

ONLINE RESOURCES CORP

Form DEF 14A

April 01, 2005

**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.
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- 1) Amount previously paid:
  - 2) Form, Schedule or Registration Statement No:
  - 3) Filing party:

4) Date Filed:

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**ONLINE RESOURCES CORPORATION**

**4795 Meadow Wood Lane, Suite 300**

**Chantilly, VA 20151**

**April 4, 2005**

Dear Stockholder:

On behalf of the Board of Directors and management, I cordially invite you to attend our 2005 Annual Meeting of Stockholders to be held at 2:00 P.M. (EDT) on Wednesday, May 4, 2005 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

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**ONLINE RESOURCES CORPORATION**  
**4795 Meadow Wood Lane, Suite 300**  
**Chantilly, VA 20151**

**NOTICE OF 2005 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 4, 2005, at 2:00 P.M. (EDT) 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 three-year terms expiring in 2008.
2. To approve the amendment of the Company's Certificate of Incorporation to increase the number authorized shares of common stock from 35,000,000 to 70,000,000 and eliminate the existence of the Company's Series A Convertible Preferred Stock.
3. To approve and adopt the Company's 2005 Restricted Stock and Option Plan.
4. To ratify the appointment of Ernst & Young LLP as the company's independent public accountants for the year ending December 31, 2005.
5. 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 23, 2005, 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 4795 Meadow Wood Lane, Suite 300, Chantilly, VA 20151.

**BY ORDER OF THE BOARD OF DIRECTORS**

Catherine A. Graham  
Executive Vice President,  
Chief Financial Officer and Secretary  
Dated April 4, 2005

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## TABLE OF CONTENTS

	<b>Page</b>
General information about the annual meeting	1
Security ownership of certain beneficial owners and management	5
Equity compensation plan information	6
Management	7
The Board of Directors	7
Committees of the Board of Directors and meetings	8
Stockholder communications with the Board	9
Audit Committee financial expert	10
Compensation of Directors	10
Executive officers who are not Directors	10
Executive compensation	11
Summary compensation table	11
Options granted in our last fiscal year	11
Aggregated option exercises in last fiscal year and fiscal year-end option values	12
Change-in-control arrangements	12
Performance graph	13
Report of Compensation Committee on executive compensation	14
Report of Audit Committee	16
Section 16(a) beneficial ownership reporting compliance	17
Item 1 Election of Directors	18
Item 2 Amendment to Certificate of Incorporation to increase the number of authorized shares of common stock and eliminate the Series A convertible preferred stock	19
Item 3 Approval of 2005 Restricted Stock and Option Plan	22
Item 4 Ratification of selection of independent public accountants	29
Code of conduct and ethics	31
Other matters	31
Stockholder proposals	31
Online Resources Corporation 2005 Restricted Stock and Option Plan	Appendix A
Text of Amendment to Certificate of Incorporation	Appendix B

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**ONLINE RESOURCES CORPORATION**  
**4795 Meadow Wood Lane, Suite 300**  
**Chantilly, VA 20151**  
**703-653-3100**

**PROXY STATEMENT FOR ONLINE RESOURCES CORPORATION**  
**2005 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 2005 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 4, 2005, 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 23, 2005 are entitled to vote at the annual meeting. On this record date, there were 19,563,753 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 2004 annual report, which includes our financial statements for the year ended December 31, 2004.

**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?**

Whether you plan to attend the annual meeting or not, we urge you to vote by proxy. Voting by proxy will not affect your right to attend the annual meeting. If your shares are registered directly in your name through our stock transfer agent, American Stock Transfer and Trust Company, or you have stock certificates, you may vote:

**By mail.** Complete and mail the enclosed proxy card in the enclosed postage prepaid envelope. Your proxy will be voted in accordance with your instructions. If you sign the proxy card but do not specify how you want your shares voted, they will be voted as recommended by our Board of Directors.

**By Internet or by telephone.** Follow the instructions attached to the proxy card to vote by Internet or telephone.

**In person at the meeting.** If you attend the meeting, you may deliver your completed proxy card in person or you may vote by completing a ballot, which will be available at the meeting.

If your shares are held in street name (held in the name of a bank, broker or other nominee), you must provide the bank, broker or other nominee with instructions on how to vote your shares and can do so as follows:

**By Internet or by telephone.** Follow the instructions you receive from your broker to vote by Internet or telephone.

**By mail.** You will receive instructions from your broker or other nominee explaining how to vote your shares.

**In person at the meeting.** Contact the broker or other nominee who holds your shares to obtain a broker's proxy card and bring it with you to the meeting. You will not be able to vote at the meeting unless you have a proxy card from your broker.

**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** the amendment to the Company's Certificate of Incorporation;

**FOR** the adoption of the 2005 Restricted Stock and Option Plan; and

**FOR** ratification of the selection of our independent auditors for our year ending December 31, 2005.

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 the meeting. You may revoke your proxy in any one of the following ways:

signing a new proxy card and submitting it as instructed above;

notifying the Company's Secretary in writing before the annual meeting that you have revoked your proxy; or

attending the meeting in person and voting in person. Attending the meeting in person will not in and of itself revoke a previously submitted proxy unless you specifically request it.

**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 if I Receive More Than One Proxy Card?**

You may receive more than one proxy card or voting instruction form if you hold shares of our common stock in more than one account, which may be in registered form or held in street name. Please vote in the manner described under "How Do I Vote?" for each account to ensure that all of your shares are voted.

**Will My Shares be Voted if I Do Not Return My Proxy Card?**

If your shares are registered in your name or if you have stock certificates, they will not be voted if you do not return your proxy card by mail or vote at the meeting as described above under "How Do I Vote?"

If your shares are held in street name and you do not provide voting instructions to the bank, broker or other nominee that holds your shares as described above under "How Do I Vote?", the bank, broker or other nominee has the authority to vote your unvoted shares on both Proposals 1 and 4 even if it does not receive instructions from you. We encourage you to provide voting instructions. This ensures your shares will be voted at the meeting in the manner you desire. If your broker cannot vote your shares on a particular matter because it has not received instructions from you and does not have discretionary voting authority on that matter or because your broker chooses not to vote on a matter for which it does have discretionary voting authority, this is referred to as a "broker non-vote".



## **What Vote is Required to Approve Each Proposal and How are Votes Counted?**

### **Proposal 1: Elect Directors**

The nominees for director who receive the most votes (also known as a plurality of the votes) will be elected. Abstentions are not counted for purposes of electing directors. You may vote either FOR all of the nominees, WITHHOLD your vote from all of the nominees or WITHHOLD your vote from any one or more of the nominees. Votes that are withheld will not be included in the vote tally for the election of directors. Brokerage firms have authority to vote customers' unvoted shares held by the firms in street name for the election of directors. If a broker does not exercise this authority, such broker non-votes will have no effect on the results of this vote.

### **Proposal 2: Approve Amendment to Certificate of Incorporation**

The affirmative vote of a majority of the Company's outstanding common stock is required to approve the amendment to the Company's Certificate of Incorporation. Abstentions and broker non-votes will be treated as votes against this proposal.

### **Proposal 3: Approve the 2004 Restricted Stock and Option Plan**

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 approve the 2005 Restricted Stock and Option Plan. Abstentions will be treated as votes against this proposal. Brokerage firms do not have authority to vote customers' unvoted shares held by the firms in street name on this proposal, therefore, any shares not voted by a customer will be treated as a broker non-vote, such broker non-votes will have no effect on the results of this vote.

### **Proposal 4: Ratify Selection of Auditors**

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 auditors. Abstentions will be treated as votes against this proposal. Brokerage firms have authority to vote customers' unvoted shares held by the firms in street name on this proposal. If a broker does not exercise this authority, such broker non-votes will have no effect on the results of this vote. We are not required to obtain the approval of our stockholders to select our independent accountants. However, if our stockholders do not ratify the selection of Ernst & Young LLP as our independent accountants for 2005, our Audit Committee of our Board of Directors will reconsider its selection.

### **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 Automatic Data Processing, Inc. to assist our Board of Directors in the distribution of proxy materials for a fee of \$7,600, plus reimbursement of out-of-pocket expenses. Automatic Data Processing, 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 Automatic Data Processing, 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. (EDT) on Wednesday, May 4, 2005 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 3, 2005 for (a) the executive officers named in the Summary Compensation Table on page 11 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 3, 2005 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 19,417,266 shares of common stock outstanding on March 3, 2005.

Name and Address**	Shares Beneficially Owned(1)	
	Number	Percent
Bruce Bent Associates, Inc.(2) 303 Evernia Street, Suite 301 West Palm Beach, FL 33401	974,762	5.0%
Century Capital Management LLC(3) 100 Federal Street Boston, MA 02110	1,005,252	5.2%
Federated Investors, Inc.(4) 1001 Liberty Avenue Pittsburgh, PA 15222	2,782,118	14.3%
Jon D. Gruber(5) 50 Osgood Place, Penthouse San Francisco, CA 94133	989,879	5.1%
Matthew P. Lawlor(6) Stephen S. Cole	1,858,870	9.4%
Edward E. Furash(7)	10,512	*
Michael H. Heath(8)	79,184	*
Ervin R. Shames(9)	59,796	*
Joseph J. Spalluto(10)	68,095	*
William H. Washecka(11)	5,808	*
Barry D. Wessler(12)	38,318	*
David A. O Connor(13)	77,947	*
Raymond T. Crosier(14)	412,917	2.1%
Catherine A. Graham(15)	83,511	*
All directors and current executive officers as a group (10 persons)(16)	2,694,958	13.1%

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

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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, 4795 Meadow Wood Lane, Suite 300, Chantilly, VA 20151.

- (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 Bruce Bent Associates, Inc. with the Securities and Exchange Commission on February 14, 2005. Bruce Bent Associates, Inc., in its capacity as investment advisor, may be deemed the beneficial owner of these shares, which are owned by

investment advisory client(s). 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 Century Capital Management LLC with the Securities and Exchange Commission on February 14, 2005. Century Capital Management LLC, in its capacity as investment advisor, may be deemed the beneficial owner of these shares, which are owned by investment advisory client(s). 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.
- (4) This information is based solely on a Schedule 13G filed by Federated Investors, Inc. with the Securities and Exchange Commission on February 11, 2005. Federated Investors, Inc. may be deemed the beneficial owner of these shares.
- (5) This information is based solely on a Schedule 13G filed by Jon D. Gruber with the Securities and Exchange Commission on February 14, 2005. Of the total shares for which Mr. Gruber claims beneficial ownership, he possesses sole voting and dispositive power as to 158,065 shares and shared voting and dispositive power as to 831,814 shares, the same number of shares for which Gruber and McBaine Capital Management, LLC, an investment advisory firm in which Mr. Gruber is a principal, claims shared voting and dispositive power.
- (6) Includes 420,290 shares of common stock issuable upon exercise of options to purchase common stock. Of the total shares, 25,328 shares are held by the Rosemary K. Lawlor Trust, 55,957 shares are held by the Rosemary K. Lawlor Irrevocable Trust and 55,956 shares are held by the Matthew P. Lawlor Irrevocable Trust. Mr. Lawlor disclaims beneficial ownership of the shares his irrevocable trust holds.
- (7) Includes 9,512 shares issuable upon exercise of options to purchase common stock.
- (8) Includes 59,266 shares issuable upon the exercise of options to purchase common stock.
- (9) Includes 47,796 shares issuable upon the exercise of options to purchase common stock.
- (10) Includes 45,390 shares issuable upon the exercise of options to purchase common stock.
- (11) Represents 5,808 shares issuable upon the exercise of options to purchase common stock.
- (12) Includes 34,309 shares issuable upon the exercise of options to purchase common stock.
- (13) Includes 75,947 shares issuable upon the exercise of options to purchase common stock.
- (14) Includes 307,762 shares issuable upon the exercise of options to purchase common stock. Of the total shares, 6,250, 1,150 and 1,400 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.
- (15) Represents 83,511 shares issuable upon the exercise of options to purchase common stock.
- (16) Includes 1,089,591 shares issuable upon the exercise of options to purchase common stock. See also notes 6 through 15 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, 2004.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options (a)</b>	<b>Weighted-average exercise price of outstanding options (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by security holders(1)	2,306,443	\$ 8.11	
Equity compensation plans not approved by security holders(2)	2,821,657	\$ 3.67	265,281

(1) Includes 645,838 options under the Company's 1989 option plan and 1,660,605 options under the Company's 1999 option plan.

(2) Issued under the Company's 1999 option plan.

## 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) Matthew P. Lawlor, Ervin R. Shames, and Barry D. Wessler constitute a class with a term ending at the 2007 annual meeting; (2) Michael H. Heath and Edward E. Furash constitute a class with a term ending at the 2006 annual meeting and (3) William H. Washecka, David A. O Connor and Joseph J. Spalluto constitute a class with a term ending at the upcoming 2005 annual meeting.

On March 2, 2005, our Board of Directors voted to nominate William H. Washecka, Stephen S. Cole and Joseph J. Spalluto for election at the annual meeting for a term of three years. If Mr. Washecka, Mr. Cole and Mr. Spalluto are elected by the stockholders at the annual meeting to serve on the Board, they will serve until the 2008 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
Matthew P. Lawlor	57	Chairman of the Board and Chief Executive Officer
Stephen S. Cole	49	Director nominee
Edward E. Furash (1)(2)(4)	70	Director
Michael H. Heath (3)	63	Director
Ervin R. Shames (1)(4)	64	Director
Joseph J. Spalluto (2)(4)	45	Director
William H. Washecka (3)	57	Director
Barry D. Wessler (3)	61	Director

(1) Member of the Compensation Committee

(2) Member of the Corporate Governance Committee

(3) Member of the Audit Committee

(4) Member of the Corporate Finance Committee

*Matthew P. Lawlor* is a co-founder of Online Resources and has served as chairman and chief executive officer since March 1989. He formerly served with Chemical Bank (now JP Morgan Chase), where he headed a regional consumer branch division and the bank's international equity investment company. He also founded a venture development firm and served in the White House Office of Management and Budget. Mr. Lawlor is active in industry affairs and formerly chaired the eFinancial Enablers Council, a group of senior Internet executives whose firms serve the banking industry. Mr. Lawlor has a BS in mechanical engineering from the University of Pennsylvania and a MBA from Harvard University.

*Stephen S. Cole* is not currently a director of the Company and has served as the president and chief executive officer of YMCA of Metropolitan Chicago since June 15, 2001. From 1986-2001, Mr. Cole was president and chief executive officer of Cash Station, Inc., an electronic banking company. Previously, Mr. Cole served in a variety of



management positions for 14 years at First National Bank of Chicago. He serves as a director emeritus of Electronic Funds Transfer Association and as a director of EPAY, Inc. and Optiscan Technologies, Inc. Mr. Cole received a BA from Lake Forest College.

*Edward E. Furash* has been a director since July 2003 and since 1998 has been the chairman of Monument Financial Group, LLC, a boutique merchant banking firm specializing in financial services companies. He is co-founder and former chairman and chief executive officer of Treasury Bank, N.A., an Internet-based financial institution. He is also the founder of Furash & Company, a management consulting firm to the financial services industry. He serves on the board of advisors of the American Association of Bank Directors, and is a director of both Pennsylvania Business Bank and City First, a community development bank. Mr. Furash has a BA from Harvard University and a MBA from the University of Pennsylvania.

*Michael H. Heath* has been a director since March 1989 and since 1991 has been the president of Convention Guides, a publisher of city guidebooks. He served as president of Online Resources from January 1995 to October 1997. Mr. Heath also served as president of MediaNews, which owned the Denver Post and the Houston Post, and held several senior management positions with Chemical Bank. Mr. Heath received his BA from Williams College and a MBA from Harvard University.

*Ervin R. Shames* has been a director since January 2000 and is currently a visiting lecturer in consumer marketing at the University of Virginia's Darden School of Business. From 1993 to 1995, Mr. Shames served as president and chief executive officer of Borden, Inc., a consumer marketing company. Previously, he served as president of both 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 boards of directors of Select Comfort Corporation and Choice Hotels. Mr. Shames holds a BS/ BA from the University of Florida and a MBA from Harvard University.

*Joseph J. Spalluto* has been a director since May 1995 and is since 1981 has been a managing director of corporate finance for Keefe Bruyette & Woods, Inc., an investment banking firm specializing in the financial services industry. Mr. Spalluto received a BA from Amherst College and a JD from the University of Connecticut School of Law.

*William H. Washecka* has been a director since February 2004 and since November, 2004, has served as chief financial officer of Prestwick Pharmaceuticals, which specializes in therapies for central nervous system disorders. From 2001 until 2002, Mr. Washecka served as chief financial officer for USinternetworking, Inc., an enterprise and e-commerce software service provider. Previously, Mr. Washecka was a partner with Ernst & Young LLP, which he joined in 1972. Mr. Washecka serves on the board of directors of Visual Networks, Inc. and Audible, Inc. He has a BS in accounting from Bernard Baruch College of New York and completed the Kellogg Executive Management Program. Mr. Washecka is a certified public accountant.

*Barry D. Wessler* has been a director since May 2000 and since 1995 has been a computer and communications consultant. Previously, Dr. Wessler co-founded GTE Telenet, an early packet switch service company (now Sprint Data). He also served as president of Plexsys International, a cellular telephone infrastructure manufacturer, and NetExpress, an international facsimile network company. In the 1960's, while at the Advanced Research Projects Agency, Dr. Wessler directed research for ARPANet, the forerunner of the Internet. Dr. Wessler has a BSEE and MSEE from MIT and a Ph.D. in Computer Science from the University of Utah.

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, 2004 there were 5 meetings of our Board of Directors, and the various committees of the Board met a total of 19 times. The Board of Directors has Corporate Finance, 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 2004.

*Compensation Committee.* Our Compensation Committee met 5 times during fiscal 2004. During fiscal 2004 the committee had three members, Ervin R. Shames (Chairman), David A. O'Connor and Edward E.

Furash. All members of the Compensation Committee qualify as independent under the definition promulgated by the Nasdaq Stock Market. 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. The Compensation Committee is responsible for the determination of the compensation of our Chief Executive Officer, and shall conduct its decision making process with respect to that issue without the chief executive officer present. Our Board of Directors has adopted a charter for the Committee, which is available at <http://www.orcc.com>. Please also see the report of the Compensation Committee set forth on pages 14 and 15 of this proxy statement.

*Corporate Governance Committee.* Our Corporate Governance Committee met 5 times during fiscal 2004. During fiscal 2004 the committee had three members, David A. O Connor (Chairman), Ervin R. Shames and Edward E. Furash. All members of the Nominating Committee qualify as independent under the definition promulgated by the Nasdaq Stock Market. Our Corporate Governance Committee recommends candidates for nomination by the Board for election as Directors. The Nominating Committee may consider candidates recommended by stockholders as well as from other sources such as other directors or officers, third party search firms or other appropriate sources. 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. In general, persons recommended by stockholders will be considered on the same basis as candidates from other sources. If a stockholder wishes to nominate a candidate to be considered for election as a director at the 2005 Annual Meeting of Stockholders using the procedures set forth in the Company's By-laws, it must follow the procedures described in Stockholder Proposals and Nominations For Director. If a stockholder wishes simply to propose a candidate for consideration as a nominee by the Nominating Committee, it 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>.

*Audit Committee.* Our Audit Committee met 9 times during fiscal 2004. During fiscal 2004 the committee had four independent members, Michael H. Heath (Chairman), William H. Washecka and Barry D. Wessler. Our Audit Committee has the authority to retain and terminate the services 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 16 of this proxy statement. All members of the Audit Committee satisfy the current independence standards promulgated by the Securities and Exchange Commission and by the Nasdaq Stock Market, as such standards apply specifically to members of audit committees. The Audit Committee is governed by a written charter approved by the Board of Directors, which is available at <http://www.orcc.com>.

*Corporate Finance Committee.* Our Corporate Finance Committee was established in October 2004 and did not meet during fiscal 2004. During fiscal 2004 the committee had three independent members, Joseph J. Spalluto (Chairman), Edward E. Furash and Ervin R. Shames. Our Corporate Finance Committee advises the Board of Directors on mergers and acquisitions and capital formation.

#### **Stockholder Communications with the Board**

Generally, stockholders who have questions or concerns should contact Beth Halloran at (703) 653-2248, however, any stockholders who wish to address questions regarding our business directly with the Board of Directors, including the non-management directors, should direct his or her questions to the Online Resources Corporation Board of Directors, c/o Corporate Secretary, Online Resources Corporation, 4795 Meadow Wood Lane, Suite 300, Chantilly, Virginia 20151. 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 \$16,800, (ii) an additional fee of \$3,000 for each Board Committee on which he or she serves as the Chairperson, (iii) an additional fee of \$1,500 if he or she serves on the Audit Committee, (iv) an option to purchase shares of common stock with a fair market value of \$11,200 (with an exercise price at the fair market value of the common stock at the time of grant), (v) an additional option to purchase shares of common stock with a fair market value of \$2,000 for each Board Committee on which he serves as the Chairperson, and (vi) an additional option to purchase shares of common stock with a fair market value of \$1,000 if he or she serves on the Audit Committee. The \$16,800, \$3,000 and \$1,500 fees are paid in quarterly installments. 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	50	President and Chief Operating Officer
Catherine A. Graham	44	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.

### EXECUTIVE COMPENSATION

#### Summary Compensation Table

The following table shows information about compensation we paid or accrued during the three years ended December 31, 2004, December 31, 2003 and December 31, 2002 with respect to (1) our Chief Executive Officer, and our (2) two other executive officers who earned more than \$100,000 during the year ended December 31, 2004.

Name and Principal Position (at December 31, 2004)	Year	Annual Compensation		Long-Term Compensation	
		Salary	Bonus	Securities Underlying Options	All Other Compensation(1)
Matthew P. Lawlor Chief Executive Officer and Chairman of the Board	2004	\$ 234,571	\$ 116,420	9,300	\$ 72
	2003	\$ 209,839	\$ 101,278	26,750	\$ 72
	2002	\$ 158,239	\$ 15,114	208,582	\$ 840
Raymond T. Crosier President and Chief Operating Officer	2004	\$ 201,436	\$ 101,929	8,000	\$ 72
	2003	\$ 193,639	\$ 89,363	23,250	\$ 72
	2002	\$ 164,541	\$ 13,336	150,700	\$ 840
Catherine A. Graham(2) Executive Vice President, Chief Financial Officer and Secretary	2004	\$ 188,189	\$ 92,936	6,000	\$ 72
	2003	\$ 182,464	\$ 80,427	6,000	\$ 72
	2002	\$ 137,388	\$ 9,001	148,402	\$ 840

(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, 2004 to each of the executive officers named in the Summary Compensation Table.

#### Individual Grants

#### Potential Realizable Value at Assumed