

TIER TECHNOLOGIES INC  
Form SC 13D  
May 12, 2008

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

**SCHEDULE 13D**

**Under the Securities Exchange Act of 1934  
(Amendment No. )\***

**Tier Technologies, Inc.**

(Name of Issuer)

**Common Stock, \$0.10 par value per share**

(Title of Class of Securities)

**88650Q100**

(CUSIP Number)

**Michael R. Murphy**

**Discovery Group I, LLC**

**191 North Wacker Drive**

**Suite 1685**

**Chicago, Illinois 60606**

**Telephone Number: (312) 265-9600**

(Name, Address and Telephone Number of Person  
Authorized to Receive Notices and Communications)

**May 1, 2008**

## Edgar Filing: TIER TECHNOLOGIES INC - Form SC 13D

(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. o

**Note:** Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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CUSIP No. 88650Q100

1. Names of Reporting Persons  
Discovery Equity Partners, L.P.
2. Check the Appropriate Box if a Member of a Group (See Instructions)  
(a)   
(b)
3. SEC Use Only
4. Source of Funds (See Instructions)  
WC
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)
6. Citizenship or Place of Organization  
Illinois
7. Sole Voting Power  
None.
8. Shared Voting Power  
983,431
9. Sole Dispositive Power  
None.
10. Shared Dispositive Power  
983,431
11. Aggregate Amount Beneficially Owned by Each Reporting Person  
983,431
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)
13. Percent of Class Represented by Amount in Row (11)  
5.0%
14. Type of Reporting Person (See Instructions)  
PN

Number of  
Shares  
Beneficially  
Owned by  
Each  
Reporting  
Person With

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CUSIP No. 88650Q100

1. Names of Reporting Persons  
Discovery Group I, LLC
2. Check the Appropriate Box if a Member of a Group (See Instructions)  
(a)   
(b)
3. SEC Use Only
4. Source of Funds (See Instructions)  
AF
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)
6. Citizenship or Place of Organization  
Delaware
- |   |     |                                       |
|---|-----|---------------------------------------|
| Number of<br>Shares<br>Beneficially<br>Owned by<br>Each<br>Reporting<br>Person With | 7.  | Sole Voting Power<br>None.            |
|   | 8.  | Shared Voting Power<br>1,139,897      |
|   | 9.  | Sole Dispositive Power<br>None.       |
|   | 10. | Shared Dispositive Power<br>1,139,897 |
11. Aggregate Amount Beneficially Owned by Each Reporting Person  
1,139,897
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)
13. Percent of Class Represented by Amount in Row (11)  
5.8%
14. Type of Reporting Person (See Instructions)  
OO

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CUSIP No. 88650Q100

1. Names of Reporting Persons  
Daniel J. Donoghue
2. Check the Appropriate Box if a Member of a Group (See Instructions)  
(a)   
(b)
3. SEC Use Only
4. Source of Funds (See Instructions)  
AF
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)
6. Citizenship or Place of Organization  
United States of America
- |   |     |                                       |
|---|-----|---------------------------------------|
| Number of<br>Shares<br>Beneficially<br>Owned by<br>Each<br>Reporting<br>Person With | 7.  | Sole Voting Power<br>None.            |
|   | 8.  | Shared Voting Power<br>1,139,897      |
|   | 9.  | Sole Dispositive Power<br>None.       |
|   | 10. | Shared Dispositive Power<br>1,139,897 |
11. Aggregate Amount Beneficially Owned by Each Reporting Person  
1,139,897
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)
13. Percent of Class Represented by Amount in Row (11)  
5.8%
14. Type of Reporting Person (See Instructions)  
IN

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CUSIP No. 88650Q100

1. Names of Reporting Persons  
Michael R. Murphy
2. Check the Appropriate Box if a Member of a Group (See Instructions)  
(a)   
(b)
3. SEC Use Only
4. Source of Funds (See Instructions)  
AF
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)
6. Citizenship or Place of Organization  
United States of America
- |   |     |                                       |
|---|-----|---------------------------------------|
| Number of<br>Shares<br>Beneficially<br>Owned by<br>Each<br>Reporting<br>Person With | 7.  | Sole Voting Power<br>None.            |
|   | 8.  | Shared Voting Power<br>1,139,897      |
|   | 9.  | Sole Dispositive Power<br>None.       |
|   | 10. | Shared Dispositive Power<br>1,139,897 |
11. Aggregate Amount Beneficially Owned by Each Reporting Person  
1,139,897
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)
13. Percent of Class Represented by Amount in Row (11)  
5.8%
14. Type of Reporting Person (See Instructions)  
IN

**Item 1. Security and Issuer**

This statement relates to the Common Stock, par value \$0.10 per share (the **Common Stock** ), of Tier Technologies, Inc., a Delaware corporation (the **Company** ), which has its principal executive offices at 10780 Parkridge Boulevard, Suite 400, Reston Virginia 20191.

**Item 2. Identity and Background**

This statement is being jointly filed by the following persons (the **Reporting Persons** ):

Discovery Equity Partners, L.P. ( **Discovery Equity Partners** ) is an Illinois limited partnership primarily engaged in the business of investing in securities.

Discovery Group I, LLC ( **Discovery Group** ) is a Delaware limited liability company primarily engaged in the business of investing in securities.

Daniel J. Donoghue is a Managing Member of Discovery Group and of various related entities, which is his principal occupation.

Michael R. Murphy is a Managing Member of Discovery Group and of various related entities, which is his principal occupation.

Both Mr. Donoghue and Mr. Murphy are United States citizens.

The business address of each of the Reporting Persons is 191 North Wacker Drive, Suite 1685, Chicago, Illinois 60606.

During the past five years, none of the Reporting Persons have been (i) convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws, or finding any violation with respect to such laws.

**Item 3. Source and Amount of Funds or Other Consideration**

The total purchase price for the 1,139,897 shares of Common Stock beneficially owned by Discovery Group and Messrs. Donoghue and Murphy as of May 11, 2008 was approximately \$10,524,441, and the total purchase price for the 983,431 shares of Common Stock beneficially owned by Discovery Equity Partners was approximately \$9,086,183. The source of such funds was the assets of Discovery Equity Partners and another private investment partnership (collectively, the **Partnerships** ) over which Discovery Group exercises discretionary investment management authority, including proceeds of margin loans under margin loan facilities maintained in the ordinary course of business by the Partnerships with a broker on customary terms and conditions. The Partnerships are the legal owner of all of the Common Stock beneficially owned by Discovery Group and Messrs. Donoghue and Murphy.

**Item 4. Purpose of Transaction**

The Reporting Persons acquired beneficial ownership of the shares of Common Stock reported herein as part of their investment activities on behalf of the Partnerships. The Reporting Persons acquired the shares of Common Stock reported herein because they believe that the trading prices of the Common Stock do not adequately reflect the potential value of the Company's underlying business and assets.

The Reporting Persons have held meetings with certain members of the Company's management and directors. The Reporting Persons have also sent written communication to the entire Board of Directors. During these meetings and correspondences, the Reporting Persons have expressed certain recommendations to the Company, including a strong desire for the Company Board of Directors to engage an investment bank to explore all strategic alternatives available to the Company, including the potential sale of the Company.

The Reporting Persons' recommendations are based on (i) discussions with large transaction processing companies expressing an interest in acquiring the Company (ii), a competitive takeover valuation that will provide a significant premium to the Company's current stock price, (iii) competitive threats to the Company from larger, more efficient industry participants, and (iv) obstacles that will prevent the Company from achieving a significant increase in shareholder value on a stand-alone basis, including senior management turnover, an extremely high cost structure, and the Company's lack of credibility with public investors.

The Reporting Persons intend to review and evaluate their investment in the Common Stock on an ongoing basis and may, depending upon their evaluation of the business and prospects of the Company, or such other considerations as they may deem relevant, determine to increase, decrease, or dispose of their holdings of Common Stock. As a part of such review and evaluation, the Reporting Persons may hold additional discussions with the Company's management and directors, other shareholders and other interested parties.

Except as otherwise described in this Item 4, the Reporting Persons do not have present plans or proposals that relate to or would result in any of the following (although the Reporting Persons reserve the right to develop such plans or proposals or any other plans relating to the Company and to take action with respect thereto): (i) the acquisition by any person of additional securities of the Company, or the disposition of securities of the Company; (ii) an extraordinary corporate transaction, such as a merger, reorganization, or liquidation, involving the Company or any of its subsidiaries; (iii) a sale or transfer of a material amount of assets of the Company or any of its subsidiaries; (iv) any change in the present board of directors or management of the Company, including any plans or proposals to change the number or term of directors or to fill any existing vacancies on the board; (v) any material change in the present capitalization or dividend policy of the Company; (vi) any other material change in the Company's business or corporate structure; (vii) changes in the Company's certificate of incorporation, bylaws, or instruments corresponding thereto or other actions that may impede the acquisition of control of the Company by any person; (viii) causing a class of securities of the Company to be delisted from a national securities exchange or to cease to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association; (ix) a class of equity securities of the Company becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Securities Exchange Act of 1934, as amended; or (x) any action similar to any of those enumerated above.

**Item 5. Interest in Securities of the Issuer**

The information concerning percentages of ownership set forth below is based on 19,561,955 shares of Common Stock reported outstanding as of April 30, 2008 in the Company's most recent Quarterly Report on Form 10-Q, for the period ended March 31, 2008.

Discovery Equity Partners beneficially owns 983,431 shares of Common Stock as of May 11, 2008, which represents 5.0% of the outstanding Common Stock.

Discovery Group beneficially owns 1,139,897 shares of Common Stock as of May 11, 2008, which represents 5.8% of the outstanding Common Stock.

Mr. Donoghue beneficially owns 1,139,897 shares of Common Stock as of May 11, 2008, which represents 5.8% of the outstanding Common Stock.

Mr. Murphy beneficially owns 1,139,897 shares of Common Stock as of May 11, 2008, which represents 5.8% of the outstanding Common Stock.

Discovery Group is the sole general partner of Discovery Equity Partners and has sole discretionary investment authority with respect to the other Partnership's investment in the Common Stock. Messrs. Donoghue and Murphy are the sole managing members of Discovery Group. As a consequence, Discovery Group and Messrs. Donoghue and Murphy may be deemed to share beneficial ownership of all of the shares of Common Stock owned by both of the Partnerships, while Discovery Equity Partners shares beneficial ownership with Discovery Group and Messrs. Donoghue and Murphy of only the shares of Common Stock owned by it.

The transactions in Common Stock effected by the Reporting Persons during the past 60 days are set out in Exhibit 1 hereto.

No person other than the Partnerships is known to any Reporting Person to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, any of the shares of Common Stock reported herein.

**Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer**

There are no contracts, arrangements, understandings or relationships (legal or otherwise) between or among any of the Reporting Persons and any other person with respect to any securities of the Company other than the governing documents of Discovery Group and the Partnerships, the margin loan facilities referred to under Item 3 above, the Joint Filing Agreement of the Reporting Persons with respect to this Schedule 13D included as Exhibit 2 to this Schedule 13D, and the Powers of Attorney granted by Messrs. Donoghue and Murphy with respect to reports under Section 13 of the Securities Exchange Act of 1934, as amended, which Powers of Attorney are included as Exhibit 3 and Exhibit 4, respectively, to this Schedule 13D.

**Item 7. Material to be Filed as Exhibits**

Exhibit 1: List of transactions by Reporting Persons in the Company's Common Stock during the 60-day period preceding this filing.

Exhibit 2: Joint Filing Agreement dated as of May 12, 2008, by and among Discovery Equity Partners, Discovery Group; Daniel J. Donoghue; and Michael R. Murphy.



Exhibit 3: Power of Attorney of Daniel J. Donoghue, dated as of April 28, 2008.  
Exhibit 4: Power of Attorney of Michael R. Murphy, dated as of April 28, 2008.

**Signature**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

May 12, 2008  
Date

**DISCOVERY GROUP I, LLC,**

for itself and as general partner of

**DISCOVERY EQUITY PARTNERS, L.P.**

By: Michael R. Murphy\*  
Signature

Michael R. Murphy, Managing Member  
Name/Title

Daniel J. Donoghue\*  
Signature

Daniel J. Donoghue  
Name/Title

Michael R. Murphy\*  
Signature

Michael R. Murphy  
Name/Title

\*By: /s/ Mark Buckley

Mark Buckley  
Attorney-in-Fact for Daniel J. Donoghue  
Attorney-in-Fact for Michael R. Murphy

**Exhibit Index**

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