ONLINE RESOURCES CORP
Form 8-K/A
September 14, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 8-K/A
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
Date of Report (Date of Earliest Event Reported): July 3, 2006
Online Resources Corporation
(Exact name of registrant as specified in its charter)

Delaware	0-26123	52-1623052
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

4795 Meadow Wood Lane, Suite 300, Chantilly, Virginia	20151
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: 703-653-3100
Not Applicable

Former name or former address, if changed since last report
Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:
o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.01 Completion of Acquisition or Disposition of Assets

On July 3, 2006, Online Resources Corporation filed a Current Report on Form 8-K to report the completion of its acquisition of Princeton eCom Corporation (Princeton). That Form 8-K is incorporated herein by this reference. This amendment is being filed to include the financial statements and pro forma financial information required by Item 9.01 of Form 8-K.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year

(a)(1) On August 2, 2006, the Company filed a Certificate of Correction with the Delaware Secretary of State to correct the Certificate of Designation, which was filed with its initial Form 8-K on July 3, 2006, under which we established the rights and preferences of our Series A-1 Preferred Stock.

(2) The Certificate of Correction was required to eliminate the quarterly compounding of the 8% accrual on the liquidation preference of the Series A-1 Preferred Stock.

Item 9.01 Financial Statements and Exhibits

(a) Financial statements of business acquired.

The following historical financial statements of Princeton are included in this report:

§ Unaudited Balance Sheet as of March 31, 2006

§ Unaudited Statements of Operations for the three-months ended March 31, 2006 and 2005

§ Unaudited Statements of Cash Flows for the three-months ended March 31, 2006 and 2005

§ Notes to Unaudited Financial Statements, March 31, 2006

§ Report of Independent Registered Public Accounting Firm

§ Audited Balance Sheets as of December 31, 2005 and 2004

§ Audited Statements of Operations for the years ended December 31, 2005 and 2004

§ Audited Statements of Changes in Stockholders Deficit for the years ended December 31, 2005 and 2004

§ Audited Statements of Cash Flows for the years ended December 31, 2005 and 2004

§ Notes to Audited Financial Statements, December 31, 2005 and 2004

§ Report of Independent Certified Public Accountants

§ Audited Balance Sheet as of December 31, 2003

§ Audited Statement of Operations for the year ended December 31, 2003

§ Audited Statement of Changes in Stockholders Deficit for the year ended December 31, 2003

§ Audited Statement of Cash Flows for the years ended December 31, 2003

§ Notes to Audited Financial Statements, December 31, 2003

(b) Pro Forma Financial Information

The following pro forma financial information is included in this report:

§ Unaudited Pro Forma Consolidated Condensed Balance Sheet as of March 31, 2006

§ Unaudited Pro Forma Consolidated Condensed Statements of Operations for the year ended December 31, 2005 and three-months ended March 31, 2006

(c) Exhibits

Exhibit No.	Document Description
3.2	Certificate of Correction to the Certificate of Designation of the shares of Series A-1 Stock
23.1	Consent of KPMG, LLP, Independent Registered Public Accounting Firm
23.2	Consent of Burton McCumber & Cortez, L.L.P.

PRINCETON eCOM CORPORATION
Balance Sheets
March 31, 2006 and December 31, 2005

	March 31, 2006 (unaudited)	December 31, 2005
Assets		
Current assets:		
Consumer deposits:		
Cash	$ 72,529,118	$ 16,763,575
Receivables from billers		773
Total consumer deposits	72,529,118	16,764,348
Cash and cash equivalents	5,537,613	6,935,944
Accounts receivable, net of allowance of $179,812 and $176,103	4,518,032	3,912,051
Prepaid expenses and other assets	2,685,089	1,585,285
Total current assets	85,269,852	29,197,628
Property and equipment, net	2,511,512	3,150,399
Restricted cash	479,193	479,193
Other assets	78,000	78,000
Total assets	$ 88,338,557	$ 32,905,220
Liabilities and Stockholders Deficit		
Current liabilities:		
Consumer deposits payable	$ 72,529,118	$ 16,764,348
Line of credit		1,450,000
Current portion of long-term debt	35,216	49,752
Accounts payable	2,209,894	1,162,641
Accrued expenses	1,796,471	1,980,798
Deferred revenue	555,946	578,636
Total current liabilities	77,126,645	21,986,175
Long-term debt	122,611	132,139
Deferred revenue	481,808	617,886
Other liabilities	424,477	452,201
Total liabilities	78,155,541	23,188,401
Series A-1 mandatorily redeemable convertible preferred stock, $0.01 par value. Authorized 16,500,000 shares; issued and outstanding 15,500,000 shares (liquidation value of $21,537,696) at March 31, 2006	21,242,077	20,790,828
Series B-1 mandatorily redeemable convertible preferred stock, $0.01 par value. Authorized 11,000,000 shares; issued and outstanding 8,560,745 shares (liquidation value of $5,190,771) at March 31, 2006	5,165,883	5,065,379
	15,555,830	15,250,920

Series C-1 mandatorily redeemable convertible preferred stock, $0.01 par value.		
Authorized 47,000,000 shares; issued and outstanding 39,011,536 shares (liquidation value of $15,660,082) at March 31, 2006		
Series D-1 mandatorily redeemable convertible preferred stock, $0.01 par value.		
Authorized 75,500,000 shares; issued and outstanding 51,503,965 shares (liquidation value of $18,313,111) at March 31, 2006	16,897,487	16,373,639
Warrants for mandatorily redeemable convertible preferred stock	3,534,995	3,534,995
Commitments and contingencies		
Stockholders deficit:		
Common stock, $0.01 par value; authorized 300,000,000 shares; issued and outstanding 44,533,767 and 43,831,117 shares	445,338	438,311
Additional paid-in capital	191,994,083	191,987,466
Accumulated deficit	(244,652,677)	(243,724,719)
Total stockholders deficit	(52,213,256)	(51,298,942)
Total liabilities and stockholders deficit	$ 88,338,557	$ 32,905,220

See accompanying notes to unaudited financial statements.

3

PRINCETON eCOM CORPORATION
Statements of Operations
Three months ended March 31, 2006 and 2005

	2006 (unaudited)	2005 (unaudited)
Revenues:		
Transaction fees	$ 7,880,244	$ 6,633,162
Professional services fees	458,708	423,325
Interest revenue on consumer deposits	1,444,566	608,742
Total revenues	9,783,518	7,665,229
Operating expenses:		
Cost of services	3,637,646	3,674,777
Research and development costs	972,256	1,143,074
Selling, general and administrative	4,625,793	5,144,630
Total operating expenses	9,235,695	9,962,481
Operating income (loss)	547,823	(2,297,252)
Other income (expense)	95,270	(8,571)
Net income (loss)	452,553	(2,288,681)
Accretion of preferred stock and amortization of warrant costs	(219,231)	(219,231)
Preferred stock dividends	(1,161,280)	(1,071,893)
Net loss applicable to common stockholders	$ (927,958)	$ (3,579,805)

See accompanying notes to unaudited financial statements.

PRINCETON eCOM CORPORATION
Statements of Cash Flows
Three months ended March 31, 2006 and 2005

	2006 (unaudited)	2005 (unaudited)
Cash flows from operating activities:		
Net income (loss)	$ 452,553	$ (2,288,681)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	661,695	999,905
Equity compensation expense	5,237	
Provision for bad debts	3,709	12,000
Changes in operating assets and liabilities:		
Consumer deposits	(55,764,770)	(7,245,852)
Accounts receivable	(609,690)	(939,864)
Prepaid expenses and other assets	(1,099,804)	(898,228)
Consumer deposits payable	55,764,770	7,245,852
Deferred revenue	(158,768)	177,998
Accounts payable	1,047,253	819,348
Accrued expenses	(184,327)	(602,736)
Other liabilities	(27,724)	28,332
Net cash provided by (used in) operating activities	90,134	(2,691,926)
Cash flows from investing activities:		
Purchases of property and equipment	(22,808)	(782,354)
Restricted cash		170,637
Net cash used in investing activities	(22,808)	(611,717)
Cash flows from financing activities:		
Repayments on line of credit	(1,450,000)	312
Payments on long-term debt	(24,064)	(17,501)
Proceeds from exercise of stock options	8,407	67,479
Net cash (used in) provided by financing activities	(1,465,657)	50,290
Net decrease in cash and cash equivalents	(1,398,331)	(3,253,353)
Cash and cash equivalents, beginning of period	6,935,944	8,793,344
Cash and cash equivalents, end of period	$ 5,537,613	$ 5,539,991

See accompanying notes to unaudited financial statements.

PRINCETON eCOM CORPORATION
Notes to Unaudited Financial Statements
March 31, 2006

(1) Background

Princeton eCom Corporation (the Company) was incorporated on January 25, 1984 in the state of Delaware. The Company maintains its headquarters in Princeton, New Jersey. The Company operates in one business segment and is an industry-leading provider of electronic payment solutions. The Company s solutions enable consumers to process bill payments from the Web, telephone (integrated voice response), customer service representative, and home banking platforms, resulting in significant cost savings, faster collections, and improved service for its bank and biller customers. The Company s services are utilized by financial institutions, billers, and distribution partners, including many top 100 banks and Fortune 1000 billers. These customers take advantage of the Company s wide range of electronic payment solutions, which include lockbox and concentration payment products; one-time, enrolled, and convenience pay services; and electronic bill presentment solutions. The Company generates revenue from (i) transaction fees, including invoice presentment and payment processing fees; (ii) professional services fees for implementation and customized solutions; and (iii) interest on funds held.

Interim Financial Information

The accompanying condensed unaudited financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) for interim financial information. In the opinion of management, the condensed unaudited financial statements include all adjustments necessary (which are of a normal and recurring nature) for the fair presentation of the results of the interim periods presented. These condensed unaudited financial statements should be read in conjunction with our audited financial statements for the year ended December 31, 2005. The results of operations for any interim period are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year.

(2) Stock Based Compensation

At March 31, 2006, the Company had one stock-based employee compensation plan, which is described more fully below. Prior to January 1, 2006, the Company accounted for this plan under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB No. 25), and related interpretations, as permitted by Statements of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation* (SFAS No. 123). No stock-based employee compensation cost was recognized in the Statement of Operations for the three months ended March 31, 2005, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123(R), *Share-Based Payment* (SFAS No. 123(R)), using the modified-prospective transition method. Under that transition method, compensation cost recognized in the three months ended March 31, 2006 includes compensation cost for all share-based payments granted on or subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). Results for prior periods have not been restated.

As a result of adopting SFAS No. 123(R) on January 1, 2006, the Company s income before income taxes for the three months ended March 31, 2006 is approximately $6,000 lower, than if it had continued to account for share-based compensation under APB No. 25.

Prior to the adoption of SFAS No. 123(R), if the Company had not recognized a full valuation allowance against its deferred tax asset, it would have presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the Statement of Cash Flows. SFAS No. 123(R) requires the cash flows resulting from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows.

The following table illustrates the effect on net income and net income per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to options granted under the Company s stock option plans for the three months ended March 31, 2005. For purposes of this pro forma disclosure, the value of the options is estimated using a Black-Scholes-Merton option-pricing formula and amortized to expense over the options vesting periods.

		Three Months Ended March 31, 2005
Net loss, as reported	$	(2,288,681)
Less total stock-based employee compensation expense determined under the fair-value-based method for all awards		(385,006)
Pro forma net loss	$	(2,673,687)

Share Option Plans

Effective December 13, 2001, the Company adopted the 2001 Stock Plan (the Plan). The Plan provides for the granting of incentive and nonqualified stock options to employees, directors, and consultants of the Company. The Compensation Committee of the board of directors administers the Plan and awards grants and determines the terms of such grants at its discretion. The Company has reserved approximately 28,500,000 shares of common stock for issuance pursuant to the Plan.

The determination of the fair value of each option is estimated on the date of grant using a Black-Scholes options pricing model with the following weighted average assumptions for the three months ended March 31, 2006 and 2005: risk-free interest rate of 4.9% and 3.8%, respectively; dividend yield of 0%; volatility factor of 70%; and an expected life of the options of four years.

A summary of option activity under the Plan as of March 31, 2006, and changes in the period then ended is presented below:

	Shares		Weighted-Average Exercise Price	Weighted-Average Remaining Contract Term		Aggregate Intrinsic Value
Outstanding at January 1, 2006	22,460,578	$	0.41			
Granted	91,000	$	0.01			
Exercised	(702,650)	$	0.01			
Forfeited or expired	(43,701)	$	0.67			
Outstanding at March 31, 2006	21,805,227	$	0.42	7.10	$	7,849,882
Vested or expected to vest at March 31, 2006	21,193,515	$	0.64	7.00	$	11,656,433
Exercisable at March 31, 2006	14,153,823	$	0.64	7.00	$	7,784,603

The weighted-average grant-date fair value of options granted during the three months ended March 31, 2006 and 2005 was $0.44 and $0.01, respectively. The total intrinsic value of options exercised during the three months ended March 31, 2006 and 2005 was $40,295 and $17,991, respectively. As of March 31, 2006, there was $12,788 of total unrecognized compensation cost related to stock options granted under the Plan. That cost is expected to be recognized over a weighted average period of 3.8 years.

Cash received from option exercises under all share-based payment arrangements for the three months ended March 31, 2006 and 2005 was $8,407 and $67,479, respectively. There was no tax benefit realized for the tax deductions from option exercise of the share-based payment arrangements since the Company currently recognizes a full valuation allowance against that benefit.

(3) Net Loss Per Share

Basic EPS is computed by dividing net loss by the weighted average number of shares of Common stock outstanding for the period. Diluted EPS includes the dilutive effect, if any, from the potential exercise or conversion of securities such as stock options, warrants and convertible preferred stock, which would result in the issuance of additional shares of common stock. For the three months ended March 31, 2006 and 2005, the impact of stock options, warrants and mandatorily redeemable convertible preferred stock was not considered as the effect on net loss per share would be anti-dilutive.

(4) Subsequent Event

On May 5, 2006, the Company entered into a definitive agreement to be acquired for $180 million in cash, with a $10 million potential earn-out, by Online Resources Corporation. The merger was consummated on July 3, 2006.

Report of Independent Registered Public Accounting Firm

The Stockholders
Princeton eCom Corporation:

We have audited the accompanying balance sheets of Princeton eCom Corporation as of December 31, 2005 and 2004, and the related statements of operations, changes in stockholders deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Princeton eCom Corporation as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Philadelphia, Pennsylvania
April 27, 2006

PRINCETON eCOM CORPORATION
Balance Sheets
December 31, 2005 and 2004

	2005	2004
Assets		
Current assets:		
Consumer deposits:		
Cash	$ 16,763,575	$ 25,891,435
Receivables from billers	773	736,468
Total consumer deposits	16,764,348	26,627,903
Cash and cash equivalents	6,935,944	8,793,344
Accounts receivable, net of allowance of $176,103 and $180,797	3,912,051	3,471,877
Prepaid expenses and other assets	1,585,285	955,906
Total current assets	29,197,628	39,849,030
Property and equipment, net	3,150,399	5,474,538
Restricted cash	479,193	749,830
Other assets	78,000	125,450
Total assets	$ 32,905,220	$ 46,198,848
Liabilities and Stockholders Deficit		
Current liabilities:		
Consumer deposits payable	$ 16,764,348	$ 26,627,903
Line of credit	1,450,000	1,450,000
Current portion of long-term debt	49,752	72,674
Accounts payable	1,162,641	892,185
Accrued expenses	1,980,798	2,761,843
Deferred revenue	578,636	410,319
Total current liabilities	21,986,175	32,214,924
Long-term debt	132,139	41,507
Deferred revenue	617,886	953,860
Other liabilities	452,201	409,701
Total liabilities	23,188,401	33,619,992
Series A-1 mandatorily redeemable convertible preferred stock, $0.01 par value. Authorized 16,500,000 shares; issued and outstanding 15,500,000 shares (liquidation value of $21,124,648)	20,790,828	19,110,930
Series B-1 mandatorily redeemable convertible preferred stock, $0.01 par value. Authorized 11,000,000 shares; issued and outstanding 8,560,745 shares (liquidation value of $5,095,044)	5,065,379	4,673,567
Series C-1 mandatorily redeemable convertible preferred stock, $0.01 par value.	15,250,920	14,072,843
Authorized 47,000,000 shares; issued and outstanding 39,011,536 shares		

(liquidation value of $15,369,261)		
Series D-1 mandatorily redeemable convertible preferred stock, $0.01 par value.		
Authorized 75,500,000 shares; issued and outstanding 51,503,965 shares (liquidation value of $17,974,281)	16,373,639	14,336,243
Warrants for mandatorily redeemable convertible preferred stock	3,534,995	3,255,792
Commitments and contingencies (note 9)		
Stockholders deficit:		
Common stock, $0.01 par value; authorized 300,000,000 shares; issued and outstanding 43,831,117 and 29,725,555 shares	438,311	297,256
Additional paid-in capital	191,987,466	191,985,630
Accumulated deficit	(243,724,719)	(235,153,405)
Total stockholders deficit	(51,298,942)	(42,870,519)
Total liabilities and stockholders deficit	$ 32,905,220	$ 46,198,848

See accompanying notes to financial statements.

PRINCETON eCOM CORPORATION
Statements of Operations
Years ended December 31, 2005 and 2004

	2005	2004
Revenues:		
Transaction fees	$ 26,460,966	$ 24,191,618
Professional services fees	2,416,615	1,583,833
Interest revenue on consumer deposits	3,208,542	1,052,933
Total revenues	32,086,123	26,828,384
Operating expenses:		
Cost of services	14,713,165	15,131,272
Research and development costs	5,130,553	6,425,637
Selling, general and administrative	16,446,833	16,599,707
Total operating expenses	36,290,551	38,156,616
Operating loss	(4,204,428)	(11,328,232)
Interest income	109,291	80,339
Interest expense	(85,531)	(56,088)
Loss on disposal of assets		(260,962)
Net loss before income tax benefit	(4,180,668)	(11,564,943)
Income tax benefit	896,538	877,844
Net loss	(3,284,130)	(10,687,099)
Accretion of preferred stock and amortization of warrant costs	(876,924)	(785,793)
Preferred stock dividends	(4,410,260)	(3,900,483)
Net loss applicable to common stockholders	$ (8,571,314)	$ (15,373,375)

See accompanying notes to financial statements.

PRINCETON eCOM CORPORATION
Statements of Changes in Stockholders Deficit
Years ended December 31, 2005 and 2004

	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Accumulated deficit	Total
Balance, December 31, 2003	29,725,555	$ 297,256	$ 191,985,630	$ (219,780,030)	$ (27,497,144)
Accretion of preferred stock to redemption value				(785,793)	(785,793)
Accretion of preferred stock dividends				(3,900,483)	(3,900,483)
Net loss				(10,687,099)	(10,687,099)
Balance, December 31, 2004	29,725,555	297,256	191,985,630	(235,153,405)	(42,870,519)
Exercise of stock options	14,105,562	141,055			141,055
Issuance of common stock warrants			1,836		1,836
Accretion of preferred stock to redemption value				(876,924)	(876,924)
Accretion of preferred stock dividends				(4,410,260)	(4,410,260)
Net loss				(3,284,130)	(3,284,130)
Balance, December 31, 2005	43,831,117	$ 438,311	$ 191,987,466	$ (243,724,719)	$ (51,298,942)

See accompanying notes to financial statements.

PRINCETON eCOM CORPORATION
Statements of Cash Flows
Years ended December 31, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Net loss	$ (3,284,130)	$ (10,687,099)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,527,425	5,508,726
Amortization of lease guarantee		10,012
Provision for bad debts	24,000	(16,114)
Loss on disposal of assets		260,962
Changes in operating assets and liabilities:		