

ONLINE RESOURCES CORP

Form DEF 14A

April 18, 2003

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 (Amendment No.)

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:

Fee paid previously with preliminary materials.

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 18, 2003

Dear Stockholder:

We cordially invite you to attend our 2003 annual meeting of stockholders to be held at 2:00 on Tuesday, May 20, 2003 at the Sheraton Premiere at Tysons Corner Hotel, 8661 Leesburg Pike, Vienna, VA 22182. 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.

This year, we have prepared the proxy statement in a format that we hope is easy to understand. The Securities and Exchange Commission is encouraging companies to write documents for investors in plain English, and we continue to support this effort. We hope that you like the format and welcome your comments.

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

April 18, 2003

NOTICE OF 2003 ANNUAL MEETING OF STOCKHOLDERS

TIME: 2:00 p.m. (EST)

DATE: Tuesday, May 20, 2003

PLACE: Sheraton Premiere at Tysons Corner Hotel, 8661 Leesburg Pike, Vienna, VA 22182

PURPOSES:

1. To elect one director to serve a three-year term expiring in 2006.
2. To allow the Company to issue, upon conversion of its 8% convertible subordinated notes, shares having a conversion price of less than \$4.00 per share but at least \$2.50 per share, to the extent that the shares so issued exceed the 2,319,999 shares that the rules of the Nasdaq Stock Market permit the company to issue without stockholder approval.
3. To ratify the appointment of Ernst & Young LLP as the company's independent public accountants for the year ending December 31, 2003.
4. To consider any other business that is properly presented at the meeting.

WHO MAY VOTE:

You may vote if you were the record owner of shares of Online Resources Corporation common stock at the close of business on March 24, 2003. 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

TABLE OF CONTENTS

	Page
General information about the annual meeting	1
Security ownership of certain beneficial owners and management	4
Management	6
The Board of Directors	6
Committees of the Board of Directors and meetings	7
Compensation of Directors	8
Executive Officers who are not Directors	8
Executive compensation	9
Summary compensation table	9
Options granted in our last fiscal year	10
Aggregated option exercises in last fiscal year and fiscal year-end option values	10
Change-in-control arrangements	10
Performance graph	11
Report of compensation committee on executive compensation	12
Report of audit committee	14
Section 16(a) beneficial ownership reporting compliance	15
Item 1 Election of Director	16
Item 2 Conversion of debt at conversion prices between \$4.00 and \$2.50 per common share	17
Item 3 Ratification of selection of independent public accountants	20
Other matters	21
Stockholder proposals	21

ONLINE RESOURCES CORPORATION

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

**PROXY STATEMENT FOR ONLINE RESOURCES CORPORATION
2003 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 2003 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 18, 2003 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 24, 2003 are entitled to vote at the annual meeting. On this record date, there were 13,707,298 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 2002 annual report, which includes our financial statements for the year ended December 31, 2002.

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 nominee for Director;

FOR approval of our issuance of common stock in excess of 2,319,999 shares at less than \$4.00 per share but at least \$2.50 per share, upon conversion of our convertible notes.

FOR ratification of the selection of our independent auditors for our year ending December 31, 2003.

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 24, 2003, 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 nominee for Director who receives the most votes cast, also known as a plurality of the votes, will be elected.

Proposal 2: Approval of issuance of common stock in connection with the conversion of debt

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 issuance of common stock in excess of 2,319,999 shares upon conversion of our 8% subordinated convertible notes at conversion prices at less than \$4.00 per share but at least \$2.50 per share.

Proposal 3: 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 3 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 3. 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 nominee 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 Proposals 2 and 3 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 Tuesday, May 20, 2003 at the Sheraton Premiere at Tysons Corner Hotel, 8661 Leesburg Pike, Vienna, VA 22182. When you arrive at the Sheraton Premiere, 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 February 28, 2003 for (a) the executive officers named in the Summary Compensation Table on page 14 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 February 28, 2003 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 13,707,298 shares of common stock outstanding on February 28, 2003.

Name and Address**	Shares Beneficially Owned(1)	
	Number	Percent
Wellington Management Co., L.P. 75 State Street Boston, MA 02109	998,650(2)	7.3%
Federated Investors, Inc. 1001 Liberty Ave. Pittsburgh, PA 15222	2,135,144(3)	15.6%
Bruce Bent Associates, Inc. 950 Third Avenue New York, NY 10022-2705	1,099,500(4)	8.0%
Matthew P. Lawlor	1,768,511(5)	12.6%
George M. Middlemas	280,117(6)	2.0%
Ervin R. Shames	32,181(7)	*
Barry D. Wessler	26,529(8)	*
David A. O Connor	71,311(9)	*
Joseph J. Spalluto	64,634(10)	*
Michael H. Heath	65,738(11)	*
Thomas S. Johnson	121,994(12)	*
Raymond T. Crosier	313,637(13)	2.2%
Catherine A. Graham	64,702(14)	*
All directors and current executive officers as a group (10 persons)	2,803,854(15)	19.1%

* 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/A filed by Wellington Management Co., L.P. with the Securities and Exchange Commission on February 12, 2003. 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.

Edgar Filing: ONLINE RESOURCES CORP - Form DEF 14A

- (3) This information is based solely on a Schedule 13G filed by Federated Investors, Inc. with the Securities and Exchange Commission on February 14, 2003. 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 January 29, 2003. 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 324,125 shares of common stock issuable pursuant to options exercisable within 60 days of February 28, 2003. 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 the Rosemary K. Lawlor, Mr. Lawlor's wife.
- (6) Includes 23,065 shares issuable pursuant to warrants exercisable within 60 days of February 28, 2003 and 37,171 shares issuable pursuant to options exercisable within 60 days of February 28, 2003. Of the total shares 79,677 are held of record by Apex Investment Fund II, L.P.; 140,721 shares are held of record by Apex Investment Fund III, L.P. of which 17,079 are issuable upon the exercise of warrants and 14,266 shares are held of record by Apex Strategic Partners, LLC of which 5,986 are issuable upon the exercise of warrants. 37,171 shares issuable upon the exercise of options are held by Mr. Middlemas. Mr. Middlemas has shared voting and investment power of all the shares which he does not hold of record.
- (7) Represents 32,181 shares issuable upon the exercise of options to purchase common stock that are exercisable within 60 days of February 28, 2003.
- (8) Includes 22,520 shares issuable upon the exercise of options to purchase common stock that are exercisable within 60 days of February 28, 2003.
- (9) Includes 69,311 shares issuable upon the exercise of options to purchase common stock that are exercisable within 60 days of February 28, 2003.
- (10) Includes 1,188 shares issuable upon the exercise of warrants to purchase common stock and 40,741 shares issuable upon the exercise of options to purchase common stock that are exercisable within 60 days of February 28, 2003. Of the total shares, 1,188 are held of record by Ellen Spalluto, Mr. Spalluto's wife.
- (11) Includes 45,120 shares issuable upon the exercise of options to purchase common stock that are exercisable within 60 days of February 28, 2003.
- (12) Includes 40,741 shares issuable upon the exercise of options to purchase common stock that are exercisable within 60 days of February 28, 2003.
- (13) Includes 245,520 shares issuable upon the exercise of options to purchase common stock that are exercisable within 60 days of February 28, 2003. Of the total shares, 7,853 are held of record by Raymond T. Crosier Grantor Retained Annuity Trust, and 4,000, 1,000 and 1,000 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.
- (14) Represents 64,702 shares issuable upon the exercise of options to purchase common stock that are exercisable within 60 days of February 28, 2003.
- (15) Includes 946,385 shares issuable upon the exercise of options to purchase common stock that are exercisable within 60 days of February 28, 2003. See also notes 5 through 14 above for further details concerning such options.

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 2004 annual meeting; (2) George M. Middlemas, David A. O Connor and Joseph J. Spalluto constitute a class with a term ending at the 2005 annual meeting and (3) Michael H. Heath and Thomas S. Johnson constitute a class with a term ending at the upcoming 2003 annual meeting. Mr. Johnson informed us that he decided not to stand for re-election to the Board at the annual meeting.

On February 27, 2003, our Board of Directors voted to nominate Michael H. Heath for election at the annual meeting for a term of three years. On April 16, 2003, the Corporate Governance Committee recommended, and our Board of Directors voted to reduce the number of members of the Board to seven. If Mr. Heath is elected by the stockholders at the annual meeting to serve on the Board, he will serve until the 2006 annual meeting of stockholders, and until his successor is elected and qualified.

Set forth below are the names of the Directors whose terms do not expire this year and the person 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	55	Chairman of the Board and Chief Executive Officer
Ervin R. Shames (1)	62	Director
Barry D. Wessler (2)	59	Director
George M. Middlemas (1)	56	Director
David A. O Connor (1)	68	Director
Joseph J. Spalluto (2)	44	Director
Michael H. Heath (2)	61	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 an MBA from Harvard University.

Michael H. Heath, a Director since March 1989, 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 an MBA from Harvard University.

George M. Middlemas, a Director since June 1997, is a Managing General Partner of Apex Venture Partners (Apex), a venture partner company that invests in technology companies. He has been a venture capital investor since 1979. Prior to joining Apex, Mr. Middlemas was a senior vice president and principal with Inco Venture Capital Management and a vice president and member of the investment committee of Citicorp Venture Capital. Mr. Middlemas is a director of Tut Systems and Pure Cycle Corporation. Mr. Middlemas holds a BA in both history and political science from Pennsylvania State University, an MA in political science from the University of Pittsburgh, and an MBA from Harvard University.

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 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 an MBA from Harvard University.

Joseph J. Spalluto, a Director since May 1995, is a Managing Director of Corporate Finance for Keefe Bruyette & Woods, Inc. since 1981, 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.

Committees of the Board of Directors and Meetings

Meeting Attendance. During the fiscal year ended December 31, 2002 there were five meetings of our Board of Directors, and the various committees of the Board met a total of seven times. 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 2002, except for Thomas S. Johnson, who attended three of the five meetings of the Board of Directors and attended two of the seven audit committee meetings held during the fiscal year.

Audit Committee. Our Audit Committee met seven times during fiscal 2002. During fiscal 2002 the committee had four members, Michael H. Heath (Chairman), Thomas S. Johnson, Joseph J. Spalluto and

Barry D. Wessler, none of whom is an employee of ours. 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 14 of this proxy statement.

Compensation Committee. Our Compensation Committee met five times during fiscal 2002. During fiscal 2002 the committee had three members, Ervin R. Shames (Chairman), George M. Middlemas and David A. O Connor, none of whom is an employee of ours. 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. Please also see the report of the Compensation Committee set forth on pages 12 and 13 of this proxy statement.

Corporate Governance Committee. The Board of Directors established a Corporate Governance Committee on December 5, 2002, and Thomas S. Johnson (Chairman), Ervin R. Shames, George M. Middlemas and David A. O Connor were appointed to serve as the initial members of this committee. None of Messrs. Johnson, Shames, Middlemas and O Connor is an employee of ours. Our Corporate Governance Committee recommends candidates for nomination by the Board for election as Directors when vacancies occur or are anticipated. 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.

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 7,414 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 1,483 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	48	President and Chief Operating Officer
Catherine A. Graham	42	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 outside of the United States. 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 an 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, 2002, December 31, 2001 and December 31, 2000 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, 2002.

Name and Principal Position (at December 31, 2002)	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	2002	\$ 161,250	\$ 15,114	208,582	\$ 840
	2001	206,042	67,725	125,203	70
	2000	206,250	63,000	6,500	303
Raymond T. Crosier President and Chief Operating Officer	2002	\$ 170,000	\$ 13,336	150,700	\$ 840
	2001	193,750	47,803	84,401	70
	2000	179,167	59,353	6,500	303
Catherine A. Graham(2) Executive Vice President, Chief Financial Officer and Secretary	2002	\$ 137,388	\$ 9,001	148,402	\$ 840
	2001				
	2000				

(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, 2002 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	0.8%	\$3.05	6/4/2009	\$ 23,281	\$ 54,255
	107,308	4.7%	2.86	2/15/2012	193,008	489,121
	82,524	3.6%	2.30	1/1/2012	119,368	302,501
Raymond T. Crosier	16,250	0.7%	\$3.05	6/4/2009	\$ 20,177	\$ 47,021
	61,635	2.7%	2.86	2/15/2012	110,859	280,939
	72,815	3.2%	2.30	1/1/2012	105,324	266,911
Catherine A. Graham	45,000	2.0%	\$3.20	3/18/2009	\$ 58,622	\$136,615
	68,000	3.0%	3.20	3/18/2012	136,847	346,798
	35,402	1.6%	3.20	3/18/2012	71,245	180,549

(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.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table shows information regarding exercises of options to purchase our common stock by each executive officer named in the Summary Compensation Table during the fiscal year ended December 31, 2002. The table also shows the aggregate value of options held by each executive officer named in the Summary Compensation Table as of December 31, 2002. The value of the unexercised in-the-money options at fiscal year end is based on a value of \$2.80 per share, the closing price of our common stock listed on the NASDAQ National Market System on December 31, 2002 (the last trading day of our fiscal year), less the per share exercise price.

Name	Shares Acquired on Exercise	Value Realized(1)	Number of Securities Underlying Unexercised Options At Fiscal Year-End		Value of the Unexercised In-The-Money Options at Fiscal Year-End	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Matthew P. Lawlor	9,639	\$3,948	291,961	231,655	\$106,134	\$11,825
Raymond T. Crosier						