

ONLINE RESOURCES CORP

Form DEF 14A

April 05, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:

Preliminary Proxy Statement Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials
 Soliciting Material Under Rule 14a-12

Online Resources Corporation

(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):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing:

1) Amount previously paid:

2) Form, Schedule or Registration Statement No:

3) Filing party:

4) Date Filed:

ONLINE RESOURCES CORPORATION

**7600 Colshire Drive
McLean, Virginia 22102**

April 5, 2004

Dear Stockholder:

On behalf of the Board of Directors and management, I cordially invite you to attend our 2004 annual meeting of stockholders to be held at 2:00 P.M. on Wednesday, May 5, 2004 at the Harvard Club of New York, 27 East 44th Street, New York, NY 10036. The attached notice of annual meeting and proxy statement describe the business we will conduct at the meeting and provide information about Online Resources Corporation that you should consider when you vote your shares.

When you have finished reading the proxy statement, please promptly vote your shares by marking, signing, dating and returning the proxy card in the enclosed envelope. We encourage you to vote by proxy so that your shares will be represented and voted at the meeting, whether or not you can attend.

Sincerely,

Matthew P. Lawlor
Chairman of the Board and
Chief Executive Officer

ONLINE RESOURCES CORPORATION

**7600 Colshire Drive
McLean, Virginia 22102**

NOTICE OF 2004 ANNUAL MEETING OF STOCKHOLDERS

The Stockholders of Online Resources Corporation:

Notice is hereby given that the Annual Stockholders Meeting of Online Resources Corporation (the Company) will be held on Wednesday, May 5, 2004, at 2:00 P.M. (EST), at the Harvard Club of New York, 27 East 44th Street, New York, NY 10036, for the following purposes:

1. To elect three Directors to serve a three-year term expiring in 2007.
2. To ratify the appointment of Ernst & Young LLP as the company's independent public accountants for the year ending December 31, 2004.
3. To consider any other business that is properly presented at the meeting.

WHO MAY VOTE:

Stockholders of record at the close of business on March 15, 2004, are the only stockholders entitled to notice of and to vote at the Annual Stockholders Meeting. A list of stockholders of record will be available at the meeting and, during the 10 days prior to the meeting, at the office of our Secretary at 7600 Colshire Drive, McLean, VA 22102.

BY ORDER OF THE BOARD OF DIRECTORS

Catherine A. Graham
Executive Vice President,
Chief Financial Officer and Secretary
Dated April 5, 2004

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ONLINE RESOURCES CORPORATION

**7600 Colshire Drive
McLean, VA 22102
703-394-5100**

**PROXY STATEMENT FOR ONLINE RESOURCES CORPORATION
2004 ANNUAL MEETING OF STOCKHOLDERS**

GENERAL INFORMATION ABOUT THE ANNUAL MEETING

Why Did You Send Me this Proxy Statement?

We sent you this proxy statement and the enclosed proxy card because Online Resources Corporation's Board of Directors is soliciting your proxy to vote at the 2004 annual meeting of stockholders and any adjournments of the meeting. This proxy statement summarizes the information you need to know to vote at the annual meeting. You do not need to attend the annual meeting to vote your shares. Instead, you may vote your shares by marking, signing, dating and returning the enclosed proxy card.

On April 5, 2004, we began sending this proxy statement, the attached notice of annual meeting and the enclosed proxy card to all stockholders entitled to vote at the meeting. Only stockholders who owned Online Resources Corporation common stock at the close of business on March 15, 2004 are entitled to vote at the annual meeting. On this record date, there were 17,933,606 shares of Online Resources Corporation common stock outstanding. Online Resources Corporation common stock is our only class of voting stock for purposes of this annual meeting. Along with this proxy statement, we are sending our 2003 annual report, which includes our financial statements for the year ended December 31, 2003.

How Many Votes Do I Have?

Each share of Online Resources Corporation common stock that you own entitles you to one vote.

How Do I Vote by Proxy?

Whether you plan to attend the annual meeting or not, we urge you to complete, sign and date the enclosed proxy card and to return it promptly in the envelope provided. Returning the proxy card will not affect your right to attend the annual meeting and vote.

If you properly fill in your proxy card and send it to us in time, your proxy (*one of the individuals named on your proxy card*) will vote your shares as you have directed. If you sign the proxy card but do not make specific choices, your proxy will vote your shares as recommended by the Board of Directors.

How Does the Board of Directors Recommend That I Vote on the Proposals?

The Board of Directors recommends that you vote as follows:

FOR the election of the nominees for Director;

FOR ratification of the selection of our independent auditors for our year ending December 31, 2004.

If any other matter is presented at the annual meeting, your proxy will vote your shares in accordance with his or her best judgment. At the time this proxy statement was printed, we knew of no matters that are to be acted on at the annual meeting, other than those discussed in this proxy statement.

May I Revoke My Proxy?

If you give us your proxy, you may revoke it at any time before it is exercised. You may revoke your proxy in any one of the following ways:

You may complete, sign and send in another proxy card with a later date;

You may notify Online Resources Corporation's Secretary in writing before the annual meeting that you have revoked your proxy; or

You may vote in person at the annual meeting.

How Do I Vote in Person?

If you plan to attend the annual meeting and vote in person, we will give you a ballot when you arrive. However, if your shares are held in the name of your broker, bank or other nominee, you must bring an account statement or letter from the nominee indicating that you are the beneficial owner of the shares at the close of business on March 15, 2004, the record date for voting at the annual meeting.

What Constitutes a Quorum for the Meeting?

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of our common stock at the record date is necessary to constitute a quorum at the meeting. Votes of stockholders of record who are present at the meeting in person or by proxy, abstentions, and broker non-votes are counted for purposes of determining whether a quorum exists.

What Vote is Required to Approve Each Proposal?

If a quorum exists at the annual meeting, then the vote required to approve each proposal is as follows:

Proposal 1: Election of Directors

The nominees for Directors who receive the most votes cast, also known as a plurality of the votes, will be elected.

Proposal 2: Ratify Selection of Independent Accountants

The affirmative vote of a majority of the votes present or represented by proxy and entitled to vote at the annual meeting is required to ratify the selection of independent accountants.

What is the Effect of Broker Non-Votes, Withholdings and Abstentions?

Broker Non-Votes: If your broker holds your shares in its name, the broker will be entitled to vote your shares on both Proposal 1 and Proposal 2 even if it does not receive instructions from you. In other words, unless your broker receives instructions from you in a timely manner, your broker has authority to use its own discretion to vote your shares with respect to Proposals 1 and 2. When your broker cannot vote your shares on a particular matter because it does not have instructions from you in a timely manner and it does not have authority to use its own discretion to vote on that matter, this is referred to as a broker non-vote. Broker non-votes are not considered to be present and represented and entitled to vote at the meeting as to all of the Proposals to be considered at the annual meeting, so they will have no effect on the votes on any of the Proposals.

Withholdings: Withholding authority to vote for the nominees for Director will have no effect on the outcome of the vote.

Abstentions: Because abstentions are treated as shares present or represented and entitled to vote at the annual meeting, abstentions with respect to Proposal 2 have the same effect as votes against the proposals.

Is Voting Confidential?

We will keep all the proxy cards, ballots and voting tabulations private. We only let our Inspectors of Election and American Stock Transfer and Trust Company, our transfer agent, examine these documents. We will not disclose your vote to management unless it is necessary to meet legal requirements. We will, however, forward to management any written comments you make, on the proxy card or elsewhere. Our practice is not to attribute a stockholder's identity to their comments.

What Are the Costs of Soliciting these Proxies?

We will pay all of the costs of soliciting these proxies, including expenses in connection with preparing and mailing this proxy statement. We have retained Georgeson Shareholder Communications, Inc. to assist our Board of Directors in the distribution of proxy materials and solicitation of votes for a fee of \$5,500, plus reimbursement of out-of-pocket expenses. Georgeson Shareholder Communications, Inc. will reimburse brokerage firms and other persons representing beneficial owners of our common stock for their expenses in forwarding proxy materials to such beneficial owners, and we will reimburse Georgeson Shareholder Communications, Inc. for the expenses. Our Directors and employees also may solicit proxies using the Internet, telephone, fax, email or in person. We will not pay our employees and Directors any additional compensation for these services.

Attending the Annual Meeting

The annual meeting will be held at 2:00 p.m. on Wednesday, May 5, 2004 at the Harvard Club of New York, 27 East 44th Street, New York, NY 10036. When you arrive at the Harvard Club of New York, signs will direct you to the appropriate meeting rooms. You need not attend the annual meeting in order to vote.

Voting

To ensure that your vote is recorded promptly, please vote as soon as possible, even if you plan to attend the annual meeting in person. If you attend the annual meeting, you may also submit your vote in person, and any previous votes that you submitted, will be superseded by the vote that you cast at the annual meeting.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of March 15, 2004 for (a) the executive officers named in the Summary Compensation Table on page 10 of this proxy statement, (b) each of our Directors and Director nominees, (c) all of our current Directors and executive officers as a group and (d) each stockholder known by us to own beneficially more than 5% of our common stock. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. We deem shares of common stock that may be acquired by an individual or group within 60 days of March 15, 2004 pursuant to the exercise of options or warrants or the conversion of other securities to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table. Except as indicated in footnotes to this table, we believe that the owners of our common stock named in this table have sole voting and investment power with respect to all shares of common stock shown to be beneficially owned by them based on information provided to us by these stockholders. Percentage of ownership is based on 17,933,606 shares of common stock outstanding on March 15, 2004.

Name and Address**	Shares Beneficially Owned(1)	
	Number	Percent
Wellington Management Co., L.P. 75 State Street Boston, MA 02109	962,400(2)	5.4%
Federated Investors, Inc. 1001 Liberty Ave Pittsburgh, PA 15222	2,098,218(3)	11.7%
Bruce Bent Associates, Inc. 950 Third Avenue New York, NY 10022-2705	1,147,900(4)	6.4%
Matthew P. Lawlor	1,805,162(5)	9.9%
Edward E. Furash	4,116(6)	*
Ervin R. Shames	42,478(7)	*
Barry D. Wessler	34,294(8)	*
David A. O Connor	76,688(9)	*
Joseph J. Spalluto	66,976(10)	*
Michael H. Heath	75,055(11)	*
William H. Washecka		*
Raymond T. Crosier	354,590(12)	1.9%
Catherine A. Graham	57,761(13)	*
All directors and current executive officers as a group (10 persons)	2,517,120(14)	13.3%

* Represents beneficial ownership of less than 1% of the outstanding shares of our common stock.

** Addresses are given for beneficial owners of more than 5% of the outstanding common stock only. Addresses for our Directors and executive officers is c/o Online Resources Corporation, 7600 Colshire Drive, McLean, VA 22102.

- (1) Attached to each share of common stock is a preferred share purchase right to acquire one one-hundredth of a share of our series B junior participating preferred stock, par value \$.01 per share, which preferred share purchase rights are not presently exercisable.
- (2) This information is based solely on a Schedule 13G filed by Wellington Management Co., L.P. with the Securities and Exchange Commission on February 13, 2004. Clients of Wellington Management Co., L.P., own the shares of record. Those clients have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from the sale of, such securities. To our knowledge no such client is known to have such right or power with respect to more than five percent of the common stock outstanding.

- (3) This information is based solely on a Schedule 13G filed by Federated Investors, Inc. with the Securities and Exchange Commission on February 13, 2004. Federated Investors, Inc. may be deemed the beneficial owner of these shares.
- (4) This information is based solely on a Schedule 13G filed by Bruce Bent Associates, Inc. with the Securities and Exchange Commission on February 12, 2004. Bruce Bent Associates, Inc., in its capacity as investment advisor, may be deemed the beneficial owner of these shares, which shares are owned by investment advisory client(s).
- (5) Includes 361,276 shares of common stock issuable upon exercise of options to purchase common stock. Of the total shares, 82,685 shares are held of record by the Rosemary K. Lawlor Living Trust for which Mr. Lawlor serves as the Trustee, and 8,910 shares are held of record by Rosemary K. Lawlor, Mr. Lawlor's wife.
- (6) Represents 4,116 shares issuable upon exercise of options to purchase common stock.
- (7) Represents 42,478 shares issuable upon the exercise of options to purchase common stock.
- (8) Includes 30,285 shares issuable upon the exercise of options to purchase common stock.
- (9) Includes 74,688 shares issuable upon the exercise of options to purchase common stock.
- (10) Includes 1,188 shares issuable upon the exercise of warrants to purchase common stock and 43,083 shares issuable upon the exercise of options to purchase common stock. Of the total shares, 1,188 are held of record by Ellen Spalluto, Mr. Spalluto's wife.
- (11) Includes 54,437 shares issuable upon the exercise of options to purchase common stock.
- (12) Includes 281,248 shares issuable upon the exercise of options to purchase common stock. Of the total shares, 7,853 are held of record by Raymond T. Crosier Grantor Retained Annuity Trust, and 5,000, 1,000 and 1,225 shares are held of record by Deborah Crosier (Mr. Crosier's wife), William Crosier, II (Mr. Crosier's son) and Jennifer Crosier (Mr. Crosier's daughter), respectively.
- (13) Represents 57,761 shares issuable upon the exercise of options to purchase common stock.
- (14) Includes 950,560 shares issuable upon the exercise of options to purchase common stock. See also notes 5 through 13 above for further details concerning such options.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth the aggregate information of the Company's equity compensation plans in effect as of December 31, 2003.

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders(1)	2,580,118	\$8.33	735,459
Equity compensation plans not approved by security holders(2)	2,830,000	\$2.86	224,687
Total	5,410,118	\$5.47	960,146

- (1) Includes 1,353,763 options under the Company's 1989 option plan and 1,961,814 options under the Company's 1999 option plan.

- (2) Includes 3,054,687 options which were added to the Company's 1999 option plan for which stockholder approval was not obtained.

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MANAGEMENT

The Board of Directors

Our bylaws provide that our business is to be managed by or under the direction of our Board of Directors. The members of our Board of Directors are divided into three classes for purposes of election. Our practice has been to elect one class, representing about one-third of the members of the Board, at each annual meeting of stockholders to serve for a three-year term. Our Board of Directors currently consists of eight members, classified into three classes as follows: (1) Michael H. Heath and Edward E. Furash constitute a class with a term ending at the 2006 annual meeting; (2) William H. Washecka, David A. O Connor and Joseph J. Spalluto constitute a class with a term ending at the 2005 annual meeting and (3) Matthew P. Lawlor, Ervin R. Shames, and Barry D. Wessler constitute a class with a term ending at the upcoming 2004 annual meeting.

On February 25, 2004, our Board of Directors voted to nominate Matthew P. Lawlor, Ervin R. Shames, and Barry D. Wessler for election at the annual meeting for a term of three years. If Mr. Lawlor, Mr. Shames, and Mr. Wessler are elected by the stockholders at the annual meeting to serve on the Board, they will serve until the 2007 annual meeting of stockholders, and until their successors are elected and qualified.

Set forth below are the names of the Directors whose terms do not expire this year and the persons nominated for election to the Board of Directors at the annual meeting, their ages, their offices in the company, if any, their principal occupations or employment for the past five years, the length of their tenure as Directors and the names of other public companies in which such persons hold directorships.

Name	Age	Position with the Company
Matthew P. Lawlor	56	Chairman of the Board and Chief Executive Officer
Ervin R. Shames (1)	63	Director
Edward E. Furash (1)	69	Director
David A. O Connor (1)	69	Director
Michael H. Heath (2)	62	Director
Barry D. Wessler (2)	60	Director
Joseph J. Spalluto (2)	45	Director
William H. Washecka (2)	56	Director

(1) Member of the Compensation Committee and the Corporate Governance Committee

(2) Member of the Audit Committee

Matthew P. Lawlor has served as Chairman and Chief Executive Officer since March 1989. Mr. Lawlor started his career as a project engineer with RCA. After completing his graduate business education in 1973, he joined Chemical Bank, where he later headed a regional consumer branch division and its international equity investment company. In 1980, he served as a Presidential Exchange Executive with the White House. He formed US Multitrade in 1981, a venture development firm noted for the seed financing of RSA Security, Inc., (formerly Security Dynamics Technology, Inc.) and other emerging growth companies. He later co-founded Online Resources Corporation, and currently serves on the board of directors of the Electronic Funds Transfer Association (EFTA) where he chairs its eFinancial Enablers Council, a group of senior executives whose firms supply Internet products and services to financial institutions. Mr. Lawlor has a BS in mechanical engineering from the University of Pennsylvania and a MBA from Harvard University.

Michael H. Heath, a Director since March 1989, has been the President of Convention Guides Inc., a publisher of city guide books since 1991. He served as President of Online Resources Corporation from January 1995 to October 1997. Mr. Heath has held positions both in and outside of the financial services industry. He is the former President of MediaNews, which owned the *Denver Post* and the *Houston Post*; and President of *The Record*, a New Jersey-based regional newspaper and broadcast company. Mr. Heath also worked in a variety of senior management positions with Chemical Bank, including a consumer branch division. Mr. Heath received his BA from Williams College and a MBA from Harvard University.

Edward E. Furash joined as a Director in July 2003. Since 1998 Mr. Furash has been the Chairman and Chief Executive Officer of Monument Financial Group, LLC, a boutique merchant banking firm that specializes in the invention and build-out of novel financial services companies. Mr. Furash is co-founder and retired Chairman and Chief Executive Officer of Treasury Bank, N.A., an Internet-based, multi channel financial services company. He is also the founder of Furash & Company, a management consulting firm to the financial services industry, recognized for his work during the thrift and banking crisis of the 1980s and 1990s. He serves on the Board of Advisors of the American Association of Bank Directors, and is a director of both the Philadelphia-based Pennsylvania Business Bank and the Washington-based City First, a community development bank. He holds a BA from Harvard University and a MBA from the University of Pennsylvania.

David A. O Connor, a Director since April 1996, is an EFT industry consultant. He was a Vice Chairman of Honor Technologies (now Star Network), one of the largest ATM networks in the United States from 1997 to 1998. Mr. O Connor was previously President of CashFlow, Inc., an electronic banking subsidiary of Sovran Financial Services (now Bank of America) and one of the first shared ATM networks. Later, Mr. O Connor served as President and CEO of Internet, Inc., owner of MOST, which was the nation's fifth largest ATM network before merging with Honor Technologies. Mr. O Connor served on the board of directors of the Electronic Funds Transfer Association and served as its chairman. He also served as President of the Mid-Atlantic Exchange and Senior Vice President of Virginia National Bank. Mr. O Connor is currently serving on the board of directors of Privaris, Inc. O Connor holds a BS from American University.

Ervin R. Shames, a Director since January 2000, is a visiting lecturer for consumer marketing at the University of Virginia's Darden School of Business. Mr. Shames formerly served as President and Chief Executive Officer of Borden, Inc., a large consumer marketing company, from 1993 through 1995. Prior to Borden, Mr. Shames served as President of General Foods USA and Kraft USA. He also served as Chairman, President and Chief Executive Officer of Stride Rite Corporation. Mr. Shames is currently serving on the board of directors of Select Comfort Corporation, where he is a member of the Compensation Committee and Chairman of the Nominating and Governance Committee. He is also on the board of directors of Choice Hotels where he is a member of the Audit and Compensation Committees. Mr. Shames holds a BSBA from the University of Florida and a MBA from Harvard University.

Joseph J. Spalluto, a Director since May 1995, has been since 1981 a Managing Director of Corporate Finance for Keefe Bruyette & Woods, Inc., a national investment banking firm specializing in the financial services industry. Keefe, Bruyette & Woods, Inc. invests in Online Resources Corporation and has participated in joint marketing. Mr. Spalluto received a BA from Amherst College and a JD from the University of Connecticut School of Law.

Barry D. Wessler, a Director since May 2000, is widely known as one of the founders of the Internet as a result of his work in the late 1960s at the Advanced Research Projects Agency, where he directed the research for the design and implementation of the ARPANet (the forerunner of today's Internet). Since 1995, Dr. Wessler has used his expertise as an independent consultant to computer and communications corporations, including America Online, KDD America and Teleglobe Communications. From 1973 to 1982, Dr. Wessler co-founded GTE Telenet, a pioneering packet switch service company (now Sprint Data). Dr. Wessler founded and served from 1982 to 1994 as President and Chief Operating Officer of NetExpress, Inc., a market leader in international facsimile network products and services. Dr. Wessler, served as Chief Executive Officer from 1994 to 1995 for Plexsys International, a cellular telephone infrastructure manufacturer. Dr. Wessler is currently serving on the board of directors of Geo-Centers. Dr. Wessler received his BSEE in 1965 and MSEE in 1967 from MIT and his Ph.D. in Computer Science from the University of Utah in 1973.

William H. Washecka joined Online Resources' Board of Directors in February 2004. From 2001 until 2002, Mr. Washecka served as Chief Financial Officer for USinternetworking, Inc., an enterprise and e-commerce software service provider. Mr. Washecka has more than 30 years experience as a financial expert, primarily as a partner with Ernst & Young LLP from 1972 to 2001. He established and managed Ernst & Young's High Technology and Emerging Business Practice for the mid-Atlantic region, where he provided audit, tax and consulting services. He also currently serves on the board of directors for Visual Networks, Inc.,

a performance management solutions provider. Mr. Washecka is a graduate of Bernard Baruch College of New York and the Kellogg Executive Management Program, and a certified public accountant licensed in MD, VA, DC and NY.

Our Board of Directors has determined that all of its members, with the exception of Matthew P. Lawlor, are independent under the current independence standards promulgated by the Securities and Exchange Commission and by the Nasdaq Stock Market.

Committees of the Board of Directors and Meetings

Meeting Attendance. During the fiscal year ended December 31, 2003 there were 6 meetings of our Board of Directors, and the various committees of the Board met a total of 17 times. The Board of Directors has Compensation, Audit and Corporate Governance committees. No Director attended fewer than 75% of the total number of meetings of the Board and of committees of the Board on which he or she served during 2003,

Compensation Committee. Our Compensation Committee met 5 times during fiscal 2003. During fiscal 2003 the committee had four independent members, Ervin R. Shames (Chairman), George M. Middlemas, David A. O Connor, and Edward E. Furash. Our Compensation Committee reviews, approves and makes recommendations regarding our compensation policies, practices and procedures to ensure that legal and fiduciary responsibilities of the Board of Directors are carried out and that such policies, practices and procedures contribute to our success. For example, the Compensation Committee recommends the compensation arrangements for senior management and directors. Please also see the report of the Compensation Committee set forth on pages 13 and 14 of this proxy statement.

Audit Committee. Our Audit Committee met 7 times during fiscal 2003. During fiscal 2003 the committee had three independent members, Michael H. Heath (Chairman), Joseph J. Spalluto and Barry D. Wessler. In February of 2004, the committee added a fourth independent member William H. Washecka. Our Audit Committee reviews the engagement of our independent accountants, reviews annual financial statements, considers matters relating to accounting policy and internal controls and reviews the scope of annual audits. Please also see the report of the Audit Committee set forth on page 15 of this proxy statement. The Audit Committee is governed by a written charter approved by the Board of Directors. A copy of this charter is included in Appendix A.

Corporate Governance Committee. Our Corporate Governance Committee met 5 times during fiscal 2003. During fiscal 2003 the committee had four independent members, David A. O Connor (Chairman), Ervin R. Shames, George M. Middlemas and Edward E. Furash. Our Corporate Governance Committee recommends candidates for nomination by the Board for election as Directors. Any stockholder wishing to propose a nominee to the Corporate Governance Committee for its consideration should submit a recommendation to our Secretary at the address set forth on the first page of this proxy statement, indicating the nominee's qualifications and other relevant biographical information and providing confirmation of the nominee's consent to serve as a Director. The committee also reviews and recommends to the Board the role and composition of other Board committees and corporate governance practices. Our Board of Directors has adopted a charter for the Committee, which is available at <http://www.orcc.com>.

In evaluating and determining whether to nominate a candidate for a position on the Company's Board, the Committee will consider the criteria outlined in the Company's corporate governance policy, which include high professional ethics and values, relevant management experience and a commitment to enhancing stockholder value. In evaluating candidates for nomination, the Committee utilizes a variety of methods. The Company regularly assesses the size of the Board, whether any vacancies are expected due to retirement or otherwise, and the need for particular expertise on the Board. Candidates may come to the attention of the Committee from current Board members, stockholders, professional search firms, officers or other persons. The Committee will review all candidates in the same manner regardless of the source of the recommendation. During 2003, the committee recommended Edward E. Furash to fill a vacancy on the Board of Directors.

During 2004, the committee recommended William H. Washecka to fill a vacancy on the Board of Directors created by the resignation of George M. Middlemas.

The Committee will consider stockholder recommendations of candidates when the recommendations are properly submitted. Any stockholder recommendations which are submitted under the criteria summarized above should include the candidate's name and qualifications for Board membership and should be addressed to Corporate Secretary, Online Resources Corporation, 7600 Colshire Dr., McLean, Virginia 22102.

For purposes of potential nominees to be considered at the 2005 annual Stockholders' meeting, the Corporate Secretary must receive this information by December 6, 2004. The notice must set forth the candidate's name, age, business address, residence address, principal occupation or employment, the number of shares beneficially owned by the candidate, and information that would be required to solicit a proxy under federal securities law. In addition, the notice must include the stockholder's name, address, and the number of shares beneficially owned (and the period they have been held).

Stockholder Communications with the Board

Stockholders may communicate with the Board of Directors, including the non-management directors, by sending a letter to the Online Resources Board of Directors, c/o Corporate Secretary, Online Resources Corporation, 7600 Colshire Dr., McLean, Virginia 22102. The Corporate Secretary has the authority to disregard any inappropriate communications or to take other appropriate actions with respect to any such inappropriate communications. If deemed an appropriate communication, the Corporate Secretary will submit your correspondence to the Chairman of the Board or to any specific director to whom the correspondence is directed.

Audit Committee Financial Expert

The Board has determined that Michael H. Heath, Joseph J. Spalluto and William H. Washecka qualify as an audit committee financial expert as the Securities and Exchange Commission has defined that term in Item 401 of Regulation S-K. Please also see the report of the Audit Committee set forth elsewhere in this proxy statement.

Compensation of Directors

Each non-employee Director receives annually (i) a fee of \$7,500, (ii) an additional fee of \$1,500 for each Board Committee on which he serves as the Chairperson, (iii) an option to purchase 5,912 shares of common stock (with an exercise price at the fair market value of the common stock at the time of grant), and (iv) an additional option to purchase 1,182 shares of common stock for each Board Committee on which he serves as the Chairperson. The \$7,500 and \$1,500 fees are paid in 20% increments during the course of the fiscal year, as the Directors attend the Board and Committee meetings. The stock options are granted at the time of the annual meeting and vest over the course of one year. We reimburse Directors for expenses they incur in connection with attending Board and Committee meetings. The employee Director does not receive any compensation for his participation in Board or Committee meetings.

Executive Officers Who Are Not Directors

The following table sets forth certain information regarding our executive officers who are not also members of the Board of Directors. All of our executive officers are at-will employees.

Name	Age	Position
Raymond T. Crosier	49	President and Chief Operating Officer
Catherine A. Graham	43	Executive Vice President, Chief Financial Officer and Secretary

Raymond T. Crosier joined Online Resources Corporation in January 1996 and initially served as our Senior Vice President of Client Services. In January 2001 he was elected as our President and Chief

Operating Officer. He is responsible for managing our day-to-day operations. He has 24 years of experience with the financial services industry. Before joining us, he served as Vice President of Sales and Customer Service for TeleCheck International, a check verification and guarantee firm, from 1990 to 1996. TeleCheck was a subsidiary of First Financial Management Corp., which later merged with First Data Corp. He served in a variety of other management positions at TeleCheck, including its national account division from 1989 to 1990 and its regional marketing divisions from 1977 to 1989. Mr. Crosier received a BA in Psychology from the University of Virginia.

Catherine A. Graham joined Online Resources Corporation in March 2002 and currently serves as Executive Vice President, Chief Financial Officer and Secretary. She is responsible for general financial management with particular attention paid to broadening the investor base and exploring strategic business opportunities. She has 20 years of professional experience in financial disciplines, including technology, restaurant and banking companies. Ms. Graham most recently served as Chief Financial Officer of VIA NET.WORKS, Inc., a publicly-held Internet service provider serving the international ISP markets with subsidiaries in multiple countries. From 1996 to 1998, she served as Vice President of Finance and Investor Relations Officer for Yurie Systems. Prior to her position with Yurie Systems, she served as Chief Financial Officer for Davco Restaurants, Inc., which was then the largest franchiser of Wendy's restaurants with over 14,000 employees. Ms. Graham received a BA in Economics from the University of Maryland and a MBA from Loyola College.

CODE OF ETHICS

The Company has adopted a code of ethics that applies to all of its directors, officers (including its chief executive officer, chief financial officer, chief accounting officer, controller and any person performing similar functions) and employees. The Company has made the Code of Ethics available on its website at <http://www.orcc.com>.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table shows information about compensation we paid or accrued during the three years ended December 31, 2003, December 31, 2002 and December 31, 2001 with respect to (1) our Chief Executive Officer, and (2) two of our executive officers who earned more than \$100,000 during the year ended December 31, 2003.

Name and Principal Position (at December 31, 2003)	Annual Compensation			Long-Term Compensation	All Other Compensation(1)
	Year	Salary	Bonus	Securities Underlying Options	
Matthew P. Lawlor Chief Executive Officer and Chairman of the Board	2003	\$215,000	\$101,278	26,750	\$36
	2002	161,250	15,114	208,582	840
	2001	206,042	67,725	125,203	70
Raymond T. Crosier President and Chief Operating Officer	2003	\$200,000	\$89,363	23,250	\$36
	2002	170,000	13,336	150,700	840
	2001	193,750	47,803	84,401	70
Catherine A. Graham(2) Executive Vice President, Chief Financial Officer and Secretary	2003	\$183,333	\$80,427	6,000	\$36
	2002	137,388	9,001	148,402	840
	2001				

(1) Consists of premium amount paid by us for group life insurance on behalf of each of the named executive officers.

(2) Ms. Graham commenced employment with us on March 18, 2002.

Option Grants in Our Last Fiscal Year

The following table shows grants of stock options that we made during the year ended December 31, 2003 to each of the executive officers named in the Summary Compensation Table.

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(2)	
	Number of Securities Underlying Options Granted(1)	% of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Share)	Expiration Date	5%	10%
Matthew P. Lawlor	18,750	3.9%	\$4.40	6/4/2013(3)	\$51,884	\$79,600
	8,000	1.7%	6.21	12/11/2013(4)	31,243	47,934
Raymond T. Crosier	16,250	3.4%	\$4.40	6/4/2013(3)	\$44,966	\$68,987
	7,000	1.4%	6.21	12/11/2013(4)	27,338	41,942
Catherine A. Graham	6,000	1.2%	\$6.21	12/11/2013(4)	\$23,433	\$35,950

- (1) The options were granted pursuant to our 1999 Stock Option Plan.
- (2) In accordance with the rules of the SEC, we show in these columns the potential realizable value over the term of the option (the period from the grant date to the expiration date). We calculate this assuming that the fair market value of our common stock on the date of grant appreciates at the indicated annual rate, 5% and 10% compounded annually, for the entire term of the option and that the option is exercised and sold on the last day of its term for the appreciated stock price. These amounts are based on assumed rates of appreciation and do not represent an estimate of our future stock price. Actual gains, if any, on stock option exercises will depend on the future performance of our common stock, the optionholder's continued employment with us through the option exercise period, and the date on which the option is exercised.
- (3) Stock options vest 100% at the end of the fourth year from the date of