

TRANSACTION SYSTEMS ARCHITECTS INC
Form PRER14A
May 30, 2007
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to §240.14a-12

TRANSACTION SYSTEMS ARCHITECTS, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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| (1) | Amount Previously Paid: |
| (2) | Form, Schedule or Registration Statement No.: |
| (3) | Filing Party: |
| (4) | Date Filed: |

June 15, 2007

Dear Stockholder:

You are cordially invited to attend the 2007 Annual Meeting of Stockholders of Transaction Systems Architects, Inc. to be held on Tuesday, July 24, 2007, at 9:00 a.m. EST at the offices of the company at 120 Broadway, Suite 3350, New York, New York 10271.

Details of the business to be conducted at the 2007 Annual Meeting of Stockholders are provided in the attached Notice of Annual Meeting of Stockholders and Proxy Statement.

Please use this opportunity to take part in the affairs of your company. Whether or not you plan to attend the annual meeting, please complete, date, sign and return the accompanying proxy card in the enclosed postage-paid envelope, or vote via the Internet or telephone. Please refer to the enclosed proxy card for instructions on voting via the Internet or telephone or, if your shares are registered in the name of a broker or bank, please refer to the information forwarded by the broker or bank to determine if Internet or telephone voting is available to you.

On behalf of the Board of Directors, we appreciate your continued interest in your company.

Sincerely,

Harlan F. Seymour
Chairman of the Board of Directors

TRANSACTION SYSTEMS ARCHITECTS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

to be held on July 24, 2007

The 2007 Annual Meeting of Stockholders (the Annual Meeting) of Transaction Systems Architects, Inc. (the Company) will be held on Tuesday, July 24, 2007, at 9:00 a.m. EST at the offices of the Company at 120 Broadway, Suite 3350, New York, New York, for the following purposes:

1. To elect five directors to the Board of Directors to hold office until the 2008 Annual Meeting of Stockholders;
2. To vote upon a proposal to amend the Company s Amended and Restated Certificate of Incorporation to change the Company name from Transaction Systems Architects, Inc. to ACI Worldwide, Inc. ;
3. To approve the first amendment to the 2005 Equity and Performance Incentive Plan to increase the shares authorized for issuance under the plan from 3,000,000 to 5,000,000, to eliminate the limitation on the number of shares that may be issued under the plan as restricted stock, restricted stock units, performance shares and performance share units, and to amend the plan to provide that the exercise price for options may not be less than the market value per share on the date of grant;
4. To vote upon a proposal to extend the term of the Company s 1999 Employee Stock Purchase Plan, as amended (the ESPP), until April 30, 2018;
5. To vote upon a proposal to ratify the appointment of KPMG LLP as the Company s independent auditor for the fiscal year ending September 30, 2007; and
6. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

The Board of Directors has fixed the close of business on June 11, 2007 as the record date for determining the stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment of the Annual Meeting. Each share of the Company s common stock is entitled to one vote on all matters presented at the Annual Meeting.

ALL HOLDERS OF THE COMPANY S COMMON STOCK (WHETHER THEY EXPECT TO ATTEND THE ANNUAL MEETING OR NOT) ARE REQUESTED TO PROMPTLY COMPLETE, DATE, SIGN AND RETURN THE PROXY CARD ENCLOSED WITH THIS NOTICE OR VOTE VIA THE INTERNET OR TELEPHONE. FOR FURTHER DETAILS, SEE PROXY VOTING AND REVOCABILITY OF PROXIES IN THE PROXY STATEMENT.

By Order of the Board of Directors,

Dennis P. Byrnes
Secretary

June 15, 2007

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This Proxy Statement contains a report issued by the Company's Compensation Committee relating to executive compensation for fiscal 2006, a report issued by the Company's Audit Committee relating to certain of its activities during fiscal 2006, and a chart titled "Company Stock Performance Graph." Stockholders should be aware that under Securities and Exchange Commission rules, these committee reports and the stock price performance chart are not considered "filed" with the Securities and Exchange Commission under the Securities Exchange Act of 1934, and are not incorporated by reference in any past or future filing by the Company under the Securities Exchange Act of 1934 or the Securities Act of 1933, unless these sections are specifically referenced.

TRANSACTION SYSTEMS ARCHITECTS, INC.

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

to be held on July 24, 2007

INFORMATION ABOUT THE MEETING, VOTING AND PROXIES

This Proxy Statement is being furnished in connection with the solicitation by and on behalf of the Board of Directors (the **Board**) of Transaction Systems Architects, Inc. (the **Company** or **TSA**) of proxies to be used at the 2007 Annual Meeting of Stockholders of the Company (the **Annual Meeting**) to be held on Tuesday, July 24, 2007, 9:00 a.m. EST at the offices of the Company at 120 Broadway, Suite 3350, New York, New York, and any postponement or adjournment thereof. A copy of the Company's annual report to stockholders, including the Company's annual report on Form 10-K for the fiscal year ended September 30, 2006 (**fiscal 2006**), which includes the Company's financial statements for fiscal 2006 (the **Annual Report**), accompanies this Proxy Statement. Beginning on or about June 15, 2007, this Proxy Statement, the accompanying proxy card and the Annual Report are being mailed to holders of the Company's Common Stock, \$.005 par value per share (**Common Stock**).

Proxy Voting and Revocability of Proxies

The shares of the Company's Common Stock, represented by the proxies received pursuant to this solicitation and not timely revoked, will be voted at the Annual Meeting. A holder of Common Stock who has given a proxy may revoke it prior to its exercise either by giving written notice of revocation to the Secretary of the Company or by giving a duly executed proxy bearing a later date. Attendance in person at the Annual Meeting does not itself revoke a proxy; however, any stockholder who attends the Annual Meeting may revoke a previously submitted proxy by voting in person. Subject to any such revocation, all Common Stock represented by properly executed proxies will be voted in accordance with the specifications on the proxy. If no such specifications are made, proxies will be voted **FOR** each proposal described herein and, as to any other matter that may be brought before the Annual Meeting, in accordance with the judgment of the person or persons voting the same.

Stockholders whose shares of Common Stock are registered directly with the Company's transfer agent, Wells Fargo Bank Minnesota, National Association (**Wells Fargo**), may vote via the Internet or telephone. Stockholders should refer to the enclosed proxy card for instructions on voting via the Internet or telephone. The Internet and telephone voting facilities for stockholders of record will close at 12:00 p.m. EST (New York time) on July 23, 2007. Stockholders whose shares are registered in the name of either a broker or bank should refer to the information forwarded by either the broker or bank to determine if Internet or telephone voting is available to them.

Record Date, Outstanding Shares and Quorum

Only holders of Common Stock of record at the close of business on June 11, 2007 (the **Record Date**) are entitled to notice of and to vote at the Annual Meeting. At the close of business on the Record Date, there were 37,159,895 shares of Common Stock issued and outstanding, excluding 3,661,621 shares of Common Stock held as treasury stock by the Company. Shares of Common Stock held as treasury stock are not entitled to be voted at the Annual Meeting. Each stockholder is entitled to one vote per share of Common Stock held on all matters to be voted on by the Company's

stockholders. Stockholders may not cumulate their votes in the election of directors. Unless the context requires otherwise, any reference to shares in this Proxy Statement refers to all shares of Common Stock entitled to vote at the Annual Meeting. The presence in person or by proxy at the Annual Meeting of the holders of a majority of the issued and outstanding shares entitled to vote at the Annual Meeting shall constitute a quorum.

Proxy Solicitation

The Company will bear the expense of preparing, printing and mailing this Proxy Statement and the proxies solicited hereby and will reimburse banks, brokerage firms and nominees for their reasonable expenses in forwarding solicitation materials to beneficial owners of shares held of record by such banks, brokerage firms and nominees. The Company has retained Wells Fargo to assist the Company with its solicitation of proxies at a cost of approximately \$4,000, plus normal out-of-pocket expenses. The Company has also retained D.F. King & Co., Inc. to perform proxy solicitation services on its behalf at the cost of \$5,500, plus normal out-of-pocket expenses.

Treatment of Abstentions and Broker Non-Votes

While there is no definitive statutory or case law authority in Delaware as to the proper treatment of abstentions, the Company believes that abstentions should be counted for purposes of determining both (i) the presence or absence of a quorum for the transaction of business and (ii) the total number of shares present in person or by proxy at the Annual Meeting with respect to a proposal (other than the election of directors). In the absence of a controlling precedent to the contrary, the Company intends to treat abstentions in this manner. The effect of an abstention on the outcome of the voting on a particular proposal depends on the vote required to approve that proposal, as described in the **Vote Required** section below.

Broker non-votes are shares present by proxy at the Annual Meeting and held by brokers or nominees as to which (i) instructions to vote have not been received from the beneficial owners and (ii) the broker or nominee does not have discretionary voting power on a particular matter. Broker non-votes will be counted for purposes of determining the presence or absence of a quorum for the transaction of business at the Annual Meeting, but broker non-votes will not be counted for purposes of determining the number of shares present in person or by proxy at the Annual Meeting with respect to a particular proposal on which the broker has expressly not voted. Accordingly, a broker non-vote will not have any effect on the outcome of the voting on a proposal.

Vote Required

Election of a director requires the affirmative vote of the holders of a plurality of the shares present in person or represented by proxy at a meeting at which a quorum is present. The five persons receiving the greatest number of votes at the Annual Meeting shall be elected as directors. Since only affirmative votes count for this purpose, abstentions will not affect the outcome of the voting on Proposal 1.

With respect to Proposals 2 through 5, the proposals relating to (i) the amendment to the Company's Amended and Restated Certificate of Incorporation, as amended to date (the **Certificate Amendment**), (ii) the approval of the first amendment (the **Plan Amendment**) to the 2005 Equity and Performance Incentive Plan (the **2005 Incentive Plan**), the approval of the amendment (the **ESPP Amendment**) of the Company's 1999 Employee Stock Purchase Plan, and (iv) the ratification of the appointment of the Company's independent registered public accounting firm for the fiscal year ending September 30, 2007 (**fiscal 2007**), respectively, a stockholder may mark the accompanying form of proxy card to (a) vote for the matter, (b) vote against the matter, or (c) abstain from voting on the matter.

The affirmative vote of a majority of the shares of Common Stock outstanding is required for the approval of Proposal 2, the proposal relating to the Certificate Amendment. The affirmative vote of a majority of the shares present in person or by proxy at the Annual Meeting is required for the approval of Proposal 3, the approval of the Plan Amendment to the 2005 Incentive Plan, and for the approval of Proposal 4, the approval of the ESPP Amendment. Because a majority of shares outstanding or present in person or by proxy at the Annual Meeting is required for approval of Proposals 2, 3 and 4, an abstention will have the legal effect of a vote against these proposals.

With respect to Proposal 5, the ratification of the appointment of the Company's independent registered public accounting firm (the independent auditor) for fiscal 2007, the affirmative vote of a majority of the shares represented at the Annual Meeting and actually voting on Proposal 5 is required for the approval of Proposal 5. Because only a majority of shares actually voting is required to approve Proposal 5, an abstention will have no effect on the outcome of the voting on Proposal 5.

PROPOSAL 1

ELECTION OF DIRECTORS

The Board currently consists of seven members. The Company's Amended and Restated Bylaws (the Bylaws) provide that from time to time the Board can fix the authorized number of directors on the Board but such number shall be no fewer than three nor more than nine. In accordance with the Company's Bylaws, the Board has reduced the size of the Board to five members effective as of the Annual Meeting. Roger K. Alexander and Jim D. Kever will not stand for re-election at the Annual Meeting. Mr. Alexander and Mr. Kever have both provided outstanding service to the Company and its stockholders during their tenure as directors of the Company. The contributions of Mr. Alexander and Mr. Kever are greatly appreciated.

The Board, as recommended by the Nominating and Corporate Governance Committee, has nominated for re-election as directors John D. Curtis, Philip G. Heasley, Harlan F. Seymour, John M. Shay, Jr. and John E. Stokely, each to serve until the 2008 Annual Meeting of Stockholders and thereafter, until his respective successor is duly elected and qualified. The Company expects that each of the nominees will be available for election, but if any of them is not a candidate at the time the election occurs, it is intended that each share represented by proxy at the Annual Meeting will be voted for the election of another nominee to be designated by the Board to fill any such vacancy. Biographical information regarding each nominee is set forth below.

Nominees

John D. Curtis. Mr. Curtis has been a director of the Company 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. Curtis is 66 years old.

Philip G. Heasley. Mr. Heasley has been a director and President and Chief Executive Officer of the Company 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. Heasley is 57 years old.

Harlan F. Seymour. Mr. Seymour has been a director of the Company 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. Seymour is 57 years old.

John M. Shay, Jr. Mr. Shay has been a director of the Company 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.

John E. Stokely. Mr. Stokely has been a director of the Company 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. Stokely is 54 years old.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE NOMINEES LISTED ABOVE.

GENERAL INFORMATION

REGARDING THE BOARD AND ITS COMMITTEES

Director Independence

The Company is governed by a Board of Directors. In accordance with the Company's Corporate Governance Guidelines, at least a majority of the Board must consist of independent directors. For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with the Company. The Board has established guidelines to assist it in determining director independence, which conform to the independence requirements in the National Association of Securities Dealers (NASD) listing standards. In addition to applying these guidelines, the Board considers all relevant facts and circumstances in making an independence determination. With the exception of Mr. Heasley, the Company's President and CEO, each of the directors is independent.

All members of the Company's standing Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee must be independent directors as defined by the Company's Corporate Governance Guidelines. Members of the Audit Committee must also satisfy a separate Securities and Exchange Commission (the Commission or SEC) independence requirement, which provides that they may not accept directly or indirectly any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries other than their directors' compensation.

Board of Directors Meetings

The Board held 11 meetings during fiscal 2006 with seven of the Board meetings conducted as telephonic meetings. Each director who was a member of the Board during fiscal 2006 attended more than 90% of the meetings of the Board and the Board committees on which he served. The Board has adopted a policy that requires all directors to attend the Company's annual meetings of stockholders unless it is not reasonably practicable for a director to do so. All of the directors attended the Company's 2006 Annual Meeting of Stockholders.

Board Committees and Committee Meetings

The Board has standing Audit, Compensation, and Nominating and Corporate Governance Committees. The Audit Committee assists the Board in its general oversight of the Company's financial reporting, internal controls and audit functions, and is directly responsible for the appointment, retention, compensation and oversight of the work of the Company's independent registered public accounting firm. The Audit Committee also oversaw the voluntary review of the Company's historic stock option granting practices with assistance from special independent counsel and forensic accountants. Additional information regarding the Audit Committee of the Board (the Audit Committee) is included in the Report of Audit Committee below.

The Compensation Committee reviews and determines salaries, performance-based incentives and other matters relating to executive compensation, and generally administers the Company's equity award and stock option plans, including reviewing and granting stock options and other equity awards to the Company's executive officers, but excluding the grant of stock option and other equity awards, if any, to independent directors. The Compensation Committee also reviews and determines various other Company compensation policies and matters. Additional information regarding the Compensation Committee of the Board (the Compensation Committee) is included in the Report of Compensation Committee below.

The Nominating and Corporate Governance Committee (the Corporate Governance Committee) reviews and reports to the Board on a periodic basis with regard to matters of corporate

governance and assists the Board in fulfilling its responsibilities to assure that the Company is governed in a manner consistent with the interests of the Company's stockholders. Additional information regarding the Corporate Governance Committee is included in the Corporate Governance section below.

The table below provides membership and meeting information for each of the Board committees for fiscal 2006:

Name	Audit	Compensation	Nominating and Corporate Governance
Roger K. Alexander	X	Chair	
John D. Curtis	X		Chair
Jim D. Kever		X	
Harlan F. Seymour		X	X
John M. Shay, Jr.,	X(1)		
John E. Stokely	Chair		X
Total Meetings in Fiscal 2006	10(2)	5(3)	6(4)

- (1) Mr. Shay was appointed to the Audit Committee by the Board on May 23, 2006.
- (2) Six of the ten Audit Committee meetings were held telephonically.
- (3) One of the five Compensation Committee meetings was held telephonically.
- (4) One of the six Nominating and Corporate Governance Committee meetings was held telephonically.

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 Company's Common Stock. The Company does not pay its employee directors for service on the Board in addition to their regular employee compensation.

Prior to setting fiscal 2005 independent director compensation, the Company engaged Watson Wyatt to evaluate the competitiveness of its independent director compensation. Utilizing a peer group of similar companies, Watson Wyatt provided an assessment of the Company's independent director compensation. This assessment was considered in establishing the fiscal 2005 compensation program for independent directors and the Company 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 that 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 the Company's annual meetings of stockholders.

In fiscal 2006, the Company's independent directors were each granted a non-qualified option to purchase 10,000 shares of Common Stock pursuant to the Company's 2005 Incentive Plan. Currently, 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. As set forth in the proposed Plan Amendment to the 2005 Incentive Plan described in Proposal 3, future stock options granted under the 2005 Incentive Plan, including options granted to the Company's independent directors, will be issued at a 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 on 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 the Company's 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 Corporate Governance Committee based upon continued evaluations of the competitive assessment of the Company's 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 the Company's Common Stock by the Company's directors in order to further align the interests of the Board to the long-term success of the Company and the interests of its stockholders.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standards of business conduct and corporate governance, which it believes are essential to running its business efficiently, serving stockholders well and maintaining the Company's integrity in the marketplace. The Board has a standing Nominating and Corporate Governance Committee (Corporate Governance Committee) which operates pursuant to a charter. The full text of the Nominating and Corporate Governance Committee charter is published on the Company's website at www.tsainc.com in the Investor Relations Corporate Governance section. The Corporate Governance Committee members are Messrs. Curtis, Seymour and Stokely, each of whom is independent as defined in Rule 4200(a) of the NASD listing standards.

The Corporate Governance Committee regularly monitors corporate governance developments and reviews Company policies, processes and procedures in light of these developments to ensure that the Company and the Board adhere to best practices in this arena. The Corporate Governance Committee also provides advice to the Board with respect to:

- Board organization, membership and function;
- Compensation of the Company's directors, including their compensation for service on committees of the Board;
- Board committee structure, membership and purpose;
- The Company's Corporate Governance Guidelines;
- Oversight of the Company's policies and positions regarding significant stockholder relations issues;
- Evaluation of, and successor planning for, the CEO and other executive officers; and
- Other matters relating to corporate governance and the rights and interests of the Company's stockholders.

Corporate Governance Guidelines

The Company's Corporate Governance Guidelines are designed to ensure that the Board follows practices and procedures that serve the best interests of the Company and its stockholders. The Corporate Governance Committee is responsible for overseeing these guidelines and making recommendations to the Board regarding any changes. These guidelines address, among other things, the following topics:

- Performance assessments of the Board and its committees;
- Composition and independence of the Board and its committees;
- Director orientation and continuing education;
- Policy on directors that change corporate affiliations; and
- Management responsibilities and Board access to management.

Code of Business Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics for directors, officers (including the Company's principal executive officer, principal financial officer, principle accounting officer and controller) and employees. The Company has also adopted a Code of Ethics for the CEO and Senior Financial Officers. The Company maintains a corporate governance page on its website at www.tsainc.com in the Investors Corporate Governance section that includes key information about corporate governance matters, including copies of its Corporate Governance Guidelines, Code of Business Conduct and Ethics, Code of Ethics for the CEO and Senior Financial Officers, and the charter for each Board committee.

Director Nomination Process

The role of the Company's Corporate Governance Committee includes identifying, evaluating and recommending director candidates to the Board. In fiscal 2005, the Company hired a director search firm to assist the Corporate Governance Committee in identifying and evaluating potential director nominees; however, the Company terminated this service during the first quarter of fiscal 2006. During fiscal 2006, the Company paid the search firm \$5,449 (which includes expenses) for its services. The Corporate Governance Committee continues to consider director candidates and takes into consideration the following criteria in selecting and evaluating director candidates:

- *Independent Directors.* The Board should include at least enough independent directors (as determined by NASD rules and applicable laws and regulations) to satisfy the independent director requirements of such rules, laws and regulations.
- *Other Directors.* Subject to the right of the Corporate Governance Committee and the Board to decide otherwise when appropriate, the Company's CEO generally should be a director. Additionally, depending on the circumstances, certain other members of management, as well as individuals having relationships with the Company that prevent them from being independent directors, may be deemed to be appropriate members of the Board.
- *General Criteria for Each Director.* Candidates for positions on the Board should possess certain qualities. In particular, a director should:
 - be an individual of the highest character and integrity;
 - be free of any conflict of interest that would violate any applicable laws, rules, or regulations or interfere with the proper performance of the responsibilities of a director;

- be willing and able to devote sufficient time to the affairs of the Company; and
- have the capacity and desire to represent the balanced, best interests of the Company's stockholders as a whole.

In addition to the foregoing general criteria, the Corporate Governance Committee may consider specific criteria relating to the skills, experience, particular areas of expertise, specific backgrounds and other characteristics that may enhance the effectiveness of the Board and its committees.

The existing Board is the source of all of the current nominees for director, each of whom is an incumbent director. The Corporate Governance Committee based its decision to re-nominate these incumbent directors on its consideration of each individual's contributions, including the value of his or her experience as a director, the current composition of the Board and its committees, the availability of other potential director nominees and the Company's needs. The Board continues to identify and evaluate potential director candidates.

Stockholder Recommendations for Director Nominees

The Corporate Governance Committee considers stockholder recommendations for candidates for the Board furnished to the Company as set forth below in the section entitled "Stockholder Communications with the Board."

The Corporate Governance Committee did not receive, by a date not later than the 120th calendar day before the date of the Company's proxy statement released to security holders in connection with its 2006 Annual Meeting of Stockholders, a recommended nominee for election at this Annual Meeting, from a security holder that beneficially owned more than 5% of the outstanding Common Stock for at least one year as of the date the recommendation was made, or from a group of security holders that beneficially owned, in the aggregate, more than 5% of the Company's outstanding Common Stock, with each of the securities used to calculate that ownership held for at least one year as of the date the recommendation was made.

Stockholder Nomination Process

Pursuant to the Company's Bylaws, any stockholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if written notice of such stockholder's intent to make such nomination or nominations has been received by the Secretary 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.

Each such notice shall set forth: (i) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (ii) a representation that the stockholder is a holder of record of stock of the Company entitled to vote for the election of directors on the date of such notice and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (iv) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Commission, had the nominee been nominated, or intended to be nominated, by the Board; and (v) the consent of each nominee to serve as a director of the Company if so elected.

To make a nomination for this Annual Meeting, a stockholder had to submit the required written notice for director nominations between October 26, 2006 and November 25, 2006. The Secretary of

the Company did not receive written notice from any stockholder regarding an intention to make a nomination.

Stockholder Communications with the Board

Communications from stockholders to the Board, including stockholder director recommendations and stockholder proposals submitted in accordance with the procedure described below in the section entitled *Stockholder Proposals* may be sent via e-mail to *grp-tsa-directors@tsainc.com* or via telephone to (402) 390-8993. These communications will be received by the Secretary of the Company, who will forward them to the appropriate committees or members of the Board.

PROPOSAL 2

AMENDMENT TO THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

General

The Board is proposing to amend and restate the Company's current Amended and Restated Certificate of Incorporation, as amended to date (the *Current Certificate*), to change the Company name from *Transaction Systems Architects, Inc.* to *ACI Worldwide, Inc.* (the *Proposed Name Change*). On December 13, 2006, the Board approved the proposed Amended and Restated Certificate of Incorporation (the *Restated Certificate*) and recommends approval and adoption of the Proposed Name Change by the stockholders.

Purpose of Proposed Name Change

The Company has been marketing its products and services under the ACI Worldwide brand since 1998 and has gained significant market recognition under this brand name. Historically, the Company operated with three business units: ACI Worldwide, Insession Technologies and Intranet Worldwide. In the first quarter of fiscal 2006, the Company restructured its organization combining the products and services within these three business units into one operating unit under the ACI Worldwide name. The Board believes that the Company should change its name to ACI Worldwide to align the corporate name of the Company with the name of its operating unit which is the name the public associates with the Company's products and services. The Board believes that changing the corporate name will provide the name ACI Worldwide with a greater intangible value and even greater name recognition in the future.

Restated Certificate

The Restated Certificate effecting the Proposed Name Change is attached to this Proxy Statement as *Annex A* and incorporated herein by this reference. If adopted by the stockholders, the Proposed Name Change will become effective upon filing the Restated Certificate with the Delaware Secretary of State. It is currently anticipated that the Restated Certificate will be filed with the Delaware Secretary of State as soon as practicable after stockholder approval is received.

Effect of Name Change on Stockholders

Stockholders of the Company will not be required to submit their stock certificates for exchange. Upon effectiveness of the Proposed Name Change, certificates for shares of Common Stock issued under the name *Transaction Systems Architects, Inc.* will continue to be valid certificates and will continue to evidence ownership of the same number of shares of Common Stock in the Company under the new name. **It will not be necessary for stockholders to exchange their stock certificates although stockholders may exchange their certificates if they wish, at their sole**

expense. Following the effective date of the Proposed Name Change, all new stock certificates issued by the Company will be printed using the new name.

New Trading Symbol

If the stockholders approve the Proposed Name Change, the Company will thereafter apply to change its trading symbol on The NASDAQ Global Select Market to a new trading symbol more readily identifiable with its new corporate name. The Company's new trading symbol is expected to be ACIW.

Vote Required

The approval of Proposal 2 requires the affirmative vote of a majority of the issued and outstanding shares of Common Stock. Accordingly, an abstention will have the legal effect of a vote against this proposal. No dissenters' rights are available under the General Corporation Law of the State of Delaware or under the Current Certificate or the Company's Bylaws to any stockholder who dissents from this proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE APPROVAL OF THE AMENDMENT TO THE CURRENT CERTIFICATE TO CHANGE THE COMPANY NAME FROM TRANSACTION SYSTEMS ARCHITECTS, INC. TO ACI WORLDWIDE, INC.

PROPOSAL 3

APPROVAL OF THE FIRST AMENDMENT TO THE

2005 EQUITY AND PERFORMANCE INCENTIVE PLAN

On March 8, 2005, the stockholders adopted the 2005 Equity and Performance Incentive Plan (the Current 2005 Incentive Plan), which had been approved by the Board on December 1, 2004. The Current 2005 Incentive Plan is intended to meet the Company's objective of balancing stockholder concerns about dilution with the need to provide appropriate incentives to achieve company performance objectives. To further serve this Company objective, on April 26, 2007, the Board approved, and is submitting for approval by the stockholders, the First Amendment to the 2005 Equity and Performance Incentive Plan (the Plan Amendment). The Plan Amendment will become effective upon adoption by the stockholders. If the Plan Amendment is not approved by the stockholders, the Current 2005 Incentive Plan will remain in effect.

A summary description of the Plan Amendment is set forth below, which is followed by a summary description of the 2005 Equity and Performance Incentive Plan as amended by the Plan Amendment (the Amended 2005 Incentive Plan). A copy of the Amended 2005 Incentive Plan is attached to this Proxy Statement as *Annex B*, and incorporated herein by this reference. The summary descriptions of the Plan Amendment and the Amended 2005 Incentive Plan provided below are qualified in their entirety by reference to the full text of the Amended 2005 Incentive Plan.

Summary of the Plan Amendment

The Plan Amendment makes three changes to the Current 2005 Incentive Plan. First, the Plan Amendment increases the aggregate number of shares of Common Stock, par value \$0.005 per share, available for issuance under the Amended 2005 Incentive Plan to 5,000,000 (plus any shares of Common Stock that are represented by options previously granted under certain terminated Company plans which are forfeited, expire or are canceled without delivery of Common Stock or which result in the forfeiture or relinquishment of Common Stock back to the Company). The Current 2005 Incentive Plan originally authorized 3,000,000 shares of Common Stock (plus any shares of Common Stock that are represented by options previously granted under certain terminated Company plans which are forfeited, expire or are canceled without delivery of Common Stock or which result in the forfeiture or relinquishment of Common Stock back to the Company).

Second, the Plan Amendment eliminates in its entirety the limitation on the aggregate number of shares that can be issued as restricted stock, restricted stock units, performance shares and performance units under the Amended 2005 Incentive Plan (after taking into account any forfeitures, or expirations or transfers upon expiration of any withholding amount). The Current 2005 Incentive Plan originally authorized 2,500,000 shares of Common Stock for such types of awards.

Finally, the Plan Amendment provides that the exercise price for any options granted under the Amended 2005 Incentive Plan may not be less than the market value per share of Common Stock on the date of grant. The Current 2005 Incentive Plan provides that the exercise price for options granted under the plan may not be less than the market value per share of Common Stock on the day immediately preceding the date of the grant.

Purposes of the Amended 2005 Incentive Plan

The ability to maintain a market competitive stock-based incentive program by making available various stock compensation awards. The Amended 2005 Incentive Plan is intended to give the Company greater flexibility in providing competitive incentive compensation that closely aligns the interests of key employees and officers with those of the Company's stockholders. The Amended 2005 Incentive Plan permits the grant of a variety of incentive awards, such as restricted

stock awards, performance awards and stock appreciation rights, that will provide the Company with greater flexibility in designing stock and performance based incentives for executives, key employees and non-employee directors.

The furtherance of many compensation and governance best practices. The Amended 2005 Incentive Plan prohibits stock option re-pricing and contains a 1,000,000-share limit on the number of shares that may be issued to a Participant in connection with stock options, stock appreciation rights, restricted stock awards or other awards during any calendar year. The Amended 2005 Incentive Plan does not contain an evergreen feature (evergreen features provide for automatic replenishment of authorized shares available under the plan).

Summary Description of the Amended 2005 Incentive Plan

The Amended 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 (Awards).

Plan Benefits

Any person who is an employee or non-employee director of the Company and certain of its subsidiaries and affiliates is eligible to be considered for Awards under the Amended 2005 Incentive Plan. The Board has the authority to select the individuals to whom Awards will be granted. Future Awards under the Amended 2005 Incentive Plan will be discretionary so that it is impossible to determine who will receive Awards and in what amounts in the event the Plan Amendment is adopted, although each of the Company’s current executive officers and directors would be eligible to participate. The following New Plan Benefits table sets forth the benefits and amounts that were received by or allocated to each of the persons or groups indicated below for fiscal 2006 under the Current 2005 Incentive Plan:

NEW PLAN BENEFITS

2005 Equity and Performance Incentive Plan

Name and Position	Stock Options	Dollar Value \$(1)	Number of Targeted Performance Shares	Dollar Value \$(2)
Philip G. Heasley, Chief Executive Officer and President			12,000	\$ 391,920
Mark R. Vipond, Chief Operating Officer				
Anthony J. Parkinson, Senior Vice President and President - ACI Worldwide Americas Channel(3)				
Richard N. Launder, Senior Vice President and President - ACI Worldwide EMEA and Asia/Pacific(4)				
David R. Bankhead, Senior Vice President and Chief Accounting Officer(5)				
Executive Group	200,000	\$ 53,000	5,300 (6)	\$ 173,098
Non-Executive Directors Group	60,000	\$ 2,000		
Non-Executive Officer Employee Group	40,000	\$ 81,000	99,179	\$ 3,239,186

(1) Determined based on the aggregate difference between the exercise price per share established for the stock options and \$, which is the per share closing price of the Company’s Common Stock as reported on The NASDAQ Stock Market as of the Record Date.

(2) Determined based on \$, which is the market value of the securities underlying the performance shares as of the Record Date.

- (3) On March 15, 2007, Mr. Parkinson announced his intention to retire from the Company. His retirement will become effective July 31, 2007.
- (4) In April 2007, Mr. Launder's title changed to Senior Vice President and President - Global Operations.
- (5) Mr. Bankhead served as Chief Accounting Officer until May 10, 2007 when Henry C. Lyons was appointed Chief Accounting Officer.
- (6) The executive officer that received this award of 5,300 performance shares resigned from the Company in October 2006 and forfeited all 5,300 performance shares.

Shares Available Under the Plan

Plan Share Limits. Subject to adjustment in certain circumstances as discussed below, the maximum number of shares of Common Stock that may be issued or transferred in connection with Awards granted under the Amended 2005 Incentive Plan will be the sum of (i) 5,000,000 shares of Common Stock and (ii) any shares of Common Stock that are represented by options previously granted under the following terminated Company plans which are forfeited, expire or are canceled without delivery of Common Stock or which result in the forfeiture or relinquishment of Common Stock back to the Company: (A) the 1994 Stock Option Plan, as amended, (B) the 1996 Stock Option Plan, (C) the 1997 Management Stock Option Plan, (D) the MessagingDirect Ltd. Amended and Restated Employee Share Option Plan, (E) the 2000 Non-Employee Director Stock Option Plan, and (F) the 2002 Non-Employee Director Stock Option Plan (collectively the *Prior Plans*). As of the Record Date, there were 579,124 options for shares of Common Stock outstanding under the Prior Plans. To the extent Awards granted under the Amended 2005 Incentive Plan terminate, expire, are canceled without being exercised, are forfeited or lapse for any reason, the shares of Common Stock subject to such Award will again become available for grants under the Amended 2005 Incentive Plan.

As of the Record Date, the per share closing price of the Company's Common Stock as reported on The NASDAQ Stock Market was \$.

Individual Limits. The aggregate number of shares of Common Stock that may be issued upon exercise of incentive stock options will not exceed 3,000,000 shares of Common Stock. No Participant (defined below) will receive stock options, stock appreciation rights, restricted stock, restricted stock units and other awards under the Amended 2005 Incentive Plan, during any calendar year, for more than 1,000,000 shares of Common Stock. In addition, no Participant may receive performance shares or performance units having an aggregate value on the date of grant in excess of \$5,000,000 during any calendar year. Each of the limits described above may be adjusted equitably to accommodate a change in the capital structure of the Company as described below.

Adjustments. The Board may make or provide for such adjustments in the numbers of shares of Common Stock covered by outstanding Awards, in the option price and base price provided in outstanding options and appreciation rights, and in the kind of shares covered thereby, as the Board may determine is equitably required to prevent dilution or enlargement of the rights of Participants that otherwise would result from (a) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company; or (b) any merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities; or (c) any other corporate transaction or event having an effect similar to any of the foregoing. In the event of any such transaction or event, the Board may provide in substitution for any or all outstanding Awards such alternative consideration it determines to be equitable under the circumstances and may require in connection therewith the surrender of any Awards replaced. The Board may also make or provide for such adjustments in the

numbers of shares reserved under the Amended 2005 Incentive Plan as the Board may determine is appropriate to reflect any transaction or event described above.

Eligibility and Administration

Eligibility. Officers, other employees and non-employee directors of the Company and its subsidiaries and affiliates are eligible to participate in the Amended 2005 Incentive Plan. The Board shall, in its discretion, select the persons to receive Awards (the Participants). The number of Participants may vary from year to year. It is not possible to state in advance the exact number or identity of the Participants or the amounts of any Awards.

Administration of the Amended 2005 Incentive Plan. The Amended 2005 Incentive Plan is administered by the Board, which may delegate all or any part of its authority to the Compensation Committee of the Board (or a subcommittee thereof); provided, however, the Compensation Committee is comprised of two or more individuals who are non-employee directors as defined under Rule 16b-3 of the Securities Exchange Act of 1934, as amended, and outside directors within the meaning of Section 162(m) of the Internal Revenue Code of 1986 (the Code). The Board has the sole authority to determine (i) the Participants to whom Awards are to be granted under the Amended 2005 Incentive Plan; (ii) the type, size and terms of each Award; (iii) the time when the Awards are to be made and the duration of the exercise, restriction period or performance period, including the criteria for exercisability and any acceleration of exercisability; (iv) the amendment of the terms of any previously issued Award; and (v) any other matters arising under the Amended 2005 Incentive Plan.

Award Agreements. All Awards are subject to the terms and conditions set forth in the Amended 2005 Incentive Plan and to such other terms and conditions consistent with the Amended 2005 Incentive Plan as the Board deems appropriate and which are specified in a writing (an Award Agreement) by the Board to the designated individual. The Board may approve the form and provisions of each Award Agreement to an individual. Awards under the Amended 2005 Incentive Plan need not be uniform among the designated individuals receiving the same type of Award. Each Award Agreement may designate: (i) whether the vesting period, restriction period, performance period or other restrictions on transfer will accelerate or lapse early upon a change-in-control of the Company; (ii) whether the Award will include dividends or dividend equivalents on a current, deferred or contingent basis; and (iii) any other terms and conditions the Board may deem appropriate.

Management Objectives

The Amended 2005 Incentive Plan provides for the establishment of Management Objectives which are measurable objectives established for Participants who have received grants of performance shares or performance units (collectively Performance Awards) or, when determined by the Board, other Awards granted pursuant to the Amended 2005 Incentive Plan. Management Objectives may be described in terms of Company-wide objectives or objectives that are related to the performance of the individual Participant or of the subsidiary, affiliate, division, department, region or function within the Company or subsidiary or affiliate which employs the Participant. The Management Objectives may be made relative to the performance of other companies. The Management Objectives applicable to any Award to a covered employee as defined in Section 162(m) of the Code will be based on specified levels of growth in one or more of the following criteria: (a) cash flow/net assets ratio, (b) debt/capital ratio, (c) return on total capital, (d) return on equity, (e) earnings per share growth, (f) revenue growth, (g) total return to stockholders, (h) backlog, and (i) contribution margins. If the Board determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances make the Management Objectives unsuitable, the Board may in its discretion modify such Management Objectives or the related minimum acceptable level of achievement as it deems appropriate subject to certain limitations on modifications to covered employees under

Section 162(m) of the Code. The Board may also utilize Management Objectives to make other Awards granted to covered employees qualify as performance based awards under Section 162(m) of the Code.

Payment of Awards

Any Award grant may specify that the amount payable to a Participant under the respective Award may be paid by the Company in cash, in shares of Common Stock or in any combination thereof, and may either grant to the Participant or retain for the Board the right to elect among those alternatives. Any Award grant may specify that the amount payable or the number of shares of Common Stock issued with respect thereto may not exceed a maximum amount or number specified by the Board at the date of grant.

Stock Options

Types and Eligibility. The Amended 2005 Incentive Plan provides that the Board may grant Participants options to purchase shares of Common Stock intended to qualify as incentive stock options within the meaning of Section 422 of the Code (ISOs), or nonqualified stock options (NQSO) that are not intended to so qualify, or any combination of ISOs or NQSOs (collectively, Options). ISOs may only be granted to Participants who meet the definition of employees under Section 3401(c) of the Code.

Exercise and Option Price. No Option will be exercisable more than ten years from the date of grant. The option price per share for any Option granted under the Amended 2005 Incentive Plan may not be less than the market value per share of Common Stock on the date of grant. The exercise of an Option will result in the cancellation, on a share-for-share basis, of any tandem stock appreciation right granted in connection with such Option.

Stock Appreciation Rights

Types. Stock appreciation rights (Appreciation Rights) are the right to receive from the Company an amount determined by the Board and expressed as a percentage (not exceeding 100%) of the spread at the time of exercise. The Board may grant tandem Appreciation Rights in connection with an Option granted under the Amended 2005 Incentive Plan or freestanding Appreciation Rights unrelated to any Option. The spread in the case of a freestanding Appreciation Right is the amount by which the market value of the Company's Common Stock on the date of exercise exceeds the base price specified in the right. The spread in the case of tandem Appreciation Rights is the amount by which the fair market value of the Company's Common Stock on the date of exercise exceeds the option price specified in the related Option.

Tandem Appreciation Rights. Tandem Appreciation Rights may be granted either at or after the time the related Options are granted and while the Options remain outstanding; however, in the case of an ISO such rights may only be granted at the time the Option is granted. The number of tandem Appreciation Rights that are exercisable during any given period of time may not exceed the number of shares of Common Stock that the Participant may purchase upon the exercise of the related Option during such period of time. Upon the exercise of the related Option, the tandem Appreciation Right relating to Common Stock covered by such Option will terminate. Upon the exercise of a tandem Appreciation Right, the Option relating to the Common Stock covered by such Appreciation Right will terminate. Tandem Appreciation Rights may be exercised (i) only at a time when the related Option is exercisable and (ii) at a time when the spread is positive. The Award Agreement for a tandem Appreciation Right will identify the related Options.

Freestanding Appreciation Rights. Freestanding Appreciation Rights must specify a base price (which must be equal to or greater than the market value on the grant date) and the period(s) of

continuous employment of the Participant by the Company or any subsidiary or affiliate that are necessary before the freestanding Appreciation Right or installments thereof become exercisable. No freestanding Appreciation Right granted under the 2005 Incentive Plan may be exercised more than ten years from the grant date.

Restricted Stock and Restricted Stock Units

Restricted Stock. The Board may issue or transfer shares of Common Stock to Participants under a restricted stock grant for consideration or no consideration, and subject to restrictions, as determined by the Board. All restricted stock Awards will transfer ownership of such shares of restricted stock to the Participant and entitle the Participant to voting, dividend and other ownership rights, but the Participant's ownership of the restricted shares shall be subject to substantial risk of forfeiture and restrictions on transfer. The Board may establish conditions under which restrictions will lapse over a period of time based upon the achievement of performance goals or according to such other criteria as the Board deems appropriate (the *Restriction Period*). The *Restriction Period* will not be less than one year. An Award Agreement for restricted stock Awards may specify any Management Objectives that, if achieved, will result in the termination or early termination of the restrictions on the restricted shares including, without limitation, any minimum acceptable levels of achievement or formulas for determining the number of restricted shares on which the restrictions will terminate.

Restricted Stock Units. The Board may award to Participants the right to receive Common Stock or cash at the end of a specified period (*Restricted Stock Unit*), for consideration or no consideration. Each *Restricted Stock Unit* will be subject to a *Restriction Period* of not less than one year. The *Restriction Period* for *Restricted Stock Units* shall be designated in the Award Agreement. During the *Restriction Period*, the Participant will have no rights of ownership in the *Restricted Stock Units*, including voting rights, and will have no right to transfer his or her rights.

Performance Shares and Performance Units

Performance Shares and Performance Units. The Board may award Participants *Performance Shares* or *Performance Units* (collectively, *Performance Awards*) which will become payable to a Participant upon the achievement of specified Management Objectives. A *Performance Share* is a bookkeeping entry that records the equivalent of one share of Common Stock and a *Performance Unit* is a bookkeeping entry that records a unit equivalent to \$1.00. Each Award Agreement for *Performance Awards* will specify: (i) the number of *Performance Shares* or *Performance Units* granted; (ii) the period of time established for the Participant to achieve the Management Objectives, which may not be less than one (1) year from the grant date (the *Performance Period*); (iii) the Management Objectives and a minimum acceptable level of achievement as well as a formula for determining the number of *Performance Shares* or *Performance 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 that the Board may deem appropriate.

Other Awards

Other Awards. The Board may grant shares of Common Stock as a bonus, cash bonuses or may grant other awards in lieu of the obligations of the Company to pay cash or deliver property under the Amended 2005 Incentive Plan or under other plans or compensatory arrangements.

Amendments and Termination

Plan. The Current 2005 Incentive Plan was effective March 8, 2005. The Plan Amendment will be effective as of the date it is adopted by the stockholders of the Company. No grant will be made under the Amended 2005 Incentive Plan more than ten years after March 8, 2005, which was the date on

which the plan was first adopted by the stockholders of the Company. The Board may amend or terminate the Amended 2005 Incentive Plan at any time; provided, however, the Board will not amend the plan without stockholder approval if such approval is required to comply with the Code or other applicable laws, or to comply with applicable stock exchange requirements. Except for adjustments permitted under the terms of the Amended 2005 Incentive Plan (i) the Board will not, without approval of the stockholders, authorize the amendment of any outstanding Option to reduce the option price, and (ii) no Option will be cancelled and replaced with Awards having a lower option price without the approval of the stockholders. Awards granted under the Amended 2005 Incentive Plan prior to its termination will remain outstanding until exercised or until the end of the term of such Awards. The termination of the Amended 2005 Incentive Plan will not impair the power and authority of the Board with respect to Awards that remain outstanding after termination of the Amended 2005 Incentive Plan.

Outstanding Awards. The Board may amend the terms of an Award granted under the Amended 2005 Incentive Plan, prospectively or retroactively, provided such amendment does not materially impair the rights of a Participant without the Participant's consent. An outstanding Award may otherwise be amended by agreement of the Company and the Participant consistent with the Plan.

Federal Income Tax Consequences

The following is only a brief summary of certain of the U.S. federal income tax consequences of certain transactions under the Amended 2005 Incentive Plan. This summary does not purport to be a complete analysis of all potential U.S. federal income tax or other tax consequences relevant to Participants, or to describe tax consequences based upon particular circumstances. In addition, the summary does not address the income tax laws of any municipality, state or foreign country in which a Participant may reside and to which a Participant may be subject.

In general, a Participant will not recognize income at the time a NQSO is granted. At the time of exercise, the Participant will recognize ordinary income in an amount equal to the difference between the option price paid for the shares and the fair market value of the shares on the date of exercise. At the time of sale of shares acquired pursuant to the exercise of a NQSO, any appreciation (or depreciation) in the value of the shares after the date of exercise generally will be treated as capital gain (or loss).

A Participant generally will not recognize income upon the grant or exercise of an ISO. If shares issued to a Participant upon the exercise of an ISO are not disposed of in a disqualifying disposition within two years after the date of grant or within one year after the transfer of the shares to the Participant, then upon the sale of the shares any amount realized in excess of the option price generally will be taxed to the Participant as long-term capital gain and any loss sustained will be a long-term capital loss. If shares acquired upon the exercise of an ISO are disposed of prior to the expiration of either holding period described above, the Participant generally will recognize ordinary income in the year of disposition in an amount equal to any excess of the fair market value of the shares at the time of exercise (or, if less, the amount realized on the disposition of the shares) over the option price paid for the shares. Any further gain (or loss) realized by the Participant generally will be taxed as short-term or long-term capital gain (or loss) depending on the holding period. Subject to certain exceptions for death or disability, if a Participant exercises an ISO more than three months after termination of employment, the exercise of the option will be taxed as the exercise of a NQSO. In addition, the exercise of an ISO will be treated essentially the same as the exercise of a NQSO for purposes of the federal alternative minimum tax (AMT), which exercise may subject the Participant to AMT.

No income will be recognized by a participant in connection with the grant of a tandem Appreciation Right or a freestanding Appreciation Right. When the Appreciation Right is exercised, the participant normally will be required to include as taxable ordinary income in the year of exercise an

amount equal to the amount of cash received and the fair market value of any unrestricted common shares received on the exercise.

A recipient of restricted shares generally will be subject to tax at ordinary income rates on the fair market value of the restricted shares (reduced by any amount paid by the recipient) at such time as the shares are no longer subject to a risk of forfeiture or restrictions on transfer for purposes of Section 83 of the Code. However, a recipient who so elects under Section 83(b) of the Code within 30 days of the date of transfer of the restricted shares, will recognize ordinary income on the date of transfer of the shares equal to the excess of the fair market value of the restricted shares (determined without regard to the risk of forfeiture or restrictions on transfer) over any purchase price paid for the shares. If a Section 83(b) election has not been made, any dividends received with respect to restricted shares that are subject at that time to a risk of forfeiture or restrictions on transfer generally will be treated as compensation that is taxable as ordinary income to the recipient.

A Participant generally will not recognize income upon the grant of performance shares or performance units. Upon payment in respect of performance shares or performance units, the Participant generally will recognize as ordinary income an amount equal to the amount of cash received and the fair market value of any unrestricted shares received.

To the extent that a Participant recognizes ordinary income in the circumstances described above, the Company or subsidiary for which the Participant performs services will be entitled to a corresponding deduction, provided that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, is not an excess parachute payment within the meaning of Section 280G of the Code and is not disallowed by the \$1,000,000 limitation on certain executive compensation under Section 162(m) of the Code.

Registration with the SEC

The Company filed a Registration Statement on Form S-8 relating to the issuance of Common Stock under the Current 2005 Incentive Plan with the SEC pursuant to the Securities Act of 1933, as amended, on March 11, 2005. However, following the Company's announcement on October 27, 2006 that, as a result of the Company's voluntary review of its historic option grant practices, the Company's financials should not be relied upon, the Company suspended use of this Form S-8. As soon as is practicable after approval of the Plan Amendment by the Company's stockholders and after the Company is once again current with its SEC reporting obligations, the Company intends to file an amendment to its Registration Statement on Form S-8 to resume use of its Form S-8 and to register the additional shares authorized by the Plan Amendment.

Vote Required

The approval of the Plan Amendment requires the affirmative vote of a majority of shares present in person or by proxy at the Annual Meeting. Accordingly, an abstention or broker non-vote will have the legal effect of a vote against this proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE APPROVAL OF THE FIRST AMENDMENT TO THE 2005 EQUITY AND PERFORMANCE INCENTIVE PLAN.

PROPOSAL 4

AMENDMENT OF THE 1999 EMPLOYEE STOCK PURCHASE PLAN

The Board has approved as of June 6, 2007, and is submitting for stockholder approval, an amendment to the Company's 1999 Employee Stock Purchase Plan, as amended (the "ESPP"), that extends the term of the ESPP by ten years to April 30, 2018 (the "ESPP Amendment"). The Company believes that awards under the ESPP promote its operating performance and growth potential by encouraging employees to acquire equity in the Company, thereby aligning their long-term interests with those of the Company. The Company intends to continue its policy of awarding purchase rights under the ESPP for the foreseeable future, and accordingly seeks to extend the life of the ESPP by an additional ten years, to April 30, 2018.

If the ESPP Amendment is adopted by the stockholders, the term of the amended ESPP will commence May 1, 2008 and will continue until April 30, 2018, subject to earlier termination by the Board. If the ESPP Amendment is not approved by the stockholders, the ESPP will expire by its terms on April 30, 2008.

A summary description of the ESPP as amended by the ESPP Amendment is set forth below. A copy of the amended ESPP is attached to this Proxy Statement as *Annex C* and incorporated herein by this reference. The summary description of the amended ESPP provided below is qualified in its entirety by reference to the full text of the amended ESPP attached as *Annex C*.

Following the Company's announcement on October 27, 2006 that as a result of the Company's voluntary review of its historic option grant practices, the Company's financials should not be relied upon, the Company suspended all purchases under the ESPP. All purchases under the ESPP will remain suspended until the Company is once again current with its SEC reporting obligations.

Summary Description of Amended ESPP

On February 23, 1999, the stockholders of the Company approved the ESPP. The ESPP provides employees with an opportunity to purchase shares of Common Stock in the Company. The ESPP allows eligible employees to accumulate funds through payroll deductions to purchase shares of Common Stock at a discount.

Available Shares

The ESPP authorizes the issuance of 1,500,000 shares of Common Stock. Of the 1,500,000 shares of Common Stock that have previously been authorized for issuance under the ESPP, 707,445 shares remained available for issuance as of the Record Date. The ESPP originally authorized for issuance 250,000 shares of Common Stock. On February 20, 2001, the stockholders approved an amendment and restatement of the ESPP that increased the number of shares authorized for issuance from 250,000 to 750,000 and on March 9, 2004, the stockholders approved an amendment and restatement of the ESPP that increased the number of shares authorized for issuance from 750,000 to 1,500,000. Shares issued under the ESPP may be authorized and unissued shares, or treasury shares.

Term and Termination

Under its current terms, the ESPP terminates on April 30, 2008. If the ESPP Amendment is adopted by the stockholders, the term of the amended ESPP will commence May 1, 2008 and will continue until April 30, 2018, subject to earlier termination by the Board. If the ESPP Amendment is not approved by the stockholders, the ESPP will expire by its terms on April 30, 2008. The Board of Directors may terminate the Plan at any time.

Participation Periods

A participation period is the period of time over which deductions are taken from the paychecks of eligible employees who have elected to participate in the ESPP and accumulated. At the end of the participation period, a purchase of shares is made with each participant's accumulated deductions. Participation periods are three months in length, beginning February 1, May 1, August 1 and November 1.

Purchase Limitations

In general, for each participation period, eligible employees can elect to purchase full shares through payroll deductions of up to 10% of base pay, but in no event may the participant's rights to purchase shares of Common Stock accrue at a rate that exceeds \$25,000 of fair market value of Common Stock in a calendar year. In addition, employees are not eligible to participate if, immediately after a purchase of shares the employee would own stock representing 5% or more of the total combined voting power or value of all classes of stock of the Company or any subsidiary of the Company. Outstanding options to purchase shares of Common Stock are included as stock owned in the calculation of the 5% ownership limit.

Purchase Price

The purchase price a participant pays for the shares is equal to 85% of the market closing price of the Common Stock on the last business day of each participation period. The percentage may be changed prior to a participation period by and at the sole discretion of the Compensation Committee, or such other committee established by the Board, without further approval of the stockholders, to any whole percentage that is not less than 85% and not greater than 100%.

The proceeds received from the sale of stock pursuant to the ESPP constitute general funds of the Company and may be used by it for any purpose.

Eligibility and Plan Benefits

Eligibility to participate is generally extended to all regular employees of the Company and its participating subsidiaries who are actively and customarily employed for 20 hours or more per week and who have completed three months of employment. Executive officers and members of the Board who are eligible employees are also permitted to participate. An employee is ineligible to participate if immediately after such grant, such employee would own stock possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or any subsidiary of the Company, such ownership to be determined by applying the rules of Section 424(d) of the Code and treating stock that the employee may purchase under outstanding options as stock owned by the employee.

Because participation in the ESPP is determined at the election of each eligible participant, it is impossible to determine benefits that will be received in the future under the ESPP by any eligible participant. The following table sets forth information regarding the purchase of shares of Common Stock under the ESPP during fiscal 2006 by (i) each of the Company's executive officers named in the Summary Compensation Table below, (ii) all executive officers of the Company as a group, (iii) all non-executive Directors as a group, and (iv) all non-executive officer employees as a group.

NEW PLAN BENEFITS

1999 Employee Stock Purchase Plan

Name	Number of Shares Purchased (#)	Dollar Value(\$)(1)
Philip G. Heasley, Chief Executive Officer and President	877	4,407
Mark R. Vipond, Chief Operating Officer		
Anthony J. Parkinson, Senior Vice President and President ACI Worldwide Americas(3)	854	4,314
Richard N. Launder, Senior Vice President and President - ACI Worldwide EMEA and Asia/Pacific (4)	132	534
David R. Bankhead, Senior Vice President and Chief Accounting Officer(5)		
Executive Group(6)	2,987	