ONLINE RESOURCES CORP
Form S-3/A
March 18, 2005

As filed with the Securities and Exchange Commission on March 18, 2005

Registration No. 333-122699

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1
to

Form S-3

REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

ONLINE RESOURCES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**52-1623052**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

4795 Meadow Wood Lane
Suite 300
Chantilly, Virginia 20151
(703) 653-3100
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Matthew P. Lawlor
Chairman and Chief Executive Officer
ONLINE RESOURCES CORPORATION
4795 Meadow Wood Lane
Suite 300
Chantilly, Virginia 20151
(703) 653-3100
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

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Reston, Virginia 20190	**Tysons Corner, Virginia 22182**
(703) 464-4800	**(703) 720-7800**

Approximate date of commencement of proposed sale to the public: As soon as practical after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 other than securities offered only in connection with dividend or interest reinvestment, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, $0.0001 par value	4,504,893 shares	$10.05	$45,274,175	$5,329(3)

(1) Pursuant to Rule 416 under the Securities Act of 1933, as amended, this registration statement also covers such number of additional shares of common stock to be issued to prevent dilution resulting from stock splits, dividends or similar transactions.
(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, based upon the average of the high and low prices for the common stock of Online Resources Corporation, on February 8, 2005, as reported on the Nasdaq National Market.
(3) $5,202 has previously been paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED MARCH 18, 2005

PROSPECTUS

Online Resources Corporation

Shares

Common Stock

We are offering shares of our common stock and the selling stockholders are offering 404,893 shares of common stock. We will not receive any of the proceeds from the sale of shares by the selling stockholders.

Our shares of common stock are listed on the Nasdaq National Market under the symbol ORCC. The last reported sales price of our common stock on the Nasdaq National Market on March 15, 2005 was $8.00 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page 8 to read about factors and material risks that you should consider before buying our shares of common stock.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$
Proceeds, before expenses, to selling stockholders	$	$

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We have granted the underwriters a 30-day option to purchase up to an aggregate of 675,734 additional shares of our common stock at the public offering price, less the underwriting discounts and commissions, solely to cover over-allotments, if any.

We expect that the shares of our common stock will be ready for delivery to purchasers on or about , 2005.

FRIEDMAN BILLINGS RAMSEY

JEFFERIES & COMPANY, INC.

D.A. DAVIDSON & CO.

The date of this prospectus is , 2005

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with additional information or information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of our common stock only in those jurisdictions where those offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time and delivery of this prospectus or of any sale of shares of common stock offered by this prospectus.

PROSPECTUS SUMMARY

You should read the following summary together with the more detailed business information and financial statements and related notes that appear elsewhere in this prospectus and in the documents that we incorporate by reference into this prospectus. This prospectus may contain certain forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995. This information involves risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in Risk Factors.

Business Overview

Online Resources provides Internet financial technology services for over 700 financial services provider clients nationwide. Our services are provided on an outsourced basis and are branded to each client. Our clients have approximately 37 million consumer and business account relationships and over 3 million holders of these accounts are enrolled users of our services.

Through our account presentation services, users may access and view their accounts online, and perform a variety of self-service functions. Through our payment services, users transact electronic bill payments and account-to-account, person-to-person and other funds transfers. Through our relationship management services, clients may take advantage of our customer care and proprietary consumer marketing services to drive Internet channel adoption and cross-selling of additional products. Of our total revenue, we currently derive approximately 15% from account presentation, 60% from payments and 15% from relationship management. The remaining 10% comes from professional services and other revenue.

Our services are packaged for three vertical financial services markets banks and credit unions, credit card issuers and payment acquirers.

Our *Quotien*sm product line is designed for banks, credit unions and other depository financial institutions. We provide a fully integrated suite of web-based banking and payment services, giving clients a single point of accountability for the user experience and the marketing machinery to drive Internet channel adoption. We also provide bill payment services on a stand-alone basis. We process over $10 billion in bill payments annually for our full service and stand-alone payments clients.

Our *Incurrent*sm product line is designed for credit card issuers. Cardholders may access their account and transaction information, set up payments and perform self-service functions. We also provide card issuers with a low-cost, web-based payment inquiry service and a means to collect delinquent payments. Incurrent Solutions Inc., which we acquired on December 22, 2004, and which now operates as a division of our company, developed our credit card issuer services.

Our *CertnFunds*sm product line has been recently introduced and is designed for e-commerce providers, primarily payment acquirers and large online billers. Our patented EFT payments gateway has real-time payment links to over 50 ATM networks and core processors, which, in turn, have real-time links to virtually all the nation s consumer checking accounts. By routing their Internet-originated consumer payments through the CertnFunds platform, payment acquirers and billers may lower their transaction costs and increase the speed and certainty of collections.

We believe that our domain expertise in web-based, business-to-business-to-consumer financial services fulfills a large and growing need among specialized or community-based providers. We also believe there are also significant barriers to entry in our business, as it requires the development and maintenance of a large biller database, a high degree of flexibility, real-time solutions and the ability to integrate financial information and transaction processing with a low tolerance for error.

Our business model is based primarily on consumer and business usage. Multi-year service contracts with our clients provide us with recurring user fees, which in turn are leveraged over our relatively fixed cost base. Our strategy is focused on increasing user adoption of web-based financial services within our current clients and expanding our institutional client base within the financial services market. We also intend to make strategic acquisitions to expand distribution, increase volume over our relatively fixed cost base and add new product capabilities to sell through our distribution channels.

We are a Delaware corporation with principal executive offices located at 4795 Meadow Wood Lane, Chantilly, Virginia. Our telephone number is 703-653-3100 and our website address is www.orcc.com. Through the Investor Relations section of our website, we make available free of charge our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports as soon as reasonably practical after such material is electronically filed with or furnished to the Securities and Exchange Commission. We include our web address in this prospectus only as an inactive textual reference and do not intend it to be an active link to our website.

The Offering

Common stock offered by:	
Online Resources	4,100,000 shares
The selling stockholders	404,893 shares
Total	4,504,893 shares
Common stock to be outstanding after this offering	23,517,266 shares
Use of proceeds	We intend to use the net proceeds from this offering for acquisitions of related businesses, technology development, product development and other general corporate purposes. See Use of Proceeds.
Risk factors	See Risk Factors beginning on page 8 of this prospectus for a discussion of factors that you should carefully consider before deciding to invest in our common stock.
Nasdaq National Market symbol	ORCC

Except as otherwise indicated, all information in this prospectus assumes no exercise of the underwriters over-allotment option.

In addition to the 23,517,266 shares of common stock expected to be outstanding after this offering, and based upon the number of shares issued and options and warrants granted as of March 3, 2005, we had additional shares of common stock available for issuance under the following plans and arrangements:

- 4,959,695 shares underlying options outstanding at a weighted average exercise price of $5.72 per share, of which 3,295,574 were exercisable;
- 507,821 shares available for future issuance under our stock option and stock purchase plans; and
- 200,000 shares issuable upon the exercise of warrants at an exercise price of $4.75 per share, all of which were exercisable.

The terms Online Resources, we, our and us refer to Online Resources Corporation.

SUMMARY FINANCIAL DATA

(In thousands, except per share data)

The following table displays our summary financial data for the periods ended or as of the dates indicated. We derived certain of the historical data for the years ended 2002, 2003 and 2004 from our audited consolidated financial statements. The summary financial data should be read in conjunction with Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations, and our consolidated financial statements included in this prospectus. Our December 31, 2004 consolidated balance sheet reflects the acquisition of Incurrent. Our consolidated statements of operations for the period ended December 31, 2004, however, do not include any results for our new card and credit services division, formerly Incurrent, as their results were deemed to be immaterial to our results.

	Year Ended December 31,		
	2002	2003	2004
Statements of Operations Data:			
Revenues:			
Account presentation services	$ 5,309	$ 4,064	$ 3,030
Payment services	15,254	21,042	28,277
Relationship management services	9,040	8,501	7,895
Professional services and other	2,751	4,801	3,083
Total revenues	32,354	38,408	42,285
Costs and expenses:			
Total cost of revenues	14,628	15,503	16,201
Gross Profit	17,726	22,905	26,084
General and administrative	7,038	8,628	9,931
Sales and marketing	5,368	6,433	7,416
Systems and development	4,345	3,830	3,793
Total expenses	16,751	18,891	21,140
Income (loss) from operations	975	4,014	4,944
Other income (expense), net	(1,168)	(755)	36
Debt conversion expense	(213)	(495)	
Net (loss) income	$ (406)	$ 2,764	$ 4,980
Net (loss) income per share:			
Basic	$ (0.03)	$ 0.18	$ 0.28
Diluted	$ (0.03)	$ 0.17	$ 0.25
Shares used in calculation of net (loss) income per share:			
Basic	13,521	15,141	18,057
Diluted	13,521	16,686	20,128
Other Financial Data:			
EBITDA(1)	$ 3,655	$ 7,378	$ 8,637

	December 31, 2004	
	Actual	Pro Forma As Adjusted(2)
Consolidated Balance Sheet Data:		
Cash, cash equivalents and investments	$ 6,291	$ 37,205
Working capital	11,790	42,704
Total assets	44,617	75,531
Other non-current liabilities	2,037	2,037
Total liabilities	8,151	8,151
Stockholders equity	36,466	67,380

(1) EBITDA, a non-GAAP financial measure, is defined as GAAP net income (loss) plus interest expense, income taxes and depreciation and amortization less interest earned. EBITDA as calculated by us may be calculated differently than EBITDA for other companies. We have provided EBITDA because we believe it is a commonly used measure of financial performance in comparable companies and is provided to help investors evaluate companies on a consistent basis, as well as to enhance an understanding of our operating results. EBITDA should not be construed as either an alternative to net income (loss), as an indicator of our operating performance; or as an alternative to cash flows as a measure of liquidity.

Reconciliations of net (loss) income to EBITDA are as follows:

	Year Ended December 31,		
	2002	2003	2004
Net (loss) income	$ (406)	$ 2,764	$ 4,980
Interest and other expense (income), net	1,381	1,234	(182)
Provision for income taxes		16	146
Depreciation	2,680	3,137	3,666
Amortization		227	27
EBITDA	$ 3,655	$ 7,378	$ 8,637

(2) As adjusted to give effect to this offering as if it occurred on December 31, 2004. Assumes the sale of 4,100,000 shares at an assumed public offering price of $8.00, the last reported sales price of our common stock on the Nasdaq National Market on March 15, 2005, net of underwriting commissions, and before the exercise, if any, of the underwriters over-allotment option.

RISK FACTORS

You should carefully consider the following risks before investing in our common stock. These are not the only risks that we may face. If any of the events referred to below actually occurs, our business, financial condition, liquidity and results of operations could suffer. In that case, the trading price of our common stock could decline and you may lose all or part of your investment. You should also refer to the other information in this prospectus and in the documents we incorporate by reference into this prospectus, including our financial statements and the related notes.

Risks Related to Our Business

Prior to the third quarter of 2002, we had a history of net losses; we have achieved net income profitability for all, but one, fiscal quarters since the third quarter of 2002 and cannot be sure that we will be profitable in all future periods.

Although we achieved profitability under generally accepted accounting principles, or GAAP, in all but one of the fiscal quarters since the third quarter of 2002, we cannot be certain that we can be profitable in future periods. As of December 31, 2004, we had an accumulated deficit of $78 million. Although we believe we have achieved economies of scale, if growth in our revenues does not significantly outpace the increase in our expenses, we may not be profitable in future periods.

We are dependent on the financial services industry, and changes within that industry could reduce demand for our products and services.

The large majority of our revenues are derived from banks, credit unions and credit card issuers. Unfavorable economic conditions adversely impacting those parts of the financial services industry we serve could have a material adverse effect on our business, financial condition and results of operations. For example, depository financial institutions have experienced, and may continue to experience, cyclical fluctuations in profitability as well as increasing challenges to improve their operating efficiencies. Due to the entrance of non-traditional competitors and the current environment of low interest rates, the profit margins of depository financial institutions have narrowed. As a result, some financial institutions have slowed, and may continue to slow, their capital spending, including spending on web-based products and solutions, which can negatively impact sales of our online payments, account presentation, marketing and support services to new and existing clients. Decreases in or reallocation of capital expenditures by our current and potential clients, unfavorable economic conditions and new or persisting competitive pressures could adversely affect our business, financial condition and results of operations.

The failure to retain existing end-users or changes in their continued use of our services will adversely affect our operating results.

There is no guarantee that the number of end-users using our services will continue to increase. Because our fee structure is designed to establish recurring revenues through monthly usage by end-users of our clients, our recurring revenues are dependent on the acceptance of our services by end-users and their continued use of account presentation, payments and other financial services we provide. Failing to retain the existing end-users and the change in spending patterns and budgetary resources of financial services providers and their end-users will adversely affect our operating results.

Any failure of our clients to effectively market our services could have a material adverse effect on our business.

To market our services to end-users, we require the consent, and often the assistance of, our clients. We generally charge our clients fees based on the number of their end-users who have enrolled with our clients for the services we provide. Therefore, end-user enrollment affects our revenue and is important to us. Because our clients offer our services under their name, we must depend on those clients to get their end-users to use our services. Although we offer extensive marketing programs to our clients, our clients may decide not to participate in our programs or our clients may not effectively market our services to their end-users. Any failure of our clients to allow us to effectively market our services could have a material adverse effect on our business.

Demand for low-cost or free online financial services and competition may place significant pressure on our pricing structure and revenues and may have an adverse effect on our financial condition.

Account holders eligible to use many of the online services we offer, including account presentation, bill payments and relationship management, may demand that these services be offered for lower cost or free. Clients and prospects may therefore reject our services in favor of companies that can offer more competitive prices. Thus, demand and competition may place significant pressure on our pricing structure and revenues and may have an adverse effect on our financial condition.

If we are unable to expand or adapt our services to support our end-users needs, our business may be materially adversely affected.

We may not be able to expand or adapt our services and related products to meet the demands of our clients and their end-users quickly or at a reasonable cost. The number of end-users registered for our services has increased from 841,000 as of December 31, 2003 to 3.1 million as of December 31, 2004, 2.0 million of which we obtained from our recent acquisition of Incurrent. This resulting growth has placed, and is expected to continue to place, significant demands on our personnel, management and other resources. We will need to continue to expand and adapt our infrastructure, services and related products to accommodate additional clients and their end-users, increased transaction volumes and changing end-user requirements. This will require substantial financial, operational and management resources. If we are unable to scale our system and processes to support the variety and number of transactions and end-users who ultimately use our services, our business may be materially adversely affected.

If we lose a material client, our business may be adversely impacted.

Loss of any material client contract could negatively impact our ability to increase our revenues and maintain profitability in the future. Additionally, the departure of a large client could impact our ability to attract and retain other clients.

One of our clients, California Federal Bank, commonly known as Cal Fed, accounted for 9% and 15% of our revenues for the years ended December 31, 2003 and 2002, respectively. During 2002, Citigroup acquired Cal Fed and converted the Cal Fed end-users to the Citigroup banking and bill payment platform in the first quarter of 2003.

Additionally, BB&T Corporation acquired our second largest client, First Virginia Banks, Inc. (First Virginia), in the third quarter of 2003. In the years ended December 31, 2003 and 2002, First Virginia accounted for 5% of our revenues. BB&T converted the First Virginia end-users to the BB&T banking and bill payment platform in the fourth quarter of 2003.

Currently, among our continuing client base, no one client accounts for more than 4% of our revenues. We are anticipating the loss, by the end of the first quarter of 2005, of two of our larger banking clients, Greenpoint Bank and Riggs National Bank, as a result of their pending acquisitions. In addition, we also expect to lose Sears as a client before mid-year as it has sold its credit card portfolio. These banks collectively account for 4%, and Sears accounts for 6%, of our revenues. We anticipated the loss of Sears as part of our acquisition of Incurrent.

Consolidation of the financial services industry could negatively impact our business.

The continuing consolidation of the financial services industry could result in a smaller market for our services. Consolidation frequently results in a change in the systems of, and services offered by, the combined entity. This could result in the termination of our services and related products if the acquirer has its own in-house system or outsources to competitive vendors. This would also result in the loss of revenues from actual or potential retail end-users of the acquired financial services provider.

Our failure to compete effectively in our markets would have a material adverse effect on our business.

We may not be able to compete with current and potential competitors, many of whom have longer operating histories, greater name recognition, larger, more established end-user bases and significantly greater financial, technical and marketing resources. Further, some of our competitors provide or have the ability to provide the same range of services we offer. They could market to our client and prospective client base. Other competitors, such as core banking processors, have broad distribution channels that bundle competing products directly to financial services providers. Also, competitors may compete directly with us by adopting a similar business model or through the acquisition of companies, such as resellers, who provide complementary products or services.

A significant number of companies offer portions of the services we provide and compete directly with us. For example, some companies compete with our web-based account presentation capabilities. Some software providers also offer some of the services we provide on an outsourced basis. These companies may use bill payers who integrate with their account presentation services. Also, certain services, such as Intuit s Quicken.com and Yahoo! Finance, may be available to retail end-users independent of financial services providers.

Many of our competitors may be able to afford more extensive marketing campaigns and more aggressive pricing policies in order to attract financial services providers. Our failure to compete effectively in our markets would have a material adverse effect on our business.

Our quarterly financial results are subject to fluctuations, which could have a material adverse effect on the price of our stock.

Our quarterly revenues, expenses and operating results may vary from quarter to quarter in the future based upon a number of factors, many of which are not within our control. Our revenue model is based largely on recurring revenues derived from actual end-user counts. The number of our total end-users is affected by many factors, many of which are beyond our control, including the number of new user registrations, end-user turnover, loss of clients, and general consumer trends. Our results of operations for a particular period may be adversely affected if the revenues based on the number of end-users forecasted for that period are less than expected. As a result, our operating results may fall below market analysts expectations in some future quarters, which could have a material adverse effect on the market price of our stock.

Our limited ability to protect our proprietary technology and other rights may adversely affect our ability to compete.

We rely on a combination of patent, copyright, trademark and trade secret laws, as well as licensing agreements, third-party nondisclosure agreements and other contractual provisions and technical measures to protect our intellectual property rights. There can be no assurance that these protections will be adequate to prevent our competitors from copying or reverse-engineering our products, or that our competitors will not independently develop technologies that are substantially equivalent or superior to our technology. To protect our trade secrets and other proprietary information, we require employees, consultants, advisors and collaborators to enter into confidentiality agreements. We cannot assure that these agreements will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information. Although we hold registered United States patents covering certain aspects of our technology, we cannot be sure of the level of protection that these patents will provide. We may have to resort to litigation to enforce our intellectual property rights, to protect trade secrets or know-how, or to determine their scope, validity or enforceability. Enforcing or defending our proprietary technology is expensive, could cause diversion of our resources and may not prove successful.

Our failure to properly develop, market or sell new products could adversely affect our business.

The expansion of our business is dependent, in part, on our developing, marketing and selling new financial products to financial services providers and their customers. If any new products we develop prove defective or if we fail to properly market these products to financial services providers or sell these products to these providers customers, the growth we envision for our company may not be achieved and our revenues and profits may be adversely affected.

If we are found to infringe the proprietary rights of others, we could be required to redesign our products, pay royalties or enter into license agreements with third parties.

There can be no assurance that a third party will not assert that our technology violates its intellectual property rights. As the number of products offered by our competitors increases and the functionality of these products further overlap, the provision of web-based financial services technology may become increasingly subject to infringement claims. Any claims, whether with or without merit, could:

- be expensive and time consuming to defend;
- cause us to cease making, licensing or using products that incorporate the challenged intellectual property;
- require us to redesign our products, if feasible;
- divert management s attention and resources; and
- require us to pay royalties or enter into licensing agreements in order to obtain the right to use necessary technologies.

There can be no assurance that third parties will not assert infringement claims against us in the future with respect to our current or future products or that any such assertion will not require us to enter into royalty arrangements (if available) or litigation that could be costly to us.

System failures could hurt our business and we could be liable for some types of failures the extent or amount of which cannot be predicted.

Like other system operators, our operations are dependent on our ability to protect our system from interruption caused by damage from fire, earthquake, power loss, telecommunications failure, unauthorized entry or other events beyond our control. Currently, we have an agreement with an offsite disaster recovery facility. In March of this year, we intend to start maintaining our own offsite disaster recovery facility. In the event of major disasters, both our primary and backup locations could be equally impacted. We do not currently have sufficient backup facilities to provide full Internet services, if our primary facility is not functioning. We could also experience system interruptions due to the failure of our systems to function as intended or the failure of the systems we rely upon to deliver our services such as ATM networks, the Internet, or the systems of financial institutions, processors that integrate with our systems and other networks and systems of third parties. Loss of all or part of our systems for a period of time could have a material adverse effect on our business. We may be liable to our clients for breach of contract for interruptions in service. Due to the numerous variables surrounding system disruptions, we cannot predict the extent or amount of any potential liability.

Security breaches could have a material adverse effect on our business.

Like other system operators, our computer systems may be vulnerable to computer viruses, hackers, and other disruptive problems caused by unauthorized access to, or improper use of, our systems by third parties or employees. We store and transmit confidential financial information in providing our services. Although we intend to continue to implement state-of-the-art security measures, computer attacks or disruptions may jeopardize the security of information stored in and transmitted through our computer systems of those of our clients and their end-users. Actual or perceived concerns that our systems may be vulnerable to such attacks or disruptions may deter financial services providers and consumers from using our services.

Additionally, California has adopted, and other states may adopt, laws and regulations requiring that in-state account holders of a financial services provider be notified if their personal confidential information is compromised. If the specific account holders whose information has been compromised cannot be identified, all in-state account holders of the provider must be notified. If any such notice is required of us, confidence in our systems integrity would be undermined and both financial services providers and consumers may be reluctant to use our services.

Data networks are also vulnerable to attacks, unauthorized access and disruptions. For example, in a number of public networks, hackers have bypassed firewalls and misappropriated confidential information. It is possible that, despite existing safeguards, an employee could divert end-user funds while these funds are in our control, exposing us to a risk of loss or litigation and possible liability. In dealing with numerous end-users, it is possible that some level of fraud or error will occur, which may result in erroneous external payments. Losses or liabilities that we incur as a result of any of the foregoing could have a material adverse effect on our business.

The potential obsolescence of our technology or the offering of new, more efficient means of conducting account presentation and payments services could negatively impact our business.

The industry for account presentation and payments services is relatively new and subject to rapid change. Our success will depend substantially upon our ability to enhance our existing products and to develop and introduce, on a timely and cost-effective basis, new products and features that meet the changing financial services provider and retail end-user requirements and incorporate technological advancements. If we are unable to develop new products and enhanced functionalities or technologies to adapt to these changes or, if we cannot offset a decline in revenues of existing products by sales of new products, our business would suffer.

We rely on internally developed software and systems as well as third-party products, any of which may contain errors and bugs.

Our products may contain undetected errors, defects or bugs. Although we have not suffered significant harm from any errors or defects to date, we may discover significant errors or defects in the future that we may or may not be able to correct. Our products involve integration with products and systems developed by third parties. Complex software programs of third parties may contain undetected errors or bugs when they are first introduced or as new versions are released. There can be no assurance that errors will not be found in our existing or future products or third-party products upon which our products are dependent, with the possible result of delays in or loss of market acceptance of our products, diversion of our resources, injury to our reputation and increased expenses and/or payment of damages.

The failure to attract or retain our officers and skilled employees could have a material adverse effect on our business.

If we fail to attract, assimilate or retain highly qualified managerial and technical personnel, our business could be materially adversely affected. Our performance is substantially dependent on the performance of our executive officers and key employees who must be knowledgeable and experienced in both financial services and technology. We are also dependent on our ability to retain and motivate high quality personnel, especially management and highly skilled technical teams. The loss of the services of any executive officers or key employees could have a material adverse effect on our business. Our future success also depends on the continuing ability to identify, hire, train and retain other highly qualified managerial and technical personnel. If our managerial and key personnel fail to effectively manage our business, our results of operations and reputation could be harmed.

We could be sued for contract or product liability claims and lawsuits may disrupt our business, divert management s attention or have an adverse effect on our financial results.

Financial services providers use our products and services to provide web-based account presentation, bill payment, and other financial services to their end-users. Failures in a client s system could result in an increase in service and warranty costs or a claim for substantial damages against us. There can be no assurance that the limitations of liability set forth in our contracts would be enforceable or would otherwise protect us from liability for damages. We maintain general liability insurance coverage, including coverage for errors and omissions in excess of the applicable deductible amount. There can be no assurance that this coverage will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceeds available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, financial condition and results of operations. Furthermore, litigation, regardless of its outcome, could result in substantial cost to us and divert management s attention from our operations. Any contract liability claim or litigation against us could, therefore, have a material adverse effect on our business, financial condition and results of operations. In addition, because many of our projects are business-critical projects for financial services providers, a failure or inability to meet a client s expectations could seriously damage our reputation and affect our ability to attract new business.

Government regulation could interfere with our business.

The financial services industry is subject to extensive and complex federal and state regulation. Financial institutions such as commercial banks, savings and loan associations, savings banks, and credit unions operate under high levels of governmental supervision. Our end-users must ensure that our services and related products work within the extensive and evolving regulatory requirements applicable to them.

We are not licensed by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, the National Credit Union Administration or other federal or state agencies that regulate or supervise depository institutions or other providers of financial services. Under the authority of the Bank Service Company Act, the Gramm Leach Bliley Act of 1999 and other federal laws that apply to depository financial institutions, federal depository institution regulators have taken the position that we are subject to examination resulting from the services we provide to the institutions they regulate. In order not to compromise our clients standing with the regulatory authorities, we have agreed to periodic examinations by these regulators, who have broad supervisory authority to remedy any shortcomings identified in any such examination.

Federal, state or foreign authorities could also adopt laws, rules or regulations relating to the financial services industry that affect our business, such as requiring us or our end-users to comply with data, record keeping and processing and other requirements. It is possible that laws and regulations may be enacted or modified with respect to the Internet, covering issues such as end-user privacy, pricing, content, characteristics, taxation and quality of services and products. If enacted or deemed applicable to us, these laws, rules or regulations could be imposed on our activities or our business, thereby rendering our business or operations more costly, burdensome, less efficient or impossible and requiring us to modify our current or future products or services.

If we cannot achieve and maintain a satisfactory rating from the federal depository institution regulators, we may lose existing clients and have difficulty attracting new clients.

The examination reports of the federal agencies that examine us are distributed and made available to our depository clients. A less than satisfactory rating from any regulatory agency increases the obligation of our clients to monitor our capabilities and performance as a part of their own compliance process. It could also cause our clients and prospective clients to lose confidence in our ability to adequately provide services, thereby possibly causing them to seek alternate providers, which would have a corresponding detrimental impact on our revenues and profits.

We are exposed to increased costs and risks associated with complying with increasing and new regulation of corporate governance and disclosure standards.

We are spending an increased amount of management time and external resources to comply with changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations and Nasdaq National Market rules.

In particular, Section 404 of the Sarbanes-Oxley Act of 2002 requires management s annual review and evaluation of our internal control systems, and attestations of the effectiveness of these systems by our independent registered public accounting firm. We document and test our internal control systems and procedures and consider improvements that may be necessary in order for us to comply with the requirements of Section 404. This process requires us to hire outside advisory services and results in additional expenses for us. In addition, the evaluation and attestation processes required by Section 404 are new, and neither companies nor auditing firms have significant experience in testing or complying with these requirements. Although we believe we currently have adequate internal controls over financial reporting, in the event that our chief executive officer, chief financial officer or independent registered public accounting firm determines that our controls over financial reporting are not effective as defined under Section 404 in the future, investor perceptions of our company may be adversely affected and could cause a decline in the market price of our stock.

Risks Related to Incurrent

We may face difficulties in integrating the businesses of Incurrent.

To achieve the anticipated benefits of the Incurrent acquisition, we will need to continue the integration of the businesses of Incurrent with our operations. We need to consolidate certain functions and integrate procedures, personnel, product lines and operations in an efficient and effective manner. The integration process may be disruptive to, and may cause an interruption of, or a loss of momentum in, our business as a result of a number of potential obstacles, such as:

- the loss of key employees or end-users;
- the need to coordinate diverse organizations;
- difficulties in integrating administrative and other functions;
- the loss of key members of Incurrent management following the acquisition; and
- the diversion of our management s attention from our day-to-day operations.

If we are not successful in integrating Incurrent s business or if the integration takes longer than expected, we could be subject to significant costs and our business could be adversely affected.

Our acquisition of Incurrent has increased the size of our operations and the risks described in this annual report.

Our acquisition of Incurrent has increased the size of our operations and may intensify some of the other risks described in this annual report. There will also be additional risks associated with managing a significantly larger company, including, among other things, the application of company-wide controls and procedures.

We made our acquisition of Incurrent on the basis of available information, and Incurrent may have liabilities or obligations that were not adequately disclosed.

We have operated our Incurrent business for a very short period of time. In connection with our acquisition of Incurrent, we conducted a review of information regarding Incurrent as provided by Incurrent s management. Incurrent may have incurred contractual, financial, regulatory or other obligations and liabilities that may impact us in the future which were not adequately reflected in financial and other information regarding Incurrent upon which we based our evaluation of this acquisition. If the financial and other information on which we have relied in making our offer for Incurrent proves to be materially incorrect or incomplete, it could have a material adverse effect on the business and operations of Incurrent and on our consolidated businesses, financial condition and operations.

Incurrent has given limited warranties and indemnities to us in connection with its business, which have not yet expired and may give rise to claims by us.

In acquiring Incurrent, we relied upon limited representations and warranties of Incurrent. Although we have contractual and other legal remedies and limited escrow protection for losses that we may incur as a result of breaches of agreements, representations and warranties pertaining to the acquisition, we cannot assure you that our remedies will adequately cover any losses that we incur.

Incurrent may face competition from other companies, which could have a material adverse effect on our business.

We cannot assure you that we will not face more competitors or that we can compete effectively against any companies that develop products and services similar to Incurrent s. We also cannot assure you that Incurrent can compete effectively or not suffer from pricing pressure with respect to its existing and developing products that could adversely affect its ability to generate revenues. If and to the extent that Incurrent cannot compete effectively or it suffers from pricing pressure, these problems will become our problems as the new owners of Incurrent.

Risks Related to Our Capital Structure

Our stock price is volatile.

The market price of our common stock has been subject to significant fluctuations and may continue to be volatile in response to:

actual or anticipated variations in quarterly operating results;

announcements of technological innovations;

new products or services offered by us or our competitors;

changes in financial estimates or ratings by securities analysts;

conditions or trends in the Internet and online commerce industries;

changes in the economic performance and/or market valuations of other Internet, online service industries;

announcements by us of significant acquisitions, strategic partnerships, joint ventures or capital commitments;

additions or departures of key personnel;

future equity or debt offerings or acquisitions or our announcements of these transactions; and

other events or factors, many of which are beyond our control.

The stock market in general and the Nasdaq National Market have experienced extreme price and volume fluctuations and volatility that has particularly affected the market prices of many technology, emerging growth and developmental stage companies. Such fluctuations and volatility have often been unrelated or disproportionate to the operating performance of such companies. In the past, following periods of volatility in the market price of a company s securities, securities class action litigation has often been instituted against a company. Litigation, if instituted, whether or not successful, could result in substantial costs and a diversion of management s attention and resources, which would have a material adverse effect on our business.

We have a substantial number of shares of common stock, including shares that may be issued upon exercise of options under our equity compensation plan and in connection with the Incurrent transaction that, if sold, could affect the trading price of our common stock.

We have approximately 5,800,000 shares of common stock that may be issued upon exercise of stock options and warrants and participation in our employee stock purchase program. We have also issued 1,000,014 shares of our common stock to the shareholders of Incurrent, of which Incurrent shareholders are intending to sell 79,893 under this prospectus. We cannot predict the effect, if any, that future sales of shares of common stock or the availability of shares of common stock for future sale will have on the market price of our common stock. Sales of substantial amounts of common stock (including shares issued upon the exercise of stock options or warrants), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock.

Our stockholder rights plan contains provisions that could discourage a takeover.

In January 2002, we announced that our Board of Directors adopted a stockholder rights plan. This plan, along with provisions contained in our Certificate of Incorporation, may discourage or prevent a change of control through the issuance of additional equity securities that can substantially dilute the interests of a third party seeking to gain control over our company in the absence of the approval of our Board of Directors.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference herein contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to future events or our future financial performance and can be identified by terminology such as may, will, should, expects, anticipates, believes, estimates, predi or continue or the negative of such terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under Risk Factors, that may cause our or our industry s actual results, levels of activity, performance or achievements to vary from those expressed or implied by such forward-looking statements. Before deciding to purchase our common stock you should carefully consider the risks described in the Risk Factors section, in addition to the other information set forth in this prospectus and the documents incorporated by reference herein.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such statements. We do not intend to update any of the forward-looking statements after the date of this prospectus to conform such statements to actual results except as required by law.

Any forward-looking statements represent our best judgment as of the date of this prospectus, and we caution third parties not to place undue reliance on such statements. Actual performance and results of operations may differ materially from those projected or suggested in the forward-looking statements due to certain risks and uncertainties, including, but not limited to, the risks and uncertainties described or discussed in the section Risk Factors. These risks include, among others, the following:

- our history of prior losses and lack of certainty as to our continuing profitability;
- possible fluctuations of our quarterly financial results;
- our failure to retain or increase our end-users;
- our dependence on the marketing efforts of third parties;
- our dependence on our clients to market our services;
- the possibility that we may not be able to expand to meet increased demand for our services and related products;
- the potential adverse impact that a loss of a material client may have on our financial results;
- our potential inability to compete with larger, more established businesses offering similar products or services;
- our inability to attract and retain qualified management and technical personnel and our dependence on our executive officers and key employees;
- possible security breaches or system failures disrupting our business and the liability associated with these disruptions;
- the possibility of the development of defective new products;
- reduction or elimination of the fees we charge for some services due to the consumer demand for low-cost or free online financial services;
- the potential impact of the consolidation of the banking and financial services industry;
- interference with our business from the adoption of government regulations;
- our need to maintain satisfactory ratings from federal depository institution regulators;

the potential of litigation;

our volatile stock price;

the trading of a substantial number of shares adversely impacting the price of our shares; and

the possibility of discouraging a takeover as a result of the adoption of a Stockholder Rights Plan.

RECENT DEVELOPMENTS INCURRENT ACQUISITION

On December 22, 2004, we completed the acquisition of Incurrent Solutions, Inc., a New Jersey corporation, pursuant to which Incurrent merged with and into our wholly-owned subsidiary, Incurrent Acquisition LLC, a New Jersey limited liability company. We now operate the Incurrent business as our card and credit services division.

Founded in 1997, Incurrent develops and operates advanced web-based products for financial institutions in the global payment card industry, including issuers of consumer, small business, purchasing, corporate and private label cards. Incurrent s products enhance all aspects of the issuers relationship with their cardholders by allowing the issuer to achieve enhanced service and functionality on the Internet. Services provided by Incurrent include:

- account, statement and transaction inquiry;
- account maintenance requests;
- payments;
- compliant statements; and
- collections.

The acquisition adds 35 employees and a facility in Parsippany, New Jersey. We issued 1,000,014 of our shares of common stock to the Incurrent shareholders. We also paid to, and for the benefit of, the Incurrent shareholders, approximately $7.9 million in cash. We used part of our available cash resources to pay the cash portion of the purchase price. We have agreed to allow Incurrent shareholders to offer shares acquired in this transaction in this offering. For shares not sold in this offering, we have agreed to file a registration statement under the Securities Act of 1933, as amended, to cover the resale of our shares of common stock not sold in this offering.

When we acquired Incurrent, we were aware that Sears, its largest customer, had sold its credit card portfolio and would cease being a client by the middle of 2005. Given the pending departure of Sears, references to the number of clients, account holders and end-users, contained in this prospectus are exclusive of Sears.

Our December 31, 2004 consolidated balance sheet reflects the acquisition of Incurrent. Our consolidated statements of operations for the period ended December 31, 2004, however, do not include any results for our new card and credit services division, formerly Incurrent, as their results were deemed to be immaterial to our results.

USE OF PROCEEDS

We estimate that our net proceeds from the sale of 4,100,000 shares of our common stock pursuant to this offering, based upon an assumed public offering price of $8.00 per share, will be approximately $30.9 million ($36.0 million if the underwriters over-allotment option to purchase additional shares is exercised in full), after deducting underwriting discounts and commissions. We will not receive any proceeds from the sale of shares of common stock by the selling stockholders.

We expect to use the net proceeds from this offering for acquisitions of related businesses, technology development, product development and other general corporate purposes. The amounts actually spent by us may vary significantly and will depend upon a number of factors, including our future revenue and the other factors described under Risk Factors. Accordingly, our management has broad discretion in the allocation of the net proceeds from this offering. Pending these uses, we may invest the net proceeds from this offering temporarily in short-term, investment-grade, interest-bearing securities or guaranteed obligations of the United States government.

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Our common stock is traded on the Nasdaq National Market under the symbol ORCC.

The following table sets forth, for the periods indicated, the range of high and low sale prices for our common stock all as reported by the Nasdaq National Market. The quotations represent interdealer quotations, without adjustments for retail mark ups, mark downs, or commissions, and may not necessarily represent actual transactions.

	Price Range of Common Stock	
	High	**Low**
Year Ended December 31, 2003:		
First Quarter	$ 3.45	$ 2.50
Second Quarter	$ 6.37	$ 2.62
Third Quarter	$ 7.40	$ 5.24
Fourth Quarter	$ 7.98	$ 6.03
Year Ended December 31, 2004:		
First Quarter	$ 8.28	$ 5.70
Second Quarter	$ 7.48	$ 5.75
Third Quarter	$ 7.27	$ 5.90
Fourth Quarter	$ 7.53	$ 6.70

On March 15, 2005, the last reported sale price of our common stock on the Nasdaq National Market was $8.00 per share. As of March 15, 2005, there were approximately 141 holders of record of our common stock.

We have not paid any cash dividends on our common stock and currently intend to retain any future earnings for use in our business. Accordingly, we do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2004 on an actual basis and on an as adjusted basis. The as adjusted data give effect to the sale of 4,100,000 shares of common stock offered by us in this offering at an assumed public offering price of $8.00 per share, the last reported sales price of our common stock on the Nasdaq National Market on March 15, 2005, and the application of the net proceeds from the offering as described under Use of Proceeds.

Please read this capitalization table together with the sections of this prospectus entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and Recent Developments and our financial statements and the related notes included elsewhere in this prospectus or incorporated by reference into this prospectus.

	December 31, 2004	
	Actual	**Pro Forma Adjusted for this Offering**
Cash and cash equivalents	$ 4,992,401	$ 35,906,401
Investments	1,298,909	1,298,909
Stockholders equity:		
Series A convertible preferred stock, $.01 par value; 1,000,000 shares authorized, none issued at December 31, 2004		
Series B junior participating preferred stock, $0.01 par value; 297,500 shares authorized, none issued at December 31, 2004		
Common stock, $.0001 par value; 35,000,000 shares authorized, 19,340,222 issued and 19,264,697 outstanding at December 31, 2004	1,926	2,336
Additional paid-in capital	114,647,954	145,561,544
Accumulated deficit	(77,956,386)	(77,956,386)
Treasury stock, 75,525 shares at December 31, 2004	(227,800)	(227,800)
Accumulated other comprehensive loss	(115)	(115)
Total stockholders equity	$ 36,465,579	$ 67,379,579

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion may contain certain forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995. This information involves risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in Risk Factors. See Special Note Regarding Forward Looking Statements.

Overview

We are a leading outsourcer of web-based account presentation, payment and relationship management services to financial services providers nationwide. Our services, branded in the clients name, integrate seamlessly into a single-vendor, end-to-end solution, supported by 24×7 customer care, targeted consumer marketing, training and other network and technical professional products and services.

Registered end-users using account presentation, bill payment or both, are the major drivers of our revenues. Exclusive of the users obtained in the acquisition of Incurrent, from December 31, 2003 through December 31, 2004, the number of users using our account presentation services increased 17%, and the number of users using our payment services increased 47%, for an overall 34% increase in users. While we have seen some reduction in average monthly recurring revenue per user, due largely to our decisions to fix price the account presentation service to our clients and offer volume-based bill payment price reductions, this has been more than offset by a decline in the average monthly recurring cost per user, thereby improving our gross margin. Gross margin for the year ended December 31, 2003 was 60%, and it increased to 62% for the year ended December 31, 2004.

We have long-term service contracts with our financial services provider clients. The majority of our revenues are recurring, though these contracts also provide for implementation, set-up and other non-recurring fees. Account presentation services revenues are based on either a monthly license fee, allowing our financial institution clients to register an unlimited number of customers, or a monthly fee for each registered customer. Payment services revenues are based on either a monthly fee for each customer enrolled, a fee per executed transaction, or a combination of both. Our clients pay nearly all of our fees and then determine if or how they want to pass these costs on to their users. They typically provide account presentation services to users free of charge, as they derive significant potential benefits including account retention, delivery and paper cost savings, account consolidation and cross-selling of other products. As of December 31, 2004 approximately 60% of our clients were charging their users for providing payment services.

As a network-based service provider, we have made substantial up-front investments in infrastructure, particularly for our proprietary systems. While we continue to incur ongoing development and maintenance costs, we believe the infrastructure we have built provides us with significant operating leverage. In 2003 we began an effort to upgrade and rewrite certain of our applications infrastructure that will continue into 2006. We expect that this effort will require incremental capital expenditures, primarily for additional development labor, of between $3.0 million and $5.0 million over that period.

We continue to automate processes and develop applications that allow us to make only small increases in labor and other operating costs relative to increases in customers and transactions. We believe our financial and operating performance will be based primarily on our ability to leverage additional end-users and transactions over this relatively fixed cost base.

Financial Condition

While we have achieved net income for the past six quarters and expect our profitability to be sustainable, we have historically experienced operating losses and negative cash flow due to the initial costs of developing our infrastructure and the early revenues typical of an emerging market segment. As a result, at December 31, 2004 we had an accumulated deficit of $78 million. We have funded our operations primarily through the issuance of equity and debt securities. Our ongoing working capital requirements consist primarily of personnel costs related to providing our services and operating, enhancing and maintaining our systems.

Cash and investments in securities available-for-sale were $6.3 and $13.6 million as of December 31, 2004 and 2003, respectively. The $7.3 million decrease in cash and investments in available for sale securities results from $9.1 million in capital expenditures and $8.2 million in cash used in the acquisition of Incurrent. These cash expenditures were partially offset by $8.9 million in cash generated by operating activities and $1.1 million in cash generated by financing activities.

Results of Operations

The following table presents certain items derived from our statements of operations expressed as a percentage of revenues.

	Year Ended December 31,		
	2004	**2003**	**2002**
Statement of Operations Data:			
Revenues:			
Account presentation services	7.1%	10.6%	16.4%
Payment services	66.9	54.8	47.2
Relationship management services	18.7	22.1	27.9
Professional services and other	7.3	12.5	8.5
Total revenues	100.0	100.0	100.0
Costs and expenses:			
Costs of revenues	38.3	40.4	45.2
Gross margin	61.7	59.6	54.8
General and administrative	23.5	22.5	21.8
Sales and marketing	17.5	16.7	16.6
Systems and development	9.0	10.0	13.4
Total expenses	50.0	49.2	51.8
Income from operations	11.7	10.4	3.0
Other income (expense), net	0.4	(1.9)	(3.6)
Debt conversion expense		(1.3)	(0.7)
Income (loss) before income tax provision	12.1	7.2	(1.3)
Income tax provision	0.3		
Net income (loss)	11.8%	7.2%	(1.3)%

Although inflation has slowed in recent years, it is still a factor in our economy and we do not believe it will have a material impact on the results of operations.

Year Ended December 31, 2004 Compared to the Year Ended December 31, 2003

Revenues

We generate revenue from account presentation services, payment services, relationship management services and professional services and other revenues. Revenues increased $3.9 million, or 10%, to $42.3 million for the year ended December 31, 2004, from $38.4 million for the same period of 2003. This was attributable to a 34% increase in payment services, partially offset by decreases of 25%, 7% and 36% in account presentation services, relationship management services and professional services and other revenues, respectively. Excluding from 2003 s revenue, a one time $2.2 million termination fee received from Cal Fed in the first quarter of 2003, revenues increased $6.1 million, or 17%, for the year ended December 31, 2004 compared to the year ended December 31, 2003.

	Year Ended December 31,		Change	
	2004	**2003**	**Difference**	**%**
Revenues (in millions):				
Account presentation services	$ 3.0	$ 4.1	$ (1.1)	-25%
Payment services	28.3	21.0	7.3	34%
Relationship management services	7.9	8.5	(0.6)	-7%
Professional services and other	3.1	4.8	(1.7)	-36%
Total revenues	$ 42.3	$ 38.4	$ 3.9	10%
Users and transactions (000s):[3]				
Account presentation users	485	416	69	17%
Payment services users	776	528	248	47%
All services users	1,125	841	284	34%
Payment transactions	37,123	24,825	12,298	50%
Average monthly revenue per user:[3]				
Account presentation services	$ 0.56	$ 0.83	$ (0.27)	-33%
Payment services[2]	$ 3.54	$ 4.10	$ (0.56)	-14%
Adoption rates:[3]				
Account presentation services[1]	22.4%	16.8%	5.6%	33%
Payment services[2]	8.2%	5.1%	3.1%	61%

Notes:

1 Represents the percentage of users subscribing to our account presentation services out of the total number of checking accounts enabled for account presentation services.

2 Represents the percentage of users subscribing to our payment services out of the total number of checking accounts enabled for payment services.

3 Excludes card division users.

Account Presentation Services. During 2004 account presentation services revenues decreased $1.1 million to $3.0 million, driven by the departures of Cal Fed and First Virginia in March and October 2003, respectively, and a decrease in the average monthly revenue per account presentation services user. Account presentation services revenues generated by our client base exclusive of Cal Fed and First Virginia decreased 7% versus 2003 even though the number of year-end account presentation services users increased by 17% compared to the prior year-end. This was the result of a 33% decrease in the average monthly revenue per account presentation services user. This decrease was attributable to the fact that we price our account presentation service largely using a monthly license fee pricing model in an effort to drive adoption of those services. This allows our financial institution clients to register an unlimited number of account presentation services users (as evidenced by the 33% increase in account presentation services adoption in 2004) to whom we can then attempt to up-sell our higher margin bill pay products and other services.

Payment Services. Payment services revenues increased to $28.3 million in 2004 compared to $21.0 million in the prior year. Even with the departures of Cal Fed and First Virginia during 2003, who together accounted for 4% of payment services revenues in 2003, payment services revenues increased 34%. This was driven by a 47% increase in the number of year-end payment services users and a 50% increase in the number of payment transactions processed during the year. The increases in year-end payment services users and the number of payment transactions processed were driven by two factors: an increase in financial institution clients using our payment services and an increase in payment services adoption. During the 2004 year, the number of financial institution clients using our payment services increased from

633 clients to 716 clients. Additionally, we increased the adoption rate of our payment services from 5.1% at the end of 2003 to 8.2% at the end of 2004.

Relationship Management Services. Relationship management services revenues decreased from $8.5 million in 2003 to $7.9 million in 2004 as a result of the departures of Cal Fed and First Virginia in March and October 2003, respectively. Relationship management services revenues generated by our remaining client base, however, increased 4% compared to 2003, driven by an increase of 34% in the number of year-end users utilizing either account presentation or payment services. We expect relationship management services revenues growth to continue to flatten as more of our financial institution clients move to a monthly license fee pricing model similar to the one we use for account presentation services.

Professional Services and Other. Professional services and other revenues decreased $1.7 million from $4.8 million in 2003 to $3.1 million in 2004. This decrease was the result of a $2.2 million termination payment received from Cal Fed in 2003. We received $0.8 million in termination payments during the year ended December 31, 2004, compared to $2.8 million during the year ended December 31, 2003.

Costs and Expenses

	Year Ended December 31,		Change	
	2004[1]	2003[1]	Difference[1]	% Difference
Revenues	$ 42.3	$ 38.4	$ 3.9	10%
Costs of revenues	16.2	15.5	0.7	5%
Gross profit	$ 26.1	$ 22.9	$ 3.2	14%
Gross margin	62%	60%	2%	3%
Operating expenses				