

ONLINE RESOURCES CORP

Form DEF 14A

April 17, 2007

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**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 Pursuant to §240.14a-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:

- o Fee paid previously with preliminary materials.
- o 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:

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**ONLINE RESOURCES CORPORATION**  
**4795 Meadow Wood Lane, Suite 300**  
**Chantilly, VA 20151**  
**April 17, 2007**

Dear Stockholder:

On behalf of the Board of Directors and management, I cordially invite you to attend our 2007 Annual Meeting of Stockholders to be held at 2:00 P.M. (EDT) on Tuesday, May 15, 2007 at the Washington Dulles Hilton, 13869 Park Center Road, Herndon, Virginia 20171. 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 2007 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 Tuesday, May 15, 2007, at 2:00 P.M. (EDT) at the Washington Dulles Hilton, 13869 Park Center Road, Herndon, Virginia 20171, for the following purposes:

1. To elect three Directors to serve three-year terms expiring in 2010.
2. To ratify the appointment of KPMG LLP as the company's independent registered public accountants for the year ending December 31, 2007.
3. To terminate the Company's Rights Agreement dated as of January 11, 2002 and amended as of April 25, 2005 (the Rights Agreement).
4. 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, 2007 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**

Michael C. Bisignano  
Vice President, General Counsel and Secretary  
Dated April 17, 2007

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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**  
**2007 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 2007 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.

On April 17, 2007, 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. Although not part of this proxy statement, we are also sending our 2006 annual report, which includes our financial statements for the fiscal year ended December 31, 2006. You can also find a copy of our 2006 Annual Report on Form 10-K on the Internet through the SEC's electronic data system called EDGAR at [www.sec.gov](http://www.sec.gov) or through the Investor Relations section of our website at [www.orcc.com](http://www.orcc.com).

**Who Can Vote?**

Only stockholders who owned Online Resources Corporation common stock at the close of business on March 23, 2007 are entitled to vote at the annual meeting. On this record date, there were 26,020,172 shares of Online Resources Corporation common stock outstanding and entitled to vote, and 75,000 shares of Series A-1 Redeemable Convertible Preferred stock outstanding, convertible to 4,621,570 shares of Online Resources Corporation common stock, and entitled to vote on an as-converted basis.

You do not need to attend the annual meeting to vote your shares. Shares represented by valid proxies, received in time for the meeting and not revoked prior to the meeting, will be voted at the meeting. A stockholder may revoke a proxy before the proxy is voted by delivering to our Secretary a signed statement of revocation or a duly executed proxy card bearing a later date. Any stockholder who has executed a proxy card but attends the meeting in person may revoke the proxy and vote at the meeting.

**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:

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**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** ratification of the selection of our independent auditors for the year ending December 31, 2007; and

**FOR** termination of the Company's Rights Agreement.

If any other matter is presented at the annual meeting, the proxy card provides that your shares will be voted by the proxy holder listed on the proxy card 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;

if your shares are held in street name, re-voting by Internet or by telephone as instructed above, only your latest Internet or telephone vote will be counted;

notifying Online Resources Corporation'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 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 2 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.

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**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: 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 KPMG LLP as our independent accountants for 2007, the Audit Committee of our Board of Directors will reconsider its selection.

**Proposal 3: Terminate the Company's Rights Agreement**

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 terminate the Company's Rights Agreement. 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.

**Is Voting Confidential?**

We will keep all the proxy cards, ballots and voting tabulations private. We only let our Inspectors of Election and Broadridge Financial Solutions (Broadridge), our proxy distributor, 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 Broadridge to assist our Board of Directors in the distribution of proxy materials for a fee of \$18,500, plus reimbursement of out-of-pocket expenses. Broadridge 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 Broadridge 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.

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**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.

**Attending the Annual Meeting**

The annual meeting will be held at 2:00 P.M. (EDT) on Tuesday, May 15, 2007 at the Washington Dulles Hilton, 13869 Park Center Road, Herndon, Virginia 20171. When you arrive at the Washington Dulles Hilton, 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.

**Table of Contents****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 10, 2007 for (a) the executive officers named in the Summary Compensation Table set forth elsewhere in this proxy statement, (b) each of our current Directors and Director nominees, (c) all of our current Directors, Director nominees 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 10, 2007 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 26,009,264 shares of common stock outstanding on March 10, 2007.

Name and Address**	Shares Beneficially Owned(1)	
	Number	Percent
Federated Investors, Inc.(2) Federated Investors Tower Pittsburgh, PA 15222-3779	2,958,918	11.4%
Wellington Management Company, LLP(3) 75 State Street Boston, MA 02109	1,946,500	7.5%
Tennenbaum Capital Partners, LLC(4) 2951 28th Street, Suite 1000 Santa Monica, CA 90405	4,621,570	15.1%
Stephen S. Cole(5)	8,097	*
Edward E. Furash(6)	17,921	*
Michael H. Heath(7)	65,312	*
Debra A. Janssen		*
Michael E. Leitner		*
Ervin R. Shames(8)	51,336	*
Joseph J. Spalluto(9)	70,249	*
William H. Washecka(10)	15,418	*
Barry D. Wessler(11)	42,699	*
Matthew P. Lawlor(12)	1,535,086	5.8%
Raymond T. Crosier(13)	410,727	1.6%
Catherine A. Graham(14)	122,101	*
All current directors and executive officers and director nominees as a group (12 persons)(15)	2,338,946	8.7%

\* 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. The 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 \$0.01 per share, which preferred share purchase rights are not presently exercisable.

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- (2) This information is based solely on a Schedule 13G filed by Federated Investors, Inc. with the Securities and Exchange Commission on February 12, 2007. Federated Investors, Inc. may be deemed the beneficial owner of these shares.
- (3) This information is based solely on a Schedule 13G filed by with the Securities and Exchange Commission on February 14, 2007. Wellington Management Company, LLP, 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) Represents the number of common shares into which the Series A-1 Redeemable Convertible Preferred Stock held by Tennenbaum Capital Partners, LLC can be converted.
- (5) Includes 6,097 shares issuable upon exercise of options to purchase common stock.
- (6) Includes 16,921 shares issuable upon the exercise of options to purchase common stock.
- (7) Includes 44,620 shares issuable upon the exercise of options to purchase common stock. Of the total shares, 4,158 shares are held by Ms. Heath (Mr. Heath's wife).
- (8) Includes 29,336 shares issuable upon the exercise of options to purchase common stock.
- (9) Includes 38,974 shares issuable upon the exercise of options to purchase common stock.
- (10) Includes 12,418 shares issuable upon the exercise of options to purchase common stock.
- (11) Includes 15,905 shares issuable upon the exercise of options to purchase common stock.
- (12) Includes 390,950 shares of common stock issuable upon exercise of options to purchase common stock, and 101,607 shares of common stock issuable upon vesting of restricted stock units. Of the total shares, 22,828 shares are held by the Rosemary K. Lawlor Trust, 58,157 shares are held by the Rosemary K. Lawlor Irrevocable Trust and 58,156 shares are held by the Matthew P. Lawlor Irrevocable Trust.
- (13) Includes 311,947 shares issuable upon the exercise of options to purchase common stock, and 60,871 shares of common stock issuable upon vesting of restricted stock units. 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 Wisdom (Mr. Crosier's daughter), respectively.
- (14) Includes 120,788 shares issuable upon the exercise of options to purchase common stock, and 44,351 shares of common stock issuable upon vesting of restricted stock units.
- (15) Includes 987,956 shares issuable upon the exercise of options to purchase common stock, and 206,829 shares of common stock issuable upon vesting of restricted stock units. See also notes 5 through 14 above for further details concerning such options and restricted stock units.



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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 nine members, classified into three classes as follows: (1) Michael H. Heath, and Edward E. Furash, with Mr. Furash to be replaced by Debra A. Janssen when Mr. Furash retires at the annual meeting, constitute a class with a term ending at the 2009 annual meeting; (2) William H. Washecka, Stephen S. Cole and Joseph J. Spalluto constitute a class with a term ending at the 2008 annual meeting and (3) Matthew P. Lawlor, Ervin R. Shames and Barry D. Wessler constitute a class with a term ending at the upcoming 2007 annual meeting. Michael E. Leitner represents Tennenbaum Capital Partners, LLC on the Board, and he is not a member of a class.

On March 2, 2007, the 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 2010 annual meeting of stockholders, and until their successors are elected and qualified.

On March 19, 2007, the Board of Directors nominated and elected Debra A. Janssen to replace Edward E. Furash, who is retiring at the annual meeting on May 15, 2007 pursuant to the Company's mandatory retirement age policy for Board members. Ms. Janssen's term will begin on May 15, 2007, upon Mr. Furash's retirement.

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.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Matthew P. Lawlor	59	Chairman of the Board and Chief Executive Officer
Stephen S. Cole(1)(3)	57	Director and Chairman of Management Development and Compensation Committee
Edward E. Furash(5)	72	Director
Michael H. Heath(1)(2)(4)	65	Director and Chairman of Governance Committee
Debra A. Janssen(3)	50	Director
Michael E. Leitner(2)(3)(4)	39	Director
Ervin R. Shames(1)(2)(4)	66	Director and Chairman of Corporate Finance Committee
Joseph J. Spalluto(1)(2)(4)	48	Director
William H. Washecka(3)	59	Director
Barry D. Wessler(3)	63	Director and Chairman of Audit Committee

(1) Member of the Management Development and Compensation Committee

- (2) Member of the Corporate Governance Committee
- (3) Member of the Audit Committee
- (4) Member of the Corporate Finance Committee
- (5) Retiring at the upcoming annual meeting pursuant to the Company's mandatory retirement age policy for Board members.

\* Committee memberships are as of May 15, 2007.

*Matthew P. Lawlor* is a co-founder of Online Resources Corporation 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

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founded a venture development firm and served in the White House Office of Management and Budget. Mr. Lawlor is active in industry affairs, having founded and chaired the eFinancial Enablers Council, a group of senior Internet executives whose firms serve the financial services industry. Mr. Lawlor has a BS in mechanical engineering from the University of Pennsylvania and a MBA from Harvard University.

*Stephen S. Cole* has been a Director since May 2005 and since 2001 has served as the President and Chief Executive Officer of YMCA of Metropolitan Chicago. 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. Mr. Cole received a BA from Lake Forest College.

*Edward E. Furash* has been a Director since July 2003 and since 2005 has served as the Director, Vice Chairman and Chief Executive Officer of City First Bank of DC, N.A. Since 1998, Mr. Furash has served as 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. (now Countrywide Bank), 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 Pennsylvania Business Bank. Mr. Furash has a BA from Harvard University and a MBA from the University of Pennsylvania. Pursuant to the Company's mandatory retirement age policy, Mr. Furash will retire at the upcoming annual meeting on May 15, 2007.

*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 Corporation 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 a BA from Williams College and a MBA from Harvard University.

*Debra A. Janssen* was nominated and elected on March 19, 2007 and will begin serving on the Board of Directors on May 15, 2007 replacing the retiring Edward E. Furash. She is currently a private investor and serves as Chief Executive Officer of one of the private firms in which she has invested. From 2004 to 2006, she served as President of First Data Debit Services and the STAR Network. She served as President and Chief Executive Officer of SurePayroll, Inc. from 2002 to 2003 and President of Hallmark Cards' web business from 2000 to 2001. Ms. Janssen also served as President and Chief Executive Officer of eFunds Corporation from 1999 to 2000 and was Chief Information Officer of Metavante (formerly M&I Data), where she worked from 1984 to 1998. She is currently a Director of Plato Learning, Inc., a publicly traded company, and serves on the Audit Committee.

*Michael E. Leitner* has been a Director since February 2007, representing Tennenbaum Capital Partners, LLC. Prior to serving as a partner with Tennenbaum, which he has done since 2005, Mr. Leitner held a senior corporate development position for WilTel Communications from 2004 to 2005 and served as Chief Executive Officer of GlobeNet Communications from 2002 to 2004. Previously, he held senior corporate development positions with Microsoft Corporation and 360networks and served as vice president in Merrill Lynch's M&A group. Mr. Leitner currently serves on the boards of ITC DeltaCom, Inc. and Anacomp, Inc. Mr. Leitner holds a BA in Economics from the University of California, Los Angeles, and an MBA from the University of Michigan.

*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 since 1989 has been a Managing Director of corporate finance for Keefe Bruyette & Woods, Inc., an investment banking firm specializing in the financial services industry, which he joined in 1981. Mr. Spalluto received a BA from Amherst College and a JD from the University of Connecticut School of Law.

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*William H. Washecka* has been a Director since February 2004 and currently serves on the boards of directors of Avalon Pharmaceuticals, Inc. and Audible, Inc. From November 2004 to December 2006, he 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. 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 Global Select Market.

## **Committees of the Board of Directors and Meetings**

*Meeting Attendance.* During the fiscal year ended December 31, 2006, there were five meetings of our Board of Directors, and the various committees of the Board met a total of twenty-eight 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 2006.

*Management Development and Compensation Committee.* Our Management Development and Compensation ( MD&C ) Committee met eight times during fiscal 2006. During fiscal 2006 the Committee had three members, Ervin R. Shames (Chairman), Stephen S. Cole and Edward E. Furash. Our MD&C Committee oversees the compensation and organizational matters of the Company. Specifically, the Committee reviews and approves management compensation policies, including target compensation levels for management that are based on industry benchmarks, design of our annual bonus program and establishment of the program s goals and design of our long-term, equity-based incentive program. The Committee focuses, in particular, on the Chief Executive Officer ( CEO ) and the CEO s direct reports. The Committee reviews and recommends goals for the CEO to the Board of Directors and evaluates the CEO together with the Board of Directors. In consultation with outside compensation experts, the Committee also designs and recommends to the Board of Directors the compensation policies for Directors. In overseeing the our management development policies and practices, the Committee consults with the CEO on succession plans and more broadly assesses the development and contingency plans for senior management staff. Our Board of Directors has adopted a charter for the Committee, which is available at [www.orcc.com](http://www.orcc.com). Please also see the report of the MD&C Committee set forth elsewhere in this proxy statement.

*Corporate Governance Committee.* Our Corporate Governance Committee met five times during fiscal 2006. During fiscal 2006 the Committee had four members, Edward E. Furash (Chairman), Stephen S. Cole, Joseph J. Spalluto and Steven C. Chang. The Committee evaluates the Board s and its Committees current composition, organization and governance processes. It also identifies and recommends qualified candidates for Director consideration and election by stockholders. The Committee conducts an annual assessment of the Board. Together with outside updates on industry best practices, legal developments and new securities regulations, the Committee recommends changes and adoption of new processes. The Committee also oversees the development and implementation of a Code of Business

Conduct and Ethics for all Directors, executive officers and employees of the Company and develops and recommends to the Board corporate governance guidelines applicable to the Company. The Chairman of the Corporate Governance Committee also serves as lead Director in confidential sessions held by the Board without any member of management present. These confidential sessions are typically held five times per year, as part of the Company's regularly scheduled Board meeting. For a description of the process used by the Committee in evaluating and recommending Director nominees, see "Nomination Process" below. Our Board of Directors has adopted a charter for the Committee, which is available at [www.orcc.com](http://www.orcc.com).

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*Audit Committee.* Our Audit Committee met eight times during fiscal 2006. During fiscal 2006 the Committee had five members, Michael H. Heath (Chairman), William H. Washecka, Barry D. Wessler, Stephen S. Cole and Joseph J. Spalluto. A more detailed description of the functions of the Audit Committee are described under Report of the Audit Committee set forth elsewhere in this proxy statement. Generally, the Committee oversees the accounting policies and financial statements of the Company. The Committee also oversees systems integrity and security procedures and supervises our internal audit function. The Audit Committee is governed by a written charter approved by the Board of Directors, which is available at [www.orcc.com](http://www.orcc.com). The Board has determined that all members of the Audit Committee satisfy the current independence standards promulgated by the Securities and Exchange Commission and by the Nasdaq Global Select Market. The Board has determined that William H. Washecka is an audit committee financial expert, as the Securities and Exchange Commission has defined that term in Item 401 of Regulation S-K.

*Corporate Finance Committee.* Our Corporate Finance Committee met seven times during fiscal 2006. During fiscal 2006 the committee had four members, Joseph J. Spalluto (Chairman), Edward E. Furash, Ervin R. Shames and Steven C. Chang. Our Corporate Finance Committee consults with and advises management and the Board of Directors on merger and acquisition opportunities and related financing. The Committee oversees the post-transaction integration and eventual evaluation of any acquisitions, including the strategic rationale for the acquisition and a comparison of actual financial results to original forecasts for the acquisitions. The Committee further consults and advises the Company on capital formation policies and implementation. As part of this function, it oversees our treasury and investment management policies, including management of float associated with bill payment operations. The Committee also reviews long-term financial projections and stockholder valuation, and it reviews and recommends capital hurdle rates and our annual capital budget. Our Board has adopted a charter for the Committee, which is available at [www.orcc.com](http://www.orcc.com).

## **Nomination Process**

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 our Board, the Committee will consider the criteria outlined in our 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 2007 Annual Meeting of Stockholders using the procedures set forth in our 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.

## **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.



**Table of Contents****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.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Raymond T. Crosier	52	President and Chief Operating Officer
Catherine A. Graham	46	Executive Vice President, Chief Financial Officer and Treasurer

*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 Corporation. 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 Treasurer. 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., then 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****Compensation Discussion and Analysis**

*The following discussion and analysis contains statements regarding future individual and company performance targets and goals. These targets and goals are disclosed in the limited context of Online Resources Corporation's compensation programs and should not be understood to be statements of management's expectations or estimates of results or other guidance. We specifically caution investors not to apply these statements to other contexts.*

*Introduction*

The following discussion and analysis is intended to provide an understanding of (1) the structure and responsibilities of the Management Development and Compensation Committee of our Board of Directors, (2) the philosophy and objectives behind our compensation programs for executive officers and senior management (considered to be vice presidents and above), (3) each of the major elements comprising these compensation programs, and (4) the process

used to determine the amounts of each of these elements.

*Management Development and Compensation Committee*

The Management Development and Compensation Committee of the Board of Directors (the Committee ) is comprised entirely of independent, non-employee directors. The primary mission of the Committee is to discharge the responsibilities of our Board with respect to the design and implementation of executive compensation

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programs and the development of current and future managers and leaders. The responsibilities of the Committee include:

Establishing compensation strategies, processes, and programs for the Chief Executive Officer and other executive officers that motivate and reward superior company performance.

Reviewing and approving corporate goals and objectives relevant to the compensation of the Chief Executive Officer and other executive officers.

Leading the Board of Directors annual evaluation of the performance of the Chief Executive Officer.

Reviewing and approving all compensation elements for the Chief Executive Officer and other executive officers including base salaries, annual incentive awards, long-term equity incentive awards and benefits plans.

Administering the annual incentive plan, long-term equity incentive plan and employee stock purchase plan, and periodically reviewing major employee benefit programs.

Reviewing management development, organizational strategy and succession capability for key leadership positions, and assessing overall organizational structure, management depth and related development processes to reasonably insure that the appropriate organization and management will be in place to support expected growth.

The Committee has the authority under its charter to retain and consult with independent advisors to assist the Committee in fulfilling these responsibilities and duties. It periodically retains independent compensation consultants to advise on plan design, identify peer companies, research comparable compensation levels and perform other similar functions.

The Committee usually meets in person five times per year in conjunction with scheduled meetings of the full Board, and also convenes additional meetings by telephone conference as needed. At the start of each year, the Committee establishes a calendar of agenda items for that year's meetings. The Committee also establishes goals for itself pertaining to issues it wants to resolve or items it wants to accomplish during the year. On an ongoing basis, the Chairman of the Committee works also with our Chief Executive Officer, other executive officers and members of our senior management team to add other new or timely issues to the agenda for each meeting. Following the development of the agenda for each meeting, executive officers, members of senior management, our human resources department and, when appropriate, independent compensation consultants, prepare materials for distribution to the Committee.

Our Chief Executive Officer regularly attends the meetings of the Committee. Other members of our management team and independent compensation consultants may be invited to attend all or a portion of a Committee meeting, depending on the nature of the agenda for the meeting. Neither our Chief Executive Officer nor any other member of management votes on any matters before the Committee. The Committee, however, does solicit the views of our Chief Executive Officer on compensation matters generally, and particularly with respect to the compensation of members of the executive management team reporting directly to the Chief Executive Officer. The Committee may also solicit the views of other executive officers, members of senior management and our human resources department with respect to key compensation elements and broad-based employee benefit plans.

*Compensation Philosophy and Objectives*

*Total Compensation Approach.* As a growth company, we seek executive officers and senior managers who are motivated by the desire to participate in building an expanding, profitable and high quality organization.

Since this type of employee values participation in our growth as much or more than base salary, the Committee looks at the aggregate of our base salary, annual cash incentive and long-term equity incentive compensation plans when assessing the adequacy, appropriateness and competitiveness of our compensation structure.

*Competitive Compensation.* We need to hire, retain and motivate executive officers and senior managers with the requisite skills and experience to develop, expand and execute on our business opportunities, as this

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is essential to our success in providing value to shareholders. As such, we benchmark our compensation against companies in our industry sector or with similar operating characteristics, most which have revenue levels the same or larger than ours.

*Performance-Based Compensation.* We believe that variable compensation tied to company performance should represent a meaningful portion of total compensation for our executive officers and senior managers, and that the percentage of compensation tied to company performance should be highest for our executive officers. We target base salary compensation at the 40<sup>th</sup> percentile of market, with the opportunity to earn total compensation between the 60<sup>th</sup> and 70<sup>th</sup> percentiles when we meet our own targets and outperform our competition.

*Reward both Company Performance and Individual Achievement.* In determining annual incentive and long-term equity incentive awards, we look primarily to company performance. However, merit increases to base salaries are weighted towards individual performance and we have spot bonus and other recognition programs to reward individual achievement.

*Emphasize Stock Ownership.* We believe that stock ownership is a valuable tool to align the interests of managers and employees with those of shareholders. In March 2007, our Board of Directors established specific stock ownership guidelines for themselves as well as for executive officers and certain senior managers. Much of this ownership can be accomplished through grants made as a part of the annual compensation of our Board members and under our long-term equity incentive plan, but open market purchases are encouraged to fill out or exceed the guidelines. The Company also provides the means for broader stock ownership by employees at all levels through our Employee Stock Purchase Plan.

### *Compensation Program Elements*

Our compensation program for executive officers and senior management currently consists of (1) base salary, (2) annual cash incentive compensation, and (3) long-term equity-based incentive compensation. Our executive officers and senior management participate in the broad-based benefits plans that are available to other employees and we avoid additional material perquisites. We also do not generally have employment agreements that provide for continued employment for any period of time or guarantee severance benefits upon termination without cause or for good reason. We have, however, entered into a limited number of severance agreements as a part of our acquisitions of other companies.

The Committee has a policy of requesting benchmark compensation studies with regard to executive officer and senior management positions on a periodic basis, to ensure that its decisions are based on current market information. The Committee has previously engaged independent compensation consultants Watson Wyatt Worldwide to prepare these studies, with its most recent study being completed in July 2006. These studies have provided the Committee with relevant market data, trends and alternatives to consider when making compensation decisions, and the Committee has used the study information to ensure that management compensation plans remained both competitive and within established target ranges relative to market-median levels. Watson Wyatt and any other independent compensation consultants engaged by the Committee are not engaged by management in any other capacity so as to preserve their independence.

In making compensation decisions, the Committee compares total compensation and its components against a peer group of publicly traded companies. This peer group, which is reviewed and updated annually, consists of companies in the specific market sectors in which we compete and general industry companies with consolidated and/or segment revenues comparable to ours. Each of the peer group companies has revenues of less than \$250 million and market capitalizations and employment levels that are similar to ours. The Committee believes the peer group is a reasonable

representation of the market for management's services. The companies included in the peer group considered as part of our compensation decisions in 2006 and 2007 are:

Bottomline Technologies, Inc.

Carreker Corporation

Checkfree Corporation

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Corillian Corporation

Cybersource Corporation

Digital Insight Corporation

Ebix, Inc.

Electronic Clearinghouse

GoldLeaf Financial

Intersections, Inc.

Open Solutions, Inc.

As a result of the limited number of companies in our of the Peer Group, the Committee also utilized commercially available survey data related to general industry executive compensation to identify market-median and other market elements related to our 2006 and 2007 compensation programs.

*Base Salary.* Base salaries for our executive officers and senior managers are reviewed and reset annually. Given our total compensation approach and the value our executive and senior management places on participating in current and future growth, base salaries tend to be underweighted in our compensation structure. The Committee seeks to benchmark base salaries at approximately the 40<sup>th</sup> percentile of high growth companies within the established peer group.

In addition to the market data from the peer group and other sources, the Committee considers other factors in arriving at or adjusting each executive officer's base salary, including: (1) each executive officer's scope of responsibilities; (2) each executive officer's qualifications, skills and experience; (3) internal pay equity among senior executives; and (4) individual job performance, including both impact on current financial results and contributions to building longer-term shareholder value. Annual increases are primarily driven by individual performance.

*Annual Cash Incentive Compensation.* We provide annual incentive compensation for our executives officers, senior managers and other employees under our Annual Incentive Plan. The Annual Incentive Plan is designed to drive current period, division and company-wide performance consistent with our stated long-term growth, profitability and service quality objectives. The Committee seeks to establish performance objectives at a level that rewards competitively superior performance with competitively superior compensation. Our annual incentive compensation is designed to be paid in cash. However, the Committee may, at its discretion, choose to pay, or allow participants to elect to receive, some or all of their annual incentive compensation in equity.

Before the start of each year, the Committee determines the three principal elements of the Annual Incentive Plan for the coming year: (1) the corporate and division or group performance goals; (2) the percentage of bonus payout to be tied to each of the performance goals; and (3) target bonus levels, expressed as a fixed dollar amount for each identified level or title grouping of management. Actual bonus payments are increased above the target bonus levels for results that exceed the performance goals and are decreased below the target bonus levels, and may be reduced to zero, for results that do not fully meet the goals, with the amount of the increase or decrease based on a sliding scale determined by the Committee.

*Performance Goals and Related Bonus Allocations.* The Committee determines both the types of, and the targets for, the annual performance goals. Typical performance goals include annual or other periodic revenue growth or amount, operating profitability growth or amount, core net income growth or amount, free cash flow amount and service quality or other operating performance metrics. Financially-oriented performance goals are generally tied to the Company's Board-approved budget and operating plan. Some or all of these performance goals may be established on an adjusted basis, either for ease of measurement or to exclude factors beyond management's control.

For 2006, the Committee selected revenue, core earnings per share, free cash flow and the Company's published service quality index as the performance goals for the 2006 Annual Incentive Plan. Corporate and



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division targets were established for each of these goals and the percentage of bonus payout tied to each of the goals was set as follows:

<b>Performance Goal</b>	<b>Corporate</b>	<b>Division</b>
Revenue	40%	30%-35%
Core Earnings per Share	30%	30%-35%
Free Cash Flow	30%	0%
Service Quality Index	0%	15%

The Committee determined that bonus payouts for corporate participants, including the executive officers, would be based entirely on achievement of the established corporate performance targets, while division participants would have 80% of their bonus payouts based on division performance targets and 20% based on corporate performance targets. This structure was established to support and reward the operating objective of achieving cross-divisional product sales and client support.

On July 3, 2006, we acquired Princeton eCom Corporation ( Princeton ), a company with approximately \$39 million in run rate revenue. After considering the expected impact of the acquired company's operations and the transaction financing on 2006 results, and the uncertainty surrounding the resulting organizational structure, the Committee concluded that it would amend the 2006 Annual Incentive Plan to accommodate the acquisition.

The amended 2006 Annual Incentive Plan included all eligible participants from both Online Resources and Princeton. It divided the full year bonus payout into three pools: (1) 40% based on the first six months of 2006; (2) 40% based on the second six months of 2006; and (3) 20% based on the Committee's assessment of the degree of achievement of acquisition-related integration goals agreed to with management.

Bonus payouts related to the first six month period were based on the plans in place during that period. For legacy Online Resources participants, the original 2006 performance goals were pro-rated or otherwise adjusted by comparing year-to-date results through June 30, 2006 to the Board-approved budget for the same period. In general, revenue and core net income per share results for this period fell slightly below the established targets while free cash flow and service quality measures were at or above their targets. On this basis, legacy Online Resources participants earned between 85% and 96% of their target bonus amounts for the period. The legacy Princeton plan had target bonus payouts but did not have established goals against which performance would be measured. Based on the fact that Princeton had achieved its budget for the first six months of 2006, however, the Committee deemed that legacy Princeton participants earned 100% of their target bonus amounts for the period.

For the second six month period, the Committee selected revenue and core net income per share as the performance goals. It established that revenue performance would account for 40% of bonus payouts for the period and core earnings per share would account for 60%. Since our organizational structure was in transition during the months following the acquisition, this structure was applied to all participants without regard to their corporate or divisional affiliation. Performance targets for revenue and core net income per share were established based on the consolidation of our mid-year forecast for the legacy Online Resources business and an similar forecast for the legacy Princeton business. We believe factors primarily surrounding the acquisition caused us to over forecast revenue growth and, as such, we fell below our performance targets despite performance that was competitively superior on most measures. Specifically, the Company's results were: 1) revenue growth of 52% versus 24% for its peer group, and 2) earnings before interest, taxes, depreciation and amortization growth of 48% versus 27% for its peer group. Additionally, while core earnings per share declined by 56% in 2006, it would have increased approximately 50% without the near-term dilutive impact of the Princeton eCom acquisition and the impact of the Company beginning to report on a fully-taxed

basis. This compared to 27% growth in core net income, or a comparable measure as reported to Thomson First Call, for the peer group. The Committee noted that, for all metrics, the peer group comparison excluded three companies that were acquired during 2006 and did not report 2006 financial information, and for core earnings per share, one additional company for which no comparable 2005 information was provided. No bonus was earned by any participant for this second six month period.

At mid-year, management and the Committee also agreed on a set of goals for the remainder of 2006 focused primarily on activities related to the Princeton acquisition, including completion of integration activities, achievement of targeted cost synergies and finalization of a new organization structure. After reviewing our performance

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against the established goals and our financial performance compared to our peer group, the Committee determined that participants had earned 87% of the discretionary bonus amount.

In total, participants earned between 51.4% and 57.4% of their 2006 targeted bonuses as established by the amended 2006 Annual Incentive Plan, paid in a combination of cash and equity. This payout range was significantly less than in prior years, due largely to a shortfall in actual revenue compared to plan. Management and the Committee have concluded that the revenue forecasts on which performance goals for the second six months of 2006 were based were overly optimistic, due to a lack of familiarity with certain aspects of the acquired business, lengthened sales and implementation cycles stemming from uncertainty surrounding the acquisition, and other factors. The Committee believes that in the context of its total compensation approach, payouts under the 2006 amended Annual Incentive Plan were fair to both participants and shareholders, and that the Plan structure continues to be appropriate.

Looking forward, the Committee has selected revenue, core earnings per share and division or group specific quality measures as performance goals for the 2007 Annual Incentive Plan. Corporate and division or group performance targets have been established for each goal based on our 2007 budget and operating plan. As in 2006, bonus payouts to corporate participants, including the executive officers, will be based entirely on achievement of the established corporate performance targets. Division or group participants, however, will now have 50% of their bonus payouts based on division performance targets and 50% based on corporate performance targets. This shift towards emphasizing corporate performance targets for the entire participant base is designed to support and reward the operating objective of achieving the revenue opportunities we foresaw from the Princeton acquisition, which will require increased cross divisional cooperation and effort. It also supports solidification of our post-acquisition organization structure by focusing participants on common goals.

The Committee believes that the 2007 Annual Incentive Plan design is appropriate and will deliver fair value to both participants and shareholders.

*Target Bonus Levels.* In 2006, participant bonus targets were established as fixed dollar amounts for each position or title group. On a percentage basis, the bonus target range for senior management was between 16% and 51% of base salary. This encompassed the Chief Executive Officer, at 51% of base salary, and the other executive officers at 47% to 48% of base salaries. Actual 2006 bonuses for our executive officers equaled 51.4% of their targets. 67% of these bonus amounts were paid in cash, and 33% were paid in restricted stock units that vest on January 1, 2009.

The 2006 bonus targets were established by the Committee within its total compensation approach. Factors considered included peer group comparable compensation, internal compensation equity between participants of the same level or title, cash and equity compensation mix at the various levels of management and affordability.

For 2007, the Committee considered similar factors in establishing bonus targets, which resulted in increases in target amounts at all levels of plan participation. On a percentage basis, the bonus target range for senior management is now between 22% and 100% of base salary. The Committee also concluded that bonus targets for the executive officers and certain members of senior management should now be percentages of their actual base salaries, with fixed dollar bonus targets still being established for other positions or title groups. This encompasses our Chief Executive Officer, at 100% of base salary, our President and Chief Operating Officer at 75% of base salary and our Executive Vice President and Chief Financial Officer at 60% of base salary.

No participant in our Annual Incentive Plan has exceeded \$1 million in annual taxable compensation. As such, we have not had the material terms of the performance goals under our Annual Incentive Plan approved by shareholders as would be required to qualify for an exemption from limits on deductibility of compensation under Internal Revenue Code section 162(m) and related regulations. We will continue to monitor compensation levels and will consider submitting the material terms of our performance goals to shareholders if the compensation of any of our executive

officers or senior managers approaches this threshold.

*Long-Term Equity-Based Incentive Compensation.* We make long-term incentive compensation available to our executive officers and senior managers in the form of stock options, time-vested restricted stock and

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performance-vested restricted stock awards. Through the grant of these equity incentives, we seek to align the long-term interests of our management team, including our executive officers, with the long-term interests of our shareholders, by creating a direct link between compensation and shareholder return. We also seek to enable members of our management team to achieve ownership in our company at levels that are meaningful to them, thereby improving our ability to retain these employees. Further, as we offer no defined benefit retirement or pension plans, long-term equity-based incentive grants are an important element in enabling members of our management team to build savings for retirement.

Historically, stock options were the primary form of equity-based incentives awarded under our plans. All employees would receive option grants on their date of hire or promotion and, for members of management, including our executive officers, periodically thereafter. These periodic grants were made when the Committee determined that amounts being vested under prior grants were not providing competitive compensation or that prior grants were materially through their vesting cycle. Option grants under these plans were generally designed to provide equity compensation over a four year period.

At our annual meeting in May 2005, the shareholders approved the 2005 Restricted Stock and Option Plan, which enabled us to award forms of equity other than options for the first time. With this approval, the Committee engaged independent compensation consultants Towers Perrin to assist it in designing a compensation program to address long-term performance. Following the consultants' recommendations, the Committee created the Long-Term Incentive Plan, a mix of equity based incentives tied to key performance measures over a three year period. The plan is limited to executive officers and senior managers. It also establishes an annual grant cycle for the equity portion of total compensation. We began to make awards under this plan in January 2006.

Each year's Long-Term Incentive Plan is designed to link compensation to our performance over the three year period beginning with the grant year. The Committee selected a three year period because they believed it was the longest period over which management could be expected to provide a reasonably accurate forecast. They also determined that it was possible to obtain reasonable predictions of competitors' future performance for this period, but not for longer.

Award targets for each three-year plan cycle are established by the Committee within its total compensation approach, including seeking alignment between performance and pay. Factors considered included estimated peer group performance, peer group comparable compensation, cash and equity compensation mix at the various levels of management and affordability. In 2006, award targets were expressed as fixed dollar amounts and were converted to share-equivalent grants based on the fair market value of our stock on the date of grant, as measured by the closing price per share on that date. The number of option shares granted is determined using the Black-Scholes option pricing model to determine the theoretical fair market value of the option on the date of grant. The options are exercisable at the fair market value on the date of grant. The number of restricted shares granted is determined using the fair market value on the date of grant. The restricted shares carry no exercise price.

Option and time-vested restricted stock grants vest annually over the three year period, provided the participant continues to remain employed by the Company. Performance-vested restricted stock vests at the end of the three year period, with the number of shares that vest based on our performance against two performance targets established by the Committee for that three year period. As performance-based restricted stock is intended to focus participants on the Company's long-term performance and not reward tenure, participants having this grant type who leave the Company during the three year period may be entitled to partial vesting of their shares at the end of the three year period. They will be vested for either 33.3% or 66.7% of the shares that would have vested at the end of the three year period, if they were employed by the Company for at least one or two years of the period, respectively. All share grants, regardless of type, have a seven year life.

All participants in the Long-Term Incentive Plan receive grants consisting of stock options and time-vested restricted stock. For the executive officers and senior managers, performance-vested restricted stock is also granted, with such grants being allocated as follows:

Stock Options	30%
Time-Vested Restricted Stock	30%
Performance-Vested Restricted Stock	40%

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Before the start of each year, the Committee selects two performance goals for the three year period covered by the coming year's performance-based restricted stock grants. These performance goals will tend to be growth and profitability oriented and are intended to reflect the measures on which the capital markets value the Company. We believe that measures such as these best align the long-term interests of management and the shareholders.

The Committee also establishes a target for each selected performance goal, and creates a vesting band of around this target. Vesting of performance-based restricted stock can be increased to as much as 150% of target levels for results that exceed the performance targets. Vesting can also be decreased below target levels, and may be reduced to zero, for results that do not fully meet the targets. As depicted in the following matrix, the intersection of our actual performance against the target for each performance goal will determine the number of performance-based restricted shares that vest at the end of the three year period.

		Profitability Goal		
		Low	Target	High
GROWTH GOAL	Low	50%	75%	100%
	Target	75%	100%	125%
	High	100%	125%	150%

For example, if we were to achieve the target value of one performance goal and the high value of the other, 125% of participants' performance-based restricted shares would vest. Note that the above matrix has been simplified for presentation purposes and actual vesting is interpolated between 50% and 150%.

For 2006, the Committee selected average revenue growth and average earnings before interest and taxes per share as performance goals for the 2006 Long-Term Incentive Plan, to be measured over the 2006 through 2008 period. It established targets for each of these goals based on our three year forecast, as adjusted for a degree of uncertainty in future forecasting agreed upon by management and the Committee. It also established a vesting band performance around these targets. For revenue growth, the Committee determined that the vesting band would be approximately 22% above and below the target. For average earnings before interest and taxes per share, it determined that the vesting band would be 25% of the target value, both above and below the target. At all points in the matrix defined by these vesting bands, the Committee concluded that shareholders would receive fair incremental value after expensing of the related equity compensation.

On July 3, 2006, we acquired Princeton eCom Corporation, a company with approximately \$39 million in run rate revenue. Our Long-Term Incentive Plan requires that when we complete an acquisition, disposition or other material transaction during an already established three year period, we assess the impact that transaction would have on our performance targets, as expected and approved by our Board of Directors at the time of the transaction, and adjust our performance targets accordingly. To accomplish this for the Princeton transaction, we applied the forecast scenario on which our Board of Directors approved the acquisition. We also analyzed the impact of the Princeton transaction as though we had completed the acquisition on January 1, 2005, in order to properly assess consolidated growth rates. Though this acquisition materially altered expected revenue levels and both the levels and pattern of expected earnings over the period, it did not have a material impact on our expectations for average revenue growth and average earnings before interest and taxes per share. On this basis, the Committee concluded that it did not need to adjust the performance targets of the 2006 Long-Term Incentive Plan for the acquisition.

For 2007, the Committee selected average revenue growth and average earnings before interest and taxes per share as performance goals for the 2007 Long-Term Incentive Plan, to be measured over the 2007 through 2009 period. It established targets for each of these goals based on our three year forecast, as adjusted for a degree of uncertainty in

future forecasting agreed upon by management and the Committee. Beginning in 2007, the Committee decided to also consider growth and profitability expectations for comparable companies as a factor in setting performance goal targets. A vesting band performance was established around these targets. For both revenue growth and average earnings before interest and taxes per share, the Committee determined that the vesting band would be 25% above and below the target. At all points in the matrix defined by these vesting bands, the Committee concluded that shareholders would receive fair incremental value after expensing of the related equity compensation.



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The Committee establishes target equity grants under the Long-Term Incentive Plan within its total compensation approach. Factors considered included peer group comparable compensation, cash and equity compensation mix at the various levels of management and affordability.

In 2006, participant equity targets were established as fixed dollar amounts for each position or title group. On a percentage basis, the bonus target range for our executive officers and senior management was between 18% and 130% of base salary. This encompassed our Chief Executive Office, at 130% of base salary, our President and Chief Operating Officer at 100% of base salary and our Executive Vice President and Chief Financial Officer at 70% of base salary.

For 2007, the Committee's analysis resulted in increases in target amounts at a number of levels of plan participation. On a percentage basis, the bonus target range for senior management remained between 18% and 130% of base salary. The Committee also concluded that equity targets for the executive officers and certain members of senior management should now be percentages of their actual base salaries, with fixed dollar bonus targets still being established for other positions or title groups. This encompasses our Chief Executive Office, at 130% of base salary, our President and Chief Operating Officer at 100% of base salary and our Executive Vice President and Chief Financial Officer at 90% of base salary.

*Benefits and Perquisites.* We generally avoid perquisites. Our executive officers and senior managers receive the same benefits as are available to our other full-time employees.

*Severance Compensation.* We do not have agreements with our executive officers and most of our senior managers that would provide severance benefits upon termination without cause or for good reason. We have, however, entered into severance agreements with a limited number of senior managers as a part of our acquisitions of other companies. None of these agreements provide benefits that would be outside of standard corporate practices or materially outside of our own historical practices.

### *Chief Executive Officer Compensation and Performance*

The compensation for Matthew P. Lawlor, our Chairman and Chief Executive Officer, consists of an annual base salary, annual cash incentive compensation and long-term equity-based incentive compensation. The Committee determines and recommends to the Board for their approval the level for each of these compensation elements within its total compensation approach, using methods consistent with those used for the Company's other senior executives, including the assessment of Mr. Lawlor's performance and review of competitive benchmark data.

The independent members of the Board of Directors evaluate Mr. Lawlor's performance against a set of annual performance goals recommended by the Committee and approved by the those same independent members. The goals fall into four categories: 1) financial goals, focused on revenue, earnings before interest, taxes, depreciation and amortization, and core net income as set forth in the Company's budget, 2) operating goals, including metrics such as consumer adoption rate, 3) strategic goals, including initiatives relating to organization development, capital structure, acquisitions and other strategic matters, and 4) intangibles, covering leadership, and other qualitative factors that the independent members of the Board may deem appropriate in evaluating chief executive performance. For 2007, each of these categories is weighted 30%, 30%, 30% and 10%, respectively, out of a possible 100% score. This score is used by the Committee and independent members of the Board in evaluating Mr. Lawlor's total compensation and setting his base salary.

In making its most recent evaluation, the Committee considered that the Company outperformed its peer group financially with: 1) revenue growth of 52% versus 24% for its peer group, and 2) earnings before interest, taxes,

depreciation and amortization growth of 48% versus 27% for its peer group. Additionally, while core earnings per share declined by 56% in 2006, it would have increased approximately 50% without the near-term dilutive impact of the Princeton eCom acquisition and the impact of the Company beginning to report on a fully-taxed basis. This compared to 27% growth in core net income, or a comparable measure as reported to Thomson First Call, for the peer group. The Committee noted that, for all metrics, the peer group comparison excluded three companies that were acquired during 2006 and did not report 2006 financial information, and for core earnings per share, one additional company for which no comparable 2005 information was provided. In addition to the Company s

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competitively superior financial performance, it achieved a high portion of its operating and strategic goals for 2006, led by the acquisition and subsequent integration of Princeton eCom. The Committee also concluded that Mr. Lawlor displayed outstanding leadership in positioning the company for the future, addressing organizational scale in reorganizing the Company, expanding the new product pipeline and pushing forward key infrastructure development.

Based on their analysis of competitive benchmarks and evaluation of Mr. Lawlor's performance in 2006 and in prior years, the Committee recommended increasing Mr. Lawlor's base salary to \$320,000, increasing his target bonus level to 100% of base salary and maintaining his target equity grant level at 130% of base salary. The independent members of the Board discussed and implemented the Committee's recommendations. The Committee believes that within the Company's current compensation structure, these elements are commensurate with Mr. Lawlor's performance for 2006 year, and that Mr. Lawlor's compensation is below, but moving towards, the Committee's target versus competitive benchmarks.

### *Stock Ownership Guidelines*

Under stock ownership guidelines established by the Board in February 2007, within four years of joining the Company, the Chief Executive Officer is expected to achieve and maintain stock ownership equal to five times the Chief Executive Officer's base salary and each of the other executive officers is expected to achieve and maintain stock ownership equal to three times that executive officer's base salary. For purposes of these guidelines, stock ownership includes the fair market value of (1) all shares of common stock owned, including vested restricted stock and (2) vested stock options. The fair market value of stock options shall mean the then-current market price less the exercise price.

The Board of Directors has also established stock ownership guidelines for its members. Within four years of joining the Board, each member is expected to achieve and maintain stock ownership equal to five times their annual cash compensation.

### *Tax and Accounting Implications*

*Deductibility of Executive Compensation.* Section 162(m) of the Internal Revenue Code requires that companies meet specific criteria, including stockholder approval of certain stock and incentive plans, in order to deduct, for federal income tax purposes, compensation over \$1 million per individual paid to their Chief Executive Officer and each of their four other most highly compensated executives. None of our executives have exceeded this threshold to date.

Our equity-based incentive plans and our annual cash bonus plan are designed to permit the grant and payment of equity or cash incentive awards that are fully deductible as performance-based compensation under the Internal Revenue Code. In reviewing and adopting other executive compensation programs, the Committee plans to continue to consider the impact of Section 162(m) limitations in light of the materiality of the deductibility of potential benefits and the impact of such limitations on other compensation objectives. Because the Committee seeks to maintain flexibility in accomplishing our company's compensation goals, however, it has not adopted a policy that all compensation must be fully deductible.

*Accounting for Stock-Based Compensation.* In 2006, we began accounting for stock-based compensation payments in accordance with the requirements of Statements of Financial Accounting Standards No. 123(R), *Share-Based Payment* (SFAS No. 123(R)). SFAS No. 123(R) requires all stock-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair value. We expect that share-based compensation expense under SFAS No. 123(R) will reduce our diluted earnings per share by approximately \$0.16 in 2007.



**Table of Contents****Summary Compensation Table**

The following table summarizes the compensation of the Company's named executive officers for the fiscal year ended December 31, 2006.

Name and Principal Position	Year	Salary (\$)	Bonus \$(1)	Stock Awards \$(2)	Option Award \$(3)	Change in Pension Value and Non-Equity Incentive			All Other Compensation \$(4)	Total (\$)
						Deferred	Compensation	Income		
Matthew P. Lawlor Chairman & Chief Executive Officer	2006	\$ 299,583	\$ 75,044	\$ 86,490	\$ 123,663	\$	\$	\$	\$ 584,780	
Raymond T. Crosier President and Chief Operating Officer	2006	\$ 238,333	\$ 55,409	\$ 55,950	\$ 80,830	\$	\$	\$	\$ 430,522	
Catherine A. Graham Executive Vice President and Chief Financial Officer	2006	\$ 220,946	\$ 51,400	\$ 33,804	\$ 74,633	\$	\$	\$	\$ 380,783	

- (1) Per the Company's 2006 bonus plan, approximately 33% of each executive's bonus was paid in restricted stock units, which were granted on January 16, 2007 and vest on January 1, 2009.
- (2) The value shown for stock awards is equal to the amount recognized in the Company's statement of operations per SFAS No. 123(R). See the Company's Annual Report on Form 10-K for the year ended December 31, 2006 for a complete description of the assumptions made in the valuation of the stock awards.
- (3) The value shown for option awards is equal to the amount recognized in the Company's statement of operations per SFAS No. 123(R). See the Company's Annual Report on Form 10-K for the year ended December 31, 2006 for a complete description of the assumptions made in the valuation of the option awards.

**Grant of Plan-Based Awards**

The following table summarizes the plan-based awards granted to the Company's named executive officers during the fiscal year ended December 31, 2006. The option awards and the unvested portion of the stock awards identified in the table below are also reported in the Outstanding Equity Awards at Fiscal Year-End table that follows.

Name	Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of	All Other Option Awards: Number of Securities	Exercise or Base Price	Closing Price on	Grant Date Fair Value
		Grant Threshold	Target	Maximum	Threshold	Target	Maximum	Stock or Units	Underlying Options	of Option Awards	Grant Date	of Stock Option Awards
		(#)	(#)	(#)	(#)	(#)	(#)	(#)	(#)	(\$/sh)	(\$)	(\$)
Matthew P. Lawlor	1/1/06	\$							15,903	\$ 11.05	\$ 11.05	\$ 111,300
	1/1/06	\$						10,073		\$	\$ 11.05	\$ 111,307
	1/1/06	\$			6,715	13,430	20,145			\$	\$ 11.05	\$ 222,602
Raymond F. Crosier	1/1/06	\$							10,288	\$ 11.05	\$ 11.05	\$ 72,003
	1/1/06	\$						6,516		\$	\$ 11.05	\$ 72,002
	1/1/06	\$			4,344	8,688	13,032			\$	\$ 11.05	\$ 144,004
Catherine A. Graham	1/1/06	\$							6,216	\$ 11.05	\$ 11.05	\$ 43,504
	1/1/06	\$						3,937		\$	\$ 11.05	\$ 43,504
	1/1/06	\$			2,625	5,249	7,874			\$	\$ 11.05	\$ 87,008

**Table of Contents****Outstanding Equity Awards at Fiscal Year-End**

The following table summarizes the outstanding option and stock awards held by the Company's named executive officers at December 31, 2006.

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable (#)	Equity Incentive Plan Awards: Number of Securities of	Unearned Exercise Price (\$)	Option Expiration Date	Market Value of Shares or Units of Stock That Have Not Vested(2)	Shares, Units or Other Rights That Have Not Vested(3)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or
Matthew P. Lawlor	50,000		\$ 14.06	6/4/2009	10,073	\$ 111,307	6,715	\$ 74,201
	6,500		\$ 3.81	11/9/2007		\$		\$
	16,748	7,178	\$ 3.06	1/11/2011		\$		\$
	4,566		\$ 7.15	6/4/2007		\$		\$
	14,148		\$ 6.50	6/4/2007		\$		\$
	14,695		\$ 2.22	6/4/2008		\$		\$
	4,055		\$ 2.02	6/4/2008		\$		\$
	16,728	7,169	\$ 3.06	1/11/2011		\$		\$
	48,991		\$ 1.50	10/16/2008		\$		\$
	82,524		\$ 2.30	1/1/2012		\$		\$
	80,482	26,826	\$ 2.86	2/15/2012		\$		\$
	18,750		\$ 3.05	6/4/2009		\$		\$
	8,000		\$ 6.21	12/11/2013		\$		\$
		18,750	\$ 4.40	6/4/2013		\$		\$

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	9,300		\$ 8.59	12/31/2014		\$		\$
	10,126		\$ 11.05	12/30/2015		\$		\$
		15,903	\$ 11.05	1/1/2013				
Raymond T. Crosier	35,000		\$ 14.06	6/4/2009	6,516	\$ 72,002	4,344	\$ 48,001
	6,500		\$ 3.81	11/9/2007		\$		\$
	28,853	11,954	\$ 3.06	1/11/2011		\$		\$
	36,780		\$ 6.50	6/4/2007		\$		\$
	16,250		\$ 2.02	6/4/2008		\$		\$
	27,344		\$ 1.50	10/16/2008		\$		\$
	72,815		\$ 2.30	1/1/2012		\$		\$
	46,227	26,826	\$ 2.86	2/15/2012		\$		\$
	16,250		\$ 3.05	6/4/2009		\$		\$
	7,000		\$ 6.21	12/11/2013		\$		\$
		16,250	\$ 4.40	6/4/2003		\$		\$
	8,000		\$ 8.59	12/31/2014		\$		\$
	7,498		\$ 11.05	12/30/2015		\$		\$
	10,288		\$ 11.05	1/1/2013		\$		\$
Catherine A. Graham	99,761	48,641	\$ 3.20	3/18/2012	3,937	\$ 43,504	2,625	\$ 29,006
	6,000		\$ 6.21	12/11/2013		\$		\$
	6,000		\$ 8.59	12/31/2014		\$		\$
	6,955		\$ 11.05	12/30/2015		\$		\$
		6,216	\$ 11.05	1/1/2013		\$		\$



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(1) The following number of Mr. Lawlor's options vest on the following dates:

<b>Number of Options</b>	<b>Vest Date</b>
7,178	1/11/2009
7,169	1/11/2009
13,413	2/15/2009
13,413	2/15/2010
18,750	6/4/2007
5,301	1/1/2007
5,301	1/1/2008
5,301	1/1/2009

The following number of Mr. Crosier's options vest on the following dates:

<b>Number of Options</b>	<b>Vest Date</b>
11,954	1/11/2009
7,704	2/15/2009
7,704	2/15/2010
16,250	6/4/2007
3,430	1/1/2007
3,429	1/1/2008
3,429	1/1/2009

The following number of Ms. Graham's options vest on the following dates:

<b>Number of Options</b>	<b>Vest Date</b>
8,500	3/18/2009
40,141	3/18/2010
2,072	1/1/2007
2,072	1/1/2008
2,072	1/1/2009

(2) All restricted stock units vest 33% per year.

(3) All restricted stock units vest on January 1, 2009.

**Option Exercises and Stock Vested**

The following table summarizes the exercises of stock options and vesting of restricted stock units for the Company's named executive officers during the fiscal year ended December 31, 2006.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Matthew P. Lawlor		\$		\$
Raymond T. Crosier	27,631	\$ 37,813		\$
Catherine A. Graham		\$		\$

### Pension Benefits

The table disclosing the actuarial present value of the Company's named executive officers accumulated benefit under defined benefits plans, the number of years of credited service under each such plan and the amount of pension benefits paid to each named executive officer during the year is omitted because the Company does not have

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a defined benefit plan for named executive officers. The only retirement plans available to named executive officers in 2006 were the Company's qualified 401(k) savings and retirement plan, which is available to all employees.

**Non-Qualified Deferred Compensation**

The table disclosing contributions to non-qualified defined contributions and other deferred compensation plans, and each named executive officer's withdrawals, earnings and fiscal year end balances in those plans is omitted because the Company had no non-qualified deferred compensation plans or benefits for named executive officers or other employees of the Company in 2006.

**Change-in-Control Arrangements**

Under our 2005 Restricted Stock and Option Plan, the grants to all employees who were employed for at least two years prior to a change of control vest upon a change of control. For all other employees, their grants under this plan shall vest upon the one year anniversary of the change of control or as to any of such employees whose employment is terminated prior to such anniversary, upon the date of termination.

**Director Compensation**

Each non-employee Director receives annually (i) a fee of \$24,000, (ii) an additional fee of \$5,000 for each Board Committee on which he or she serves as the Chairperson, (iii) an additional fee of \$2,500 if he or she serves on the Audit Committee, (iv) an option to purchase shares of common stock with a fair market value of \$24,000 (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 \$5,000 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 \$2,500 if he or she serves on the Audit Committee. The cash 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 and the Director representing Tennenbaum do not receive any compensation for their participation in Board or Committee meetings.

The following table summarizes the cash, equity awards and other compensation earned, paid or awarded to each of the Company's Directors during the fiscal year ended December 31, 2006.

Name	Fees Earned or Paid in Cash			Change in Pension Value and Nonqualified			Total
	(\$)	Stock Awards (\$)	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)	Deferred Compensation Earnings (\$)	All Other Compensation (\$)	
Steven C. Chang(2)	\$	\$	\$	\$	\$	\$	\$

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Stephen S. Cole	\$ 28,450	\$	\$ 24,078	\$	\$	\$	\$ 52,528
Edward E. Furash	\$ 30,050	\$	\$ 23,568	\$	\$	\$	\$ 53,618
Michael H. Heath	\$ 31,350	\$	\$ 21,342	\$	\$	\$	\$ 52,692
Ervin R. Shames	\$ 30,050	\$	\$ 20,188	\$	\$	\$	\$ 50,238
Joseph J. Spalluto	\$ 31,050	\$	\$ 20,188	\$	\$	\$	\$ 51,238
William H. Washecka	\$ 30,360	\$	\$ 24,998	\$	\$	\$	\$ 55,358
Barry D. Wessler	\$ 28,750	\$	\$ 19,027	\$	\$	\$	\$ 47,777

(1) All Directors were granted an option award on May 4, 2006 with a grant date fair value of \$19,000. As of December 31, 2006, 166,644 aggregate shares underlying option awards held by the Directors were outstanding.

(2) Retired in February 2007 and replaced by Michael E. Leitner

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**COMPENSATION COMMITTEE REPORT**

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

THE MANAGEMENT DEVELOPMENT AND  
COMPENSATION COMMITTEE

Ervin R. Shames, Chairman  
Edward E. Furash  
Stephen S. Cole

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**REPORT OF AUDIT COMMITTEE**

The Audit Committee of the Board of Directors, which consists entirely of directors who meet the independence and experience requirements of the Nasdaq Global Select Market, has furnished the following report:

The Audit Committee assists the Board in overseeing and monitoring the integrity of our financial reporting process, compliance with legal and regulatory requirements, systems integrity and security procedures and the quality of internal and external audit processes. The Committee's role and responsibilities are set forth in its charter adopted by the Board. The Committee reviews and reassesses its charter annually and recommends any changes to the Board for approval. The Audit Committee is responsible for overseeing the Company's overall financial reporting process, and for the appointment, compensation, retention, and oversight of the work of the Company's independent registered accountants. In fulfilling its responsibilities for the financial statements for 2006, the Audit Committee took the following actions:

Reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2006 with management and Ernst & Young LLP, the Company's independent auditors for that period;

Discussed with Ernst & Young LLP the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit; and

Received written disclosures and the letter from Ernst & Young LLP regarding its independence as required by Independence Standards Board Standard No. 1. The Audit Committee further discussed with Ernst & Young LLP their independence. The Audit Committee also considered the status of pending litigation, taxation matters and other areas of oversight relating to the financial reporting and audit process that the committee determined appropriate.

Based on the Audit Committee's review of the audited financial statements and discussions with management and Ernst & Young LLP, the Audit Committee recommended to the Board that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 for filing with the SEC.

**MEMBERS OF THE ONLINE RESOURCES  
CORPORATION AUDIT COMMITTEE**

Michael H. Heath (Audit  
Committee Chairman and Chairman  
of the Security Subcommittee)  
William H. Washecka (Chairman  
of the Accounting and Legal  
Subcommittee)  
Stephen C. Cole  
Joseph J. Spalluto  
Barry D. Wessler

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**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Our records reflect that all reports which were required to be filed pursuant to Section 16(a) of the Securities Exchange Act were filed on a timely basis, with the exception of a Form 4 for Mr. Lawlor, Mr. Crosier and Ms. Graham disclosing two restricted stock unit grants and an option grant on January 1, 2006.

**ELECTION OF DIRECTORS**

**(Notice Item 1)**

The Board of Directors currently consists of eight members, classified into three classes as follows: Matthew P. Lawlor, Ervin R. Shames, and Barry D. Wessler constitute a class with a term ending in 2007 (the Class III Directors ); William H. Washecka, Stephen S. Cole and Joseph J. Spalluto constitute a class with a term ending in 2008 (the Class I Directors ); and Michael H. Heath and Debra A. Janssen constitute a class with a term ending in 2009 (the Class II Directors ). Michael E. Leitner represents Tennenbaum Capital Partners, LLC on the Board, and he is not a member of a class. At each annual meeting of our stockholders, Directors are elected for a full term of three years to succeed those Directors whose terms are expiring.

On March 2, 2007, the 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 to serve until our annual meeting of stockholders to be held in 2010, and until their respective successors are elected and qualified. The Class I Directors (William H. Washecka, Stephen S. Cole and Joseph J. Spalluto) and the Class II Directors (Michael H. Heath and Debra A. Janssen) will serve until our annual meetings of stockholders to be held in 2008 and 2009, respectively, and until their respective successors are elected and qualified.

Unless authority to vote for any of these nominees is withheld, the shares represented by the enclosed proxy card will be voted **FOR** the election of Matthew P. Lawlor, Ervin R. Shames, and Barry D. Wessler as members of the Board of Directors. In the event that the nominees become unable or unwilling to serve, the shares represented by the enclosed proxy will be voted for the election of such other person as the Board of Directors may recommend in the nominee's place. We have no reason to believe that any nominee will be unable or unwilling to serve as a Director.

A plurality of the votes of the shares present in person or represented by proxy at the annual meeting is required to elect each nominee as a Director.

**THE BOARD OF DIRECTORS RECOMMENDS THE ELECTION OF MATTHEW P. LAWLOR, ERVIN R. SHAMES AND BARRY D. WESSLER AS MEMBERS OF OUR BOARD OF DIRECTORS UNDER PROPOSAL 1 ON THE PROXY CARD, AND PROXIES SOLICITED BY THE BOARD WILL BE VOTED IN FAVOR THEREOF UNLESS A STOCKHOLDER HAS INDICATED OTHERWISE ON THE PROXY.**

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**RATIFICATION OF SELECTION OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

**(Notice Item 2)**

The Audit Committee has appointed KPMG LLP ( KPMG ), independent registered public accountants, to audit the Company's financial statements for the fiscal year ending December 31, 2007. The Board proposes that the stockholders ratify this appointment. Ernst & Young LLP ( E&Y ) audited the Company's financial statements for the fiscal year ended December 31, 2006. The Company expects that representatives of KPMG will be present at the meeting, will be able to make a statement if they so desire and will be available to respond to appropriate questions. The Company does not expect that representatives of E&Y will be present at the meeting or otherwise be available to respond to appropriate questions.

On March 19, 2007, E&Y informed the Audit Committee that they had resigned as the Company's certifying accountant. E&Y's reports on the financial statements for the past two fiscal years did not contain an adverse opinion or a disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principle.

During the two most recent fiscal years through March 19, 2007, there were no disagreements with E&Y on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of E&Y, would have caused E&Y to make reference to the disagreements in connection with its reports on the Company's financial statements for such years.

During the two most recent fiscal years through March 19, 2007, there were no reportable events as defined in Regulation S-K Item 304(a)(1)(v) except as previously reported with respect to the evaluation of the effectiveness of its internal controls over financial reporting as of December 31, 2004 and December 31, 2006 as follows:

(1) In the Company's Form 10-K/A for the fiscal year ended December 31, 2004 which was filed on August 19, 2005, management concluded that the Company's failure to correctly apply Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*, with respect to the Company's former policy regarding the treatment of unclaimed bill payment checks constituted a material weakness in the Company's internal control over financial reporting as of December 31, 2004.

(2) In the Company's Form 10-K for the fiscal year ended December 31, 2006 which was filed on March 16, 2007, the Company disclosed that it needed to correct certain errors primarily related to its acquisition of Princeton eCom Corporation ( Princeton ) and the integration of that company's accounting systems and processes. In particular, the Company advised that it had not properly accounted for the shares of Series A-1 Convertible Preferred Stock it issued in conjunction with the acquisition. The Company also determined that it had improperly assigned values to certain assets acquired and liabilities assumed, and misstated other asset values due to cut-off date issues within Princeton's financial close process and errors in allocating professional services employee time by an operating unit. Management concluded that the staffing, systems and processes it had in place following the Princeton acquisition were not sufficient to support the expanded magnitude and complexity of accounting requirements for the combined companies.

E&Y has concluded in its amended report on internal control over financial reporting for the fiscal year ended December 31, 2004 and in its report on internal control over financial reporting for the fiscal year ended December 31, 2006, that management's assessments that the Company did not maintain effective control over financial reporting as of such dates were fairly stated in all material respects based upon the criteria established in *Internal Control*



*Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company has authorized E&Y to respond fully to the inquiries of any successor accountant concerning the subject matter of the above disclosures.

On March 28, 2007, the Audit Committee of the Company engaged KPMG as the Company's principal accountant to audit its financial statements. During the two most recent fiscal years and through March 28, 2007, neither the Company nor anyone on its behalf consulted with KPMG regarding the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be

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rendered on the registrant's financial statements; or with respect to any reportable events as defined in Regulation S-K Item 304(a)(1)(v).

*Principal Accountant Fees and Services*

The following table presents fees for professional audit services rendered by E&Y for the audit of the Company's annual financial statements for the years ended December 31, 2006 and 2005, and fees billed for other services rendered by E&Y during those periods.

	<b>2006</b>	<b>2005</b>
Audit fees(1)	\$ 1,155,018	\$ 732,910
Audit related fees(2)	16,000	118,000
Tax fees(3)	240,000	215,000
All other fees		
<b>Total</b>	<b>\$ 1,411,018</b>	<b>\$ 1,065,910</b>

- (1) Audit fees consisted of audit work performed in the preparation of financial statements, as well as work generally only the independent auditor can reasonably be expected to provide, such as reviews of our quarterly reports on Form 10-Q, compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and research to comply with generally accepted accounting principles.
- (2) Audit related fees consisted principally of acquisition-related accounting consultation and information system audits.
- (3) Includes fees that were mistakenly omitted from the prior year proxy statement.

The percentage of services set forth above in the categories [audit related fees, tax fees, and all other fees], that were approved by the Audit Committee pursuant to Rule 2-01(c)(7)(i)(C) (relating to the approval of a de minimis amount of non-audit services after the fact but before completion of the audit), was 100%.

*Policy on Audit Committee Pre-Approval of Audit and Permissible Non-audit Services of Independent Auditors*

Consistent with SEC policies regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the independent auditor. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the independent auditor.

Prior to engagement of the independent auditor for the next year's audit, management will submit an aggregate of services expected to be rendered during that year for each of four categories of services to the Audit Committee for approval.

- I. Audit** services include audit work performed in the preparation of financial statements, as well as work that generally only the independent auditor can reasonably be expected to provide, including comfort letters, statutory audits, and attest services and consultation regarding financial accounting and/or reporting standards.

2. ***Audit-Related*** services are for assurance and related services that are traditionally performed by the independent auditor, including due diligence related to employee benefit plan audits and special procedures required to meet certain regulatory requirements.
3. ***Tax*** services include all services performed by the independent auditor's tax personnel except those services specifically related to the audit of the financial statements, and includes fees in the areas of tax compliance, tax planning, and tax advice.
4. ***Other Fees*** are those associated with services not captured in the other categories. The Company generally does not request such services from the independent auditor.

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Prior to engagement, the Audit Committee pre-approves these services by category of service. The fees are budgeted and the Audit Committee requires the independent auditor and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent auditor for additional services not contemplated in the original pre-approval. In those instances, the Audit Committee requires specific pre-approval before engaging the independent auditor.

Although shareholder ratification is not required, the selection of KPMG is being submitted for ratification at the annual meeting with a view towards soliciting the shareholders' opinions, which the Audit Committee will take into consideration in future deliberations. If KPMG's selection is not ratified at the annual meeting, the Audit Committee will consider the engagement of other independent accountants. The Audit Committee may terminate KPMG's engagement as the Company's independent accountants and engage other independent accountants without the approval of the Company's shareholders whenever the Audit Committee deems appropriate.

The affirmative vote of a majority of the shares present or represented and entitled to vote at the annual is required to ratify the appointment of the independent public accountants.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE TO RATIFY THE APPOINTMENT OF KPMG LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS UNDER PROPOSAL 2 ON THE PROXY CARD, AND PROXIES SOLICITED BY THE BOARD WILL BE VOTED IN FAVOR OF SUCH RATIFICATION UNLESS A STOCKHOLDER INDICATES OTHERWISE ON THE PROXY.**

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**TERMINATION OF RIGHTS AGREEMENT**

(Notice Item 3)

The Board of Directors of the Company authorized and declared a dividend distribution of one preferred stock purchase right (a Right) for each outstanding share of the Company's Common Stock, 1/100th of one cent par value per share (the Common Stock), to stockholders of record at the close of business on January 11, 2002 (the Record Date). Each Right entitles the registered holder to purchase from the Company a unit consisting of one one-hundredth of a share (a Unit) of Series B Junior Participating Preferred Stock, \$0.01 par value per share (the Preferred Stock), at a purchase price of \$115.00 per Unit (the Purchase Price), subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement (the Rights Agreement) between the Company and American Stock Transfer and Trust Company as Rights Agent, which was filed as Exhibit 4.1 to the Company's Form 8-K filed on January 15, 2002 and incorporated herein by reference. This description of the Rights Agreement is qualified in its entirety by reference to such exhibit.

A rights agreement grants the Board of Directors the discretion to act on the stockholders' behalf, without further approval, in response to an unsolicited offer to acquire the Company. The Board of Directors approved an amendment to the Rights Agreement, which became effective as of April 25, 2005, to provide that a Distribution Date (as defined in the Rights Agreement) shall not occur until such time as the terms of the Rights Agreement have been approved and adopted by the stockholders of the Corporation. Since the primary intent of the Rights Agreement was to provide for the exercise and distribution of the Series B Junior Participating Preferred Stock without further stockholder approval, the Rights Agreement no longer performs its intended function. Rather than maintain the Rights Agreement when it no longer performs its intended function and no longer meets the circumstances faced by the Company, the Board recommends termination of the Rights Agreement.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE TO TERMINATE THE COMPANY'S RIGHTS AGREEMENT UNDER PROPOSAL 3 ON THE PROXY CARD, AND PROXIES SOLICITED BY THE BOARD WILL BE VOTED IN FAVOR THEREOF UNLESS A STOCKHOLDER HAS INDICATED OTHERWISE ON THE PROXY.**

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**CODE OF CONDUCT AND ETHICS**

The Company has adopted a code of conduct and ethics that applies to all of its Directors, officers (including its Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Principal Accounting Officer, Controller and any person performing similar functions) and employees. The Company has made the code of conduct and ethics available on its website at [www.orcc.com](http://www.orcc.com). Disclosure regarding any amendments to, or waivers from, provisions of the code of conduct and ethics that apply to our directors, principal executive and financial officers will be included in a Current Report on Form 8-K within five business days following the date of the amendment or waiver, unless website posting of such amendments or waivers is then permitted by the rules of the Nasdaq Global Select Market.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

During 2006, there were no transactions with management and others, no business relationships with Directors or nominees for Directors and no indebtedness of management.

**OTHER MATTERS**

The Board of Directors knows of no other business which will be presented to the annual meeting. If any other business is properly brought before the annual meeting, proxies in the enclosed form will be voted in accordance with the judgment of the persons voting the proxies.

**STOCKHOLDER PROPOSALS AND NOMINATIONS FOR DIRECTORS**

To be considered for inclusion in our proxy statement and form of proxy relating to the annual meeting of stockholders to be held in 2008, a stockholder proposal must be received by the Secretary at our principal executive offices not later than December 17, 2007. Any such proposal will be subject to rules and regulations under the Securities Exchange Act of 1934, as amended.

Our bylaws provide an advance notice procedure for a stockholder to properly bring a proposal before an annual meeting. The stockholder must give timely written notice to the Secretary. To be timely, a stockholder notice of the proposal must be delivered or mailed to and received at our principal executive office not less than ninety (90) days prior to the date of such annual meeting; provided, however, that in the event that less than one hundred (100) days notice or prior public disclosure of the date of the meeting is given or made to stockholders, to be timely, notice of the proposal by the stockholder must be received not later than the close of business on the tenth day following the date on which notice to stockholders of such annual meeting date was mailed or such public disclosure was made. Proposals received after such date will not be voted on at such annual meeting. If a proposal is received before that date, the proxies that management solicits for such annual meeting may still exercise discretionary voting authority on the stockholder proposal under circumstances consistent with the proxy rules of the Securities and Exchange Commission. The notice of a proposal by a stockholder must include the stockholder's name and address, as the same that appears in our record of stockholders, a brief description of the proposal, the reason for the proposal, the number of shares of common stock that are beneficially owned by the proposing stockholder and any material interest of such stockholder in the proposed business. All stockholder proposals should be marked for the attention of: Secretary, Online Resources Corporation, 4795 Meadow Wood Lane, Suite 300, Chantilly, VA 20151.

Chantilly, Virginia  
April 17, 2007

**OUR ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006 (OTHER THAN EXHIBITS THERETO) FILED WITH THE SEC, WHICH PROVIDES ADDITIONAL INFORMATION ABOUT US, IS AVAILABLE ON THE INTERNET AT WWW.ORCC.COM AND IS AVAILABLE IN PAPER FORM TO BENEFICIAL OWNERS OF OUR COMMON STOCK WITHOUT CHARGE UPON WRITTEN REQUEST TO CATHERINE A. GRAHAM, EXECUTIVE VICE PRESIDENT, CHIEF FINANCIAL OFFICER AND TREASURER, ONLINE RESOURCES CORPORATION, 4795 MEADOW WOOD LANE, SUITE 300, CHANTILLY, VA 20151, ATTN: INVESTOR RELATIONS.**

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PROXY CARD

ONLINE RESOURCES CORPORATION  
4795 MEADOW WOOD LANE, SUITE 300  
CHANTILLY, VIRGINIA 20151  
PROXY FOR  
ANNUAL MEETING OF STOCKHOLDERS  
MAY 15, 2007  
2:00 P.M. EASTERN DAYLIGHT TIME

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned, revoking any previous proxies relating to these shares, hereby acknowledges receipt of the Notice and Proxy Statement dated April 17, 2007 in connection with the Annual Meeting of Stockholders to be held on Tuesday, May 15, 2007, at 2:00 P.M. Eastern Daylight Time, at the Washington Dulles Hilton, 13869 Park Center Road, Herndon, Virginia 20171, and hereby appoints Matthew P. Lawlor and Catherine A. Graham, and each of them (with full power to act alone), the attorneys and proxies of the undersigned, with power of substitution to each, to vote all shares of the common stock of Online Resources Corporation that are registered in the name provided in this Proxy and that the undersigned is entitled to vote at the 2007 Annual Meeting of Stockholders, and at any adjournments of the meeting, with all the powers that undersigned would have if personally present at the meeting. Without limiting the general authorization given by this Proxy, the proxies are, and each of them is, instructed to vote or act as follows on the proposals set forth in this Proxy.

**THIS PROXY WHEN EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN. IF NO DIRECTION IS MADE THIS PROXY WILL BE VOTED FOR PROPOSAL 1 (THE ELECTION OF DIRECTORS), FOR PROPOSAL 2 (RATIFICATION OF SELECTION OF INDEPENDENT PUBLIC ACCOUNTANTS AND FOR PROPOSAL 3 (TERMINATION OF THE COMPANY'S RIGHTS AGREEMENT).**

**IN THEIR DISCRETION THE PROXIES ARE AUTHORIZED TO VOTE UPON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENTS OF THE MEETING, INCLUDING WHETHER OR NOT TO ADJOURN THE MEETING. AT THE PRESENT TIME, THE BOARD OF DIRECTORS**

**KNOWS OF NO OTHER BUSINESS TO BE PRESENTED AT THE ANNUAL MEETING.  
(CONTINUED AND TO BE SIGNED ON REVERSE SIDE)**

**FOLD AND DETACH HERE**

If you wish to vote in accordance with the Board of Directors' recommendations, just sign on the reverse side. You need not mark any boxes. If you do mark boxes, please mark the boxes as in this example: x

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE LISTED NOMINEES AND FOR THE PROPOSAL.

1. ELECTION OF DIRECTORS (or if the nominee is not available for election, such substitute as the Board of Directors may designate):

Proposal to elect Matthew P. Lawlor, Ervin R. Shames, and Barry D. Wessler each as a Director of the Company.

- |                   |                           |                                     |
|-------------------|---------------------------|-------------------------------------|
| Matthew P. Lawlor | <input type="radio"/> FOR | <input type="radio"/> WITHHOLD VOTE |
| Ervin R. Shames   | <input type="radio"/> FOR | <input type="radio"/> WITHHOLD VOTE |
| Barry D. Wessler  | <input type="radio"/> FOR | <input type="radio"/> WITHHOLD VOTE |

2. Proposal to ratify the appointment of KPMG LLP as the company's independent registered public accountants for the Company's year ending December 31, 2007.

- |                           |                               |                               |
|---------------------------|-------------------------------|-------------------------------|
| <input type="radio"/> FOR | <input type="radio"/> AGAINST | <input type="radio"/> ABSTAIN |
|---------------------------|-------------------------------|-------------------------------|

3. Proposal to terminate the Company's Right Agreement.

- |                           |                               |                               |
|---------------------------|-------------------------------|-------------------------------|
| <input type="radio"/> FOR | <input type="radio"/> AGAINST | <input type="radio"/> ABSTAIN |
|---------------------------|-------------------------------|-------------------------------|

By checking this box, I/we consent to future access and delivery of Annual Reports and Proxy Statement electronically via the Internet. I/We understand that the Company may no longer distribute printed materials to me/us for any future stockholder meetings until this consent that I/we have given is revoked. I/we understand that I/we may revoke this consent to electronic access and delivery at any time.

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

Signature

Date

Signature

Date

PLEASE CAST YOUR VOTE AS SOON AS POSSIBLE!  
YOUR VOTE IS IMPORTANT!