HENRY JACK & ASSOCIATES INC
Form DEF 14A
October 01, 2010

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant þ
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Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
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o Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

JACK HENRY & ASSOCIATES, INC.

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

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1) Title of each class of securities to which transaction applies:

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1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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JACK HENRY & ASSOCIATES, INC.

663 Highway 60, P.O. Box 807

Monett, Missouri 65708

NOTICE OF 2010 ANNUAL MEETING OF STOCKHOLDERS

TO THE STOCKHOLDERS OF JACK HENRY & ASSOCIATES, INC.:

PLEASE TAKE NOTICE that the 2010 Annual Meeting of Stockholders of Jack Henry & Associates, Inc., a Delaware corporation, will be held in the Company s Executive Conference Center, lower level (Building J-7) at the Company headquarters, 663 Highway 60, Monett, Missouri, on Tuesday, November 9, 2010, 11:00 a.m., local time, for the following purposes:

(1)

To elect eight (8) directors to serve until the 2011 Annual Meeting of Stockholders;

(2)

To approve certain amendments to the Company s Restricted Stock Plan;

(3)

To ratify the selection of the Company s independent registered public accounting firm; and

(4)

To transact such other business as may properly come before the Annual Meeting and any adjournments thereof.

The close of business on September 20, 2010, has been fixed as the record date for the Annual Meeting. Only stockholders of record as of that date will be entitled to notice of and to vote at said meeting and any adjournment or postponement thereof.

The accompanying form of Proxy is solicited by the Board of Directors of the Company. The attached Proxy Statement contains further information with respect to the business to be transacted at the Annual Meeting.

ALL STOCKHOLDERS ARE INVITED TO ATTEND THE MEETING IN PERSON. WHETHER OR NOT YOU EXPECT TO ATTEND, PLEASE DATE AND SIGN THE ENCLOSED PROXY. IF YOU DECIDE TO ATTEND THE MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE YOUR SHARES IN PERSON.

By Order of the Board of Directors

/s/ Janet E. Gray

Janet E. Gray

Secretary

Monett, Missouri

October 1, 2010

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JACK HENRY & ASSOCIATES, INC.

663 Highway 60, P.O. Box 807

Monett, Missouri 65708

PROXY STATEMENT

FOR THE 2010 ANNUAL MEETING OF STOCKHOLDERS

To Be Held Tuesday, November 9, 2010

This Proxy Statement and the enclosed proxy card (the Proxy) are furnished to the stockholders of Jack Henry & Associates, Inc., a Delaware corporation (the Company), in connection with the solicitation of Proxies by the Company s Board of Directors for use at the 2010 Annual Meeting of Stockholders, and any adjournment or postponement thereof (the Annual Meeting), to be held in the Company s Executive Conference Center, lower level (Building J-7) at the Company headquarters, 663 Highway 60, Monett, Missouri, at 11:00 a.m., local time, on Tuesday, November 9, 2010. The mailing of this Proxy Statement, the Proxy, the Notice of Annual Meeting and the accompanying 2010 Annual Report to Stockholders is expected to commence on or about October 1, 2010.

The Board of Directors does not intend to bring any matters before the Annual Meeting except those indicated in the Notice and does not know of any matter which anyone else proposes to present for action at the Annual Meeting. If any other matters properly come before the Annual Meeting, however, the persons named in the accompanying form of Proxy, or their duly constituted substitutes, acting at the Annual Meeting, will be deemed authorized to vote or otherwise to act thereon in accordance with their judgment on such matters.

If the enclosed Proxy is properly executed and returned prior to voting at the Annual Meeting, the shares represented thereby will be voted in accordance with the instructions marked thereon. Directors are elected by a plurality of the votes cast, in person or by proxy, by stockholders entitled to vote at the annual meeting for that purpose. The approval of the amendments to the Company s Restricted Stock Plan and the ratification of the selection of the Company s independent registered public accounting firm will require the affirmative vote of a majority of the shares of Common Stock present at the Annual Meeting in person or by proxy and entitled to vote.

Any stockholder executing a Proxy retains the power to revoke it at any time prior to the voting of the Proxy. It may be revoked by a stockholder personally appearing at the Annual Meeting and casting a contrary vote, by filing an instrument of revocation with the Secretary of the Company, or by the presentation at the Annual Meeting of a duly executed later dated Proxy.

VOTING

At the 2010 Annual Meeting, Stockholders will consider and vote upon:

(1)

The election of eight (8) directors;

(2)

Certain amendments of the Company s Restricted Stock Plan;

(3)

The ratification of the selection of Deloitte & Touche, LLP as the Company s independent registered public accounting firm for the fiscal year ending June 30, 2011; and

(4)

Such other matters as may properly come before the Annual Meeting.

Only stockholders of record at the close of business on September 20, 2010, the record date for the Annual Meeting, are entitled to notice of and to vote at such meeting.

The Company s authorized capital stock currently consists of 250,000,000 shares of common stock, par value $.01 per share (the Common Stock), and 500,000 shares of preferred stock, par value $1.00 per share (the Preferred Stock). As of September 13, 2010, there were 85,930,525 shares of Common Stock outstanding and no shares of Preferred Stock outstanding. At such date, our executive officers and directors were entitled to vote, or to direct the voting of, shares of Common Stock representing 6.6% of the shares entitled to vote at the 2010 Annual Meeting. Unless otherwise specified, all share numbers and other share data have been adjusted to reflect all prior stock splits.

All shares represented by Proxy and all Proxies solicited hereunder will be voted in accordance with the specifications made by the stockholders executing such Proxies. If a stockholder does not specify how a Proxy is to be voted, the shares represented thereby will be voted: (1) FOR the election as directors of the eight (8) persons nominated by the

Board of Directors; (2) FOR approval of certain amendments to the Company s Restricted Stock Plan; (3) FOR the ratification of the selection of the Company s independent registered public accounting firm; and (4) upon other matters that may properly come before the Annual Meeting, in accordance with the discretion of the persons to whom the Proxy is granted.

Each share of our Common Stock outstanding on the record date will be entitled to one vote on each matter. The eight (8) nominees for election as directors who receive the most votes for election will be elected. Approval of amendments to the Company s Restricted Stock Plan and ratification of the selection of the Company s independent public accounting firm will require an affirmative vote of the majority of the shares of Common Stock present or represented and entitled to vote at the Annual Meeting.

For the election of directors, withheld votes do not affect whether a nominee has received sufficient votes to be elected. For the purpose of determining whether the stockholders have approved matters other than the election of directors, abstentions are treated as shares present or represented and voting, so abstaining has the same effect as a negative vote. Shares held by brokers that do not have discretionary authority to vote on a particular matter and that have not received voting instructions from their customers are not counted or deemed to be present or represented for the purpose of determining whether stockholders have approved that matter, but they are counted as present for the purpose of determining the existence of a quorum at the annual meeting. Please note that banks and brokers that have not received voting instructions from their clients cannot vote on their clients behalf on non-routine proposals.

STOCK OWNERSHIP OF CERTAIN STOCKHOLDERS

The following table sets forth information as of September 13, 2010, concerning the equity ownership of (a) those individuals who are known to be the beneficial owners, as defined in Rule 13d-3 of the Securities Exchange Act of 1934, of 5% or more of the Company s Common Stock, (b) the directors, (c) the executive officers named in the Summary Compensation Table and (d) all of our directors and executive officers as a group:

Title of Class	Beneficial Owner	Number of Shares Beneficially Owned (1)	Percentage of Shares Outstanding (1)
$.01 par value Common Stock	BlackRock Inc.	5,985,542	7.1%
	40 East 52nd St	(2)	
	New York, NY 10022		
	Michael E. Henry	3,429,454 (3)	4.0%
	Jerry D. Hall	925,114	1.1%

	(4)	
Tony L. Wormington	627,054	*
	(5)	
John F. Prim	435,014	*
	(6)	
James J. Ellis	430,000	*
	(7)	
Craig R. Curry	141,170	*
	(8)	
Kevin D. Williams	133,313	*
	(9)	
Wesley A. Brown	103,000	*
	(10)	
Mark S. Forbis	23,659	*
	(11)	
Marla K. Shepard	26,100	*
	(12)	
Matthew C. Flanigan	23,500	*
	(13)	
All directors and executive officers as a group (12 persons)	6,297,378 (14)	7.3%

* Less than 1%

(1)

Information is set forth as of September 13, 2010. The persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them, except as noted below.With respect to shares held in the Company s 401(k) Plan (the Retirement Plan), a participant has the right to direct the disposition of shares allocated to his account. With respect to restricted shares, the executive officers have sole voting power but have no investment or dispositive power until the restrictions lapse.

(2)

According to a Schedule 13G filed January 29, 2010, BlackRock Inc. has sole voting and dispositive power with respect to 5,985,542 shares.

(3)

Includes 733,447 shares held in the Michael E. Henry Annuity Trust, 2,529 shares allocated to Mr. Henry s Retirement Plan account, and 189,378 shares held or controlled by his sister Vicki Jo Henry. Mr. Henry may also be deemed to beneficially own 2,304,100 shares held in a living trust and 200,000 shares held by the Henry Family Limited Partnership, both established by his mother, Eddina F. Mackey. Mr. Henry may be deemed to share beneficial ownership in the shares held by Vicki Jo Henry, Eddina F. Mackey Trust and by the Henry Family Limited Partnership because he has been granted proxies to vote such shares.

(4)

Includes 191,882 shares beneficially owned by his wife.

(5)

Includes 50,000 shares that are currently acquirable by exercise of outstanding stock options, 39,683 shares held in the Retirement Plan for Mr. Wormington s account, and 43,376 restricted shares.

(6)

Includes 275,000 shares that are currently acquirable by exercise of outstanding stock options, 20,906 shares held in the Retirement Plan for Mr. Prim s account, and 97,054 restricted shares.

(7)

Includes 130,000 shares that are currently acquirable by exercise of outstanding stock options.

(8)

Includes 66,667 shares that are currently acquirable by exercise of outstanding stock options, 54,507 shares beneficially owned by his children and 19,996 shares held in trust for family members for which Mr. Curry serves as trustee.

(9)

Includes 50,000 shares that are currently acquirable by exercise of outstanding stock options, 9,143 shares held in the Retirement Plan for Mr. Williams account, and 39,103 restricted shares.

(10) Includes 50,000 shares that are currently acquirable by exercise of outstanding stock options.

(11) Includes 4,050 shares held in the Retirement Plan for Mr. Forbis account, and 17,300 restricted shares.

(12) Includes 22,500 shares that are currently acquirable by exercise of outstanding stock options.

(13) Includes 22,500 shares that are currently acquirable by exercise of outstanding stock options.

(14)

Includes 666,667 shares that are currently acquirable under outstanding stock options, 76,311 shares held in the Retirement Plan for the accounts of the executive officers and 196,833 restricted shares held by executive officers.

PROPOSAL 1

ELECTION OF DIRECTORS

Procedure

At the meeting, the stockholders will elect eight (8) directors to hold office for one-year terms ending at the 2011 Annual Meeting of Stockholders or until their successors are elected and qualified. The Board of Directors has nominated the Company s eight (8) current directors for reelection at the Annual Meeting.

The stockholders are entitled to one vote per share on each matter submitted to vote at any meeting of the Stockholders. Unless contrary instructions are given, the persons named in the enclosed Proxy or their substitutes will vote FOR the election of the nominees named below.

Each of the nominees has consented to serve as director. However, if any nominee at the time of election is unable to serve or is otherwise unavailable for election, and as a result other nominees are designated by the Board of Directors, the persons named in the enclosed Proxy or their substitutes intend to vote for the election of such designated nominees.

Director Qualifications and Selection

Under the Company s Corporate Governance Guidelines, the Governance Committee is charged with the responsibility for determining the appropriate skills and characteristics required of Board members and is to consider such factors as experience, strength of character, maturity of judgment, technical skills, diversity, and age in assessing the needs of the Board. The guidelines specify that a majority of the members shall qualify as independent under applicable NASDAQ listing standards. While the term diversity is not specifically defined in the Guidelines and there is no formal policy regarding application of the term, it has been the practice of the Governance Committee to apply the term broadly, resulting in Board composition over the years that has reflected diversity in race, sex and age, as well as diversity in business experience and in representation of the markets served by the Company.

While the Company has a nomination policy by which stockholders may recommend to the Governance Committee that it consider for nomination certain prospective directors (See Corporate Governance Nomination Policy, below), to date no such recommendation has ever been received. If such a recommendation is received in the future, it will be evaluated in the same manner as any other recommendation to the Governance Committee. The Governance Committee nomination process to date has been informal and has consisted of members of the Committee soliciting suggestions of possible candidates from management and other Board members, contacting candidates to determine interest level, in-person interviews to determine fit , and background checks, followed by Governance Committee evaluation and nomination.

Nominees for Election

The nominees for re-election as directors of the Company, as well as certain information about them, are as follows:

Name	Position with Company	Director Since
Michael E. Henry	Chairman and Director	1986
Jerry D. Hall	Vice Chairman, Executive Vice President and Director	1977
James J. Ellis	Director	1985
Craig R. Curry	Director	2004
Wesley A. Brown	Director	2005
Matthew C. Flanigan	Director	2007
Marla K. Shepard	Director	2007
John F. Prim	Chief Executive Officer and Director	2007

The following information relating to the Company s directors and nominees for director, all of whom are United States citizens, is with respect to their principal occupations, business experience and positions during the past five years, as well as the specific experiences, qualifications, attributes and skills that led to the conclusion that they should serve as directors of the Company:

Michael E. Henry, age 49, Chairman of the Board and Director. Mr. Henry, the son of the late founder of the Company and a director since 1986, has served as Chairman of the Board since 1994 and served as Chief Executive Officer from 1994 to 2004. He previously served as Vice Chairman and Senior Vice President from 1993 to 1994. He served as Manager of Research and Development from 1983 to 1993. He joined the Company as an employee in 1979 and formally resigned from his employment in August of 2008. Mr. Henry spent his entire career with the Company in various positions of responsibility and authority, from entry-level programming and installation to managing research and development. As CEO of the Company he managed all operations through a period of explosive growth in which the company grew from 183 employees to over 2,500 and from revenues of $38 million to $467 million. These experiences provide Mr. Henry with extensive knowledge of the Company s technology, employees and customers and enable him to provide unique leadership and insight into the Company s strategic direction.

Jerry D. Hall, age 67, Vice Chairman, Executive Vice President and Director. Mr. Hall, a co-founder of the Company, has served as Vice Chairman since 2007 and as Executive Vice President since 1994. He previously served as Chief Executive Officer from 1990 through 1994, as President from 1989 through 1993 and as Vice President-Operations from 1977 through 1988. Prior to joining Jack Henry in the founding of the Company, Mr. Hall was employed as data processing manager of a large manufacturer. He has been a director since the Company s incorporation in 1977. As the sole remaining founder of the Company and with management and operational experience as CEO, President and in other managerial positions, Mr. Hall brings to the Board deep knowledge of the Company s history, products and markets.

James J. Ellis, age 76, Director. Mr. Ellis, a director of the Company since 1985, has been Managing Partner of Ellis Rosier & Associates since 1992. Mr. Ellis served as general manager of MONY Financial Services, Dallas, Texas, from 1979 until his retirement in 1992. Mr. Ellis also serves as a director of Merit Medical Systems, Inc. and previously served as a director of Vanderbilt Energy, both public companies. He has served on the boards of numerous private companies, including Cornerstone Bank of Dallas, The Bank of Texas. First National Bank of Park Cities, Challenger Capital Group, Geniant, Inc., USNetworks, Inc., Sentir, Inc., Dallas Academy, and Westwood Trust. Mr. Ellis chaired the Board s Compensation Committee for many years as well as chairing and serving on the Compensation Committees of Merit Medical Systems, First Command Financial Planning and the Dallas Country Club. Mr. Ellis was originally recruited for the Company s Board soon after the initial public offering because of his experience as a member of a public company Board at Vanderbilt Energy and his background in finance, banking and employee benefits. His 25 years of service as director has given Mr. Ellis broad knowledge of the Company, but he also brings a wealth of other experiences to the Board in executive compensation, sales management and a lifetime of business consultation.

Craig R. Curry, age 49, Director. Mr. Curry, a director of the Company since March 2004, is Chairman of the Board of Central Bank, Lebanon, Missouri, with which he has been affiliated since 1983. Central Bank is a successful community bank with five facilities and $270 million in assets. Mr. Curry brings to the Board the perspective and experience of a community banker and long-term user of the Company s technology, as Central Bank was one of the earliest customers of the Company. Mr. Curry has served in numerous leadership positions in the Missouri Bankers Association, including Board member and Chairman, and has served on a number of committees of the American Bankers Association, including its Education Council, Community Bankers Council, Community Bank Tax Task Force and its Governmental Relations Board.

Wesley A. Brown, age 56, Director. Mr. Brown, a director of the Company since his appointment in 2005, is a co-founder and Managing Director of St. Charles Capital, LLC in Denver, Colorado, where he also served as its first President and Compliance Officer. At St. Charles Capital, Mr. Brown specializes in merger transactions and financings for financial institutions, completing over 125 transactions totaling in excess of $3.5 billion over his career. His connections with and to the community banking industry in the Rocky Mountain Region are extensive, as he has personally negotiated approximately half of all bank and thrift merger transactions that have occurred in Colorado since 1993. Prior to founding St. Charles Capital, he served as Managing Director of McDonald Investments, Inc. (2001-2004) and Executive Vice President of The Wallach Company (1991-2003). In addition to experience with finance and compliance, Mr. Brown brings a deep knowledge of the banking industry to the Board as well as unique insight to the Company s mergers and acquisitions. Mr. Brown earned a Masters in Business Administration with Honors from the University of Chicago and worked as an investment banker on the original public offering of the Company.

Matthew C. Flanigan, age 48, Director. Mr. Flanigan, a director of the Company since his appointment in 2007, is Senior Vice President, Chief Financial Officer and a director of Leggett & Platt, Incorporated headquartered in Carthage, Missouri. Leggett & Platt is a leading manufacturer of spring components and other products for furniture, bedding, automobiles and other consumer products. Mr. Flanigan was appointed Senior Vice President in 2005 and became Chief Financial Officer in 2003. From 1999 until 2003, he served as President of the Office Furniture and Plastics Components Groups of Leggett & Platt. Prior to joining Leggett & Platt in 1997, Mr. Flanigan was employed in the banking industry for 13 years, the last 10 of which as executive manager for Societe Generale in Dallas, the largest non-U.S. lending institution in the Southwestern United States at that time. Mr. Flanigan brings to our Board expertise in banking and in finance, risk and compliance functions as well a unique perspective coming from his wide experience at a large, global Fortune 500 manufacturer.

Marla K. Shepard, Age 61, Director. Ms. Shepard, a director of the Company since her appointment in 2007, is the President and Chief Executive Officer of California Coast Credit Union of San Diego, California. California Coast is the surviving entity from a merger in 2008 with First Future Credit Union, also of San Diego, California, where Ms. Shepard served as Chief Executive Officer for over 25 years. Ms. Shepard brings to the Board a thorough understanding of the credit union markets we serve, having started in 1972 as a teller at a small credit union. As CEO she led her institution through six merger transactions to become one of the largest credit unions in California, with nearly $2 billion in assets and 24 branches. She has received numerous service and other awards from the California Credit Union League as well as serving as the chair of its Governmental Relations Committee and has served on the Credit Union National Administration s Risk Oversight Committee. Ms. Shepard also brings to our Board the perspective of a major credit union customer, as her institution has used the Company s Symitar core software system for over 24 years and utilizes many of our complementary software products and data processing services.

John F. Prim, age 55, Chief Executive Officer and Director. Mr. Prim has served as Chief Executive Officer since July 1, 2004. He served as President from January 2003 to July 2004 and as Chief Operating Officer from July 2001 to January 2003. Mr. Prim joined the Company in 1995 as part of the acquisition of the Liberty division of Broadway & Seymour, Inc. He previously served as General Manager of the Company s E-Services and OutLink Services Divisions. Mr. Prim has been a director since 2007. Mr. Prim has spent his whole career in our industry, starting as a sales representative for Burroughs Corporation selling products and services to banks and thrifts before joining Broadway & Seymour s community banking unit in 1985, where he served in a number of positions including National Sales Manager. His broad experience in the industry in both operations and sales, as well as his extensive successful experience in various management roles at Jack Henry & Associates led to his appointment as CEO in 2004, and these same factors informed the decision to nominate him to the Board of Directors in 2007. Mr. Prim earned a Masters in Business Administration degree in 1985 from Queens University in Charlotte, N.C.

Director Independence

Non-employee directors Ellis, Curry, Brown, Flanigan and Shepard qualify as independent in accordance with the published listing requirements of NASDAQ. Messrs. Hall and Prim do not qualify as independent because they are employees of the Company. Mr. Henry resigned from his employment with the Company in 2008, and thus does not qualify as independent under the NASDAQ rules at this time. The NASDAQ rules have both objective and subjective tests for determining who is an independent director. The objective tests state, for example, that a director is not considered independent if he or she is an employee of the company or is a partner in or executive officer of an entity to which the company made, or from which the company received, payments in the current or any of the past three fiscal years that exceed 5% of the recipient s consolidated gross revenue for that year. The subjective test states that an independent director must be a person who lacks a relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Of the non-employee directors, only Mr. Henry is disqualified from independent status under the objective tests. In assessing independence under the subjective test, the Board took into account the standards in the objective tests and reviewed additional information provided by the directors with regard to each director s business and personal activities as they may relate to the Company and its management. Based on all of the foregoing, as required by NASDAQ rules, the Board made a subjective determination as to each of Ms. Shepard and Messrs. Ellis, Curry, Brown and Flanigan that no relationship exists which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Board has not established categorical standards or guidelines to make these subjective determinations, but considers all relevant facts and circumstances.

In addition to the Board-level standards for director independence, the directors who serve on the Audit Committee each satisfy standards established by the SEC providing that to qualify as independent for the purposes of membership, members of audit committees may not accept directly or indirectly any consulting, advisory or other compensatory fee from the Company other than their director compensation.

In making its independence determinations, the Board considered transactions occurring since the beginning of its 2008 fiscal year between the Company and entities associated with the independent directors or members of their immediate family. While customer relationships do exist between the Company and the financial institutions led by Mr. Curry and Ms. Shepard, the Board has determined that, because of the amounts involved in relationship to the total revenues of the Company and such institutions, the relationships do not impair the independence of these directors. The Board has also determined that the transactions with such financial institutions were on terms no less favorable to the Company than arrangements with other unaffiliated customers. In all cases and in all years reviewed, the amounts received by the Company from these institutions were less than 1% of the Company s total revenue for the year. See Certain Relationships and Related Transactions , below.

CORPORATE GOVERNANCE

The Company and its businesses are managed under the direction of the Board of Directors. The Board generally meets a minimum of four times during the year, but has complete access to management throughout the year.

Corporate Governance Guidelines

The Board of Directors has adopted Corporate Governance Guidelines which address the following subjects:

-

The majority of the Board should be independent under relevant NASDAQ standards

-

Independent directors should not be compensated by the Company other than in the form of Director s fees (including any equity awards)

-

Membership on the Audit, Compensation and Governance Committees should be limited to independent directors

-

The Board should conduct an annual self-evaluation to determine whether it and its committees are functioning properly

-

Non-management directors may meet in executive session from time to time without members of management

-

The Chief Executive Officer shall provide an annual report to the Board on succession planning

-

The Governance Committee is responsible for determining skills and characteristics of Board candidates, and should consider factors such as independence, experience, strength of character, judgment, technical skills, diversity and age

-

The Board and its committees shall have the right at any time to retain independent counsel

-

Board members should not sit on more than 3 other boards

-

Board members are expected to attend all Annual Meetings of the Stockholders

-

Stockholders may communicate with the Board by submitting written comments to the Secretary for the Company, who will screen out inappropriate communications and forward same to the directors

-

Directors, executive officers and general managers of the Company should own minimum amounts of Company stock in relation to their base compensation

Nomination Policy

The Board of Directors has also adopted a Nomination Policy with respect to the consideration of director candidates recommended by stockholders. A candidate submission from a stockholder will be considered at any time if the following information is submitted to the Secretary of the Company:

-

The recommending stockholder s name and address, together with the number of shares, length of period held and proof of ownership

-

Name, age and address of candidate

-

Detailed resume of candidate, including education, occupation, employment and commitments

-

Description of arrangements or understandings between the recommending stockholder and the candidate

-

Statement describing the candidate s reasons for seeking election to the Board and documenting candidate s satisfaction of qualifications described in the Corporate Governance Guidelines

-

A signed statement from the candidate, confirming willingness to serve

-

If the recommending stockholder has been a beneficial holder of more than 5% of the Company s stock for more than a year, then it must consent to additional public disclosures by the Company with regard to the nomination

The Secretary of the Company will promptly forward complying nominee recommendation submissions to the Chairman of the Governance Committee. The Governance Committee may consider nominees submitted from a variety of sources including but not limited to stockholder recommendations. If a vacancy arises or the Board decides to expand its membership, the Committee will evaluate potential candidates from all sources and will rank them by order of preference if more than one is identified as properly qualified. A recommendation will be made to the Board by the Governance Committee based upon qualifications, interviews, background checks and the Company s needs.

Board Leadership Structure

The Board of Directors does not have a fixed policy regarding the separation of the offices of Chairman and Chief Executive Officer. While those offices have been held by different persons since 2004, the members of the Board believe that the Company was well served in the past by combined Chairman/CEOs and that the Board should maintain the flexibility to combine these offices in the future if deemed to be in the best interests of the Company.

The Board is committed to strong, independent Board leadership and believes that objective oversight is critical to effective governance. A majority of our directors are independent as are all members of the committees of the Board Audit, Compensation and Governance. The independent directors regularly meet in executive session without management directors.

Risk Oversight

Pursuant to the Company s Corporate Governance Guidelines, the Board performs its risk oversight function primarily through its Audit and Compensation Committees. The Audit Committee oversees risks relating to financial statements and reporting, credit, and liquidity risks. The Compensation Committee is charged with oversight of risks in compensation policies and practices. The Board receives regular reports from these committees as well as management, assesses major risks, and reviews with management options for risk mitigation.

Code of Conduct

The members of the Board of Directors, as well as the executive officers and all other employees, are subject to and responsible for compliance with the Jack Henry Code of Conduct. The Code of Conduct contains policies and practices for the ethical and lawful conduct of our business, as well as procedures for confidential investigation of complaints and discipline of wrongdoers.

Governance Materials Available

The Company has posted its significant corporate governance documents on its website at **http://ir.jackhenry.com/governance.cfm**. There you will find copies of the current Corporate Governance Guidelines, the Jack Henry Code of Conduct, the Compensation Committee Charter, the Governance Committee Charter (with attached Nomination Policy) and Audit Committee Charter, as well as the Company s Certificate of Incorporation and By-Laws. Other investor relations materials are also posted at **http://ir.jackhenry.com**, including SEC reports, financial statements and news releases.

The Board of Directors and Its Committees

The Board of Directors held four regular meetings and four special meetings during the last fiscal year. Each director attended at least 75% of all meetings of the Board of Directors and all committees on which they served. The independent directors met in three executive sessions without management present during the last fiscal year. In accordance with our Corporate Governance Guidelines, all of the directors attended the Annual Meeting of the Stockholders held on November 10, 2009, except that Jerry Hall and Marla Shepard did not attend due to illness.

The Board has determined that five of its eight members, Ellis, Curry, Brown, Flanigan and Shepard, are independent directors under applicable NASDAQ standards. The Board maintains an Audit Committee of which Messrs. Ellis, Brown, Curry and Flanigan are members. The Board has determined that Matthew Flanigan is an audit committee financial expert because of his extensive accounting and financial experience. The Board also maintains a Compensation Committee of which Messrs. Ellis and Flanigan and Ms. Shepard are members and a Governance Committee of which Messrs. Curry and Brown and Ms. Shepard are members. All members of the Audit, Compensation and Governance Committees are independent directors.

The Compensation Committee establishes and reviews the compensation, perquisites and benefits of the Executive Officers, evaluates the performance of senior executive officers, considers incentive compensation plans for our employees and carries out duties assigned to the Committee under our equity compensation plans and employee stock purchase plan. The Compensation Committee operates under a written charter adopted by the Board.

The Governance Committee identifies, evaluates and recruits qualified individuals to stand for election to the Board of Directors, recommends corporate governance policy changes and evaluates Board performance. The Governance Committee also operates under a charter adopted by the Board. The Governance Committee will consider candidates recommended by stockholders, provided such recommendations are made in accordance with the procedures set forth in the Governance Committee Nomination Policy attached to its charter, discussed in greater detail in Corporate Governance, above.

The Audit Committee selects and retains the independent registered public accounting firm, reviews the scope and results of the audit with the independent registered public accounting firm and management, reviews critical accounting policies and practices, reviews and evaluates our audit and control functions, reviews and pre-approves retention of the independent registered public accounting firm for any audit, audit related and non-audit services, reviews and approves all material related party transactions, and regularly reviews regulatory compliance matters, including our outsourcing services and business recovery operations. The Audit Committee operates under a written Audit Committee Charter.

The Audit Committee met eight times, the Compensation Committee met five times and the Governance Committee met two times during the last fiscal year.

In 2007, the Board of Directors adopted Stock Ownership Guidelines establishing stock ownership goals applicable to directors as well as senior management of the Company. Within five years of the adoption of the guidelines (that is, by August 2012), each director of the Company is expected to own Company shares having a value of at least four times the annual director base compensation. For this purpose, in addition to shares held outright, directors may include shares held in trust for immediate family members as well as the in-the-money value of any vested stock options and all restricted stock. All directors are currently in compliance with these guidelines except for Mr. Flanigan and Ms. Shepard, two of the newest members of the Board. As a result of changes made to the equity compensation to be paid to the non-employee directors in fiscal 2011, it is expected that all directors will be in compliance with the guidelines by December 2010.

Compensation Committee Interlocks and Insider Participation

During our 2010 fiscal year, Messrs. Ellis and Flanigan and Ms. Shepard served on the Compensation Committee. None of the members of the Compensation Committee is currently or was formerly an officer or employee of the Company. There are no Compensation Committee interlocks and no insider participation in compensation decisions that are required to be reported under the SEC s rules and regulations.

Director Compensation

The following table sets forth compensation paid to our directors in fiscal 2010. The compensation paid to Messrs. Prim and Hall as employees is detailed below at Executive Compensation.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($) (1)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
James J. Ellis	69,000	-	88,559	-	-	157,559
Craig R. Curry	67,500	-	88,559	-	-	156,059
Wesley A. Brown	62,000	-	88,559	-	-	150,559
Matthew C. Flanigan	66,000	-	88,559	-	-	154,559
Marla K. Shepard	54,500	-	88,559	-	-	143,059
Michael E. Henry	56,000	-	-	-	-	56,000

(1)

These amounts reflect the aggregate grant date fair value of options granted for the fiscal year ended June 30, 2010, in accordance with FASB ASC Topic 718. For assumptions used in determining the fair value of stock options awards granted, see Note 9 to the Company s 2010 Consolidated Financial Statements. As of June 30, 2010, listed directors had the following number of option awards outstanding: James Ellis 130,000, Craig Curry 66,667, Wesley Brown 50,000, Matthew Flanigan 30,000, Marla Shepard 30,000 and Mike Henry 0.

The directors who are employed by the Company do not receive any separate compensation for service on the Board of Directors. In the fiscal year ended June 30, 2010, each non-employee director received annual compensation of $35,000 per year plus $3,500 for attending each in-person Board meeting. Each non-employee director was also reimbursed for out-of-pocket expenses incurred in attending all Board and committee meetings.

Under the 2005 Non-Qualified Stock Option Plan each non-employee director was also compensated by an annual grant of non-statutory stock options to purchase 10,000 shares of Common Stock, subject to an overall grant limitation under the plan of 100,000 shares to each individual director. The grants were made each year on the third business day following the date of the annual meeting of the stockholders. In August 2010, the Board of Directors voted to alter the annual equity compensation to be paid to the non-employee directors. The 2005 Non-Qualified Stock Option Plan was amended to eliminate the requirement of annual grants of stock options to each non-employee director and the Board voted to replace such option grants with an annual grant of restricted shares to be issued under the Company s existing

Restricted Stock Plan. Until changed by vote of the Board, the annual grant amount for each non-employee director will be 4,200 restricted shares, to be granted on the third business day following the date of the Annual Meeting, and the restrictions will lapse in three equal installments over three years on the anniversary of the grant.

The Chairman of the Board also receives a 50% premium over the standard annual and meeting attendance fees to compensate him for chairmanship. Mr. Henry has indicated that he does not wish to receive an annual grant of stock options or restricted stock in his role as a non-employee director.

Audit Committee members received $2,000 for each in-person Audit Committee meeting and $1,000 for each telephone Audit Committee meeting attended. Governance and Compensation Committee members received $1,000 for each Committee meeting attended. To compensate for additional time spent on Committee matters, the chairmen of the Audit, Compensation and Governance Committees received a premium of 50% of the standard attendance fee for each Committee meeting that they chaired.

The directors listed above are not eligible to participate in any non-equity incentive plan compensation from the Company or any pension or deferred compensation plan of the Company.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Director Craig R. Curry is Chairman of Central Bank, Lebanon, Missouri. Mr. Curry and his family own all of the equity interests in Central Bank. Central Bank is a customer of the Company and during the year ended June 30, 2010, it paid $76,289 to the Company for software licenses and software maintenance services.

Director Marla K. Shepard is President and CEO of California Coast Credit Union of San Diego, California. California Coast Credit Union is a customer of the Company and during the year ended June 30, 2010, it paid $131,539 to the Company for software licenses and software maintenance services.

The Audit Committee has reviewed the above transactions and has concluded that they were on terms no less favorable to the Company than arrangements with other unaffiliated customers. The related party transactions were approved by the Audit Committee. The Governance Committee also considered the above transactions and concluded that Mr. Curry and Ms. Shepard remain independent directors despite such customer relationships.

The Board of Directors has adopted a written policy that requires all related party transactions to be reviewed and approved by the Audit Committee of the Board. The Audit Committee is charged with determining whether a related party transaction is in the best interests of, or not inconsistent with the interests of, the Company and its stockholders. In making this determination, the Audit Committee will take into account such factors as whether the related party transaction is on terms no less favorable to the Company than terms generally available to unaffiliated third parties and the extent of the related party s interest in the transaction. No director may participate in any discussion, approval or ratification of any transaction in which he or she has an interest, except for the purpose of providing information concerning the transaction. For transactions in which the aggregate amount is less than $200,000, the Chairman of the Audit Committee has been delegated the authority to pre-approve related party transactions, subject to later review by the full committee. At least annually, ongoing related party transactions will be reviewed to assess continued compliance with the policy.

For purposes of the Related Party Transaction Policy, a related party transaction is a transaction or relationship in which the aggregate amount involved will be or may exceed $100,000 in any calendar year, involves the Company as a participant, and in which any related party has or will have a direct or indirect interest (other than solely as a result of being a director or less than 10% beneficial owner of the other entity). A related Party is any executive officer, director, or more then 5% beneficial owner of the Company or any immediate family member of such persons.

The policy also contains standing pre-approvals of certain transactions that are not believed to pose any material risk to the Company even if the aggregate amount exceeds $100,000 in a calendar year, including: employment arrangements with executive officers, director compensation, transactions involving competitive bids, certain banking-related services, and certain Company charitable contributions. Standing approval is also provided for transactions with another company where the related party s only relationship is as an employee (other than an executive officer), director or beneficial owner of less than 10% of that entity s shares, if the aggregate amount does not exceed $1,000,000 or 2% of that entity s annual revenues.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The Company is required to identify any director, officer or greater than ten percent beneficial owner who failed to timely file with the Securities and Exchange Commission a report required under Section 16(a) of the Securities Exchange Act of 1934 relating to ownership and changes in ownership of the Company s Common Stock. The required reports consist of initial statements on Form 3, statements of changes on Form 4 and annual statements on Form 5.

To the Company s knowledge, based solely on its review of the copies of such forms received by it, the Company believes that during the fiscal year ended June 30, 2010 all required Section 16(a) filings were filed timely.

AUDIT COMMITTEE REPORT

The Audit Committee of the Company's Board of Directors is currently composed of four independent directors. The Board has determined that Audit Committee member Matthew C. Flanigan is a financial expert under relevant SEC standards because of his extensive accounting and financial experience. The Board of Directors and the Audit Committee believe that the Audit Committee's current members satisfy all NASDAQ and Securities and Exchange Commission rules that govern audit committee composition.

The Audit Committee operates under a written charter adopted by the Board of Directors. The Charter requires the Audit Committee to oversee and retain the independent registered public accounting firm, pre-approve the services and fees of the independent registered public accounting firm, regularly consider critical accounting policies of the Company, review and approve material related party transactions, receive reports from the Company s Compliance Officer, and establish procedures for receipt and handling of complaints and anonymous submissions regarding accounting or auditing matters. The charter also contains the commitment of the Board of Directors to provide funding and support for the operation of the Audit Committee, including funding for independent counsel for the Committee if the need arises.

The role of the Audit Committee is to assist the Board of Directors in its oversight of the Company's financial reporting process. Management has the primary duty for the financial statements and the reporting process, including the systems of internal controls. The independent registered public accounting firm is responsible for auditing the Company's financial statements and expressing an opinion as to their conformity to accounting principles generally accepted in the United States.

In the performance of its oversight function, the Audit Committee has reviewed and discussed with management and the independent registered public accounting firm the Company's audited financial statements. The Audit Committee also has discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Board in Rule 3200T. In addition, the Audit Committee has received from the independent registered public accounting firm the written disclosures and letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm s communications with the audit committee concerning independence, and has discussed with the independent registered accounting firm its independence.

The Audit Committee discussed with the Company's independent registered public accounting firm the overall scope and plans for their respective audits. The Audit Committee meets with the internal auditors and the independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting.

These meetings without management present are held at least once each year, and were held three times in the fiscal year just ended.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the Company's audited financial statements be included in the Company's 2010 Annual Report to Shareholders and Annual Report on Form 10-K for the year ended June 30, 2010 for filing with the Securities and Exchange Commission.

Craig R. Curry, James J. Ellis, Matthew C. Flanigan and Wesley A. Brown

Members of the Audit Committee

EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES

The executive officers and significant employees of the Company, as well as certain biographical information about them, are as follows:

Name	Position with Company	Officer/Significant Employee Since
John F. Prim	Chief Executive Officer	2001
Tony L. Wormington	President	1998
Jerry D. Hall	Vice Chairman and Executive Vice President	1977
Kevin D. Williams	Chief Financial Officer and Treasurer	2001
Mark S. Forbis	Vice President	2006

The following information is provided regarding the executive officers and significant employees not already described herein, all of whom are United States citizens:

Tony L. Wormington, age 48, President. Mr. Wormington has served as President since 2004. He previously served as Chief Operating Officer from 2003 to 2004 and as a Vice President from 1998 to 2002. Mr. Wormington joined the Company in 1980 and served as Research and Development Manager from 1993 through 2002. Mr. Wormington s entire career has been spent at the Company, starting in entry-level programming and installation and progressing through levels of management as the Company grew. As President, Mr. Wormington has broad responsibilities with respect to the majority of the Company s operations and his long tenure and varied experience give him intimate knowledge of the Company, its products, employees and customers.

Kevin D. Williams, age 51, Chief Financial Officer and Treasurer. In 2001, Mr. Williams was appointed by the Board of Directors to serve as Chief Financial Officer and Treasurer of the Company, having previously served as Controller of the Company since joining the Company in 1998. Prior to joining the Company, Mr. Williams was a practicing CPA as a Senior Manager for the Baird Kurtz & Dobson public accounting firm. Mr. William s executive management responsibilities extend beyond finance and accounting to include compliance, internal audit, investor relations, facilities and other office services functions that encompass approximately 500 of the Company s employees.

Mark S. Forbis, age 47, Vice President and Chief Technology Officer. Mr. Forbis has served as Vice President and Chief Technology Officer since 2006 and as General Manager of Technology Services since 2002. Mr. Forbis joined the Company in 1988 and has served in a number of positions, including Manager of Imaging from 1994 to his appointment as a General Manager in 2002. Prior to joining the Company, Mr. Forbis had several prior jobs in bank data processing, including supervisory and management positions with BankTech, Inc. and Systematics, Inc. As Chief Technology Officer and General Manager of Technology Services, Mr. Forbis leads a team of over 260 researchers, designers, programmers, developers and quality analysts charged with maintaining and upgrading current products and services, developing new products, establishing standards and practices and planning roadmaps for future technology development.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Company has reviewed and discussed the following Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the following Compensation Discussion and Analysis be included in this Proxy Statement.

James J. Ellis, Chair

Matthew C. Flanigan

Marla K. Shepard

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis is designed to provide information regarding the philosophy and objectives underlying our compensation policies, the processes we follow in setting compensation and the components of compensation we utilize in compensating our top executives. This discussion is focused on our Chief Executive Officer Jack Prim, President Tony Wormington, Chief Financial Officer Kevin Williams, Chief Technology Officer Mark Forbis and Executive Vice President Jerry Hall, who are collectively referred to as the Named Executives. Specific information about the compensation of the Named Executives is set forth in the Summary Compensation Table and other compensation tables beginning on page 23, which should be read in conjunction with this discussion.

Compensation Philosophy and Objectives

Jack Henry s compensation philosophy is to offer compensation programs to our executives that:

- Focus executives on achieving consistent earnings growth and superior return on assets;
- Encourage continuation of the Company s entrepreneurial spirit;
- Attract and retain highly qualified and motivated executives;
- Reward the creation of stockholder value; and

· Encourage esprit de corps and reward outstanding performance.

In meeting these objectives, the Compensation Committee strives for the interests of management and stockholders to be the same the maximization of stockholder value.

The compensation programs specific to our Named Executives are administered by the Company s Compensation Committee. The three members of the Compensation Committee are non-employee directors who are independent under the NASDAQ rules. The Compensation Committee operates under a written charter, and has the specific charter responsibility to approve the compensation of the Named Executives and the Company s Chief Operating Officer, Controller and other Senior Vice Presidents. At this time, the Company does not have any officer with the title of Chief Operating Officer.

The Compensation Committee designs and maintains compensation programs consistent with our executive compensation philosophy to achieve the following objectives:

·

To attract, retain and motivate highly qualified executives by offering compensation programs that are competitive with programs offered by companies in our peer group.

·

To link performance and executive pay by tying bonus amounts to achievement of key objectives under the Company s annual business plans.

·

To reward competitive performance in comparison with peers in our industry.

·

To reward the creation of long-term stockholder value through long-term incentive compensation awards and encouragement of significant stock ownership by top management to further align executive interests to those of our stockholders.

In pursuit of these objectives, the Compensation Committee believes that the compensation packages provided to the Named Executives should include both cash and equity-based compensation, with an emphasis on performance-based pay. Base pay and benefits are set primarily to attract and retain highly qualified and effective employees. Variable incentive pay is used to align the compensation of the Named Executives with the Company s short term business and performance objectives such as income targets and overall financial performance. Equity awards are used to retain key employees and to motivate executives to create long-term stockholder value.

Process for Establishing Compensation

The Compensation Committee has overall responsibility for making decisions regarding the compensation of the Named Executives. In conducting an annual performance review and determining appropriate compensation levels for our Chief Executive Officer, President and Chief Financial Officer (the Senior Executives), the Compensation Committee meets and deliberates outside the presence of the Senior Executives and other members of the executive management team. With respect to the compensation levels for other Named Executives, the Compensation Committee considers input and recommendations from the Senior Executives. Performance reviews of our Chief Executive Officer and each other Named Executive are based on subjective evaluations of individual performance as well as their performance in the preceding fiscal year in achieving Company performance objectives. While our Senior Executives make recommendations concerning salary adjustments, cash bonus programs and award amounts for the Named Executives who are not Senior Executives, the Compensation Committee can exercise its discretion to modify or reject any such recommendations.

In designing compensation programs and determining compensation levels for the Named Executives for fiscal year 2010 (ending June 30, 2010), the Compensation Committee was assisted by an independent compensation consultant. The Compensation Committee again engaged Hay Group, Inc., a global human resources consulting firm, to serve as its independent advisor and compensation consultant. Hay Group, Inc. also advised the Committee for fiscal years 2008 and 2009. The Chairman of the Compensation Committee worked directly with Hay Group to determine the scope of the work needed to assist the Committee in its decision-making processes. The engagement included provision of benchmark comparative data for the Named Executives with respect to base salaries, annual cash bonuses, long term incentives, and equity incentives, review of current employment arrangements, incentive plan designs and comparative data regarding severance, change of control, benefits and perquisites. Hay Group provides no other consultation or services to the Company or management.

In making compensation decisions, the Compensation Committee compared each element of total direct compensation against a peer group of publicly traded companies in the software, payments and data processing industries against which the Compensation Committee believes we compete in the market for executive talent. We collectively refer to this group as the Compensation Peer Group. In selecting companies for the Compensation Peer Group, the Compensation Committee considered various companies provided by the Senior Executives, as well as companies submitted by Hay Group. The current Compensation Peer Group is comprised of the following 21 companies:

ACI Worldwide

Alliance Data Systems

Bottomline Technologies, Inc.

Cerner Corporation

DST Systems, Inc.

Euronet Worldwide, Inc.

Fair Isaac Corporation

Fidelity National Information Services, Inc.

Fiserv, Inc.

Global Cash Access Holdings

Global Payments

Heartland Payment Systems

Lender Processing Services

Micros Systems

Online Resources Corporation

SEI Investments Co.

S1 Corporation

Telecommunication Systems, Inc.

Tier Technologies

Total Systems Services

Tyler Technologies, Inc.

The Compensation Peer Group is reviewed annually and, as appropriate, updated by the Compensation Committee. In addition to industry considerations, the Compensation Committee selects companies for the Compensation Peer Group based on their annual revenues and market capitalization. The Compensation Peer Group was revised in July 2010 and consists of the same companies from the prior year, minus two that were acquired during the year and eight new companies selected by the Committee from suggestions by Senior Executives and Hay Group. Several of the new group members are primarily in the payments business, which is a growing part of the Company s business. For comparison purposes, Jack Henry s annual revenues are near the median revenues of the current members of the Compensation Peer Group.

To benchmark each element of total compensation for our Named Executives, the independent advisor to the Compensation Committee provided data from two key sources: an executive compensation survey reflective of the Compensation Peer Group and proxy statements and other public filings for the companies in our Compensation Peer Group. The advisor also provided data from a compensation survey for the entire software industry for executive positions and compensation programs for which we lacked clear comparable data from the Compensation Peer Group. In reviewing compensation survey data, the Compensation Committee considered data for software companies with annual revenues similar to ours. Sources of data for compensation surveys and analysis include surveys for our Compensation Peer Group and the software industry, in addition to proxy statements and other public filings by companies in our Compensation Peer Group.

In setting fiscal 2010 compensation, the Compensation Committee approved total cash compensation (i.e., base salary and annual cash incentives) for the Named Executives at or approaching the 50th percentile of the Compensation Peer Group. In targeting total cash compensation at the 50th percentile, the Compensation Committee recognized that there are certain limitations in the market data available for the Compensation Peer Group. Thus, in addition to considering levels of compensation suggested by market data, the Compensation Committee also considered other relevant factors including performance against pre-agreed objectives under business plans for the preceding fiscal year, individual performance reviews, and internal equity for compensation levels among our executives.

In regards to the three Senior Executives (CEO, President and CFO), because of their sharing of duties and responsibilities, the 50th percentile target for total cash compensation has for several years been applied to them as a group and not necessarily individually, with the result that their individual cash compensation may be somewhat more or less than if considered individually against the target. The Compensation Committee opted not to include a 50th percentile target in connection with its decisions on long-term incentive compensation for fiscal 2010 and the past two years, but has set the goal of moving closer to that target in fiscal 2011 and in future years. The long-term incentive compensation granted to the Named Executives in fiscal 2010 was in fact well below the 50th percentile of the Compensation Peer Group.

As discussed below, decisions regarding fiscal 2010 total cash compensation were greatly influenced by the ongoing economic crisis and a resulting Company-wide policy of compensation freezes and reductions announced by CEO Jack Prim in May 2009. The Named Executives requested that their salaries should be fully subject to the freeze and reduction policies that impacted all employees of the Company. As a result, for fiscal 2010 total cash compensation for the Named Executives was not set in reference to Compensation Peer Group or market data, and was below the 50th percentile goal used in fiscal years 2008 and 2009.

The allocation between cash, non-cash, short-term and long-term incentive compensation is influenced by the practices of our Compensation Peer Group and reflects the Compensation Committee s determination of the appropriate compensation mix among base pay, annual cash incentives and long-term equity incentives to encourage retention and performance. Actual cash and equity incentive awards are determined by the performance of the Company and the individual, depending on the type of award, compared to established goals. For the fiscal year ending June 30, 2010, the elements of the compensation mix included:

.

Base salary, which is designed to attract and retain executives over time;

.

Annual cash incentive bonus compensation, which is designed to focus on business objectives established by the Board for a particular year;

.

Long-term incentive compensation, consisting of shares of restricted stock, which is designed to focus executives on the long-term success of the Company as reflected in the market price of the Company s stock; and

.

Broad-based employee benefits programs.

For fiscal year 2011, the compensation mix will continue to include these same elements, with the addition of restricted stock units discussed below at Long-term Incentive Compensation.

Base Salary

In fiscal 2009, the Compensation Committee established the base salary of each Named Executive other than Mr. Hall based primarily on consideration of the 50th percentile pay levels of the Compensation Peer Group. In reviewing base salaries for our Named Executives, the Committee also considered other relevant factors for each individual such as achievement of pre-agreed objectives in the preceding fiscal year, individual performance review, and the internal equity of the executive s base salary as compared to salaries of our other executives, as well as the Company s performance against key objectives under our budget for the preceding fiscal year, including objectives related to revenue and earnings targets as well as competitive results. As discussed above, the 50th percentile target for fiscal 2009 was applied with respect to the three Senior Executives as a group rather than individually.

In May of 2009, in response to the ongoing economic crisis and its effects on the Company s business, Mr. Prim announced a series of temporary cost containment measures including reductions in compensation to be applied to all Company employees. Salary and compensation reductions were put into effect on June 1, 2009. The reductions were staged by compensation level and ranged from 1.5% of compensation at the lowest levels to a 7% reduction applied to the salaries of Messrs. Prim, Wormington, Williams and Forbis. These measures were taken after careful consideration of available cost containment options, and as an alternative to substantial layoffs of personnel. As a part of these measures, all employees were informed that merit raises for fiscal 2010, normally effected in August of each year, would be suspended. The temporary salary reductions were ended and salaries of all employees, including the Named Executives, were restored to the May 2009 levels on March 1, 2010.

In light of the continuing economic uncertainty and shared sacrifice of all Company employees over the prior year in the form of salary reductions, the Named Executives requested that the Compensation Committee continue to maintain their base salaries at current levels (originally set in fiscal 2009) through fiscal 2011. The Compensation Committee has honored this request and appreciates the support of all Jack Henry Associates during this last year of salary reductions.

In contrast to the other Named Executives, Mr. Hall s base salary is fixed at $52,400, the amount he requested in 2009, reflecting his senior, part-time and largely advisory role in management. Mr. Hall s salary was temporarily reduced by 5% on June 1, 2009 in the general compensation reduction and was restored to the current level in March 2010.

Although the Compensation Committee believes that competitive base salaries are necessary to attract and retain a highly qualified and effective executive team, it also believes that a significant portion of executive compensation should be based on pay-for-performance.

Annual Incentive Cash Bonuses