UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2006

OR

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

For the transition period from ______________ to ________________

Commission file number 0-14112

JACK HENRY & ASSOCIATES, INC.
(Exact name of registrant as specified in its charter)

| Delaware | 43-1128385 |
|---|---|
| (State or Other Jurisdiction of Incorporation) | I.R.S. Employer Identification No.) |

663 Highway 60, P.O. Box 807, Monett, MO 65708
Address of Principle Executive Offices (Zip Code)

417-235-6652
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes [X] No [ ]

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of May 1, 2006, Registrant has 92,678,455 shares of common stock outstanding ($0.01 par value)

JACK HENRY & ASSOCIATES, INC.
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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share and Per Share Data)

| | March 31, 2006 | June 30, 2005 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 38,805 | $ 11,608 |
| Investments, at amortized cost | 2,109 | 993 |
| Receivables | 99,717 | 209,922 |
| Prepaid expenses and other | 15,900 | 14,986 |
| Prepaid cost of product | 14,340 | 20,439 |
| Deferred income taxes | 2,650 | 2,345 |
| Total current assets | 173,521 | 260,293 |
| PROPERTY AND EQUIPMENT, net | 250,876 | 243,191 |
| OTHER ASSETS: | | |
| Prepaid cost of product | 14,753 | 10,413 |
| Computer software, net of amortization | 40,496 | 29,488 |
| Other non-current assets | 8,452 | 6,868 |
| Customer relationships, net of amortization | 64,824 | 68,475 |
| Trade names | 4,010 | 4,010 |
| Goodwill | 212,442 | 191,415 |
| Total other assets | 344,977 | 310,669 |
| Total assets | $ 769,374 | $ 814,153 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 6,255 | $ 15,895 |
| Accrued expenses | 21,457 | 24,844 |
| Accrued income taxes | 360 | 3,239 |
| Note payable | 25,000 | 45,000 |
| Deferred revenues | 72,664 | 157,605 |
| Total current liabilities | 125,736 | 246,583 |
| LONG TERM LIABILITIES: | | |
| Deferred revenues | 19,015 | 13,331 |
| Deferred income taxes | 44,725 | 37,085 |
| Total long term liabilities | 63,740 | 50,416 |
| Total liabilities | 189,476 | 296,999 |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock - $1 par value; 500,000 shares authorized, none issued | - | - |
| Common stock - $0.01 par value: 250,000,000 shares authorized; Shares issued at 03/31/06 were 93,717,101 Shares issued at 06/30/05 were 92,050,778 | 937 | 920 |
| Additional paid-in capital | 219,948 | 195,878 |
| Retained earnings | 381,541 | 330,308 |
| Less treasury stock at cost 1,240,500 shares at 03/31/06, 553,300 shares at 06/30/05 | (22,528) | (9,952) |
| Total stockholders' equity | 579,898 | 517,154 |
| Total liabilities and stockholders' equity | $ 769,374 | $ 814,153 |

See notes to condensed consolidated financial statements

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Data)
(Unaudited)

| | Three Months Ended March 31, 2006 | Three Months Ended March 31, 2005 | Nine Months Ended March 31, 2006 | Nine Months Ended March 31, 2005 |
|---|---|---|---|---|
| REVENUE | | | | |
| License | $ 20,566 | $ 20,943 | $ 58,310 | $ 62,642 |
| Support and service | 106,083 | 92,509 | 312,008 | 263,883 |
| Hardware | 18,846 | 20,930 | 59,577 | 67,913 |
| Total | 145,495 | 134,382 | 429,895 | 394,438 |
| COST OF SALES | | | | |
| Cost of license | 222 | 1,085 | 2,134 | 4,428 |
| Cost of support and service | 67,962 | 61,436 | 198,555 | 178,412 |
| Cost of hardware | 13,629 | 14,584 | 43,486 | 49,010 |
| Total | 81,813 | 77,105 | 244,175 | 231,850 |
| GROSS PROFIT | 63,682 | 57,277 | 185,720 | 162,588 |
| OPERATING EXPENSES | | | | |
| Selling and marketing | 12,292 | 11,598 | 36,032 | 34,250 |
| Research and development | 8,435 | 7,738 | 23,187 | 20,621 |
| General and administrative | 8,239 | 6,915 | 27,174 | 22,507 |
| Total | 28,966 | 26,251 | 86,393 | 77,378 |
| OPERATING INCOME | 34,716 | 31,026 | 99,327 | 85,210 |
| INTEREST INCOME (EXPENSE) | | | | |
| Interest income | 731 | 171 | 1,599 | 989 |
| Interest expense | (590) | (110) | (897) | (127) |
| Total | 141 | 61 | 702 | 862 |
| INCOME BEFORE INCOME TAXES | 34,857 | 31,087 | 100,029 | 86,072 |
| PROVISION FOR INCOME TAXES | 11,397 | 11,658 | 35,511 | 32,277 |
| NET INCOME | $ 23,460 | $ 19,429 | $ 64,518 | $ 53,795 |
| Diluted net income per share | $ 0.25 | $ 0.21 | $ 0.69 | $ 0.58 |
| Diluted weighted average shares outstanding | 94,390 | 93,421 | 94,008 | 92,954 |
| Basic net income per share | $ 0.26 | $ 0.21 | $ 0.70 | $ 0.59 |
| Basic weighted average shares outstanding | 91,952 | 91,212 | 91,622 | 90,716 |

See notes to condensed consolidated financial statements

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

| | Nine Months Ended March 31, 2006 | Nine Months Ended March 31, 2005 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income | $ 64,518 | $ 53,795 |
| Adjustments to reconcile net income from operations to cash from operating activities: | | |
| Depreciation | 24,689 | 21,900 |
| Amortization | 7,843 | 6,548 |
| Deferred income taxes | 5,777 | 5,045 |
| Expense for stock-based compensation | 364 | - |
| Loss on disposal of property and equipment | 108 | 1,016 |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Receivables | 110,872 | 94,879 |
| Prepaid expenses, prepaid cost of product, and other | (716) | 382 |
| Accounts payable | (9,906) | (2,819) |
| Accrued expenses | (4,105) | (5,354) |
| Income taxes (including tax benefit of $3,463 from exercise of stock options for 2005) | (2,905) | 1,380 |
| Deferred revenues | (83,155) | (71,656) |
| Net cash from operating activities | 113,384 | 105,116 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Payment for acquisitions, net | (20,744) | (119,616) |
| Capital expenditures | (32,228) | (33,428) |
| Computer software developed | (11,908) | (4,607) |
| Proceeds from investments | 3,327 | 4,000 |
| Purchase of investments | (2,746) | (3,983) |
| Proceeds from sale of property and equipment | 29 | 150 |
| Other, net | 223 | 105 |
| Net cash from investing activities | (64,047) | (157,379) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Note payable, net | (20,000) | 14,000 |
| Purchase of treasury stock | (12,576) | - |
| Dividends paid | (13,285) | (11,346) |
| Excess tax benefits from stock-based compensation | 6,471 | - |
| Proceeds from issuance of common stock upon exercise of stock options | 16,711 | 11,238 |
| Proceeds from sale of common stock, net | 539 | 565 |
| Net cash from financing activities | (22,140) | 14,457 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | $ 27,197 | $ (37,806) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | $ 11,608 | $ 53,758 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | $ 38,805 | $ 15,952 |

Net cash paid for income taxes was $25,600 and $25,865 for the nine months ended March 31, 2006 and 2005, respectively. The Company paid interest of $908 and $127 for the nine months ended March 31, 2006 and 2005, respectively.

See notes to condensed consolidated financial statements

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, Except Share and Per Share Amounts)
(Unaudited)

## NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### DESCRIPTION OF THE COMPANY

Jack Henry & Associates, Inc. and Subsidiaries ("JHA" or the "Company") is a leading provider of integrated computer systems that has developed and acquired a number of banking and credit union software systems. The Company's revenues are predominately earned by marketing those systems to financial institutions nationwide together with computer equipment (hardware) and by providing the conversion and software implementation services for financial institutions to utilize JHA software systems. JHA provides continuing support and services to customers using in-house or outsourced systems.

### CONSOLIDATION

The consolidated financial statements include the accounts of JHA and all of its subsidiaries, which are wholly-owned, and all significant intercompany accounts and transactions have been eliminated.

### STOCK-BASED COMPENSATION

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (R), "Share-Based Payment", ("SFAS 123(R)"), a revision of SFAS 123. SFAS 123 (R) supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and amends SFAS No. 95 "Statement of Cash Flows". SFAS 123(R) is similar to the approach described in SFAS 123 except that SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the consolidated statements of income, in lieu of pro forma disclosure. Also, SFAS 123 (R) requires companies to calculate a pool of income tax benefits ("APIC pool") that were previously recorded in additional paid-in capital and are available to absorb future income tax benefit deficiencies that can result from the exercise or maturity of stock awards. SFAS 123 (R) is effective for fiscal periods beginning after June 15, 2005. The Company adopted the provisions of SFAS 123 (R) as of July 1, 2005, the first day of fiscal 2006 and is using the modified-prospective transition method with the Black-Scholes model for estimating the fair value of equity compensation. Prior interim periods and fiscal years do not reflect any restated amounts. Further, the Company has calculated its APIC pool based on the actual income tax benefits received from exercises and maturities of stock awards granted after the effective date of SFAS No. 123 using the long method.

In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 107, "Share-Based Payment" that provided additional guidance to public companies relating to share-based payment transactions and the implementation of SFAS 123(R), including guidance regarding valuation methods and related assumptions, classification of compensation expense and income tax effects of share-based compensation.

On June 29, 2005, the Board of Directors approved the immediate vesting of all stock options previously granted under the 1996 Stock Option Plan ("1996 SOP") that had exercise prices higher than the market price of the Company's stock on such date. As a result of this action, the vesting of 201,925 options was accelerated by an average of 15 months. No other changes to these options were made. The weighted average exercise price of these accelerated options was $21.15, and exercise prices of the affected options ranged from $18.64 to $25.00. The accelerated options constitute only 2.1% of the company's outstanding options. No options held by any directors or executive officers of the Company were accelerated or affected in any manner by this action.

The purpose of accelerating vesting of the options was to enable the Company to reduce the impact of recognizing future compensation expense associated with these options upon adoption of SFAS 123(R). Commencing with the Company's fiscal year that began July 1, 2005, SFAS 123(R) requires that the Company recognize compensation expense equal to the fair value of equity-based compensation awards over the vesting period of each such award. The aggregate pre-tax expense for the shares subject to acceleration that, absent the acceleration of vesting, would have been reflected in the Company's consolidated financial statements beginning in fiscal 2006 is estimated to be a total of approximately $802 (approximately $510 in fiscal 2006, approximately $185 in fiscal 2007, approximately $89 in fiscal 2008 and approximately $18 in fiscal 2009).

For the three and nine months ended March 31, 2006, there was $107 and $364, respectively, in compensation expense from equity-based awards. As of March 31, 2006, no compensation expense from equity-based awards has been capitalized. The adoption of SFAS 123 (R) did not materially impact the Company's consolidated financial statements. The following table illustrates the effect on net income and net income per share for the nine months of fiscal 2005 had the Company accounted for its stock-based awards under the fair value method of SFAS 123.

| | Three Months Ended March 31, 2005 | Nine Months Ended March 31, 2005 |
|---|---|---|
| Net income, as reported | $ 19,429 | $ 53,795 |
| Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | 295 | 900 |
| Pro forma net income | $ 19,134 | $ 52,895 |
| Diluted net income per share | | |
| As reported | $ 0.21 | $ 0.58 |
| Pro forma | $ 0.20 | $ 0.57 |
| Basic net income per share | | |
| As reported | $ 0.21 | $ 0.59 |
| Pro forma | $ 0.21 | $ 0.58 |

If the Company had adopted SFAS 123(R) for fiscal year 2005, net cash from financing activities would have been increased by $3,463 for the nine months ended March 31, 2005, and operating activities would have decreased by the $3,463 for the same period.

The Company currently can issue options under two stock option plans: the 1996 Stock Option Plan ("1996 SOP") and the Non-Qualified Stock Option Plan ("NSOP").

1996 SOP

The 1996 SOP was adopted by the Company on October 29, 1996, for its employees. Terms and vesting periods of the options are determined by the Compensation Committee of the Board of Directors when granted and for options outstanding include vesting periods up to four years. Shares of common stock are reserved for issuance under this plan at the time of each grant, which must be at or above fair market value of the stock at the grant date. The options terminate 30 days after termination of employment, three months after retirement, one year after death or 10 years after grant. In October 2002, the stockholders approved an increase in the number of stock options available from 13.0 million to 18.0 million shares.

On April 11, 2003, the Company granted approximately 3,670,000 stock options to approximately 2,100 full time employees, or 94% of all full time employees as of that date. The options were issued at the exercise price of $10.84 per share, which represented the fair market value of the stock as of that date and vest in two equal portions based on stock price performance or on specific dates. The two portions vested and became fully exercisable when the Company's common stock achieved a closing market price of 125% or more and 150% or more, respectively, of the exercise price for 10 consecutive trading days. Such options fully vested during the first quarter of fiscal 2004. As of June 30, 2005, there were 2,344,533 shares available for future grants under the plan from the 18,000,000 shares approved by the stockholders.

On June 29, 2005, the Board of Directors approved the immediate vesting of all stock options previously granted under the 1996 SOP that had exercise prices higher than the market price on such date.

NSOP

The NSOP was adopted by the Company on October 31, 1995, for its outside directors. Options are exercisable beginning six months after grant at an exercise price equal to 100% of the fair market value of the stock at the grant date. The options terminate upon surrender of the option, upon the expiration of one year following notification of a deceased optionee, or 10 years after grant. 1,200,000 shares of common stock have been reserved for issuance under this plan with a maximum of 300,000 for each director. As of June 30, 2005, there were 445,833 shares available for future grants under the plan. In November 2005, 40,000 shares were granted to the outside directors and are all still outstanding as of March 31, 2006.

Changes in stock options outstanding and exercisable are as follows:

| | Number of Shares | Weighted Average Exercise Price | Aggregate Intrinsic Value as of March 31, |
|---|---|---|---|
| Outstanding July 1, 2005 | 9,766,397 | $14.55 | |
| Granted | 40,000 | 18.47 | |
| Forfeited or expired | (181,716) | 21.15 | |
| Exercised | (1,641,363) | 10.16 | |
| Outstanding March 31, 2006 | 7,983,318 | $15.33 | $62,850 |
| Exercisable March 31, 2006 | 7,827,500 | $15.28 | $62,049 |

Following is an analysis of stock options outstanding and exercisable as of March 31, 2006:

| Range of Exercise Prices | Shares | | Weighted-Average Remaining Contractual Life in Years | Weighted-Average Exercise Price | |
|---|---|---|---|---|---|
| | Outstanding | Exercisable | Outstanding | Outstanding | Exercisable |
| $ 6.03 - $10.75 | 1,515,134 | 1,515,134 | 2.34 | $ 8.15 | $ 8.15 |
| $10.76 - $10.84 | 1,457,857 | 1,457,857 | 7.03 | 10.84 | 10.84 |
| $10.85 - $16.49 | 241,450 | 227,210 | 4.40 | 12.07 | 11.95 |
| $16.50 - $16.88 | 2,896,410 | 2,896,410 | 4.01 | 16.88 | 16.88 |
| $16.89 - $25.65 | 1,433,467 | 1,291,889 | 5.98 | 21.11 | 21.44 |
| $25.66 - $31.00 | 439,000 | 439,000 | 5.06 | 27.70 | 27.70 |
| $ 6.03 - $31.00 | 7,983,318 | 7,827,500 | 4.67 | $15.33 | $15.28 |

No options were granted in the quarter ended March 31, 2006. The weighted average fair value of options granted was $8.42 for the three months ended March 31, 2005. For the nine months ended March 31, 2006 and 2005, the weighted average fair value of options granted was, $10.13 and $6.97, respectively, using the Black-Scholes option pricing model. The total intrinsic value of options exercised during the three months ended March 31, 2006 and 2005 were $11,484 and $4,609, respectively. While the total intrinsic value of options exercised during the nine months ended March 31, 2006 and 2005 was $17,488 and $9,211, respectively.

The assumptions used in this model to estimate fair value and resulting values are as follows:

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Weighted Average Assumptions: | | | | |
| Expected life (years) | no grants | 4.23 | 7.65 | 3.53 |
| Volatility | during | 48% | 42% | 49% |
| Risk free interest rate | this | 3.6% | 4.4% | 2.9% |
| Dividend yield | period | 0.94% | 0.89% | 0.86% |

The option pricing model input assumptions such as expected term, expected volatility, risk-free interest rate, and dividend yield impact the fair value estimate. These assumptions are subjective and generally require significant analysis and judgment to develop. When estimating fair value, some of the assumptions were based on or determined from external data (for example the risk-free interest rate) and other assumptions were derived from our historical experience with share-based payment arrangements (for example, volatility expected term and dividend yield). The appropriate weight to place on historical experience is a matter of judgment, based on relevant facts and circumstances.

As of March 31, 2006, there was $838 of total unrecognized compensation cost related to nonvested share-based compensation arrangements under the plan. That cost is expected to be recognized over a weighted-average period of 3.5 years.

COMPREHENSIVE INCOME

Comprehensive income for the three and nine-month periods ended March 31, 2006 and 2005 equals the Company's net income.

COMMON STOCK

The Board of Directors has authorized the Company to repurchase shares of its common stock. Under this authorization, the Company may finance its share repurchases with available cash reserves or short-term borrowings on its existing credit facility. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. At June 30, 2005, there were 553,300 shares in treasury stock and the Company had the remaining authority to repurchase up to 4,437,316 shares. During the nine months ended March 31, 2006, the Company repurchased 687,200 treasury shares for $12,576. The total cost of treasury shares at March 31, 2006 is $22,528. At March 31, 2006, there were 1,240,500 shares in treasury stock and the Company had the authority to repurchase up to 3,750,116 shares.

INTERIM FINANCIAL STATEMENTS

The accompanying condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission and in accordance with accounting principles generally accepted in the United States of America applicable to interim condensed consolidated financial statements, and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete consolidated financial statements. The condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes, which are included in its Annual Report on Form 10-K ("Form 10-K") for the year ended June 30, 2005. The accounting policies followed by the Company are set forth in Note 1 to the Company's consolidated financial statements included in its Form 10-K for the year ended June 30, 2005.

In the opinion of management of the Company, the accompanying condensed consolidated financial statements reflect all adjustments necessary (consisting solely of normal recurring adjustments) to present fairly the results of operations, financial position and cash flows for each interim period shown.

The results of operations for the three and nine-month periods ended March 31, 2006 are not necessarily indicative of the results to be expected for the entire year.

NOTE 2. ADDITIONAL INTERIM FOOTNOTE INFORMATION

The following additional information is provided to update the notes to the Company's annual consolidated financial statements for the developments during the three and nine months ended March 31, 2006.

ACQUISITIONS

On November 1, 2005, the Company acquired all of the capital stock of Profitstar, Inc. ("Profitstar"). Profitstar is a leading provider of asset/liability management, risk management, profitability accounting and financial planning software and related services to banks, credit unions and other financial institutions. The purchase price for Profitstar, $19,182 paid in cash, was preliminarily allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date, resulting in an allocation of ($4,889) to working capital, $1,234 to deferred tax liability, $1,871 capitalized software, $1,420 to customer relationships, and $19,546 to goodwill. The acquired goodwill has been allocated to the bank segment and is non-deductible for federal income tax purposes.

The following unaudited pro forma consolidated financial information is presented as if the acquisitions completed in each fiscal year had occurred at the beginning of such periods. In addition, this unaudited pro forma financial information is provided for illustrative purposes only and should not be relied upon as necessarily being indicative of the historical results that would have been obtained if these acquisitions had actually occurred during those periods, or the results that may be obtained in the future as a result of these acquisitions.

| Pro Forma (unaudited) | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Revenue | $145,495 | $136,678 | $433,995 | $419,534 |
| Gross profit | 63,682 | 58,818 | 188,611 | 175,424 |
| Net Income | $ 23,460 | $ 19,693 | $ 64,992 | $ 57,398 |
| Earnings per share - diluted | $ 0.25 | $ 0.21 | $ 0.69 | $ 0.62 |
| Diluted Shares | 94,390 | 93,421 | 94,008 | 92,954 |
| Earnings per share - basic | $ 0.26 | $ 0.22 | $ 0.71 | $ 0.63 |
| Basic Shares | 91,952 | 91,212 | 91,622 | 90,716 |

LINES OF CREDIT

The Company renewed a bank credit line on March 22, 2006 which provides for funding of up to $8,000 and bears interest at the prime rate (7.75% at March 31, 2006). The credit line expires March 22, 2007 and is secured by $1,000 of investments. At March 31, 2006, no amount was outstanding.

An unsecured revolving bank credit facility allows borrowing of up to $150,000 which may be increased by the Company at any time prior to April 20, 2008 to $225,000. The unsecured revolving bank credit facility bears interest at a rate equal to (a) LIBOR or (b) an alternate base rate (the greater of (a) the Federal Funds Rate plus 1/2% or (b) the Prime Rate), plus an applicable percentage in each case determined by the Company's leverage ratio. The unsecured revolving credit line terminates April 19, 2010. At June 30, 2005, the revolving bank credit facility balance was $45,000. At March 31, 2006, the revolving bank credit facility balance was $25,000.

NOTE 3. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the FASB issued FASB Staff Position No. 109-1, Application of FASB Statement No. 109 ("SFAS 109"), Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004 ("FSP 109-1"). FSP 109-1 clarifies the manufacturer's deduction provided for under the American Jobs Creation Act of 2004 ("AJCA") should be accounted for as a special deduction in accordance with SFAS 109. Pursuant to the AJCA, the deduction for qualified production activities is effective for the Company's tax year ending June 30, 2006. The effect of the estimated deduction to be taken in the 2006 consolidated federal income tax return is expected to result in approximately $600 of tax savings for the fiscal year ended June 30, 2006.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No.3" ("SFAS 154"). SFAS 154 changes the requirements for the accounting for, and reporting of, a change in accounting principle. SFAS 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented using the accounting principle. SFAS 154 is effective for accounting changes and corrections of errors in fiscal years beginning after December 15, 2005. The Company will comply with the provisions of SFAS 154, although the impact of such adoption of not determinable at this time.

NOTE 4. SHARES USED IN COMPUTING NET INCOME PER SHARE

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Weighted average number of common shares outstanding - basic | 91,952 | 91,212 | 91,622 | 90,716 |
| Common stock equivalents | 2,438 | 2,209 | 2,386 | 2,238 |
| Weighted average number of common and common equivalent shares outstanding - diluted | 94,390 | 93,421 | 94,008 | 92,954 |

Per share information is based on the weighted average number of common shares outstanding for the periods ended March 31, 2006 and 2005. Stock options have been included in the calculation of income per share to the extent they are dilutive. Non-dilutive stock options to purchase approximately 994 and 1,667 shares and 1,577 and 1,746 shares for the three and nine-month periods ended March 31, 2006 and 2005, respectively, were not included in the computation of diluted income per common share.

## NOTE 5. BUSINESS SEGMENT INFORMATION

The Company is a leading provider of integrated computer systems that perform data processing (both in-house and outsourced) for banks and credit unions. The Company's operations are classified into two business segments: bank systems and services and credit union systems and services. The Company evaluates the performance of its segments and allocates resources to them based on various factors, including prospects for growth, return on investment, and return on revenue.

| | Three Months Ended March 31, 2006 | | | Three Months Ended March 31, 2005 | | |
|---|---|---|---|---|---|---|
| | Bank | Credit Union | Total | Bank | Credit Union | Total |
| REVENUE | | | | | | |
| License | $ 17,360 | $ 3,206 | $ 20,566 | $ 11,614 | $ 9,329 | $ 20,943 |
| Support and service | 88,590 | 17,493 | 106,083 | 77,076 | 15,433 | 92,509 |
| Hardware | 14,104 | 4,742 | 18,846 | 15,551 | 5,379 | 20,930 |
| Total | 120,054 | 25,441 | 145,495 | 104,241 | 30,141 | 134,382 |
| COST OF SALES | | | | | | |
| Cost of license | 209 | 13 | 222 | 285 | 800 | 1,085 |
| Cost of support and service | 55,414 | 12,548 | 67,962 | 49,148 | 12,288 | 61,436 |
| Cost of hardware | 10,046 | 3,583 | 13,629 | 10,647 | 3,937 | 14,584 |
| Total | 65,669 | 16,144 | 81,813 | 60,080 | 17,025 | 77,105 |
| GROSS PROFIT | $ 54,385 | $ 9,297 | $ 63,682 | $ 44,161 | $ 13,116 | $ 57,277 |

| | Nine Months Ended March 31, 2006 | | | Nine Months Ended March 31, 2005 | | |
|---|---|---|---|---|---|---|
| | Bank | Credit Union | Total | Bank | Credit Union | Total |
| REVENUE | | | | | | |
| License | $ 44,280 | $ 14,030 | $ 58,310 | $ 40,997 | $ 21,645 | $ 62,642 |
| Support and service | 259,874 | 52,134 | 312,008 | 222,242 | 41,641 | 263,883 |
| Hardware | 45,154 | 14,423 | 59,577 | 52,123 | 15,790 | 67,913 |
| Total | 349,308 | 80,587 | 429,895 | 315,362 | 79,076 | 394,438 |
| COST OF SALES | | | | | | |
| Cost of license | 1,089 | 1,045 | 2,134 | 1,820 | 2,608 | 4,428 |
| Cost of support and service | 161,254 | 37,301 | 198,555 | 143,300 | 35,112 | 178,412 |
| Cost of hardware | 32,368 | 11,118 | 43,486 | 36,928 | 12,082 | 49,010 |
| Total | 194,711 | 49,464 | 244,175 | 182,048 | 49,802 | 231,850 |
| GROSS PROFIT | $154,597 | $ 31,123 | $185,720 | $133,314 | $ 29,274 | $162,588 |

| | March 31, 2006 | June 30, 2005 |
|---|---|---|
| Property and equipment, net | | |
| Bank systems and services | $ 217,013 | $ 208,541 |
| Credit Union systems and services | 33,863 | 34,650 |
| Total | $ 250,876 | $ 243,191 |
| | | |
| Identified intangible assets, net | | |
| Bank systems and services | $ 271,341 | $ 241,054 |
| Credit Union systems and services | 50,431 | 52,334 |
| Total | $ 321,772 | $ 293,388 |

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## RESULTS OF OPERATIONS

### Background and Overview

We provide integrated computer systems for in-house and outsourced data processing to commercial banks, credit unions and other financial institutions. We have developed and acquired banking and credit union application software systems that we market, together with compatible computer hardware, to these financial institutions. We also perform data conversion and software implementation services of our systems and provide continuing customer support services after the systems are implemented. For our customers who prefer not to make an up-front capital investment in software and hardware, we provide our full range of products and services on an outsourced basis through our six data centers and 22 item-processing centers located throughout the United States.

A detailed discussion of the major components of the results of operations for the three and nine-month periods ended March 31, 2006 follows. All amounts are in thousands and discussions compare the current three and nine-month periods ended, March 31, 2006, to the prior year three and nine-month periods ended March 31, 2005.

### REVENUE

| License Revenue | Three Months Ended March 31, 2006 | Three Months Ended March 31, 2005 | % Change | Nine Months Ended March 31, 2006 | Nine Months Ended March 31, 2005 | % Change |
|---|---|---|---|---|---|---|
| License | $ 20,566 | $ 20,943 | -2% | $ 58,310 | $ 62,642 | -7% |
| Percentage of total revenue | 14% | 16% | | 13% | 16% | |

License revenue represents the delivery of application software systems contracted with us by the customer. We license our proprietary software products under standard license agreements that typically provide the customer with a non-exclusive, non-transferable right to use the software on a single computer and for a single financial institution location.

The reduction in license revenue for the quarter and year to date can be attributed to the continued increased demand for item and data processing by banks and credit unions for delivery through our outsourcing services. Outsourcing services do not require software licenses and the financial institution's initial capital outlay is dramatically reduced by the choice of this delivery alternative.

| Support and Service Revenue | Three Months Ended March 31, 2006 | Three Months Ended March 31, 2005 | % Change | Nine Months Ended March 31, 2006 | Nine Months Ended March 31, 2005 | % Change |
|---|---|---|---|---|---|---|
| Support and service | $106,083 | $ 92,509 | +15% | $312,008 | $263,883 | +18% |
| Percentage of total revenue | 73% | 69% | | 73% | 67% | |

| | Qtr over Qtr Change: $ Change | Qtr over Qtr Change: % Change | Year over Year Change: $ Change | Year over Year Change: % Change |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| In-house support & other services | $ 4,858 | +11% | $ 20,967 | +17% |
| EFT support | 5,122 | +36% | 12,009 | +29% |
| Outsourcing services | 4,146 | +18% | 11,736 | +18% |
| Implementation services | (552) | -5% | 3,414 | +11% |
| Total Increase | $ 13,574 | | $ 48,126 | |

Support and service fees are generated from implementation services (including conversion, installation, implementation, configuration and training), annual support to assist the customer in operating their systems and to enhance and update the software, outsourced data processing services and ATM and debit card processing (EFT Support) services.

There was strong growth in most support and service revenue components for the third quarter and the first nine months of fiscal 2006. There is continuing growth for the on-going demand for EFT support (ATM and debit card transaction processing services). EFT support experienced strong quarter over quarter revenue growth due to increased customer activity and expansion of our customer base, especially in our bank segment. Outsourcing services continue to grow as we add new customers, increase volume and streamline business processes. In-house annual support revenue increased due to software implementations performed in prior periods. Implementation services revenue decreased slightly for the quarter due to a decrease in number of license implementations, as well as a decrease in merger conversions for existing customers.

| Hardware Revenue | Three Months Ended March 31, 2006 | Three Months Ended March 31, 2005 | % Change | Nine Months Ended March 31, 2006 | Nine Months Ended March 31, 2005 | % Change |
|---|---|---|---|---|---|---|
| Hardware | $ 18,846 | $ 20,930 | -10% | $ 59,577 | $ 67,913 | -12% |
| Percentage of total revenue | 13% | 15% | | 14% | 17% | |

The Company has entered into remarketing agreements with several hardware manufacturers under which we sell computer hardware, hardware maintenance and related services to our customers. Revenue related to hardware sales is recognized when the hardware is shipped to our customers.

Hardware revenue decreased mainly due to a lower unit cost of systems delivered for the current quarter and the first nine months of the current year as compared to the same periods last year. Hardware revenue in the prior year was 15% and 17% of total revenue for prior year quarter and year-to-date, respectively, while hardware revenue in the current year is 13% and 14% of total revenue for the current quarter and year to date, respectively. We expect this decrease as a percentage of total revenue to continue as the entire industry is experiencing the impact of rising equipment processing power and decreasing equipment prices. This is also impacted by increased demand for outsourcing services, as significant sales of hardware normally accompany only in-house sales.

## BACKLOG

Our backlog increased 8% at March 31, 2006 to $213,300 ($62,800 in-house and $150,500 outsourcing) from $198,200 ($67,100 in-house and $131,100 outsourcing) at March 31, 2005. The current quarter backlog remained nearly flat compared to December 31, 2005, when backlog was $213,800 ($63,800 in-house and $150,000 outsourcing).

## COST OF SALES AND GROSS PROFIT

Cost of license represents the cost of software from third party vendors through remarketing agreements. These costs are recognized when license revenue is recognized. Cost of support and service represents costs associated with conversion and implementation efforts, ongoing support for our in-house customers, operation of our data and item processing centers providing services for our outsourced customers, ATM and debit card processing services and direct operating costs. These costs are recognized as they are incurred. Cost of hardware consists of the direct and related costs of purchasing the equipment from the manufacturers and delivery to our customers. These costs are recognized at the same time as the related hardware revenue is recognized. Ongoing operating costs to provide support to our customers are recognized as they are incurred.

Cost of Sales and Gross Profit

| | Three Months Ended March 31, | % Change | Nine Months Ended March 31, | % Change |
|---|---|---|---|---|

| | 2006 | 2005 | | 2006 | 2005 | |
|---|---|---|---|---|---|---|
| Cost of License | $ 222 | $ 1,085 | -80% | $ 2,134 | $ 4,428 | -52% |
| Percentage of total revenue | <1% | <1% | | <1% | 1% | |
| License Gross Profit | $ 20,344 | $ 19,858 | +2% | $ 56,176 | $ 58,214 | -4% |
| Gross Profit Margin | 99% | 95% | | 96% | 93% | |
| Cost of support and service | $ 67,962 | $ 61,436 | +11% | $198,555 | $178,412 | +11% |
| Percentage of total revenue | 47% | 46% | | 46% | 45% | |
| Support and Service Gross Profit | $ 38,121 | $ 31,073 | +23% | $113,453 | $ 85,471 | +33% |
| Gross Profit Margin | 36% | 34% | | 36% | 32% | |
| Cost of hardware | $ 13,629 | $ 14,584 | -7% | $ 43,486 | $ 49,010 | -11% |
| Percentage of total revenue | 9% | 11% | | 10% | 12% | |
| Hardware Gross Profit | $ 5,217 | $ 6,347 | -18% | $ 16,091 | $ 18,903 | -15% |
| Gross Profit Margin | 28% | 30% | | 27% | 28% | |
| TOTAL COST OF SALES | $ 81,813 | $ 77,105 | +6% | $244,175 | $231,850 | +5% |
| Percentage of total revenue | 56% | 57% | | 57% | 59% | |
| TOTAL GROSS PROFIT | $ 63,682 | $ 57,277 | +11% | $185,720 | $162,588 | +14% |
| Gross Profit Margin | 44% | 43% | | 43% | 41% | |

Cost of license decreased for the current quarter and the first nine months of fiscal 2006 due to a decrease in the delivery of third party software compared to last year. Cost of support and service increased for the quarter and year to date in fiscal 2006 due to additional headcount and depreciation expense for new facilities and equipment as compared to last year. Cost of hardware decreased due to a decrease in hardware sales and a change in product sales mix during the current quarter and the first nine months of fiscal 2006. Hardware incentives and rebates received decreased during the quarter and nine months ended due to changing thresholds established by the vendors and related hardware sales.

Gross margin on license revenue increased to 99% and 96% for the current quarter and the first nine months of the fiscal year, respectively, compared to 95% and 93% for the same periods last year due to a decrease in third party software sales, where the gross margins on third party software is significantly lower than our owned products. The gross profit increase for the third quarter and year to date in support and service is due to consistent revenue growth. Gross margin for support and service grew to 36% for the current quarter and for the nine-month period, due to the continuation of company-wide cost control measures. Hardware gross margin decreased from 30% in the third quarter last year to 28% in the third quarter of the current year, but remained fairly flat for the nine months in both years; variations are primarily due to sales mix and vendor rebates on hardware delivered.

## OPERATING EXPENSES

| Selling and Marketing | Three Months Ended March 31, | | % Change | Nine Months Ended March 31, | | % Change |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | | 2006 | 2005 | |
| Selling and marketing | $ 12,292 | $ 11,598 | +6% | $ 36,032 | $ 34,250 | +5% |
| Percentage of total revenue | 8% | 9% | | 8% | 9% | |

Dedicated sales forces, inside sales teams, technical sales support teams and channel partners conduct our sales efforts for our two market segments, and are overseen by regional sales managers. Our sales executives are responsible for pursuing lead generation activities for new core customers. Our account executives nurture long-term relationships with our client base and cross-sell our many complementary products and services. Our inside sales team is responsible for marketing and sales of specific complementary products and services to our existing core customers.

For the three and nine months ended March 31, 2006, selling and marketing expenses increased due to additional headcount, primarily from new personnel gained through recent acquisitions, plus the related employee costs. Selling and marketing expense decreased slightly as a percentage of sales to 8% of revenue as compared to 9% of revenue for both periods of last fiscal year, reflecting a change in the sales mix.

Research and Development Three Months Ended % Nine Months Ended %

| | March 31, 2006 | March 31, 2005 | Change | March 31, 2006 | March 31, 2005 | Change |
|---|---|---|---|---|---|---|
| Research and development | $ 8,435 | $ 7,738 | +9% | $ 23,187 | $ 20,621 | +12% |
| Percentage of total revenue | 6% | 6% | | 5% | 5% | |

We devote significant effort and expense to develop new software, service products and continually upgrade and enhance our existing offerings. Typically, we upgrade all of our core and complementary software applications once per year. We believe our research and development efforts are highly efficient because of the extensive experience of our research and development staff and because our product development is highly customer-driven.

Research and development expenses increased primarily due to employee related costs from increased headcount for ongoing development of new products and enhancements to existing products, plus depreciation and equipment maintenance expense for upgrading technology equipment. Research and development expenses increased for the third quarter and the first nine months of 2006 by 9% and 12% respectively; however they remained at 6% of total revenue for the third quarter of both years and 5% for the nine months in both years.

| General and Administrative | Three Months Ended March 31, 2006 | Three Months Ended March 31, 2005 | % Change | Nine Months Ended March 31, 2006 | Nine Months Ended March 31, 2005 | % Change |
|---|---|---|---|---|---|---|
| General and administrative | $ 8,239 | $ 6,915 | +19% | $ 27,174 | $ 22,507 | +21% |
| Percentage of total revenue | 6% | 5% | | 6% | 6% | |

General and administrative costs include all expenses related to finance, legal, human resources, employee benefits, plus all administrative costs. General and administrative expenses increased for the third quarter and the first nine months of fiscal year 2006, due to a combination of increased rent, travel and insurance expense. The year to date employee related costs and headcount increased compared to the same period last year.

INTEREST INCOME (EXPENSE) - Net interest income for the three months ended March 31, 2006 reflects an increase of $80 when compared to the same period last year. Interest income increased $560, while interest expense increased $480. Net interest income for the current nine month period reflects a decrease of $161, with interest income increasing $610 and interest expense increasing $771. For both periods, the modest increases in interest income are due to higher cash and cash equivalent balances while the additional interest expense is due to borrowings on the revolving bank credit facility.

PROVISION FOR INCOME TAXES - The provision for income taxes was $11,397 and $35,511 for the three and nine-month periods ended March 31, 2006 compared with $11,658 and $32,277 for the same periods last year. In the current third quarter, an income tax adjustment was made to 32.7% of income before income taxes to bring the year to date income before income taxes rate to 35.5%. For the current fiscal year, the rate of income taxes is currently estimated at 35.5% of income before income taxes compared to 37.5% as reported for the same periods in fiscal 2005, prior to adjustment. The decrease reflects changes in the effective tax rate partially attributable to a special manufacturing deduction resulting from the American Job Creation Act of 2004, plus our reevaluation of changes in state tax laws and rules in relation to our corporate tax structure during the current fiscal year.

NET INCOME - Net income increased 21% for the three months ended March 31, 2006. Net income for the third quarter of fiscal 2006 was $23,460 or $0.25 per diluted share compared to $19,429 or $0.21 per diluted share in the same period last year. Net income increased 20% for the nine-month period ended March 31, 2006 to $64,518 or $0.69 per diluted share compared to $53,795 or $0.58 per diluted share for the same nine month period last year.

BUSINESS SEGMENT DISCUSSION

The Company is a leading provider of integrated computer systems that perform data processing (available for in-house or outsourced installations) for banks and credit unions. The Company's operations are classified into two business segments: bank systems and services ("Bank") and credit union systems and services ("Credit Union"). The Company evaluates the performance of its segments and allocates resources to them based on various factors, including prospects for growth, return on investment, and return on revenue.

Bank Systems and Services

| | Three Months Ended March 31, 2006 | Three Months Ended March 31, 2005 | Percent Change | Nine Months Ended March 31, 2006 | Nine Months Ended March 31, 2005 | Percent Change |
|---|---|---|---|---|---|---|
| Revenue | $ 120,054 | $ 104,242 | 15% | $ 349,308 | $ 315,362 | 11% |
| Gross Profit | $ 54,385 | $ 44,162 | 23% | $ 154,597 | $ 133,314 | 16% |
| Gross Profit Margin | 45% | 42% | | 44% | 42% | |

Revenue growth in bank systems and services is attributable to the increase in support and service revenue related to maintenance for in-house and outsourced customers, plus the ongoing steady increase in ATM and debit card processing activity. We expect this increase to continue as we further improve our processes and continue to create demand and value for our customers. License revenue increased and hardware revenue decreased for the current quarter and nine-month period primarily due to the sales mix and products delivered during the current fiscal year compared to the prior year. Bank segment gross profit increased from the last year and the gross profit margin increased from 42% to 45% for the quarter and 42% and 44% year to date when comparing period over period.

Credit Union Systems and Services

| | Three Months Ended March 31, 2006 | Three Months Ended March 31, 2005 | Percent Change | Nine Months Ended March 31, 2006 | Nine Months Ended March 31, 2005 | Percent Change |
|---|---|---|---|---|---|---|
| Revenue | $ 25,441 | $ 30,141 | -16% | $ 80,587 | $ 79,076 | 2% |
| Gross Profit | $ 9,297 | $ 13,116 | -29% | $ 31,123 | $ 29,275 | 6% |
| Gross Profit Margin | 37% | 44% | | 39% | 37% | |

Revenue in the credit union system and services segment grew substantially in the support and service component directly relating to maintenance for in-house and outsourced customers, along with ATM and debit card processing activity. This growth in support and service was offset by decreases in license revenue and hardware revenue. The decrease in license revenue is partially attributable to the expansion of our outsourcing options available to our credit union customers. The decrease in hardware revenue is due to sales mix and reduction in the amount of hardware shipped during the quarter. The credit union gross profit and margin decreased for the third quarter from 44% to 37% due to the reduction of license revenue. The gross profit margin increased year to date from 37% to 39% due to continued delivery of products and services that carry higher margins like ATM/Debit card processing and outsourcing services as we continue to improve operating procedures, leverage our resources and gain new customers.

## FINANCIAL CONDITION

### Liquidity

The Company's cash and cash equivalents increased to $38,805 at March 31, 2006, from $11,608 million at June 30, 2005 and from $15,952 at March 31, 2005. The increase in the cash balance from June 30, 2005 is primarily due to collection of our June 2005 annual maintenance billings, offset by the use of cash as outlined below in investing and financing activities.

Cash provided by operations totaled $113,384 in the current year compared to $105,116 last year. Cash provided by operations consisted of $64,518 in net income, depreciation and amortization expense of $32,532, plus a combined increase of $5,885 in deferred income taxes and the loss on disposal of property and the addition of the expense for stock-based compensation of $364. The balance consists of the change in receivables of $110,872, less the change of $14,727 for prepaid and accrued expenses, and accounts payable, less $83,155 for the change in deferred revenues, and less the change in income taxes of $2,905. For fiscal year 2005, cash flow from operations consisted of $53,795 in net income, depreciation and amortization expense of $28,448, plus a combined increase of $6,061 in deferred income taxes and the loss on disposal of property and equipment. The balance consisted of the change in receivables of $94,879 less the change of $7,791 for prepaid and accrued expenses, accounts payable, plus the change in income taxes of $1,380, minus $71,656 change in deferred revenues.

Net cash used in investing activities for the current year was $64,047 and included payment for the Profitstar acquisition of $19,177, plus $1,567 paid on earn-outs and other acquisition adjustments, capital expenditures of

$32,228, and capitalized software development of $11,908. In the first nine months of fiscal 2005, net cash used in investing activities of $157,379 and consisted mainly of $119,616 in payment for acquisitions, $33,428 in capital expenditures and $4,607 for capitalized software development.

Net cash from financing activities for the current year used cash of $22,140 and included a net repayment of the revolving bank credit facility of $20,000, payment of dividends of $13,285 and the purchase of treasury stock of $12,576. Cash used was offset by proceeds of $17,250 from the exercise of stock options and the sale of common stock plus $6,471 from the excess tax benefit from stock-based compensation. For the first nine months of fiscal 2005, cash provided by financing activities was $14,457 and included $14,000 in line of credit borrowings and the proceeds from the exercise of stock options and sale of common stock of $11,803, offset by $11,346 for dividends paid.

Capital Requirements and Resources

The Company generally uses existing resources and funds generated from operations to meet its capital requirements. Capital expenditures totaling $32,228 and $33,428 for the nine-month periods ended March 31, 2006 and 2005, respectively, were made for additional equipment. These additions were funded from cash generated by operations. Total consolidated capital expenditures for the Company are not expected to exceed $50,000 for fiscal year 2006.

The Company renewed a bank credit line on March 22, 2006 which provides for funding of up to $8,000 and bears interest at the prime rate (7.75% at March 31, 2006). The credit line expires March 22, 2007 and is secured by $1,000 of investments. At March 31, 2006, no amount was outstanding.

An unsecured revolving bank credit facility allows borrowing of up to $150,000, which may be increased by the Company at any time prior to April 20, 2008 to $225,000. The unsecured revolving bank credit facility bears interest at a rate equal to (a) LIBOR or (b) an alternate base rate (the greater of (a) the Federal Funds Rate plus 1/2% or (b) the Prime Rate), plus an applicable percentage in each case determined by the Company's leverage ratio. The unsecured revolving credit line terminates April 19, 2010. At June 30, 2005, the revolving bank credit facility balance was $45,000. At March 31, 2006, the revolving bank credit facility balance was $25,000.

The Board of Directors has authorized the Company to repurchase shares of its common stock. Under this authorization, the Company may finance its share repurchases with available cash reserves or short-term borrowings on its existing credit facility. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. At June 30, 2005, there were 553,300 shares in treasury stock and the Company had the remaining authority to repurchase up to 4,437,316 shares. No shares were repurchased during the most recent quarter. During the nine months ended March 31, 2006, the Company repurchased 687,200 treasury shares for $12,576. The total cost of treasury shares at March 31, 2006 is $22,528. At March 31, 2006, there were 1,240,500 shares in treasury stock and the Company had the authority to repurchase up to 3,750,116 shares.

Subsequent to March 31, 2006, the Company's Board of Directors declared a cash dividend of $.055 per share on its common stock payable on May 31, 2006, to stockholders of record on May 15, 2006. Current funds from operations are adequate for this purpose. The Board has indicated that it plans to continue paying dividends as long as the Company's financial condition continues to be favorable.

Critical Accounting Policies

The Company regularly reviews its selection and application of significant accounting policies and related financial disclosures. The application of these accounting policies requires that management make estimates and judgments. The estimates that affect the application of our most critical accounting policies and require our most significant judgments are outlined in Management's Discussion and Analysis of Financial Condition and Results of Operations - "Critical Accounting Policies" - contained in our annual report on Form 10-K for the year ended June 30, 2005.

Forward Looking Statements

The Management's Discussion and Analysis of Results of Operations and Financial Condition and other portions of this report contain forward-looking statements within the meaning of federal securities laws. Actual results are subject to risks and uncertainties, including both those specific to the Company and those specific to the industry, which could cause results to differ materially from those contemplated. The risks and uncertainties include, but are not limited to, the matters detailed at Risk

Factors in its Annual Report on Form 10-K for the fiscal year ended June 30, 2005. Undue reliance should not be placed on the forward-looking statements. The Company does not undertake any obligation to publicly update any forward-looking statements.

CONCLUSION

The Company's results of operations and its financial position continue to be strong with increased earnings, increased gross margin growth, and strong cash flow for the three and nine months ended March 31, 2006. This reflects the continuing attitude of cooperation and commitment by each employee, management's ongoing cost control efforts and our commitment to deliver top quality products and services to the markets we serve.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk refers to the risk that a change in the level of one or more market prices, interest rates, indices, volatilities, correlations or other market factors such as liquidity, will result in losses for a certain financial instrument or group of financial instruments. We are currently exposed to credit risk on credit extended to customers and interest risk on investments in U.S. government securities. We actively monitor these risks through a variety of controlled procedures involving senior management. We do not currently use any derivative financial instruments. Based on the controls in place, credit worthiness of the customer base and the relative size of these financial instruments, we believe the risk associated with these exposures will not have a material adverse effect on our consolidated financial position or results of operations.

ITEM 4. CONTROLS AND PROCEDURES

An evaluation was carried out under the supervision and with the participation of our management, including our Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operations of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based upon that evaluation as of the end of the period covered by this report, the CEO and CFO concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us (including our consolidated subsidiaries) required to be included in our periodic SEC filings.

During the three months ended March 31, 2006, the Company completed the phase one implementation of general ledger and financial reporting, supply chain, contract and project, and human capital management systems. These integrated accounting and business management systems are provided by a third party vendor. Except for the implementation of these financial systems, there was no change in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2006 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. There have not been any significant changes in our internal control over financial reporting or in other factors that could significantly affect these controls subsequent to the date of evaluation.

PART II. OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Issuer Purchases of Equity Securities

The following shares of the Company were repurchased for the three month period ended March, 31, 2006:

| Period | Total Number of Shares Purchased | Average Price of Share | Total Number of Shares Purchased as Part of Publicly Announced Plans | Maximum Number of Shares that May Yet Be Purchased Under the Plans (1) |
|---|---|---|---|---|
| January 1-31, 2006 | - | - | - | 3,750,116 |
| February 1-28, 2006 | - | - | - | 3,750,116 |
| March 1-31, 2006 | - | - | - | 3,750,116 |
| | - | $ - | - | 3,750,116 |

(1) Purchases made under the stock repurchase authorization approved by the Company's Board of Directors on October 4, 2002 with respect to 3.0 million shares, which was increased by 2.0 million shares on April 29, 2005. These authorizations have no specific dollar or share price targets and no expiration dates.

ITEM 6. EXHIBITS

31.1 Certification of the Chief Executive Officer dated May 9, 2006.

31.2 Certification of the Chief Financial Officer dated May 9, 2006.

32.1 Written Statement of the Chief Executive Officer dated May 9, 2006.

32.2 Written Statement of the Chief Financial Officer dated May 9, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this quarterly report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

JACK HENRY & ASSOCIATES, INC.

Date: May 9, 2006

/s/ John F. Prim
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John F. Prim
Chief Executive Officer

Date: May 9, 2006

/s/ Kevin D. Williams
---------------------
Kevin D. Williams
Chief Financial Officer and Treasurer

EXHIBIT 31.1

CERTIFICATION

I, John F. Prim, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Jack Henry & Associates, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter, (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information ; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 9, 2006

/s/ John F. Prim

John F. Prim
Chief Executive Officer

EXHIBIT 31.2

# CERTIFICATION

I, Kevin D. Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Jack Henry & Associates, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter, (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information ; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 9, 2006

/s/ Kevin D. Williams

Kevin D. Williams
Chief Financial Officer

EXHIBIT 32.1

Written Statement of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350

Solely for the purposes of complying with 18 U.S.C. Section 1350, I, the undersigned Chief Executive Officer of Jack Henry & Associates, Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the three and nine months ended March 31, 2006 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 9, 2006

*/s/ John F. Prim
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John F. Prim
Chief Executive Officer

* A signed original of this written statement required by Section 906 has been provided to Jack Henry & Associates, Inc. and will be retained by Jack Henry & Associates, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Written Statement of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350

Solely for the purposes of complying with 18 U.S.C. Section 1350, I, the undersigned Chief Financial Officer of Jack Henry & Associates, Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the three and nine months ended March 31, 2006 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 9, 2006

*/s/ Kevin D. Williams
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Kevin D. Williams
Chief Financial Officer

* A signed original of this written statement required by Section 906 has been provided to Jack Henry & Associates, Inc. and will be retained by Jack Henry & Associates, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.