

TRANSACTION SYSTEMS ARCHITECTS INC
Form DEF 14A
January 24, 2006
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 x

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Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o 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)

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- x No fee required.
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January 24, 2006

Dear Stockholder:

You are cordially invited to attend the 2006 Annual Meeting of Stockholders of Transaction Systems Architects, Inc. to be held on Tuesday, March 7, 2006, at 10:00 a.m. local time at the Omaha Marriott Hotel located at 10220 Regency Circle, Omaha, Nebraska.

Details of the business to be conducted at the 2006 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 March 7, 2006

The 2006 Annual Meeting of Stockholders (the Annual Meeting) of Transaction Systems Architects, Inc. (the Company) will be held on Tuesday, March 7, 2006, at 10:00 a.m. local time at the Omaha Marriott Hotel located at 10220 Regency Circle, Omaha, Nebraska, for the following purposes:

1. To elect six directors to hold office until the 2007 Annual Meeting of Stockholders;
2. To vote upon a proposal to ratify the appointment of KPMG LLP as the Company s independent auditor; and
3. 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 January 6, 2006 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 (formerly Class A 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

January 24, 2006

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This Proxy Statement contains a report issued by the Company s Compensation Committee relating to executive compensation for fiscal 2005, a report issued by the Company s Audit Committee relating to certain of its activities during fiscal 2005, 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 March 7, 2006**

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 2006 Annual Meeting of Stockholders of the Company (the **Annual Meeting**) to be held on Tuesday, March 7, 2006, at 10:00 a.m. local time at the Omaha Marriott Hotel located at 10220 Regency Circle, Omaha, Nebraska, 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, 2005 (**fiscal 2005**), which includes the Company's financial statements for fiscal 2005 (the **Annual Report**), accompanies this Proxy Statement. Beginning on or about January 24, 2006, 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 (formerly Class A Common Stock) (**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. CST (Omaha time) on March 6, 2006. 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 January 6, 2006 (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 37,153,247 shares of Common Stock issued and outstanding, excluding 3,420,508 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. 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.

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 six 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 Proposal 2, the ratification of the appointment of the independent registered public accounting firm (the independent auditor), a stockholder may mark the accompanying proxy card to (i) vote for the matter, (ii) vote against the matter, or (iii) abstain from voting on the matter. The affirmative vote of a majority of the shares represented at the Annual Meeting and actually voting on Proposal 2 is required for the approval of Proposal 2. Because only a majority of shares actually voting is required to approve Proposal 2, an abstention will have no effect on the outcome of the voting on Proposal 2.

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 six members effective as of the Annual Meeting. Gregory D. Derkacht will not stand for re-election at the Annual Meeting. Mr. Derkacht has provided outstanding service to the Company and its stockholders both as a director and as the former President and Chief Executive Officer ("CEO") of the Company. Mr. Derkacht's contributions are greatly appreciated.

The Board has nominated for re-election as directors Roger K. Alexander, John D. Curtis, Philip G. Heasley, Jim D. Kever, Harlan F. Seymour and John E. Stokely, each to serve until the 2007 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

Roger K. Alexander. Mr. Alexander has been a director of the Company since February 2000. In January 2006, Mr. Alexander was appointed Chief Executive Officer of euroConex Technologies Ltd., an affiliate of NOVA Information Systems, a wholly owned subsidiary of U.S. Bancorp (NYSE: USB). Based in the United Kingdom, euroConex provides integrated payment processing services to financial institutions and merchants. From October 2002 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 2002, 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 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. Mr. Alexander is 57 years old.

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 is 65 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 September 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. Mr. Heasley is 56 years old.

Jim D. Keever. Mr. Keever has been a director of the Company since November 1996. Mr. Keever is a member of Voyent Partners, LLC, a privately-held investment firm. Mr. Keever 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. Keever served as Envoy's President and Chief Executive Officer. Mr. Keever 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. Keever is 53 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 55 years old.

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 1995 to 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 53 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 two-thirds 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 will consider all relevant facts and circumstances in making an independence determination.

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 Meetings

The Board held 23 meetings during fiscal 2005 with 15 of the Board meetings conducted as telephonic meetings. Each director who was a member of the Board during fiscal 2005 attended more than 90% of the meetings of the Board and the Board committees on which he served except that Mr. Derkacht attended 74% of the meetings, recusing himself from five meetings based on the subject matter of those meetings. 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 2005 annual meeting.

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. 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 2005:

Name	Audit	Compensation	Nominating and Corporate Governance	
Roger K. Alexander	X	X *		
John D. Curtis	X		X	*
Jim D. Kever		X		
Frank R. Sanchez	X (1)			
Harlan F. Seymour		X	X	
John E. Stokely	X *		X	
Total Meetings in Fiscal 2005	14 (2)	9 (3)	10	(4)

* Denotes individual serves as chairman of the committee

- (1) Mr. Sanchez served on the Audit Committee and the Company's Board of Directors until March 8, 2005.
- (2) Nine of the fourteen Audit Committee meetings were held telephonically.
- (3) Four of the nine Compensation Committee meetings were held telephonically.
- (4) Five of the ten Nominating and Corporate Governance Committee meetings were 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 Board service 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 the Company's 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 current compensation program for independent directors.

The independent director compensation program currently 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 2005, the Company's independent directors were each granted a non-qualified option to purchase 8,000 shares of Common Stock pursuant to the Company's 2005 Equity and Performance

Incentive Plan (the 2005 Incentive Plan). All stock options granted under the 2005 Incentive Plan are issued with an exercise price equal to the closing sale price (price for last trade) of the Common Stock as reported by The NASDAQ 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 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.

In fiscal 2005, the Corporate Governance Committee 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 and paid the search firm \$112,000 (which includes expenses) for its services. The Company has since terminated this service. However, the Corporate Governance Committee continues to consider director candidates, including individuals identified through this search firm. The Corporate Governance Committee 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, including individuals identified through the director search firm referred to above.

Stockholder Recommendations for Director Nominees

The Corporate Governance Committee will consider 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 2005 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 28, 2005 and November 27, 2005. 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.

REPORT OF AUDIT COMMITTEE

During fiscal 2005, Audit Committee members were Messrs. Alexander, Curtis, Sanchez and Stokely, each having served for the entire fiscal year with the exception of Mr. Sanchez, who served on the Audit Committee until March 8, 2005. 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 is an audit committee financial expert as defined under Commission rules. The Audit Committee operates pursuant to a charter (the "Audit Committee Charter") approved and adopted by the Board. The Audit Committee amended the Audit Committee Charter on December 13, 2005. A copy of the Audit Committee Charter is available on the Company's website at www.tsainc.com in the Investor Relations Corporate Governance section and is attached as *Annex A* to this Proxy Statement.

The Audit Committee, on behalf of the Board, oversees the Company's financial reporting process as more fully described in the Audit Committee Charter. Management is responsible for the preparation, presentation and integrity of the Company's consolidated financial statements, accounting and financial principles, internal controls over financial reporting and compliance with laws and regulations and ethical business standards. Management is responsible for objectively reviewing and evaluating the adequacy, effectiveness and quality of the Company's system of internal controls. Audit Committee members are not professional accountants or auditors, and their functions are not intended to duplicate or to certify the activities of management or the independent auditor.

The Company's independent auditor, KPMG LLP ("KPMG"), is responsible for performing independent audits of the Company's consolidated financial statements and the effectiveness of the Company's internal controls over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States) and to issue reports thereon. In fulfilling its oversight responsibilities, the Audit Committee (i) reviewed and discussed the audited financial statements and the footnotes thereto in the Company's annual report on Form 10-K for fiscal 2005 with management and KPMG, and (ii) discussed the quality, not just the acceptability, of the accounting principles, of the reasonableness of significant judgments and the clarity of the disclosures in the financial statements with management and KPMG. The Audit Committee discussed with the Company's internal auditors and KPMG, with and without management present, their evaluations of the Company's internal accounting controls and reviewed with management the bases for management's assessment of the effectiveness of the Company's internal controls over financial reporting.

The Company's independent auditor is responsible for expressing opinions on (i) the conformity of the Company's audited financial statements, in all material respects, to accounting principles generally accepted in the U.S., (ii) management's assessment of the effectiveness of the Company's internal controls over financial reporting, and (iii) the effectiveness of the Company's internal controls over financial reporting. The independent auditor has full and free access to the Audit Committee. The Company's independent auditor has expressed the opinion that the Company's audited financial statements conform, in all material respects, to accounting principles generally accepted in the U.S.

The Audit Committee reviewed and discussed with the independent auditor its judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed by the Audit Committee with the Company's independent auditor under Statement on Auditing Standards No. 61, as amended.

The independent auditor expressed the opinion that management's assessment that the Company maintained effective control over financial reporting as of September 30, 2005 is fairly stated, in all material respects, based on criteria established in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The independent auditor further expressed the opinion that the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2005, based on the criteria established by COSO.

The Audit Committee discussed with the Company's independent auditor its independence from management and the Company, and received from them the written disclosures and the letter concerning the independent auditor's independence required by the Independence Standards Board Standard No. 1.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board that the audited consolidated financial statements be included in the Company's annual report on Form 10-K for fiscal 2005 for filing with the Commission. The Audit Committee also recommended to the Board the selection of KPMG to serve as the Company's independent auditor for the fiscal year ending September 30, 2006.

MEMBERS OF THE AUDIT COMMITTEE

John E. Stokely, Chairman

Roger K. Alexander

John D. Curtis

PROPOSAL 2

RATIFICATION OF APPOINTMENT OF THE COMPANY'S INDEPENDENT AUDITOR

The Audit Committee has recommended, and the Board has approved, the appointment of KPMG as the Company's independent auditor for the fiscal year ending September 30, 2006, subject to stockholder ratification. The Company initially engaged KPMG to serve as its independent auditor on May 29, 2002. Representatives of KPMG are expected to be present at the Annual Meeting to make a statement should they so desire and to respond to appropriate questions.

Audit Fees. The aggregate fees billed by KPMG for professional services rendered for the audit of the Company's annual consolidated financial statements for fiscal 2005 and the audit of the effectiveness of the Company's internal controls over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (established under the Sarbanes-Oxley Act of 2002) totaled approximately \$2.4 million. The aggregate fees billed by KPMG for professional services rendered for the audit of the Company's annual consolidated financial statements for fiscal 2004, as well as additional amounts billed after January 27, 2004 for the fiscal 2003 audit, totaled approximately \$1.1 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 the Company's 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 the

Company's filing of an SEC S-8 registration statement; and (ii) other technical accounting consultations related to acquisition accounting matters. 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 the Company's financial statements that are not reported under *Audit Fees* above totaled \$177,000 for fiscal 2004. The professional services rendered consisted of (i) research and consultation related to the Company's implementation of requirements of the Sarbanes-Oxley Act of 2002; (ii) services associated with the Company's filing of an SEC S-8 registration statement; and (iii) other technical accounting consultations.

Tax Fees. The aggregate fees billed by KPMG for tax-related services rendered to the Company for fiscal 2005 and 2004 totaled approximately \$191,000 and \$630,000, respectively. Tax fees billed by KPMG during fiscal 2005 and 2004 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 2005 and fiscal 2004, there were no other fees billed by KPMG for services rendered to the Company, 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

The Company has adopted policies and procedures for pre-approval of all audit and non-audit services to be provided to the Company by its 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 the Company to sign, such engagement letter.

All services provided by the independent auditor in fiscal 2005 were approved by the Audit Committee.

Vote Required

The affirmative vote of a majority of the shares represented at the Annual Meeting and actually voting on this proposal is required for the approval of the proposal. Because only a majority of shares actually voting is required to approve Proposal 2, an abstention will have no effect on the outcome of the voting on this proposal

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS THE COMPANY'S INDEPENDENT AUDITOR FOR FISCAL 2006.

INFORMATION REGARDING STOCK OWNERSHIP

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of December 31, 2005 by (i) each of the Company's directors, (ii) each of the Company's executive officers named in the Summary Compensation Table below, (iii) all executive officers and directors of the Company as a group, and (iv) each person known by the Company to beneficially own more than 5% of the outstanding shares of Common Stock. The percentages in this table are based on 37,153,247 outstanding shares of Common Stock, exclusive of 3,420,508 shares of Common Stock held as treasury stock by the Company. Beneficial ownership is determined in accordance with the rules of the Commission 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 December 31, 2005, 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	
Royce & Associates, LLC(1)		3,729,950		10.04 %
1414 Avenue of the Americas, New York, NY 10019				
Barclays Global Investor, N.A.(1)		3,414,051		9.19 %
45 Fremont Street, San Francisco, CA 94105				
Westfield Capital Management Company, Inc.(1)		1,885,739		5.08 %
One Financial Center, 23rd Floor, Boston, MA 02111				
Mark R. Vipond(2)		252,603		*
Anthony J. Parkinson(3)		120,860		*
Philip G. Heasley		110,146		*
David R. Bankhead(4)		75,000		*
Jim D. Kever(5)		53,750		*
Gregory D. Derkacht(4)		53,600		*
Roger K. Alexander(6)		52,750		*
Harlan F. Seymour(7)		30,000		*
John E. Stokely(8)		19,333		*
John D. Curtis(9)		18,333		*
Dennis D. Jorgensen(10)				*
All Directors and current Executive Officers as a group (14 persons)		852,420		2.29 %

* 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 September 30, 2005, based on Schedule 13G and 13F filings as of such date, as well as a Schedule 13F filing as of December 30, 2005. 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 223,427 shares issuable upon exercise of vested stock options (as of 60 days following December 31, 2005), 24,176 shares owned directly and 5,000 shares owned by Mr. Vipond's wife.

(3) Includes 115,611 shares issuable upon exercise of vested stock options (as of 60 days following December 31, 2005) and 5,249 shares owned directly.

(4) Consists solely of shares issuable upon exercise of vested stock options (as of 60 days following December 31, 2005).

(5) Includes 50,250 shares issuable upon exercise of vested stock options (as of 60 days following December 31, 2005) and 3,500 shares owned directly.

(6) Includes 50,250 shares issuable upon exercise of vested stock options (as of 60 days following December 31, 2005) and 2,500 shares owned directly.

(7) Includes 28,000 shares issuable upon exercise of vested stock options (as of 60 days following December 31, 2005) and 2,000 shares owned directly.

(8) Includes 17,333 shares issuable upon exercise of vested stock options (as of 60 days following December 31, 2005) and 2,000 shares owned directly.

(9) Includes 17,333 shares issuable upon exercise of vested stock options (as of 60 days following December 31, 2005) and 1,000 shares owned directly.

(10) Mr. Jorgensen retired from the Company effective October 21, 2005.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act and the rules of the Commission require the Company's 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 Commission. Personnel of the Company generally prepare these reports on behalf of its executive officers on the basis of information obtained from them and review the forms submitted to the Company by its non-employee directors and beneficial owners of more than 10% of the Common Stock. Based on such information, the Company believes that all reports required by Section 16(a) of the Exchange Act to be filed by its directors, officers and beneficial owners of more than ten percent of the Common Stock during or with respect to fiscal 2005 were filed on time.

INFORMATION REGARDING EXECUTIVE OFFICER COMPENSATION

The following table sets forth certain compensation information for fiscal 2005, 2004 and 2003 as to the Company's CEO and its four other most highly compensated executive officers who were serving as executive officers at the end of fiscal 2005. The listed individuals are collectively referred to in this Proxy Statement as the "Named Executive Officers" of the Company.

Summary Compensation Table

Name and Principal Position	Year Ended September 30,	Annual Compensation		Other Annual Compensation (\$)(2)	Long-Term Compensation Securities Underlying Options (#)(3)	LTIP Payouts (\$)	All Other Compensation (\$)(4)
		Salary (\$)	Bonus (\$)(1)				
Philip G. Heasley(5) President and Chief Executive Officer	2005	282,609		11,418	1,000,000		
	2004						
	2003						
Gregory D. Derkacht(6) Executive Vice President	2005	360,000	450,372	8,000			4,164
	2004	360,000	189,934	937			4,144
	2003	345,000	217,421	84,963			4,136
Mark R. Vipond Senior Vice President and President ACI Worldwide	2005	248,768	269,760	7,533	20,000		4,164
	2004	239,200	210,911	5,487	50,000		43,335
	2003	239,200	193,727				36,639
Anthony J. Parkinson Senior Vice President and President Insession Technologies	2005	218,400	238,743		17,500		4,164
	2004	210,000	200,893		40,000		266,650
	2003	210,000	144,239				4,136
Dennis D. Jorgensen Senior Vice President and President IntraNet Worldwide	2005	208,000	171,556	24,000			4,000
	2004	200,000	223,154	24,000	30,000		39,432
	2003	200,000	128,124	24,000			4,300
David R. Bankhead(7) Senior Vice President, Chief Financial Officer and Treasurer	2005	234,000	147,541	1,285			4,164
	2004	225,000	142,450	42,306			7,613
	2003	48,098	30,430	8,076	150,000		

(1) The Company's executive officers were eligible for quarterly cash incentive compensation amounts payable pursuant to the Company's Management Incentive Compensation Plan. Such incentive compensation amounts were generally based upon the Company's 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. Mr. Derkacht's fiscal 2005 amount includes transition bonus amounts of \$125,000 and \$250,000 earned in connection with the performance of CEO.

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transition services during the third quarter and fourth quarter of fiscal 2005, respectively. Mr. Derkacht's fiscal 2003 amount includes a special bonus of \$50,000 paid in connection with the achievement in fiscal 2003 of certain corporate objectives.

(2) For Mr. Heasley, this amount includes reimbursement of moving expenses (and the income taxes attributable thereto) in fiscal 2005 in the amount of \$11,418. For Mr. Derkacht, this amount includes reimbursement of moving expenses (and the income taxes attributable thereto) in fiscal 2003 in the amount of \$83,996, the amount of \$8,000 in fiscal 2005 for the value of a trip, and incremental amounts paid by the Company totaling \$937 and \$967, respectively in fiscal 2004 and fiscal 2003 for his personal use of the Company airplane. For Mr. Vipond, this amount includes \$7,533 and \$5,487 in fiscal 2005 and fiscal 2004, respectively, for the value of trips. For Mr. Jorgensen, this amount includes a \$24,000 annual car allowance. For Mr. Bankhead, this amount includes reimbursement of moving expenses (and the income taxes attributable thereto) in fiscal 2005, fiscal 2004 and fiscal 2003 in the amounts of \$1,285, \$42,306 and \$8,076, respectively.

(3) Includes options granted under the Company's 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 the Company's 401(k) Retirement Plan and amounts paid in connection with long term disability insurance. For fiscal 2005, the Company's contributions to the Company's 401(k) Retirement Plan were \$4,000 for each of Messrs. Derkacht, Vipond, Parkinson, Jorgensen, and Bankhead. The Company paid \$164 for long-term disability insurance for each of Messrs. Derkacht, Vipond, Parkinson, and Bankhead. This amount also includes the payment in fiscal 2004 of deferred compensation amounts to Messrs. Vipond, Parkinson and Jorgensen of \$39,191, \$262,506 and \$35,432, respectively, and a \$32,503 deferred compensation payment to Mr. Vipond in fiscal 2003. The Company had a Deferred Compensation Plan (the DC Plan) that, during calendar years 1999 and 2000, allowed certain management personnel to defer receipt of their compensation until a future date or until termination of their employment with the Company. Participants in the DC Plan were 100% vested in the sums deferred and the earnings/losses attributed thereto resulting from hypothetical investments made under the terms of the DC Plan. The Company has terminated the DC Plan. The fiscal 2004 amounts paid to Messrs. Vipond, Parkinson and Jorgensen represent the final distributions from the DC Plan made on January 15, 2004.

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

(6) Mr. Derkacht served as President and CEO of the Company until March 8, 2005.

(7) Mr. Bankhead's employment with the Company commenced in July 2003. Accordingly, compensation information for fiscal 2003 reflects less than full-year amounts.

Options Granted in Last Fiscal Year

The following table sets forth information concerning the grant of stock options to each of the Named Executive Officers in fiscal 2005. All of these options were granted under the Company's 2005 Incentive Plan at exercise prices equal to the market value per share of Common Stock as reported by The NASDAQ Stock Market on the day immediately preceding the date of the grant. The options expire ten years from their date of grant. Commission rules require the Company to show hypothetical gains that the Named Executive Officers would have for these options at the end of their terms. The Company calculated these gains assuming annual compound stock price appreciation of 5% and 10% from the date the option was originally granted to the end of the option term as required by Commission rules. **These rates of stock price appreciation are not the Company's estimate or projection of future stock prices.**

Option Grants In Last Fiscal Year									
									Potential Realizable Value
									at Assumed Annual
									Rates of Stock
									Price Appreciation
									for Option Term(2)
		Individual Grants							
	Number of	Percent of							