisition as the Administrative Agent shall reasonably request, each of which shall be in form and substance reasonably satisfactory to the Administrative Agent.

(ii) P&H Acquisition. The P&H Acquisition shall have been consummated (or will be consummated simultaneously with the execution and delivery of this Agreement) in accordance with the terms and conditions of the P&H Purchase Agreement and no provision of the P&H Purchase Agreement shall have been amended or waived by any party thereto without the prior written consent of the Administrative Agent.

(iii) Governmental and Third Party Approvals. The Administrative Agent shall have received evidence satisfactory thereto that all governmental, shareholder and third party consents and approvals necessary in connection with the P&H Acquisition (including, without limitation, any approvals required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended) shall have been obtained and remain in effect.

(d) Consents; Defaults.

(i) Governmental and Third Party Approvals. The Credit Parties shall have received all material governmental, shareholder and third party consents and approvals necessary (or any other material consents as determined in the reasonable discretion of the Administrative Agent) in connection with the transactions contemplated by this Agreement and the other Loan Documents and the other transactions contemplated hereby and all applicable waiting periods shall have expired without any action being taken by any Person that could reasonably be expected to restrain, prevent or impose any material adverse conditions on any of the Credit Parties or such other transactions or that could seek or threaten any of the foregoing, and no law or regulation shall be applicable which in the reasonable judgment of the Administrative Agent could reasonably be expected to have such effect.

(ii) No Injunction, Etc. No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any Governmental Authority to enjoin, restrain, or prohibit, or to obtain substantial damages in respect of, or which is related to or arises out of this Agreement or the other Loan Documents or the consummation of the transactions contemplated hereby or thereby, or which, in the Administrative Agent's sole discretion, would make it inadvisable to consummate the transactions contemplated by this Agreement or the other Loan Documents or the consummation of the transactions contemplated hereby or thereby.

(e) Financial Matters.

(i) Financial Statements. The Administrative Agent shall have received (A) the audited Consolidated balance sheet of the Borrower and its Subsidiaries as of September 30, 2005 and the related audited statements of income and retained earnings and cash flows for the Fiscal Year then ended and (B) unaudited Consolidated balance sheets of the Borrower and its Subsidiaries and related unaudited interim statements of income and retained earnings for each fiscal quarter ended after the most recent audited financial statements delivered pursuant to clause (A) above and more than forty-five (45) days prior to the date hereof.

(ii) Financial Projections. Pro forma Consolidated financial statements for the Borrower and its Subsidiaries, and forecasts prepared by management of the Borrower, of balance sheets, income statements and cash flow statements on a quarterly basis for the first year following the Closing Date and on an annual basis for each year thereafter during the term of the Credit Facility.

(iii) Payment at Closing; Fee Letters. The Borrower shall have paid to the Administrative Agent and the Lenders the fees set forth or referenced in Section 4.3 and any other accrued and unpaid fees or commissions due hereunder (including, without limitation, legal

fees and expenses) and to any other Person such amount as may be due thereto in connection with the transactions contemplated hereby, including all taxes, fees and other charges in connection with the execution, delivery, recording, filing and registration of any of the Loan Documents.

(f) Notice of Borrowing. The Administrative Agent shall have received a Notice of Borrowing from the Borrower in accordance with Section 2.3(a) with respect to any amounts to be borrowed on the Closing Date, and a Notice of Account Designation specifying the account or accounts to which the proceeds of any Loans made after the Closing Date are to be disbursed.

SECTION 5.3 Conditions to All Extensions of Credit. The obligations of the Lenders to make any Extensions of Credit (including the initial Extension of Credit), convert or continue any Loan and/or the Issuing Lender to issue or extend any Letter of Credit are subject to the satisfaction of the following conditions precedent on the relevant borrowing, continuation, conversion, issuance or extension date:

(a) Continuation of Representations and Warranties. The representations and warranties contained in Article VI shall be true and correct on and as of such borrowing, continuation, conversion, issuance or extension date with the same effect as if made on and as of such date, except for any representation and warranty made as of an earlier date, which representation and warranty shall remain true and correct as of such earlier date.

(b) No Existing Default. No Default or Event of Default shall have occurred and be continuing (i) on the borrowing, continuation or conversion date with respect to such Loan or after giving effect to the Loans to be made, continued or converted on such date or (ii) on the issuance or extension date with respect to such Letter of Credit or after giving effect to the issuance or extension of such Letter of Credit on such date.

(c) Notices. The Administrative Agent shall have received a Notice of Borrowing or Notice of Conversion/Continuation, as applicable, from the Borrower in accordance with Section 2.3(a), 2.8 or Section 4.2.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF THE BORROWER

SECTION 6.1 Representations and Warranties. To induce the Administrative Agent and Lenders to enter into this Agreement and to induce the Lenders to make Extensions of Credit, the Borrower hereby represents and warrants to the Administrative Agent and Lenders both before and after giving effect to the transactions contemplated hereunder that:

(a) Organization; Power; Qualification. Each of the Borrower and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation, has the power and authority to own its properties and to carry on its business as now being and hereafter proposed to be conducted and is duly qualified and authorized to do business in each jurisdiction in which the character of its properties or the nature of its business requires such qualification and authorization except in jurisdictions where the

failure to be so qualified or in good standing could not reasonably be expected to result in a Material Adverse Effect. The jurisdictions in which the Borrower and its Subsidiaries are organized and qualified to do business as of the Closing Date are described on Schedule 6.1(a).

(b) Ownership. Each Subsidiary of the Borrower as of the Closing Date is listed on Schedule 6.1(b). As of the Closing Date, the capitalization of the Borrower and its Subsidiaries consists of the number of shares, authorized, issued and outstanding, of such classes and series, with or without par value, described on Schedule 6.1(b). All outstanding shares have been duly authorized and validly issued and are fully paid and nonassessable, with no personal liability attaching to the ownership thereof, and not subject to any preemptive or similar rights, except as described in Schedule 6.1(b). The shareholders or other owners, as applicable, of Borrower and its Subsidiaries and the number of shares or other ownership interests owned by each as of the Closing Date are described on Schedule 6.1(b). As of the Closing Date, there are no outstanding stock purchase warrants, subscriptions, options, securities, instruments or other rights of any type or nature whatsoever, which are convertible into, exchangeable for or otherwise provide for or permit the issuance of Capital Stock of the Borrower or its Subsidiaries, except as described on Schedule 6.1(b).

(c) Authorization of Agreement, Loan Documents and Borrowing. Each of the Borrower and its Subsidiaries has the right, power and authority and has taken all necessary corporate and other action to authorize the execution, delivery and performance of this Agreement and each of the other Loan Documents to which it is a party in accordance with their respective terms. This Agreement and each of the other Loan Documents have been duly executed and delivered by the duly authorized officers of the Borrower and each of its Subsidiaries party thereto, and each such document constitutes the legal, valid and binding obligation of the Borrower or its Subsidiary party thereto, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal debtor relief laws from time to time in effect which affect the enforcement of creditors' rights in general and the availability of equitable remedies.

(d) Compliance of Agreement, Loan Documents and Borrowing with Laws, Etc. The execution, delivery and performance by the Borrower and its Subsidiaries of the Loan Documents to which each such Person is a party, in accordance with their respective terms, the Extensions of Credit hereunder and the transactions contemplated hereby or thereby do not and will not, by the passage of time, the giving of notice or otherwise, (i) require any material Governmental Approval relating to the Borrower or any of its Subsidiaries, (ii) violate any material provision of Applicable Law relating to the Borrower or any of its Subsidiaries, (iii) conflict with, result in a breach of or constitute a default under the articles of incorporation, bylaws or other organizational documents of the Borrower or any of its Subsidiaries, (iv) conflict with, result in a breach of or constitute a default under any indenture, agreement or other instrument to which such Person is a party or by which any of its properties may be bound or any Governmental Approval relating to such Person, which could reasonably be expected to have a Material Adverse Effect, (v) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by such Person other than Liens arising under the Loan Documents or (vi) require any consent or authorization of, filing with, or other act in respect of, an arbitrator or Governmental Authority and no consent of any other Person is required in connection with the execution, delivery, performance, validity or

enforceability of this Agreement other than (A) consents, authorizations, filings or other acts or consents for which the failure to obtain or make could not reasonably be expected to have a Material Adverse Effect and (B) consents or filings, if any, under the UCC.

(e) Compliance with Law; Governmental Approvals. Each of the Borrower and its Subsidiaries (i) has all Governmental Approvals required by any Applicable Law for it to conduct its business, each of which is in full force and effect, is final and not subject to review on appeal and is not the subject of any pending or, to its knowledge after due inquiry, threatened attack by direct or collateral proceeding, (ii) is in compliance with each Governmental Approval applicable to it and in compliance with all other Applicable Laws relating to it or any of its respective properties and (iii) has timely filed all material reports, documents and other materials required to be filed by it under all Applicable Laws with any Governmental Authority and has retained all material records and documents required to be retained by it under Applicable Law, except in each such case set forth in clauses (i), (ii) or (iii) where the failure to have, comply, file or retain could not reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any of its Subsidiaries (x) is engaged principally or as one of its activities in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" (as each such term is defined or used, directly or indirectly, in Regulation U of the Board of Governors of the Federal Reserve System), (y) is an "investment company" or a company "controlled" by an "investment company" (as each such term is defined or used in the Investment Company Act of 1940, as amended) or (z) is, or after giving effect to any Extension of Credit will be, subject to regulation under the Interstate Commerce Act, as amended, or any other Applicable Law which limits its ability to incur or consummate the transactions contemplated hereby or by the other Loan Documents to which it is a party. No part of the proceeds of any of the Loans or Letters of Credit will be used (A) for purchasing or carrying margin stock (other than the purchase by the Borrower of its Capital Stock pursuant to the stock buyback program of the Borrower; provided that, to the extent reasonably requested by the Administrative Agent or any Lender at any time, the Borrower shall provide to the Administrative Agent or such Lender a Federal Reserve Form U-1 statement of purpose in connection with any such purchase) or (B) for any purpose which violates, or which would be inconsistent with, the provisions of Regulation T, U or X of such Board of Governors.

(f) Tax Returns and Payments. Each of the Borrower and each of its Subsidiaries has duly filed or caused to be filed all federal, state, local and other material tax returns required by Applicable Law to be filed, and has paid, or made adequate provision for the payment of, all federal, state, local and other material taxes, assessments and governmental charges or levies upon it and its property, income, profits and assets which are due and payable (other than any amount the validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided for on the books of such Person). Such returns accurately reflect in all material respects all liability for taxes of the Borrower and its Subsidiaries for the periods covered thereby. There is no ongoing audit or examination or, to the knowledge of the Borrower, other investigation by any Governmental Authority of the tax liability of the Borrower or any of its Subsidiaries except as could not reasonably be expected to have a Material Adverse Effect. No Governmental Authority has asserted any Lien or other claim against the Borrower or any of its Subsidiaries with respect to unpaid taxes which has not been discharged or resolved other than (i) any amount the validity of which is currently being contested in good faith by appropriate proceedings and

with respect to which reserves in conformity with GAAP have been provided for on the books of such Person and (ii) Permitted Liens. The charges, accruals and reserves on the books of the Borrower or any of its Subsidiaries in respect of federal, state, local and other material taxes for all Fiscal Years and portions thereof since the organization of the Borrower or such Subsidiary are in the judgment of the Borrower adequate, and the Borrower does not anticipate any material amount of additional taxes or assessments for any of such years.

(g) Environmental Matters. Except as could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect,

(i) the properties owned, leased or operated by the Borrower and its Subsidiaries now or in the past do not contain, and to their knowledge have not previously contained, any Hazardous Materials in amounts or concentrations which (A) constitute or constituted a violation of applicable Environmental Laws or (B) could give rise to liability under applicable Environmental Laws;

(ii) the Borrower, each of its Subsidiaries and such properties and all operations conducted in connection therewith are in compliance, and have been in compliance, with all applicable Environmental Laws, and there is no contamination at, under or about such properties or such operations which could interfere with the continued operation of such properties or impair the fair saleable value thereof;

(iii) neither the Borrower nor any of its Subsidiaries has received any written notice of violation, alleged violation, non-compliance, liability or potential liability regarding Environmental Claims, Hazardous Materials, or compliance with Environmental Laws, nor does the Borrower or any of its Subsidiaries have knowledge or reason to believe that any such notice will be received or is being threatened;

(iv) Hazardous Materials have not been transported or disposed of to or from the properties owned, leased or operated by the Borrower and its Subsidiaries in violation of, or in a manner or to a location which could give rise to liability under, Environmental Laws, nor have any Hazardous Materials been generated, treated, stored or disposed of at, on or under any of such properties in violation of, or in a manner that could give rise to liability under, any applicable Environmental Laws;

(v) no judicial proceedings or governmental or administrative action is pending, or, to the knowledge of the Borrower, threatened, under any Environmental Law to which the Borrower or any of its Subsidiaries is or will be named as a potentially responsible party with respect to such properties or operations conducted in connection therewith, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to Borrower, any Subsidiary or such properties or such operations; and

(vi) there has been no release, or to the Borrower's knowledge after due inquiry, threat of release, of Hazardous Materials at or from properties owned, leased or operated by the Borrower or any Subsidiary, now or in the past, in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws.

(h) ERISA.

(i) As of the Closing Date, no Credit Party and no ERISA Affiliate maintains or contributes to, or has any obligation under, any Employee Benefit Plans or Multiemployer Plans other than those identified on Schedule 6.1(h);

(ii) Each Credit Party and each ERISA Affiliate is in compliance with all applicable provisions of ERISA with respect to all Employee Benefit Plans or Multiemployer Plans, except for any required amendments for which the remedial amendment period as defined in Section 401(b) of the Code has not yet expired and except where a failure to so comply could not reasonably be expected to have a Material Adverse Effect. Each Employee Benefit Plan that is intended to be qualified under Section 401(a) of the Code has been determined by the Internal Revenue Service to be so qualified, and each trust related to such plan has been determined to be exempt under Section 501(a) of the Code, except for such plans that have not yet received determination letters but for which the remedial amendment period for submitting a determination letter application has not yet expired. No liability has been incurred by any Credit Party or any ERISA Affiliate which remains unsatisfied for any taxes or penalties with respect to any Employee Benefit Plan or any Multiemployer Plan except for a liability that could not reasonably be expected to have a Material Adverse Effect;

(iii) As of the Closing Date, no Pension Plan has been terminated, nor has any accumulated funding deficiency (as defined in Section 412 of the Code) been incurred (without regard to any waiver granted under Section 412 of the Code), nor has any funding waiver from the Internal Revenue Service been received or requested with respect to any Pension Plan, nor has any Credit Party or any ERISA Affiliate failed to make any contributions or to pay any amounts due and owing as required by Section 412 of the Code, Section 302 of ERISA or the terms of any Pension Plan prior to the due dates of such contributions under Section 412 of the Code or Section 302 of ERISA, nor has there been any event requiring any disclosure under Section 4041(c)(3)(C) or 4063(a) of ERISA with respect to any Pension Plan;

(iv) Except where the failure of any of the following representations to be correct in all material respects could not reasonably be expected to have a Material Adverse Effect, no Credit Party and no ERISA Affiliate has: (A) engaged in a nonexempt prohibited transaction described in Section 406 of the ERISA or Section 4975 of the Code, (B) incurred any liability to the PBGC which remains outstanding other than the payment of premiums and there are no premium payments which are due and unpaid, (C) failed to make a required contribution or payment to a Multiemployer Plan or (D) failed to make a required installment or other required payment under Section 412 of the Code;

(v) No Termination Event has occurred or is reasonably expected to occur; and

(vi) Except where the failure of any of the following representations to be correct in all material respects could not reasonably be expected to have a Material Adverse Effect, no proceeding before any court, arbitrator or Governmental Authority, claim (other than a benefits claim in the ordinary course of business), lawsuit and/or investigation by any Governmental Authority is existing or, to the knowledge of the Borrower after due inquiry,

threatened concerning or involving any (A) employee welfare benefit plan (as defined in Section 3(1) of ERISA) currently maintained or contributed to by any Credit Party or any ERISA Affiliate, (B) Pension Plan or (C) Multiemployer Plan.

(i) Employee Relations. Neither the Borrower nor any of its Subsidiaries is, as of the Closing Date, party to any collective bargaining agreement or has any labor union been recognized as the representative of its employees except as set forth on Schedule 6.1(i). The Borrower knows of no pending, threatened or contemplated strikes, work stoppage or other collective labor disputes involving its employees or those of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect.

(j) Burdensome Provisions. Neither the Borrower nor any of its Subsidiaries is a party to any indenture, agreement, lease or other instrument, or subject to any corporate or partnership restriction, Governmental Approval or Applicable Law which is so unusual or burdensome as in the foreseeable future could be reasonably expected to have a Material Adverse Effect. The Borrower and its Subsidiaries do not presently anticipate that future expenditures needed to meet the provisions of any statutes, orders, rules or regulations of a Governmental Authority will be so burdensome as to have a Material Adverse Effect. No Subsidiary is party to any agreement or instrument or otherwise subject to any restriction or encumbrance that restricts or limits its ability to make dividend payments or other distributions in respect of its Capital Stock to the Borrower or any Subsidiary or to transfer any of its assets or properties to the Borrower or any other Subsidiary in each case other than existing under or by reason of the Loan Documents or Applicable Law.

(k) Financial Statements. The (i) audited financial statements delivered pursuant to Section 5.2(e)(i)(A), (ii) unaudited financial statements delivered pursuant to Section 5.2(e)(i)(B), are complete and correct and fairly present on a Consolidated basis the assets, liabilities and financial position of the Borrower and its Subsidiaries as at such dates, and the results of the operations and changes of financial position for the periods then ended (other than (A) customary year-end adjustments for unaudited financial statements and (B) the potential non-cash restatement of retained earnings (to the extent such restatement impacts retained earnings as shown on the balance sheets delivered pursuant to Section 5.2(e)(i)(A) and Section 5.2(e)(i)(B)) as specifically disclosed in writing to the Administrative Agent and the Lenders prior to the date hereof). All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP. Such financial statements show all material indebtedness and other material liabilities, direct or contingent, of the Borrower and its Subsidiaries as of the date thereof, including material liabilities for taxes, material commitments, and Indebtedness, in each case, to the extent required to be disclosed under GAAP. The pro forma financial statements and forecasts delivered pursuant to Section 5.2(e)(ii) were prepared in good faith on the basis of the assumptions stated therein, which assumptions are reasonable in light of then existing conditions except that such financial statements and forecasts shall be subject to normal year end closing and audit adjustments.

(l) No Material Adverse Change. Since September 30, 2005, there has been no material adverse change in the business, assets, liabilities (contingent or otherwise), operations or condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole, and no

event has occurred or condition arisen that could reasonably be expected to have a Material Adverse Effect.

(m) Solvency. As of the Closing Date and after giving effect to each Extension of Credit made hereunder, the Borrower and each of its Subsidiaries, taken as a whole, will be Solvent.

(n) Titles to Assets. Each of the Borrower and each of its Subsidiaries has (i) such title to the real property owned or leased by it as is necessary or desirable to the conduct of its business and (ii) valid and legal title to all of its personal property and assets, including, but not limited to, (A) all material franchises, licenses, copyrights, copyright applications, patents, patent rights or licenses, patent applications, trademarks, trademark rights, service marks, service mark rights, trade names, trade name rights and other rights with respect to the foregoing which are reasonably necessary to conduct its business and (B) those reflected on the balance sheets of the Borrower and its Subsidiaries delivered pursuant to Section 5.2(e), except those properties and/or assets reflected on such balance sheet which have been disposed of by the Borrower or its Subsidiaries subsequent to such date which dispositions have been in the ordinary course of business or as otherwise expressly permitted hereunder. No event has occurred which permits, or after notice or lapse of time or both would permit, the revocation or termination of any rights set forth in clause (ii)(A) above, and neither the Borrower nor any of its Subsidiaries is liable to any Person for infringement under Applicable Law with respect to any such rights as a result of its business operations, except as could not reasonably be expected to have a Material Adverse Effect.

(o) Insurance. The properties of the Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Borrower, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in locations where the Borrower or the applicable Subsidiary operates.

(p) Liens. None of the properties and assets of the Borrower or any of its Subsidiaries is subject to any Lien, except Permitted Liens. Neither the Borrower nor any of its Subsidiaries has signed any financing statement or any security agreement authorizing any secured party thereunder to file any financing statement, except to perfect those Permitted Liens.

(q) Indebtedness and Guaranty Obligations. Schedule 6.1(q) is a complete and correct listing of all Indebtedness and Guaranty Obligations of the Borrower and its Subsidiaries as of the Closing Date. The Borrower and its Subsidiaries have performed and are in compliance with all of the material terms of such Indebtedness and Guaranty Obligations and all instruments and agreements relating thereto, and no default or event of default, or event or condition which with notice or lapse of time or both would constitute such a default or event of default on the part of the Borrower or any of its Subsidiaries exists with respect to any such Indebtedness or Guaranty Obligation.

(r) Litigation. Except for (i) the Class Action Suit and (ii) any other matter that could not reasonably be expected to have a Material Adverse Effect, there are no actions, suits or proceedings pending nor, to the knowledge of the Borrower, threatened against or in any other

way relating adversely to or affecting the Borrower or any of its Subsidiaries or any of their respective properties in any court or before any arbitrator of any kind or before or by any Governmental Authority.

(s) Absence of Defaults. No event has occurred or is continuing (i) which constitutes a Default or an Event of Default, or (ii) which constitutes, or which with the passage of time or giving of notice or both would constitute, a default or event of default by the Borrower or any of its Subsidiaries under any Material Contract or judgment, decree or order to which the Borrower or its Subsidiaries is a party or by which the Borrower or its Subsidiaries or any of their respective properties may be bound or which would require the Borrower or its Subsidiaries to make any payment thereunder prior to the scheduled maturity date therefor that, in any case under clause (ii) could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(t) OFAC. None of the Borrower, any Subsidiary of the Borrower or any Affiliate of the Borrower or any Subsidiary Guarantor: (i) is a Sanctioned Person, (ii) has more than 10% of its assets in Sanctioned Entities, or (iii) derives more than 10% of its operating income from investments in, or transactions with Sanctioned Persons or Sanctioned Entities. The proceeds of any Loan will not be used and have not been used to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or a Sanctioned Entity.

(u) Disclosure. The Borrower and/or its Subsidiaries have disclosed to the Administrative Agent and the Lenders all agreements, instruments and corporate or other restrictions to which the Borrower or any of its Subsidiaries are subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. No financial statement, material report, material certificate or other material information furnished (whether in writing or orally), taken together as a whole, by or on behalf of any of the Borrower or any of its Subsidiaries to the Administrative Agent or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, pro forma financial information, estimated financial information and other projected or estimated information, such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 6.2 Survival of Representations and Warranties, Etc. All representations and warranties set forth in this Article VI and all representations and warranties contained in any certificate, or any of the Loan Documents (including, but not limited to, any such representation or warranty made in or in connection with any amendment thereto) shall constitute representations and warranties made under this Agreement. All representations and warranties made under this Agreement shall be made or deemed to be made at and as of the Closing Date (except those that are expressly made as of a specific date), shall survive the Closing Date and shall not be waived by the execution and delivery of this Agreement, any investigation made by or on behalf of the Lenders or any borrowing hereunder.

ARTICLE VII

FINANCIAL INFORMATION AND NOTICES

Until all the Obligations have been paid and satisfied in full and the Commitments terminated, unless consent has been obtained in the manner set forth in Section 13.2, the Borrower will furnish or cause to be furnished to the Administrative Agent at the Administrative Agent's Office at the address set forth in Section 13.1 and to the Lenders at their respective addresses as set forth on the Register, or such other office as may be designated by the Administrative Agent and Lenders from time to time:

SECTION 7.1 Financial Statements and Projections.

(a) Quarterly Financial Statements. As soon as practicable and in any event within forty-five (45) days (or, if earlier, on the date of any required public filing thereof) after the end of each of the first three (3) fiscal quarters of each Fiscal Year, an unaudited Consolidated balance sheet of the Borrower and its Subsidiaries as of the close of such fiscal quarter and unaudited Consolidated statements of income and cash flows and a report containing management's discussion and analysis of such financial statements for the fiscal quarter then ended and that portion of the Fiscal Year then ended, including the notes thereto, all in reasonable detail setting forth in comparative form the corresponding figures as of the end of and for the corresponding period in the preceding Fiscal Year and prepared by the Borrower in accordance with GAAP and, if applicable, containing disclosure of the effect on the financial position or results of operations of any change in the application of accounting principles and practices during the period, and certified by the chief financial officer of the Borrower to present fairly in all material respects the financial condition of the Borrower and its Subsidiaries on a Consolidated basis as of their respective dates and the results of operations of the Borrower and its Subsidiaries for the respective periods then ended, subject to normal year end adjustments.

Delivery by the Borrower to the Administrative Agent and the Lenders of the Borrower's quarterly report to the SEC on Form 10-Q with respect to any fiscal quarter, or the availability of such report on EDGAR Online, within the period specified above shall be deemed to be compliance by the Borrower with this Section 7.1(a).

(b) Annual Financial Statements. As soon as practicable and in any event within eighty-five (85) days (or, if earlier, on the date of any required public filing thereof) after the end of each Fiscal Year, an audited Consolidated balance sheet of the Borrower and its Subsidiaries as of the close of such Fiscal Year and audited Consolidated statements of income, retained earnings and cash flows and a report containing management's discussion and analysis of such financial statements for the Fiscal Year then ended, including the notes thereto, all in reasonable detail setting forth in comparative form the corresponding figures as of the end of and for the preceding Fiscal Year and prepared in accordance with GAAP and, if applicable, containing disclosure of the effect on the financial position or results of operations of any change in the application of accounting principles and practices during the year. Such annual financial statements shall be audited by an independent certified public accounting firm acceptable to the Administrative Agent, and accompanied by a report thereon by such certified public accountants that is not qualified with respect to scope limitations imposed by the Borrower or any of its Subsidiaries or with respect to accounting principles followed by the Borrower or any of its

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Subsidiaries not in accordance with GAAP. Delivery by the Borrower to the Administrative Agent and the Lenders of the Borrower's annual report to the SEC on Form 10-K with respect to any fiscal quarter, or the availability of such report on EDGAR Online, within the period specified above shall be deemed to be compliance by the Borrower with this Section 7.1(b).

(c) Annual Business Plan and Financial Projections. As soon as practicable and in any event within ninety (90) days after the beginning of each Fiscal Year, a business plan of the Borrower and its Subsidiaries for such Fiscal Year, such plan to be prepared in accordance with GAAP and to include, on a quarterly basis, the following: a quarterly operating and capital budget, a projected income statement, statement of cash flows and balance sheet, accompanied by a certificate from a Responsible Officer of the Borrower to the effect that, to the best of such officer's knowledge, such projections are good faith estimates (utilizing reasonable assumptions) of the financial condition and operations of the Borrower and its Subsidiaries for such four (4) fiscal quarter period.

SECTION 7.2 Officer's Compliance Certificate. At each time financial statements are delivered pursuant to Sections 7.1(a) or (b) and at such other times as the Administrative Agent shall reasonably request, an Officer's Compliance Certificate.

SECTION 7.3 Intentionally Omitted.

SECTION 7.4 Other Reports. Promptly upon receipt thereof, copies of all reports, if any, submitted to the Borrower or its Board of Directors by its independent public accountants in connection with their auditing function, including, without limitation, any management report and any management responses thereto.

SECTION 7.5 Notice of Litigation and Other Matters. Prompt (but in no event later than ten (10) days after an officer of the Borrower obtains knowledge thereof) telephonic and written notice of:

(a) the commencement of all proceedings and investigations by or before any Governmental Authority and all actions and proceedings in any court or before any arbitrator against or involving the Borrower or any of its Subsidiaries or any of their respective properties, assets or businesses that if adversely determined could reasonably be expected to result in material liability to the Borrower and its Subsidiaries;

(b) any notice of any violation received by the Borrower or any of its Subsidiaries from any Governmental Authority including, without limitation, any notice of violation of Environmental Laws which in any such case could reasonably be expected to have a Material Adverse Effect;

(c) any attachment, judgment, lien, levy or order exceeding $2,000,000 that may be assessed against or threatened against the Borrower or any of its Subsidiaries;

(d) (i) any Default or Event of Default or (ii) any event which constitutes or which with the passage of time or giving of notice or both would constitute a default or event of default under any Material Contract to which the Borrower or any of its Subsidiaries is a party or by

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which the Borrower or any of its Subsidiaries or any of their respective properties may be bound which, in the case of clause (ii), could reasonably be expected to have a Material Adverse Effect;

(e) except for any such event or condition that could not reasonably be expected to have a Material Adverse Effect, (i) any unfavorable determination letter from the Internal Revenue Service regarding the qualification of an Employee Benefit Plan under Section 401(a) of the Code (along with a copy thereof), (ii) all notices received by any Credit Party or any ERISA Affiliate of the PBGC's intent to terminate any Pension Plan or to have a trustee appointed to administer any Pension Plan, (iii) all notices received by any Credit Party or any ERISA Affiliate from a Multiemployer Plan sponsor concerning the imposition or amount of withdrawal liability imposed pursuant to Section 4202 of ERISA and (iv) the Borrower obtaining knowledge or reason to know that any Credit Party or any ERISA Affiliate has filed a notice of intent to terminate any Pension Plan under a distress termination within the meaning of Section 4041(c) of ERISA;

(f) any event which makes any of the representations set forth in Section 6.1 that is subject to materiality or Material Adverse Effect qualifications inaccurate in any respect or any event which makes any of the representations set forth in Section 6.1 that is not subject to materiality or Material Adverse Effect qualifications inaccurate in any material respect; and

(g) any material adverse development in the Class Action Suit.

SECTION 7.6 Accuracy of Information. All written information, reports, statements and other papers and data furnished by or on behalf of the Borrower to the Administrative Agent or any Lender whether pursuant to this Article VII or any other provision of this Agreement or any other Loan Document shall, at the time the same is so furnished, comply with the representations and warranties set forth in Section 6.1(u).

ARTICLE VIII

AFFIRMATIVE COVENANTS

Until all of the Obligations have been paid and satisfied in full and the Commitments terminated, unless consent has been obtained in the manner provided for in Section 13.2, the Borrower will, and will cause each of its Subsidiaries to:

SECTION 8.1 Preservation of Corporate Existence and Related Matters. Except as permitted by Section 10.4, preserve and maintain its separate corporate existence and all rights, franchises, licenses and privileges necessary to the conduct of its business, and qualify and remain qualified as a foreign corporation and authorized to do business in each jurisdiction in which the failure to so qualify could reasonably be expected to have a Material Adverse Effect.

SECTION 8.2 Maintenance of Property. Protect and preserve all properties necessary in and material to its business, including copyrights, patents, trade names, service marks and trademarks; maintain in good working order and condition, ordinary wear and tear excepted, all buildings, equipment and other tangible real and personal property necessary in and material to its business; and from time to time make or cause to be made all repairs, renewals and

replacements thereof and additions to such property necessary for the conduct of its business, so that the business carried on in connection therewith may be conducted in a commercially reasonable manner; except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

SECTION 8.3 Insurance. Maintain insurance with financially sound and reputable insurance companies against such risks and in such amounts as are customarily maintained by similar businesses and as may be required by Applicable Law (including, without limitation, hazard and business interruption insurance), and on the Closing Date and from time to time thereafter deliver to the Administrative Agent upon its request information in reasonable detail as to the insurance then in effect, stating the names of the insurance companies, the amounts and rates of the insurance, the dates of the expiration thereof and the properties and risks covered thereby.

SECTION 8.4 Accounting Methods and Financial Records. Maintain a system of accounting, and keep proper books, records and accounts (which shall be true and complete in all material respects) as may be required or as may be necessary to permit the preparation of financial statements in accordance with GAAP and in compliance with the regulations of any Governmental Authority having jurisdiction over it or any of its properties.

SECTION 8.5 Payment and Performance of Obligations. Pay and perform all Obligations under this Agreement and the other Loan Documents, and pay or perform (a) all taxes, assessments and other governmental charges that may be levied or assessed upon it or any of its property, and (b) all other material indebtedness, obligations and liabilities in accordance with customary trade practices; provided, that the Borrower or such Subsidiary may contest any item described in clauses (a) or (b) of this Section in good faith so long as adequate reserves are maintained with respect thereto in accordance with GAAP.

SECTION 8.6 Compliance With Laws and Approvals. Observe and remain in compliance in all respects with all Applicable Laws and maintain in full force and effect all Governmental Approvals, in each case applicable to the conduct of its business except where the failure to do so could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

SECTION 8.7 Environmental Laws. In addition to and without limiting the generality of Section 8.6, (a) comply with, and ensure such compliance by all tenants and subtenants with all applicable Environmental Laws and obtain and comply with and maintain, and ensure that all tenants and subtenants, if any, obtain and comply with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws, except where the failure to do so could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect and (b) conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws, and promptly comply with all lawful orders and directives of any Governmental Authority regarding Environmental Laws, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

SECTION 8.8 Compliance with ERISA. In addition to and without limiting the generality of Section 8.6, (a) except where the failure to so comply could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (i) comply with all material applicable provisions of ERISA with respect to all Employee Benefit Plans or Multiemployer Plans, (ii) not take any action or fail to take action the result of which could be a liability under Title IV of ERISA to the PBGC (other than the payment of premiums) or to a Multiemployer Plan, (iii) not participate in any prohibited transaction that could result in any civil penalty under Section 502(i) of ERISA or tax under Section 4975 of the Code and (iv) operate each Employee Benefit Plan in such a manner that will not incur any tax liability under Section 4980B of the Code or any penalty liability to any qualified beneficiary as defined in Section 4980B of the Code and (b) furnish to the Administrative Agent upon the Administrative Agent’s request such additional information about any Employee Benefit Plan as may be reasonably requested by the Administrative Agent.

SECTION 8.9 Visits and Inspections. Permit representatives of the Administrative Agent or any Lender from time to time (no more frequently than twice during any year unless a Default or Event of Default shall have occurred and be continuing) upon prior reasonable notice and at such times during normal business hours, at the Borrower's expense, to visit and inspect its properties; inspect, audit and make extracts from its books, records and files, including, but not limited to, management letters prepared by independent accountants; and discuss with its principal officers, and its independent accountants, its business, assets, liabilities, financial condition, results of operations and business prospects. Upon the occurrence and during the continuance of an Event of Default, the Administrative Agent or any Lender may do any of the foregoing at any time without advance notice.

SECTION 8.10 Additional Subsidiaries. Notify the Administrative Agent of the creation or acquisition of any (a) Domestic Subsidiary and (b) Disregarded Foreign Entity and, provided that such entities are not owned, directly or indirectly, by a Foreign Subsidiary that is not a Disregarded Foreign Entity, (i) in the case of any Domestic Subsidiary, promptly after such creation or acquisition (and in any event within thirty (30) days after such creation or acquisition), cause such Domestic Subsidiary to, or (ii) in the case of any Disregarded Foreign Entity, promptly upon the request of the Administrative Agent (and in any event within thirty (30) days after such request, or such longer period as may be agreed to by the Administrative Agent in its sole discretion), cause such Person to (A) become a Subsidiary Guarantor by delivering to the Administrative Agent a duly executed supplement to the Subsidiary Guaranty Agreement or such other document as the Administrative Agent shall deem appropriate for such purpose, (B) deliver to the Administrative Agent such documents and certificates (including, without limitation, legal opinions and, in the case of a Disregarded Foreign Entity, legal opinions of local counsel) referred to in Section 5.2 as may be reasonably requested by the Administrative Agent, (C) deliver to the Administrative Agent such updated Schedules to the Loan Documents as requested by the Administrative Agent with respect to such Person and (D) deliver to the Administrative Agent such other documents as may be reasonably requested by the Administrative Agent or required by the other Loan Documents, all in form, content and scope reasonably satisfactory to the Administrative Agent.

SECTION 8.11 Use of Proceeds. The Borrower shall use the proceeds of the Extensions of Credit (a) to finance the consummation of the P&H Acquisition, (b) for general

corporate purposes of the Borrower and its Subsidiaries, including, without limitation, working capital, capital expenditures in the ordinary course of business and Permitted Acquisitions and (c) the payment of certain fees and expenses incurred in connection with the Credit Facility and the P&H Acquisition.

SECTION 8.12 Further Assurances. Make, execute and deliver all such additional and further acts, things, deeds and instruments as the Administrative Agent or the Required Lenders (through the Administrative Agent) may reasonably require to document and consummate the transactions contemplated hereby and to vest completely in and insure the Administrative Agent and the Lenders their respective rights under this Agreement, the Letters of Credit and the other Loan Documents.

ARTICLE IX

FINANCIAL COVENANTS

Until all of the Obligations have been paid and satisfied in full and the Commitments terminated, unless consent has been obtained in the manner set forth in Section 13.2, the Borrower and its Subsidiaries on a Consolidated basis will not:

SECTION 9.1 Total Leverage Ratio: As of any fiscal quarter end, permit the Consolidated Total Leverage Ratio to be greater than or equal to 2.75 to 1.00.

SECTION 9.2 Interest Coverage Ratio: As of any fiscal quarter end, permit the Consolidated Interest Coverage Ratio to be less than or equal to 3.00 to 1.00.

ARTICLE X

NEGATIVE COVENANTS

Until all of the Obligations have been paid and satisfied in full and the Commitments terminated, unless consent has been obtained in the manner set forth in Section 13.2, the Borrower has not and will not and will not permit any of its Subsidiaries to:

SECTION 10.1 Limitations on Indebtedness. Create, incur, assume or suffer to exist any Indebtedness except:

(a) the Obligations (excluding Hedging Obligations permitted pursuant to Section 10.1(b));

(b) Indebtedness incurred in connection with a Hedging Agreement with a counterparty and upon terms and conditions (including interest rate) reasonably satisfactory to the Administrative Agent; provided, that any counterparty that is a Lender shall be deemed satisfactory to the Administrative Agent;

(c) Indebtedness existing on the Closing Date and not otherwise permitted under this Section and listed on Schedule 10.1, and the renewal, refinancing, extension and replacement (but not the increase in the aggregate principal amount) thereof;

(d) purchase money Indebtedness and Indebtedness incurred in connection with Capital Leases in an aggregate amount not to exceed $10,000,000 on any date of determination;

(e) Guaranty Obligations of any Subsidiary in favor of the Administrative Agent for the benefit of the Administrative Agent and the Lenders;

(f) Guaranty Obligations of any Subsidiary with respect to Indebtedness permitted pursuant to subsections (a) through (d) of this Section;

(g) Indebtedness (i) of a Person that becomes a Subsidiary of the Borrower after the Closing Date in connection with any Permitted Acquisition or (ii) assumed in connection with any assets acquired in connection with any Permitted Acquisition, and the refinancing, refunding, renewal and extension (but not the increase in the aggregate principal amount) thereof; provided, that such Indebtedness (x) exists at the time such Person becomes a Subsidiary or such assets are acquired and is not created in contemplation of, or in connection with, such Person becoming a Subsidiary or such assets being acquired and (y) shall not exceed $10,000,000 in the aggregate on any date of determination;

(h) Indebtedness owed by any Subsidiary Guarantor to another Credit Party;

(i) Subordinated Indebtedness; provided that in the case of each issuance of Subordinated Indebtedness, (i) no Default or Event of Default shall have occurred and be continuing or would be caused by the issuance of such Subordinated Indebtedness and (ii) the Administrative Agent shall have received satisfactory written evidence that the Borrower would be in compliance with all covenants contained in this Agreement on a pro forma basis after giving effect to the issuance of any such Subordinated Indebtedness;

(j) Indebtedness in respect of performance bonds, bid bonds, appeal bonds, bankers acceptances, letters of credit, surety bonds or other similar obligations arising in the ordinary course of business, and any refinancings thereof to the extent not provided to secure the repayment of other Indebtedness;

(k) Indebtedness owed by any Subsidiary that is not a Credit Party to any other Subsidiary that is not a Credit Party;

(l) Indebtedness owed by (i) any Credit Party to any Subsidiary which is not a Credit Party; provided that such Indebtedness shall be subordinated to the Obligations in a manner reasonably satisfactory to the Administrative Agent and (ii) any Subsidiary which is not a Credit Party to any Credit Party; provided, that, if requested by the Administrative Agent, such Indebtedness shall be payable on demand; provided further that the aggregate amount of all such intercompany Indebtedness permitted pursuant to the foregoing clauses (i) and (ii) and equity or capital investments permitted pursuant to Section 10.3(h), in each case incurred or made after the Closing Date, shall not exceed $50,000,000 outstanding on any date of determination (which amount shall be calculated as the net balance of such loans, advances and equity and capital investments as reduced by any repayments or distributions made with respect thereto);

(m) so long as no Default or Event of Default has occurred and is continuing or would result therefrom, unsecured Indebtedness of the Borrower; provided, that such Indebtedness shall be pari passu with the Obligations; and

(n) additional Indebtedness of the Subsidiaries not otherwise permitted pursuant to this Section in an aggregate amount outstanding not to exceed $5,000,000.

SECTION 10.2 Limitations on Liens. Create, incur, assume or suffer to exist, any Lien on or with respect to any of its assets or properties (including, without limitation, shares of Capital Stock), real or personal, whether now owned or hereafter acquired, except:

(a) Liens for taxes, assessments and other governmental charges or levies (excluding any Lien imposed pursuant to any of the provisions of ERISA or Environmental Laws) not yet due or as to which the period of grace (not to exceed sixty (60) days), if any, related thereto has not expired or which are being contested in good faith and by appropriate proceedings if adequate reserves are maintained to the extent required by GAAP;

(b) the claims of materialmen, mechanics, carriers, warehousemen, processors or landlords for labor, materials, supplies or rentals incurred in the ordinary course of business, (i) which are not overdue for a period of more than thirty (30) days or (ii) which are being contested in good faith and by appropriate proceedings if adequate reserves are maintained to the extent required by GAAP;

(c) Liens consisting of deposits or pledges made in the ordinary course of business in connection with, or to secure payment of, obligations under workers' compensation, unemployment insurance or similar legislation, or deposits to secure the performance of bids, tenders, trade contracts, liability to insurance carriers and leases (other than Indebtedness), statutory obligations, surety bonds (other than bonds related to judgments or litigation), performance bonds, contractual or warranty obligations and other obligations of a like nature incurred in the ordinary course of business;

(d) Liens constituting encumbrances in the nature of zoning restrictions, easements and rights or restrictions of record on the use of real property, which in the aggregate are not substantial in amount and which do not, in any case, materially detract from the value of such property or impair the use thereof in the ordinary conduct of business;

(e) Liens, if any, securing the Obligations;

(f) Liens on assets of any Subsidiary acquired pursuant to a Permitted Acquisition, or on assets of any Subsidiary which are in existence at the time that such Subsidiary is acquired pursuant to a Permitted Acquisition (provided that such Liens (i) are not incurred in connection with, or in anticipation of, such Permitted Acquisition, (ii) are applicable only to specific assets, (iii) are not "blanket" or all asset Liens and (iv) do not attach to any other property or assets of any Credit Party);

(g) Liens not otherwise permitted by this Section and in existence on the Closing Date and described on Schedule 10.2;

(h) Liens securing Indebtedness permitted under Section 10.1(d); provided that (i) such Liens shall be created substantially simultaneously with the acquisition or lease of the related asset, (ii) such Liens do not at any time encumber any property other than the property financed by such Indebtedness, (iii) the amount of Indebtedness secured thereby is not increased and (iv) the principal amount of Indebtedness secured by any such Lien shall at no time exceed one hundred percent (100%) of the original purchase price or lease payment amount of such property at the time it was acquired;

(i) (i) Liens of a collecting bank arising in the ordinary course of business under Section 4-208 of the Uniform Commercial Code in effect in the relevant jurisdiction and (ii) Liens of any depositary bank in connection with statutory, common law and contractual rights of set-off and recoupment with respect to any deposit account of the Borrower or any of its Subsidiaries;

(j) Liens securing judgments for the payment of money not constituting an Event of Default under Section 11.1(m) or securing appeal or other surety bonds related to such judgments;

(k) any extension, renewal or replacement of any Lien permitted by clauses (a) through (j); provided that (i) the Liens permitted under this clause (k) shall not (A) secure any Indebtedness other than the Indebtedness that was secured by the Lien being extended, renewed or replaced and (B) be extended to cover any property that was not encumbered by the Lien being extended, renewed or replaced; (ii) the principal amount of Indebtedness secured by the Lien permitted by this clause (k) shall not be increased over the principal amount of such Indebtedness immediately prior to such extension, renewal or replacement and (iii) both before and after giving effect to such extension, renewal or replacement, no Default or Event of Default shall occur and be continuing or would result therefrom; and

(l) Liens not otherwise permitted hereunder securing obligations not at any time exceeding in the aggregate $5,000,000.

SECTION 10.3 Limitations on Loans, Advances, Investments and Acquisitions. Purchase, own, invest in or otherwise acquire, directly or indirectly, any Capital Stock, interests in any partnership or joint venture (including, without limitation, the creation or capitalization of any Subsidiary), evidence of Indebtedness or other obligation or security, substantially all or a portion of the business or assets of any other Person or any other investment or interest whatsoever in any other Person, or make or permit to exist, directly or indirectly, any loans, advances or extensions of credit to, or any investment in cash or by delivery of property in, any Person except:

(a) (i) investments existing on the Closing Date in Subsidiaries existing on the Closing Date, (ii) investments in Domestic Subsidiaries (other than investments existing on the Closing Date) so long as the Borrower and its Subsidiaries comply with the applicable provisions of Section 8.10 and (iii) the other loans, advances and investments described on Schedule 10.3 existing on the Closing Date;

(b) (i) investments in (A) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency thereof maturing within one hundred twenty (120) days from the date of acquisition thereof, (B) commercial paper maturing no more than one hundred twenty (120) days from the date of creation thereof and currently having the highest rating obtainable from either Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. or Moody’s Investors Service, Inc., (C) certificates of deposit maturing no more than one hundred twenty (120) days from the date of creation thereof issued by commercial banks incorporated under the laws of the United States, each having combined capital, surplus and undivided profits of not less than $500,000,000 and having a rating of “A” or better by a nationally recognized rating agency; provided, that the aggregate amount invested in such certificates of deposit shall not at any time exceed $5,000,000 for any one such certificate of deposit and $10,000,000 for any one such bank, (D) time deposits maturing no more than thirty (30) days from the date of creation thereof with commercial banks or savings banks or savings and loan associations each having membership either in the FDIC or the deposits of which are insured by the FDIC and in amounts not exceeding the maximum amounts of insurance thereunder, or (E) money market funds that invest in any investments described in items (A) through (D) above and (ii) investments permitted pursuant to that certain investment policy of the Borrower in effect as of the Closing Date and previously provided to the Administrative Agent (such investments described in items (i) and (ii) above, “Cash Equivalents”);

(c) investments by the Borrower or any of its Subsidiaries in the form of Permitted Acquisitions;

(d) Hedging Agreements not prohibited by Section 10.1;

(e) purchases of assets in the ordinary course of business;

(f) investments in the form of loans and advances to employees in the ordinary course of business, which, in the aggregate, do not exceed at any time $5,000,000;

(g) investments in the form of (i) intercompany loans and advances permitted pursuant to Section 10.1(h) and (k) and (ii) equity or capital investments made by (A) the Borrower or any of its Subsidiaries in any Credit Party or (B) any Subsidiary that is not a Credit Party in any other Subsidiary that is not a Credit Party;

(h) investments in the form of (i) intercompany loans and advances permitted pursuant to Section 10.1(l) and (ii) equity or capital investments made by any Credit Party in any Subsidiary which is not a Credit Party; provided that the aggregate amount of such intercompany Indebtedness and equity or capital investments, incurred or made after the Closing Date, shall not exceed $50,000,000 outstanding on any date of determination (which amount shall be calculated as the net balance of such loans, advances and equity or capital investments as reduced by any repayments or distributions made with respect thereto);

(i) so long as no Default or Event of Default (including, without limitation, a Change of Control) shall have occurred and be continuing or would result therefrom, investments by the Borrower or any of its Subsidiaries (other than any investment by the Borrower or any of its Subsidiaries in the form of acquisitions of all or substantially all of the business or a line of

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business (whether by the acquisition of Capital Stock, assets or any combination thereof) of any other Person) not otherwise permitted hereunder paid solely with proceeds from the issuance of Capital Stock of the Borrower; and

(j) other additional investments not otherwise permitted pursuant to this Section not exceeding $10,000,000 in the aggregate in any Fiscal Year.

SECTION 10.4 Limitations on Mergers and Liquidation. Merge, consolidate or enter into any similar combination with any other Person or liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution) except:

(a) any Subsidiary of the Borrower may be merged or consolidated with or into the Borrower (provided that the Borrower shall be the continuing or surviving Person) or with or into any Subsidiary Guarantor (provided that the Subsidiary Guarantor shall be the continuing or surviving Person);

(b) any Subsidiary may sell, lease, transfer or otherwise dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Borrower or any Wholly-Owned Subsidiary; provided that if the transferor in such a transaction is a Subsidiary Guarantor, then the transferee must either be the Borrower or a Subsidiary Guarantor; provided, further that if the transferee in such transaction is the Borrower or a Subsidiary Guarantor, the consideration paid or payable in connection with such transaction shall be no more than the fair market value of the assets sold, leased, transferred or otherwise disposed of in connection therewith;

(c) any Wholly-Owned Subsidiary of the Borrower may merge into the Person such Wholly-Owned Subsidiary was formed to acquire in connection with a Permitted Acquisition; and

(d) any Subsidiary of the Borrower may wind-up into the Borrower or any Subsidiary Guarantor.

SECTION 10.5 Limitations on Sales of Assets. Convey, sell, lease, assign transfer or otherwise dispose of its property, business or assets (including, without limitation, the sale of any receivables and leasehold interests and any sale-leaseback or similar transaction) whether now owned or hereafter acquired except:

(a) the sale of inventory in the ordinary course of business;

(b) the sale of obsolete, worn-out or surplus assets no longer used or usable in the business of the Borrower or any of its Subsidiaries;

(c) the transfer of assets to the Borrower or any Subsidiary Guarantor pursuant to Section 10.4;

(d) the sale or discount without recourse of accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof;

(e) the disposition of any Hedging Agreement;

(f) dispositions of investments in cash and Cash Equivalents;

(g) conveyances, sales, leases, assignments, transfers or other dispositions of assets by any Subsidiary that is not a Credit Party as required at any time by Applicable Law; and

(h) additional conveyances, sales, leases, assignments, transfers or other dispositions of assets not otherwise permitted pursuant to this Section in an aggregate amount not to exceed $10,000,000 in any Fiscal Year.

SECTION 10.6 Restricted Payments. (a) Other than as permitted pursuant to clause (b) below, (i) make any change in its capital structure which such change in its capital structure could reasonably be expected to have a Material Adverse Effect, (ii) declare or pay any dividend or make any other payment or distribution of cash, property or assets on account of the Borrower’s, or any Subsidiary’s, Capital Stock, (iii) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Borrower, or (iv) cancel, forgive, make any payment or prepayment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value (including, without limitation, (A) by way of depositing with any trustee with respect thereto money or securities before due for the purpose of paying when due and (B) at the maturity thereof) any Subordinated Indebtedness, except a payment of principal or interest on Indebtedness owed to a Credit Party by a Person other than the Borrower (all such payments and other actions set forth in clauses (ii) through (iv) above being collectively referred to as “Restricted Payments”); unless:

(1) no Default or Event of Default has occurred and is continuing at the time of such Restricted Payment or would occur as a consequence of such Restricted Payment;

(2) the Borrower and its Subsidiaries are, at the time of such Restricted Payment and after giving pro forma effect thereto, in compliance with each covenant set forth in Article IX; and

(3) after giving effect to such Restricted Payment and any Extension of Credit made in connection with such Restricted Payment, the Liquidity Amount shall be greater than or equal to $15,000,000.

(b) Notwithstanding clause (a) above, (i) the Borrower or any Subsidiary may pay dividends in shares of its own Capital Stock, (ii) any Subsidiary may pay cash dividends to the Borrower and (iii) the Borrower may purchase, redeem or otherwise acquire Capital Stock of the Borrower or warrants or options to acquire any such Capital Stock with the proceeds received from the substantially concurrent issue of new shares of Capital Stock of the Borrower.

SECTION 10.7 Limitations on Exchange and Issuance of Capital Stock. Issue, sell or otherwise dispose of any class or series of Capital Stock that, by its terms or by the terms of any security into which it is convertible or exchangeable, is, or upon the happening of an event or passage of time would be, (a) convertible or exchangeable into Indebtedness or (b) required to be redeemed or repurchased, including at the option of the holder, in whole or in part, or has, or upon the happening of an event or passage of time would have, a redemption or similar payment due.

SECTION 10.8 Transactions with Affiliates. Directly or indirectly (a) make any loan or advance to, or purchase or assume any note or other obligation to or from, any of its officers, directors, shareholders or other Affiliates, or to or from any member of the immediate family of any of its officers, directors, shareholders or other Affiliates, or subcontract any operations to any of its Affiliates or (b) enter into, or be a party to, any other transaction not described in clause (a) above with any of its Affiliates other than:

(i) transactions permitted by Section 10.3, 10.4, 10.6 and 10.7;

(ii) transactions existing on the Closing Date and described on Schedule 10.8;

(iii) normal compensation, indemnity and reimbursement of reasonable expenses of officers and directors; and

(iv) other transactions in the ordinary course of business on terms as favorable as would be obtained by it on a comparable arms-length transaction with an independent, unrelated third party as determined in good faith by the board of directors of the Borrower.

SECTION 10.9 Certain Accounting Changes; Organizational Documents. (a) Change its Fiscal Year end, or make any change in its accounting treatment and reporting practices except as required by GAAP or (b) amend, modify or change its articles of incorporation (or corporate charter or other similar organizational documents) or amend, modify or change its bylaws (or other similar documents) in any manner adverse in any respect to the rights or interests of the Lenders.

SECTION 10.10 Amendments of Subordinated Indebtedness. Amend or modify (or permit the modification or amendment of) any of the terms or provisions of any Subordinated Indebtedness in any respect which would materially adversely affect the rights or interests of the Administrative Agent and Lenders hereunder.

SECTION 10.11 Restrictive Agreements.

(a) Enter into any Indebtedness which contains any negative pledge on assets or any covenants more restrictive than the provisions of Articles VIII, IX, and X hereof, or which restricts, limits or otherwise encumbers its ability to incur Liens on or with respect to any of its assets or properties other than the assets or properties securing such Indebtedness.

(b) Enter into or permit to exist any agreement or instrument which impairs, restricts, limits or otherwise encumbers (by covenant or otherwise) the ability of any Subsidiary of the Borrower to make any payment to the Borrower or any of its Subsidiaries (in the form of dividends, intercompany advances or otherwise) for the purpose of enabling the Borrower to pay the Obligations except for (i) such impairments, restrictions, limitations or encumbrances existing under the Loan Documents and (ii) such impairments, restrictions, limitations or encumbrances existing under the Indebtedness permitted pursuant to Section 10.1(d) with respect to the asset which is the subject of such Indebtedness.

SECTION 10.12 Nature of Business. Alter in any material respect the character or conduct of the business conducted by the Borrower and its Subsidiaries as of the Closing Date.

ARTICLE XI

DEFAULT AND REMEDIES

SECTION 11.1 Events of Default. Each of the following shall constitute an Event of Default, whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment or order of any court or any order, rule or regulation of any Governmental Authority or otherwise:

(a) Default in Payment of Principal of Loans and Reimbursement Obligations. The Borrower shall default in any payment of principal of any Loan or Reimbursement Obligation when and as due (whether at maturity, by reason of acceleration or otherwise).

(b) Other Payment Default. The Borrower or any other Credit Party shall default in the payment when and as due (whether at maturity, by reason of acceleration or otherwise) of interest on any Loan or Reimbursement Obligation or the payment of any other Obligation, and such default shall continue for a period of five (5) Business Days.

(c) Misrepresentation. Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower or any other Credit Party herein, in any other Loan Document, or in any document delivered in connection herewith or therewith that is subject to materiality or Material Adverse Effect qualifications, shall be incorrect or misleading in any respect when made or deemed made or any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower or any other Credit Party herein, any other Loan Document, or in any document delivered in connection herewith or therewith that is not subject to materiality or Material Adverse Effect qualifications, shall be incorrect or misleading in any material respect when made or deemed made

(d) Default in Performance of Certain Covenants. The Borrower or any other Credit Party shall default in the performance or observance of any covenant or agreement contained in Sections 7.1, 7.2 or 7.5(d)(i) or Articles IX or X.

(e) Default in Performance of Other Covenants and Conditions. The Borrower or any other Credit Party shall default in the performance or observance of any term, covenant, condition or agreement contained in this Agreement (other than as specifically provided for otherwise in this Section) or any other Loan Document and such default shall continue for a period of thirty (30) days after written notice thereof has been given to the Borrower by the Administrative Agent.

(f) Indebtedness Cross-Default. The Borrower or any other Credit Party shall:

(i) default in the payment of any Indebtedness (other than the Loans or any Reimbursement Obligation) the aggregate outstanding amount of which Indebtedness is in excess of $5,000,000 beyond the period of grace if any, provided in the instrument or agreement under which such Indebtedness was created, or

(ii) default in the observance or performance of any other agreement or condition relating to any Indebtedness (other than the Loans or any Reimbursement Obligation)

the aggregate outstanding amount of which Indebtedness is in excess of $5,000,000 or contained in any instrument or agreement evidencing, securing or relating thereto or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, with the giving of notice if required, any such Indebtedness to become due prior to its stated maturity (any applicable grace period having expired).

(g) Other Cross-Defaults. The Borrower or any other Credit Party shall default in the payment when due, or in the performance or observance, of any obligation or condition of any Material Contract unless, but only as long as, the existence of any such default is being contested by the Borrower or any such Subsidiary in good faith by appropriate proceedings and adequate reserves in respect thereof have been established on the books of the Borrower or such Credit Party to the extent required by GAAP.

(h) Change in Control. Any Change in Control shall occur.

(i) Voluntary Bankruptcy Proceeding. The Borrower or any Credit Party thereof shall (i) commence a voluntary case under the federal bankruptcy laws (as now or hereafter in effect), (ii) file a petition seeking to take advantage of any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition for adjustment of debts, (iii) consent to or fail to contest in a timely and appropriate manner any petition filed against it in an involuntary case under such bankruptcy laws or other laws, (iv) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee, or liquidator of itself or of a substantial part of its property, domestic or foreign, (v) admit in writing its inability to pay its debts as they become due, (vi) make a general assignment for the benefit of creditors, or (vii) take any corporate or other company action for the purpose of authorizing any of the foregoing.

(j) Involuntary Bankruptcy Proceeding. A case or other proceeding shall be commenced against the Borrower or any Credit Party thereof in any court of competent jurisdiction seeking (i) relief under the federal bankruptcy laws (as now or hereafter in effect) or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or adjustment of debts, or (ii) the appointment of a trustee, receiver, custodian, liquidator or the like for the Borrower or any Credit Party thereof or for all or any substantial part of their respective assets, domestic or foreign, and such case or proceeding shall continue without dismissal or stay for a period of sixty (60) consecutive days, or an order granting the relief requested in such case or proceeding (including, but not limited to, an order for relief under such federal bankruptcy laws) shall be entered.

(k) Failure of Agreements. Any provision of this Agreement or any provision of any other Loan Document shall for any reason cease to be valid and binding on the Borrower or any other Credit Party party thereto or any such Person shall so state in writing or, if applicable, any Loan Document shall for any reason cease to create a valid and perfected first priority Lien on, or security interest in, any of the assets or properties purported to be covered thereby.

(l) Termination Event. The occurrence of any of the following events: (i) any Credit Party or any ERISA Affiliate fails to make full payment when due of all amounts which, under

the provisions of any Pension Plan or Section 412 of the Code, any Credit Party or any ERISA Affiliate is required to pay as contributions thereto and such failure could reasonably be likely, individually or in the aggregate, to have a Material Adverse Effect or (ii) a Termination Event.

(m) Judgment.

(i) A judgment in connection with the Class Action Suit in an aggregate amount in excess of $50,000,000 (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) shall be entered against the Borrower or any Credit Party by any court and such judgment shall continue without having been discharged, vacated or stayed for a period of thirty (30) days after the entry thereof, or

(ii) any other judgment or order for the payment of money not referred to in the foregoing clause (i), which causes the aggregate amount of all such judgments under this clause (ii) to exceed $10,000,000 in any Fiscal Year (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) shall be entered against the Borrower or any Credit Party by any court and such judgment or order shall continue without having been discharged, vacated or stayed for a period of thirty (30) days after the entry thereof.

(n) Environmental. Any one or more Environmental Claims shall have been asserted against the Borrower or any Credit Party; the Borrower and any Credit Party would be reasonable likely to incur liability as a result thereof; and such liability would be reasonably likely, individually or in the aggregate, to have a Material Adverse Effect.

SECTION 11.2 Remedies. Upon the occurrence of an Event of Default, with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower:

(a) Acceleration; Termination of Facilities. Terminate the Commitments and declare the principal of and interest on the Loans and the Reimbursement Obligations at the time outstanding, and all other amounts owed to the Lenders and to the Administrative Agent under this Agreement or any of the other Loan Documents (including, without limitation, all L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented or shall be entitled to present the documents required thereunder) and all other Obligations, to be forthwith due and payable, whereupon the same shall immediately become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived by each Credit Party, anything in this Agreement or the other Loan Documents to the contrary notwithstanding, and terminate the Credit Facility and any right of the Borrower to request borrowings or Letters of Credit thereunder; provided, that upon the occurrence of an Event of Default specified in Section 11.1(i) or (j), the Credit Facility shall be automatically terminated and all Obligations shall automatically become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived by each Credit Party, anything in this Agreement or in any other Loan Document to the contrary notwithstanding.

(b) Letters of Credit. With respect to all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to the

preceding paragraph, the Borrower shall at such time deposit in a cash collateral account opened by the Administrative Agent an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay the other Obligations on a pro rata basis. After all such Letters of Credit shall have expired or been fully drawn upon, the Reimbursement Obligation shall have been satisfied and all other Obligations shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower.

(c) Rights of Collection. Exercise on behalf of the Lenders all of its other rights and remedies under this Agreement, the other Loan Documents and Applicable Law, in order to satisfy all of the Borrower's Obligations.

SECTION 11.3 Rights and Remedies Cumulative; Non-Waiver; etc. The enumeration of the rights and remedies of the Administrative Agent and the Lenders set forth in this Agreement is not intended to be exhaustive and the exercise by the Administrative Agent and the Lenders of any right or remedy shall not preclude the exercise of any other rights or remedies, all of which shall be cumulative, and shall be in addition to any other right or remedy given hereunder or under the other Loan Documents or that may now or hereafter exist at law or in equity or by suit or otherwise. No delay or failure to take action on the part of the Administrative Agent or any Lender in exercising any right, power or privilege shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege or shall be construed to be a waiver of any Event of Default. No course of dealing between the Borrower, the Administrative Agent and the Lenders or their respective agents or employees shall be effective to change, modify or discharge any provision of this Agreement or any of the other Loan Documents or to constitute a waiver of any Event of Default.

SECTION 11.4 Crediting of Payments and Proceeds. In the event that the Borrower shall fail to pay any of the Obligations when due and the Obligations have been accelerated pursuant to Section 11.2, all payments received by the Lenders upon the Obligations and all net proceeds from the enforcement of the Obligations shall be applied:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts, including attorney fees, payable to the Administrative Agent in its capacity as such and the Issuing Lender in its capacity as such (ratably among the Administrative Agent and the Issuing Lender in proportion to the respective amounts described in this clause First payable to them);

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders, including attorney fees (ratably among the Lenders in proportion to the respective amounts described in this clause Second payable to them);

Third, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans and Reimbursement Obligations and any Hedging Obligations (including

any accrued and unpaid interest thereon and any periodic payments in respect of Interest Rate Contracts, but excluding any termination payments paid pursuant to clause Fourth) (ratably among the Lenders in proportion to the respective amounts described in this clause Third payable to them);

Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans and Reimbursement Obligations (including any termination payments then due in connection with Hedging Obligations) (ratably among the Lenders in proportion to the respective amounts described in this clause Fourth held by them);

Fifth, to the Administrative Agent for the account of the Issuing Lender, to cash collateralize any L/C Obligations then outstanding; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Applicable Law.

SECTION 11.5 Administrative Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Credit Party, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 3.3, 4.3 and 13.3) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 4.3 and 13.3.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

ARTICLE XII

THE ADMINISTRATIVE AGENT

SECTION 12.1 Appointment and Authority. Each of the Lenders and the Issuing Lender hereby irrevocably appoints Wachovia to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent, the Lenders and the Issuing Lender, and neither the Borrower nor any of its Subsidiaries shall have rights as a third party beneficiary of any of such provisions.

SECTION 12.2 Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

SECTION 12.3 Exculpatory Provisions. The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or Applicable Law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be

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necessary, under the circumstances as provided in Section 11.2 and Section 13.2) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final nonappealable judgment. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Borrower, a Lender or the Issuing Lender.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article V or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

SECTION 12.4 Reliance by the Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the Issuing Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender or the Issuing Lender unless the Administrative Agent shall have received notice to the contrary from such Lender or the Issuing Lender prior to the making of such Loan or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

SECTION 12.5 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

SECTION 12.6 Resignation of Administrative Agent.

(a) The Administrative Agent may at any time give notice of its resignation to the Lenders, the Issuing Lender and the Borrower. Upon receipt of any such notice of resignation,

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the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Lender, appoint a successor Administrative Agent meeting the qualifications set forth above; provided that if the Administrative Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (i) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders or the Issuing Lender under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (ii) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender and the Issuing Lender directly, until such time as the Required Lenders appoint a successor Administrative Agent as provided for above in this paragraph. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring (or retired) Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this paragraph). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and Section 13.3 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

(b) Any resignation by Wachovia as Administrative Agent pursuant to this Section shall also constitute its resignation as Issuing Lender and Swingline Lender. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Issuing Lender and Swingline Lender, (b) the retiring Issuing Lender and Swingline Lender shall be discharged from all of their respective duties and obligations hereunder or under the other Loan Documents, and (c) the successor Issuing Lender shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangement satisfactory to the retiring Issuing Lender to effectively assume the obligations of the retiring Issuing Lender with respect to such Letters of Credit.

SECTION 12.7 Non-Reliance on Administrative Agent and Other Lenders. Each Lender and the Issuing Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and the Issuing Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other

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Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

SECTION 12.8 No Other Duties, etc. Anything herein to the contrary notwithstanding, none of the syndication agents, documentation agents, co-agents, book manager, lead manager, arranger, lead arranger or co-arranger listed on the cover page or signature pages hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent, a Lender or the Issuing Lender hereunder.

SECTION 12.9 Collateral and Guaranty Matters. The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion,

(a) to release any Lien on any collateral granted to or held by the Administrative Agent, for the ratable benefit of itself and the Lenders, under any Loan Document (i) upon repayment of the outstanding principal of and all accrued interest on the Loans, payment of all outstanding fees and expenses hereunder, the termination of the Lenders' Commitments and the expiration, termination, cash collateralization in full or other defeasance in full of all Letters of Credit, (ii) that is sold or to be sold as part of or in connection with any sale permitted hereunder or under any other Loan Document, or (iii) subject to Section 13.2, if approved, authorized or ratified in writing by the Required Lenders;

(b) to subordinate or release any Lien on any collateral granted to or held by the Administrative Agent under any Loan Document to the holder of any Permitted Lien; and

(c) to release any Subsidiary Guarantor from its obligations under the Subsidiary Guaranty Agreement and any other Loan Documents if such Person ceases to be a Subsidiary as a result of a transaction permitted hereunder.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Subsidiary Guarantor from its obligations under the Subsidiary Guaranty Agreement pursuant to this Section.

ARTICLE XIII

MISCELLANEOUS

SECTION 13.1 Notices.

(a) Method of Communication. Except as otherwise provided in this Agreement, all notices and communications hereunder shall be in writing (for purposes hereof, the term "writing" shall include information in electronic format such as electronic mail and internet web pages), or by telephone subsequently confirmed in writing. Any notice shall be effective if delivered by hand delivery or sent via electronic mail, posting on an internet web page, telecopy, recognized overnight courier service or certified mail, return receipt requested, and shall be

presumed to be received by a party hereto (i) on the date of delivery if delivered by hand or sent by electronic mail or telecopy, (ii) on the next Business Day if sent by recognized overnight courier service, (iii) on the third Business Day following the date sent by certified mail, return receipt requested and (iv) upon the deemed receipt pursuant to clause (i) above by the intended recipient at its electronic mail address of notification that any notice or communication that has been posted to an internet webpage is available and identifying the website address therefor. A telephonic notice to the Administrative Agent as understood by the Administrative Agent will be deemed to be the controlling and proper notice in the event of a discrepancy with or failure to receive a confirming written notice.

(b) Addresses for Notices. Notices to any party shall be sent to it at the following addresses, or any other address as to which all the other parties are notified in writing.

If to the Borrower:	Transaction Systems Architects, Inc. 224 South 108th Avenue Omaha, Nebraska 68154 Attention: Henry C. Lyons, Chief Financial Officer Telephone No.: (646) 348-6704 Telecopy No.: (402) 390-8077
With copies to:	Jones Day 77 West Wacker Chicago, Illinois 60601 Attention: Robert J. Graves Telephone No.: (312) 269-4356 Telecopy No.: (312) 782-8585
If to Wachovia as Administrative Agent:	Wachovia Bank, National Association Charlotte Plaza, CP-8 201 South College Street Charlotte, North Carolina 28288-0680 Attention: Syndication Agency Services Telephone No.: (704) 374-2698 Telecopy No.: (704) 383-0288
With copies to:	Wachovia Bank, National Association 301 South College Street, NC5562 Charlotte, North Carolina 28288 Attention: Rob Sevin, Director Telephone No.: (704) 383-7546 Telecopy No.: (704) 383-1625

If to any Lender: To the address set forth on the Register

(c) Administrative Agent's Office. The Administrative Agent hereby designates its office located at the address set forth above, or any subsequent office which shall have been specified for such purpose by written notice to the Borrower and Lenders, as the Administrative

Agent's Office referred to herein, to which payments due are to be made and at which Loans will be disbursed and Letters of Credit requested.

SECTION 13.2 Amendments, Waivers and Consents. Except as set forth below or as specifically provided in any Loan Document, any term, covenant, agreement or condition of this Agreement or any of the other Loan Documents may be amended or waived by the Lenders, and any consent given by the Lenders, if, but only if, such amendment, waiver or consent is in writing signed by the Required Lenders (or by the Administrative Agent with the consent of the Required Lenders) and delivered to the Administrative Agent and, in the case of an amendment, signed by the Borrower; provided, that no amendment, waiver or consent shall:

(a) waive any condition set forth in Section 5.2 without the written consent of each Lender;

(b) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 11.2) or the amount of Loans of any Lender without the written consent of such Lender;

(c) postpone any date fixed by this Agreement or any other Loan Document for any payment or mandatory prepayment of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;

(d) reduce the principal of, or the rate of interest specified herein on, any Loan or Reimbursement Obligation, or (subject to clause (iv) of the second proviso to this Section) any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby; provided that only the consent of the Required Lenders shall be necessary (i) to waive any obligation of the Borrower to pay interest at the rate set forth in Section 4.1(c) during the continuance of an Event of Default, or (ii) to amend any financial covenant hereunder (or any defined term used therein) even if the effect of such amendment would be to reduce the rate of interest on any Loan or L/C Obligation or to reduce any fee payable hereunder;

(e) (i) change Section 4.4 or Section 11.4 in a manner that would alter the pro rata sharing of payments required thereby or (ii) change Section 11.4 in a manner that would alter the order in which payments and proceeds received by the Lenders are applied to repay the Obligations, in either case without the written consent of each Lender directly affected thereby;

(f) change any provision of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender;

(g) release any Subsidiary Guarantor from the Subsidiary Guaranty Agreement (other than as authorized in Section 12.9), without the written consent of each Lender; or

(h) release all or substantially all of the collateral, if any, or release any Security Document (other than as authorized in Section 12.9 or as otherwise specifically permitted or

contemplated in this Agreement or the applicable Security Document) without the written consent of each Lender;

provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Issuing Lender in addition to the Lenders required above, affect the rights or duties of the Issuing Lender under this Agreement or any Letter of Credit Application relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Swingline Lender in addition to the Lenders required above, affect the rights or duties of the Swingline Lender under this Agreement; (iii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; (iv) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto and (v) solely for the purposes of Section 5.3(b), no waiver of a Default or Event of Default shall be effective without the consent of Lenders holding more than fifty percent (50%) of the Revolving Credit Commitments (or if the Revolving Credit Facility has been terminated, Lenders holding more than fifty percent (50%) of the aggregate Extensions of Credit thereunder). Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender.

In addition, notwithstanding anything to the contrary contained herein, each Lender hereby authorizes the Administrative Agent on its behalf, and without its further consent, to enter into amendments to this Agreement and the other Loan Documents as the Administrative Agent may reasonably deem appropriate in order to effectuate any increase in the Revolving Credit Commitment pursuant to Section 2.7 or any Incremental Term Loans pursuant to Section 2.8, including, without limitation, amendments to permit such increases in the Revolving Credit Commitment and any Incremental Term Loans to share ratably in the benefits of this Agreement and the other Loan Documents and to include appropriately any Lenders under such increases in the Revolving Credit Commitment and any Incremental Term Loans in any determination of Required Lenders; provided that no such amendment shall adversely affect in any material respect the rights of any Lender, in each case, without the written consent of such Lender.

SECTION 13.3 Expenses; Indemnity.

(a) Costs and Expenses. The Borrower and any other Credit Party, jointly and severally, shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the Issuing Lender in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, any Lender or the Issuing Lender (including the fees, charges and disbursements of any counsel for the Administrative Agent, any Lender or the Issuing Lender) in

connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), each Lender and the Issuing Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims (including, without limitation, any Environmental Claims or civil penalties or fines assessed by OFAC), damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower or any other Credit Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the Issuing Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or Release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Claim related in any way to the Borrower or any of its Subsidiaries, (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any other Credit Party, and regardless of whether any Indemnitee is a party thereto, or (v) any claim (including, without limitation, any Environmental Claims or civil penalties or fines assessed by OFAC), investigation, litigation or other proceeding (whether or not the Administrative Agent or any Lender is a party thereto) and the prosecution and defense thereof, arising out of or in any way connected with the Loans, this Agreement, any other Loan Document, or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby, including without limitation, reasonable attorneys and consultant's fees, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower or any other Credit Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Borrower or such Credit Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Reimbursement by Lenders. To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under clause (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof), the Issuing Lender or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), the Issuing Lender or such Related Party, as the case may be, such Lender's Commitment Percentage (determined as of the time that the applicable unreimbursed expense or

indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) or the Issuing Lender in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) or Issuing Lender in connection with such capacity. The obligations of the Lenders under this clause (c) are subject to the provisions of Section 4.7.

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by Applicable Law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in clause (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(e) Payments. All amounts due under this Section shall be payable promptly after demand therefor.

SECTION 13.4 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender, the Issuing Lender, the Swingline Lender and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by Applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender, the Issuing Lender, the Swingline Lender or any such Affiliate to or for the credit or the account of the Borrower or any other Credit Party against any and all of the obligations of the Borrower or such Credit Party now or hereafter existing under this Agreement or any other Loan Document to such Lender, the Issuing Lender or the Swingline Lender, irrespective of whether or not such Lender, the Issuing Lender or the Swingline Lender shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower or such Credit Party may be contingent or unmatured or are owed to a branch or office of such Lender, the Issuing Lender or the Swingline Lender different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Lender, the Issuing Lender, the Swingline Lender and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender, the Issuing Lender, the Swingline Lender or their respective Affiliates may have. Each Lender, the Issuing Lender and the Swingline Lender agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

SECTION 13.5 Governing Law.

(a) Governing Law. This Agreement and the other Loan Documents, unless expressly set forth therein, shall be governed by, and construed in accordance with, the law of the State of New York, without reference to the conflicts of law principles thereof.

(b) Submission to Jurisdiction. The Borrower and each other Credit Party irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the courts of the State of New York sitting in New York County and of the United States District Court for the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by Applicable Law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or in any other Loan Document shall affect any right that the Administrative Agent, any Lender or the Issuing Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Borrower or any other Credit Party or its properties in the courts of any jurisdiction.

(c) Waiver of Venue. The Borrower and each other Credit Party irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by Applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Service of Process. Each party hereto irrevocably consents to service of process in the manner provided for notices in Section 13.1. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by Applicable Law.

SECTION 13.6 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 13.7 Reversal of Payments. To the extent the Borrower makes a payment or payments to the Administrative Agent for the ratable benefit of the Lenders or the Administrative Agent receives any payment or proceeds of any collateral which payments or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds repaid, the Obligations or part thereof intended to be satisfied shall be revived and continued in full force and effect as if such payment or proceeds had not been received by the Administrative Agent.

SECTION 13.8 Injunctive Relief; Punitive Damages.

(a) The Borrower recognizes that, in the event the Borrower fails to perform, observe or discharge any of its obligations or liabilities under this Agreement, any remedy of law may prove to be inadequate relief to the Lenders. Therefore, the Borrower agrees that the Lenders, at the Lenders' option, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

(b) The Administrative Agent, the Lenders and the Borrower (on behalf of itself and the Credit Parties) hereby agree that no such Person shall have a remedy of punitive or exemplary damages against any other party to a Loan Document and each such Person hereby waives any right or claim to punitive or exemplary damages that they may now have or may arise in the future in connection with any Dispute, whether such Dispute is resolved through arbitration or judicially.

SECTION 13.9 Accounting Matters. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the

Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

SECTION 13.10 Successors and Assigns; Participations.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither the Borrower nor any other Credit Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation in accordance with the provisions of paragraph (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section, New Lenders pursuant to Section 2.7 or Section 2.8 and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Revolving Credit Commitment and the Loans at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Revolving Credit Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in paragraph (b)(i)(A) of this Section, the aggregate amount of the Revolving Credit Commitment (which for this purpose includes Loans outstanding thereunder) or, if the applicable Revolving Credit Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than $5,000,000, unless each of the Administrative Agent and, so long as no Default or Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed);

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the Revolving Credit Commitment assigned;

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by paragraph (b)(i)(B) of this Section and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (x) a Default or Event of Default has occurred and is continuing at the time of such assignment, (y) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund or (z) such assignment is made during the period commencing on the Closing Date and ending on the date that is ninety (90) days following the Closing Date;

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments in respect of the Revolving Credit Facility if such assignment is to a Person that is not a Lender with a Revolving Credit Commitment, an Affiliate of such Lender or an Approved Fund with respect to such Lender; and

(C) the consents of the Issuing Lender and the Swingline Lender (such consents not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to participate in exposure under one or more Letters of Credit (whether or not then outstanding) or for any assignment in respect of the Revolving Credit Facility.

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500 for each assignment, and the assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Borrower. No such assignment shall be made to the Borrower or any of the Borrower's Affiliates or Subsidiaries.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural person.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 4.8, 4.9, 4.10, 4.11 and 13.3

with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (d) of this Section.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices in Charlotte, North Carolina, a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Revolving Credit Commitment of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Revolving Credit Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, Issuing Lender, Swingline Lender and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver or modification described in Section 13.2 that directly affects such Participant and could not be affected by a vote of the Required Lenders. Subject to paragraph (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 4.8, 4.9, 4.10 and 4.11 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 13.4 as though it were a Lender, provided such Participant agrees to be subject to Section 4.6 as though it were a Lender.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Sections 4.10 and 4.11 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 4.11 unless the Borrower is notified of the participation sold to such Participant and

such Participant agrees, for the benefit of the Borrower, to comply with Section 4.11(e) as though it were a Lender.

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 13.11 Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by, or required to be disclosed to, any rating agency, or regulatory or similar authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by Applicable Laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies under this Agreement or under any other Loan Document (or any Hedging Agreement with a Lender or the Administrative Agent) or any action or proceeding relating to this Agreement or any other Loan Document (or any Hedging Agreement with a Lender or the Administrative Agent) or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any purchasing Lender, proposed purchasing Lender, Participant or proposed Participant, (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (iii) to an investor or prospective investor in an Approved Fund that also agrees that Information shall be used solely for the purpose of evaluating an investment in such Approved Fund, (iv) to a trustee, collateral manager, servicer, backup servicer, noteholder or secured party in an Approved Fund in connection with the administration, servicing and reporting on the assets serving as collateral for an Approved Fund, or (v) to a nationally recognized rating agency that requires access to information regarding the Borrower and its Subsidiaries, the Loans and Loan Documents in connection with ratings issued with respect to an Approved Fund, (g) with the consent of the Borrower, (h) to Gold Sheets and other similar bank trade publications, such information to consist of deal terms and other information customarily found in such publications, or (i) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower or (j) to governmental regulatory authorities in connection with any regulatory examination of the Administrative Agent or any Lender or in accordance with the Administrative Agent's or any Lender's regulatory compliance policy if the Administrative Agent or such Lender deems necessary for the mitigation of claims by those authorities against the Administrative Agent or such Lender or any of its subsidiaries or affiliates. For purposes of this Section, "Information" means all information received from any Credit Party relating to any Credit Party or any of its respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by any Credit Party; provided that, in the case of information received from a Credit Party after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 13.12 Performance of Duties. Each of the Credit Party's obligations under this Agreement and each of the other Loan Documents shall be performed by such Credit Party at its sole cost and expense.

SECTION 13.13 All Powers Coupled with Interest. All powers of attorney and other authorizations granted to the Lenders, the Administrative Agent and any Persons designated by the Administrative Agent or any Lender pursuant to any provisions of this Agreement or any of the other Loan Documents shall be deemed coupled with an interest and shall be irrevocable so long as any of the Obligations remain unpaid or unsatisfied, any of the Commitments remain in effect or the Credit Facility has not been terminated.

SECTION 13.14 Survival of Indemnities. Notwithstanding any termination of this Agreement, the indemnities to which the Administrative Agent and the Lenders are entitled under the provisions of this Article XIII and any other provision of this Agreement and the other Loan Documents shall continue in full force and effect and shall protect the Administrative Agent and the Lenders against events arising after such termination as well as before.

SECTION 13.15 Titles and Captions. Titles and captions of Articles, Sections and subsections in, and the table of contents of, this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement.

SECTION 13.16 Severability of Provisions. Any provision of this Agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remainder of such provision or the remaining provisions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 13.17 Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and shall be binding upon all parties, their successors and assigns, and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement or any document or instrument delivered in connection herewith by facsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement or such other document or instrument, as applicable.

SECTION 13.18 Integration. This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other

Loan Document, the provisions of this Agreement shall control; provided that the inclusion of supplemental rights or remedies in favor of the Administrative Agent or the Lenders in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

SECTION 13.19 Term of Agreement. This Agreement shall remain in effect from the Closing Date through and including the date upon which all Obligations arising hereunder or under any other Loan Document shall have been indefeasibly and irrevocably paid and satisfied in full and all Commitments have been terminated. No termination of this Agreement shall affect the rights and obligations of the parties hereto arising prior to such termination or in respect of any provision of this Agreement which survives such termination.

SECTION 13.20 Advice of Counsel, No Strict Construction. Each of the parties represents to each other party hereto that it has discussed this Agreement with its counsel. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

SECTION 13.21 USA Patriot Act. The Administrative Agent and each Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower and Subsidiary Guarantors, which information includes the name and address of each Borrower and Subsidiary Guarantor and other information that will allow such Lender to identify such Borrower or Subsidiary Guarantor in accordance with the Act.

SECTION 13.22 Inconsistencies with Other Documents; Independent Effect of Covenants.

(a) In the event there is a conflict or inconsistency between this Agreement and any other Loan Document, the terms of this Agreement shall control; provided that any provision of the other Loan Documents which imposes additional burdens on the Borrower or its Subsidiaries or further restricts the rights of the Borrower or its Subsidiaries or gives the Administrative Agent or Lenders additional rights shall not be deemed to be in conflict or inconsistent with this Agreement and shall be given full force and effect.

(b) The Borrower expressly acknowledges and agrees that each covenant contained in Articles VIII, IX, or X hereof shall be given independent effect. Accordingly, the Borrower shall not engage in any transaction or other act otherwise permitted under any covenant contained in Articles VIII, IX, or X if, before or after giving effect to such transaction or act, the Borrower shall or would be in breach of any other covenant contained in Articles VIII, IX, or X.

[Signature pages to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed under seal by their duly authorized officers, all as of the day and year first written above.

TRANSACTION SYSTEMS ARCHITECTS, INC., as Borrower

By: /s/ David R. Bankhead
Senior Vice President

AGENTS AND LENDERS:

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent, Swingline Lender, Issuing Lender and Lender

By: /s/ Robert Sevin
Director

Bank of America, N.A., as Lender

By: /s/ Aileen Supeña
Vice President

U.S. Bank National Association, as Lender

By: /s/ Joseph T. Sullivan III
Vice President

LaSalle Bank National Association, as Lender

By: /s/ David Gardner
First Vice President

Citizens Bank of Massachusetts, as Lender

By: /s/ Victoria P. Lazzell
Senior Vice President

Sovereign Bank, as Lender

By: /s/ Gregory M. Batsevitsky
Vice President

Comerica Bank, as Lender

By: /s/ Timothy O'Rourke
Vice President

Union Bank of California, N.A., as Lender

By: /s/ Matthew R. Krajniak
Assistant Vice President

Bank of the West, as Lender

By: /s/ William Honke
Vice President

Fifth Third Bank, an Ohio Banking Corporation, as Lender

By: /s/ Christopher D. Jones
Vice President

First National Bank of Omaha, as Lender

By: /s/ Marc T. Wisdom
Second Vice President

Exhibit 21.01

SUBSIDIARIES OF THE REGISTRANT

ACI Worldwide Inc.	Nebraska
Applied Communications Services, Inc.	Nebraska
Applied Communications (Singapore) Ltd.	Nebraska
ACI Worldwide (Massachusetts) Inc.	Massachusetts
ACI (India) Inc.	Nebraska
Applied Communications (Bahrain) Inc.	Nebraska
ACI Worldwide (Malaysia) Inc.	Nebraska
JBA, Inc.	Nebraska
ACI (Brasil) L.L.C.	Nebraska
ACI Worldwide (Brasil) Ltda.	Brazil
ACI Worldwide (Canada) Inc.	Canada
ACI Worldwide (Mexico) S.A. de C.V.	Mexico
Applied Communications (Hong Kong) Limited	Hong Kong
ACI Worldwide (Pacific) Pty Ltd.	Australia
Insession Labs, Pty. Limited	Australia
ACI Worldwide (Asia) Pte. Ltd.	Singapore
Stratasoft Sdn Bhd *	Malaysia
Visual WEB Solutions (S) Pte. Ltd.*	Singapore
ACI Applied Communications (Netherlands) B.V.	Netherlands
ACI Worldwide (New Zealand) Limited	New Zealand
ACI Worldwide de Argentina S.A.	Argentina
ACI Worldwide Korea Yuhan Hoesa	Korea
Insession Technologies B.V.	Netherlands
ACI Worldwide GPC (US) LLC	Nebraska
Applied Communications GPC Limited	Ireland
Applied Communications (Ireland) Limited	Ireland
ACI Worldwide (UK Development) Limited	UK
ACI Worldwide (Eastern Europe Development) S.R.L.	Romania
MessagingDirect Company	Canada
ACI Worldwide (Texas) LLC	Texas
TSA Subco Company	Canada
MessagingDirect (US) Inc.	Delaware
MessagingDirect (U.K.) Limited	United Kingdom
ACI Worldwide (Japan) K.K.	Japan
ACI Worldwide (MA), Inc.	Delaware
ACI Worldwide (VWS), LLC *	Delaware
Applied Communications Inc. U.K. Holding Limited	United Kingdom
Applied Communications Inc. (CIS) Limited	United Kingdom
ACI Worldwide (EMEA) Limited	United Kingdom
ACI Worldwide (Norway) A.S.	Norway
ACI Worldwide (South Africa) (Pty) Ltd.	South Africa
ACI Worldwide (Italia) S.R.L.	Italy
ACI Worldwide (Nordic) AB	Sweden
ACI Worldwide France S.A.R.L.	France
ACI Monetique S.A.R.L. (51% ownership)	France
ACI Worldwide Iberica, S.L.	Spain
ACI Soluciones, S.L. (51% ownership)	Spain
ACI Worldwide (Hellas) EPE	Greece
Applied Communications Holding GmbH	Germany
Applied Communications Verwaltungs GmbH	Germany
ACI Worldwide (Germany) GmbH & Co. KG	Germany
eps Electronic Payment Systems AG	Germany
eps Electronic Systems Schweiz GmbH	Switzerland
eps Prepaid GmbH	Germany
Electronic Payment Systems Limited	UK
eps NZ Limited	New Zealand
Applied Communications Worldwide (UK) Ltd.	United Kingdom
SCIL (USA) Inc.	New York
ACI Worldwide B.V.	Netherlands
Visual WEB Solutions Pvt. Ltd. *	India
ACI Worldwide Philippine Islands Inc.**	Philippines

* Became a subsidiary in fiscal 2007 as a result of the Company's fiscal 2007 acquisitions.

** Incorporated by the Company in fiscal 2007.

Exhibit 23.01

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Transaction Systems Architects, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-86052 and 333-49804) on Form S-3, and in the registration statements (Nos. 333-123263, 333-113550, 333-88024, 333-88020, 333-59630, 333-59632, 333-53504, 333-33728, 333-73027, 333-22473, 33-93900, and 333-2594) on Form S-8 of Transaction Systems Architects, Inc. of our report dated May 10, 2007 with respect to the consolidated balance sheets of Transaction Systems Architects, Inc. and subsidiaries as of September 30, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended September 30, 2006, management's assessment of the effectiveness of internal control over financial reporting as of September 30, 2006, and the effectiveness of internal control over financial reporting at September 30, 2006, which reports appear in the September 30, 2006 Annual Report to Stockholders on Form 10-K of Transaction Systems Architects, Inc.

Our report dated May 10, 2007, on the consolidated financial statements referred to above, refers to the restatement of the consolidated financial statements as of September 30, 2005, and for each of the years in the two-year period ended September 30, 2005 and to the adoption of the fair value method of accounting for share-based compensation as required by Statement of Financial Accounting Standards (SFAS) No. 123(R), *Share-Based Payment*.

Our report dated May 10, 2007, on management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting as of September 30, 2006, expresses our opinion that Transaction Systems Architects, Inc. did not maintain effective internal control over financial reporting as of September 30, 2006 because of the effect of material weaknesses on the achievement of the objectives of the control criteria related to (i) the accounting for complex and non-recurring transactions, (ii) the financial close process, (iii) the completeness and existence of revenue recognition, and (iv) the application of income tax accounting.

Our report dated May 10, 2007, on management's assessment of the effectiveness of internal control over financial reporting as of September 30, 2006, contains an explanatory paragraph that states our audit of internal control over financial reporting of the Company excludes the internal controls over financial reporting of the acquired businesses of P&H Solutions, Inc. and Electronic Payment Systems, AG.

/s/ KPMG LLP

Omaha, Nebraska
May 10, 2007

Exhibit 31.01

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Philip G. Heasley, certify that:

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

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

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

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

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

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: May 11, 2007

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

Exhibit 31.02

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Henry C. Lyons, certify that:

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

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

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

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

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

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: May 11, 2007

/s/ Henry C. Lyons

Henry C. Lyons
Senior Vice President, Chief Financial Officer
and Chief Accounting Officer

Exhibit 32.01

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 annual report of Transaction Systems Architects, Inc. (the "Company") on Form 10-K for the fiscal year ended September 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Philip G. Heasley, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Date: May 11, 2007

/s/ PHILIP G. HEASLEY

Philip G. Heasley
President, Chief Executive Officer and Director

Exhibit 32.02

**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 annual report of Transaction Systems Architects, Inc. (the “Company”) on Form 10-K for the fiscal year ended September 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Henry C. Lyons, 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 11, 2007

/s/ Henry C. Lyons

Henry C. Lyons
Senior Vice President, Chief Financial Officer
and Chief Accounting Officer