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

FORM 10-K

(Mark One)

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

For the fiscal year ended June 30, 2003

OR

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

For the transition period from ______________ to _____________

Commission Number 0-14112

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

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

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

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

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

Securities registered pursuant to Section 12(g) of the Act:

Common Stock ($.01 par value)
(Title of Class)

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 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 pf 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 an accelerated filer (as defined in Exchange Act Rule 12b-2).
Yes X No

As of August 21, 2003, the Registrant had 88,560,346 shares of Common Stock outstanding ($.01 par value). On that date, the aggregate market value of the Common Stock held by persons other than those who may be deemed affiliates of Registrant was $1,332,458,488 (based on the average of the reported high and low sales prices on NASDAQ on such date).

DOCUMENTS INCORPORATED BY REFERENCE

Certain sections of the Company's Notice of Annual Meeting of Stockholders and Proxy Statement for its 2003 Annual Meeting of Stockholders (the "Proxy Statement"), as described in the footnotes to the Table of Contents below, are incorporated by reference into Part III of this Report.

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(1) Proxy Statement sections entitled "Election of Directors", "Corporate Governance," "Audit Committee Report," "Executive Officers and Significant Employees," and "Section 16(a) Beneficial Ownership Reporting Compliance."
(2) Proxy Statement sections entitled "Executive Compensation", "Compensation Committee Report", and "Company Performance."
(3) Proxy Statement sections entitled "Stock Ownership of Certain Stockholders," "Election of Directors," and "Equity Compensation Plan Information."
(4) Proxy Statement section entitled "Certain Relationships and Related Transactions."
(5) Proxy Statement sections entitled "Audit Committee Report" and "Independent Auditors - Audit and Non-Audit Fees."

PART I

Item 1 Business

Jack Henry & Associates, Inc. ("JHA" or the "Company") is a leading provider of integrated computer systems providing data processing and management information to banks, credit unions and other financial institutions in the United States. The Company was formed in 1976 and made its initial public offering in 1985. Since our formation, JHA has grown by developing highly specialized products and services for its financial institution customers, acquiring organizations that complemented and added to the infrastructure of the Company and adding new customers.

We offer a complete, integrated suite of data processing system solutions to improve our customers' management of their entire back-office and customer/member interaction processes. We believe our solutions enable our financial institution customers to provide better service to their customers and compete more effectively against other banks, credit unions and alternative financial institutions. Our customers either install and use our systems in-house or outsource these operations to us. We perform data conversion and hardware and software installation for the implementation of our systems and applications. We also provide continuing customer support services to ensure proper product performance and reliability, which provides us with continuing client relationships and recurring revenue. For our customers who prefer not to acquire hardware and software, we provide outsourcing services through eight data centers and sixteen item processing centers located across the United States.

Our gross revenue has grown from $204.3 million in fiscal 1999 to $404.7 million in fiscal 2003, representing a compound annual growth rate over this five-year period of 21.0%. Net income has grown from $32.7 million in fiscal 1999 to $49.4 million in fiscal 2003, a compound annual growth rate of 15.3%.

Industry Background

According to the Automation in Banking 2003 report, United States financial institutions, including commercial banks, thrifts and credit unions, increased spending on hardware, software, services and telecommunications to $41.6 billion in calendar 2002 from $34.3 billion in 1999, representing a compound annual growth rate of 6.0%. The increase of industry spending was 2.4% from December 31, 2001 to December 31, 2002. Industry surveys continue to show that financial institutions believe upgrading information technology is one of the most important issues to their continued success and to enhance growth and efficiencies. We believe that the market opportunity for providers of hardware and software systems, maintenance, support and related outsourcing services targeted toward financial institutions will continue to grow as a result of the competitive pressures within their respective industries.

There are approximately 8,400 commercial banks and 9,900 credit unions in the United States. Our primary market segment, which represented approximately 85% of our consolidated revenues in fiscal 2003, is commercial banks with less than $30.0 billion in assets, of which there were approximately 8,350 at December 31, 2002. Consolidation within the financial services industry has resulted in a 2% compound annual decline in the population of commercial banks and a 1.2% compound annual decline in their aggregate assets between 1999 and 2002. Our other market segment is credit unions within the United States, and represented approximately 15% of our total revenues in fiscal 2003. These are cooperative, not-for-profit financial institutions organized to promote savings and provide credit to their members. As of December 31, 2002, there were approximately 9,900 federally insured credit unions in the United States. Although the number of these credit unions has declined at a 3.0% compound annual rate between 1999 and 2002, their aggregate assets have increased at a compound annual growth rate of 9.7% to $557.1 billion at December 31, 2002.

We believe that commercial and regional banks and credit unions play an important role with the geographic and demographic communities and the customers they serve. Typically, customers of these financial institutions rely on them because of their ability to provide personalized, relationship-based service and their focus on retail, commercial and business needs. We believe these core strengths will allow our financial institution customers to effectively compete with other banks, credit unions and alternative financial institutions. In order to succeed and to maintain strong customer relationships, we believe these banks and credit unions must continue to:

* focus on excellence in delivery to customers of their primary products and service offerings;

* sell more products and services to existing customers through utilization of customer relationship management ("CRM") products;

* implement advanced technologies, such as imaging, platform

automation and Internet banking;

* use advanced technologies in back-office operations to improve operating efficiency and control costs, while increasing service and lowering costs to their customers; and

* integrate products and services into their core, complementary service offerings and data processing infrastructure, to provide competitive products and services to their customers.

According to Automation in Banking 2003, in 2002 approximately 56% of all commercial banks and 69% of all credit unions utilized in-house hardware and software systems to perform all of their core systems and data processing functions. Off-site data processing centers provided system services on an outsourced basis for 44% of all banks and 31% of all credit unions. Since the mid-1980s, banks have tended to shift their data processing requirements in-house from outsourcing such functions to third-party data centers. Of the commercial banks with under $500 million of total assets in the United States with in-house installations, approximately 51%, 25%, 9%, and 8% utilize IBM, Unisys, other Unix-based platforms and NCR, respectively. No other specific hardware platform had more than a 7% share of the market.

The Internet continues to become a more powerful and efficient medium for the delivery of financial services, including Internet banking, bill payment, bill presentment and other services for individuals, and cash management and other services for the commercial customers of financial institutions. Financial institutions provide Internet banking solutions to retain customers, attract new customers, reduce operating costs, and gain non-interest sources of revenue. According to industry sources, approximately 65% of banks and 64% of credit unions in the United States offer Internet banking. We believe that commercial banks and credit unions have a potential risk of losing customers to other financial institutions if they do not offer competitive Internet banking services.

Our Solution

We are a single-source provider of a comprehensive and flexible suite of integrated products and services that address the information technology and data processing needs of financial institutions on various hardware platforms and operating systems. Our business derives revenues from three primary sources which include gross customer reimbursements received for out of pocket expenses incurred and reported in the respective lines of revenue:

* sales of software licenses;

* support and services fees which include installation services; and

* hardware sales.

We develop software applications designed primarily for use on hardware supporting IBM and UNIX/NT operating systems. Our marketed product and service offerings are centered on five proprietary software applications, each comprising the core data processing and information management functions of a commercial bank or credit union. Any of these core systems can be utilized either through an in-house or outsourced delivery method depending on the financial institution's management style and philosophy. Key functions of each of our core software applications include deposits, loans, and general ledger. Our software applications make extensive use of parameters allowing our customers to tailor the software to their needs without needing to customize or program the software. Our software applications are designed to provide maximum flexibility in meeting our customer data processing requirements within a single, integrated system. To complement our core software applications, we provide a variety of complementary products and services for use on an in-house or an outsourced basis by financial institutions.

We believe our solutions provide strategic advantages to our customers by enabling them to:

* Implement Advanced Technologies with Full Functionality. Our comprehensive suite of products and services is designed to meet our customers' information technology needs through custom-tailored solutions using proprietary software products. Our clients can either perform these functions themselves on an in-house basis through the installation of our hardware and software systems or outsource those functions to us.

* Rapidly Deploy New Products and Services. Once a financial institution has implemented our core software, either in-house or on an outsourced basis, we can quickly and efficiently install additional applications and functions. This allows our customers to rapidly deploy new products and services.

* Focus on Customer Relationships. Our products and services allow our customers to stay focused on their primary business of gaining, maintaining and expanding their customer relationships

while providing the latest financial products and services.

* Access Outsourcing Solutions to Improve Operating Efficiency. Customers utilizing our outsourcing solutions benefit from access to all of our products and services without having to maintain personnel to develop, update and run these systems without having to make large up-front capital expenditures to implement these advanced technologies.

Our Strategy

Our objective is to grow our revenue and earnings organically, supplemented by strategic acquisitions. The key components of our business strategy are to:

* Provide High Quality, Value-Added Products and Services to Our Clients. We compete on the basis of providing our customers with the highest-value products and services in the market. We believe we have achieved a reputation as a premium product and service provider.

* Continue to Expand Our Product and Service Offerings. We continually upgrade our core software applications and expand our complementary product and service offerings to respond to technological advances and the changing requirements of our clients. For example, we offer several turn-key solutions that enable financial institutions to rapidly deploy sophisticated new products and services. Our integrated solutions enable our customers to offer competitive services relative to larger banks and alternative financial institutions. We intend to continue to expand our range of Internet banking and other products and services as well as provide additional services such as network services and computer facilities design.

* Expand Our Existing Customer Relationships. We seek to increase the information technology products and services we provide to those customers that do not utilize our full range of products and services. In this way, we are able to increase revenues from current customers with minimal additional sales and marketing expenses.

* Expand Our Customer Base. We seek to establish long-term relationships with new customers through our sales and marketing efforts and selected acquisitions. As of June 30, 2003, we had over 3,000 customers, up from 1,400 in 1999.

* Build Recurring Revenue. We enter into contracts with customers to provide services that meet their information technology needs. We provide ongoing software support for our in-house customers. Additionally, we provide data processing for our outsourcing customers and ATM transaction switching services, both on contracts that typically extend for periods of up to five years.

* Maximize Economies of Scale. We strive to develop and maintain a sufficiently large client base to create economies of scale, enabling us to provide value-priced products and services to our clients while expanding our operating margins.

* Attract and Retain Capable Employees. We believe attracting and retaining high-quality employees is essential to our continued growth and success. Our corporate culture focuses on the needs of employees, a strategy we believe has resulted in low employee turnover. In addition, we selectively use employee stock options to serve as a strong incentive and retention tool. In April 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.

Our Acquisitions

To complement and accelerate our internal growth, we selectively acquire companies that provide us with one or more of the following:

* new customers;

* products and services to complement our existing offerings;

* additional outsourcing capabilities; and

* entry into new markets related to financial institutions.

When evaluating acquisition opportunities, we focus on companies with a strong employee base and management team and excellent customer relationships. Since fiscal 1999, we have completed the following acquisitions:

Fiscal Year	Company	Products and Services
2003	National Bancorp Data Services, LLC	Item Processing
2003	Credit Union Solutions, Inc	Data processing systems and services for smaller credit unions
2002	Transcend Systems Group	Customer Relationship Management software and related services
2002	System Legacy Solutions	Image data conversion systems
2000	Symitar Systems, Inc.	Data processing systems and services for credit unions
2000	Sys-Tech, Inc.	Uninterruptible power supply systems and computer facilities design
2000	BancData Systems	Outsourcing services
2000	Open Systems Group	UNIX/NT-based data processing systems for banks
1999	Peerless Group	Data processing systems for banks and credit unions
1999	Digital Data Services	Outsourcing services
1999	Hewlett Computer Services	Item Processing

Our Products and Services

Changing technologies, business practices and financial products have resulted in issues of compatibility, scalability and increased complexity for the hardware and software used in many financial institutions. We have responded to these issues by developing a fully integrated suite of products and services consisting of core software systems, hardware and complementary products and services. These address virtually all of a commercial bank or credit union's customer interaction, back-office data and information processing needs.

We provide our full range of products and services to financial institutions on either an in-house or outsourced basis. For those customers who prefer to purchase systems for their in-house facilities, we contract to sell computer hardware, license core and complementary software and contract to provide installation, data conversion, training and ongoing support and other services.

We also offer our full suite of software products and services on an outsourced basis to customers who do not wish to maintain, update and run these systems or to make large up-front capital expenditures to implement these advanced technologies. Our principal outsourcing service is the delivery of mission-critical data processing services using our data centers located within the United States. We provide our outsourcing services through an extensive national data and service center network, comprised of 8 data centers and 16 item processing centers. We monitor and maintain our network on a seven-day, 24-hour basis. Customers typically pay monthly fees on service contracts of up to 5 years for these services.

Information regarding the classification of our business into separate segments serving the banking and credit union industries is set forth in Note 13 to the Financial Statements (see item 8 below).

Hardware Systems

Our software operates on a variety of hardware systems. We have entered into remarketing agreements with IBM, NCR and other hardware providers which allow us to purchase hardware at a discount and sell (remarket) it to our customers together with our software applications. We currently sell the IBM iSeries, which is IBM's premier mid-range hardware system, the IBM pSeries, NCR servers and reader/sorters, BancTec reader/sorters and Unisys reader/sorters.

We have a long-term strategic relationship with IBM, dating to the initial design of our first core software applications more than 20 years ago. In addition to our remarketing agreement with IBM, which we regularly renew, we have been named a "Premier Business Partner'' of IBM for the last eleven consecutive years. Our relationship with IBM provides us with a substantial and ongoing source of revenue.

Core Software Applications

Each of our core software systems consists of several fully-integrated application modules, such as deposits, loans, general ledger, and the customer information file, which is a centralized file containing customer data for all applications. We can custom-tailor these modules utilizing parameters determined by our customer. The applications can be connected to a wide variety of peripheral hardware devices used in financial institution's operations. Our software is designed to provide maximum flexibility in meeting our customers' data processing requirements within a single system to minimize data entry and improve efficiencies.

For our customers who choose to acquire in-house capabilities, we generally license our core system under standard license agreements, which provide the customer with a fully-paid, nonexclusive, nontransferable right to use the software on a single computer and at a single location. These same systems can be delivered on an outsourced basis as well.

Our core software applications are differentiated broadly by size of customer, scalability, functionality, customer competitive environment and, to a lesser extent, cost. Our core applications include:

Banking Segment

* Silverlake System[R], which operates on the IBM iSeries and is used primarily by banks with total assets up to $30.0 billion;

* CIF 20/20[R], which operates on the IBM iSeries and is used primarily by banks with total assets up to $300.0 million;

* Core Director[R], which operates on hardware supporting a UNIX/NT environment and is used by banks employing client-server technology.

Credit Union Segment

* Episys[TM], which operates on the IBM pSeries with a UNIX/NT operating system and is used primarily by credit unions with total assets greater that $25.0 million.

* Cruise[TM], which operates on the IBM xSeries and is used primarily by credit unions with total assets under $25.0 million.

Complementary Products and Services

To enhance our core software applications, we provide a number of complementary products and services, including:

* Vertex Teller Automation System[TM] is an online teller automation system that enables tellers to process transactions more efficiently and with greater accuracy.

* Streamline Platform Automation[R] is a fully-automated new account origination and documentation preparation solution that integrates new customer data, including signature cards, disclosure statements, and loan applications into the core customer data files on a real-time basis.

* SuperIMAGE[TM] is a check image system that provides enhanced integration, automation, and dependability in item imaging

* 4|sight[TM] item image solutions is our new generation of imaging products, which allows our customers to create and store digital check images for inclusion in monthly statements, facilitate their customer support services and leverage their investments with system integration.

* Silhouette Document Imaging[R] utilizes digital storage and retrieval technology to provide online instant access to document images, such as loan documents and signature cards.

* PinPoint/WinPoint Report Retrieval[TM] enables system-wide storage and retrieval of computer-generated reports for simplified information access.

* NetTeller Online Banking[TM] and NetTeller MemberConnect Web[TM] provides Internet-based home banking and commercial cash management. See "Online Banking" below.

* PowerPay[TM] is an internet bill payment solution.

* NetTeller Cash Management is an internet cash management solution for small and large businesses providing complete ACH and wire transfer capabilities over the internet.

* InTouch Voice Response[TM] provides a fully-automated interactive voice response system for 24-hour telephone-based customer account management.

* Centurion Disaster Recovery[R] provides multi-tiered disaster recovery protection, including comprehensive disaster planning and procedures.

* TimeTrack Payroll System [TM]is a fully-integrated payroll accounting and human resources software system.

* FormSmart[R] provides day-to-day operating forms, year-end tax forms and other printing and office supplies.

* PassPort[TM] ATM & transaction processing solutions provides national switching and processing services for ATM, debit card and point-of-sale transactions.

* Matrix Network Services[TM] provides network design, implementation, security and related consulting services to financial institutions

* Synapsys[TM] provides a powerful stand alone tool for customer relationship management (CRM).

* OnTarget[TM] provides a fully integrated deposit platform, lending platform and teller solution for our Core Director and Banker II customers through a partnering alliance with ARGO Data Resource Corporation ("ARGO").

* ARGOKeys[TM] is a suite of platform sales and automation and CRM solutions for clients using our Silverlake core systems, including depositkeys, the deposit platform solution; lendingkeys, the lending platform solution; and relationshipkeys, the customer relationship management solution. ARGOKeys is a joint product delivered through our alliance with ARGO.

Other software products such as proof of deposit, secondary market loan servicing, account reclassification, and investment sweeps further complement our core systems.

Installation and Training

Although not a requirement of the software contract, the majority of our customers contract with us for installation and training services in connection with their purchase of in-house systems. The complete installation process of a core system typically includes planning, design, data conversion, hardware set-up and testing. At the culmination of this installation process, one of our installation teams travels to our customer's facilities to ensure the smooth transfer of data to the new system. Installation fees are charged separately to our customers on either a fixed fee or hourly charge model depending on the system, with full pass-through to our customers of travel and other expenses. Installation services are also required in connection with new outsourcing customers, and are billed separately at the time of installation.

Both in connection with installation of new systems and on an ongoing basis, our customers require, and we provide, extensive training services and programs related to our products and services. Training can be provided in our regional training centers, at meetings and conferences or onsite at our customers' locations, and can be customized to meet our customers' requirements. The large majority of our customers acquire training services from us, both to improve their employees' proficiency and productivity and to make full use of the functionality of our systems. Generally, training services are paid for on an hourly basis, however, we have recently been successful in marketing annual subscriptions for training services, representing blocks of training time that can be used by our customers in a flexible fashion and the related revenue is recognized as the services are provided.

Support and Services

Following the installation of our integrated software and hardware systems at a customer site, we provide ongoing software support services to assist our customers in operating the systems. We also offer support services for hardware, primarily through our hardware suppliers, providing customers who have contracted for this service with "one-call'' system support covering hardware and software applications.

Support is provided through a 24-hour telephone service available to our customers seven days a week. Most questions and problems can be resolved quickly by our experienced support staff. For more complicated issues, our staff, with our customers' permission, can log on to our customers' systems remotely. We maintain our customers' software largely through releases which contain improvements and incremental additions. Updates also are issued when required by changes in applicable laws and regulations. We provide support services on our core systems as well as our complementary software products.

Nearly all of our in-house customers contract for annual support services from us. These services are a significant source of recurring revenue, are contracted for on an annual basis and are typically priced at approximately 18 to 20% of the particular software product's license fee. These fees will increase as our customers' asset base increases and as they increase the level of functionality of their system by purchasing additional complementary products. Software support fees are generally billed at June 30 and are paid in advance for the entire fiscal year, with pro-ration for new contracts which start during the year at the time of final conversion.
Hardware support fees are also paid in advance for the entire contract period which ranges from one to five years. Most contracts automatically renew annually unless we or our customer gives notice of termination at

least 60 days prior to expiration. Identical support is provided to our outsourced customers by the same support personnel, but is included as part of their overall monthly fees and therefore not billed separately.

Online Banking

We provide a suite of fully integrated Internet products and services that enables financial institutions to offer Internet banking and e-commerce solutions to their customers. Our offerings include:

* NetTeller[R], an Internet-based home banking system for individual customers and commercial cash management for business customers of banks;

* DirectLine allows NetTeller customers to offer a direct connect service utilizing personal financial management tools for their customers.

* MemberConnect Web[TM], an Internet-based home banking system for credit union members;

* PowerPay[TM] , which allows customers to pay bills online; and

* Netharbor[R], which provides our bank customers with a custom-branded web portal that enables them to provide their customers with a variety of information and e-commerce opportunities.

Customer Relationship Management

We offer several different CRM solutions for our customers:

* Synapsys[TM] is a powerful stand-alone tool integrated with our strategic core products and provides an enterprise-wide relationship management solution for both retail and commercial customers that integrates sales management, customer profiling, automated sales tracking, profitability assessment, lead generation and referral tracking capabilities;

* The ARGOKeys[TM] is the Argo/JHA joint solution for our Silverlake customers that provides an enterprise wide branch sales and automation solution, including a deposit platform, a lending platform with an advanced automated decision module, and a complete CRM solution, all of which is fully integrated with our core and teller systems.

Research and Development

We devote significant effort and expense to develop new software, service products and continually upgrade and enhance our existing offerings. Typically, we upgrade our core software applications and complementary services 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. Through our regular contact with customers at user group meetings, sales contacts and through our ongoing maintenance services, our customers inform us of the new products and functionalities they desire.

Sales and Marketing

Our primary markets consist of commercial banks and credit unions. We have not devoted significant marketing and sales efforts to other financial institutions such as thrifts.

Our sales efforts are conducted by dedicated field sales forces, inside sales teams and technical sales support teams, for each of our market segments, all of which are overseen by regional sales managers. Our dedicated field sales force is responsible for pursuing lead generation activities and representing the majority of our products and solutions to current and prospective clients. Our inside sales force sells certain complementary products to our existing customers. All sales force personnel have responsibility for a specific territory. The sales support team writes business proposals and contracts and prepares responses to request-for-proposals regarding our software and hardware solutions. All of our sales professionals receive a base salary and performance-based commission compensation.

Our marketing efforts consist of sponsorship and attendance at trade shows, e-mail newsletters, print media advertisement placements, telemarketing, and national and regional marketing campaigns. We also conduct a number of national user group meetings each year, which enable us to keep in close contact with our customers and demonstrate new products and services to them.

We have 38 installations in the Caribbean primarily through the marketing efforts of our wholly-owned foreign sales subsidiary, Jack Henry International Limited. Our international sales accounted for less than 1%

of our total revenues.

Backlog

Our backlog consists of contracted in-house products and services (prior to delivery) and the minimum amounts due on the remaining portion of outsourcing contracts, which are typically for five-year periods and represents the minimum guaranteed payments over the remainder of the contract period. Our backlog at June 30, 2003 was $69.5 million for in-house products and services and $113.7 million for outsourcing services, with a total backlog of $183.1 million. Of the $113.7 million amount of the backlog for outsourcing service at June 30, 2003, $80.5 million is not expected to be realized in our current fiscal year due to the long-term nature of many of our outsourcing service contracts. Backlog at June 30, 2002 was $52.8 million for in-house products and services and $88.9 million for outsourcing services, with a total backlog of $141.7 million. Our backlog is subject to seasonal variations and can fluctuate quarterly due to various factors, including slower contract processing rates during the summer months.

Competition

The market for companies providing technology solutions to financial institutions is competitive and fragmented, and we expect continued competition from both existing competitors and companies entering our existing or future markets. Some of our current competitors have longer operating histories, larger customer bases and greater financial resources. The principal competitive factors affecting the market for our services include comprehensiveness of the applications, features and functionality, flexibility and ease of use, customer support, references from existing customers and price. We compete with large vendors that offer transaction processing products and services to financial institutions, including Fidelity Information Services, Inc., Fiserv, Inc., Intercept and Marshall and Ilsley Corporation. In addition, we compete with a number of providers that offer one or more specialized products or services. There has been significant consolidation among providers of information technology products and services to financial institutions, and we believe this consolidation will continue in the future.

Intellectual Property, Patents and Trademarks

Although we believe that our success depends upon our technical expertise more than on our proprietary rights, our future success and ability to compete depends in part upon our proprietary technology. We have registered or filed applications for our primary trademarks. None of our technology is patented. Instead, we rely on a combination of contractual rights and copyrights, trademarks and trade secrets to establish and protect our proprietary technology. We generally enter into confidentiality agreements with our employees, consultants, resellers, customers and potential customers. We restrict access to and distribution of our source code and further limit the disclosure and use of other proprietary information. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain or use our products or technology. We cannot be sure the steps taken by us in this regard will be adequate to prevent misappropriation of our technology or that our competitors will not independently develop technologies are substantially equivalent or superior to our technology.

Government Regulation

The financial services industry is subject to extensive and complex federal and state regulation. Our current and prospective customers, which consist of financial institutions such as community/regional banks and credit unions, operate in markets that are subject to substantial regulatory oversight and supervision. We must ensure our products and services work within the extensive and evolving regulatory requirements applicable to our customers, including those under the federal truth-in-lending and truth-in-savings rules, usury laws, the Equal Credit Opportunity Act, the Fair Housing Act, the Electronic Funds Transfer Act, the Fair Credit Reporting Act, the Bank Secrecy Act, the USA Patriot Act, the Gramm-Leach-Bliley Act, and the Community Reinvestment Act. The compliance of our products and services with these requirements depends on a variety of factors including the particular functionality, the interactive design and the classification of customers. Our customers must assess and determine what is required of them under these regulations and they contract with us to ensure that our products and services conform to their regulatory needs. It is not possible to predict the impact any of these regulations could have on our business in the future.

We are not chartered by the Office of the Comptroller of Currency, the Board of Governors of the Federal Reserve System, the National Credit Union Administration or other federal or state agencies that regulate or supervise depository institutions. The services provided by our OutLink Data Centers are subject to examination by the Federal Financial Institution Examination Council regulators under the Bank Service Company Act. On occasion these services are also subject to examination by state banking authorities.

We provide outsourced data and item processing through our geographically dispersed OutLink Data Centers, electronic transaction processing through PassPort ATM and Transaction Processing Solutions, Internet banking through NetTeller online banking, and bank business recovery services through Centurion Disaster Recovery. As a service provider to financial institutions, our operations are governed by the same regulatory requirements as those imposed on financial institutions. We are subject to periodic review by federal depository institution regulators who have broad supervisory authority to remedy any shortcomings identified in such reviews.

Employees

As of June 30, 2003 and 2002, we had 2,257 and 2,093 full time employees respectively. Our employees are not covered by a collective bargaining agreement and there have been no labor-related work stoppages. We consider our relationship with our employees to be good.

Available Information

Our internet website is easily accessible to the public at www.jackhenry.com Our key corporate governance documents and our Code of Conduct addressing matters of business ethics are available in the "Investor Relations" portion of the website, together with archives of press releases and other materials. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other filings and amendments thereto that we make with the U.S. Securities Exchange Commission (the "SEC") are available free of charge on the website as soon as reasonably practicable after such reports have been filed with or furnished to the SEC.

RISK FACTORS

The Company's business and the results of its operations are affected by numerous factors and uncertainties, some of which are beyond their control. The following is a description of some of the important risk factors and uncertainties that may cause the actual results of the Company's operations in future periods to differ materially from those currently expected or desired.

Changes within the banking industry could reduce demand for our products. In the current environment of low interest rates, the profit margins of commercial banks and credit unions have narrowed. As the economy has stumbled, loan demand has slackened and loan defaults have increased. As a result, many banks have slowed or stopped their capital spending, including spending on computer software and hardware, affecting both sales to new customers and upgrade/complimentary product sales to existing customers.

We may not be able to manage rapid growth. We have grown at a rapid pace, both internally and through acquisitions. Our expansion has and will continue to place significant demands on our administrative, operational, financial and management personnel and systems. We cannot assure you that we will be able to enhance and expand our product lines, manage costs, adapt our infrastructure and modify our systems to accommodate future growth.

If we fail to adapt our products and services to changes in technology, we could lose existing customers and be unable to attract new business. The markets for our software and hardware products and services are characterized by changing customer requirements and rapid technological changes. These factors and new product introductions by our existing competitors or by new market entrants could reduce the demand for our existing products and services and we may be required to develop or acquire new products and services. Our future success is dependent on our ability to enhance our existing products and services in a timely manner and to develop or acquire new products and services. If we are unable to develop or acquire new products and services as planned, or fail to achieve timely market acceptance of our new or enhanced products and services, we may incur unanticipated expenses, lose sales or fail to achieve anticipated revenues.

Acquisitions may be costly and difficult to integrate. We have acquired several businesses and will continue to explore possible business combinations in the future. We may not be able to successfully integrate acquired companies. We may encounter problems in connection with the integration of new businesses including: financial control and computer system compatibility; unanticipated costs; unanticipated quality or customer problems with acquired products or services; diversion of management's attention; adverse effects on existing business relationships with suppliers and customers; loss of key employees; and significant amortization expenses related to identifiable intangible assets. Without additional acquisitions, we may not be able to grow and to develop new products and services as quickly as we have in the past to meet competitive challenges. If our integration strategies fail, our business, financial condition and results of operations could be materially and adversely affected.

If our strategic relationship with IBM were terminated, it could have a negative impact on the continuing success of our business. We have developed a strategic relationship with IBM. As part of this collaborative relationship, we market and sell IBM hardware and equipment to our customers under an IBM Business Partner Agreement and resell maintenance on IBM hardware products to our customers. Much of our software is designed to be compatible with the IBM hardware that is run by a majority of our customers. If IBM were to terminate or fundamentally modify our strategic relationship, our relationship with our customers and our revenues and earnings would suffer. We could also lose software market share or be required to redesign existing products or develop new products that would be compatible with the hardware used by our customers.

Competition may result in price reductions and decreased demand for our products and services. We expect competition in the markets we serve will remain vigorous. We compete on the basis of product quality, reliability, performance, ease of use, quality of support and pricing. We cannot guarantee that we will be able to compete successfully with our existing competitors or with companies entering our markets in the future. Certain of our competitors have strong financial, marketing and technological resources and, in some cases, a larger customer base than we do. They may be able to adapt more quickly to new or emerging technologies or to devote greater resources to the promotion and sale of their products and services.

The loss of key employees could adversely affect our business. We depend to a significant extent on the contributions and abilities of our senior management. Our Company has grown significantly in recent years and our management remains concentrated in a small number of key employees. If we lose one or more of our key employees, we could suffer a loss of sales and delays in new product development, and management resources would have to be diverted from other activities to compensate for this loss. We do not have employment agreements with any of our executive officers, however, we currently have a management succession plan in place.

Consolidation of financial institutions could reduce the number of our customers and potential customers. Our primary market consists of approximately 8,400 commercial banks and 9,900 credit unions. The number of commercial banks and credit unions has decreased as a result of mergers and acquisitions over the last five years and is expected to continue to decrease as more consolidation occurs, which will reduce our number of potential customers. As a result of this consolidation, some of our existing customers could terminate, or refuse to renew their contracts with us and potential customers could break off negotiations with us.

The services we provide to our customers are subject to government regulation that could hinder our ability to develop portions of our business or impose additional constraints on the way we conduct our operations. The financial services industry is subject to extensive and complex federal and state regulation. As a supplier of services to financial institutions, some of our operations are examined by the Office of the Comptroller of the Currency, the Federal Reserve Board and the Federal Deposit Insurance Corporation, among other regulatory agencies. These agencies regulate services we provide and the manner in which we operate, and we are required to comply with a broad range of applicable laws and regulations. In addition, existing laws, regulations and policies could be amended or interpreted differently by regulators in a manner that has a negative impact on our existing operations or that limits our future growth or expansion. Our customers are also regulated entities, and the form and content of actions by regulatory authorities could determine both the decisions they make concerning the purchase of data processing and other services and the timing and implementation of these decisions. The development of financial services over the Internet has raised concerns with respect to the use, confidentiality and security of private customer information. Regulatory agencies, Congress and state legislatures are considering numerous regulatory and statutory proposals to protect the interests of consumers and to require compliance by the industry with standards and policies that have not been defined.

Network or Internet security problems could damage our reputation and business. We rely on standard network and Internet security systems, most of which we license from third parties, to provide the security and authentication necessary to effect secure transmission of data. Computer networks and the Internet are vulnerable to unauthorized access, computer viruses and other disruptive problems. In addition, advances in computer capabilities, new discoveries in the field of cryptography or other events or developments may render our security measures inadequate. Someone who is able to circumvent security measures could misappropriate proprietary information or cause interruptions in our operations or those of our customers. Security risks may result in liability to us and also may deter financial institutions from purchasing our products. We may need to expend significant capital or other resources protecting against the threat of security breaches or alleviating problems caused by breaches. Eliminating computer viruses and alleviating other security problems may result in interruptions, delays or cessation of service to users, any of which could harm our business.

As technology becomes less expensive and more advanced, purchase prices of hardware may decline and our revenues and profits from remarketing arrangements may decrease. Computer hardware technology is rapidly developing. Hardware manufacturers are producing less expensive and more powerful equipment each year, and we expect this trend to continue into the future. As computer hardware becomes less expensive, revenues and profits derived from our hardware remarketing may decrease and become a smaller portion of our revenues and profits.

An operational failure in our outsourcing facilities could cause us to lose customers. Damage or destruction that interrupts our provision of outsourcing services could damage our relationship with certain customers and may cause us to incur substantial additional expense to repair or replace damaged equipment. Although we have installed back-up systems and procedures to prevent or reduce disruption, we cannot assure you that we will not suffer a prolonged interruption of our transaction processing services. In the event that an interruption of our network extends for more than several hours, we may experience data loss or a reduction in revenues by reason of such interruption. In addition, a significant interruption of service could have a negative impact on our reputation and could lead our present and potential customers to choose service providers other than us.

Item 2 Properties

We own approximately 138 acres located in Monett, Missouri on which we maintain eight office and three security, shipping & receiving and maintenance buildings. We also own buildings in Houston, Texas; Allen, Texas; Albuquerque, New Mexico; Birmingham, Alabama; Angola, Indiana; Lenexa, Kansas; Shawnee, Kansas; Rogers, Arkansas; and Oklahoma City, Oklahoma. Our owned facilities represent approximately 612,000 square feet of office space. We have 28 leased office facilities in 17 states, which total approximately 211,000 square feet. All of the space is utilized for normal business purposes.

Of these facilities, leased office space totaling approximately 44,500 in one facility is devoted primarily to serving our credit union business segment, with the remainder of our leased and all owned facilities primarily devoted to serving our banking business segment. Subsequent to year-end, the Company purchased a 93,000 square foot facility in San Diego, CA. for approximately $12.8 million, with costs to complete the building estimated at an additional approximately $16 million. This building will serve our credit union business segment.

We own seven aircraft which are utilized for business purposes. Many of our customers are located in communities that do not have an easily accessible commercial airline service. We primarily use our airplanes in connection with installation, sales of systems and internal requirements for day to day operations. Transportation costs for installation and other customer services are billed to our customers. We lease property, including real estate and related facilities, at the Monett, Missouri municipal airport.

Item 3 Legal Proceedings

We are subject to various routine legal proceedings and claims arising in the ordinary course of business. We do not expect that the results in any of these legal proceedings will have a material adverse effect on our business, financial condition, results of operations or cash flows.

Item 4 Submission of Matters To a Vote of Security Holders

None.

PART II

Item 5 Market for Registrant's Common Equity and Related Stockholder Matters

The Company's common stock is quoted on the Nasdaq National Market under the symbol "JKHY". The following table sets forth, for the periods indicated, the high and low sales price per share of the common stock as reported by the Nasdaq National Market.

Fiscal 2003	High	Low
First Quarter	$17.22	$11.76
Second Quarter	13.71	7.24
Third Quarter	14.89	9.90
Fourth Quarter	18.32	10.34
Fiscal 2002		
First Quarter	$ 33.24	$ 20.00
Second Quarter	27.07	19.05
Third Quarter	24.49	20.80
Fourth Quarter	23.50	15.76

The Company established a practice of paying quarterly dividends at the end of fiscal 1990 and has paid dividends with respect to every quarter since that time. Quarterly dividends per share paid on the common stock for the two most recent fiscal years ended June 30, 2003 and 2002 are as follows:

Fiscal 2003	Dividend
First Quarter	$ .035
Second Quarter	.035
Third Quarter	.035
Fourth Quarter	.035
Fiscal 2002	
First Quarter	$ .030
Second Quarter	.030
Third Quarter	.035
Fourth Quarter	.035

The declaration and payment of any future dividends will continue to be at the discretion of our Board of Directors and will depend upon, among other factors, our earnings, capital requirements, contractual restrictions, and operating and financial condition. The Company does not currently foresee any changes in its dividend practices.

Information regarding the Company's equity compensation plans is set forth under the caption "Equity Compensation Plan Information" in the Company's definitive Proxy Statement and is incorporated herein by reference.

On August 21, 2003, there were approximately 46,800 holders of the Company's common stock. On that same date the last sale price of the common shares as reported on NASDAQ was $19.31 per share.

Item 6 Selected Financial Data

(In Thousands, Except Per Share Data)

	YEAR ENDED JUNE 30,				
Income Statement Data	2003	2002	2001*	2000*	1999*
Revenue (1)	$404,627	$396,657	$366,903	$239,841	$204,324
Income from continuing operations	$ 49,397	$ 57,065	$ 55,631	$ 34,350	$ 32,726
Loss from discontinued operations	$ -	$ -	$ -	$ 332	$ 758
Net income	$ 49,397	$ 57,065	$ 55,631	$ 34,018	$ 31,968
Diluted income per share:					
Income from continuing operations	$ 0.55	$ 0.62	$ 0.61	$ 0.40	$ 0.39
Loss from discontinued operations	$ -	$ -	$ -	$ -	$ 0.01
Net income	$ 0.55	$ 0.62	$ 0.61	$ 0.40	$ 0.38
Dividends declared per share	$ 0.14	$ 0.13	$ 0.11	$ 0.09	$ 0.08
Balance Sheet Data					
Working capital	$ 70,482	$ 67,321	$ 65,032	$(47,990)	$ 24,133
Total assets	$548,575	$486,142	$433,121	$321,082	$177,823
Long-term debt	$ -	$ -	$ 228	$ 320	$ 211
Stockholders' equity	$365,223	$340,739	$302,504	$154,545	$115,798

* Selected financial information for 2000 and 1999 have been restated to include all acquisitions that have been accounted for as pooling-of-interests as if each had occurred at the beginning of the earliest period reported. Revenue for the years ended June 30, 2001, 2000, and 1999 have been restated for the adoption of Emerging Issues Task Force Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for 'Out of Pocket' Expenses Incurred".

(1) Revenue includes license sales, support and service revenue, and hardware sales, less returns and allowances.

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the "Selected Financial Data" and the consolidated financial statements and related notes included elsewhere in this report.

OVERVIEW

We provide integrated computer systems for in-house and outsourced data processing to commercial banks with under $30.0 billion in total assets, 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 financial institutions throughout the United States. We also perform data conversion and software installation for the implementation of our systems and provide continuing customer support services after the systems are installed. 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 eight data centers and sixteen item processing centers located throughout the United States.

We derive revenues from three primary sources, which include gross customer reimbursements received for out of pocket expenses incurred and reported in the respective lines of revenue:

- sales of software licenses;

- support and service fees, which include installation services; and

- hardware sales.

Over the last five fiscal years, our revenues have grown from $204.3 million in fiscal 1999 to $404.6 million in fiscal 2003. Income from continuing operations has grown from $32.7 million in fiscal 1999 to $49.4 million in fiscal 2003. This growth has resulted primarily from internal expansion supplemented by strategic acquisitions, allowing us to develop and acquire new products and services and expand the number of customers who use our core software systems to approximately 2,450 as of June 30, 2003.

Since July 1998, we have completed 11 accretive acquisitions. Nine of these acquisitions were accounted for using the purchase method of accounting and our consolidated financial statements include the results of operations of the acquired companies from their respective acquisition dates. The remaining two acquisitions were accounted for using the pooling-of-interests method.

License revenue represents the sale and delivery of application software systems contracted with us by the customer. We license our proprietary software products under standard license agreements which 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. In revenue arrangements with multiple elements, the components are all separately and independently priced within the related contracts. Allocation of revenue is consistent with pricing when each product or service is sold separately establishing Vendor Specific Objective Evidence ("VSOE"). Generally, 25% of license fees are payable upon execution of the license agreement with additional payments due at specified times after contract signing. We recognize 100% of software license revenue upon delivery and acceptance of the software and documentation.

Support and services fees are generated from installation services contracted with us by the customer, ongoing support services to assist the customer in operating the systems and to enhance and update the software, and from providing outsourced data processing services and ATM and debit card processing services. We recognize installation services revenue as services are performed under hourly contracts and at the completion of the installations under fixed fee contracts. Revenues from software support are generated pursuant to annual agreements and are recognized ratably over the life of the agreements. Outsourcing services are performed through data and item centers. Revenues from outsourced processing and ATM and debit card processing services are derived from monthly usage fees typically under five-year service contracts with our customers. We recognize the revenues under these contracts as services are performed.

Cost of license fees represents the third party vendor costs associated with license fee revenue.

Cost of services represents costs associated with conversion and installation efforts, ongoing support for our in-house customers, operation of our data and item centers providing services for our outsourced customers, ATM and debit card processing services, and direct operation costs. These costs are recognized as they are incurred.

We have entered into remarketing agreements with several hardware manufacturers under which we sell computer hardware and related services to our customers. Revenues from hardware sales are recognized when the manufacturers ship the hardware directly to our customers. 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 revenue.

We have two business segments: bank systems and services and credit union systems and services. The respective segments include all related license, support and service, customer reimbursements and hardware sales along with the related cost of sales.

RESULTS OF OPERATIONS

FISCAL 2003 COMPARED TO FISCAL 2002

REVENUE - Revenues increased 2% from $396.7 million in fiscal 2002 to $404.6 million in fiscal 2003. Compared to fiscal 2002, license fees decreased 27%; support and service revenues increased 14%, and hardware sales decreased 5%. Beginning in fiscal 2003, customer reimbursements received for pass-through costs are now included and presented in the correlating line items of support and service or hardware revenues and costs, respectively. Prior years have been reclassified to conform with the 2003 presentation.

Reflecting the strength in new outsourcing business, revenues from support and services continues to grow, increasing to 64% of revenues in 2003 compared to 58% of 2002 revenues. The increase is composed of $10.8 million or 17% increase in outsourcing services, $5.2 million or 24% growth in ATM and debit card processing services, $16.4 million or 16% growth in in-house support and a slight decrease of $0.6 million or 2% for installation services. Recurring revenue (support and service revenue less installation services) increased to 55% of total revenue in fiscal 2003 from 47% of total fiscal 2002 revenue.

Continued softness in banking core system sales negatively impacted revenues from license fees and hardware sales in 2003. For the year, license fees dropped 27% to $48.3 million or 12% of total 2003 revenues, compared to $66.6 million, or 17% of 2002 revenues. The decrease is due to the overall reduced number of software licenses delivered during the year in our bank segment. Hardware revenue decreased 5% to $95.9 million or 24% of fiscal 2003 revenues compared with $101.3 million or 26% of fiscal 2002 revenues. This decline is primarily attributable to the decrease in software sales which typically drives the sale of related hardware.

COST OF SALES - Cost of sales increased 7% during the fiscal year, primarily due to a 9% increase in employee related expenses included in cost of services. Cost of license increased 55%, from $2.5 million in fiscal 2002 to $3.9 million in fiscal 2003, primarily due to obligations to third party vendors for the software we resell. Cost of services increased 10% to $178.3 million or 44% of revenue in fiscal 2003 compared to $161.5 million or 41% of revenue in the fiscal 2002, which is in line with the increase in revenue. Cost of hardware decreased 3% from $71.4 million or 18% of revenue in year 2002 to $69.1 million or 17% of revenue in current 2003 fiscal year.

GROSS PROFIT - Gross profit decreased 5% from $161.2 million in fiscal 2002 to $153.3 million in fiscal 2003. The total gross margin for fiscal 2003 was 38% compared to 41% for fiscal 2002. Gross profit on license sales decreased $19.7 million or 31% and gross margin decreased from 96% in fiscal 2002 to 92% in fiscal 2003. The decrease in gross profit was due to the overall weakness in the capital goods market and the reduction in the margin is primarily due to decrease in license revenue, which is our highest margin revenue.

Gross profit for support and services increased $15.0 million or 22% in fiscal year 2003 compared to fiscal 2002. Support and service margins continue to strengthen to 32% this year from 29% in the prior year. The increase is primarily due to increased volumes, increased number of customers and continued leveraging of resources in our outsourcing and ATM/Debit card processing services.

Hardware gross margin for the current fiscal year 2003 was 28%, compared to 30% margin in fiscal year 2002. The decrease in hardware margin for the year is primarily attributable to the sales mix of products. In fiscal 2003 our hardware sales included a higher percentage of servers and personal computers related to networks than in 2002. Network hardware has a significantly lower margin than midrange hardware and reader sorters. Another contributing factor to lower gross margin has been reduced vendor incentives in fiscal 2003.

OPERATING EXPENSES - Operating expenses increased 2% for the current year, with the majority of the increase generated from research and development expenses. Research and development expenses went up by 27% to $15.9 million for fiscal 2003 as compared to $12.5 million for fiscal 2002. The increase is primarily attributable to a 27% increase in employee related expenses for ongoing development of new products and enhancements to existing products in both segments of our business. Selling and marketing annual expenses increased 4% to $30.7 million in 2003 compared to $29.4 million for fiscal year 2002. General and administrative expenses decreased 10% to $29.5

million this year from $32.7 million in fiscal year 2002, mainly due from ongoing efforts to control expenses by management.

INTEREST INCOME (EXPENSE) - Interest income (expense) decreased from $1.8 million in fiscal 2002 to $0.5 million in fiscal 2003. Interest income decreased 69% from $2.0 million to $0.6 million due to lower interest rates on investments. Interest expense decreased $81,000 from $191,000 in fiscal year 2002 to $110,000 in fiscal 2003. The decrease is due to short term borrowings being paid off in January 2002, with no additional borrowings since that date.

PROVISION FOR INCOME TAXES - The provision for income taxes was $28.4 million, or 36.5% of income before income taxes in fiscal 2003, compared with $31.4 million, or 36% of income before income taxes in fiscal 2002. The increase in the tax rate in the current fiscal year is due to changes in effective state income tax rates.

NET INCOME - Net income decreased 13% from $57.1 million, or $.62 per diluted share in fiscal 2002 to $49.4 million, or $.55 per diluted share in fiscal 2003.

FISCAL 2002 COMPARED TO FISCAL 2001

REVENUE - Revenues increased by 8% from $366.9 million in fiscal 2001 to $396.7 million in fiscal 2002. Compared to fiscal 2001, license revenue decreased 5% from $70.1 million to $66.6 million in fiscal 2002; support and service revenue increased 23% from $185.8 million in fiscal 2001 to $228.7 million in fiscal 2002, and hardware sales decreased 9% from $111.0 million in fiscal 2001 to $101.3 million in fiscal 2002.

License fees and hardware revenues were negatively impacted by the sluggish economy following the September 11th terrorist attacks and a decrease in capital spending. The support and service revenues remained strong, which was primarily recurring revenue from annual in-house support agreements, monthly data and item center outsourcing contracts, and processing of ATM and debit card transactions. The increase in fiscal 2002 is composed of $10.9 million growth in outsourcing services, $6.2 million growth in ATM and debit card processing services, $21.8 million growth in in-house support and $4.1 million growth in installation services. Recurring revenue (support and service revenue less installation services) increased to 47% of total revenue in fiscal 2002 from 41% of total fiscal 2001 revenue.

COST OF SALES - Cost of sales increased 9% from $215.3 million in fiscal 2001 to $235.4 million in fiscal 2002, compared to an 8% increase in revenues. Cost of license remained almost flat, while the license revenue decreased 5%. Cost of services increased 19% compared to the 23% increase in support and service revenue. Cost of hardware decreased 7%, in line with the decrease in hardware sales of 9%. The total increase in cost of sales is primarily due to a 10% increase in the number of employees, related benefits and increased depreciation expense related to prior capital expenditures.

GROSS PROFIT - Gross profit increased 6% from $151.6 million or 41% of revenue in fiscal 2001 to $161.2 million in fiscal 2002, also 41% of revenue. Gross profit decreased 5% in fiscal 2002 for license fees compared to fiscal 2001. Support and services gross profit increased 35% from $49.6 million in fiscal 2001 to $67.2 million in fiscal 2002 and the related gross margin increased from 27% to 29% in fiscal 2002. Hardware sales gross profit decreased from $34.4 million in fiscal 2001 to $29.9 million in fiscal 2002 and the gross margin was 30% in fiscal 2002 compared to 31% in fiscal 2001. The slight decrease is due to the sales mix and reduced incentives from hardware suppliers.

OPERATING EXPENSES - Operating expenses increased 13% from $65.9 million in fiscal 2001 to $74.6 million in fiscal 2002. Selling and marketing expenses increased 6%, research and development increased 15% and general and administrative expenses increased 20% during fiscal 2002. Operating expenses rose due to increasing employee benefit costs, primarily due to increased health care costs and increased depreciation expense related to capital expenditures.

INTEREST INCOME (EXPENSE) - Interest income (expense) increased from $1.2 million in fiscal 2001 to $1.8 million in fiscal 2002. Interest income decreased by 4% from $2.1 million to $2.0 million due to lower interest rates on investments. Interest expense decreased $729,000 due to expense last year from short-term borrowing compared to this year. Short term debt was paid off in January 2002.

PROVISION FOR INCOME TAXES - The provision for income taxes was $31.4 million, or 36% of income before income taxes in fiscal 2002, compared with $31.3 million, or 36% of income before income taxes in fiscal 2001.

NET INCOME - Net income increased 3% from $55.6 million, or $.61 per diluted share in fiscal 2001 to $57.1 million, or $.62 per diluted share in fiscal 2002.

Business Segment Discussion

Revenues in the bank systems and services business segment increased 1% from $339.3 million in fiscal 2002 to $343.1 million in fiscal 2003. Gross profit in this business segment decreased 6% from $143.6 million or 42% gross margin in fiscal 2002 to $135.0 million or 39% gross margin for the year ended June 30, 2003. This decline in gross profit is primarily due to the industry trend of an overall decrease in capital spending for the fiscal year and is reflected by the significant decrease in software and hardware revenues offset somewhat by the increase in services revenue. The decrease in gross margin is primarily due to the significant reduction in license revenue, which is our highest margin revenue.

Revenues in the credit union systems and services business segment increased from $57.3 million in fiscal 2002 to $61.5 million in fiscal 2003, representing a 7% increase. Gross profit in this business segment increased from $17.7 million or 31% gross profit margin in fiscal 2002 to $18.3 million or 30% gross profit margin for the year ended June 30, 2003. Despite the sluggish economy, the credit union segment was able to achieve growth in revenue and maintain a fairly flat gross margin. The increase in revenue was due to additional core customers during the year and expanded product offerings in this segment.

Revenues in the bank systems and services business segment increased 7% from $318.0 million in fiscal 2001 to $339.3 million in fiscal 2002. Gross profit in this business segment increased 4% from $138.1 million in fiscal 2001 to $143.6 million for the year ended June 30, 2002, due to decrease in amortization expense relating to goodwill as a result of the impact of adopting SFAS No. 142 and the overall cost control measures put in place by management. The slight increases, which are significantly lower than historical levels, are primarily due to the industry trend of an overall decrease in capital spending for the year, which continued to be impacted by the events of September 11th and the weakened ongoing economy.

Revenues in the credit union systems and services business segment increased from $48.9 million in fiscal 2001 to $57.3 million in fiscal 2002, representing a 17% increase. Gross profit in this business segment increased from $13.5 million in fiscal 2001 to $17.7 million or a 31% increase for the year ended June 30, 2002. Gross profit margin remained strong due to decrease in amortization expense relating to goodwill as a result of the impact of adopting SFAS No. 142 and the overall cost control measures put in place by management. Despite the sluggish economy, the credit union segment had significant growth in revenue. The increase in revenue was due to the addition of core customers during the year.

Liquidity and Capital Resources

We have historically generated positive cash flow from operations and have generally used existing resources and funds generated from operations to meet capital requirements. We expect this trend to continue in the future.

The Company's cash and cash equivalents and investments increased to $32.0 million at June 30, 2003, from $17.8 million at June 30, 2002. Cash provided by operations was $98.9 million for the fiscal year ended June 2003 as compared to $89.9 million for the fiscal year ended 2002. Included in our June 30, 2003 annual in-house support billing was an increase of $25.0 million because of a shift in billing cycles for our previously acquired customers to our fiscal year-end from a calendar year. This shift in billing from the prior year was the primary reason for the increase in accounts receivable of $19.7 million and deferred revenues of $23.1 million. In 2003, there was additional depreciation expense of $3.1 million and a $6.5 million decrease in accounts payable and accrued expenses. Cash used in investing activities for the fiscal year ended June 2003 was $58.5 million, which included capital expenditures of $46.0 million, primarily for expansion at our Monett complex and a new facility in Birmingham, AL., $6.5 million for acquisitions and $5.2 million for capitalization of software development costs. Financing activities used cash of $26.1 million, of which the majority was used to purchase treasury stock for $18.2 million, and to pay dividends of $12.3 million for the fiscal year ended 2003.

At June 30, 2003, the Company is in negotiations to acquire two buildings in San Diego, CA., which when completed will have a total cost of approximately $29 million, and one building in Charlotte, NC., which will have a total cost of approximately $8.0 million. The Company expects total capital expenditures to increase to approximately $61 million in fiscal year 2004.

On September 21, 2001, the Company's Board of Directors approved a stock buyback of the Company's common stock of up to 3.0 million shares, and approved an increase to 6.0 million shares on October 4, 2002. The buyback has been funded with cash from continuing operations. As of June 30, 2003, 3,012,933 shares have been purchased for $49,218,870. During fiscal 2003 there were 501,740 shares and 60,249 shares reissued from treasury stock for the shares exercised in the employee stock option plan and the employee stock purchase plan, respectively. At June 30, 2003, there were 2,363,121 shares remaining in treasury stock. As of June 30, 2002, 1,656,733 shares had been purchased for $31,054,139 and 1,568,910 shares remained in treasury stock.

We currently have two bank credit lines upon which we can draw an aggregate amount at any one time outstanding of $58.0 million. The major credit line provides for funding of up to $50.0 million and bears interest at variable LIBOR-based rates (1.87% at June 30, 2003). The second credit line provides for funding of up to $8.0 million and bears interest at the prime rate (4.0% at June 30, 2003). Currently there are no amounts outstanding under either line.

Subsequent to June 30, 2003, the Company's Board of Directors declared a cash dividend of $.035 per share on its common stock payable on September 19, 2003, to stockholders of record on September 5, 2003. 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 picture continues to be favorable.

Contractual Obligations and Other Commitments

At June 30, 2003, the Company's total off-balance sheet contractual obligations of $5.2 million consists of long-term operating leases for various facilities. The leases expire from 2004 to 2008.

Recent Accounting Pronouncements

In June 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 146, Accounting for Costs Associated with Exit or Disposal Activities, which is effective for any activity initiated after December 31, 2002. This standard addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies the Emerging Issues Task Force ("EITF") Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). This standard requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred. The accounting for similar events and circumstances will be the same, thereby improving the comparability and representational faithfulness of reported financial information. The adoption of this standard on January 1, 2003, did not have a material impact on the Company's consolidated financial position or results of operations.

In November 2002, the EITF reached a consensus regarding EITF Issue No. 02-16, Accounting by a Customer, Including a Reseller, for Cash Consideration Received from a Vendor. This consensus requires that payments from a vendor be classified as a reduction to the price of the vendor's goods and taken as a reduction to cost of sales unless the payments are: (1) a reimbursement for costs incurred to sell the product, or (2) a payment for assets or services provided. The consensus also requires that payments from a vendor be recognized as a reduction to cost of sales on a rational and systematic basis. This consensus is effective for fiscal years beginning after December 15, 2002 (July 1, 2003 for JHA). The adoption of this consensus on July 1, 2003, did not have a material effect on the Company's consolidated financial position or results of operation.

In November 2002, FASB Interpretations No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57, and 107 ("FIN 45") was issued. FIN 45 elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing a guarantee. The initial recognition and initial measurement provisions of this Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The disclosure requirements in this Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. The adoption of this Interpretation on January 1, 2003, did not have a material effect on the Company's consolidated financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123. SFAS No. 148 amends SFAS No. 123, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 was effective for the Company's financial statements for fiscal year ended June 30, 2003. The Company has elected to continue to account for its stock-based compensation in accordance with the provisions of APB No. 25 as interpreted by FASB

Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB Opinion No. 25, ("FIN 44") and present the pro forma disclosures required by SFAS No. 123.

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), Consolidation of Variable Interest Entities, which addresses consolidation by business enterprises of variable interest entities that either: (1) do not have sufficient equity investment at risk to permit the entity to finance its activities without additional subordinated financial support, or (2) the equity investors lack an essential characteristic of a controlling financial interest. FIN 46 requires disclosure of Variable Interest Entities (VIEs) in financial statements issued after January 31, 2003, if it is reasonably possible that as of the transition date: (1) the company will be the primary beneficiary of an existing VIE that will require consolidation or, (2) the company will hold a significant variable interest in, or have significant involvement with, an existing VIE. Pursuant to the transitional requirements of FIN 46, the company will adopt the consolidation guidance applicable to existing VIEs as of the reporting period beginning July 1, 2003. Any VIEs created after January 31, 2003, are immediately subject to the consolidation guidance in FIN 46. The adoption of this interpretation did not have a material effect on the Company's consolidated financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS No. 150 states that companies which issue financial instruments that have characteristics of both liabilities and equity will have to determine if the instrument should be classified as a liability or equity for financial instruments entered into or modified after May 31, 2003. The Company does not expect the adoption of FASB No. 150 to have a material effect on our operating results or financial condition.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States. The significant accounting policies are discussed in Note 1 to the consolidated financial statements. Certain of these accounting policies as discussed below require management to make estimates and assumptions about future events that could materially affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

We record revenue in accordance with Statement of Position (SOP) 97-2, Software Revenue Recognition, as amended. We recognize revenue from sales of hardware, software and services and from arrangements involving multiple elements of each of the above. Revenue for multiple element arrangements are recorded based on contractual amounts, which are determined based upon the price charged when sold separately. Revenue is not recognized until persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable, and collectibility is probable. Sales of hardware and equipment are recorded when title and risk of loss transfers. Licensing revenues are recorded upon delivery and acceptance of the software. Service fees for training and installation are recognized as the services are provided. Support revenues are recorded evenly over the related contract period.

As discussed previously in the overview, the Company has established VSOE separately for all the individual components of licensing, installation, support, and hardware and recognizes revenue separately for the various components. The components are all independently priced and consistent with pricing when each element is sold separately. There are no rights of return, conditions of acceptance or price protections in our contracts.

The calculation of depreciation and amortization expense is based on the estimated economic lives of the underlying property, plant and equipment and intangibles. We believe it is unlikely that any significant changes to the useful lives of our tangible and intangible assets will occur in the near term, but rapid changes in technology or changes in market conditions could result in revisions to such estimates that could materially affect the carrying value of these assets and the Company's future consolidated operating results.

Forward Looking Statements

Except for the historical information contained herein, the matters discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations 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 in "Risk Factors" in Item 1 of the Company's 2003 Form 10-K annual report filed with the Securities and Exchange Commission. 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.

Potential risks and uncertainties which could adversely affect the Company include: the financial health of the banking industry, our ability to continue or effectively manage growth, adapting our products and services to changes in technology, changes in our strategic relationships, price competition, loss of key employees, consolidation in the banking industry, increased government regulation, network or internet security problems, declining computer hardware prices, and operational problems in our outsourcing facilities.

Item 7A 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 instruments will not have a material adverse effect on our consolidated financial position or results of operations.

Item 8 Financial Statements and Supplementary Data

Financial Statements

Financial Statement Schedules

There are no schedules included because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jack Henry & Associates, Inc.:

We have audited the accompanying consolidated balance sheets of Jack Henry & Associates, Inc. and Subsidiaries (the "Company") as of June 30, 2003 and 2002, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Jack Henry & Associates, Inc. and Subsidiaries at June 30, 2003, and 2002, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

St. Louis, Missouri
August 15, 2003

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

	YEAR ENDED JUNE 30, 2003	2002	2001
REVENUE			
License	$ 48,284	$ 66,576	$ 70,132
Support and service	260,452	228,744	185,763
Hardware	95,891	101,337	111,008
Total	404,627	396,657	366,903
COST OF SALES			
Cost of license	3,890	2,509	2,532
Cost of support and service	178,256	161,523	136,208
Cost of hardware	69,145	71,405	76,566
Total	251,291	235,437	215,306
GROSS PROFIT	$153,336	$161,220	$151,597
OPERATING EXPENSES			
Selling and marketing	30,664	29,380	27,770
Research and development	15,892	12,526	10,871
General and administrative	29,509	32,668	27,216
Total	76,065	74,574	65,857
OPERATING INCOME	$ 77,271	$ 86,646	$ 85,740
INTEREST INCOME (EXPENSE)			
Interest income	630	2,018	2,103
Interest expense	(110)	(191)	(920)
Total	520	1,827	1,183
INCOME BEFORE INCOME TAXES	$ 77,791	$ 88,473	$ 86,923
PROVISION FOR INCOME TAXES	28,394	31,408	31,292
NET INCOME	$ 49,397	$ 57,065	$ 55,631
Diluted net income per share	$ 0.55	$ 0.62	$ 0.61
Diluted weighted average shares outstanding	89,270	92,367	91,344
Basic net income per share	$ 0.56	$ 0.64	$ 0.64
Basic weighted average shares outstanding	87,866	89,316	86,834

See notes to consolidated financial statements

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

	JUNE 30, 2003	JUNE 30, 2002
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 32,014	$ 17,765
Investments, at amortized cost	998	997
Trade receivables	150,951	131,431
Prepaid cost of product	18,483	17,663
Prepaid expenses and other	13,816	11,221
Deferred income taxes	1,000	900
Total	$ 217,262	$ 179,977
PROPERTY AND EQUIPMENT, net	$ 196,046	$ 173,775
OTHER ASSETS:		
Goodwill	$ 44,543	$ 40,335
Trade names	3,699	3,699
Customer relationships, net of amortization	59,358	63,130
Computer software, net of amortization	12,500	7,499
Prepaid cost of product	10,021	12,992
Other non-current assets	5,146	4,735
Total	$ 135,267	$ 132,390
Total assets	$ 548,575	$ 486,142
LIABILITES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 9,617	$ 9,051
Accrued expenses	17,250	11,352
Accrued income taxes	421	225
Deferred revenues	119,492	92,028
Total	$ 146,780	$ 112,656
DEFERRED REVENUES	12,732	16,947
DEFERRED INCOME TAXES	23,840	15,800
Total liabilities	$ 183,352	$ 145,403
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 06/30/03 and 6/30/02 were 90,519,856	905	905
Additional paid-in capital	169,299	168,061
Retained earnings	233,396	201,162
Less Treasury stock at cost 2,363,121 shares issued at 6/30/03, 1,568,910 shares issued at 6/30/02	(38,377)	(29,389)
Total stockholders' equity	$ 365,223	$ 340,739
Total liabilities and stockholders' equity	$ 548,575	$ 486,142

See notes to consolidated financial statements

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In Thousands, Except Share and Per Share Data)

	YEAR ENDED JUNE 30,		
	2003	2002	2001
PREFERRED SHARES:	-	-	-
COMMON SHARES:			
Shares, beginning of year	90,519,856	88,846,710	41,357,853
Shares issued upon exercise of options	-	1,523,446	3,097,363
Shares issued for Employee Stock Purchase Plan	-	31,962	21,267
Shares issued in secondary offering	-	-	1,500,000
Shares issued in acquisition	-	117,738	-
Stock dividend	-	-	42,870,227
Shares, end of year	90,519,856	90,519,856	88,846,710
COMMON STOCK - PAR VALUE $.01 PER SHARE:			
Balance, beginning of year	$ 905	$ 888	$ 414
Shares issued upon exercise of options	-	15	30
Shares issued for Employee Stock Purchase Plan	-	1	-
Shares issued in secondary offering	-	-	15
Shares issued in acquisition	-	1	-
Stock dividend	-	-	429
Balance, end of year	$ 905	$ 905	$ 888
ADDITIONAL PAID-IN CAPITAL:			
Balance, beginning of year	$ 168,061	$ 145,211	$ 43,753
Shares issued upon exercise of options	3,539	13,650	18,274
Shares issued for Employee Stock Purchase Plan	771	792	818
Shares issued in secondary offering	-	-	60,510
Shares issued in acquisition	-	2,399	-
Stock dividend	-	-	(429)
Tax benefit on exercise of options	1,227	6,992	22,285
Cost of treasury shares reissued	(4,299)	(983)	-
Balance, end of year	$ 169,299	$ 168,061	$ 145,211
RETAINED EARNINGS:			
Balance, beginning of year	$ 201,162	156,405	$ 110,378
Net income	49,397	57,065	55,631
Reissuance of treasury shares, net	(4,873)	(682)	-
Dividends (2003-$.14 per share; 2002-$.13 per share; 2001-$.11 per share)	(12,290)	(11,626)	(9,604)
Balance, end of year	$ 233,396	$ 201,162	$ 156,405
TREASURY STOCK:			
Balance, beginning of year	$ (29,389)	$ -	$ -
Purchase of treasury shares	(18,165)	(31,054)	-
Reissuance of treasury shares upon exercise of stock	8,187	1,601	-
Reissuance of treasury shares for Employee Stock Purchase Plan	990	64	-
Balance, end of year	$ (38,377)	$ (29,389)	$ -
TOTAL STOCKHOLDERS' EQUITY	$ 365,223	$ 340,739	$ 302,504

See notes to consolidated financial statements

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

	YEAR ENDED JUNE 30, 2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 49,397	$ 57,065	$ 55,631
Adjustments to reconcile net income from continuing operations to cash from operating activities:			
Depreciation	24,025	20,885	12,539
Amortization	6,169	6,585	9,349
Deferred income taxes	7,940	7,793	2,800
Other, net	642	(58)	(3)
Changes in:			
Trade receivables	(19,675)	(14,858)	(42,633)
Prepaid expenses and other	(647)	(1,621)	(22,069)
Accounts payable	555	(8,795)	8,591
Accrued expenses	5,896	1,546	(155)
Income taxes (including tax benefit from exercise of stock options)	1,428	7,428	25,225
Deferred revenues	23,131	13,971	23,547
Net cash from operating activities	$ 98,861	$ 89,941	$ 72,822
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	$ (45,958)	$ (49,509)	$ (57,781)
Purchase of investments	(3,988)	(2,987)	(982)
Purchase of customer contracts	(304)	-	-
Proceeds from maturity of investments	4,000	3,000	1,000
Computer software developed	(5,162)	(1,895)	(1,447)
Payment for acquisitions, net	(6,537)	(11,111)	-
Other, net	(523)	274	375
Net cash from investing activities	$ (58,472)	$ (62,228)	$ (58,835)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock upon exercise of stock options	$ 3,539	$ 13,666	$ 18,304
Proceeds from sale of common stock, net	776	792	61,344
Dividends paid	(12,290)	(11,626)	(9,604)
Change in short-term borrowings, net	-	-	(70,500)
Principal payments on long-term debt	-	(315)	(128)
Purchase of treasury stock	(18,165)	(31,054)	-
Net cash from financing activities	$ (26,140)	$ (28,537)	$ (584)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 14,249	$ (824)	$ 13,403
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	$ 17,765	$ 18,589	$ 5,186
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 32,014	$ 17,765	$ 18,589

See notes to consolidated financial statements

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF THE COMPANY

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

CONSOLIDATION

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

STOCK OPTIONS

As permitted under Statement of Financial Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation, the Company has elected to follow Accounting Principles Board Opinion ("APB") No. 25, Accounting for Stock Issued to Employees, in accounting for stock-based awards to employees. Under APB No. 25, the Company generally recognizes no compensation expense with respect to such awards, since the exercise price of the stock options awarded are equal to the fair market value of the underlying security on the grant date.

Pro forma information regarding net income and earnings per share is required in financial statements for periods beginning after December 15, 2002, by SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB Statement No. 123, for awards granted after December 31, 1994, as if the Company had accounted for its stock-based awards to employees under the fair value method of SFAS No. 123. The fair value of the Company's stock-based awards to employees was estimated as of the date of the grant using a Black-Scholes option pricing model. The Company's pro forma information is as follows:

	(In Thousands, Except Per Share Data) Year Ended June 30,		
	2003	2002	2001
Net income, as reported	$ 49,397	$ 57,065	$ 55,631
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	6,572	9,394	19,181
Pro forma net income	$ 42,825	$ 47,671	$ 36,450
Diluted net income per share			
As reported	$ 0.55	$ 0.62	$ 0.61
Pro forma	$ 0.48	$ 0.52	$ 0.40
Basic net income per share			
As reported	$ 0.56	$ 0.64	$ 0.64
Pro forma	$ 0.49	$ 0.53	$ 0.42

During fiscal year 2003, all the shares exercised came from treasury stock. The weighted fair value of options granted was $4.68, $10.63 and $9.58 for 2003, 2002, and 2001, respectively.

Assumptions:			
Expected life (years)	2.35	3.10	2.92
Volatility	55%	55%	54%
Risk free interest rate	1.3%	3.2%	4.4%
Dividend yield	1.16%	0.78%	0.36%

USE OF ESTIMATES

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

REVENUE RECOGNITION

In October, 1997, the Accounting Standards Executive Committee of the American Institute of Public Accountants ("AcSEC") issued Statement of Position ("SOP") 97-2, Software Revenue Recognition. The Company adopted SOP 97-2 effective July 1, 1998. SOP 97-2 generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on the relative fair values of the elements.

The Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101, Revenue Recognition in Financial Statements, on December 3, 1999. SAB No. 101, as amended, provides the SEC Staff's views on selected revenue recognition issues and was adopted by the Company in the fourth fiscal quarter of fiscal year 2001. The adoption of SAB No. 101 did not have a material effect on the Company's consolidated financial statements.

For multiple element arrangements the Company has established Vendor Specific Objective Evidence ("VSOE") separately for all the individual components of licensing, installation, support, and hardware and recognizes revenue separately for the various components. The components are all independently priced and consistent with pricing when each element is sold separately. There are no rights of return, condition of acceptance or price protection in our contracts.

The Company's various sources of revenue and the methods of revenue recognition are as follows:

License - Licensing fees are recognized upon delivery and acceptance of the software. All software of the Company is sold unmodified.
Software installation and related services - Fees for these services are recognized as the services are performed on hourly contracts and at completion and acceptance on fixed-fee contracts.
Support and service - Fees from these contracts are recognized ratably over the life of the in-house support or outsourcing service contract. Regulatory requirement changes and technical enhancements to the software are specifically referenced and included in the annual support contracts.
Hardware - Revenues from sales of hardware are recognized upon direct shipment to the Company's customers from the supplier. Costs of items purchased and remarketed are reported as cost of hardware in cost of sales. Revenues and related costs of hardware maintenance are recognized ratably over the life of the contract.
Customer reimbursements - Direct costs paid to third parties for expenses incurred for customers are billed and recognized as revenue in accordance with Emerging Issues Task Force ("EITF") Issue No. 01-14, Income Statement Characterization of Reimbursements Received for 'Out of Pocket' Expenses Incurred. These revenues are included and reported in the respective lines of support and service or hardware revenue.

RECLASSIFICATION

To improve reporting disclosure, the Company has changed its reporting line items, with installation revenue moving from license revenue to support and service revenue and a new line item for license cost of sales. Gross customer reimbursements are now included and presented in the correlating line items of support and services and hardware revenues and costs, respectively. Where appropriate, prior year's financial information has been reclassified to conform with the current year's presentation.

PREPAID COST OF PRODUCT

Costs for remarketed hardware and software maintenance contracts, which are prepaid, are recognized ratably over the life of the contract, generally one to five years, with the related revenue amortized from deferred revenues.

DEFERRED REVENUES

Deferred revenues consist primarily of prepaid annual software support fees and prepaid hardware maintenance fees. Hardware maintenance contracts are multi-year, therefore, the deferred revenue and prepaid maintenance are classified in accordance with the terms of the contract. Software and hardware deposits received are also reflected as deferred revenues.

COMPUTER SOFTWARE DEVELOPMENT

The Company capitalizes new product development costs incurred from the point at which technological feasibility has been established through the point at which the product is ready for general availability. Software development costs that are capitalized are evaluated on a product-by-product basis annually and are assigned an estimated economic life based on the type of product, market characteristics and maturity of the market for that particular product. The Company's amortization policy for these capitalized costs is to amortize the costs in accordance with SFAS No. 86, Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed. Generally, these costs are initially amortized on a straight-line basis, and are monitored on a regular basis to assess that the amortization method is still appropriate and that the remaining estimated life of the asset is reasonable (generally five to ten years).

CASH EQUIVALENTS

The Company considers all highly liquid investments with maturities of three months or less at the time of acquisition to be cash equivalents.

INVESTMENTS

The Company invests its cash that is not required for current operations primarily in U.S. government securities and money market accounts. The Company has the positive intent and ability to hold its debt securities until maturity and accordingly, these securities are classified as held-to-maturity and are carried at historical cost adjusted for amortization of premiums and accretion of discounts. Premiums and discounts are amortized and accreted, respectively, to interest income using the level-yield method over the period to maturity. The held-to-maturity securities typically mature in less than one year. Interest on investments in debt securities is included in income when earned.

The amortized cost of held-to-maturity securities is $998,000 and $997,000 at June 30, 2003 and 2002, respectively. Fair market values of these securities did not differ significantly from amortized cost due to the nature of the securities and minor interest rate fluctuations during the periods.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost and depreciated principally using the straight-line method over the estimated useful lives of the assets.

INTANGIBLE ASSETS

Intangible assets consist of goodwill, customer relationships, software and trade names acquired in business acquisitions. The amounts are amortized, with the exception of goodwill and trade names, over an estimated economic benefit period, generally five to twenty years, using the straight-line method.

The Company reviews its long-lived assets and identifiable intangible assets with finite lives for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. The Company evaluates goodwill and trade names for impairment of value on an annual basis and between annual tests if events or changes in circumstances indicate that the asset might be impaired.

COMPREHENSIVE INCOME

Comprehensive income for each of the three years ended June 30, 2003 equals the Company's net income.

BUSINESS SEGMENT INFORMATION

In accordance with SFAS No. 131, Disclosure About Segments of an Enterprise and Related Information, the Company's operations are classified as two business segments: bank systems and services and credit union systems and services (see Note 13). Revenue by type of product and service is presented on the face of the consolidated statements of income. Substantially all the Company's revenues are derived from operations and assets located within the United States of America.

COMMON STOCK

On September 21, 2001, the Company's Board of Directors approved a stock buyback of the Company's common stock of up to 3.0 million shares, and approved an increase on October 4, 2002 to 6.0 million shares. As of June 30, 2003, 3,012,933 shares have been purchased for $49,218,870. During fiscal 2003 there were 501,740 shares and 60,249 shares reissued from treasury stock for the shares exercised in the employee stock option plan and the employee stock purchase plan, respectively. At June 30, 2003, there were 2,363,121 shares of treasury stock remaining. As of June 30, 2002, 1,656,733 shares had been purchased for $31,054,139 and 1,568,910 shares remained in treasury stock.

On January 29, 2001, the Company's Board of Directors declared a 100% stock dividend on its common stock, effectively a 2 for 1 stock split. The stock dividend was paid March 2, 2001, to stockholders of record at the close of business on February 15, 2001. All affected per share and shares outstanding data in the consolidated statements of income and the notes to the consolidated financial statements were retroactively restated to reflect this stock split.

INCOME PER SHARE

Per share information is based on the weighted average number of common shares outstanding during the year. Stock options have been included in the calculation of income per diluted share to the extent they are dilutive. The difference between basic and diluted weighted average shares outstanding is the dilutive effect of outstanding stock options (see Note 10).

INCOME TAXES

Deferred tax liabilities and assets are recognized for the tax effects of differences between the financial statement and tax bases of assets and liabilities. A valuation allowance would be established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 146, Accounting for Costs Associated with Exit or Disposal Activities, which is effective for any activity initiated after December 31, 2002. This standard addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies the Emerging Issues Task Force ("EITF") Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). This standard requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred. The accounting for similar events and circumstances will be the same, thereby improving the comparability and representational faithfulness of reported financial information. The adoption of this standard on January 1, 2003, did not have a material impact on the Company's consolidated financial position or results of operations.

In November 2002, the EITF reached a consensus regarding EITF Issue No. 02-16, Accounting by a Customer, Including a Reseller, for Cash Consideration Received from a Vendor. This consensus requires that payments from a vendor be classified as a reduction to the price of the vendor's goods and taken as a reduction to cost of sales unless the payments are: (1) a reimbursement for costs incurred to sell the product, or (2) a payment for assets or services provided. The consensus also requires that payments from a vendor be recognized as a reduction to cost of sales on a rational and systematic basis. This consensus is effective for fiscal years beginning after December 15, 2002 (July 1, 2003 for JHA). The adoption of this consensus on July 1, 2003, did not have a material effect on the Company's consolidated financial position or results of operation.

In November 2002, FASB Interpretations No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57, and 107 ("FIN 45") was issued. FIN 45 elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing a guarantee. The initial recognition and initial measurement provisions of this Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The disclosure requirements in this Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. The adoption of this Interpretation on January 1, 2003, did not have a material effect on the Company's consolidated financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure-an amendment of FASB Statement No. 123. SFAS No. 148 amends SFAS No. 123, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 was effective for the Company's financial statements for fiscal year ended June 30, 2003. The Company has elected to continue to account for its stock-based compensation in accordance with the provisions of APB No. 25 as interpreted by FASB Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB Opinion No. 25, ("FIN 44") and present the pro forma disclosures required by SFAS No. 123.

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), Consolidation of Variable Interest Entities, which addresses consolidation by business enterprises of variable interest entities that either: (1) do not have sufficient equity investment at risk to permit the entity to finance its activities without additional subordinated financial support, or (2) the equity investors lack an essential characteristic of a controlling financial interest. FIN 46 requires disclosure of Variable Interest Entities (VIEs) in financial statements issued after January 31, 2003, if it is reasonably possible that as of the transition date: (1) the company will be the primary beneficiary of an existing VIE that will require consolidation or, (2) the company will hold a significant variable interest in, or have significant involvement with, an existing VIE. Pursuant to the transitional requirements of FIN 46, the company will adopt the consolidation guidance applicable to existing VIEs as of the reporting period beginning July 1, 2003. Any VIEs created after January 31, 2003, are immediately subject to the consolidation guidance in FIN 46. The adoption of this interpretation did not have a material effect on the Company's consolidated financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS No. 150 states that companies which issue financial instruments that have characteristics of both liabilities and equity will have to determine if the instrument should be classified as a liability or equity for financial instruments entered into or modified after May 31, 2003. The Company does not expect the adoption of FASB No. 150 to have a material effect on our operating results or financial condition.

NOTE 2: FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values for held-to-maturity securities are based on quoted market prices. For all other financial instruments, including amounts receivable or payable and short-term borrowings, fair values approximate carrying value, based on the short-term nature of the assets and liabilities and the variability of the interest rates on the borrowings.

NOTE 3: PROPERTY AND EQUIPMENT

The classification of property and equipment, together with their estimated useful lives is as follows:

	(In Thousands) June 30, 2003	(In Thousands) June 30, 2002	Estimated Useful Life
Land	$ 6,519	$ 6,519	
Land improvements	16,050	8,774	5-20 years
Buildings	76,891	57,636	25-30 years
Equipment and furniture	104,528	100,309	5-8 years
Aircraft and equipment	48,542	41,633	8-10 years
Construction in progress	4,834	17,028	
	$ 257,364	$ 231,899	
Less accumulated depreciation	61,318	58,124	
Propery and equipment, net	$ 196,046	$ 173,775	

NOTE 4: OTHER ASSETS

The Company adopted SFAS No. 142, Goodwill and Other Intangible Assets, effective July 1, 2001. Under SFAS No. 142, goodwill and trade names are no longer amortized but reviewed for impairment annually, or more frequently if certain indicators arise. The Company completed the transitional impairment tests for trade names with indefinite useful lives during the quarter ended September 30, 2001, for goodwill during the quarter ended December 31, 2001, and its annual impairment tests during 2003 and 2002 and has determined that no impairment exists. Had the Company been accounting for its goodwill and trade names under SFAS No. 142 for all periods presented, the Company's net income and net income per share would have been adjusted as follows:

	(In Thousands, Except Per Share Data) Year Ended June 30, 2003	2002	2001
Reported net income	$ 49,397	$ 57,065	$ 55,631
Goodwill and trade names amortization, net of tax	-	-	1,108
Adjusted net income	$ 49,397	$ 57,065	$ 56,739
Reported diluted net income per share	$ 0.55	$ 0.62	$ 0.61
Goodwill and trade names amortization,			

net of tax	-	-	0.01
Adjusted diluted net income per share	$ 0.55	$ 0.62	$ 0.62
Reported basic net income per share	$ 0.56	$ 0.64	$ 0.64
Goodwill and trade names amortization, net of tax	-	-	0.01
Adjusted basic net income per share	$ 0.56	$ 0.64	$ 0.65

Changes in the carrying amount of goodwill for the years ended June 30, 2003 and 2002, by reportable segments, are:

	(In Thousands) Banking Systems and Services	Credit Union Systems and Services	Total
Balance, for the year ended June 30, 2001	$ 14,508	$ 14,840	$ 29,348
Goodwill acquired during the year	10,987	-	10,987
Balance, for the year ended June 30, 2002	$ 25,495	$ 14,840	$ 40,335
Goodwill acquired during the year	1,819	2,389	4,208
Balance, for the year ended June 30, 2003	$ 27,314	$ 17,229	$ 44,543

Information regarding other identifiable intangible assets is as follows:

	(In Thousands) Year Ended June 30,					
	2003			2002		
	Carrying Amount	Accumulated Amortization	Net	Carrying Amount	Accumulated Amortization	Net
Customer Relationships	$89,212	$(29,854)	$59,358	$88,197	$(25,067)	$63,130
Trade names	3,699	-	3,699	3,699	-	3,699
Totals	$92,911	$(29,854)	$63,057	$91,896	$(25,067)	$66,829

Trade names have been determined to have indefinite lives and therefore as of July 1, 2001, are no longer amortized. Customer relationships have lives ranging from 5 to 20 years.

Computer software includes the unamortized cost of software products developed or acquired by the Company, which are required to be capitalized by accounting principles generally accepted in the United States of America.

Following is an analysis of the computer software costs:

	(In Thousands) Carrying Amount	Accumulated Amortization	Total
Balance, June 30, 2001	$ 9,199	$ (3,393)	$ 5,806
Acquired Software	1,376	-	1,376
Capitalizated development cost	1,895	-	1,895
Amortization expense	-	(1,578)	(1,578)
Balance, June 30, 2002	$ 12,470	$ (4,971)	$ 7,499
Acquired Software	1,222	-	1,222
Capitalizated development cost	5,162	-	5,162
Amortization expense	-	(1,383)	(1,383)
Balance, June 30, 2003	$ 18,854	$ (6,354)	$ 12,500

Amortization expense for all intangible assets was $6,169,000, $6,585,000 and $9,349,000 for the fiscal years ended June 30, 2003, 2002, and 2001 respectively. The estimated aggregate future amortization expense for each of the next five years for all intangible assets remaining as of June 30, 2003, is as follows:

(In Thousands)

Year	Customer Relationships	Software	Total
2004	$ 4,679	$ 1,239	$ 5,918
2005	$ 4,201	$ 1,144	$ 5,345
2006	$ 4,197	$ 842	$ 5,039
2007	$ 4,156	$ 568	$ 4,724
2008	$ 4,115	$ 567	$ 4,682

NOTE 5: LINES OF CREDIT AND LONG-TERM DEBT

LINES OF CREDIT

JHA currently has two bank credit lines upon which it can draw an aggregate amount at any one time outstanding of $58.0 million. The major unsecured credit line provides for funding of up to $50.0 million and bears interest at variable LIBOR-based rates (1.87% at June 30, 2003, and weighted average interest rates of 2.23% and 3.07% for the years ended June 30, 2003, and 2002, respectively) and expires December 15, 2004. The line has an unused commitment fee of .25% annually.

The second credit line provides for funding of up to $8.0 million and bears interest at the prime rate (4.00% at June 30, 2003) and expires March 15, 2004, and is secured by $1.0 million of investments with the remainder unsecured. There were no amounts outstanding under either line at June 30, 2003, or 2002.

The Company paid interest of $110,000, $126,000 and $1,150,000 in 2003, 2002, and 2001, respectively.

NOTE 6: LEASE COMMITMENTS

The Company leases certain property under operating leases which expire over the next six years. As of June 30, 2003, net future minimum lease payments under non-cancelable terms are as follows: $3,096,000, $1,443,000, $437,000, $163,000, $15,000 in 2004, 2005, 2006, 2007, and 2008, respectively. Rent expense for all operating leases amount to $3,921,000, $4,093,000, and $3,400,000 in 2003, 2002, and 2001, respectively.

NOTE 7: INCOME TAXES

The provision for income taxes consists of the following:

	(In Thousands) Year Ended June 30, 2003	2002	2001
Current:			
Federal	$ 19,001	$ 22,387	$ 26,817
State	1,453	1,228	1,675
Deferred:			
Federal	7,577	7,548	2,200
State	363	245	600
	$ 28,394	$ 31,408	$ 31,292

The tax effects of temporary differences related to deferred taxes shown on the balance sheets were:

	(In Thousands) June 30, 2003	2002
Deferred tax assets:		
Carryforwards (operating losses and credits)	$ 155	$ 205
Expense reserves (bad debts, insurance, franchise tax and vacation)	705	710
Intagible assets	680	840
Other, net	295	195
	1,835	1,950
Deferred tax liabilities:		
Accelerated tax depreciation	(19,450)	(14,330)
Accelerated tax amortization	(5,225)	(2,520)
	(24,675)	(16,850)

Net deferred tax liability	$(22,840)	$(14,900)

The deferred taxes are classified on the balance sheet as follows:

	(In Thousands) June 30,	
	2003	2002
Deferred income taxes (current)	$ 1,000	$ 900
Deferred income taxes (long-term)	(23,840)	(15,800)
	$(22,840)	$(14,900)

The following analysis reconciles the statutory federal income tax rate to the effective income tax rates reflected above:

	(In Thousands) Year Ended June 30,		
	2003	2002	2001
Computed "expected" tax expense (benefit)	35.0%	35.0%	35.0%
Increase (reduction) in taxes resulting from:			
State income taxes, net of federal income tax benefits	2.5%	2.0%	2.0%
Research and development credit	-1.0%	-1.0%	-1.0%
	36.5%	36.0%	36.0%

Net operating loss carryforwards of $433,000 (from acquisitions) expire through the year 2014. The Company paid income taxes of $19,025,000, $15,900,000, and $3,580,000 in 2003, 2002, and 2001, respectively.

The Company's federal income tax returns for the years ended June 30, 1999 - June 30, 2001, are currently under examination by the Internal Revenue Service ("IRS"). In connection with the examination of these returns, the IRS is proposing to disallow research & experimentation ("R&E") credits claimed on these returns. The complete disallowance of these credits would increase the Company's federal income tax liability by approximately $1.5 million plus interest. The Company believes that the R&E credits claimed for these years are appropriate and intends to contest any disallowance of these credits. While there can be no assurance that the Company would prevail in contesting any disallowance, it believes any such disallowance is not supported by the facts or the relevant tax law. Consequently, the Company has not accrued any liability in connection with this matter.

NOTE 8: INDUSTRY AND SUPPLIER CONCENTRATIONS

The Company sells its products to banks, credit unions and financial institutions throughout the United States and generally does not require collateral. All billings to customers are due net 30 days from date of billing. Reserves (which are insignificant at June 30, 2003 and 2002) are maintained for potential credit losses.

In addition, the Company purchases most of its computer hardware and related maintenance for resale in relation to installation of JHA software systems from one supplier. There are a limited number of hardware suppliers for these required materials. If this relationship was terminated, it could have a significant negative impact on the future operations of the Company.

NOTE 9: STOCK OPTION PLANS

The Company currently issues 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. This plan replaced the terminating 1987 SOP. 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 4 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 ten 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 first portion vests and becomes fully exercisable two years following the grant date, but may vest earlier if the Company's common stock achieves a closing market price of 125% or more of the exercise price for 10 consecutive trading days. Such options vested prior to June 30, 2003. The second portion vests four years following the grant date, but may vest earlier if the common stock achieves a closing market price of 150% or more of the exercise price on 10 or more consecutive trading days. As of June 30, 2003, there were 2,420,815 shares available for future grants under the plan from the 18,000,000 shares approved by the stockholders.

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 a price equal to 100% of the fair market value of the stock at the grant date. The options terminate when director status ends, upon surrender of the option or ten years after grant. A total of 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, 2003, there were 532,500 shares available for future grants under the plan.

Changes in stock options outstanding are as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding July 1, 2000	13,257,568	$ 10.12
Granted	1,422,280	23.57
Forfeited	(104,616)	18.39
Exercised	(3,285,433)	6.89
Outstanding June 30, 2001	11,289,799	12.68
Granted	618,116	23.26
Forfeited	(82,500)	22.26
Exercised	(1,607,846)	8.50
Outstanding June 30, 2002	10,217,569	13.90
Granted	3,897,150	10.92
Forfeited	(313,925)	17.89
Exercised	(501,740)	7.04
Expired	1,200	6.39
Outstanding June 30, 2003	13,300,254	$ 13.19

For the year ended June 30, 2003, there were 501,740 shares and 60,249 shares reissued from treasury stock for the shares exercised in the employee stock option plan and the employee stock purchase plan (See Note 11), respectively. For the year ended June 30, 2002, there were 84,400 shares and 3,423 shares reissued from treasury stock for the shares exercised in the employee stock option plan and the employee stock purchase plan, respectively.

Following is an analysis of stock options outstanding and exercisable as of June 30, 2003:

Range of Exercise Prices	Shares		Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	
	Outstanding	Exercisable	Outstanding	Outstanding	Exercisable
$ 1.67 - $ 6.03	2,262,210	2,262,210	3.22	$ 4.59	$ 4.59
$ 6.04 - $10.75	1,296,534	1,296,534	5.52	9.13	9.13
$10.76 - $10.84	3,538,550	1,714,775	9.78	10.84	10.84
$10.85 - $11.95	308,700	179,700	7.46	11.52	11.53
$11.96 - $16.88	4,044,760	3,977,910	6.80	16.81	16.86
$16.89 - $31.00	1,849,500	1,493,917	7.73	23.42	23.60
$ 1.67 - $31.00	13,300,254	10,925,046	7.00	$13.19	$13.29

NOTE 10: EARNINGS PER SHARE

The following table reflects the reconciliation between Basic and Diluted net income per share:

	(In Thousands, Except Per Share Data) Year ended June 30,								
	2003			2002			2001		
	Net Income	Weighted Average Shares	Per Share Amount	Net Income	Weighted Average Shares	Per Share Amount	Net Income	Weighted Average Shares	Per Share Amount
Basic Income Per Share:									
Net income available to stockholders	$49,397	87,866	$0.56	$57,065	89,316	$0.64	$55,631	86,834	$0.64
Effect of dilutive securities:									
Stock options	$ -	1,404	$0.01	$ -	3,051	$0.02	$ -	4,510	$0.03
Diluted Income Per Share:									
Net income available to common stockholders	$49,397	89,270	$0.55	$57,065	92,367	$0.62	$55,631	91,344	$0.61

Stock options to purchase approximately 5,972,949 shares for fiscal 2003, 690,858 shares for fiscal 2002, and 102,591 shares for fiscal 2001, were not dilutive and therefore, were not included in the computations of diluted income per common share amounts.

NOTE 11: EMPLOYEE BENEFIT PLANS

Employee Stock Purchase Plan - The Company established an employee stock purchase plan on January 1, 1996. The plan allows the majority of employees the opportunity to directly purchase shares of the Company. Purchase prices for all participants are based on the closing bid price on the last business day of the month.

401(k) Employee Stock Ownership Plan - The Company had a 401(k) Employee Stock Ownership Plan (the "Predecessor Plan") covering substantially all employees of the Company and its subsidiaries. As of July 1, 1987, the Predecessor Plan was amended and restated to include most of the existing ESOP provisions, to add salary reduction contributions allowed under Section 401(k) of the Internal Revenue Code and to require employer matching contributions. In June 2002, the Company's Board of Directors approved an action to separate the Predecessor Plan into the Employee Stock Ownership Plan (The "ESOP" Plan) and the 401(k) Retirement Savings Plan (the "Plan"). The separation of plans was effective on July 1, 2002. Both plans are subject to the Employee Retirement Income Security Act of 1975 ("ERISA") as amended.

Under the Plan, the Company matches 100% of full time employee contributions up to 5% of compensation subject to a maximum of $5,000. Employees must be 18 years of age and be employed for at least six months. Under the ESOP plan, employees must be 21 years of age and employed full time for at least six months. Under the ESOP Plan and the Plan, the Company has the option of making a discretionary contribution; however, none has been made for any of the three most recent fiscal years. The total matching contributions for both the ESOP Plan and the Plan were $4,139,000, $3,862,000, and $2,986,000 for fiscal 2003, 2002, and 2001, respectively.

NOTE 12: BUSINESS ACQUISITIONS

PURCHASE TRANSACTIONS

On January 1, 2003, the Company acquired all the outstanding membership interests in National Bancorp Data Services, LLC ("NBDS") for $2.1 million in cash. NBDS provides item processing and imaging services to financial institutions in the greater Chicago, Illinois area. This acquisition expanded the geographic footprint for item processing centers and expands the potential market for outsourcing customers. The purchase price for NBDS was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date resulting in allocation to goodwill of $1.8 million.

On November 15, 2002, the Company acquired all the outstanding shares of Credit Union Solutions, Inc. ("CUSI") for $5.0 million in cash. CUSI provides in-house data processing software, related hardware and services to smaller credit unions, primarily those with assets less than $50 million.

This acquisition expanded the potential market for the Company, as the Company's existing core products were too expensive to sell to credit unions of this size. The purchase price for CUSI was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date, resulting in allocation to goodwill of $2.4 million, software of $1.2 million, and customer contracts of $0.7 million, of which software and customer contracts are being amortized on a straight-line basis over periods of ten and twenty years, respectively.

On January 1, 2002, the Company acquired all the outstanding shares of Transcend Systems Group ("TSG") for $7.3 million in cash and 117,738 restricted shares of the Company's common stock valued at $2.4 million, for a total consideration to the TSG shareholders of $9.7 million. As part of the purchase price, the Company also advanced to TSG $.85 million for the repayment of bank debt and certain TSG obligations to its shareholders. TSG provides customer relationship management software and related services to financial institutions. The purchase price for TSG was allocated to the assets and liabilities acquired based on the estimated fair values at the acquisition date, resulting in allocation to goodwill of $8.5 million, software of $.9 million, and customer contracts of $1.1 million, of which software and customer contracts are being amortized on a straight-line basis over 10 years.

On December 1, 2001, the Company acquired all the outstanding shares of System Legacy Solutions ("SLS") for $3 million in cash. SLS provides technology to convert data from legacy systems into formats that can be used by newer technologies. The purchase price for SLS was allocated to the assets and liabilities acquired based on the estimated fair values at the acquisition date, resulting in allocation to goodwill of $2.6 million and software $.45 million of which software is being amortized on a straight-line basis over 10 years.

The four acquisitions discussed above were accounted for using the purchase method. Accordingly, the accompanying consolidated financial statements do not include any revenues and expenses related to these acquisitions prior to their respective closing dates.

NOTE 13: BUSINESS SEGMENT INFORMATION

The Company is a leading provider of integrated computer systems that perform data processing (available for in-house or service bureau installations) 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.

	(In Thousands) For The Year Ended June 30,		
	2003	2002	2001
Revenue			
Bank systems and services	$ 343,126	$ 339,342	$ 318,011
Credit Unions systems and services	61,501	57,315	48,892
Total	$ 404,627	$ 396,657	$ 366,903
Gross Profit			
Bank systems and services	$ 134,995	$ 143,555	$ 138,143
Credit Unions systems and services	18,341	17,665	13,454
Total	$ 153,336	$ 161,220	$ 151,597
Property and equipment, net			
Bank systems and services	$ 192,846	$ 170,882	$ 136,166
Credit Unions systems and services	3,200	2,893	2,273
Total	$ 196,046	$ 173,775	$ 138,439
Identified Intangible assets, net			
Bank systems and services	$ 77,520	$ 75,022	$ 66,264
Credit Unions systems and services	42,580	39,641	40,931
Total	$ 120,100	$ 114,663	$ 107,195
Depreciation expense, net			
Bank systems and services	$ 23,370	$ 20,328	$ 12,148
Credit Unions systems and services	655	557	391
Total	$ 24,025	$ 20,885	$ 12,539

Amortization expense, net			
Bank systems and services	$ 4,787	$ 5,295	$ 7,077
Credit Unions systems and services	1,382	1,290	2,272
Total	$ 6,169	$ 6,585	$ 9,349
Captial expenditures, net			
Bank systems and services	$ 45,759	$ 48,451	$ 55,474
Credit Unions systems and services	199	1,058	2,307
Total	$ 45,958	$ 49,509	$ 57,781

The Company has not disclosed any additional asset information by segment, as the information is not produced internally and its preparation is impracticable.

NOTE 14: SECONDARY OFFERING

On August 16, 2000, the Company completed a secondary offering of 3.0 million shares of its common stock at $21.50 per share less a 5% underwriters discount and offering expenses paid by the Company. The net proceeds of approximately $60.5 million was used to retire all outstanding debt under lines of credit as of that date, with the remaining balance available for working capital, capital expenditures and other general corporate purposes.

SUPPLEMENTARY DATA
SELECTED QUARTERLY FINANCIAL INFORMATION
(In Thousands, Except Per Share Data)
(Unaudited)

FY 2003	First Quarter 9-30-02	Second Quarter 12-31-02	Third Quarter 03-31-03	Fourth Quarter 06-30-03	Total
REVENUE					
License	$ 12,069	$ 13,807	$ 10,446	$ 11,962	$ 48,284
Support and service	59,884	64,252	66,552	69,764	260,452
Hardware	22,025	24,504	21,900	27,462	95,891
Total	$ 93,978	$102,563	$ 98,898	$109,188	$ 404,627
COST OF SALES					
Cost of license	$ 791	$ 975	$ 829	$ 1,295	$ 3,890
Cost of support and service	41,455	46,518	43,870	46,413	178,256
Cost of hardware	16,619	18,204	15,796	18,526	69,145
Total	$ 58,865	$ 65,697	$ 60,495	$ 66,234	$ 251,291
GROSS PROFIT	$ 35,113	$ 36,866	$ 38,403	$ 42,954	$ 153,336
Income before taxes	$ 17,791	$ 18,390	$ 19,396	$ 22,214	$ 77,791
Net Income	$ 11,298	$ 11,677	$ 12,316	$ 14,106	$ 49,397
Diluted income per share	$ 0.13	$ 0.13	$ 0.14	$ 0.16	$ 0.55

FY 2002	First Quarter 9-30-01	Second Quarter 12-31-01	Third Quarter 03-31-02	Fourth Quarter 06-30-02	Total
REVENUE					
License	$ 14,771	$ 16,017	$ 17,657	$ 18,131	$ 66,576
Support and service	55,322	55,166	57,044	61,212	228,744
Hardware	22,474	27,044	25,083	26,736	101,337
Total	$ 92,567	$ 98,227	$ 99,784	$106,079	$ 396,657
COST OF SALES					
Cost of license	$ 257	$ 131	$ 1,070	$ 1,051	$ 2,509
Cost of support and service	38,164	40,453	41,121	41,785	161,523
Cost of hardware	15,097	18,632	17,501	20,175	71,405
Total	$ 53,518	$ 59,216	$ 59,692	$ 63,011	$ 235,437
GROSS PROFIT	$ 39,049	$ 39,011	$ 40,092	$ 43,068	$ 161,220
Income before taxes	$ 22,837	$ 20,366	$ 21,184	$ 24,086	$ 88,473
Net Income	$ 14,616	$ 13,034	$ 13,558	$ 15,857	$ 57,065
Diluted income per share	$ 0.16	$ 0.14	$ 0.15	$ 0.17	$ 0.62

FY 2001	First Quarter 9-30-00	Second Quarter 12-31-00	Third Quarter 3-31-01	Fourth Quarter 6-30-01	Total
REVENUE					
License	$ 16,277	$ 17,035	$ 18,376	$ 18,444	$ 70,132
Support and service	42,154	44,508	47,229	51,872	185,763
Hardware	23,239	24,206	32,598	30,965	111,008
Total	$ 81,670	$ 85,749	$ 98,203	$101,281	$ 366,903
COST OF SALES					
Cost of license	$ 236	$ 1,141	$ 547	$ 608	$ 2,532
Cost of support and service	30,644	33,930	34,771	36,863	136,208
Cost of hardware	16,158	15,911	23,203	21,294	76,566
Total	$ 47,038	$ 50,982	$ 58,521	$ 58,765	$ 215,306
GROSS PROFIT	$ 34,632	$ 34,767	$ 39,682	$ 42,516	$ 151,597
Income before taxes	$ 18,569	$ 20,125	$ 23,966	$ 24,263	$ 86,923
Net Income	$ 11,884	$ 12,880	$ 15,338	$ 15,529	$ 55,631
Diluted income per share	$ 0.13	$ 0.14	$ 0.17	$ 0.17	$ 0.61

FY 2000	First Quarter 9-30-99	Second Quarter 12-31-99	Third Quarter 3-31-00	Fourth Quarter 6-30-00	Total
REVENUE					
License	$ 7,842	$ 5,815	$ 10,337	$ 15,161	$ 39,155
Support and service	27,059	30,464	33,658	38,822	130,003
Hardware	11,572	20,937	18,144	20,030	70,683
Total	$ 46,473	$ 57,216	$ 62,139	$ 74,013	$ 239,841
COST OF SALES					
Cost of license	$ 75	$ 441	$ 256	$ 245	$ 1,017
Cost of support and service	18,152	23,450	21,966	25,505	89,073
Cost of hardware	8,240	15,341	12,761	15,293	51,635
Total	$ 26,467	$ 39,232	$ 34,983	$ 41,043	$ 141,725
GROSS PROFIT	$ 20,006	$ 17,984	$ 27,156	$ 32,970	$ 98,116
Income before taxes	$ 12,734	$ 6,260	$ 15,390	$ 17,381	$ 51,765
Net Income	$ 8,207	$ 4,201	$ 10,176	$ 11,434	$ 34,018
Diluted income per share	$ 0.09	$ 0.05	$ 0.12	$ 0.13	$ 0.40

Item 9 Changes in and Disagreements With Accountants on Accounting and Financial Disclosures

None.

Item 9A 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. There have not been any significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of evaluation.

PART III

Item 10 Directors and Executive Officers of the Registrant

See the information under the captions "Election of Directors", "Corporate Governance", "Audit Committee Report", "Executive Officers and Significant Employees" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive Proxy Statement which is incorporated herein by reference.*

Item 11 Executive Compensation

See the information under captions "Executive Compensation", "Compensation Committee Report" and "Company Performance" in the Company's definitive Proxy Statement which is incorporated herein by reference.*

Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

See the information under the captions "Stock Ownership of Certain Stockholders" , "Election of Directors" and "Equity Compensation Plan Information" in the Company's definitive Proxy Statement which is incorporated herein by reference.*

Item 13 Certain Relationships and Related Transactions

See the information under the caption "Certain Relationships and Related Transactions" in the Company's definitive Proxy Statement which is incorporated herein by reference.*

Item 14. Principal Accountant Fees and Services

See the information under the captions "Audit Committee Report" and "Independent Auditors - Audit and Non-Audit Fees" in the Company's definitive Proxy Statement which is incorporated herein by reference.*

*Incorporated by reference pursuant to Rule 12b-23 and General Instruction G(3) to Form 10-K.

PART IV

Item 15 Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) The following documents are filed as part of this Report:

(1) The following Consolidated Financial Statements of the Company and its subsidiaries and the Report of Independent Auditors' thereon appear under Item 8 of this Report:

- Independent Auditors' Report.
- Consolidated Statements of Income for the Years Ended June 30, 2003, 2002 and 2001.
- Consolidated Balance Sheets as of June 30, 2003 and 2002.
- Consolidated Statements of Changes in Stockholders' Equity for the Years Ended June 30, 2003, 2002 and 2001.
- Consolidated Statements of Cash Flows for the Years Ended June 30, 2003, 2002 and 2001.
- Notes to the Consolidated Financial Statements.

(2) The following Financial Statement Schedules filed as part of this Report appear under Item 8 of this Report:

There are no schedules included because they are not applicable or the required information is shown in the Consolidated Financial Statements or Notes thereto.

(3) All exhibits not followed herewith are incorporated by reference to a prior filing as indicated, pursuant to Rule 12b-32:

Index to Exhibits

Exhibit No.	Description
3.1.7	Restated Certificate of Incorporation.
3.2.1	Amended and Restated Bylaws, attached as Exhibit A to the Company's Quarterly Report on Form 10-Q for the Quarter ended March 31, 1996.
10.1	The Company's 1987 Stock Option Plan, as amended as of October 27, 1992, attached as Exhibit 19.1 to the Company's Quarterly Report on Form 10-Q for the Quarter ended September 30, 1992.
10.3	The Company's 1995 Non-Qualified Stock Option Plan, attached as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the Year Ended June 30, 1996.
10.8	Form of Indemnity Agreement which has been entered into as of August 27, 1996, between the Company and each of its Directors and Executive Officers, attached as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the Year Ended June 30, 1996.
10.9	The Company's 1996 Stock Option Plan, attached as Exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the Year Ended June 30, 1997.
10.11	Line of Credit Agreement dated September 7, 1999, between the Company and Commerce Bank, N.A., attached as Exhibit 10.11 to the Company's current report on Form 8-K filed September 20, 1999.
10.16	Loan and Note Modification Agreement dated March 14, 2003, between the Company and Commerce Bank, N.A.
10.17	IBM Business Partner Agreement dated January 1, 2003. *
21.1	List of the Company's subsidiaries.

23.1	Consent of Independent Auditors.
31.1	Certification of Chief Executive Officer
31.2	Certification of Chief Financial Officer
32.1	Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
32.2	Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

* Confidential treatment requested for portions of this exhibit.

(b) Reports on Form 8-K

The following reports on Form 8-K were filed during the last quarter of the period covered by this report:

- On April 18, 2003, the Company filed a report on Form 8-K which reported fiscal 2003 third quarter financial results under Item 12.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized this 22nd day of September, 2003.

JACK HENRY & ASSOCIATES, INC., Registrant

By /s/ Michael E. Henry
Michael E. Henry
Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Capacity	Date
/s/ Michael E. Henry Michael E. Henry	Chairman of the Board and Chief Executive Officer and Director	September 22, 2003
/s/ Kevin D. Williams Kevin D. Williams	Chief Financial Officer and Treasurer (Principal Accounting Officer)	September 22, 2003
/s/ John W. Henry	Vice Chairman, Senior Vice President and Director	September 22, 2003
/s/ Jerry D. Hall Jerry D. Hall	Executive Vice President and Director	September 22, 2003
/s/ Joseph J. Maliekel Joseph J. Maliekel	Director	September 22, 2003
/s/ James J. Ellis James J. Ellis	Director	September 22, 2003
/s/ Burton O. George Burton O. George	Director	September 22, 2003
/s/ George R. Curry George R. Curry	Director	September 22, 2003

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on behalf of the undersigned thereunto duly authorized.

JACK HENRY & ASSOCIATES, INC.

Date: September 22, 2003	/s/ Michael E. Henry -------------------- Michael E. Henry Chairman of the Board Chief Executive Officer
Date: September 22, 2003	/s/ Kevin D. Williams --------------------- Kevin D. Williams Chief Financial Officer and Treasurer

Exhibit 3.1.7

STATE of DELAWARE

RESTATED CERTIFICATE of INCORPORATION
of
JACK HENRY & ASSOCIATES, INC.

At a meeting of the Board of Directors of Jack Henry & Associates, Inc. held on August 26, 2003, a resolution was duly adopted setting forth a proposed restatement of the Certificate of Incorporation of said corporation and declaring said restatement to be advisable. The Restated Certificate of Incorporation was duly adopted in accordance with the provisions of Section 245 of the General Corporation Law of the State of Delaware.

The restatement merely restates and integrates but does not further amend the Certificate of Incorporation as theretofore amended or supplemented, and there is no discrepancy between those provisions and the provisions of this restated certificate. The capital of said corporation shall not be reduced under or by reason of this restatement.

The original Certificate of Incorporation of Jack Henry & Associates, Inc. was issued by the Secretary of State of Delaware on October 4, 1985.

The resolution adopted by the Board of Directors restating the Certificate of Incorporation is as follows:

RESOLVED, that the Board of Directors finds it advisable and convenient to restate but not amend the Certificate of Incorporation of the corporation, and that the Restated Certificate of Incorporation shall be as follows:

FIRST: This corporation is organized and will exist under the laws of the State of Delaware.

SECOND: The name of the corporation is Jack Henry & Associates, Inc.

THIRD: The location of the registered office of this corporation within the State of Delaware is 30 Old Rudnick Lane, City of Dover, County of Kent, Zip Code 19901. The name of its registered agent at such address is LexisNexis Document Solutions, Inc.

FOURTH: The nature of the business of the corporation and the purposes for which it is organized are to engage in any business and in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware, and to possess and employ all powers now or hereafter granted or available under the laws of the State of Delaware to such corporations.

FIFTH: 5.1. The total number of shares which the corporation shall have authority to issue is 250,500,000 shares, which shall consist of two classes. One class, designated "common stock, " shall consist of 250,000,000 shares, each of which shall have a par value of $.01 per share. The other class, designated "preferred stock," shall consist of 500,000 shares, each of which shall have a par value of $1.00 per share.

5.2. The board of directors is hereby authorized to establish, out of authorized but unissued shares of preferred stock, series of preferred stock and to fix and determine the relative rights and preferences of the shares of any series of preferred stock so established. Each of such series may have such voting powers, full or limited, or no voting power, and such dividend rights, conversion rights, rights and terms of redemption, preferences, and relative participating optional or other special rights and qualifications, relative participating options or other specific rights and qualifications, limitations or restrictions thereof, and may be comprised of such number of shares and designated in such manner as shall be stated and expressed in the resolution or resolutions providing for the issue of such series as duly adopted by the board of directors.

5.3 The corporation shall have the right to impose restrictions on the transfer of all, or any part of, its share and may become party to agreements entered into by any of its shareholders restricting transfer or encumbrance of any of its shares, or subjecting any of its shares to repurchase or resale obligations.

SIXTH: Except as otherwise provided herein or in the bylaws, every decision by a majority of the shares represented at the meeting and entitled to vote on the subject matter shall constitute a valid corporate act.

6.2 The corporation reserves the right to amend or repeal any provisions contained in these articles of incorporation or any amendments thereto; provided, however, that any proposed amendment shall be approved by vote of the holders of two-thirds of the corporation's stock entitled to vote. However, in the event any amendment to these articles of incorporation or amendments thereto are recommended to the shareholders by at least two-thirds of the corporation's board of directors, then the affirmative vote of two-thirds of the shareholders of the corporation shall not be required to adopt that amendment and only the vote of a simple majority of the corporations' stock entitled to vote will be required.

6.3. The affirmative vote of the holders of two-thirds of the corporation's stock entitled to vote shall be required to approve an acquisition of the corporation by another person or entity by merger, consolidation or otherwise and to approve a sale, lease or transfer of all or substantially all of the assets of the corporation. However, in the event any of these actions is recommended to the shareholders by at least two-thirds of the members of the board of directors then the affirmative vote of two-thirds of the shareholders of the corporation shall not be required to adopt such action and only the vote of a simple majority of the corporation's stock entitled to vote will be required.

SEVENTH: [omitted]

EIGHTH: [omitted]

NINTH: The number of directors of the corporation shall be fixed from time to time in the manner provided in the bylaws and may be increased or decreased from time to time in the manner provided in the bylaws.

TENTH: The board of directors of the corporation is expressly authorized to make, alter or repeal the bylaws of the corporation. The bylaws of the corporation may also be adopted, altered, amended or repealed by the affirmative vote of the holders of two-thirds of the corporation's stock entitled to vote.

ELEVENTH: The corporation shall, to the fullest extent permitted by Delaware law as in effect from time to time, indemnify any person against all liability and expense (including attorneys' fees) incurred by reason of the fact that he is or was a director or officer of the corporation or, while serving as a director or officer of the corporation, he is or was serving at the request of the corporation as a director, officer, partner or trustee of, or in any similar managerial or fiduciary position of, or as an employee or agent of, another corporation, partnership, joint venture, trust, association or other entity. Expenses (including attorneys' fees) incurred in defending an action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding to the full extent and under the circumstances permitted by Delaware law. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, fiduciary or agent of the corporation against any liability asserted against and incurred by such person in any such capacity or arising out of such person's position, whether or not the corporation would have the power to indemnify against such liability under the provisions of this Section Eleventh. The indemnification provided by this Section Eleventh shall not be deemed exclusive of any other rights to which those indemnified may be entitled under this certificate of incorporation, any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise, and shall inure to the benefit of their heirs, executors and administrators. The provisions of this Section Eleventh shall not be deemed to preclude the corporation from indemnifying other persons from similar or other expenses and liabilities as the board of directors or the stockholders may determine in a specific instance or by resolution of general application.

TWELFTH: The corporation shall have authority, to the fullest extent now or hereafter permitted by the General Corporation Law of the State of Delaware, or by any other applicable law, to enter into any contract or transaction with one or more of its directors or officers, or with any corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, notwithstanding such relationships and notwithstanding the fact that the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction and notwithstanding the fact that his or their votes are counted for such purpose. Both common and interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or of a committee which authorizes the contract or transaction.

THIRTEENTH: Election of directors need not be by written ballot except and to the extent provided in the bylaws of the corporation.

FOURTEENTH: Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this corporation under the provisions of section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said reorganization has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

FIFTEENTH: To the fullest extent permitted by the Delaware General Corporation Law and any amendments thereto, no director of the corporation shall be liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

SIXTEENTH: Any action required or permitted to be taken by the stockholders of the corporation must be taken at an annual or special meeting of the stockholders and may not be taken by any consent in writing in lieu of a meeting of such stockholders.

SEVENTEENTH: The Board of Directors of the corporation, when evaluating any offer of another party to (i) purchase or exchange any securities or property for any outstanding equity securities of the corporation, (ii) merge or consolidate the corporation with another corporation, or (iii) purchase or otherwise acquire all or substantially all of the properties and assets of the corporation, shall, in connection with the exercise of its judgment in determining what is in the best interests of the corporation and its stockholders, give due consideration to all relevant factors, including without limitation: (a) not only the price or other consideration being offered in relation to the then current market price of the corporation's outstanding shares of capital stock, but also the Board of Directors' estimate of the future value of the corporation as an independent going concern and the unrealized value of its property and assets; (b) the financial and managerial resources and future prospects of the other party; and (c) the possible social, legal, environmental and economic effects of the transaction on the business of the corporation and its subsidiaries and on the employees, customers and creditors of the corporation and its subsidiaries and the effects on the communities in which the corporation's offices are located. In evaluating any such offer on the basis of the foregoing factors, the directors shall be deemed to be performing their duly authorized duties and acting in good faith and in the best interests of the corporation within the meaning of Section 145 of the General Corporation Law of Delaware, as it may be amended from time to time.

In Witness Whereof, said Jack Henry & Associates, Inc. has caused this certificate to be signed by Michael E. Henry, an Authorized Officer, this 26th day of August, A.D. 2003.

By:/s/ Michael E. Henry

Michael E. Henry
Chairman of the Board

Exhibit 10.16

LOAN AND NOTE MODIFICATION AGREEMENT

THIS LOAN AND NOTE MODIFICATION AGREEMENT (the "Amendment") is entered into as of this 14th day of March, 2003, by and between JACK HENRY & ASSOCIATES, INC., a Delaware corporation ("Company"), and COMMERCE BANK, N.A., a national banking association ("Bank").

WHEREAS, (i) Company and Bank entered into that certain Line of Credit Loan Agreement dated September 7, 1999, as amended June 6, 2000, June 15, 2001, December 15, 2001, and December 14, 2002 (collectively the "Loan Agreement"), and (ii) Company executed and delivered to Bank that certain Line of Credit Note of even date therewith in the aggregate principal amount of $40,000,000, as amended June 6, 2000, June 15, 2001, and December 14, 2002 (collectively the "Note), in connection with the Loan Agreement; and

WHEREAS, Company and Bank desire to modify and amend certain provisions of the Loan Agreement and the Note to extend the Termination Date.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Amendments of the Loan Agreement. The Loan Agreement is hereby amended as follows:

(a) Section 1.1 of the Loan Agreement is amended and restated to read as follows:

> 1.1 Line of Credit. Subject to the terms of this Agreement, Bank shall lend Company from time to time until the termination hereof, such sums as Company may request, but which shall not exceed the aggregate principal amount of Fifty Million and No/100 Dollars ($50,000,000) from September 15, 2000 to, but not including, December 14, 2003, unless renewed by written agreement between Bank and Company (the "Termination Date"). In addition to the foregoing, the Line of Credit shall be deemed to automatically terminate if the occurrence of an Event of Default (as defined under Article V hereof) causes the principal balance and all accrued interest under the Line of Credit Note (as defined in Section 1.2) to become immediately due and payable.

2. Amendment of the Note. The last sentence of the second paragraph of the Note is amended and restated to read as follows:

> All outstanding principal and any unpaid interest thereon under this Line of Credit Note is due and payable on December 14, 2003.

3. Representations and Warranties. Company hereby represents and warrants to Bank as follows:

(a) No default currently exists under the Loan Agreement, the Note or the other Loan Documents and no event has occurred which with the passage of time or the giving of notice, or both, would constitute a default under the Loan Documents.

(b) The Certificate of Incorporation and Bylaws of Company, the Articles of Incorporation or Certificate of Limited Partnership, as applicable, for each Guarantor, and the Bylaws or Partnership Agreement, as applicable, for each Guarantor have in each case not been amended, modified or supplemented since September 7, 1999.

(c) All of the representations and warranties made by Company in the Loan Documents are true as if made on the date hereof.

4. Conditions Precedent. Closing of this Amendment and the transactions contemplated hereunder is conditioned on the following:

(a) Receipt by Bank of Certificates of Good Standing, dated not more than ten (10) days prior to the date of this Amendment for Company and each Guarantor from their respective states of organization.

(b) An opinion of counsel to Company and the Guarantors, with respect to such matters as requested by Bank.

(c) Certified copies of each resolution of (i) Company's Board of Directors duly authorizing the execution and delivery of this Amendment and the consummation of the transactions contemplated herein and (ii) each Guarantor's Board of Directors approving this Amendment and the consummation of the transactions contemplated herein.

(d) Receipt by Bank of each Acknowledgement and Consent attached hereto, executed by each of the Guarantors.

(e) Any other documents, instruments and reports as Bank shall reasonably request.

5. Interpretation. From and after the execution of this Amendment by all of the parties hereto, all references in the Loan Agreement, the Note, the Guaranty and the other Loan Documents to "this Agreement," "hereof," "herein," and similar terms shall mean or refer to such Loan Documents as amended by this Amendment, and all references in other Loan Documents to such documents shall mean such Loan Documents as amended by this Amendment. Unless otherwise specifically defined herein, all defined terms shall have the meaning given them in the Loan Agreement. Section headings are inserted in this Amendment for convenience of reference only and shall not be used in the interpretation of this Amendment.

6. Ratification. Unless specifically amended or modified by the terms of this Amendment, all other terms of the Loan Agreement, the Note and the other Loan Documents shall remain unchanged and in full force and effect and are hereby ratified and confirmed.

7. Counterparts. This Amendment may be executed in counterparts, which when taken together, shall constitute one and the same document.

8. Statutory Notice. ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT, INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT, ARE NOT ENFORCEABLE. TO PROTECT YOU (BORROWER) AND US (CREDITOR) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US EXCEPT AS WE MAY LATER AGREE IN WRITING.

BY SIGNING BELOW, YOU AND WE AGREE THAT THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN US.

9. Waiver of Jury Trial. COMPANY HEREBY WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH COMPANY AND BANK MAY BE PARTIES ARISING OUT OF, IN CONNECTION WITH, OR IN ANY WAY PERTAINING TO, THIS AMENDMENT, THE LOAN AGREEMENT, THE NOTE AND ANY OTHER LOAN DOCUMENT. IT IS AGREED AND UNDERSTOOD THAT THIS WAIVER CONSTITUTES A WAIVER OF TRIAL BY JURY OF ALL CLAIMS AGAINST ALL PARTIES TO SUCH ACTIONS OR PROCEEDINGS, INCLUDING CLAIMS AGAINST PARTIES WHO ARE NOT PARTIES TO THIS AGREEMENT. THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY COMPANY, AND COMPANY HEREBY REPRESENTS THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY INDIVIDUAL TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. COMPANY FURTHER REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their duly authorized officers on the day and year first above written.

JACK HENRY & ASSOCIATES, INC.

By: /s/ Michael E. Henry

Name: Michael E. Henry
Title: Chief Executive Officer

COMMERCE BANK, N.A.

By: /s/ Joe McCaddon

Name: Joe McCaddon
Title: Senior Vice President

GUARANTOR'S ACKNOWLEDGEMENT AND CONSENT

The undersigned has heretofore executed and delivered to Bank a Guaranty dated September 7, 1999, and hereby consents to the Loan and Note Modification Agreement as set forth above, including without limitation the extension of the Termination Date, and, subject to such Amendment, confirms that the Guaranty and all of the undersigned's obligations thereunder remain in full force and effect. The undersigned further agrees that its consent to any further amendments to the Loan Agreement shall not be required as a result of this consent having been obtained.

OPEN SYSTEMS GROUP, INC.

By: /s/ Kevin D. Williams

Name: Kevin D. Williams
Title: Chief Financial Officer and Treasurer

GUARANTORS' ACKNOWLEDGEMENT AND CONSENT

Each of the undersigned has heretofore executed and delivered to Bank a Guaranty dated July 20, 2000, and hereby consents to the Loan and Note Modification Agreement as set forth above, including without limitation the extension of the Termination Date, and, subject to such Amendment, confirms that the Guaranty and all of the undersigneds' obligations thereunder remain in full force and effect. Each of the undersigned further agrees that its consent to any further amendments to the Loan Agreement shall not be required as a result of this consent having been obtained.

SYS-TECH, INC. OF KANSAS

By: /s/ Kevin D. Williams

Name: Kevin D. Williams
Title: Chief Financial Officer and Treasurer

SYMITAR SYSTEMS, INC.

By: /s/ Kevin D. Williams

Name: Kevin D. Williams
Title: Chief Financial Officer and Treasurer

JACK HENRY, L.L.C.

By: /s/ Kevin D. Williams

Name: Kevin D. Williams
Title: Chief Financial Officer and Treasurer

JACK HENRY SYSTEMS, L.P.

By: /s/ Kevin D. Williams

Name: Kevin D. Williams
Title: Chief Financial Officer and Treasurer

JACK HENRY SOFTWARE/COMMLINK L.P.

By: /s/ Kevin D. Williams

Name: Kevin D. Williams
Title: Chief Financial Officer and Treasurer

JACK HENRY SERVICES L.P.

By: /s/ Kevin D. Williams

Name: Kevin D. Williams
Title: Chief Financial Officer and Treasurer

Exhibit 10.17

[Confidential materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.]

IBM Business Partner Agreement

Solution Provider Profile

We welcome you as an IBM Business Partner-Solution Provider.

This Profile covers the details of your approval to actively market Products and Services. As our Solution Provider, you enhance Products and Services with your solution to provide Products and Services capable of satisfying the Customer's requirements.

By signing below, each of us agrees to the terms of the following (collectively called the "Agreement"):

(a) this Profile;

(b) General Terms (Z125-5478-07 08/2002);

(c) the applicable Attachments referred to in this Profile; and

(d) the Exhibit.

This Agreement and its applicable transaction documents are the complete agreement regarding this relationship, and replace any prior oral or written communications between us. Once this Profile is signed, 1) any reproduction of this Agreement or a transaction document made by reliable means (for example, photocopy or facsimile) is considered an original, to the extent permissible under applicable law, and 2) all Products and Services you market and Services you perform under this Agreement are subject to it. If you have not already signed an Agreement for Exchange of Confidential Information (AECI), your signature on this Profile includes your acceptance of the AECI.

After signing this Profile, please return a copy to the IBM address shown below.

Revised Profile (yes/no): YES   Date received by IBM: _______________

Date received by IBM:

Agreed t: Jack Henry & Associates, Inc.	Agreed to: International Business Machines Corporation
By_____________________________ Authorized Signature	By_____________________________ Authorized signature
Name (type or print):	Name (type or print):
Date:	Date:

IBM Business Partner Number: 1004727

IBM Business Partner address: 663 W. Highway 60 Monett, MO 65708	IBM address: 4111 Northside Parkway Suite Atlanta, GA 30327

ASPID: 18784

DETAILS OF OUR RELATIONSHIP

Contract Period Start Date (month/year): 01/03   Duration: 24

Relationship Approval/Acceptance of Additional Terms:

For each approved relationship, each of us agrees to the terms of the following by signing this Profile. Copies of the Attachments are included.

Approved Relationship	Applicable (yes/no)	Attachment

Solution Provider Attachment	Yes	Z125-5480-05 08/2002
Complementary Marketing Terms Attachment	Yes	Z125-5498-03 03/2001
Remarketer Terms Attachment	Yes	Z125-5497-06 08/2002
North American Marketing Attachment	Yes	Z125-5891-02 01/2000
Federal Remarketer Attachment	Yes	Z125-5514-02 05/2002

Additional Terms

Federal Certification Attachment	Yes	Z125-5515-02 04/99
Federal GSA Contract Attachment	No	Z125-6016-00 03/99
Attachment for Services Marketing for Remarketers	Yes	Z125-5750-00 11/1997
Attachment for IBM as Subcontractor for Services	Yes	Z125-5718-00 12/97
Attachment for Network and e-business Services for Remarketers	No	Z125-5744-01 12/2001
Attachment for ServiceSuite - Remarketer	Yes	Z125-5767-03 01/2001
Attachment for Finance Services from IBM Credit Corporation	Yes	Z125-5795-04 06/2002
Marketing of Used Equipment Attachment	Yes	Z125-5595-02 06/2000
Attachment for Acquisition of IBM Personal Computer Products & Services from IBM PartnerChoice	Yes	Z125-6646-01 07/2002
Internet Service Provider Agreement	Yes	Z125-6130-01 06/2000
e-business Hosting Services Attachment for Remarketers	No	Z125-6627-01 07/2002

You are approved to market to: End Users Only

Approved Only for Development System (yes/no): NO

You are approved to use the Products identified in this section, including their associated Programs and peripherals, for development purposes. This section is approval for development use and is not approval to market these Products. The Products and Services section on the next page is approval for both marketing and development.

Development System Products:

_________________________________ _____________________________________

_________________________________ _____________________________________

_________________________________ _____________________________________

Product and Service Approval:

The following Products and Services are listed in the Exhibit. The terms of the Exhibit apply to the Products and Services listed in it.

When we approve you for Products listed in the Exhibit, you are also approved to market their associated

Programs and peripherals.

	Approved to Market under Complementary Marketing Terms (yes/no)	Approved to Market under Remarketer Terms: Acquire From IBM (yes/no)	Approved to Market under Remarketer Terms: Acquire From Distributor (yes/no)	Name of Distributor	Effective Date
System Types					
1) IBM eServer					
zSeries System/390 (1) (2)	No	No	No		
2) IBM eServer					
pSeries RS/6000 (1)(3)(4)(8)	No	Yes	No		
7040 (1) (3) (4) (5)	No	No	No		
708X CLUSTER 1300 (1)(3)(5)(8)	No	No	No		
IBM RS/6000 SP (1)(3)(4)(5)	No	No	No		
3) IBM eServer iSeries AS/400 (1)(3)(8)					
9406 (14)	No	Yes	No		
9406-250 (14)	N/A	N/A	No		
9406-270 (14)	No	No	No		
4) IBM Retail Point of Sale Products (1)(3)					
4694 Point of Sale Terminal	No	No	No		
4800 SurePOS 700	No	No	No		
4810 Sure POS 300	No	No	No		
4835 Netvista Kiosk	No	No	No		
4840 SurePOS500	No	No	No		
5) IBM 4614 SureOne (3)	N/A	No	Yes	AVNET	
IBM Personal Computer Products (3) (6)					
1) IBM PC Desktop	N/A	No	Yes	N/A	
2) IBM PC Server	N/A	No	Yes	N/A	
3) IBM Mobile	N/A	No	Yes	N/A	
4) PC Features and Options	N/A	No	Yes	N/A	
Additional Products					
1) IBM Network Integration Products (1)	No	No	No		
2) 3745 Communications Controller	No	No	No		
3) 3746 Expansion Unit/Controller	No	No	No		
4) Graphics	No	No	N/A	N/A	
5) Finance Products Category J1	No	No	No		
6) Finance Products Category J2	N/A	Yes	No		
7) IBM Storage Products (3)					
Category S1 Products	Yes	Yes	No		
Category S2 Products	Yes	Yes	No		
Category S3 Products	No	No	No		
Category S5 Products	Yes	Yes	No		
Category S6 Products	No	No	No		
Category S7 Products	No	No	No		
Category S9 Products	Yes	Yes	No		
8) IBM 8690 Kiosk (5)	No	N/A	N/A	N/A	
9) IBM 389X Document Processors	No	N/A	N/A	N/A	
10) Multimedia	No	N/A	N/A	N/A	
11) IBM Printing Systems Products					
Industrial	N/A	No	No		
Workgroup	N/A	No	No		
Production	N/A	No	No		
Software	N/A	No	No		
Availability Services	N/A	No	No		
Professional Services	N/A	No	No		

Approved to Market under Remarketer Terms

	Approved to Market under Complementary Marketing Terms (yes/no)	Acquire From IBM (yes/no)	Acquire From Distributor (yes/no)	Name of Distributor	Effective Date
Software Only					
1) Tivoli Enterprise Software					
Category SWI Dl- Tivoli Storage Mgt Software		NO	NO		
Category SWI D2- Tivoli Storage Mgt SW		NO	NO		
2) IBM Voice Systems Software					
Category SW2AI-IBM Voice Systems Software Technologies	NO	NO	NO		
3) S/390 and zSeries IPLA Software					
Category SW3AI-Data Management Tools		NO	NO		
Category SW3BI -Application and Integration Middleware		NO	NO		
Category SW3CI-Tivoli Products		NO	NO		

(1) When we approve you to market these Products you are also approved for IBM Personal Computer and associated Products included in the IBM Business Partner Exhibit as listed in PARTNERlnfo.
(2) When we approve you to market these Products, you are also approved to market the associated Programs under complementary marketing terms. Unless specified otherwise, these Programs are not available for marketing under remarketer terms.
(3) These Products (including Used Equipment) are eligible for marketing under the terms of the North American Marketing Attachment. Used Equipment is not eligible for export.

For Products and Services we specify under "Approved to Market Under Remarketer Terms", we will specify if you are approved to acquire such Products and Services from us or from the Distributor we specify in this Profile (personal computer Products may be acquired from any IBM Remarketer).

For Products and Services we specify you acquire from us, we may specify in your Exhibit that you acquire the Products and Services from a supplier instead of from us. When you acquire the Products and Services from a Distributor or supplier, the terms of the Agreement relating to your acquisition of Products and Services directly from us (for example, terms relating to the return of Products and Services, and terms relating to the ordering of Products and Services) are not applicable. All other terms apply.

	Approved to Market under Complementary Marketing Terms (yes/no) (7)
Non-IBM Products	
1) Local Vendor (LVP) Products (9)	NO
IBM CAD/CAM Programs	
1) CATIA (10) (11)	NO
2) IGES Processor/6000	NO
3) Numerical Control PostProcessor Generator	NO
4) Product Manager (10)	NO
5) ENOVIA (10) (11)	NO

You are also approved for the programs (if any) listed below:

____
____

(4) Your approval to market the IBM eServer p Series RS/6000 is a prerequisite for approval to market the RS/6000 SP and the IBM pSeries RS/6000 7040. However, approval for the pSeries RS/6000 does not constitute approval for you to market the RS/6000 SP or the pSeries RS/6000 7040.
(5) Not available for Central Order. A Project Form is required.
(6) These Products have unique revenue requirements to enable direct acquisition from IBM.
(7) Approval for the System or lndustry Product includes approval for the programs, peripherals and other offerings associated with it. This excludes the programs listed in the Application Programs section of this Profile, for which specific approval is required.
(8) When marketing under the Complementary Marketing Terms, a Project

Form is not required when marketing with an eligible value added enhancement.

(9) We will specify each LVP Product that applies to you.

(10) A Complex Operating Environment addendum must be completed.

(11) Registered trademark of Dassault Systemes of America.

(12) You may market these Services to an End User without the requirement to have marketed a Machine or Program to the End User.

(13) The terms for remarketing Services (other than shrink-wrap Services) are contained in other documents which we provide to you.

(14) Your approval to market the IBM eServer iSeries 9406 is also approval to market the iSeries AS/400 9406-250 which may only be acquired from a Distributor, and the 9406-270. However, approval to market the iSeries 9406-250 or the 9406-2 70 does not constitute approval for you to market the IBM eServer iSeries 9406.

(15) Approvals in these categories permit the marketing of Services specified on the Exhibit, independent of a system sale and hardware Value Added Enhancement (VAE). There is also no requirement for a separate Services VAE.

	Approved to Market under Complementary Marketing Terms (yeslno)	Approved to Market under Remarketer Terms (yes/no)
IBM Global Services (12) (13)		
1) Integrated Technology Services		
a) Maintenance Services	NO	NO
b) Software Services (15)	NO	NO
c) Site & Connectivity Services (15)	NO	NO
d) Backup and Recovery Services	NO	NO
2) Managed e-business Services	NO	NO
a) Managed Data Network Services	NO	NO
b) e-business Hosting		
Interchange Services for e-business	NO	NO
Hosting Services for e-business	NO	NO
c) SHOWBBS	NO	NO
d) Software Mall	NO	NO
3) Learning Services	N/A	NO
4) Business Innovation Services	N/A	NO

Certified Products you are approved to market.

_________________________________ _________________________________

_________________________________ _________________________________

_________________________________ _________________________________

Exclusions, if applicable:

Although included by reference in Product and Services approval, you are not approved to market these individual Products or Services.

Minimum Attainment:

Product/Service	Volume/Revenue	Measurement Period Dates
Storage, iSeries. pSeries	$2000000	01/01/2003 to 12/31/2004

Locations:

Loc. lD	Location (street address, city, state, ZlP code)
31422	404 Camino Del Rio South San Diego, CA 92108

Loc. lD	Location (street address, city, state, Zip code)
62707	663 W Highway 60 Monett, MO 65708

Your Commitment, if applicable:

This section identifies by System Type/System Unit or IBM Managed e-business Services (Eligible Products) as applicable, your Annual System Revenue Performance (ASRP) Commitment (Revenue Commitment) and the Applicable Discount Percentage. At your request we will review your revenue attainment at any time to determine if you qualify for a higher Applicable Discount Percentage.

After each annual measurement period, IBM will review your revenue attainment by Eligible Product. lf your revenue attainment is less than your Revenue Commitment, your Applicable Discount Percentage will be adjusted downward to the appropriate level. lf your revenue attainment is greater than your Revenue Commitment, your Applicable Discount Percentage will be adjusted upward as appropriate.

Eligible Products	Revenue Commitment (annual)	Applicable Discount Percentage
IBM pSeries RS/6000 (1)	[*]	[*]% Federal (2) Discount for: Machines *% Programs *%
IBM Series AS/400: (1)	[*]	[*]%
IBM Storage Products	Entry	Cat SI & S6 *% Cat S2 *% Cat S3 ___ Cat 57 ___
IBM Point of Sale Products (1)	N/A	______________

This section identifies your Revenue Commitment and the applicable discount percentage. At your request we will review your revenue attainment against your Revenue Commitment at any time to determine if you qualify for a higher applicable discount percentage.

After each measurement period, IBM will review your revenue attainment. If your revenue attainment is less than your Revenue Commitment, your applicable discount percentage will be adjusted downward to the appropriate level. Additionally, if your revenue attainment is greater than your Revenue Commitment, your applicable discount percentage will be adjusted upward as appropriate.

IBM Network Integration Products	Revenue Commitment (Annual)	Applicable Additional Discount Percentage (3)
	N/A	______________

IBM 3746 Communications Controller	Revenue Commitment (Annual)	Applicable Discount Percentage
	N/A	_______________

Managed e-business Services	Revenue Commitment for Contract Period	Applicable Discount Percentage
	N/A	________________

(1) Your ASRP Commitment is the aggregate of such Commitment for the U.S. and Canada. Your Applicable Discount Percentage is based on the aggregate of your ASRP Commitment for the U.S. and Canada.
(2) The Products eligible for the Federal discount are identified in the IBM Business Partner Exhibit.
(3) The Products eligible for the Applicable Additional Discount Percentage are identified in the Business Partner Exhibit

Assignment of Warranty Service Responsibility, if applicable:

You assign to us, or an IBM Premier Personal Computer Servicer, Warranty Service responsibility for the following Machines.

Type/Model	Type/Model	Type/Model	Type/Model
______________	______________	______________	________________
______________	______________	______________	________________
______________	______________	______________	________________
______________	______________	______________	________________

Unless you are assigning to us, please specify the name of the IBM Premier Personal Computer Servicer:

____

Value Added Enhancement Descriptions:

The following is a description of each of your value added enhancements, including an indication of the relationship (Complementary or Remarketer) to which it pertains.

See attached (VAEATT)

IBM Business Partner Agreement -

General Terms

Table of Contents

IBM Business Partner Agreement -

General Terms

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1. Definitions

Business Partner is a business entity which is approved by us to market Products and Services under this Agreement.

Customer is either an End User or a Remarketer. We specify in your Profile if we approve you to market to End Users or Remarketers, or both.

End User is anyone, who is not part of the Enterprise of which you are a part, who uses Services or acquires Products for its own use and not for resale.

Enterprise is any legal entity (such as a corporation) and the subsidiaries it owns by more than 50 percent.

Licensed Internal Code (LIC) is Machine Code used by certain Machines IBM specifies (Specific Machines).

Machine is a machine, its features, conversions, upgrades, elements, accessories, or any combination of them. The term "Machine" includes an IBM Machine and any non-IBM Machine (including other equipment) that we approve you to market.

Machine Code is micro code, basic input/output system code (BIOS), utility programs, device drivers, and diagnostics delivered by an IBM Machine.

Product is a Machine or Program, that we approve you to market, as we specify in your Profile.

Program is an IBM Program or a non-IBM Program provided by us, under its applicable license terms, that we approve you to market. The term "Program" does not include LIC or Machine Code.

Related Company is any corporation, company or other business entity:
1. more than 50 percent of whose voting shares are owned or controlled, directly or indirectly, by either of us, or
2. which owns or controls, directly or indirectly, more than 50 percent of the voting shares of either of us, or
3. more than 50 percent of whose voting shares are under common ownership or control, directly or indirectly, with the voting shares of either of us.

However, any such corporation, company or other business entity is considered to be a Related Company only so long as such ownership or control exists. "Voting shares" are outstanding shares or securities representing the right to vote for the election of directors or other managing authority.

Remarketer is a business entity which acquires Products and Services, as applicable, for the purpose of marketing.

Service is performance of a task, provision of advice and counsel, assistance, support or access to a resource (such as a network and associated enhanced communication and support) that we approve you to market.

2. Agreement Structure and Contract Duration

Profiles

We specify the details of our relationship (for example, the type of Business Partner you are) in a document called a "Profile." Each of us agrees to the terms of the Profile, the General Terms, the applicable Attachments referred to in the Profile, and the Exhibit (collectively called the "Agreement") by signing the Profile.

General Terms

The General Terms apply to all of our Business Partners.

Attachments

We describe, in a document entitled an "Attachment", additional terms that apply. Attachments may include, for example, terms that apply to the method of Product distribution (Remarketer Terms Attachment or

Complementary Marketing Terms Attachment) and terms that apply to the type of Business Partner you are, for example, the terms that apply to a Distributor relationship as described in the Distributor Attachment. We specify in your Profile the Attachments that apply.

Exhibits

We describe in an Exhibit, specific information about Products and Services, for example, the list of Products and Services you may market, and warranty information about the Products.

Transaction Documents

We will provide to you the appropriate "transaction documents." The following are examples of transaction documents, with examples of the information and responsibilities they may contain:

1. invoices (item, quantity, payment terms and amount due); and
2. order acknowledgements (confirmation of Products and quantities ordered).

Conflicting Terms

If there is a conflict among the terms in the various documents, the terms of:

1. a transaction document prevail over those of all the documents;
2. an Exhibit prevail over the terms of the Profile, Attachments and the General Terms;
3. a Profile prevail over the terms of an Attachment and the General Terms; and
4. an Attachment prevail over the terms of the General Terms.

If there is an order of precedence within a type of document, such order will be stated in the document (for example, the terms of the Distributor Attachment prevail over the terms of the Remarketer Terms Attachment, and will be so stated in the Distributor Attachment).

Our Acceptance of Your Order

Products and Services become subject to this Agreement when we accept your order by:

1. sending you a transaction document; or

2. providing the Products or Services.

Acceptance of the Terms in a Transaction Document

You accept the terms in a transaction document by doing any of the following:

1. signing it (those requiring a signature must be signed);

2. accepting the Product or Services;

3. providing the Product or Services to your Customer; or

4. making any payment for the Product or Services.

Contract Duration

We specify the contract start date and the duration in your Profile. Unless we specify otherwise in writing, the Agreement will be renewed automatically for subsequent two year periods. However, you may advise us in writing not to renew the Agreement. Each of us is responsible to provide the other three months written notice if this Agreement will not be renewed.

3. Our Relationship

Responsibilities

Each of us agrees that:

1. both of us are independent contractors, and this Agreement is non-exclusive. Neither of us is a legal representative or legal agent of the other. Neither of us is legally a partner of the other (for example, neither of us is responsible for debts incurred by the other), and neither of us is an employee or franchise of the other, nor does this Agreement create a joint venture between us;

2. each of us is responsible for our own expenses regarding fulfillment of our responsibilities and obligations under the terms of this Agreement;

3. neither of us will disclose the terms of this Agreement, unless both of us agree in writing to do so, or unless required by law;

4. neither of us will assume or create any obligations on behalf of the other or make any representations or warranties about the other, other than those authorized;

5. any terms of this Agreement, which by their nature extend beyond the date this Agreement ends, remain in effect until fulfilled and apply to respective successors and assignees;

6. we may withdraw a Product or Service from marketing at any time;

7. we will allow the other a reasonable opportunity to comply before it claims the other has not met its obligations, unless we specify otherwise in the Agreement;

8. neither of us will bring a legal action against the other more than two years after the cause of action arose, unless otherwise provided by local law without the possibility of contractual waiver;

9. failure by either of us to insist on strict performance or to exercise a right when entitled does not prevent either of us from doing so at a later time, either in relation to that default or any subsequent one;

10. neither of us is responsible for failure to fulfill obligations due to causes beyond the reasonable control of either of us;

11. IBM reserves the right to assign, in whole or in part, this Agreement, to a Related Company, but may assign its rights to payment or orders to any third party;

12. IBM does not guarantee the results of any of its marketing plans;

13. each of us will comply with all applicable laws and regulations (such as those governing consumer transactions); and

14. if any provision of this Agreement is determined to be invalid or otherwise unenforceable, such provision will be deemed deleted from this Agreement, while the remainder of this Agreement will remain in full force and effect as written.

Other Responsibilities

You agree:

1. to be responsible for customer satisfaction for all your activities, and to participate in customer satisfaction programs as we determine;

2. that your rights under this Agreement are not property rights and, therefore, you can not transfer them to anyone else or encumber them in any way. For example, you can not sell your approval to market our Products or Services or your rights to use our Trademarks;

3. to maintain the criteria we specified when we approved you;

4. to achieve and maintain the certification requirements for the Products and Services you are approved to market, as we specify in your Profile;

5. not to assign or otherwise transfer this Agreement, your rights under this Agreement, or any of its approvals, or delegate any duties, unless expressly permitted to do so in this Agreement. Otherwise, any attempt to do so is void;

6. to conduct business activities with us (including placing orders) which we specify in the operations guide, using our automated electronic system if available. You agree to pay all your expenses associated with it such as your equipment and communication costs;

7. that when we provide you with access to our information systems, it is only in support of your marketing activities. Programs we provide to you for your use with our information systems, which are in support of your marketing activities, are subject to the terms of their applicable license agreements, except you may not transfer them;

8. to promptly provide us with documents we may require from you or the End User (for example, our license agreement signed by the End User) when applicable;

9. that you will not offer or make payments or gifts (monetary or otherwise) to anyone for the purpose of wrongfully influencing decisions in favor of IBM, directly or indirectly. IBM may terminate this Agreement immediately in case of 1) a breach of this clause or 2) when IBM reasonably believes such a breach has occurred, or is likely to occur;

10. that your conduct under this Agreement will be consistent with the antiboycott laws and regulations of the United States; and

11. International Business Machines Corporation and entities within its Enterprise are allowed to store and use your contact information, including names, phone numbers and e-mail addresses, anywhere they do business. Such information will be processed and used in connection with our business relationship, and may be provided to contractors, Business Partners, and assignees of International Business Machines Corporation and entities within its Enterprise for uses consistent with their collective business activities, including communicating with you (for example, for processing orders, for promotions and for market research).

Our Review of Your Compliance with this Agreement

We may periodically review your compliance with this Agreement. You agree to provide us with relevant records on request. We may reproduce and retain copies of these records. We, or an independent auditor, may conduct a review of your compliance with this Agreement on your premises during your normal business hours.

If, during our review of your compliance with this Agreement, we find you have materially breached the terms of this relationship, in addition to our rights under law and the terms of this Agreement, for transactions that are the subject of the breach, you agree to refund the amount equal to the discount (or fee, if applicable) we gave you for the Products or Services or we may offset any amounts due to you from us.

4. Status Change

You agree to give us prompt written notice (unless precluded by law or regulation) of any change or anticipated change in your financial condition, business structure, or operating environment (for example, a material change in equity ownership or management or any substantive change to information supplied in your application). Upon notification of such change, (or in the event of failure to give notice of such change) IBM may, at its sole discretion, immediately terminate this Agreement.

5. Confidential Information

With reference to the IBM Agreement for Exchange of Confidential Information, the following is confidential information (Information):

1. all information IBM marks or otherwise states to be confidential;

2. any information we identify as "Confidential" on a Web site. Your access of such information is considered your agreement to accept it as confidential;

3. any of the following prepared or provided by IBM:

   a. sales leads,
   b. information regarding prospects or Customers,
   c. unannounced information about Products and Services,
   d. business plans, or
   e. market intelligence;

4. any of the following written information you provide to us on our request and which you mark as confidential:

   a. reporting data,
   b. financial data,
   c. the business plan,
   d. customer satisfaction data; or
   e. sales information.

All other information exchanged between us is nonconfidential, unless disclosed as specified in the IBM Agreement for Exchange of Confidential Information.

6. Marketing Funds and Promotional Offerings

We may provide marketing funds and promotional offerings to you. If we do, you agree to use them according to our guidelines and to maintain records of your activities regarding the use of such funds and offerings for three years. We may withdraw or recover marketing funds and promotional offerings from you if you breach any terms of the Agreement. Upon notification of termination of the Agreement, marketing funds and promotional offerings will no longer be available for use by you, unless we specify otherwise in writing.

7. Production Status

Each IBM Machine is manufactured from new parts, or new and used parts. In some cases, the IBM Machine may not be new and may have been previously installed. Regardless of the IBM Machine's production status, our appropriate warranty terms apply. You agree to inform your

Customer of these terms in writing (for example, in your proposal or brochure).

8. Patents and Copyrights

For the purpose of this section only, the term Product includes, if applicable, Licensed Internal Code and Machine Code.

If a third party claims that a Product we provide under this Agreement infringes that party's patents or copyrights, we will defend you against that claim at our expense and pay all costs, damages, and attorneys' fees that a court finally awards, or that are included in a settlement approved by IBM, provided that you:

1. promptly notify us in writing of the claim; and

2. allow us to control, and cooperate with us in, the defense and any related settlement negotiations.

If you maintain an inventory, and such a claim is made or appears likely to be made about a Product in your inventory, you agree to permit us either to enable you to continue to market and use the Product, or to modify or replace it with one that is at least functionally. equivalent. If we determine that none of these alternatives is reasonably available, you agree to return the Product to us on our written request. We will then give you a credit, as we determine, which will be either 1) the price you paid us for the Product (less any price-reduction credit), or 2) the depreciated price.

This is our entire obligation to you regarding any claim of infringement.

Claims for Which We Are Not Responsible

We have no obligation regarding any claim based on any of the following:

1. anything you provide which is incorporated into a Product;

2. your modification of a Product, or a Program's use in other than its specified operating environment;

3. the combination, operation, or use of a Product with any Products not provided by us as a system, or the combination, operation, or use of a Product with any product, data, apparatus or business method that we did not provide; or

4. infringement by a non-IBM Product alone, as opposed to its combination with Products we provide to you as a system.

9. Liability

Circumstances may arise where, because of a default or other liability, one of us is entitled to recover damages from the other. In each such instance, regardless of the basis on which damages can be claimed, the following terms apply as your exclusive remedy and our exclusive liability.

Our Liability

IBM is responsible only for:

1. payments referred to in the "Patents and Copyrights" section above;

2. bodily injury (including death), and damage to real property and tangible personal property caused by our Products; and

3. the amount of any other actual loss or damage, up to the greater of $100,000 or the charges (if recurring, 12 months' charges apply) for the Product or Service that is the subject of the claim.

Items for Which We Are Not Liable

Under no circumstances (except as required by law) is IBM, its subcontractors, or Program developers liable for any of the following even if informed of their possibility:

1. third-party claims against you for damages (other than those under the first two items above in the subsection entitled 'Our Liability');

2. loss of, or damage to, your records or data; or

3. special, incidental, or indirect damages, or for any economic consequential damages or lost profits, business, revenue, goodwill or anticipated savings.

Your Liability

In addition to damages for which you are liable under law and the terms of this Agreement, you will indemnify us for claims made against us by others (particularly regarding statements, representations, or warranties not authorized by us) arising out of your conduct under this Agreement or as a result of your relations with anyone else.

10. Trademarks

We will notify you in writing of the applicable Business Partner title and emblem which you are authorized to use. We will provide you with written guidelines, which may periodically modify, regarding the use of the Business Partner title and emblem. You may not modify the emblem in any way. You may use our Trademarks (which include the title, emblem, IBM trade marks and service marks) only:

1. within the geographic scope of this Agreement;

2. in association with Products and Services we approve you to market; and

3. as described in the written guidelines provided to you.

The royalty normally associated with non-exclusive use of the Trademarks will be waived, since the use of this asset is in conjunction with marketing activities for Products and Services.

You agree to promptly modify, at your expense, any advertising or promotional materials that do not comply with our guidelines. If you receive any complaints about your use of a Trademark, you agree to promptly notify us. When this Agreement ends, you agree to promptly stop using our Trademarks. If you do not, you agree to pay any expenses and fees we incur in getting you to stop.

You agree not to register or use any mark that is confusingly similar to any of our Trademarks.

Our Trademarks, and any goodwill resulting from your use of them, belong to us.

11. Changes to the Agreement Terms

We may change the terms of this Agreement by giving you one month's written notice.

We may, however, change the following terms without advance notice:

1. those we specify in this Agreement as not requiring advance notice;

2. those of the Exhibit unless otherwise limited by this Agreement; and

3. those relating to safety and security.

Otherwise, for any other change to be valid, both of us must agree in writing. Changes are not retroactive. Additional or different terms in any written communication from you (such as an order), are void.

12. Internal Use Products

You may acquire Products you are approved to market for your internal use within your Business Partner operations. Except for personal computer Products, you are required to advise us when you order Products for your internal use.

We will specify in your Exhibit the discount or price, as applicable, at which you may acquire the Products for internal use. Such Products do not count, unless we specify otherwise in the Exhibit, toward 1) your minimum annual attainment, 2) determination of your discount or price, as applicable, or 3) determining your marketing or promotional funds.

Any value added enhancement or systems integration services otherwise required by your relationship is not applicable when you acquire Products for internal use. You must retain such Products for a minimum of 12 months, unless we specify otherwise in the Exhibit. Products acquired for internal use may not be used for work-for-charge.

13. Demonstration, Development and Evaluation Products

You may acquire Products you are approved to market for demonstration, development and evaluation purposes, unless we specify otherwise in the Exhibit. Such Products must be used primarily in support of your Product marketing activities. Additionally, such Products do not count unless we specify otherwise in the Exhibit, toward 1) your minimum annual attainment, 2) determination of your discount or price, as applicable, or 3) determining your marketing or promotional funds.

We will specify in your Exhibit the Products we make available to you for such purposes, the applicable discount or price, and the maximum quantity of such Products you may acquire and the period they are to be retained. The maximum number of input/output devices you may acquire is the number supported by the system to which they attach.

If you acquired the maximum quantity of Machines, you may still acquire a field upgrade, if available.

We may decrease the discount we provide for such Products on one month's written notice.

You may make these Products available to a Customer for the purpose of demonstration and evaluation. Such Products may be provided to an End User for no more than three months. For a Program, you agree to ensure the Customer has been advised of the requirement to accept the terms of a license agreement before using the Program. Products acquired for demonstration, development and evaluation use may not be used for work-for-charge.

14. Electronic Communications

Each of us may communicate with the other by electronic means, and such communication is acceptable as a signed writing to the extent permissible under applicable law. Both of us agree that for all electronic communications, an identification code (called a "user ID") contained in an electronic document is sufficient to verify the sender's identity and the document's authenticity.

15. Geographic Scope

The rights, duties and obligations of both of us are valid only in the United States and Puerto Rico.

16. Governing Law

The laws of the State of New York will govern, construe, and enforce all the rights, duties and obligations arising under, or relating in any manner to, the subject matter of this Agreement, notwithstanding conflicts of laws principles.

The "United Nations Convention on Contracts for the International Sale of Goods" does not apply.

IBM Business Partner Agreement
Solution Provider Attachment

These terms prevail over and are in addition to or modify the Remarketer Terms Attachment and the Complementary Marketing Terms Attachment.

1. Marketing Approval

You may be approved as a Solution Provider under a remarketer relationship or under a complementary marketing relationship, or both. If we approve you to market the same Products and Services under both remarketer and complementary marketing terms, all transactions will be under remarketer terms. You may unilaterally elect not to participate under remarketer terms for a specific transaction or business segment by providing us a signed IBM Business Partner Statement of Election. If you meet the requirements of the Marketing Approval section of the Complementary Marketing Terms Attachment, you may participate under those terms.

We may specify the specific industry codes to which you may market Products and Services. If we do so, you agree to comply.

2. Value Added Enhancement

For Products we specify in the Exhibit, you are required to have a solution which is a value added enhancement that we approve and specify on your Profile and which significantly adds to the Product's function and capability.

You agree to market Products and Services only with your approved value added enhancement as part of an integrated solution for End Users. Certain Products we specify do not require a value added enhancement.

In the event we withdraw approval of your value added enhancement, we also withdraw your approval as an IBM Business Partner for that value added enhancement.

We may, at any time, modify the criteria for approval of your value added enhancement. You are responsible to modify your value added enhancement to meet these criteria.

You agree to market Products, including processor upgrades requiring a processor serial number change, to only End Users for whom your value added enhancement is their primary reason for acquiring the Products, and who intend the on-going use of such enhancement. A sale to an End User without a value added enhancement, when required, is a material breach of the Agreement.

However, your value added enhancement is not required to be the End User's primary reason for acquiring upgrades to systems you previously installed with your enhancement and where your enhancement is still in productive use. Upgrades include processor upgrades (non-serial number change), peripherals and programs.

Unless we specify otherwise in writing, you may market upgrades only to those End Users where you have installed your value added enhancement, and who intend on-going use of that value added enhancement.

3. Your Responsibilities To IBM

You agree:

1. to develop a mutually acceptable business plan with us, if we require one. Such plan will document each of our marketing plans as they apply to our relationship. We will review the plan, at a minimum, once a year;

2. that, unless precluded by applicable law, one of the requirements for you to retain this relationship is that you achieve the minimum attainment we specify in your Profile;

3. to order Products and Services, as we specify in the operations guide;

4. to maintain trained personnel, as we specify in your Profile or Exhibit, as applicable;

5. to provide us, on our request, relevant financial information about your business so we may, for example, use this information in our

consideration to extend credit terms to you;

6. to have access to the Products you are approved to market for 1) demonstration purposes, 2) providing support to your End Users and 3) supporting your value added enhancement; and

7. to maintain the capability to demonstrate Products we approve you to market.

4. Your Responsibilities To End Users

When you market Products and Services under complementary marketing terms, items 10 and 11 do not apply and items 2 and 5 only apply when you use our central order facility.

You agree to:

1. assist the End User to achieve productive use of your solution and the Products and Services you marketed;

2. configure Products we approve you to market. On your request, we may assist you;

3. identify and select the required technology based upon the End User's requirements, and confirm that the Product configuration is fully capable of the satisfactory performance of your solution;

4. not make representations that IBM is responsible for the Products' configuration and their ability to satisfy the End User's requirements;

5. advise the End User of Product installation requirements;

6. develop a plan, agreed to by the End User, for installation and post-installation support for the offering you market. For Products and Services we approve you to market, such support includes your being the primary contact for Product and Services information, technical advice and operational advice associated with the offering.

   However, you may delegate these support responsibilities for Products and any other associated products to another IBM Business Partner who is approved to market such Products. If you do, you retain customer satisfaction responsibility. Alternatively, such support responsibilities will be provided by IBM if you market the applicable IBM Services to the End User. If you do, we assume customer satisfaction responsibility for such support;

7. assist the End User in Product problem determination and resolution, unless this responsibility is delegated as specified in item 6 above;

8. give written notice to the End User of any modification you make to a Product and the name of the warranty service provider and advise that such modification may void the warranty for the Product;

9. support the End User in planning fulfillment of Product training and education requirements, including informing the End User of educational offerings, as applicable;

10. inform the End User that the sales receipt (or other documentation such as Proof of Entitlement, if it is required) will be necessary for proof of warranty entitlement or for Program upgrades;

11. provide warranty information to the End User; and

12. upon our request, for Products and Services we specify, participate in or conduct solution and system assurance

IBM Business Partner Agreement
Complementary Marketing Terms Attachment
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1. Our Relationship

As our IBM Business Partner under the complementary marketing terms, you market to End Users the Products and Services we approve you to market on our behalf at prices and terms established by IBM. We manage the Product ordering process from ordering to delivery. We pay you a fee as we specify in your Exhibit.

2. Marketing Approval

You may market Products and Services to an End User as specified 1) in a Project Form we provide to you or, when we approve in writing, one we receive from you, or 2) in the non-exclusive territory we specify in a Territory Supplement.

You may market Products and Services to an End User for a period of three months unless we specify otherwise in a Project Form, or as long as the End User is specified in your Territory Supplement.

If you are a Solution Provider, you may market Products and Services to an End User without our approval of a Project Form if you submit the End User's order directly to our central order facility. However, for a specific End User opportunity, you may not use our central order facility if you 1) have a Project Form in effect or 2) have submitted one to us and we have not responded.

In addition, if you are a Solution Provider, you may market Products and Services to an End User without our approval of a Project Form when 1) the Machine is an AS/400 or RS/6OOO (excluding POWERparallel Systems SP2), and 2) we specify in your Profile that the value added enhancement you market is eligible. You agree that, if we accept fee requests from other Solution Providers for the same opportunity, we may split the fee between you and them.

We may withdraw, in writing, our approval for you to market to an End User or remove an End User from your territory for any of the following reasons and, if we do. you agree to stop your marketing activities with the End User:

1. we decide not to accept the order (for example, if the End User's credit is inadequate);

2. the End User cancels the order;

3. the End User makes a firm commitment to another vendor for the Products and Services;

4. you or the End User requests termination of the approval; or

5. we determine, during our periodic reviews, that your sales progress with the opportunity is not satisfactory.

3. Your Responsibilities To IBM

You agree to:

1. actively market Products and Services;

2. upon our request, participate in configuration, solution assurance, and system assurance reviews;

3. distinguish to the End User between those activities you perform on your own behalf and those you perform on IBM's behalf;

4. advise us of the Product's planned installation dates and dependencies;

5. as required, prepare IBM documents, provide them to the End User and, if applicable, secure the End User's signature on such documents, and promptly provide them to us; and

6. assist us on our request in the collection of the accounts receivable for Products and Services for which you earned a fee.

4. Your Responsibilities To End Users

You agree to provide support to your End User for 1) the period specified on the Project Form or your Territory Supplement, 2) for one year if you used our central order facility, or 3) for six months if the value added enhancement you market is eligible.

5. Fees and Compensation

We may increase fees or compensation at any time. We may decrease fees or compensation on one month's written notice.

You earn your fee on the date of our invoice to the End User. We will pay you within one month after you earn your fee and we receive your request, formatted as we specify in the operations guide. If we do not receive your request within four months from when you earn your fee, no payment will be made. You are only entitled to compensation for orders IBM accepts during the contract duration.

You agree to reimburse us the applicable fees we paid to you, if for any reason the Product you marketed is returned to us or a Service is terminated within three months of the date the payment from the End User was due us. The reimbursement may be prorated if the Product or Service is on a recurring charge basis.

We periodically reconcile amounts we paid you to amounts you actually earned. We may deduct amounts due us from future payments we make to you, or ask you to pay amounts due us. Each of us agrees to promptly pay the other any amounts due.

In addition to any other rights under law or this Agreement, we may recover fees paid to you for an amount equal to our loss or damage we suffer as a result of your breach of the terms of the Agreement.

If any authority requires us to include in our invoice to you, a duty, tax, levy or fee, which they impose, excluding those based on our net income, upon any transaction under this Agreement, then you agree to pay that amount as specified in the invoice.

6. Marketing of Services

If you marketed a Product to an End User under this Agreement, or if you are approved in your Profile to market a Service, you may, as we specify in the Exhibit, either market Services, or provide a qualified lead to us so that we may market Services to the End User on any machine or program and receive a fee from us. We provide Services to the End User under the terms of our applicable agreement, signed by the End User.

You will receive a fee for a lead when it 1) is submitted on the form we provide to you, 2) is for an opportunity which is not known to us, and 3) results in the End User ordering the Service from us within six months from the date we received the lead.

Alternatively, you will receive a fee for marketing when 1) you identify the opportunity and perform the marketing activities, 2) you provide us with the order and any required documents signed by the End User, and 3) if a standard Statement of Work is used, there are no changes and no marketing assistance from us is required.

You may market Services on eligible non-IBM Products regardless of whether you marketed a Machine or Program to the End User.

We will not pay you a fee if 1) the Machine or Program is already under applicable Service, 2) we have an agreement with the End User to place the Machine or Program under the applicable Service, or 3) if the Service was terminated by the End User within the last six months.

7. Marketing of Financing

If we approve you on your Profile, you may market our Financing Services for Products and Services and any associated products and services you market to the End User. If you market our Financing Services, we will pay you a fee as we specify in your Territory Supplement or the Exhibit.

We provide Financing Services to the End User under the terms of our applicable agreements signed by the End User. You agree, that for the items that will be financed, 1) you will promptly provide us any required documents including invoices, with serial numbers, if applicable, 2) the supplier will transfer clear title to us, and 3) you will not transfer to us any obligations under your agreements with the End User.

We will pay you or the supplier when the End User has initiated financing and acknowledged acceptance of the items being financed.

8. Ending the Agreement

Either of us may terminate this Agreement, with or without cause, on three months' written notice. If, under applicable law, a longer period is mandatory, then the notice period is the minimum notice period allowable.

If we terminate for cause (such as your not meeting your minimum annual attainment), we may, at our discretion, allow you a reasonable opportunity to cure. If you fail to do so, the date of termination is that specified in the notice.

However, if either party breaches a material term of the Agreement, the other party may terminate the Agreement on written notice. Examples of such breach by you are: if you do not maintain customer satisfaction; if you repudiate this Agreement; or if you make any material misrepresentations to us. You agree that our only obligation is to provide the notice called for in this section and we are not liable for any claims or losses if we do so.

At the end of this Agreement, each of us agrees to immediately settle any accounts with the other. We may offset any amounts due you against amounts due us or any of our Related Companies as allowable under applicable law.

You agree that if we permit you to perform certain activities after this Agreement ends, you will do so under the terms of this Agreement.

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IBM Business Partner Agreement
Remarketer Terms Attachment

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1. Our Relationship

As our IBM Business Partner, you market to your Customers Products and Services (including "shrink-wrap" Services). These terms apply to a Business Partner whose method of distribution is under our remarketer terms, and includes Distributors, Resellers, Solution Providers, and Systems Integrators.

Responsibilities

Each of us agrees:

1. we offer a money-back guarantee to End Users for certain Products. You agree to inform the End User of the terms of this guarantee before the applicable sale. For any such Product, you agree to 1) accept its return in the time frame we specify, 2) refund the full amount paid to you for it, and 3) dispose of it (including all its components) as we specify. We will pay a transportation charge for return of the Product to us and will give you an appropriate credit.

2. each of us is free to set its own prices and terms;

3. neither of us will discuss its Customer prices and terms in the presence of the other; and

4. that the terms of the Agreement related to your acquisition of Products or Services directly from us (for example, those in the sections entitled "Ordering and Delivery", "Inventory Adjustments" and "Price, Invoicing, Payment and Taxes") are not applicable for Products and Services you acquire from a source, other than us, we approve. All other terms apply.

Other Responsibilities

You agree to:

1. refund the amount paid for a Product or Service returned to you if such return is provided for in its warranty or license. You may return the Product to us for credit at our expense, as we specify in the operations guide;

2. provide us with sufficient, free and safe access to your facilities, at a mutually convenient time, for us to fulfill our obligations;

3. retain records, as we specify in the operations guide, of each Product and Service transaction (for example, a sale or credit) for three years;

4. provide us with marketing, sales, installation reporting and inventory information for our Products and Services, as we specify in the operations guide;

5. when you are approved to market to Remarketers, market Products and Services which require certification, only to Remarketers who are certified to market them;

6. comply with all terms regarding Program upgrades;

7. provide a dated sales receipt (or its equivalent, such as an invoice) as we specify in the operations guide, to your Customers, before or upon delivery of Products and Services; and

8. report to us any suspected Product defects or safety problems, and to assist us in tracing and locating Products.

2. Ordering and Delivery

You may order Products and Services from us as we specify in the operations guide. You agree to order them in sufficient time to count toward your minimum attainment, if applicable.

We will agree to a location to which we will ship. We may establish criteria for you to maintain at such location (for example, certain physical characteristics, such as a loading dock), as we specify in the operations guide.

Upon becoming aware of any discrepancy between our shipping manifest and the Products and Services received from us, you agree to notify us immediately. We will work with you to reconcile any differences.

Although we do not warrant delivery dates, we will use reasonable efforts to meet your requested delivery dates.

We select the method of transportation and pay associated charges for Products and Services we ship.

We may not be able to honor your request for modification or cancellation of an order. We may apply a cancellation charge for orders you cancel within 10 business days before the order is scheduled to be shipped. The Exhibit will specify if a cancellation charge applies and where we will specify the charge.

If we are unable to stop shipment of an order you cancel, and you return such Product to us after shipment, our inventory adjustment terms apply.

3. Inventory Adjustments

We will specify in your Exhibit the Products and Services to which this section applies.

Products and Services you return to us for credit must have been acquired directly from us. You must request and receive approval from us to return the Products and Services.

Products and Services must be received by us within one month of our approving their return, unless we specify otherwise to you in writing. We will issue a credit to you when we accept the returned Products and Services.

Certain Products may be acquired only as Machines and Programs packaged together as a solution. These Products must be returned with all their components intact.

For certain Products and Services you return, a handling charge applies. We will specify the handling charge percentage in the Exhibit. We determine your total handling charge by multiplying the inventory adjustment credit amount for the Products and Services by the handling charge percent.

You agree to pay transportation and associated charges for Products and Services you return.

Unless we specify otherwise, returned Products and Services must be in their unopened and undamaged packages.

You agree to ensure the returned Products and Services are free of any legal obligations or restrictions that prevent their return. We accept them only from locations within the country to which we ship Products and Services.

We will reject any returned Products and Services that do not comply with these terms.

4. Price, Invoicing, Payment and Taxes

Price and Discount

The price, and discount if we specify one, for each Product and Service will be made available to you in a communication which we provide to you in published form or through our electronic information systems or a combination of both. Unless we specify otherwise, discounts do not apply to Program upgrades, accessories, or field-installed Machine features, conversions, or upgrades.

The price for each Product and Service is the lower of the price in effect on the date we receive your order, or the date we ship a product or "shrink-wrap" Service, or the start date of a Service, if it is within six months of the date we receive your order.

Price and Discount Changes

We may change prices and increase discounts at any time. We may decrease discounts on one month's written notice.

We will specify in your Exhibit if the following credit terms do not apply to Products and
Services we approve you to market.

If we decrease the price or increase the discount for a Product or Service, you will be eligible to receive a price decrease credit or a discount increase credit for those you acquired directly from us that are in your inventory, or in transit, or if the Product's date of installation or Service start date has not occurred. However, Products acquired from us under a special offering (for example, a promotional price or a special incentive) may not be eligible for a full credit. You must certify your inventory to us in writing within one month of the effective date of the change. The credit is the difference between the price you paid, after any adjustments, and the new price.

The following terms apply to Programs licensed on a recurring-charge basis:

We may increase a recurring charge for a Program by giving you three months' written notice. An increase applies on the first day of the invoice or charging period on or after the effective date we specify in the notice.

Invoicing, Payment and Taxes

Amounts are due upon receipt of invoice and payable as specified in a transaction document. You agree to pay accordingly, including any late payment fee. Details of any late payment fee will be provided upon request at the time of order and will be included in the notice.

You may use a credit only after we issue it.

If any authority requires us to include in our invoice to you a duty, tax, levy, or fee which they impose, excluding those based on our net income, upon any transaction under this Agreement, then you agree to pay that amount.

Reseller Tax Exemption

You agree to provide us with your valid reseller exemption documentation for each applicable taxing jurisdiction to which we ship Products and Services. If we do not receive such documentation, we will charge you applicable taxes and duties. You agree to notify us promptly if this documentation is rescinded or modified. You are liable for any claims or assessments that result from any taxing jurisdiction refusing to recognize your exemption.

Purchase Money Security Interest

You grant us a purchase money security interest in your proceeds from the sale of, and your accounts receivable for, Products and Services, until we receive the amounts due. You agree to sign an appropriate document (for example, a "UCC-1") to permit us to perfect our purchase money security interest.

Failure to Pay Any Amounts Due

If you fail to pay any amounts due in the required period of time, you agree that we may do one or more of the following, unless precluded by law:

1. impose a finance charge, as we specify to you in writing, up to the maximum permitted by law, on the portion which was not paid during the required period;

2. require payment on or before delivery of Products and Services;

3. repossess any Products and Services for which you have not paid. If we do so, you agree to pay all expenses associated with repossession and collection, including reasonable attorneys' fees. You agree to make the Products and Services available to us at a site that is mutually convenient;

4. not accept your order until any amounts due are paid;

5. terminate this Agreement; or

6. pursue any other remedy available at law.

We may offset any amounts due you, or designated for your use (for example, marketing funds or promotional offerings), against amounts due us or any of our Related Companies.

In addition, if your account with any of our Related Companies becomes delinquent, we may invoke any of these options when allowable by applicable law.

5. Licensed Internal Code

Machines (Specific Machines) containing Licensed Internal Code (Code) will be identified in the Exhibit. We grant the rightful possessor of a Specific Machine a license to use the Code (or any replacement we provide) on, or in conjunction with, only the Specific Machine, designated by serial number, for which the Code is provided. We license the Code to only one rightful possessor at a time. You agree that you are bound by the terms of the separate license agreement that we will provide to you.

Your Responsibilities

You agree to inform your Customer, and record on the sales receipt, that the Machine you provide is a Specific Machine using Licensed Internal Code. The license agreement must be provided to the Customer before the sale is finalized.

6. Machine Code

Machine Code is licensed to the End User under the terms of the agreement provided with it. You agree to ensure the End User is provided such agreement.

7. Programs

You agree to ensure the End User has signed the license agreement for a Program requiring a signature, as we specify in the Exhibit, before such Program is provided to the End User, and to provide any required documentation to us. All other Programs are licensed under the terms of the agreement provided with them. You agree, where applicable, to provide the Program license to the End User before such Program is provided to the End User.

We will designate in the Exhibit if 1) we will ship the media and documentation to you or, if you request and we agree, to the End User, 2) you may copy and redistribute the media and documentation to the End User, or 3) you must copy and redistribute the media and documentation to the End User. If we ship the media and documentation, we may charge you. We will specify such charge to you in writing. If you copy and redistribute, you must be licensed to use the Program from which you make the copies. A Program license you acquired for use under the Demonstration, Development and Evaluation Products terms fulfill this requirement.

Programs licensed to you on a recurring-charge basis are licensed for the period indicated in our invoice. You may market such Programs only on the same basis as licensed to you. You may not charge an End User a one-time charge for a Program you license from us on a recurring-charge basis. However, you may charge the End User whatever amount you wish for the recurring-charge.

Program Services

Program Services are described in the Program's license agreement. You are responsible to provide your Customers, who are licensed for a Program, the Program Services we make available to you.

If the End User Agrees in writing, you may:

1. delegate this responsibility to another IBM Business Partner who is approved to market the Program, or

2. provide an enhanced version of this support through the applicable IBM Service you market to the End User.

If you delegate your support responsibilities to another IBM Business Partner, you retain customer satisfaction responsibility. However, if you market our applicable Services to the End User, we assume customer satisfaction responsibility for such support.

8. Export and Import

You may actively market Products and Services only within the geographic scope of the Agreement. You may not market outside this scope, and you agree not to use anyone else to do so.

Export and Import Laws

You warrant that you will comply with all applicable export and import laws (which in some instances prohibit or restrict in-country marketing to certain Customers), when you market Products, Services and technical data. You agree that if you export or import Products, Services and technical data, you, and not IBM, will act as the exporter or importer. Further, you warrant that you are knowledgeable with, and will remain in full compliance with, the applicable export and import laws, regulations, orders and policies (including, but not limited to, making all proper filings). We may, at our sole discretion, require you from time to time to provide us with written certification relating to your compliance with applicable export and import laws or prohibit you from doing business with certain Customers in order to ensure that you and IBM comply with applicable export and import laws.

You will indemnify us for claims made against us for your failure to comply with applicable export and import laws, regulations or orders.

Customer Exports

If a Customer acquires a Product for export, our responsibilities, if any, under this Agreement no longer apply to that Product unless the Product's warranty or license terms state otherwise. You agree to use your best efforts to ensure that your Customer complies with all applicable export and import laws including those of the United States. Before your sale of such Product, you agree to prepare a support plan for it and obtain your Customer's agreement to that plan. Within one month of sale, you agree to provide us with the Customer's name and address, Machine type/model, and serial number if applicable, date of sale, and destination country.

Attainment

Products you export (or which are acquired by a Customer for export) outside the geographic scope of the Agreement will not count toward attainment of your objectives and will not qualify for applicable promotional offerings and marketing funds. We may also reduce future supply allocations to you by the number of exported Products.

9. Title

When you order a Machine, we transfer title to you when we ship the Machine.

Any prior transfer to you of title to a Machine reverts back to IBM when it is accepted by us as a returned Machine.
We do not transfer a Program's title.

10. Risk of Loss

For each Machine, IBM bears the risk of loss or damage up to the time it is delivered to the IBM-designated carrier for shipment to you, or if you request, and IBM agrees, your customer. Thereafter, you assume the risk. Each Machine will be covered by insurance, arranged and paid for by IBM for you, covering the period until it is delivered to you or your customer. For any loss or damage, you must 1) report the loss or damage in writing to IBM within 10 business days of delivery and 2) follow the applicable claim procedure.

11. Installation and Warranty

We will ensure that Machines we install are free from defects in materials and workmanship and conform to their specifications. We provide instructions to enable the set-up of Customer-Set-Up Machines. We are not responsible for the installation of Programs or non-IBM Machines. We do, however, preload Programs onto certain Machines. We provide a copy of our applicable warranty statement to you. You agree to provide it to the End User for review before the sale is finalized, unless we specify otherwise.

We calculate the expiration date of an IBM Machine's warranty period from the Machine's Date of Installation. Warranty terms for Programs are described in the Programs' license terms.

We provide non-IBM Products WITHOUT WARRANTIES OF ANY KIND, unless we specify otherwise. However, non-IBM manufacturers, suppliers, or publishers may provide their own warranties to you.

For non-IBM Products we approve you to market, you agree to inform your Customer in writing 1) that the Products are non-IBM, 2) the manufacturer or supplier who is responsible for warranty (if any), and 3) of the procedure to obtain any warranty service.

Date of Installation for a Machine We are Responsible to Install

The Date of Installation for a Machine we are responsible to install is the business day after the day 1) we install it or, 2) it is made available for installation, if you (or the End User) defer installation. Otherwise (for example, if others install or break its warranty seal), it is the day we deliver the Machine to you (or the End User). In such event, we reserve the right to inspect the Machine to ensure its qualification for warranty entitlement.

The Date of Installation for a Customer-Set-Up Machine

The Date of Installation for a Customer-Set-Up Machine is the date the Machine is installed which you or your Remarketer, if applicable, record on the End User's sales receipt. You must also notify us of this date upon our request.

Installation of Machine Features, Conversions, and Upgrades

We sell features, conversions and upgrades for installation on Machines, and, in certain instances, only for installation on a designated, serial numbered Machine. Many of these transactions involve the removal of parts and their return to us. As applicable, you represent that you have the permission from the owner and any lien holders to 1) install features, conversions and upgrades and 2) transfer the ownership and possession of removed parts (which become our property) to us. You further represent that all removed parts are genuine, and unaltered, and free from defects in materials and workmanship and conform to specifications. A part that replaces a removed part will assume the warranty and maintenance Service status of the replaced part. You agree to allow us to install the feature, conversion, or upgrade within 30 days of its delivery. Otherwise, we may terminate the transaction and you must return the feature, conversion, or upgrade to us at your expense.

12. Warranty Service

We will specify in the Exhibit whether you or we are responsible to provide Warranty Service for a Machine.

When we are responsible for providing Warranty Service for Machines, you are not authorized to provide such Service, unless we specify otherwise in the Exhibit.

When you are responsible for providing Warranty Service, you agree to do so according to the terms we specify in the Warranty Service Attachment.

13. Marketing of Services

The following are the conditions under which you may market Services;

1.if you marketed a Product to the End User, you may market the Services, specified in the Exhibit; or

2.regardless of whether you marketed a Product to the End User you may market the Services we specify in your Profile.

If you are an IBM Distributor the following paragraph applies:

The following are the conditions under which you may market Services:

1. if your Remarketer marketed a Product to the End User, you may market the Services, specified in the Exhibit, to your Remarketer only for the Remarketer's marketing to such End User; and

2. regardless of whether your Remarketer marketed a Product to the End User you may market the Services we specify in your Profile to your Remarketer, who may market such Services.

You may market Services on eligible non-IBM Products regardless of whether you marketed a Machine or Program to the End User.

Marketing of Services for a Fee

The terms of this subsection apply when we perform the Services to the End User at prices we set and under the terms of our Service agreement, signed by the End User. We pay you a fee for marketing such Services.

You will receive a fee for marketing eligible Services when 1) you identify the opportunity and perform the marketing activities, 2) you provide us with the order and any required documents signed by the End User, and 3) a standard Statement of Work is used and there are no changes, and no marketing assistance from us is required.

Alternatively, you will receive a fee for a lead for eligible Services when it 1) is submitted on the form we provide to you, 2) is for an opportunity which is not known to us, and 3) results in the End User ordering the Service from us within six months from the date we receive the lead from you.

We will not pay you the fee if 1) the machine or program is already under the applicable Service, 2) we have an agreement with the End User to place the machine or program under the applicable Service, or 3) the Service was terminated by the End User within the last six months.

If the Service is terminated within three months of the date payment from the End User was due us, you agree to reimburse us for any associated payments we made to you. The reimbursement may be prorated if the Service is on a recurring charge basis.

We periodically reconcile amounts we paid you to amounts you actually earned. We may deduct amounts due us from future payments we make to you, or ask you to pay amounts due us. Each of us agrees to promptly pay the other any amounts due.

Remarketing of Services

We provide terms in an applicable Service Attachment governing your remarketing of eligible Services the End User acquires from you and which we perform under the terms of the IBM Service agreement with the End User.

Shrink-wrap Services are performed under the terms of the agreement provided with them. If the terms of the agreement are not visible on the shrink-wrap package, you agree to provide (or, if applicable, request your Remarketer to provide) the Services terms to the End User before such Services are acquired by the End User.

Services We Perform As Your Subcontractor

If approved on your Profile, we will provide terms in an applicable Service Attachment governing our provision of the Services we perform as your subcontractor. Such Services are those an End User purchases from you under the terms of your service agreement.

14. Marketing of Financing

If we approve you on your Profile, you may market our Financing Services for Products and Services and any associated products and services you market to the End User. If you market our Financing Services, we will pay you a fee as we specify to you in your Exhibit.

We provide Financing Services to the End User under the terms of our applicable agreements signed by the End User. You agree, that for the items that will be financed, 1) you will promptly provide us any required documents including invoices, with serial numbers, if applicable, 2) the supplier will transfer clear title to us, and 3) you will not transfer to us any obligations under your agreements with the End User.

We will make payment for the items to be financed when the End User has initiated financing and acknowledged acceptance of the items being financed. Payment will be made to you, or the supplier, as appropriate.

15. Engineering Changes

You agree to allow us to install mandatory engineering changes (such as those required for safety) on all Machines in your inventory, and to use your best efforts to enable us to install such engineering changes on your Customers' Machines. Mandatory engineering changes are installed at our expense and any removed parts become our property.

During the warranty period, we manage and install engineering changes at:

1. your or your Customer's location for Machines for which we provide Warranty Service; and

2. your location for other Machines.

Alternatively, we may provide you with the parts (at no charge) and instructions to do the installation yourself. We will reimburse you for your labor as we specify.

16. Ending the Agreement

Regardless of the contract duration specified in the Profile, or any renewal period in effect, either of us may terminate this Agreement, with or without cause, on three months' written notice. If, under applicable law, a longer period is mandatory, then the notice period is the minimum notice period allowable.

If we terminate for cause (such as you not meeting your minimum attainment), we may, at our discretion, allow you a reasonable opportunity to cure. If you fail to do so, the date of termination is that specified in the notice.

However, if either party breaches a material term of the Agreement, the other party may terminate the Agreement on written notice. Examples of such breach by you are: if you do not maintain customer satisfaction; if you do not comply with the terms of a transaction document; if you repudiate this Agreement; or if you make any material misrepresentations to us. You agree that our only obligation is to provide the notice called for in this section and we are not liable for any claims or losses if we do so.

At the end of this Agreement, you agree to:

1. pay for or return to us, at our discretion, any Products or shrink-wrap Services for which you have not paid; and

2. allow us, at our discretion, to acquire any that are in your possession or control, at the price you paid us, less any credits issued to you.

Products and shrink-wrap Services to be returned must be in their unopened and undamaged packages and in your inventory (or in transit from us) on the day this Agreement ends. We will inspect them, and reserve the right of rejection. You agree to pay all the shipping charges.

At the end of this Agreement, each of us agrees to immediately settle any accounts with the other. We may offset any amounts due you against amounts due us, or any of our Related Companies as allowable under applicable law.

You agree that if we permit you to perform certain activities after this Agreement ends, you will do so under the terms of this Agreement.

IBM Business Partner Agreement
North American Marketing Attachment

The terms of this Attachment are in addition to or modify and prevail over the terms of the IBM Business Partner Agreement General Terms, the Remarketer Terms Attachment, the Solution Provider Attachment, the Reseller Attachment, the Systems Integrator Attachment, and the Attachment For Financing Services From IBM Credit Corporation, as applicable.

1. Product Source

You may acquire Products from us in Canada and the United States.

2. Marketing of Products

You are approved to market Products, specified in your Profile in the United States and Canada. Unless we specify otherwise when we approve your value-added enhancement or solution, as applicable, if either is required under the terms of the applicable Attachment, it is approved in Canada and the United States.

3. Aggregation

Unless we specify otherwise in the Business Partner Exhibit, Products acquired in either or both countries, will count toward your 1) minimum attainment, and 2) determination of your discount, if applicable.

4. Export of Products

The "home country" is the country (either Canada or the United States) 1) in which you sign the IBM Business Partner Agreement or 2) which you designate to us in writing is the "home country". The "alternate country" (either Canada or the United States) is the other country in which you are approved to market under the terms of this Attachment.

We will not export Products.

We will specify in the Exhibit the Products that are eligible for export between the home country and the alternate country under the terms of this Attachment. You may only export Products from your home country. Products acquired in the alternate country must be shipped from IBM to an End User in that country.

We will ship Products to you or your End User only in the country in which you acquire the Products from us.

You are responsible for all costs and expenses associated with exporting Products. This includes payment of transportation, duties and other expenses resulting from the export of the Products.

You are responsible for complying with all applicable United States and Canadian laws and regulations including, without limitation, United States Department of Commerce regulations regarding the export of restricted technology.

You are responsible for obtaining the necessary clearances required to export or re-export from the country from which the Product was acquired from IBM and import into the country of installation.

Within seven days of the date you export a Product, you agree to provide to us the specific Product type/model and serial number of the exported Product.

You agree to notify us in writing of the name and address of each End User at which an exported Product has been installed within 10 days of the Date of Installation.

5. Marketing of Services

You are approved to market Services under the terms available in the country in which the Products are installed.

When you market Services with a Product which is installed in Canada, IBM Canada Ltd. will pay you the applicable Canadian fee. Likewise, when you market Services with a Product which is installed in the United States, IBM Corporation will pay you the applicable fee.

6. Geographic Scope

All your rights and all IBM Canada's obligations are valid only in Canada for Products installed, and for Services performed, in Canada.

All your rights and all IBM Corporation's (U.S.A.) obligations are valid only in the United States and Puerto Rico for Products installed, and for Services performed, in the United States and Puerto Rico.

7. Governing Law

For Products and Services acquired from us in Canada, the laws of the Province of Ontario govern this Agreement.

For Products and Services acquired from us in the United States and Puerto Rico, the laws of the State of New York govern this Agreement.

Unique Terms For Canada

Revision to the Remarketer Terms Attachment

If your Profile is signed in the United States, the following terms modify the Remarketer Terms Attachment for the Products you acquire from us in Canada:

Add the following as an additional section:

Order Acceptance

Subject to IBM Canada Ltd's. acceptance of your orders, transactions between you and IBM Canada Ltd., and related local transaction documents issued in Canada such as invoices, will be subject to the terms of the Agreement.

When IBM Canada Ltd. believes it is required to withhold tax from IBM Canada Ltd. payments to you under Canadian federal or provincial tax laws. IBM Canada Ltd. will withhold and remit tax to the Canadian federal and provincial governments, If IBM Canada Ltd. is assessed withholding taxes, interest or penalties by such governments, with respect to payments made to you, then you agree to reimburse IBM Canada Ltd. for such taxes, interest and penalties.

Revision to the General Terms

The following terms are revised for the Products you acquire from us in Canada:

Section 9 - Liability

In the subsection entitled "Our Liability":

1. In item 2, change "Products" to "negligence"

2. In item 3, change "loss or" to "direct"

3. In item 3, after "damage" add "arising from our negligence or breach of this agreement, including fundamental breach, tort or our misrepresentation,"

Revision to the Attachment For Financing Services From IBM Credit Corporation

The following replaces the name of the document:

Attachment for Financing Services From IBM

The following replaces the last sentence of the first paragraph:
"We" refers to IBM.

Section 1 - Appointment as an Agent

In the first sentence delete "Credit Corporation".
After the word "Attachment" in the last line of the first paragraph replace 'including its attached Exhibit "A".' with 'and IBM Canada Financing Exhibit "A"."'

Section 2 - Our Relationship

In the subsection entitled "Other Responsibilities" in item g, replace "Credit" with "Canada Financing".

In item r, replace "Credit" with "Canada Financing".

In the subsection entitled "We agree to:" in item b, replace "Credit" with "Canada Financing".

Unique Terms For the United States
Revision to the Remarketer Terms Attachment

If your Profile is signed in Canada the following terms modify the Remarketer Terms Attachment for the Products you acquire from us in the United States:

Add the following as an additional section:
Order Acceptance
Subject to IBM Corporation's acceptance of your orders, transactions between you and IBM Corporation, and related local transaction documents issued in the United States, such as invoices, will be subject to the terms of the Agreement.

When IBM Corporation believes it is required to withhold tax from IBM Corporation payments to you under United States federal, state or local tax laws, IBM Corporation will withhold and remit tax to the United States federal, state or local governments. If IBM Corporation is assessed withholding taxes, interest or penalties by such governments, with respect to payments made to you, then you agree to reimburse IBM Corporation for such taxes, interest and penalties.

Revision to the General Terms
The following terms are revised for the Products you acquire from us in the United States:

Section 9 - Liability

In the subsection entitled "Our Liability":

1. In item 2, change "negligence" to "Products"

2. In item 3, change "direct" to "loss or"

3 In item 3, after "damage" delete "arising from our negligence or breach of this agreement, including fundamental breach, tort or our misrepresentation." Revision to the Attachment for Financing Services from IBM

The following replaces the name of the document:

Attachment for Financing From IBM Credit Corporation

The following replaces the last sentence of the first paragraph:

"We" refers to IBM Credit Corporation.

Section 1 - Appointment as an Agent

In the first sentence change "Canada Financing" to "IBM Credit".

After the word "Attachment" in the last line of the first paragraph replace "and IBM Canada Financing Exhibit "A"." with 'including its attached Exhibit "A".

Section 2 - Our Relationship
In the subsection entitled "Other Responsibilities" in item g, replace "Canada Financing" with "Credit".

In item r, replace "Canada Financing" with "Credit".

In the subsection entitled "We agree to." in item b, replace "Canada Financing" with "IBM Credit".
Add the following as an additional section:

Remuneration
Replace "Exhibit A" with: "the IBM Canada Financing Exhibit A".

LIST OF BUSINESS PARTNER LEGAL NAMES IN CANADA OR THE UNITED STATES

Business Partner Legal Name	Country (U.S. or Canada)

You are authorized to operate under this Agreement using the following legal names in the Canada or the United States, as specified below:

IBM Business Partner Agreement
Federal Government Remarketer Attachment

These terms are in addition to or modify the Remarketer Terms Attachment, the Remarketer Terms Attachment for Workstation Software, the Business Partner Agreement for Solution Providers, the Business Partner Agreement for Resellers and the Service Provider-Remarketer Terms Attachment for Managed Services Solution. These terms apply only when you market Products and Services to a Federal Government End User.

1. FEDERAL GOVERNMENT END USER

"Federal Government End User" includes federal government agencies or any other entity listed in GSA Order ADM 4800.2D, including those entities listed in Appendices A, B, and C of the Order, and any successor Order which may be published by the GSA in the Federal Register. The term Federal Government End User also includes federal government cost reimbursement prime contractors and management and operating contractors that receive proper authorization under FAR Part 51 from federal agencies to make federal purchases or acquisitions where licenses granted and title to equipment vest in the Federal Government End User.

2. TITLE

You may propose an integrated solution through a higher-tier federal contractor in fulfillment of a specific government procurement where title to the Machine passes ultimately to the federal government. In no event shall you permit transfer of title for any Machine purchased under this Agreement to other than the federal government. Under no circumstances may you assign any of your responsibilities under this Agreement to the Federal Government End User.

3. BUY AMERICAN ACT I TRADE AGREEMENTS ACT (BAA/TAA)

We make no representation or certification regarding the domestic or foreign origin of Products we provide.

4. EXPORT OF PRODUCTS

When the federal government purchases Products and Services for its own use outside the United States, (i.e., an embassy or military installation) they do count 1) toward your minimum annual attainment 2) toward determination of your discount or price if the Products and Services were acquired directly from IBM by you or 3) for determining your marketing or promotional funds. Also, your future supply allocations from IBM, if applicable, will not be affected. The warranty for such Products will be voided unless the Product is returned to the United States for warranty service. Title to the Products must reside with the United States government, and the United States government must be responsible for the Program licenses.

5. ENDING THE AGREEMENT

If we terminate the Agreement without cause, we will permit you to continue to market under the terms of the Agreement for 90 days after the termination date. You agree to promptly withdraw any bids that

include Products and Services which were anticipated to have been obtained under this Attachment unless we agree to terms and conditions under the Federal Systems Integrator (FSI) Program (or similar or successor program) for the bid as offered.

IBM Business Partner Agreement
Federal Government Certification Attachment

These terms apply only when you market to a Federal Government End User under complementary marketing terms. This Attachment contains a summary of certain federal government laws and regulations that apply when you market to a Federal Government End User. Copies of these laws and regulations may be obtained from us at your request. It is important that you understand your responsibilities under them, since the federal government has a number of remedies (such as levying fines and denying federal government procurement awards) when a violation occurs. Please contact us if you have any questions regarding this certification.

1. DEFINITIONS

Federal Government End User - is the federal government; a federal government owned or affiliated (or sponsored) corporation; an organization involved in federal procurement activities that are approved to procure using our GSA Schedule Contract; and federal prime contractors and subcontractors who are engaged in a specific federal procurement opportunity.

Lobbying - is any communication you have with the federal government to influence the award of a Federal Government End User contract to us.

Contractor Bid or Proposal Information - is a competitor's information (including extracts), marked "Proprietary", which has been submitted confidentially to the Federal Government End User by the competitor. It includes information such as:

1. cost or pricing data;

2. indirect costs and direct labor rates;

3. proprietary information about manufacturing processes, operations or techniques; and

4. information legended "Contractor Bid or Proposal Information" or marked in accordance with FAR 52.215-12.

Source Selection Information is the following federal government information (including extracts):

1. documents marked "Source Selection Information";

2. source selection plans;

3. source selection board, panel, or advisory reports;

4. bid prices or costs;

5. technical evaluation plans;

6. evaluation of proposals;

7. competitive range determination;

8. rankings of bids, proposals, or competitors; and

9. reports and evaluations of source selection panels, boards or advisory councils.

2. FEDERAL GOVERNMENT LAWS AND REGULATIONS

Conflict of Interest

Certain conflict of interest laws and regulations limit our ability to do business with Federal Government End Users if we have an unfair competitive advantage because of a conflict of interest. We may have an unfair competitive advantage if you (or anyone who you engage to assist you in performing marketing for us):

1. have worked, or are working, with the federal government on a Federal Government End User procurement opportunity for which you will provide marketing for us;
2. have worked, or are working, with an anticipated or known bidder who will compete at any contract level as a prime or subcontractor on a Federal Government End User procurement opportunity for which you provide marketing for us; or
3. have had, or have, access to Contractor Bid or Proposal or Source

Selection Information

Concerning a Federal Government End User procurement opportunity for which you will provide marketing for us. If any of the above applies, provide us with a nonconfidential description of each situation in the space provided below. You agree to update this information in writing immediately when you become aware of "Possible Conflicts of Interests" not already reported to us.

Possible Conflict of Interest

Procurement Integrity

The Procurement Integrity Act and regulations (collectively called the "PI") prohibit certain activities during the federal government procurement process.

The PI generally prohibits engaging in the following conduct during the course of a Federal Government End User procurement:

1. discussing future employment or business opportunities with a federal government employee who is personally and substantially involved in a procurement unless special procedures are followed; and
2. obtaining, or disclosing any Contractor Bid or Proposal Information or Source Selection Information without written federal government approval from the head of the federal agency or designee.

In addition certain federal government employees may not accept compensation from the contractor for a period of one year after participating in a $10 million transaction with the contractor.

For this purpose, a transaction includes participation in awarding a contractor or subcontractor, establishing overhead or other rates and making payments or settling a claim.

Lobbying
you agree that you will not lobby on behalf of IBM within the meaning of the Lobbying Disclosure Act of 1995.

The following are not considered Lobbying, and do not have to be reported:

1. communications with a federal government agency that are required (for example, by federal law or regulation) to receive an award.
2. certain marketing performed by you prior to formal solicitation by a federal government agency. These include all pre-Request for Proposal discussions regarding the qualities, characteristics, application, adaptation, and terms of sales or service of our products; and
3. professional and technical services provided after a solicitation has been issued. Such services, however, must be directly related to the preparation, submission, or negotiation of the Federal Government End User contract.

3. YOUR RESPONSIBILITIES

You agree to:

1. obtain Worker's Compensation and Employer's Liability Insurance;
2. comply with, and assist us in complying with all applicable federal laws and regulations, including the federal regulations listed in this Attachment. You agree to notify us in writing immediately if you believe that you, or anyone assisting you to perform marketing may have violated any of them;
3. provide us with the certifications and related information we request; and
4. provide the Letter of Information for Federal Government Customers to your End User.

Please return a copy of this Attachment to the IBM address specified in your Profile.

IBM Business Partner name: _____________________________________
(type or print)

Date:

IBM Business Partner number:

IBM Business Partner address:

Any questions you have concerning this certification, or your responsibilities under it, should be directed to IBM U.S. Federal Contracts Relations Department.

List of Applicable Federal Regulations

Federal Acquisition Regulations (FAR)

52.203-3	Gratuities
52.203-5	Covenant Against Contingent Fees
52.203-6	Restrictions on Subcontractor Sales to the Government
52.203-7	Anti-Kickback Procedures
52.203-10	Price or Fee Adjustment for Illegal or Improper Activity
52.203-11	Certification and Disclosure Regarding Payments to Influence Certain Federal Transactions
52.203-12	Limitation on Payments to Influence Certain Federal Transactions
52.204-2	Security Requirements
52.209-5	Certification Regarding Debarment, Suspension. Proposed Debarment And Other Responsibility Matters
52.209-6	Protecting the Government's Interest when Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment
52.222-1	Notice to the Government of Labor Disputes
52.222-3	Convict Labor
52.222-21	Certification of Nonsegregated Facilities
52.222-26	Equal Opportunity
52.222-35	Affirmative Action for Special Disabled and Vietnam Era Veterans
52.222-36	Affirmative Action for Handicapped Workers
52.222-37	Employment Reports on Special Disabled Veterans and Veterans of the Vietnam Era
52.223-1	Clean Air and Water Certification
52.223-2	Clean Air and Water
52.223-5	Certification Regarding a Drug Free Workplace
52.227-2	Notice and Assistance Regarding Patent and Copyright Infringement
52.228-5	Insurance - Work on a Government Installation
52.233-3	Protest After Award
52.249-1	Termination for Convenience of the Government (Fixed Price) (Short Form)
52.249-2	Termination for Convenience of the Government (Fixed Price)

General Services Administration Regulations (GSAR)

552.215-70	Examination of Records by GSA

IBM Business Partner Agreement
Attachment for Services Marketing for Remarketers

These terms prevail over and are in addition to or modify the Remarketer Terms Attachment.

The following terms govern your marketing of Services the End User purchases from you (or if you are our Distributor, from your Remarketer), and which we perform under the terms of the IBM Agreement for Services Acquired from an IBM Business Partner (IBM Service Agreement). We provide additional terms to you, if any, in specific Service Attachments, or transaction documents.

1. IBM Services

Services may be either standard offerings or customized to the End User's specific requirements. Each Service transaction may include one or more Services that:

1. expire at task completion or an agreed upon date;

2. automatically renew as another transaction with a specified contract period. Renewals will continue until the Service is terminated; or

3. do not expire and are available for use until either of us terminates the Service, or we withdraw the Service.

If we make a change to the terms of a renewable Service that affects the End User's current Service Agreement contract period and the End User considers it unfavorable and you advise us in writing, we will defer the change until the end of that contract period.

2. Prices and Payment

The amount payable for a Service will be based on one or more of the following types of charges:

1. recurring (for example, a periodic charge for support Services).

2. time and materials (for example, charges for hourly Services); or

3. fixed price (for example, a specific amount agreed to between us for a custom Service).

Services we make available to you on a recurring-charge basis are made available for the period indicated in our invoice, statement of work, or other transaction document, as applicable. You may market such Services only on a recurring charge basis.

We may increase recurring charges for Services, as well as hourly or daily rates and minimums for Services we perform under the IBM Service Agreement, by giving you three month's written notice. An increase applies on the first day of the applicable invoice or charging period, on or after the effective date we specify in the notice;

We may increase one time charges without notice. However, an increase to one time charges does not apply to you if 1) we receive your order before the announcement date of the increase, and 2) we make the Service available within three months of our receipt of your order.

Charges for Services are billed as we specify, which may be 1) in advance, 2) periodically during the performance of the Service, or 3) after the Service is completed.

Prepaid Services must be used within the applicable contract period. If we withdraw a Service for which you prepaid, and we have not fully provided such Service, we will give a prorated refund. Unless we specify otherwise, we do not give credits or refunds for unused prepaid Services.

If an End User is eligible for a credit under the terms of the IBM Service Agreement (for example, a satisfaction guarantee credit, or a credit for withdrawn Services not fulfilled), you agree to ensure the applicable prorated credit is issued to the End User. We will issue the appropriate credit to you. If you are our Distributor, you agree to issue the applicable credit to your Remarketer.

Additional Charges

We specify in the IBM Service Agreement additional charges that apply under specific conditions. When applicable, such charges apply to you. Depending on the particular Service or circumstance, if other charges apply we will inform you in advance.

3. Notices

Each of us agrees to give the other a copy of notices or requests received from or sent to an End User applicable to the IBM Service Agreement.

You agree to ensure certain Services Attachments and transaction documents, if any, are made available to End Users for their signature, if required. Such documents may have terms in addition to those we specify in the IBM Service Agreement.

4. Services Requirements Changes

During the Service period you may update the requirements, including adding Products to be covered by the Service, as well as increasing the Service requirements. We will adjust our invoicing to you accordingly.

5. Termination of Services

If either IBM or the End User does not meet its obligations concerning a Service, the other party may terminate the Service. We will inform you of any such termination.

For a Service the End User terminates, you agree to ensure we are provided one month's written notice from the End User. For a Service you decide to terminate, you agree to provide one month's written notice to us and the End User.

When an expiring or renewable Service transaction is terminated, such termination will result in an adjustment charge equal to the lesser of:

1. the charges remaining to complete the contract period; or

2. one of the following if specified in the transaction document -

   a. the charges remaining to complete the contract period multiplied by the adjustment factor specified; or

   b. the amount specified.

You also agree to pay us for all Services we provide and any Material we deliver through Service termination and any charges we incur in terminating subcontracts.

Adjustment charges do not apply if you terminate:

1. a non-expiring Service on one month's written notice provided the End User has met all minimum requirements specified in the applicable Attachments and transaction documents, if any,

2. a renewable Service or a non-expiring maintenance Service on written notice, provided the End User has met the minimum requirements specified in the applicable Attachments and transaction documents, if any, and any of the following circumstances occur:

   a. the eligible Product for which the Service is provided is permanently removed from productive use within the End User's enterprise;

   b. an increase in the Service charges, either alone or in combination with prior increases over the previous twelve months, is more than the maximum specified in

   the applicable transaction document. If no maximum is specified, then the circumstance does not apply;

   c. the eligible location, for which the Service is provided, is no longer controlled by the End User (for example, because of sale or closing of the facility), or

   d. the machine has been under maintenance Services for at least six months and you ensure, for a Service the End User terminates, we have been provided one month's written notice by the End User prior to terminating the maintenance Service. For such Service which you decide to terminate, you agree to provide one month's written notice to us.

IBM Business Partner Agreement
Attachment for IBM as Subcontractor for Services

These terms prevail over and are in addition to or modify the Remarketer Terms Attachment

IBM Services

1. Services

When you engage IBM as a subcontractor, Services may be either standard offerings or customized to your specific requirements. Each Service transaction is described in a statement of work and may include one or more Services that:

1. expire at task completion or an agreed upon date;
2. automatically renew as another transaction with a specified contract period. Renewals will continue until either of us terminates the Service; or
3. do not expire and are available for your use until either of us terminates the Service, or we withdraw the Service.

2. Personnel

Each of us is responsible for the supervision, direction, and control of our respective personnel. We reserve the right to determine the assignment of our personnel.

We may subcontract a Service, or any part of it, to subcontractors selected by us.

3. Commitment of IBM Resources

You must obtain our written consent prior to each offer or commitment of our resources you make.

4. Exclusive Remedy

You will include the following statement in your contract with your End User:

(End User name)'s exclusive remedy for any and all damages under this Agreement, including, but not limited to, consequential, indirect, or special damages, is against (IBM Business Partner name) and not any subcontractors.

5. Trademarks and Trade Names

Under this Attachment, i.e., when IBM provides Services as a subcontractor, neither of us grants the other the right to use its (or any of the Enterprise's) trademarks, trade names, or other designations in any promotion or publication without prior written consent.

6. Price and Payment

The amount payable for a Service will be based on one or more of the following types of charges:

1. recurring (for example, a periodic charge for support Services);

2. time and materials (for example, charges for hourly Services); or

3. fixed price (for example, a specific amount agreed to between us for a custom Service).

Depending on the particular Service, or circumstance, additional charges may apply (such as special handling or travel related expenses). We will inform you in advance whenever additional charges apply.

Charges for Services are billed as we specify which may be in advance, periodically during the performance of the Service, or after the Service is completed.

Amounts are due upon receipt of invoice and payable as we specify in a transaction document. You agree to pay accordingly, including any late payment fee.

If any authority imposes a duty, tax, levy, or fee, excluding those based on our net income, upon any transaction under this Agreement, then you agree to pay that amount as specified in the invoice or supply exemption documentation.

Recurring charges may be based on measurements of actual or authorized use (for example, meter readings for maintenance Services). You agree to provide actual usage data as we specify.

We may increase recurring charges for Services, as well as labor rates and minimums for Services provided under this Agreement, by giving you three months' written notice. An increase applies on the first day of the invoice or charging period on or after the effective date we specify in the notice.

You receive the benefit of a decrease in charges for amounts which become due on or after the effective date of the decrease.

Services for which you prepay must be used within the applicable contract period. Unless we specify otherwise, we do not give credits or refunds for unused prepaid Services.

7. Materials Ownership and License

"Materials" are literary works or other works of authorship (such as programs, program listings, programming tools, documentation, reports, drawings and similar works) that we may deliver to you as part of a Service. The term "Materials" does not include licensed program products available under their own license agreement. We will specify Materials to be delivered to you. We or third parties have all right, title, and interest (including ownership of copyright) in Materials created during the Service performance period or otherwise (such as those that preexist the Service). We will deliver one copy of the specified Materials to you. We authorize you to grant your End User an irrevocable, nonexclusive, worldwide, paid-up license to use, execute, reproduce, display, perform, and distribute, within their Enterprise only, copies of these Materials. No other licenses or rights (including licenses or rights under patents) are granted to you or your End User.

You agree to require your End User in any resulting contract to reproduce the copyright notice and any other legend of ownership on any copies made under the license granted in this Section.

Any idea, concept, know-how, or technique which relates to the subject matter of a Service and is developed or provided by either of us, or jointly by both of us, in the performance of a Service may (subject to

applicable patents and copyrights) be freely used by either of us.

8. Changes to Service Terms

We may change the terms of Services that are renewable or non-expiring by giving you three months' written notice. However, these changes are not retroactive. They apply immediately to renewal transactions and as of the effective date we specify in the notice to all existing transactions. If we make a change to the terms of a renewable Service that 1) affects your current contract period and 2) you consider unfavorable, at your request, we will defer it until the end of that contract period.

When both of us agree to change any Services statement of work other than as described above, we will prepare a written description at the agreed change (called a "Change Authorization"), which both of us must sign. The terms of a Change Authorization prevail over those of the statement of work and any of its previous Change Authorizations.

9. Automatic Renewal

We will renew automatically all Renewable Services for a same length contract period unless either of us provides written notification (at least one month prior to the end of the current contract period) to the other, of its intent not to renew.

10. Termination and Withdrawal

Either of us may terminate a Service if the other does not meet its obligations concerning the Service.

You may terminate a non-expiring Service, without adjustment charge, on one month's written notice to us, provided you have met all minimum requirements specified in the applicable Attachments and transaction documents.

You may terminate a renewable Service and a non-expiring maintenance Service without adjustment charge, on written notice to us, provided you have met all minimum requirements specified in the applicable Attachments and transaction documents and any of the following circumstances occur:

1. your End User permanently removes the eligible Product, for which the Service is provided, from productive use within your End User's Enterprise;
2. the eligible location, for which the Service is provided, is no longer controlled by your End User (for example, because of sale or closing of the facility); or
3. the machine has been under maintenance Services for at least six months and you give us one month's written notice prior to terminating the maintenance Service.

For all other circumstances, you may terminate an expiring or renewable Service transaction on one month's written notice to us, but such termination will result in adjustment charges equal to the lesser of:

1. the charges remaining to complete the contract period; or
2. one of the following if specified in the transaction document -
   a. the charges remaining to complete the contract period multiplied by the adjustment factor specified, or
   b. the amount specified.

You agree to pay us for all Services we provide and any Materials we deliver through Service termination and any charges we incur in terminating subcontracts.

We may withdraw a renewable or non-expiring Service or support for an eligible Product on three month's written notice to you. If we withdraw a Service for which you have prepaid and we have not yet fully provided it to your End User, we will give you a prorated refund. If we withdraw a Service or terminate your IBM Business Partner Agreement, we may continue to provide Services for the remainder of the contract period for which you have already paid. However, no additional Services may be added.

Any terms which by their nature extend beyond termination or withdrawal remain in effect until fulfilled and apply to respective successors and assignees.

11. Service for Machines

We provide certain types of repair and exchange Service either at your End User's or your location or at a service center to keep machines in, or restore them to, conformance with their official published specifications. We may repair the failing machine or exchange it at our discretion.

When the type of Service requires that you or your End User deliver the failing machine to us, you agree to ship it or have it shipped suitably packaged (prepaid unless we specify otherwise) to a location we designate. After we have repaired or exchanged the machine, we will return it to you or your End User at our expense unless we specify otherwise. We are responsible for loss of, or damage to, your End User's machine while it is 1) in our possession or 2) in transit in those cases where we are responsible for the transportation charges.

You agree to:

1. obtain authorization from the owner to have us service a machine that your End User does not own; and
2. where applicable, before we provide Service -
   a. follow the problem determination, problem analysis, and service request procedures that we provide,
   b. secure all programs, data, and funds contained in a machine, and
   c. inform us of changes in a machine's location.

When Service involves the exchange of a machine or part, the item we replace becomes our property and the replacement becomes your End User's. You represent that all removed items are genuine and unaltered. The replacement may not be new, but will be in good working order and at least functionally equivalent to the item replaced. The replacement assumes the warranty or Service status of the replaced item. Before we exchange a machine or part, you agree to remove, or have removed, all features, parts, options, alterations, and attachments not under our service. You also agree to ensure that the item is free of any legal obligations or restrictions that prevent its exchange.

Any feature, conversion, or upgrade we service must be installed on a machine which is 1) for certain machines, the designated, serial-numbered machine and 2) at an engineering-change level compatible with the feature, conversion, or upgrade.

Repair and exchange Services do not cover:

1. accessories, supply items, and certain parts, such as batteries, frames, and covers;
2. Machines damaged by misuse, accident, modification, unsuitable

physical or operating environment, or improper maintenance by you or your End User;
3. Machines with removed or altered machine or parts identification labels;
4. failures caused by a product for which we are not responsible; or
5. service of machine alterations.

We manage and install engineering changes that apply to IBM machines and may also perform preventive maintenance.

We provide maintenance Services for selected non-IBM machines.

12. Other Maintenance Coverage

Whenever you order maintenance Services for machines, we will inform you of the date on which maintenance Services will begin. We may inspect the machine within one month following that date. If the machine is not in an acceptable condition for service, you may have us restore it for a charge. Alternatively, you may withdraw your request for maintenance Services. However, you will be charged for any maintenance Services which we have performed at your request.

13. Warranty for IBM Services

For each IBM Service, we warrant that we perform it:

1. using reasonable care and skill; and
2. according to its current description (including any completion criteria) contained in an Attachment, or a transaction document.

14. Extent of Warranty

THIS WARRANTY IS YOUR EXCLUSIVE WARRANTY AND REPLACES ALL OTHER WARRANTIES OR CONDITIONS, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

15. Items Not Covered by Warranty

We do not warrant uninterrupted or error-free operation of any deliverable or Service.

Unless we specify otherwise, we provide Materials and non-IBM Services WITHOUT WARRANTIES OF ANY KIND. However, non-IBM suppliers may provide their own warranties to you.

IBM Business Partner Agreement
Attachment for ServiceSuite for Remarketers

These terms prevail over and are in addition to or modify the Attachment for Services Marketing for Remarketers.

The following terms govern your marketing of ServiceSuite the End User acquires from you or if you are our Distributor, from your Remarketer.

1. Scope of Services

We will provide to the End User the Services, selected by the End User and described in the Statement of Work for Services Acquired from a Business Partner - ServiceSuite (called "Statement of Work"), for the Machines we specify (called "Eligible Machines"). The Eligible Machines, the Services that apply to them, and the charges for these will be identified in a Schedule. The Schedule will also identify the Specified Locations at which the Services will be provided. A Specified Location may be the End User's entire information processing environment, or a portion thereof, which may be resident at multiple sites or a single building.

2. Contract Period

Where the End User has selected a commitment of two, three, four, or five years, Eligible Machines, Specified Locations, or new Services added to the Statement of Work following its start date will assume the remaining portion of the existing contract period.

Note: The phrase "contract period" in this Attachment refers only to contract period of the Statement of Work and not to any contract period referenced in the IBM Business Partner Agreement, including any of its other attachments.

We will renew the Services that apply for each Specified Location on the contract period end date for the number of years (called the "Renewal Contract Period") specified. Thereafter, we will automatically renew for same length periods unless you notify us in advance of the End User's desire to change the length of the renewal. Charges will be recalculated based on the length of the Renewal Contract Period and each subsequent renewal period. Either of us can select not to renew by providing written notification (at least one month prior to the end of the current contract period) to the other of their decision not to renew.

3. Your Responsibilities

You agree to:

1. provide us with an inventory in which the End User has identified all Eligible Machines to be covered at each Specified Location. All Eligible Machines of the same type at a Specified Location must be included in the coverage. You also agree to ensure that the End User identifies all Eligible Machines for which we are to provide warranty service;
2. notify us whenever the End User wishes to add Eligible Machine types to an existing Specified Location or set up new Specified Locations; and
3. provide us with information we request which is related to our provision of these Services to the End User and notify us of any changes.

4. Mutual Responsibilities
If at any time either of us or the End User requests a review of the inventory count, each of us will cooperate in updating the last formal inventory.

5. Automatic Inventory Increases

We will automatically increase the inventory count at a Specified

Location whenever:

1. an Eligible IBM Machine is added to the End User's inventory. If the Machine is under warranty when added, maintenance Services will commence at warranty exit. If the Machine is not under warranty when added, maintenance Services will commence at the later of a) the date of installation or b) the previous yearly anniversary of the start of

the contract period. IBM Machines specifically excluded from coverage at contract period start will remain outside the scope of the contract unless you request we add them during thecontract period. However, all Eligible IBM Machines added to the End User's inventory during the contract period will be included in the inventory count and receive maintenance Services as set out in this Section; or

2. an Eligible Non-IBM Machine, of the same type as other Non-IBM Machines already covered at that Specified Location, is added to the End User's inventory. If the Machine is under warranty when added, maintenance Services will commence at the later of a) the date of installation or b) the previous yearly anniversary of the start of the contract period.

The maintenance Services that apply for these Machines will be the same as that which the End User is receiving for all other Eligible Machines of the same type.

Newly installed IBM Machines of the same type for which the End User is already receiving Warranty Service Upgrade will be added at date of actual installation and will be covered at the same Warranty Service Upgrade support level.

6. Charges and Payment

We specify applicable charges for the current contract year and the associated payment option in the Schedule. We calculate our charges to you based the End User's Machine volumes, Service selections, and payment options.

You have one of three price protection options:

1. Price Protection for Each Contract Year Only

We may revise charges to you however, any rate increase will not take effect until the next yearly anniversary of the start of the contract period. At the start of each contract year, you will be invoiced at the charge rates that are then in effect. We will not issue advance notice of charge rate changes.

All newly added Eligible Machines and Services, as well as changes to existing Eligible Machine configurations and Services, will assume the

charge rate that applied for these at the previous yearly anniversary of the start of the contract period. Eligible Machines and Services that become generally available during the contract period will be added at the charge rate that applied on their initial availability date.

2. Price Protection for the Entire Contract Period

We will not increase charges for included Eligible Machine configurations and Services for the entire contract period. All newly added Eligible Machines and Services, as well as changes to existing Eligible Machine configurations and Services, will assume the charge rate that applied for these at contract period start. We will add Eligible Machines and Services that become generally available during the contract period at the charge rate that applied on their initial availability date. You will receive the benefit of a decrease in applicable charges for amounts which become due on or after the effective date of the decrease.

3. Price Protection for Contract Period Prepayment

If you elect to prepay for the entire contract period, you will not be subject to increases in charges (during that period) for included Eligible Machine configurations and Services. All newly added Eligible Machines and Services, as well as changes to existing Eligible Machine configurations and Services, will assume the charge rate that applied for these at contract period start. Eligible Machines and Services that become generally available during the contract period will be added at the charge rate that applied on their initial availability date. If you elect to have these charge terms apply for the Renewal Contract Period charges (as recalculated at the start of each renewal period), you must provide us written notification (at least one month prior to the start of the renewal period) and prepayment for the entire renewal period. Otherwise, charges for the renewal period will revert to a quarterly billing cycle and the following will apply throughout the renewal period:

1. we may revise charges to you however, any rate increase will not take effect until the next yearly anniversary of the start of the contract period. At the start of each contract year, you will be invoiced at the charge rates that are then in effect. We will not issue advance notice of charge rate changes;

2. all newly added Eligible Machines and Services, as well as changes to existing Eligible Machine configurations and Services, will assume

the charge rate that applied for these at the previous yearly anniversary of the start of the contract period; and

3. Eligible Machines and Services that become generally available during the renewal period will be added at the charge rate that applied on their initial availability date.

Total Services charges may be adjusted whenever:

1. a review of the inventory count indicates a change from the last accounting; or

2. a Specified Location, Eligible Machine type, or Service is added, deleted, or changed.

For all Service charges based on usage, upon our request you will provide us with the End User's actual meter reading recording the actual usage.

7. Termination

If a contract period of one contract year with a one year renewal is selected, you may terminate Services for an Eligible Machine, on notice to us, if the End User permanently removes it from productive use within the End User's Enterprise. You or the End User may also terminate Services for any or all Eligible Machines by providing us one month's written notice, after they have been covered under the Statement of Work for at least one year. You will receive a credit for any remaining prepaid period associated with Services you or the End User terminate in accordance with the provisions of the Statement of Work.

If a commitment of two, three, four, or five years is selected for all Eligible Machines identified in the initial inventory, you or the End User may terminate Services for an Eligible Machine (which is not being removed from productive use within the End User's Enterprise or replaced by an equivalent Eligible Machine or Service), you or the End User may do so by providing us one month's written notice, after it has been covered under this Statement of Work for at least one year, and paying an adjustment fee. The adjustment fee is calculated by multiplying the monthly charge by the number of years of the commitment, e.g., if the number of years of the commitment is three, then the adjustment fee is equal to the result of multiplying the monthly fee by the number three.

After allowing for applicable adjustments, you will receive a credit for any remaining prepaid period associated with Services you terminate in accordance with the provisions of the Statement of Work.

8. Satisfaction Guarantee

If, for any reason, the End User 1) is not completely satisfied with a Service we provide to the End User under the Statement of Work, 2) notifies us in writing within one month of the time the End User first becomes dissatisfied and 3) we are unable to resolve the problem to the End User's satisfaction, you will receive a credit equal to the prorated charge for the Service for the period of time the End User is dissatisfied.

9. ServiceSuite Service Packages

Detailed descriptions of the ServiceSuite Service Packages are available from your IBM representative.

Exhibit No.: SSR-029 Effective Date: December 1, 2002

When identified with an "A" In the "Distributor" column, the service Is available to Distributors at the discount specified in the Distributor Schedule A. When identified with a "--" in this column, the service is available to Distributors at the remarketing discount specified in this table.

[* 6 pages of tables omitted]

IBM Business Partner Agreement
Attachment for Financing Services
From IBM Credit Corporation

The terms of this Attachment modify or are in addition to and prevail over the IBM Business Partner Agreement - General Terms, the IBM Business Partner Agreement for Solution Providers, the IBM Business Partner Agreement for Resellers, and the Service Provider-Remarketer Terms Attachment for Managed Services Solution, as applicable. "We" refers to IBM Credit Corporation.

If you are an IBM Distributor, any term regarding your activities or responsibilities with an End User may be performed by you. Alternatively, such activities may be performed by your IBM approved Solution Provider or Reseller, as applicable. In such case, you are responsible to ensure the Solution Provider or Reseller has been approved under the terms of this Attachment.

1. Appointment as Agent

We appoint you as our agent under the terms of this Attachment solely for the purpose of offering to End Users IBM Credit Corporation financial products ("Financing Services") for Products and Services and any associated products and services you market, and to advertise availability of our offerings; both subject to terms in this Attachment including its attached Exhibit "A".

This relationship between you and us is that of agent and principal, and is not a joint venture, partnership, employer/employee relationship or a joint enterprise of any kind. Except as specifically permitted herein, neither of us is permitted to represent the other, bind the other by its own acts, or control the manner, means or prices of such other's business.

2. Our Relationship

Responsibilities

Each of us agrees that:

a. we reserve the right, without liability to you, to discontinue or vary availability of Financing Services to you, a specific End User or End Users generally:

b. we reserve the right for any reason not to accept all or part of any proposed Financing Services proposal;

c. we may issue, without notice under this Attachment, additional Exhibits, which will apply to Financing Services proposals you submit to us following the effective date of such Exhibit;

d. we have no right to affect your pricing of products and services and items which are to be financed under this Agreement;

e. you will not make any representations, warranties or promises of any type on our behalf to End Users or any other parties, unless specifically authorized by us; and

f. you have no authority to negotiate terms or conditions of our financing agreements, or to change or alter any prices provided by us.

Other Responsibilities

You agree:

a. to designate a point of contact within your organization who will serve as the primary point of contact for matters relating to the business relationship with us;

b. to present to each End User interested in obtaining financing for information technology equipment and related programs and services, a Financing Services proposal approved in advance by us. You will ensure that the End User clearly understands that Financing Services are being provided directly from us as lessor or, in the case of government or government sub-contractor End Users, as financier. Unless we specify otherwise you will also attach a copy of our standard financing agreement and make certain that the End User agrees that only our terms will apply to the Financing Services being provided;

c. to encourage participation in education which we provide for your employees involved in the selling of our Financing Services;

d. to assist us in obtaining financial information we require from a potential End User in order to perform a credit evaluation;

e. to provide administrative assistance to ensure completion of transactions, e.g., provide us with information required to generate financing rates and financing contracts, including hardware configurations and descriptions of charges for programs and services, and ensure that documentation we require to initiate the financing transactions is executed by the End User;

f. to make End Users aware that their signature on our financing agreement is an offer looking to financing from us and is not binding on us unless and until accepted by us in writing;

g. to comply with our procedures relating to financing originations, including providing End Users, before obtaining their signatures, with the current version of any financing agreement and documentation we supply, and any relevant IBM Credit customer brochures;

h. to resolve any End User issues or questions relating to supply and performance of Machines, Programs, or Services arising during your relationship with the End User;

i. to warrant to us that products to be sold by you and financed by us are new and if not new, then identified as such and conveyed to us with good and valid title, free of all encumbrances;

j. to warrant to us that you will remain fully responsible for all warranty and similar obligations to the End User, in the same manner and to the same extent as if the End User acquired the products from you without any financing from us;

k. if you request that program costs or fees be included in the Financial Services proposal and we approve and pay you directly, that all obligations concerning the program and its use, remain between the End User and either you or the program provider, and not us;

l. that, aside from the End User's obligation to pay us, no rights or duties as to the program apply to us and you will take no action which contradicts this;

m. to provide us with, or assist us in obtaining, your invoices and invoicing documentation for all machines, programs and services being provided to the End User and financed by us. Invoices must accurately provide description of the machines, programs and services, End User name, invoice number, purchase amount and payee name and address;

n. to ensure your invoices or invoicing documentation accurately provides machine's serial number, and the detail of the machines, programs and services you have sold, along with the specific End User price associated with each;

o. to report, collect and remit any taxes you are responsible for levied in connection with your licensing programs, selling machines and providing services;

p. to warrant to us that all services to be performed by you or your designees and financed by us were bargained for by the End User and if for any reason the services are not performed you will immediately notify us and we will negotiate appropriate adjustments with you or the End User;

q. to ensure that no misleading or false representations are made in relation to the Financing Services arrangements; and

r. to ensure that all advertising which references our offerings conforms to the IBM Credit Advertising Guidelines for Business Partners, and to review with us any advertising not conforming to such guidelines prior to presentation.

We agree to:

a. designate a point of contact within our financing organization to serve as the primary point of contact for you;

b. provide financing to your IBM Credit approved End Users for their information technology equipment and related programs and services;

c. deliver financing proposals to you in a timely fashion;

d. provide appropriate educational offerings for your personnel in order to help them more effectively market our Financing Services;

and

e. provide payment of the documented purchase price and programs and services charges for any financing transaction with the End User. Payment will be made during the settlement period upon our receipt of the required documentation.

3. Remuneration

If we offer you fees for End User financing transactions under the terms of this Attachment, we will specify such fees in Exhibit A.

4. Trademarks

Under the terms of this Attachment, neither party shall have, without the other party's prior written consent, the right to use the other's trademarks or trade names, or to refer to the other party directly or indirectly in connection with any product, promotion or publication.

5. Termination of Appointment

You may terminate this appointment at any time by providing written notice to us. We may terminate this appointment at any time by providing you with 30 days prior written notice. We may terminate this Attachment if the Business Partner Agreement between you and IBM ends. No further Financing Services transactions initiated by you and submitted to us after we provide such notice will qualify for the terms in this Attachment.

IBM Business Partner Agreement
Marketing of Used Equipment Attachment

The terms of this Attachment apply to Used Equipment Products (Used Equipment) you acquire from the IBM Credit Corporation under the terms of its Agreement (IBM Credit Corporation Agreement). The terms regarding your acquisition of Used Equipment from IBM Credit Corporation are covered by the terms of the IBM Credit Corporation Agreement between you and the IBM Credit Corporation.

All acquisition terms (for example, ordering and delivery, price, and inventory adjustment) of the IBM Business Partner Agreement are not applicable to Used Equipment. The terms of the IBM Business Partner Agreement apply only to the marketing of Used Equipment.

A breach of the terms of the IBM Credit Corporation Agreement is grounds for us to terminate our approval of you under the terms of this Attachment as well as our approval of you under the terms of your IBM Business Partner Agreement.

Exclusions

Used Equipment sales revenue and volumes do not count toward any of your measurements (for example, Minimum Annual Attainment or marketing funds) nor towards determining your discount

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This Attachment and the referenced IBM Business Partner Agreement are the complete agreement regarding this relationship, and replace any oral or written communications between us. By signing below, each of us agrees to the terms of this Attachment. Once signed, 1) any reproduction of this Attachment made by reliable means (for example, photocopy or facsimile) is considered an original, to the extent permitted under applicable law, and 2) all activities you perform under this Attachment are subject to it.

Agreed to: Business Partner	Agreed to: Country Organization name)
By ___________________________ Authorized Signature	By ___________________________ Authorized Signature
Name (type or print):	Name (type or print):
Date:	Date:
IBM Business Partner address:	IBM Address:

After signing, please return a copy of this Attachment to the IBM address shown above.

IBM Business Partner Agreement
Attachment for the Acquisition of IBM Personal Computer Products and Services from IBM PartnerChoice

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The terms of this Attachment are in addition to or modify and prevail over the terms of the IBM Business Partner Agreement for Resellers, the IBM Business Partner Agreement for Solution Providers, and the Remarketer Terms Attachment.

Under the terms of this Attachment, you may acquire IBM Personal Computer Products and Services we specify, from IBM PartnerChoice. If applicable, you remain eligible to acquire these Products and Services from any IBM Personal Computer Distributor.

Prices

We may approve additional discounted pricing for a specific End User opportunity you identify at the time of order. Sale of discounted Products and Services to an End User other than the specified End User, if applicable, or to an End User for other than its own internal use, or other sales in violation of the IBM Business Partner Agreement are ineligible for discounts. Such sales may result in the termination of this Attachment and your Business Partner Agreement and recovery by IBM of the discount amount, in addition to any other remedies available to IBM under the Business Partner Agreement.

Our price to you is the price in effect on the date we receive your order. However, a price credit adjustment will be made for Products and Services where the ibm.com price has been reduced prior to or on the date of shipment or the Service start date, as applicable.

Products and Services are not eligible for price adjustment if we decrease the price after shipment.

Ordering and Delivery

We will ship Products and Services, to your address, your End Users address, or if you are an IBM Distributor, your resellers address, as you specify in your order.

Upon becoming aware of any discrepancy between our shipping manifest and the Products and Services received from us, you agree to notify us immediately. We will work with you to reconcile any differences.

Although we do not warrant delivery dates we will use reasonable efforts to meet your requested delivery dates.

We select the method of transportation and pay associated charges for Products and Services we ship. Other transportation options may be available. If you select any such option, we will specify if you are responsible for any applicable charges.

We will use reasonable efforts to meet your request for modification or cancellation of an order if we receive your request a minimum of 10 business days before the order is scheduled to be shipped. We may apply a cancellation charge for any such orders we cancel. We will inform you if a cancellation charge applies and where such charge is specified.

We transfer a Machine's title to you upon shipment. Any prior transfer of title to a Machine reverts back to IBM when it is accepted by us as a returned Machine.

We do not transfer title to Programs.

For each Machine, IBM bears the risk of loss or damage up to the time it is delivered to the IBM-designated carrier for shipment to you or, if you request and IBM agrees, your Customer. Thereafter, you assume the risk. The Machine will be covered by insurance, arranged and paid for by IBM for you, covering the period until it is delivered to you or your Customer. For any loss or damage, you must 1) report the loss or damage in writing to IBM within 30 calendar days of delivery and 2) follow the applicable claim procedure.

Reseller Tax Exemption

You agree to provide us with your valid reseller exemption document for each applicable taxing jurisdiction to which we ship Products and Services. If we do not receive such documentation, we will charge you applicable taxes and duties. You agree to notify us promptly if this documentation is rescinded or modified. You are liable for any claims or assessments that result from any taxing jurisdiction refusing to recognize your exemption.

Installation and Warranty

We provide instructions to enable the setup of Customer-Set-Up-Machines. We are not responsible for the installation of Programs on non-IBM Machines. We do, however, pre load Programs onto certain Machines. We provide a copy of our applicable warranty statement to you. You agree to provide it to the customer for review before the sale is finalized, unless we specify otherwise.

We calculate the expiration date of an IBM Machine's warranty period from the Machine's Date of Installation. Warranty terms for Programs are described in the programs' license terms. We provide non-IBM Products WITHOUT WARRANTIES OF ANY KIND, unless we specify otherwise. However, non-IBM manufacturers, suppliers or publishers may provide their own warranties to you.

For non-IBM Products we approve you to market, you agree to inform your customer in writing 1) that the Products are non-IBM, 2) the manufacturer or supplier who is responsible for warranty (if any), and 3) of the procedure to obtain any warranty service.

The Date of Installation for a Customer-Set-Up Machine

The Date of Installation for a Customer-Set-Up-Machine is the date the Machine is installed which you or your Remarketer, if applicable, record on the End Users sales receipt. You must notify us of this date upon our request.

General

We may audit your records regarding your marketing of the IBM Personal Computer Products and Services you acquire from IBM PartnerChoice. You agree to provide us with copies of invoices, delivery documents and other related documents on our request.

Products and Services you order under the terms of this Attachment:

1. may not be returned to us, other than those determined to be defective on arrival (DOA); and
2. are eligible for applicable marketing and promotional offerings.

If we terminate this Attachment, we may do so without prior notice.

We may modify the terms of this Attachment on one months written notice. Such changes are not retroactive.

By signing below, you agree that you have read and agree to the terms and conditions that govern acquisition of IBM Personal Computer Products and Services from IBM PartnerChoice.

Agreed to: IBM Business Partner Organization	Agreed to: International Business Machines
By:___________________________	By:__________________________
Name (type or print):	Name (type or print):
Date:	Date:
Address:	Address:

IBM Location ID: ________________
Phone Number: _______________________
e-Mail Address: _____________________________

IBM Business Partner Agreement
Internet Service Provider Attachment

The applicable terms of this Attachment apply to Business Partners approved for Products and Services we specify as available for marketing as part of a Managed Services Solution.

The following are additional terms to the Business Partner Agreement.

Managed Services Solution

Managed Services Solutions include those solutions for which you a) manage a revenue generating network and b) provide solutions that operate exclusively on End User data.

You may either retain title to the Machines which are used in conjunction with your Managed Services Solution or pass title to the End User.

Such solutions must connect to and utilize the revenue generating network and include at least one of the following 1) Internet access, 2) Web e-commerce, or application hosting or 3) Internet, intranet, or extranet services.

Use of an Agent

Under the terms of this Attachment, you may engage an agent only to assist you in your marketing activities for your approved Managed Services Solution. You retain all responsibilities and obligations of your IBM Business Partner Agreement.

You agree to inform your agent that regardless of the relationship they may have with IBM, if any, when they are acting on your behalf, they may not use the IBM logo, IBM Business Partner Emblem, represent themselves as an IBM Business Partner or make any representations on behalf of IBM. You are responsible for all their activities when they are acting on your behalf under the terms of this Attachment.

Programs

When, as part of your Managed Services Solution, you acquire an IBM Program for installation on a machine and you control the Program and you and the End User have access to such Program, regardless of the machine's physical location, you are the Program's licensee.

When, as part of your Managed Services Solution, you acquire an IBM Program for installation on a machine and the End User has access to and control of the Program, regardless of the machine's physical location, the End User is the Program's licensee. You market such Programs under the applicable remarketer terms of the Agreement.

Ordering and Delivery

You must advise us at the time of order if you will retain title for the Products you are ordering.

IBM
APPROVED VALUE ADDED ENHANCEMENTS

The following listing confirms the IBM approved Value Added Enhancements (VAE) or Approved Solutions (AS) your firm is approved to market under the terms and conditions of your authorized IBM Business Partner Agreement and Profile.

Jack Henry & Associates, Inc.

	Product VAE or AS Exhibit	Approval Date
	RS6O	10-30-02

Episys
INDUSTRY: Finance

ELIGIBLE PRODUCTS:
pSeries and RS/6000 - all models

MINIMUM VAE SOLUTION REQUIREMENTS:
o If marketing rights - sale, installation and implementation of an eligible IBM product; or
If jointly marketing - installation and implementation of an eligible IBM product when sold by Jack Henry & Associates, Inc.; with the following application and listed modules:

Episys
Modules: Share Accounting, Share Draft Account, General Ledger, Loan Accounting, Certificates of Deposit

o Billed Value Measurement required: No

o Face-to-Face Meeting required: Yes

MINIMUM FIRM ELIGIBILITY REQUIREMENTS:
o Marketing rights from or selected by Jack Henry & Associates. Inc. to jointly market

	A400 RS60	10-30-02

Internet Managed Services
INDUSTRY: Outsourcing

ELIGIBLE PRODUCTS:
o iSeries and AS/400 - Entry and Growth models
o Netfinity - All models
o pSeries and RS/6000 - All models
o Storage - All models
o POS - 4614, 4694, 4800, 4840
o zSeries and S/390 --All models

MINIMUM VAE SOLUTION REQUIREMENTS

o To meet the requirements of this VAE, the Business Partner
- Manage a revenue generating network
- Provide solutions that connect to and utilize the network
- Manage and deliver solutions/services that fall into one or more of the following areas:

1. Internet Access
Basic Access: dial-up, dedicated line, or wholesale bandwidth:
-- Search and navigation
-- Advanced media
-- IP backbone
-- Connectivity services

2. Web e-commerce, or application hosting services
Shared, dedicated, or co-located hosting, such as:
-- Content hosting
-- Collaboration hosting
-- Commerce hosting, e-payments, electronic storefront
-- Multimedia hosting
-- Transaction hosting
-- Application hosting

3. Internet, intranet, or extranet services:
Internet Protocol (IP)-based higher value added services, such as:

-- Virtual Private Networks
-- Voice over Internet Protocol (VoIP)
-- Message services: e-mail, fax, telex, unified messaging
-- Content aggregation; portals, vertical portals
-- Trading networks
-- Exchanges, auctions, marketplaces
-- Security services
-- Application services
-- Internet network management
-- Subscriber services and billing

o Configuration, integration, implementation, and customization of the VAE's solutions/offerings with the eligible products.

o Billed Value Measurement required: No (BVM is not applicable to zSeries, S/390, storage or Netfinity products)

o Face-to-Face Meeting required: No

o zSeries Face-to-Face Meeting required: No

o zSeries Operating System Currency required: No

MINIMUM FIRM ELIGIBILITY REQUIREMENTS
o Approval by the Director, Global Services Provider Sales, IBM Global Channel Sales

o zSeries Brand approval for zSeries or S/390 products

Competitive System Conversion
INDUSTRY: Cross

ELIGIBLE PRODUCTS:
o iSeries -- Entry and Growth models
o pSeries and RS/6000 --All models
o MES Processor/Model Upgrades -- No

MINIMUM VAE SOLUTION REQUIREMENTS:
o Sale, installation, and implementation of an eligible product and associated operating system at a customer establishment where you convert and/or port one or more programs or applications and data from a competitive vendor's system to a current-technology IBM system

o Perform pre-procurement marketing activities, such as analyzing customer requirements, mapping to IBM solutions, and recommending appropriate alternatives

o Proposal to the customer must include the new system configuration in detail: a complete listing of the hardware, software, and services to be provided

o Billed Value Measurement required: No

o Face-to-Face Meeting required: Yes

MINIMUM FIRM ELIGIBILITY REQUIREMENTS:
o Certification Requirements: One IBM eServer sales and technical certification at the firm level for each server product applicable to the end-user solution

o Sales Location Required: No

o Business Partners approved for this VAE may compete equally with all other VAEs

CIF 20/20

INDUSTRY: Finance

ELIGIBLE PRODUCTS:
o iSeries and AS/400 - Entry and Growth models

MINIMUM VAE SOLUTION REQUIREMENTS:
o If marketing rights - sale, installation and implementation of an eligible IBM product; or If jointly marketing - installation and implementation of an eligible IBM product when sold by Jack Henry & Associates, Inc.; with the following application and listed modules:

CIF 20/20

Modules: Customer Information File and at least four of the following: Customer Profitability, Demand Deposit Accounting, Savings Accounting, Club Accounting, Account Analysis,

Overdraft Protection, Cash Sweep, Account Reconciliation,
Time Deposit Accounting, Repurchase Agreements, Individual
Retirement Accounting, Automatic Funds Transfer, ACH
Origination, General Ledger, Accounts Payable, Equity Loans,
Loan Pricing, Safe Deposit Box Accounting, Audit Confirmations,
Stockholder Accounting, Executive Reminder System, Loan
Collections, Cash Reserve, Loan System, Gap Analysis, Report
Distribution System, Job Accounting, Collateral Tracking,
Enhanced Statement, Enhanced Account Analysis, Cash
Management, JHA StreamLine Platform System

o Billed Value Measurement required: No

o Face-to-Face Meeting required: Yes

MINIMUM FIRM ELIGIBILITY REQUIREMENTS:
o Marketing rights from or selected by Jack Henry & Associates, Inc. to jointly market

A400 11-16-02

SilverLake System
INDUSTRY: Finance

ELIGIBLE PRODUCTS:
o iSeries and AS/400 - Entry and Growth models

MINIMUM VAE SOLUTION REQUIREMENTS:
o If marketing rights - sale, installation and implementation of an eligible IBM product; or If jointly marketing - installation and implementation of an eligible IBM product when sold by Jack Henry & Associates, Inc.; with the following application and listed modules:

SilverLake System
Modules: Customer Information File and at least four of the
following: Customer Profitability, Demand Deposit Accounting,
Savings Accounting, Club Accounting, Account Analysis,
Overdraft Protection, Cash Sweep. Account Reconciliation,
Time Deposit Accounting, Repurchase Agreements, Individual
Retirement Accounting, Automatic Funds Transfer, ACH
Origination, General Ledger, Accounts Payable, Equity Loans,
Loan Pricing, Safe Deposit Box Accounting, Executive Reminder
System, Loan Collections, Cash Reserve, Loan System, Gap
Analysis, Report Distribution System, Job Accounting, Collateral
Tracking, Enhanced Statement, Enhanced Account Analysis.
Cash Management, JHA StreamLine Platform System

o Billed Value Measurement required: No

o Face-to-Face Meeting required: Yes

MINIMUM FIRM ELIGIBILITY REQUIREMENTS:

o Marketing rights from or selected by Jack Henry & Associates, Inc. to jointly market

A400 11-16-02

PassPort.pro
INDUSTRY: Finance

ELIGIBLE PRODUCTS:
o iSeries and AS/400 - Entry and Growth models

MINIMUM VAE SOLUTION REQUIREMENTS:
o If marketing rights - sale, installation and implementation of an eligible IBM product; or If jointly marketing - installation and implementation of an eligible IBM Product when sold by Jack Henry & Associates, Inc.; with the following application and listed modules:

PassPort.pro
Modules: Communications link between the core processing
systems and the ATMs and at least four of the following: On-line
Memo Posting, Stand-in Processing, Automatic Negative File
Update, Switched Network Support, Switch Certification,
Hardware Encryption/Decryption, Multiple PC Support, Pager
Support, Full Message Logging, Automatic Settlement, Full
Transaction Logging, ARM Status Inquiry, Up to 99 Service
Charge Combinations, Card Maintenance, ATM and Customer
History Inquiries, Settlement/Maintenance/Exception Reports,
Cash and POS Withdrawal Limits

o Billed Value Measurement required: No

o Face-to-Face Meeting required: Yes

MINIMUM FIRM ELIGIBILITY REQUIREMENTS:
o Marketing rights from or selected by Jack Henry & Associates, Inc. to jointly market

A400 11-16-02

Liberty
INDUSTRY: Finance

ELIGIBLE PRODUCTS:
o iSeries and AS/400 - Entry and Growth models

MINIMUM VAE SOLUTION REQUIREMENTS:
o If marketing rights - sale, installation and implementation of an eligible IBM product; or If jointly marketing - installation and implementation of an eligible IBM product when sold by Jack Henry & Associates, Inc.; with the following application and listed modules:

Liberty

Modules: Customer Information File and at least four of the following: Customer Profitability, Demand Deposit Accounting, Savings Accounting, Certificate of Deposit Accounting, Individual Retirement Accounting, Commercial Loan Accounting, Installment Loan Accounting, Mortgage Loan Accounting, Account Reconciliation, Automatic Clearing House, On-line Proof of Deposit. Financial Information System, Asset and Liability Management, Executive Information System

o Billed Value Measurement required: No

o Face-to-Face Meeting required: Yes

MINIMUM FIRM ELIGIBILITY REQUIREMENTS:
o Marketing rights from or selected by Jack Henry & Associates, Inc. to jointly market

A400 11-15-02

SuperCheck Proof of Deposit
INDUSTRY: Finance

ELIGIBLE PRODUCTS:
o iSeries and AS/400 - Entry and Growth models

MINIMUM VAE SOLUTION REQUIREMENTS:
o If marketing rights - sale, installation and implementation of an eligible IBM product; or If jointly marketing - installation and implementation of an eligible IBM product when sold by Jack Henry & Associates, Inc.; with the following application and listed modules:

SuperChek Proof of Deposit
Modules: On-line Reject Re-entry, On-line Balancing, Cash Letters, High Dollar Cutoff, Transit/Routing Number Repair, Process Control, Programmable Ink Jet Messages, Audit Trail, U.S. and Canadian Item Capabilities, Interface, Remote Job Entry and Printback, User Defined Tables

o Billed Value Measurement required: No

o Face-to-Face Meeting required: Yes

MINIMUM FIRM ELIGIBILITY REQUIREMENTS:
o Marketing rights from or selected by Jack Henry & Associates, Inc. to jointly market

A400 11-16-02

SuperSORT
INDUSTRY: Finance

ELIGIBLE PRODUCTS:
o Series and AS/400 - Entry and Growth models

MINIMUM VAE SOLUTION REQUIREMENTS:
o If marketing rights - sale, installation and implementation of an eligible IBM product; or If jointly marketing - installation and implementation of an eligible IBM product when sold by Jack Henry & Associates, Inc.; with the following application and listed modules:

SuperSORT
Modules: Cycle Sort, Bulk Filing of Checks, Fine Sorts, Exception Sorts, Statement Sorts, User Defined Special Sorts, Menu Driven Operations, Check Sorting

o Billed Value Measurement required: No

o Face-to-Face Meeting required: Yes

MINIMUM FIRM ELIGIBILITY REQUIREMENTS:
o Marketing rights from or selected by Jack Henry & Associates, Inc.
to jointly market

A400 11-16-02

SuperIMAGE
INDUSTRY: Finance

ELIGIBLE PRODUCTS:
o iSeries and AS/400 - Entry and Growth models

MINIMUM VAE SOLUTION REQUIREMENTS:
o If marketing rights - sale, installation and implementation of an eligible IBM product; or If jointly marketing - installation and implementation of an eligible IBM product when sold by Jack Henry & Associates, Inc.; with the following application and listed modules:

SuperIMAGE
Modules: Check Sorting, Proof of Deposit, Image Archive, Image Statements, Remote Image Capture, Statement Preparation/Rendition

o Billed Value Measurement required: No

o Face-to-Face Meeting required: Yes

MINIMUM FIRM ELIGIBILITY REQUIREMENTS:
o Marketing rights from or selected by Jack Henry & Associates, Inc.
to jointly market

A400 11-16-02

TimeTrack
INDUSTRY: Finance

ELIGIBLE PRODUCTS:
o iSeries and AS/400 - Entry and Growth models

MINIMUM VAE SOLUTION REQUIREMENTS:
o If marketing rights - sale, installation and implementation of an eligible IBM product; or If jointly marketing - installation and implementation of an eligible IBM product when sold by Jack Henry & Associates, Inc.; with the following application and listed modules:

TimeTrack
Modules: Electronic Time and Attendance, Multi-Company Processing, Electronic Deposit, Voluntary Deductions, 401K Processing, On-line Inquiry, Quarter-end/Year-end Processing, EEO Reporting, Applicant Tracking, COBRA Tracking, Job Posting Tracking

o Billed Value Measurement required: No

o Face-to-Face Meeting required: Yes

MINIMUM FIRM ELIGIBILITY REQUIREMENTS:
o Marketing rights from or selected by Jack Henry & Associates, Inc.
to jointly market

A400 11-16-02

lmageMAX
INDUSTRY: Finance

ELIGIBLE PRODUCTS:
o iSeries and AS/400 - Entry and Growth models

MINIMUM VAE SOLUTION REQUIREMENTS:
o If marketing rights - sale, installation and implementation of an eligible IBM product; or If jointly marketing - installation and implementation of an eligible IBM product when sold by Jack Henry & Associates, Inc.; with the following application and listed modules:

ImageMAX
Modules: Check Sorting, Exception Item Processing, Proof of Deposit, Image Archive, Image Statements, Check Transaction Processing

o Billed Value Measurement required: No

o Face-to-Face Meeting required: Yes

MINIMUM FIRM ELIGIBILITY REQUIREMENTS:
o Marketing rights from or selected by Jack Henry & Associates, Inc.
  to jointly market

A400 11-16-02

Vertex Teller
INDUSTRY: Finance

ELIGIBLE PRODUCTS:
o iSeries and AS/400 - Entry and Growth models

MINIMUM VAE SOLUTION REQUIREMENTS:
o If marketing rights - sale, installation and implementation of an eligible IBM product; or If jointly marketing - installation and implementation of an eligible IBM product when sold by Jack Henry & Associates, Inc.; with the following application and listed modules:

Vertex Teller
Modules: Customized Transaction Setup, Balancing Functions, Research Functions, Electronic Journal, Statistical Reports, Branch Comparisons, Performance Recap, Alert and CIF Message, Memo Posting and Host Application Inquiry

o Billed Value Measurement required: No

o Face-to-Face Meeting required: Yes

MINIMUM FIRM ELIGIBILITY REQUIREMENTS:
o Marketing rights from or selected by Jack Henry & Associates, Inc.
  to jointly market

A400 11-16-02

Peerless2l
INDUSTRY: Finance

ELIGIBLE PRODUCTS:
o iSeries and AS/400 - Entry and Growth models

MINIMUM VAE SOLUTION REQUIREMENTS:
o If marketing rights - sale, installation and implementation of an eligible IBM product; or If jointly marketing - installation and implementation of an eligible IBM product when sold by Jack Henry & Associates, Inc.; with the following application and listed modules:

Peerless2l
Modules: Customer Information File, Demand Accounting, Bulk Filing, Savings Accounting, Certificate of Deposit Deposit, Safe Deposit Box Rental, Stockholder Accounting, Installment Loans, Mortgage Loans, Commercial Loans, Loan Pricing, Asset/Liability Management, Account Analysis, Automatic Funds Transfer, Automatic Clearing House, Audit Confirmation

o Billed Value Measurement required: No

o Face-to-Face Meeting required: Yes

MINIMUM FIRM ELIGIBILITY REQUIREMENTS:
o Marketing rights from or selected by Jack Henry & Associates, Inc.
  to jointly market

A400 11-16-02

Conductor
INDUSTRY: Finance

ELIGIBLE PRODUCTS:
o Series and AS/400 - Entry and Growth models

MINIMUM VAE SOLUTION REQUIREMENTS:
o If marketing rights - sale, installation and implementation of an eligible IBM product; or If jointly marketing - installation and implementation of an eligible IBM product when sold by Jack Henry & Associates, Inc.; with the following application and listed modules:

Conductor
Modules: Share Accounting, Loan Accounting, Share Drafts, Certificates of Deposit, Payroll, Automatic Funds Transfer, Subsidiary Shares, General Ledger

o Billed Value Measurement required: No

o Face-to-Face Meeting required: Yes

MINIMUM FIRM ELIGIBILITY REQUIREMENTS:
o Marketing rights from or selected by Jack Henry & Associates, Inc. to jointly market

RS60 11-15-02

Core Director
INDUSTRY: Finance

ELIGIBLE PRODUCTS:
o pSeries and RS/6000 - all models

MINIMUM VAE SOLUTION REQUIREMENTS:
o If marketing rights - sale, installation and implementation of an eligible IBM product; or If jointly marketing - installation and implementation of an eligible IBM product when sold by Jack Henry & Associates, Inc.; with the following application and listed modules:

Core Director
Modules: Central/Personal File and at least four of the following: Demand Deposit Accounting, Account Analysis, Certificates of Deposit, Loan Accounting, Individual Retirement Accounting, Savings Accounting, Inter Branch Accounting, General Ledger, Report Generator

o Billed Value Measurement required: No

o Face-to-Face Meeting required: Yes

MINIMUM FIRM ELIGIBILITY REQUIREMENTS:
o Marketing rights from or selected by Jack Henry & Associates, Inc. to jointly market

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The following listing confirms the IBM approved VAEs that require an authorized sales location. You are approved to market under the terms and conditions of your authorized IBM Business Partner Agreement and Profile at these authorized sales locations. VAEs that do not require an authorized sales location may be marketed by any sales location for your firm under the terms and conditions of your IBM Business Partner Agreement, Profile and applicable Attachments and Exhibits.
Location ID

Location ID LOC/ID	Product Exhibit	City State or Province	VAE Approval Date	VAE Title
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Exhibit 21.1

Jack Henry Services, L.P.
Jack Henry Systems, L.P.
Jack Henry Software/Commlink, L.P.
Open Systems Group, Inc.
Symitar Systems, Inc.
Sys-Tech, Inc.
Jack Henry, L.L.C.
Jack Henry International, Ltd.

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Numbers 33-16989, 33-65231, 33-65251, 33-63912, 33-55358 and 333-101680 all on Form S-8 pertaining to the Jack Henry & Associates, Inc. 1996 Stock Option Plan, 1987 Stock Option Plan, Employee Stock Purchase Plan, 1995 Non-Qualified Stock Option Plan and 401(k) Retirement Savings Plan (formerly Jack Henry and Associates, Inc. 401(k) Employee Stock Ownership Plan) respectively, of our report dated August 15, 2003, appearing in the Annual Report on Form 10-K of Jack Henry & Associates, Inc. for the year ended June 30, 2003.

/s/ Deloitte & Touche LLP

St. Louis, Missouri
September 18, 2003

Exhibit 31.1

CERTIFICATION

I, Michael E. Henry, certify that:

1. I have reviewed this annual report on Form 10-K 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 annual 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)) 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) 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

c) 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: September 22, 2003

/s/ Michael E. Henry

Michael E. Henry
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Kevin D. Williams, certify that:

1. I have reviewed this annual report on Form 10-K 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 annual 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)) 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) 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

c) 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: September 22, 2003

/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 Annual Report on Form 10-K of the Company for the fiscal year ended June 30, 2003 (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: September 22, 2003

*/s/ Michel E. Henry

Michael E. Henry
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 Annual Report on Form 10-K of the Company for the fiscal year ended June 30, 2003 (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: September 22, 2003

*/s/ Kevin D. Williams

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."