

ACI WORLDWIDE, INC.
Form 10-K
March 04, 2009

Table of Contents

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

Form 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008
Commission File Number 0-25346**

ACI WORLDWIDE, INC.
(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

**120 Broadway, Suite 3350
New York, New York 10271**
*(Address of principal executive
offices, including zip code)*

47-0772104
*(I.R.S. Employer
Identification No.)*

(646) 348-6700
*(Registrant's telephone
number, including area code)*

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$.005 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the Company's voting common stock held by non-affiliates of the registrant on June 30, 2008 (the last business day of the registrant's most recently completed second fiscal quarter), based upon the last sale price of the common stock on that date of \$17.59, was \$596,639,203. For purposes of this calculation, executive officers, directors and holders of 10% or more of the outstanding shares of the registrant's common stock are deemed to be affiliates of the registrant.

As of February 27, 2009, there were 34,931,432 shares of the registrant's common stock outstanding.

TABLE OF CONTENTS

	Page
<u>PART I</u>	
<u>Item 1.</u> <u>Business</u>	3
<u>Item 1A.</u> <u>Risk Factors</u>	15
<u>Item 1B.</u> <u>Unresolved Staff Comments</u>	24
<u>Item 2.</u> <u>Properties</u>	24
<u>Item 3.</u> <u>Legal Proceedings</u>	24
<u>Item 4.</u> <u>Submission of Matters to a Vote of Security Holders</u>	25
<u>PART II</u>	
<u>Item 5.</u> <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	25
<u>Item 6.</u> <u>Selected Financial Data</u>	26
<u>Item 7.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26
<u>Item 7A.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	54
<u>Item 8.</u> <u>Financial Statements and Supplementary Data</u>	55
<u>Item 9.</u> <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	55
<u>Item 9A.</u> <u>Controls and Procedures</u>	55
<u>Item 9B.</u> <u>Other Information</u>	58
<u>PART III</u>	
<u>Item 10.</u> <u>Directors, Executive Officers and Corporate Governance</u>	58
<u>Item 11.</u> <u>Executive Compensation</u>	58
<u>Item 12.</u> <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	58
<u>Item 13.</u> <u>Certain Relationships and Related Transactions, and Directors Independence</u>	58
<u>Item 14.</u> <u>Principal Accountant Fees and Services</u>	59
<u>PART IV</u>	
<u>Item 15.</u> <u>Exhibits, Financial Statement Schedules</u>	59
<u>Signatures</u>	112
<u>EX-21.01</u>	
<u>EX-23.01</u>	
<u>EX-31.01</u>	
<u>EX-31.02</u>	
<u>EX-32.01</u>	
<u>EX-32.02</u>	

Table of Contents

Forward-Looking Statements

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

Trademarks and Service Marks

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

Table of Contents

PART I

ITEM 1. BUSINESS

General

ACI Worldwide, Inc., a Delaware corporation, and our subsidiaries (collectively referred to as *ACI*, *ACI Worldwide*, the Company, we, us or our) develop, market, install and support a broad line of software products and services primarily focused on facilitating electronic payments. In addition to our own products, we distribute, or act as a sales agent for, software developed by third parties. These products and services are used principally by financial institutions, retailers and electronic payment processors, both in domestic and international markets. Most of our products are sold and supported through distribution networks covering three geographic regions—the Americas, Europe/Middle East/Africa (EMEA) and Asia/Pacific. Each distribution network has its own sales force that it supplements with independent reseller and/or distributor networks. Our products are marketed under the ACI Worldwide brand.

The electronic payments market is comprised of financial institutions, retailers, third-party electronic payment processors, payment associations, switch interchanges and a wide range of transaction-generating endpoints, including automated teller machines (ATM), retail merchant locations, bank branches, mobile phones, corporations and Internet commerce sites. The authentication, authorization, switching, settlement and reconciliation of electronic payments is a complex activity due to the large number of locations and variety of sources from which transactions can be generated, the large number of participants in the market, high transaction volumes, geographically dispersed networks, differing types of authorization, and varied reporting requirements. These activities are typically performed online and are often conducted 24 hours a day, seven days a week. ACI Worldwide, Inc. was formed as a Delaware corporation in November 1993 under the name ACI Holding, Inc. and is largely the successor to Applied Communications, Inc. and Applied Communications Inc. Limited, which we acquired from Tandem Computers Incorporated on December 31, 1993.

On July 24, 2007, our stockholders approved the adoption of an Amended and Restated Certificate of Incorporation to change our corporate name from Transaction Systems Architects, Inc. to ACI Worldwide, Inc. We have been marketing our products and services under the ACI Worldwide brand since 1993 and have gained significant market recognition under this brand name. Historically, we operated with three business units: ACI Worldwide, Insession Technologies and Intranet Worldwide. In the first quarter of fiscal 2006, we restructured our organization combining the products and services within these three business units into one operating unit under the ACI Worldwide name.

On February 23, 2007, our Board of Directors approved a change in the Company's fiscal year from a September 30 fiscal year-end to a December 31 fiscal year-end, effective as of January 1, 2008 for the year ended December 31, 2008. In accordance with applicable Securities and Exchange Commission (SEC) rules and regulations, we filed a Transition Report on Form 10-Q for the transition period from October 1, 2007 to December 31, 2007, with the SEC on February 19, 2008. Accordingly, the consolidated financial statements included herein present our financial position as of December 31, 2008 and 2007 and September 30, 2007, and the results of our operations, cash flows and changes in stockholders' equity for the year ended December 31, 2008, the three month period ended December 31, 2007, and the years ended September 30, 2007 and 2006.

Acquisitions

On May 31, 2006, we acquired the outstanding shares of eps Electronic Payment Systems AG (eps AG). The aggregate purchase price for eps AG was \$30.4 million, which was comprised of cash payments of \$19.1 million, 330,827 shares of common stock valued at \$11.1 million, and direct costs of the acquisition. eps AG, with operations in Germany, Romania, the United Kingdom and other European locations, offered electronic payment and complementary solutions focused largely in the German market. The acquisition of eps AG occurred in two closings. The initial closing occurred on May 31, 2006, and the second closing occurred on October 31, 2006. Cash consideration paid at the initial closing totaled \$13.0 million, net of \$3.1 million of cash acquired and the remaining cash consideration of \$6.1 million was paid on October 31, 2006. All shares of the Company s common stock issued as consideration for the eps AG acquisition were issued at the initial closing. We accounted for the acquisition of eps

Table of Contents

AG in its entirety as of May 31, 2006, and recorded a liability, included in accrued and other liabilities at September 30, 2006, in the amount of \$6.1 million, for the remaining cash consideration that was paid on October 31, 2006. We accounted for this as a delayed delivery of consideration as the price was fixed and not subject to change, with complete decision-making and control of eps AG held by us as of the date of the initial closing.

Under the terms of the acquisition, the parties established a cash escrow arrangement in which approximately \$1.0 million of the cash consideration paid at the initial closing was held in escrow as security for a potential contingent obligation. We distributed the escrow in October 2006 in accordance with the terms of the escrow arrangement as the contingent liability paid by the Company was recovered from a third party. Additionally, certain of the sellers of eps AG have committed to certain indemnification obligations as part of the sale of eps AG. Those obligations are secured by the shares of common stock issued to the sellers pursuant to the eps AG acquisition to the degree such shares are restricted at the time such an indemnification obligation is triggered, if at all, the likelihood of which is deemed remote. The restrictions were lifted by the Company during the year ended December 31, 2008.

On August 28, 2006, we entered into an Agreement and Plan of Merger with P&H Solutions, Inc. (P&H) under the terms of which P&H became our wholly-owned subsidiary. P&H was a provider of web-based enterprise business banking solutions to financial institutions. The acquisition of P&H closed on September 29, 2006. The aggregate purchase price for P&H, including direct costs of the acquisition, was \$133.7 million, net of \$20.2 million of cash acquired. Under the terms of the acquisition, the parties established a cash escrow arrangement in which \$11.7 million of the cash consideration paid at closing was held in escrow as security for tax and other contingencies. We distributed the escrow in October 2007 in accordance with the terms of the escrow arrangement. During the year ended September 30, 2007, we adjusted the initial purchase price allocation resulting in additional goodwill of \$0.4 million, net due to tax adjustments and recovery of bad debt reserves.

On February 7, 2007, we acquired Visual Web Solutions, Inc. (Visual Web), a provider of international trade finance and web-based cash management solutions, primarily to financial institutions in the Asia/Pacific region. These solutions complement and have been integrated with our U.S.-centric cash management and online banking solutions to create a more complete international offering. Visual Web had wholly-owned subsidiaries in Singapore for sales and customer support and in Bangalore, India for product development and services.

The aggregate purchase price of Visual Web, including direct costs of the acquisition, was \$8.3 million, net of \$1.1 million of cash acquired. Under the terms of the acquisition, the parties established a cash escrow arrangement in which \$1.1 million of the cash consideration paid at closing is held in escrow as security for tax and other contingencies.

On April 2, 2007, we acquired Stratasoft Sdn Bhd (Stratasoft), a provider of electronic payment solutions in Malaysia. This acquisition compliments our strategy to move to a direct sales model in selected markets in Asia. The aggregate purchase price of Stratasoft, including direct costs of the acquisition, was \$2.5 million, net of \$0.7 million of cash acquired. We will pay an additional aggregate amount of up to \$0.6 million (subject to foreign currency fluctuations) to the sellers if Stratasoft achieves certain financial targets set forth in the purchase agreement for the period ended December 31, 2008. During the year ended December 31, 2008, we completed the assessment for the period ended December 31, 2007 and determined that Stratasoft did not meet the financial targets set forth in the purchase agreement. Under the terms of the acquisition, the parties established a cash escrow arrangement in which \$0.5 million of the cash consideration paid at closing is held in escrow as security for tax and other contingencies.

Assets of Businesses Transferred Under Contractual Arrangements

On September 29, 2006, we completed the sale of the eCourier and Workpoint product lines to PlaNet Group, Inc. We have retained rights to distribute these products as components of our electronic payments solutions. See Note 16,

Assets of Businesses Transferred Under Contractual Arrangements , in the Notes to Consolidated Financial Statements for further detail.

Table of Contents

Products

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

Retail banking, including debit and credit card issuers

Wholesale banking, including corporate cash management and treasury management operations

Retailers

In addition, we market our solutions to third-party electronic payment processors, who serve all three of the above market segments. We also offer solutions that are not industry-specific, but complement our payments products, to address needs for systems connectivity, data synchronization, testing and simulation and systems monitoring.

We offer five primary software product lines:

Retail Payment Engines

Risk Management

Payments Management

Wholesale Payments

Application Services Solutions

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

Retail Payment Engines

Generally, our Retail Payment Engines are designed to route electronic payment transactions from transaction generators to the acquiring institutions so that they can be authorized for payment. The software often interfaces with regional or national switches to access the account-holding financial institution or card issuer for approval or denial of the transactions (authorization). The software returns messages to the original transaction generator (e.g. an ATM), thereby completing the transactions. Depending on how the software is configured, it can perform all of the functions necessary to authenticate, authorize, route and settle an electronic payment transaction, or it can interact with other systems to ensure that these functions are performed. Electronic payments software may be required to interact with dozens of devices, switch interchanges and communication protocols around the world. We currently offer a range of retail payment engine solutions, as follows:

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

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

BASE24-eps (formerly called BASE24-es). BASE24-eps is an integrated electronic payments processing product that supports similar features as BASE24, but uses a more modern set of technologies and architecture. BASE24-eps uses an object-based architecture and languages such as C++ and Java to offer a more flexible, open architecture for the processing of a wide range of electronic payment transactions. BASE24-eps also uses a scripting language to improve overall transaction processing flexibility and improve

Table of Contents

time to market for new services, reducing the need for traditional systems modifications. BASE24-eps is licensed as a standalone electronic payments solution for financial institutions, retailers and electronic payment processors, and it represents the future platform to which current BASE24, ON/2, OpeN/2, and AS/X customers are expected to migrate over time. BASE24-eps, which operates on International Business Machines Corporation (IBM) System z, IBM System p, HP NonStop, HP-UX and Sun Solaris servers, provides flexible integration points to other applications and data within enterprises to support 24-hour per day access to money, services and information.

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

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

ON/2. ON/2 is an integrated electronic payments processing system, exclusively designed for the Stratus VOS operating environment. It authenticates, authorizes, routes and switches transactions generated at ATM s and merchant POS sites.

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

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

During the year ended December 31, 2008, the three month period ended December 31, 2007, and the years ended September 30, 2007 and 2006, approximately 47%, 51%, 49% and 57%, respectively, of our total revenues were derived from licensing the BASE24 product line, which revenue amounts do not include revenue associated with licensing the BASE24-eps product.

Risk Management

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

Payments Management

ACI Payments Management Solutions. Payments Management solutions are integrated products bringing value-added solutions to information captured during online processing. The suite of products includes management of dispute processing, card management and card statement products, merchant accounting applications, and settlement and reconciliation solutions for online and offline payment processing. The

Table of Contents

suite also includes a transaction warehouse product that accumulates and stores e-payment transaction information for subsequent transaction inquiry via browser-based presentation allowing transaction monitoring, alerting and executive analysis. These products operate on IBM System z, IBM System p, HP NonStop, Sun Solaris and Microsoft Windows servers.

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

ACI Card Management System (CMS). CMS is a complete plastic card system for issuing cards, maintaining account information, tracking card usage and providing customer service. It supports multiple account types and allows online display and modification of pertinent account information. It can be linked with a card authorization system for authorizing debit transactions from ATM and POS devices on the host system. Optionally, CMS can also be linked to a front-end processor for purposes of forwarding file maintenance activity and accepting financial transaction activity.

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

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

Wholesale Payments

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

Our wholesale payments solutions include high value payments processing, bulk payments processing, global messaging and Continuous Link Settlement processing, and are collectively referred to as the ACI Money Transfer System (MTS). The high value payments processing products, which produce the majority of revenues within the MTS solution set, are used to generate, authorize, route, settle and control high value wire transfer transactions in domestic and international environments. The MTS product operates on IBM System p servers using the AIX

operating system and communicates over proprietary networks using a variety of messaging formats, including S.W.I.F.T., EBA, Target, Ellips, CEC, RTGSplus, Fedwire, CHIPS and Telex. In 2008, we announced a plan to deploy this product on IBM System z.

Table of Contents

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

Application Services Solutions

The Application Services Solutions provide specific technology extensions to augment the business services provided in the Retail Payment Engines, Risk Management, Payments Management and Wholesale Payments solutions.

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

Third-Party Partners

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

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

Hewlett-Packard Company

International Business Machines Corporation

Sun Microsystems, Inc.

Stratus Technologies

Microsoft Corporation

Diebold, Incorporated

NCR Corporation

Wincor-Nixdorf

Visa International

MasterCard International Incorporated

Oracle Corporation

Table of Contents

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

GoldenGate, Inc.

Ascert, LLC

ACE Software Solutions, Inc.

Faircom Corporation

Paragon Application Systems, Inc.

Financial Software and Services, PTT

International Business Machines Corporation

CB.Net Ltd.

Side International S.A.

eClassic Systems

RDM Corporation

Intuit, Inc.

Vasco Data Security

NCR Corporation

Online Banking Solutions

Metatomix Inc.

PlaNet Group, Inc.

Accuity, Inc

RSA, The Security Division of EMC Corporation

iPay Technologies, LLC

Parsam Technologies, LLC

Services

We offer our customers a wide range of professional services, including analysis, design, development, implementation, integration and training. We have service professionals within each of our three geographic regions who generally perform the majority of the work associated with installing and integrating our software products, rather than relying on third-party systems integrators. Our service professionals have extensive experience performing such installation and integration services for clients operating on a range of computing platforms. We offer the following types of services for our customers:

Technical Services. The majority of our technical services are provided to customers who have licensed one or more of our software products. Services offered include programming and programming support, day-to-day systems operations, network operations, help desk staffing, quality assurance testing, problem resolution, system design, and performance planning and review. Technical services are typically priced on a weekly basis according to the level of technical expertise required and the duration of the project.

Project Management. We offer a Project Management and Implementation Plan (PMIP) which provides customers with a variety of support services, including on-site product integration reviews, project planning,

Table of Contents

training, site preparation, installation, testing and go-live support, and project management throughout the project life cycle. We offer additional services, if required, on a fee basis. PMIPs are offered for a fee that varies based on the level and quantity of included support services.

Facilities Management. We offer facilities management services whereby we operate a customer's electronic payments system for multi-year periods. Pricing and payment terms for facilities management services vary on a case-by-case basis giving consideration to the complexity of the facility or system to be managed, the level and quantity of technical services required, and other factors relevant to the facilities management agreement.

ACI On Demand. We offer a service whereby we host a customer's system for them as opposed to the customer licensing and installing the system on their own site. We offer several of our solutions in this manner, including our retail and wholesale payment engines, risk management and online banking products. Each customer gets a unique image of the system that can be tailored to meet their needs. The product is generally located on facilities and hardware that we provide. Pricing and payment terms depend on which solutions the customer requires and their transaction volumes. Generally, customers are required to commit to a minimum contract of three to five years.

Customer Support

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

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

- 24-hour hotline for problem resolution

- Customer account management support

- Vendor-required mandates and updates

- Product documentation

- Hardware operating system compatibility

- User group membership

Enhanced Support Program. Under the extended service option, referred to as the Enhanced Support Program, each customer is assigned an experienced technician to work with its system. The technician typically performs functions such as:

- Install and test software fixes

- Retrofit customer-specific software modifications (CSMs) into new software releases

- Answer questions and resolve problems related to CSM code

Maintain a detailed CSM history

Monitor customer problems on HELP24 hotline database on a priority basis

Supply on-site support, available upon demand

Perform an annual system review

We provide new releases of our products on a periodic basis. New releases of our products, which often contain product enhancements, are typically provided at no additional fee for customers under maintenance agreements.

Table of Contents

Agreements with our customers permit us to charge for substantial product enhancements that are not provided as part of the maintenance agreement.

Competition

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

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

Retail Payment Engines

The principal third-party software competitors for the Retail Payment Engines product line are Fidelity National Information Services, Inc. and S1 Corporation, as well as small, regionally-focused companies such as Aleric Technology, Inc, Distra Pty Ltd, Compass Plus, Opus Software Solutions Private Ltd and CTL, Ltd. Primary electronic payment processing competitors in this area include global entities such as First Data Corporation, Fiserv, Inc., Metavante, Euronet, Visa and Mastercard, as well as regional or country-specific processors.

Risk Management

Principal competitors for the Risk Management product line are Fair Isaac, Norkom Technologies, Actimize, Inc., Retail Decisions, Mantas, SearchSpace, Americas Software and Visa DPS, as well as dozens of smaller companies focused on niches of this segment such as anti-money laundering.

Payments Management

Principal competitors for our Payments Management product line are Fidelity National Information Services, Inc., Baldwin Hacket and Meeks, Inc., ATOS Origin S.A. and Bell ID.

Wholesale Payments

Principal competitors for our Wholesale Payments product line are Fundtech Ltd, LogicaCMG plc, Tieto Enator, Clear2Pay, Dovetail, Bankserv, SWIFT, Intuit Corporation, S1 Corporation, Metavante, Fiserv Inc., Nucleus Software Exports Ltd, Aurion Pro Solutions Ltd and a number of core banking processors.

Application Services Solutions

The principal competitor for our Application Services Solutions product line is Hewlett-Packard Company, as well as dozens of small, niche-focused competitors.

As markets continue to evolve in the electronic payments, risk management and smartcard sectors, we may encounter new competitors for our products and services. As electronic payment transaction volumes increase and banks face price competition, third-party processors may become stronger competition in our efforts to market our solutions to

smaller financial institutions. In the larger financial institution market, we believe that third-party processors may be less competitive since large institutions attempt to differentiate their electronic payment product offerings from their competition, and are more likely to develop or continue to support their own internally-developed solutions or use third-party software packages such as those offered by us.

Table of Contents

Research and Development

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

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

Our total research and development expenses during the year ended December 31, 2008, the three month period ended December 31, 2007, and the years ended September 30, 2007 and 2006 were \$45.9 million, \$16.4 million, \$52.1 million, and \$40.8 million, or 11.0%, 16.2%, 14.2%, and 11.7% of total revenues, respectively.

Customers

We provide software products and services to customers in a range of industries worldwide, with financial institutions, retailers and e-payment processors comprising our largest industry segments. As of December 31, 2008, our customers include over 100 of the 500 largest banks in the world, as measured by asset size, 11 of the top 20 retailers in the United States and over 90 retailers worldwide, as measured by revenue. As of December 31, 2008, we had 826 customers in 88 countries on six continents. Of this total, 430 are in the Americas region, 243 are in the EMEA region and 153 are in the Asia/Pacific region. No single customer accounted for more than 10% of our consolidated revenues for the year ended December 31, 2008, three-month period ended December 31, 2007, or years ended September 30, 2007 or 2006.

Selling and Marketing

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

Key international distributors and sales agents for us during the year ended December 31, 2008 included:

PTESA (Colombia)

PTESAVEN (Venezuela)

North Data (Uruguay)

Hewlett-Packard Peru (Peru)

P.T. Abhimata Persada (Indonesia)

Financial Software and Systems, Ltd. (India)

Korea Computer, Inc. (Korea)

DataOne Asia Co. Ltd (Thailand)

Syscom (Taiwan and China)

Optimisa S.A. (Chile)

Table of Contents

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

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

Proprietary Rights and Licenses

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

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

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

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

Foreign Operations

We derive a significant portion of our revenues from foreign operations. For detail of revenue by geographic region see Note 12, "Segment Information", in the Notes to Consolidated Financial Statements.

Employees

As of December 31, 2008, we had a total of approximately 2,154 employees of whom 1,195 were in the Americas region, 619 were in the EMEA region and 340 were in the Asia/Pacific region.

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

Table of Contents**Available Information**

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act), are available free of charge on our website at www.aciworldwide.com as soon as reasonably practicable after we file such information electronically with the SEC. The information found on our website is not part of this or any other report we file with or furnish to the SEC. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, Room 1580, NW, Washington DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

Executive Officers of the Registrant

As of March 3, 2009, our executive officers, their ages and their positions were as follows.

Name	Age	Position
Philip G. Heasley	59	President, Chief Executive Officer and Director
J. Ronald Totaro	45	Senior Vice President and Chief Operating Officer
Scott W. Behrens	37	Senior Vice President, Chief Financial Officer, Controller and Chief Accounting Officer
Dennis P. Byrnes	45	Senior Vice President, General Counsel and Secretary
David McCann	53	Senior Vice President and Chief Information Officer
David N. Morem	51	Senior Vice President, Global Business Operations
Craig A. Maki	42	Senior Vice President, Treasurer and Chief Corporate Development Officer

Mr. Heasley has been a director and our President and Chief Executive Officer 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 Finance, Inc. (NYSE: FNF) and Tier Technologies, Inc. (NASDAQ: TIER). Mr. Heasley also served as a director of Kintera, Inc. (NASDAQ: KNTA) until May 2008 when it was acquired by Blackbaud, Inc. (NASDAQ: BLKB). Mr. Heasley also serves as a director on the board of Public Radio International and serves on the National Infrastructure Advisory Council.

Mr. Totaro joined the Company in March 2008 and serves as Senior Vice President and Chief Operating Officer. Mr. Totaro is responsible for strategic planning, sales operations and global products. Prior to joining ACI, he was vice president and general manager of global credit scoring solutions at Fair Isaac Corporation. Mr. Totaro was vice president of interactive marketing and media at AOL Time Warner from 2000 to 2002 and previously held management positions at Andersen Consulting LLP, GE Capital Corporation and American Express TRS Company. Mr. Totaro holds an undergraduate degree from the State University of New York and an MBA from the Ross School of Business at the University of Michigan.

Mr. Behrens serves as Senior Vice President, Chief Financial Officer, Controller and Chief Accounting Officer. Mr. Behrens joined ACI in June 2007 as the Company's Controller and Chief Accounting Officer. Mr. Behrens was appointed Chief Financial Officer in December 2008 and Chief Accounting Officer in October 2007. Prior to joining ACI, Mr. Behrens served as Senior Vice President, Corporate Controller and Chief Accounting Officer at SITEL Corporation from January 2005 to June 2007. He also served as Vice President of Financial Reporting at SITEL Corporation from April 2003 to January 2005. From 1993 to 2003, Mr. Behrens was with Deloitte & Touche,

Table of Contents

LLP, including two years as a Senior Audit Manager. Mr. Behrens holds a B.S. (Honors) from the University of Nebraska Lincoln.

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

Mr. McCann joined the Company in October 2005 and serves as Senior Vice President, Chief Information Officer. Mr. McCann served as Senior Vice President, Software Development at First Data Corporation from 2002 to October 2005. Prior to joining First Data Corporation, Mr. McCann worked at US Bancorp serving as Senior Vice President, Wealth and Commercial Systems from 1999 to 2002 and Senior Vice President, Payment Systems from 1995 to 1998. Mr. McCann served as Vice President of Citicorp Diners Club from 1987 to 1995 and held various leadership and technical positions with Citicorp Diners Club from 1981 to 1987.

Mr. Morem joined the Company in June 2005 and serves as Senior Vice President, Global Business Operations. Prior to his appointment as Senior Vice President, Global Business Operations in January 2008, Mr. Morem served as Chief Administrative Officer of the Company. Prior to joining ACI, Mr. Morem held executive positions at GE Home Loans, Bank One Card Services and U.S. Bank. Mr. Morem brings more than 25 years of experience in process management, finance, credit operations, credit policy and change management. Mr. Morem holds a B.A. degree from the University of Minnesota and an M.B.A. from the University of St. Thomas.

Mr. Maki serves as Senior Vice President, Treasurer and Chief Corporate Development Officer. Mr. Maki joined the Company in June 2006, Mr. Maki was appointed Treasurer in January 2008. Prior to joining the Company, Mr. Maki served as Senior Vice President for Stephens, Inc. from 1999 through 2006. From 1994 to 1999, Mr. Maki was a Director in the Corporate Finance group at Arthur Andersen and from 1991 to 1994, he was a Senior Consultant at Andersen Consulting. Mr. Maki graduated from the University of Wyoming and received his Master of Business Administration from the University of Denver.

Former Executive Officer

Mr. Launder served as President of Global Operations and was responsible for the management of global sales and support in all three of our distribution channels. Prior to his appointment as President of Global Operations in April 2007, Mr. Launder served as President of ACI's Europe, Middle East and Africa (EMEA) distribution channel from 2000 through April 2007 and as President of ACI's Asia/Pacific distribution channel from December 2006 through April 2007. In these roles, he was responsible for sales and support in EMEA and Asia/Pacific. He first joined ACI in 1989 and was responsible for the EMEA operation until the end of 1996. Mr. Launder then spent three years in the payments industry working as a consultant. In the spring of 2000 he returned to ACI, to head up the EMEA channel. Prior to joining ACI, Mr. Launder worked for Olivetti Computers, IBM and in the 1980s Tandem Computers where he was the sales director for Tandem Computers UK subsidiary. Mr. Launder resigned from the Company effective February 28, 2009.

ITEM 1A. RISK FACTORS

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

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

highlights some of these risks.

The global financial crisis affecting the banking system and financial markets and the current global economic conditions could reduce the demand for our products and services or otherwise adversely impact our cash flows, operating results and financial condition.

The global financial crisis, declining real estate and retail markets, changes in bank credit quality in the United States or abroad, extreme capital and credit market volatility, higher unemployment and declining business and

Table of Contents

consumer confidence have precipitated a global recession. The global electronic payments industry and the banking and financial services industries depend heavily upon the overall levels of consumer, business and government spending. For the foreseeable future, we expect to derive most of our revenue from products and services we provide to the banking and financial services industries. The current economic conditions could result in a decrease in consumers' use of banking services and financial service providers and the implementation by banks and related financial service providers of cost reduction measures which could result in significant decreases in the demand for our products and services and adversely affect our operating results.

Moreover, to the degree that the financial crisis and the volatility in the credit markets makes it more difficult for our customers to maintain sufficient liquidity to meet their operating needs or obtain financing, customers may be unable to timely meet their payment obligations to us and we may experience greater difficulties in accounts receivable collection, increases in bad debt write-offs and additions to reserves in our receivables portfolio which could have a material adverse impact on our cash flows, operating results and financial condition.

Our current credit facility contains restrictions and other financial covenants that limit our flexibility in operating our business.

Our credit facility contains customary affirmative and negative covenants for credit facilities of this type that limit our ability to engage in specified types of transactions. These covenants limit our ability, and the ability of our subsidiaries, to, among other things: pay dividends on, repurchase or make distributions in respect of our capital stock or make other restricted payments; make certain investments; sell certain assets; create liens; incur additional indebtedness or issue certain preferred shares; consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and enter into certain transactions with our affiliates. Our credit facility also requires us to meet certain quarterly financial tests, including a maximum leverage ratio and a minimum interest coverage ratio. Our credit facility includes customary events of default, including, but not limited to, failure to pay principal or interest, breach of covenants or representations and warranties, cross-default to other indebtedness, judgment default and insolvency. If an event of default occurs under the credit facility, the lenders will be entitled to take various actions, including, but not limited to, demanding payment for all amounts outstanding. If adverse global economic conditions persist or worsen, we could experience decreased revenues from our operations attributable to reduced demand for our products and services and as a result, we could fail to satisfy the financial and other restrictive covenants to which we are subject under our existing credit facility, resulting in an event of default. If we are unable to cure the default or obtain a waiver we will not be able to access our credit facility and we cannot assure you that we would be able to seek alternative financing.

The volatility and disruption of the capital and credit markets and adverse changes in the global economy may negatively impact our liquidity and our ability to access financing.

While we intend to finance our operations and growth of our business with existing cash and cash flow from operations, if adverse global economic conditions persist or worsen, we could experience a decrease in cash from operations attributable to reduced demand for our products and services and as a result, we may need to borrow additional amounts under our existing credit facility or we may require additional financing for our continued operation and growth. However, due to the existing uncertainty in the capital and credit markets and the impact of the current economic crisis on our operating results and financial conditions, the amount of available unused borrowings under our existing credit facility may be insufficient to meet our needs and/or our access to capital outside of our existing credit facility may not be available on terms acceptable to us or at all. Additionally, if one or more of the financial institutions in our syndicate were to default on its obligation to fund its commitment, the portion of the committed facility provided by such defaulting financial institution would not be available to us. We cannot assure you that alternative financing on acceptable terms would be available to replace any defaulted commitments.

Table of Contents

Our announced restructuring and efficiency efforts as part of the implementation of our strategic plan may not achieve the expected efficiencies and cost savings which could affect our results of operations and financial condition.

In August 2008 we announced the implementation of our strategic plan and our expectations related to certain cost take-outs during 2008 and 2009 to be achieved primarily through a reduction in the work force, reallocation of headcount to different geographies and consolidation of non-core products and facilities. While we expect our cost saving initiatives to result in significant cost savings throughout our organization, our estimated savings are based on several assumptions that may prove to be inaccurate, and as a result we cannot assure you that we will realize these cost savings. The failure to achieve our estimated cost savings, or a significant delay in our achievement of the expected benefits, could negatively affect our financial condition and results of operations. Factors that could cause actual results to differ materially from our expectations with regard to our announced restructuring include:

timing and execution of plans and programs that may be subject to local labor law requirements, including consultation with appropriate work councils;

changes in assumptions related to severance and postretirement costs;

risks associated with litigation for wrongful termination;

new business initiatives and changes in product roadmaps and development efforts;

changes in employment levels and turnover rates; and

changes in product demand and the business environment.

While we have and will continue to implement these strategies, there can be no assurance that we will be able to do so successfully or that we will realize the projected benefits of these and other cost saving plans. If we are unable to realize these anticipated cost reductions, our financial health may be adversely affected. Moreover, our continued implementation of cost saving plans may result in the continued diversion of management time and resources and the disruption of our operations, services to customers and performance.

We may face risks related to recent restatements of our financial statements.

Prior to filing this Annual Report, we determined that we needed to restate our consolidated financial statements for the quarter ended March 31, 2008 to make adjustments related to the recognition of \$1.9 million of revenue during that quarter for a software project in the Asia/Pacific reportable operating segment which should have been deferred until further project milestones were achieved. As a result, we also amended our quarterly reports on Form 10-Q/A for the periods ended June 30, 2008 and September 30, 2008 to report year-to-date data reflecting the adjustments made in the restated consolidated financial statements for the quarter ended March 31, 2008.

In addition, during fiscal 2007, we restated our consolidated balance sheet as of September 30, 2005, and our consolidated statements of operations, our consolidated statements of stockholders' equity and comprehensive income and consolidated statements of cash flows for each of the years ended September 30, 2005 and 2004. In addition, we restated selected financial data for fiscal years 2004, 2003 and 2002.

Companies that restate their financial statements sometimes face litigation claims and/or SEC proceedings following such a restatement. We could face monetary judgments, penalties or other sanctions which could adversely affect our financial condition and could cause our stock price to decline.

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

Mergers, acquisitions and personnel changes at key financial services organizations have the potential to adversely affect our business, financial condition, and results of operations. Our business is concentrated in the financial services industry, making us susceptible to a downturn in that industry. Consolidation activity among financial institutions has increased in recent years. There are several potential negative effects of increased consolidation activity. Continuing consolidation of financial institutions could cause us to lose existing and

Table of Contents

potential customers for our products and services. For instance, consolidation of two of our customers could result in reduced revenues if the combined entity were to negotiate greater volume discounts or discontinue use of certain of our products. Additionally, if a non-customer and a customer combine and the combined entity in turn decided to forego future use of our products, our revenues would decline.

Most of our customers are in the banking and financial services industries which are subject to economic changes that could reduce the demand for our products and services.

For the foreseeable future, we expect to derive most of our revenue from products and services we provide to the banking and financial services industries. Our financial condition depends on the health of the general economy as well as the software sector and financial services industry as our revenue and profits are driven by demand for our products and services. Changes in economic conditions and unforeseen events like recession, the current financial and mortgage crisis, inflation or changes in bank credit quality in the United States or abroad, could occur and reduce consumers' use of banking services and financial service providers. Any event of this kind, or implementation for any reason by banks or related financial service providers of cost reduction measures, could result in significant decreases in the demand for our products and services and adversely affect our operating results. When an economy is struggling, companies in many industries delay or reduce technology purchases. A lessening demand in either the overall economy, the software sector or the financial services industry could result in reduced capital spending by our customers, longer sales cycles, deferral or delay of purchase commitments for our products and increased price competition which could lead to a material decrease in our future revenues and earnings.

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

Estimates of future financial results are inherently unreliable. Our backlog estimates require substantial judgment and are based on a number of assumptions, including management's current assessment of customer and third party contracts that exist as of the date the estimates are made, as well as revenues from assumed contract renewals, to the extent that we believe that recognition of the related revenue will occur within the corresponding backlog period. A number of factors could result in actual revenues being less than the amounts reflected in backlog. Our customers or third party partners may attempt to renegotiate or terminate their contracts for a number of reasons, including mergers, changes in their financial condition, or general changes in economic conditions within their industries or geographic locations, or we may experience delays in the development or delivery of products or services specified in customer contracts. Actual renewal rates and amounts may differ from historical experiences used to estimate backlog amounts. Changes in foreign currency exchange rates may also impact the amount of revenue actually recognized in future periods. Accordingly, there can be no assurance that contracts included in backlog will actually generate the specified revenues or that the actual revenues will be generated within a 12-month or 60-month period. Additionally, because backlog estimates are operating metrics, the estimates are not subject to the same level of internal review or controls as a generally accepted accounting principles (GAAP) financial measure.

Management has identified a material weakness in our internal control over financial reporting.

Effective internal control over financial reporting is necessary for compliance with the Sarbanes-Oxley Act of 2002 and appropriate financial reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process, under the supervision of our CEO and CFO, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with GAAP. As disclosed in this Annual Report, management's assessment of our internal control over financial reporting identified a material weakness related to accounting for software implementation service and license arrangements in the Asia/Pacific region, as discussed in *Item 9A. Controls and Procedures*. No assurance can be given that we will be able to successfully implement revised internal controls and procedures, if any, or that revised controls and procedures, if

any, will be effective in remedying the potential material weakness in our prior controls and procedures, nor can we provide assurance that we will not identify additional material weaknesses in the future. If we are unable to implement these changes effectively or if other material weaknesses develop and we are unable to effectively address these matters, there could be a material adverse effect on our business, financial condition and results of operations.

Table of Contents

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

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

Our tax positions in our United States federal income tax returns filed for the 2005 and 2006 tax years are the subject of an ongoing examination by the Internal Revenue Service (IRS). We believe that our tax positions comply with applicable tax law and intend to vigorously defend our positions. This examination could result in the IRS issuing proposed adjustments that could adversely affect our financial condition and/or results of operations.

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

Our stock price may be volatile.

Prices on the global financial markets for equity securities declined precipitously since September 2008. No assurance can be given that operating results will not vary from quarter to quarter, and past performance may not accurately predict future performance. Any fluctuations in quarterly operating results may result in volatility in our stock price. Our stock price may also be volatile, in part, due to external factors such as announcements by third parties or competitors, inherent volatility in the technology sector, and changing market conditions in the software industry.

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

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

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

The software market is characterized by rapidly changing technologies, intense competition and evolving industry standards. There is no assurance that we will be able to maintain our current market share or customer base. We have many competitors that are significantly larger than we are and have significantly greater financial, technical and

marketing resources. If we fail to enhance our current products and develop new products in response to changes in technology and industry standards, bring product enhancements or new product developments to market quickly enough, or accurately predict future changes in our customers' needs and our competitors develop new technologies or products, our products could become less competitive or obsolete. In addition, we expect that the markets in which we compete will continue to attract new competitors and new technologies. Increased competition in our markets could lead to price reductions, reduced profits, or loss of business.

Table of Contents

We are engaged in offshore software development activities, which may not be successful and which may put our intellectual property at risk.

As part of our globalization strategy and to optimize available research and development resources, in fiscal 2006 we established a new subsidiary in Ireland to serve as the focal point for certain international product development and commercialization efforts. This subsidiary oversees remote software development operations in Romania and elsewhere, as well as manages certain of our intellectual property rights. While our experience to date with our offshore development centers has been positive, there is no assurance that this will continue. Specifically, there are a number of risks associated with this activity, including but not limited to the following:

communications and information flow may be less efficient and accurate as a consequence of the time, distance and language differences between our primary development organization and the foreign based activities, resulting in delays in development or errors in the software developed;

in addition to the risk of misappropriation of intellectual property from departing personnel, there is a general risk of the potential for misappropriation of our intellectual property that might not be readily discoverable;

the quality of the development efforts undertaken offshore may not meet our requirements because of language, cultural and experiential differences, resulting in potential product errors and/or delays;

potential disruption from the involvement of the United States in political and military conflicts around the world; and

currency exchange rates could fluctuate and adversely impact the cost advantages intended from maintaining these facilities.

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

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

Our announcement of the maturity of certain legacy retail payment products may result in decreased customer investment in our products and our strategy to migrate customers to our next generation products may be unsuccessful which may adversely impact our business and financial condition.

Our announcement related to the maturity of certain retail payment engines may result in customer decisions not to purchase or otherwise invest in these engines, related products and/or services. Alternatively, the maturity of these products may result in delayed customer purchase decisions or the renegotiation of contract terms based upon scheduled maturity activities. In addition, our strategy related to migrating customers to our next generation products may be unsuccessful. Reduced investments in our products, deferral or delay in purchase commitments by our customers or our failure to successfully manage our migration strategy could have a material adverse effect on our business, liquidity and financial condition.

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

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

We have historically derived a substantial portion of our revenues from licensing of software products that operate on HP NonStop servers. Any reduction in demand for HP NonStop servers, or any change in strategy by HP

Table of Contents

related to support of its NonStop servers, could have a material adverse effect on our financial condition and/or results of operations.

If we are unable to successfully perform under the terms of our alliance with IBM or our customers are not receptive to the alliance, our business, financial condition and/or results of operations may be adversely affected.

In December 2007, we entered into a Master Alliance Agreement and certain other related agreements with International Business Machines Corporation (IBM) to create a strategic alliance between us and IBM (the Alliance). Pursuant to the Alliance Agreement, we agreed to enable our payment application software products on certain of IBM s hardware platforms, including the IBM System z Platform and we agreed to enter into collective sales and marketing efforts with IBM to offer a combination of ACI and IBM solutions. We cannot be certain that we will be able to successfully enable our products on IBM s hardware platforms or that our customers and potential customers will be receptive to this Alliance or our new sales and marketing strategy. If we are unable to enable our software products on the IBM hardware platforms or the market does not react positively to the Alliance, our business, financial condition and/or results of operations could be materially adversely affected.

Our outsourcing agreement with IBM may not achieve the level of savings that we anticipate and many associated changes in systems and personnel are being made, increasing operational and control risk during transition, which may have an impact on the business and its financial condition.

Our seven-year outsourcing agreement with IBM is estimated to deliver operating cost savings for us of \$25 million to \$30 million over the course of the contract and reduce our capital expenditures. The estimated cost savings and capital expenditure reductions are dependent upon many factors, and unanticipated changes in operations may cause actual cost savings and capital expenditure reductions to be substantially less than expected.

In addition, as a part of the outsourcing agreement, many functions are being transitioned to IBM and many new personnel are assuming responsibilities across these functions, increasing the risk of operational delays, potential errors and control failures which may have an impact on us and our financial condition. Additionally, new information technology systems and process changes are also being put into place increasing the risk of operational delays, potential errors and control failures which may have an adverse impact on us and our financial condition.

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

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

Security breaches or computer viruses could harm our business by disrupting delivery of services and damaging our reputation.

As part of our business, we electronically receive, process, store, and transmit sensitive business information of our customers. Unauthorized access to our computer systems or databases could result in the theft or publication of confidential information or the deletion or modification of records or could otherwise cause interruptions in our operations. These concerns about security are increased when we transmit information over the Internet. Security breaches in connection with the delivery of our products and services, including products and services utilizing the

Internet, or well-publicized security breaches, and the trend toward broad consumer and general public notification of such incidents, could significantly harm our business, financial condition and/or results of operations. We cannot be certain that advances in criminal capabilities, discovery of new vulnerabilities, attempts to exploit vulnerabilities in our systems, data thefts, physical system or network break-ins or inappropriate access, or other developments will not compromise or breach the technology protecting our networks and confidential information. Computer viruses

Table of Contents

have also been distributed and have rapidly spread over the Internet. Computer viruses could infiltrate our systems, disrupting our delivery of services and making our applications unavailable. Any inability to prevent security breaches or computer viruses could also cause existing customers to lose confidence in our systems and terminate their agreements with us, and could inhibit our ability to attract new customers.

If our products and services fail to comply with government regulations and industry standards to which are customers are subject, it could result in a loss of customers and decreased revenue.

Our customers are subject to a number of government regulations and industry standards with which our products and services must comply. For example, our products are affected by VISA and MasterCard electronic payment standards that are generally updated twice annually. In addition, action by regulatory authorities relating to credit availability, data usage, privacy, or other related regulatory developments could have an adverse effect on our customers and therefore could have a material adverse effect on our business, financial condition, and results of operations.

If we fail to comply with privacy regulations imposed on providers of services to financial institutions, our business could be harmed.

As a provider of services to financial institutions, we may be bound by the same limitations on disclosure of the information we receive from our customers as apply to the financial institutions themselves. If we are subject to these limitations and we fail to comply with applicable regulations, we could be exposed to suits for breach of contract or to governmental proceedings, our customer relationships and reputation could be harmed, and we could be inhibited in our ability to obtain new customers. In addition, if more restrictive privacy laws or rules are adopted in the future on the federal or state level, or, with respect to our international operations, by authorities in foreign jurisdictions on the national, provincial, state, or other level, that could have an adverse impact on our business.

If we experience system failures, the products and services we provide to our customers could be delayed or interrupted, which could harm our business and reputation and result in the loss of customers.

Our ability to provide reliable service in a number of our businesses depends on the efficient and uninterrupted operations of our computer network systems and data centers. Our systems and operations could be exposed to damage or interruption from fire, natural disaster, power loss, telecommunications failure, unauthorized entry, and computer viruses. Although we have taken steps to prevent system failures, we cannot be certain that our measures will be successful. Further, our property and business interruption insurance may not be adequate to compensate us for all losses or failures that may occur. Any significant interruptions could:

increase our operating expenses to correct problems caused by the interruption;

harm our business and reputation;

result in a loss of customers; or

expose us to liability.

Any one or more of the foregoing occurrences could have a material adverse effect on our business, financial condition, and results of operations.

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

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

Table of Contents

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

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

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

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

We may acquire new products and services or enhance existing products and services through acquisitions of other companies, product lines, technologies and personnel, or through investments in other companies. During fiscal 2007, we acquired Visual Web and Stratasoft. Any acquisition or investment, including the acquisitions of Visual Web and Stratasoft, is subject to a number of risks. Such risks include the diversion of management time and resources, disruption of our ongoing business, dilution to existing stockholders if our common stock is issued in consideration for an acquisition or investment, incurring or assuming indebtedness or other liabilities in connection with an acquisition, lack of familiarity with new markets, and difficulties in supporting new product lines.

Further, even if we successfully complete acquisitions, we face challenges in integrating any acquired business. These challenges include eliminating redundant operations, facilities and systems, coordinating management and personnel, retaining key employees, managing different corporate cultures, and achieving cost reductions and cross-selling opportunities. There can be no assurance that we will be able to fully integrate all aspects of acquired businesses successfully or fully realize the potential benefits of bringing them together, and the process of integrating these acquisitions may disrupt our business and divert our resources.

Our failure to successfully manage acquisitions or investments, or successfully integrate acquisitions could have a material adverse effect on our business, financial condition and/or results of operations. Correspondingly, our expectations related to the benefits related to the Visual Web and Stratasoft acquisitions, prior acquisitions in 2005

and 2006 or any other future acquisition or investment could be inaccurate.

Table of Contents

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease office space in New York, New York for our principal executive headquarters. We also lease office space in Omaha, Nebraska, for our principal product development group, sales and support groups for the Americas, as well as our corporate, accounting and administrative functions. We moved into our new Omaha-based facility during the year ended December 31, 2008, which facility is under a lease that continues through 2028. Our EMEA headquarters is located in Watford, England. The lease for the Watford facility expires at the end of 2016. Our Asia/Pacific headquarters is located in Singapore, with the lease for this facility expiring in fiscal 2011. We also lease office space in numerous other locations in the United States and in many other countries.

We believe that our current facilities are adequate for our present and short-term foreseeable needs and that additional suitable space will be available as required. We also believe that we will be able to renew leases as they expire or secure alternate suitable space. See Note 17, *Commitments and Contingencies*, in the Notes to Consolidated Financial Statements for additional information regarding our obligations under our facilities leases.

ITEM 3. LEGAL PROCEEDINGS

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

Class Action Litigation. In November 2002, two class action complaints were filed in the U.S. District Court for the District of Nebraska (the Court) against us and certain individuals alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. Pursuant to a Court order, the two complaints were consolidated as *Desert Orchid Partners v. Transaction Systems Architects, Inc., et al.*, with Genesee County Employees Retirement System designated as lead plaintiff. The complaints, as amended, sought unspecified damages, interest, fees, and costs and alleged that (i) during the purported class period, we and the named defendants misrepresented our historical financial condition, results of operations and our future prospects, and failed to disclose facts that could have indicated an impending decline in our revenues, and (ii) prior to August 2002, the purported truth regarding our financial condition had not been disclosed to the market while simultaneously alleging that the purported truth about our financial condition was being disclosed throughout that time, commencing in April 1999. We and the individual defendants filed a motion to dismiss and the lead plaintiff opposed the motion. Prior to any ruling on the motion to dismiss, on November 7, 2006, the parties entered into a Stipulation of Settlement for purposes of settling all of the claims in the Class Action Litigation, with no admissions of wrongdoing by us or any individual defendant. The settlement provides for an aggregate cash payment of \$24.5 million of which, net of insurance, we contributed approximately \$8.5 million. The settlement was approved by the Court on March 2, 2007 and the Court

ordered the case dismissed with prejudice against us and the individual defendants.

On March 27, 2007, James J. Hayes, a class member, filed a notice of appeal with the United States Court of Appeals for the Eighth Circuit appealing the Court's order. On August 13, 2008, the Court of Appeals affirmed the judgment of the district court dismissing the case. Thereafter, Mr. Hays petitioned the Court of Appeals for a rehearing en banc, which petition was denied on September 22, 2008. On January 23, 2009 we were informed that

Table of Contents

Mr. Hayes filed a petition with the U.S. Supreme Court seeking a writ of certiorari which was docketed on February 20, 2009.

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

No matters were submitted to vote of stockholders during the fourth quarter of 2008.

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

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

	Year Ended		Three Months		Year Ended	
	December 31, 2008		December 31, 2007		September 30, 2007	
	High	Low	High	Low	High	Low
Fourth quarter	\$ 17.94	\$ 8.86	\$ 26.19	\$ 16.51	\$ 36.68	\$ 20.65
Third quarter	\$ 22.49	\$ 14.16			\$ 35.48	\$ 30.60
Second quarter	\$ 23.19	\$ 16.10			\$ 38.72	\$ 28.10
First quarter	\$ 21.39	\$ 12.32			\$ 37.14	\$ 31.45

As of February 27, 2009, there were 242 holders of record of our common stock. A substantially greater number of holders of our common stock are street name or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

Dividends

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

Issuer Purchases of Equity Securities

We did not repurchase any of our common stock during the three-month period ended December 31, 2008.

Our board of directors has approved a stock repurchase program authorizing us, from time to time as market and business conditions warrant, to acquire up to \$210 million of our common stock. The maximum remaining dollar value of shares authorized for repurchase under the stock repurchase plan was approximately \$56 million at December 31, 2008. We can provide no assurance that any future purchases of shares will be made under this program. Any determination by the board of directors to repurchase any shares in 2009 will depend upon market conditions, our liquidity, our financial position, alternative use of capital and other factors.

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA**

The following selected financial data has been derived from our consolidated financial statements. This data should be read together with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements and related notes included elsewhere in this Annual Report. The data for the consolidated balance sheet as of September 30, 2004 has been restated in prior years to reflect the impact of the stock-based compensation adjustments, but such restated data has not been audited and is derived from our books and records. The financial information below is not necessarily indicative of the results of future operations. Future results could differ materially from historical results due to many factors, including those discussed in Item 1A in the section entitled Risk Factors Factors That May Affect Our Future Results or the Market Price of our Common Stock.

	Year Ended December 31, 2008	Three Months Ended December 31, 2007	2007	Year Ended September 30, 2006	2005	2004
	(In thousands, except per share data)					
Income Statement Data:						
Total revenues	\$ 417,653	\$ 101,282	\$ 366,218	\$ 347,902	\$ 313,237	\$ 292,784
Net income (loss)(1)	\$ 10,582	\$ (2,016)	\$ (9,131)	\$ 55,365	\$ 43,099	\$ 46,306
Earnings (loss) per share:						
Basic	\$ 0.31	\$ (0.06)	\$ (0.25)	\$ 1.48	\$ 1.14	\$ 1.25
Diluted	\$ 0.30	\$ (0.06)	\$ (0.25)	\$ 1.45	\$ 1.12	\$ 1.21
Shares used in computing earnings per share:						
Basic	34,498	35,700	36,933	37,369	37,682	37,001
Diluted	34,795	35,700	36,933	38,237	38,507	38,117
	As of December 31, 2008	2007	2007	As of September 30, 2006	2005	2004
Balance Sheet Data:						
Working capital(2)	\$ 80,280	\$ 39,585	\$ 17,358	\$ 67,932	\$ 120,594	\$ 124,088
Total assets(2)	552,842	570,458	506,741	539,365	363,700	325,959
Current portion of debt					2,165	7,027
Debt (long-term portion)(2)(3)	76,014	75,911	76,546	78,093	905	2,672
Stockholders' equity(1)	213,841	241,039	225,012	267,212	217,438	187,462

(1) We adopted FAS 123(R) using the modified prospective transition method on October 1, 2005.

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

(3)

Debt (long-term portion) also includes long-term capital lease obligations of \$1.0 million, \$0.9 million, \$1.5 million, \$3.1 million, \$0.8 million, and \$0.3 million as of December 31, 2008 and 2007, and September 30, 2007, 2006, 2005, and 2004, respectively, which is included in other noncurrent liabilities in the consolidated balance sheets.

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

OVERVIEW

We develop, market, install and support a broad line of software products and services primarily focused on facilitating electronic payments. In addition to our own products, we distribute, or act as a sales agent for, software developed by third parties. Our products are sold and supported through distribution networks covering three

Table of Contents

geographic regions the Americas, EMEA and Asia/Pacific. Each distribution network has its own sales force and supplements its sales force with independent reseller and/or distributor networks. Our products and services are used principally by financial institutions, retailers and electronic payment processors, both in domestic and international markets. Accordingly, our business and operating results are influenced by trends such as information technology spending levels, the growth rate of the electronic payments industry, mandated regulatory changes, and changes in the number and type of customers in the financial services industry. Our products are marketed under the ACI Worldwide brand.

We derive a majority of our revenues from non-domestic operations and believe our greatest opportunities for growth exist largely in international markets. Refining our global infrastructure is a critical component of driving our growth. We have launched a globalization strategy which includes elements intended to streamline our supply chain and provide low-cost centers of expertise to support a growing international customer base. In fiscal 2006, we established a new subsidiary in Ireland to serve as the focal point for certain international product development and commercialization efforts. This subsidiary oversees remote software development operations in Romania and elsewhere, as well as manages certain of our intellectual property rights. During 2008, we have continued our efforts to try and take a direct selling and support strategy in certain countries where historically we have used third-party distributors to represent our products, in an effort to develop closer relationships with our customers and develop a stronger overall position in those countries. We also moved our principal executive offices to New York City in September 2006 to manage our global infrastructure more strategically.

We have launched a service called ACI On Demand, wherein we host our payment systems and sell them as a service to banks, retailers and processors.

On February 23, 2007, our board of directors approved a change in the Company's fiscal year from a September 30 fiscal year-end to a December 31 fiscal year-end, effective as of January 1, 2008 for the fiscal year ended December 31, 2008. In accordance with applicable SEC Rules, we filed a Transition Report on Form 10-Q for the transition period from October 1, 2007 to December 31, 2007, with the SEC on February 19, 2008. Accordingly, the consolidated financial statements included herein present our financial position as of December 31, 2008 and 2007 and September 30, 2007, and the results of our operations, cash flows and changes in stockholders' equity for the year ended December 31, 2008, the three-month period ended December 31, 2007, and the years ended September 30, 2007 and 2006.

Key trends that currently impact our strategies and operations include:

Global Financial Markets Uncertainty. The continuing uncertainty in the global financial markets has negatively impacted general business conditions. It is possible that a weakening economy could adversely affect our customers, their purchasing plans, or even their solvency, but we cannot predict whether or to what extent this will occur. We have diversified counterparties and customers, but we continue to monitor our counterparty and customer risks closely. While the effects of the economic conditions in the future are not predictable, we believe our global presence, the breadth and diversity of our service offerings and our enhanced expense management capabilities position us well in a slower economic climate.

Availability of Credit. There have been significant disruptions in the capital and credit markets during the past year and many lenders and financial institutions have reduced or ceased to provide funding to borrowers. The availability of credit, confidence in the entire financial sector, and volatility in financial markets has been adversely affected. These disruptions are likely to have some impact on all institutions in the U.S. banking and financial industries, including our lenders and the lenders of our customers. The Federal Reserve Bank has been providing vast amounts of liquidity into the banking system to compensate for weaknesses in short-term borrowing markets and other capital markets. A reduction in the Federal Reserve's activities or capacity could

reduce liquidity in the markets, thereby increasing funding costs or reducing the availability of funds to finance our existing operations as well as those of our customers. We are not currently dependent upon short-term funding, and the limited availability of credit in the market has not affected our revolving credit facility or our liquidity or materially impacted our funding costs.

Increasing electronic payment transaction volumes. Electronic payment volumes continue to increase around the world, taking market share from traditional cash and check transactions. In 2006, we

Table of Contents

commissioned an industry study that determined that electronic payment volumes are expected to grow at approximately 13% per year for the following five years, with varying growth rates based on the type of payment and part of the world. We leverage the growth in transaction volumes through the licensing of new systems to customers whose older systems cannot handle increased volume and through the licensing of capacity upgrades to existing customers.

Increasing competition. The electronic payments market is highly competitive and subject to rapid change. Our competition comes from in-house information technology departments, third-party electronic payment processors and third-party software companies located both within and outside of the United States. Many of these companies are significantly larger than us and have significantly greater financial, technical and marketing resources. As electronic payment transaction volumes increase, third-party processors tend to provide competition to our solutions, particularly among customers that do not seek to differentiate their electronic payment offerings. As consolidation in the financial services industry continues, we anticipate that competition for those customers will intensify.

Aging payments software. In many markets, electronic payments are processed using software developed by internal information technology departments, much of which was originally developed over ten years ago. Increasing transaction volumes, industry mandates and the overall costs of supporting these older technologies often serve to make these older systems obsolete, creating opportunities for us to replace this aging software with newer and more advanced products.

Adoption of open systems technology. In an effort to leverage lower-cost computing technologies and current technology staffing and resources, many financial institutions, retailers and electronic payment processors are seeking to transition their systems from proprietary technologies to open technologies such as Microsoft Windows, UNIX and Linux. Our continued investment in open systems technologies is, in part, designed to address this demand.

Electronic payments fraud and compliance. As electronic payment transaction volumes increase, criminal elements continue to find ways to commit a growing volume of fraudulent transactions using a wide range of techniques. Financial institutions, retailers and electronic payment processors continue to seek ways to leverage new technologies to identify and prevent fraudulent transactions. Due to concerns with international terrorism and money laundering, financial institutions in particular are being faced with increasing scrutiny and regulatory pressures. We continue to see opportunity to offer our fraud detection solutions to help customers manage the growing levels of electronic payment fraud and compliance activity.

Adoption of smartcard technology. In many markets, card issuers are being required to issue new cards with embedded chip technology. Chip-based cards are more secure, harder to copy and offer the opportunity for multiple functions on one card (e.g. debit, credit, electronic purse, identification, health records, etc.). The EMV standard for issuing and processing debit and credit card transactions has emerged as the global standard, with many regions throughout the world working on EMV rollouts. The primary benefit of EMV deployment is a reduction in electronic payment fraud, with the additional benefit that the core infrastructure necessary for multi-function chip cards is being put in place (e.g. chip card readers in ATM's and POS devices). We are working with many customers around the world to facilitate EMV deployments, leveraging several of our solutions.

Single Euro Payments Area (SEPA) and Faster Payments Mandates. The SEPA and Faster Payment initiatives, primarily focused on the European Economic Community and the United Kingdom, are designed to facilitate lower costs for cross-border payments and facilitate reduced timeframes for settling electronic payment transactions. Our retail and wholesale banking solutions provide key functions that help financial

institutions address these mandated regulations.

Financial institution consolidation. Consolidation continues on a national and international basis, as financial institutions seek to add market share and increase overall efficiency. Such consolidations have increased, and may continue to increase, in their number, size and market impact as a result of the global economic crisis and the financial crisis affecting the banking and financial industries. There are several potential negative effects of increased consolidation activity. Continuing consolidation of financial

Table of Contents

institutions may result in a smaller number of existing and potential customers for our products and services. Consolidation of two of our customers could result in reduced revenues if the combined entity were to negotiate greater volume discounts or discontinue use of certain of our products. Additionally, if a non-customer and a customer combine and the combined entity in turn decides to forego future use of our products, our revenue would decline. Conversely, we could benefit from the combination of a non-customer and a customer when the combined entity continues use of our products and, as a larger combined entity, increases its demand for our products and services. We tend to focus on larger financial institutions as customers, often resulting in our solutions being the solutions that survive in the consolidated entity.

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

Several other factors related to our business may have a significant impact on our operating results from year to year. For example, the accounting rules governing the timing of revenue recognition in the software industry are complex and it can be difficult to estimate when we will recognize revenue generated by a given transaction. Factors such as maturity of the software product licensed, payment terms, creditworthiness of the customer, and timing of delivery or acceptance of our products often cause revenues related to sales generated in one period to be deferred and recognized in later periods. For arrangements in which services revenue is deferred, related direct and incremental costs may also be deferred. Additionally, while the majority of our contracts are denominated in the United States dollar, a substantial portion of our sales are made, and some of our expenses are incurred, in the local currency of countries other than the United States. Fluctuations in currency exchange rates in a given period may result in the recognition of gains or losses for that period. Also during the year ended September 30, 2007, we entered into two interest rate swaps with a commercial bank whereby we pay a fixed rate of 5.375% and 4.90% and receive a floating rate indexed to the 3-month LIBOR from the counterparty on a notional amount of \$75 million and \$50 million that is not yet outstanding under the credit facility, respectively. Fluctuations in interest rates in a given period may result in the recognition of gains or losses for that period.

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

International Business Machines Corporation Alliance

On December 16, 2007, we entered into an Alliance Agreement (Alliance) with International Business Machines Corporation (IBM) relating to joint marketing and optimization of our electronic payments application software and IBM s middleware and hardware platforms, tools and services. On March 17, 2008, the Company and IBM entered into Amendment No. 1 to the Alliance (Amendment No. 1 and included hereafter in all references to the Alliance), which changed the timing of certain payments to be made by IBM. Under the terms of the Alliance, each party will retain ownership of its respective intellectual property and will independently determine product offering pricing to

customers. In connection with the formation of the Alliance, we granted warrants to IBM to purchase up to 1,427,035 shares of our common stock at a price of \$27.50 per share and up to 1,427,035 shares of our common stock at a price of \$33.00 per share. The warrants are exercisable for five years.

Table of Contents

The stated initial term of the Alliance is five years, subject to extension for successive two-year terms if not previously terminated by either party and subject to earlier termination for cause.

During the year ended December 31, 2008, we received a second payment from IBM of \$37.3 million per the Alliance. This payment has been recorded in the Alliance agreement liability in the accompanying consolidated balance sheet as of December 31, 2008. This amount represents a prepayment of funding for technical enablement milestones and incentive payments to be earned under the Alliance and related agreements, and accordingly a portion of this payment is subject to refund by us to IBM under certain circumstances. As of December 31, 2008, \$20.7 million is refundable subject to achievement of future milestones.

International Business Machines Corporation Outsourcing Agreement

On March 17, 2008, we entered into a Master Services Agreement (Outsourcing Agreement) with IBM to outsource our internal information technology (IT) environment to IBM. Under the terms of the Outsourcing Agreement, IBM provides us with global IT infrastructure services including the following services, which were provided by our employees: cross functional delivery management services, asset management services, help desk services, end user services, server system management services, storage management services, data network services, enterprise security management services and disaster recovery/business continuity plans (collectively, the IT Services). We retain responsibility for our security policy management and on-demand business operations.

The initial term of the Outsourcing Agreement is seven years, commencing on March 17, 2008. We have the right to extend the Outsourcing Agreement for one additional one-year term unless otherwise terminated in accordance with the terms of the Outsourcing Agreement. Under the Outsourcing Agreement, we retain the right to terminate the agreement both for cause and for convenience. However, upon any termination of the Outsourcing Agreement by us for any reason (other than for material breach by IBM), we will be required to pay a termination charge to IBM, which charge may be material.

We pay IBM for the IT Services through a combination of fixed and variable charges, with the variable charges fluctuating based on our actual need for such services as well as the applicable service levels and statements of work. Based on the currently projected usage of these IT Services, we expect to pay \$116 million to IBM in service fees and project costs over the initial seven-year term.

In addition, IBM is providing us with certain transition services required to transition our IT operations embodied in the IT Services in accordance with a mutually agreed upon transition plan (the Transition Services). We currently expect the Transition Services to be completed approximately 18 months after the effective date of the Outsourcing Agreement and to pay IBM approximately \$8 million for the Transition Services over a period of five years. We have recorded approximately \$6.6 million of expense for Transition Services during the year ended December 31, 2008 that are included in general and administrative expenses in the accompanying consolidated statement of operations. We expect to recognize the remaining expense for Transition Services during the first half of 2009. We incurred an additional \$0.9 million of staff augmentation costs related to the Transition Services during the year ended December 31, 2008 that are included in general and administrative expenses in the accompanying consolidated statement of operations.

To protect our expectations regarding IBM s performance, the Outsourcing Agreement has performance standards and minimum services levels that IBM must meet or exceed. If IBM fails to meet a given performance standard, we would, in certain circumstances, receive a credit against the charges otherwise due.

Additionally, to assure that the charges under the Outsourcing Agreement do not become significantly higher than the market rate for such services, we have the right to periodically perform benchmark studies to determine whether IBM s

price and performance are consistent with the then current market. We have the right to conduct such benchmark studies, at its cost, beginning in the second year of the Outsourcing Agreement.

As a result of the Outsourcing Agreement, 16 of our employees became employees of IBM and another 62 positions were eliminated.

Table of Contents

2008 Restructuring Plan

During the year ended December 31, 2008, we reduced our headcount by 110 employees as a part of our strategic plan to reduce operating expenses. In connection with these actions, during the year ended December 31, 2008, \$5.6 million of termination costs were recognized in general and administrative expense in the accompanying consolidated statement of operations. Headcount reductions will continue during the first half of 2009 and we expect to recognize an additional \$3.0 million to \$5.0 million of expense.

Approximately \$3.0 million of the severance costs related to the headcount reduction were paid prior to December 31, 2008, the majority of the remaining liability is expected to be paid during the first quarter of 2009, with a portion being spread through the third quarter of 2009. We expect to complete our restructuring activities by the end of the first half of 2009.

ACQUISITIONS

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

On September 29, 2006, we completed the acquisition of P&H Solutions, Inc. (P&H). P&H was a leading provider of enterprise business banking solutions and provides a complement to our existing revenue producing activities. The aggregate purchase price for P&H, including direct costs of the acquisition, was \$133.7 million, net of \$20.2 million of cash acquired, approximately \$73.3 million of which was financed by the Credit Agreement described in Note 6, Debt, in the Notes to Consolidated Financial Statements, with the remaining cash of \$60.4 million derived from the sale of investments. The acquisition of P&H has extended our wholesale payments solutions suite, provided us with an Application Software Provider (ASP)-based offering and allowed us to distribute P&H's solutions into international markets through our global distribution channel.

On February 7, 2007, we acquired Visual Web Solutions, Inc. Visual Web marketed trade finance and web-based cash management solutions, primarily to financial institutions in the Asia/Pacific region. Visual Web had sales and customer support office in Singapore, and a product development facility in Bangalore, India. The aggregate purchase price of Visual Web, including direct costs of the acquisition, was \$8.3 million, net of \$1.1 million of cash acquired.

On April 2, 2007, we acquired Stratasoft Sdn. Bhd. Stratasoft was a Kuala Lumpur based company focused on the provision of mainframe based payments systems to the Malaysian market. Prior to the acquisition, Stratasoft had been a distributor of our OCM 24 product within the Malaysian market since 1995. The aggregate purchase price of Stratasoft, including direct costs of the acquisition, was \$2.5 million, net of \$0.7 million of cash acquired.

ASSETS OF BUSINESSES TRANSFERRED UNDER CONTRACTUAL ARRANGEMENTS

On September 29, 2006, we completed the sale of the eCourier and Workpoint product lines to PlaNet Group, Inc. We retained rights to distribute these products as components of our electronic payments solutions. See Note 16, Assets of Businesses Transferred Under Contractual Arrangements , in the Notes to Consolidated Financial Statements for further detail.

Table of Contents

BACKLOG

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

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

Maintenance fees are assumed to exist for the duration of the license term for those contracts in which the committed maintenance term is less than the committed license term.

License and facilities management arrangements are assumed to renew at the end of their committed term at a rate consistent with our historical experiences.

Non-recurring license arrangements are assumed to renew as recurring revenue streams.

Foreign currency exchange rates are assumed to remain constant over the 60-month backlog period for those contracts stated in currencies other than the U.S. dollar.

Our pricing policies and practices are assumed to remain constant over the 60-month backlog period.

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

Anticipated increases in transaction volumes in customer systems.

Optional annual uplifts or inflationary increases in recurring fees.

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

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

For the three months ended December 31, 2007, we completed a comprehensive review of the assumptions used and data required in computing our backlog estimates. The 60-month and 12-month backlog estimates set forth below for the period ended September 30, 2007 have been revised to reflect these adjustments.

The review identified two categories of adjustments:

Adjustments due to inaccurate or incomplete data resulting in a historical over-statement of previously reported backlog estimates, and

Adjustments required to conform with the recently adopted backlog policy resulting in a historical under-statement of previously reported backlog estimates.

While this review is complete and we do not expect further adjustments to previously reported backlog estimates, we continue to review the processes, procedures, tools, and assumptions used in preparing backlog estimates.

In addition, we also completed a review of our customer renewal experience over the 12-month period ended December 31, 2007 which was further updated for the 6-month period ended June 30, 2008. The impact of this review and subsequent update resulted in a revision to the renewal assumptions used in computing the 60-month and 12-month backlog estimates. Backlog results for all reported periods have been updated to reflect our most recent customer renewal experience. We expect to perform an annual review of customer renewal experience. In the event a revision to renewal assumptions is determined to be necessary, prior periods will be adjusted for comparability purposes.

Table of Contents

The following table sets forth our 60-month backlog estimate, by geographic region, as of December 31, 2008, September 30, 2008, June 30, 2008, March 31, 2008, December 31, 2007 and September 30, 2007 (in millions). Dollar amounts reflect foreign currency exchange rates as of each period end.

	December 31, 2008		September 30, 2008		June 30, 2008		March 31, 2008		December 31, 2007		September 30, 2007	
Americas	\$	771	\$	744	\$	744	\$	731	\$	739	\$	723
EMEA		480		511		534		523		505		491
Asia/Pacific		156		159		159		154		144		135
Total	\$	1,407	\$	1,414	\$	1,437	\$	1,408	\$	1,388	\$	1,349

Included in our 60-month backlog estimates are amounts expected to be recognized during the initial license term of customer contracts (Committed Backlog) and amounts expected to be recognized from assumed renewals of existing customer contracts (Renewal Backlog). Amounts expected to be recognized from assumed contract renewals are based on the Company's historical renewal experience. The estimated Committed and Renewal 60-month Backlog estimate as of December 31, 2008 is \$757 million and \$650 million, respectively.

We also estimate 12-month backlog, segregated between monthly recurring and non-recurring revenues, using a methodology consistent with the 60-month backlog estimate. Monthly recurring revenues include all monthly license fees, maintenance fees and processing services fees. Non-recurring revenues include other software license fees and services. Amounts included in our 12-month backlog estimate assume renewal of one-time license fees on a monthly fee basis if such renewal is expected to occur in the next 12 months. The following table sets forth our 12-month backlog estimate, by geographic region, as of December 31, 2008, December 31, 2007 and September 30, 2007 (in millions). Dollar amounts reflect currency exchange rates as of each period end.

	December 31, 2008			December 31, 2007			September 30, 2007		
	Monthly Recurring	Non-Recurring	Total	Monthly Recurring	Non-Recurring	Total	Monthly Recurring	Non-Recurring	Total
Americas	\$ 133	\$ 40	\$ 173	\$ 130	\$ 30	\$ 160	\$ 125	\$ 34	\$ 159
EMEA	73	37	110	73	66	139	70	66	136
Asia/Pacific	28	14	42	26	11	37	26	8	34
Total	\$ 234	\$ 91	\$ 325	\$ 229	\$ 107	\$ 336	\$ 221	\$ 108	\$ 329

Estimates of future financial results are inherently unreliable. Our backlog estimates require substantial judgment and are based on a number of assumptions as described above. These assumptions may turn out to be inaccurate or wrong, including for reasons outside of management's control. For example, our customers may attempt to renegotiate or terminate their contracts for a number of reasons, including mergers, changes in their financial condition, or general changes in economic conditions in the customer's industry or geographic location, or we may experience delays in the development or delivery of products or services specified in customer contracts which may cause the actual renewal rates and amounts to differ from historical experiences. Changes in foreign currency exchange rates may also impact the amount of revenue actually recognized in future periods. Accordingly, there can be no assurance that amounts

included in backlog estimates will actually generate the specified revenues or that the actual revenues will be generated within the corresponding 12-month or 60-month period. Additionally, because backlog estimates are operating metrics, the estimates are not subject to the same level of internal review or controls as a GAAP financial measure.

Table of Contents**RESULTS OF OPERATIONS**

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

	Year Ended December 31, 2008		Year Ended September 30, 2007			
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue
Revenues:						
Initial license fees (ILFs)	\$ 94,999	22.7%	\$ 87,341	23.8%	\$ 107,347	30.9%
Monthly license fees (MLFs)	74,211	17.8%	62,144	17.0%	68,282	19.6%
Software license fees	169,210	40.5%	149,485	40.8%	175,629	50.5%
Maintenance fees	130,015	31.1%	121,233	33.1%	103,708	29.8%
Services	118,428	28.4%	95,500	26.1%	68,565	19.7%
Total revenues	417,653	100.0%	366,218	100.0%	347,902	100.0%
Expenses:						
Cost of software license fees	45,487	10.9%	42,237	11.5%	31,124	8.9%
Cost of maintenance and services	124,744	29.9%	98,605	26.9%	79,622	22.9%
Research and development	45,896	11.0%	52,088	14.2%	40,768	11.7%
Selling and marketing	74,028	17.7%	70,280	19.2%	66,720	19.2%
General and administrative	105,785	25.3%	100,589	27.5%	67,440	19.4%
Settlement of class action litigation		0.0%		0.0%	8,450	2.4%
Total expenses	395,940	94.8%	363,799	99.3%	294,124	84.5%
Operating income	21,713	5.2%	2,419	0.7%	53,778	15.5%
Other income (expense):						
Interest income	2,609	0.6%	4,082	1.1%	7,825	2.2%
Interest expense	(5,013)	(1.2)%	(6,644)	(1.8)%	(185)	(0.1)%
Other, net	8,247	2.0%	(3,740)	(1.0)%	(543)	(0.2)%
Total other income (expense)	5,843	1.4%	(6,302)	(1.7)%	7,097	2.0%
	27,556					

Income (loss) before
income taxes