

DIGITAL INSIGHT CORP  
Form DEF 14A  
March 19, 2003

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OMB APPROVAL

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. \_\_)**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

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## Digital Insight Corporation

(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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Last update: 02/22/2002

## DIGITAL INSIGHT CORPORATION

26025 Mureau Road

Calabasas, CA 91302

March 19, 2003

Dear Stockholders:

On behalf of the Board of Directors and management of Digital Insight Corporation, we cordially invite you to attend the annual meeting of stockholders to be held on Thursday, May 1, 2003, at 10:00 a.m. at our Westlake Village facilities located on 5601 N. Lindero Canyon Road, Westlake Village, California 91362.

At the annual meeting, you will be asked to:

1. Elect one Class I Director;
2. Ratify the appointment of PricewaterhouseCoopers LLP as our independent public accountants for the year ending December 31, 2003; and
3. Transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

These matters are described in the accompanying Notice of Annual Meeting and Proxy Statement.

We have included a copy of our Annual Report to Stockholders with the Proxy Statement, which we encourage you to read. It includes our audited consolidated financial statements for the year ended December 31, 2002 as well as information about our business, operations and strategies.

It is important that your stock be represented at the meeting regardless of the number of shares you hold. You are encouraged to specify your voting preferences by marking and dating the enclosed proxy card. Please then sign and promptly return the proxy card in the accompanying reply envelope whether or not you plan to attend the meeting. If you are a stockholder of record and do attend and wish to vote in person, you may revoke your proxy at the meeting. If you plan to attend the meeting, please check the proxy card in the space provided. This will assist us with meeting preparations.

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Thank you for your cooperation in considering and acting on the matters presented, and for your continued support of and interest in Digital Insight.

Sincerely,

John C. Dorman

*Chairman, President and Chief Executive Officer*

## DIGITAL INSIGHT CORPORATION

26025 Mureau Road

Calabasas, CA 91302

(818) 871-0000

### Notice of Annual Meeting of Stockholders

<b>TIME</b>	10:00 a.m. on Thursday, May 1, 2003
<b>PLACE</b>	Our offices at 5601 N. Lindero Canyon Road, Westlake Village, California, 91362
<b>ITEMS OF BUSINESS</b>	<ol style="list-style-type: none"><li>1. Elect one (1) Class I Director;</li><li>2. Ratify the appointment of PricewaterhouseCoopers LLP as our independent public accountants for the year ending December 31, 2003; and</li><li>3. Transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.</li></ol>
<b>RECORD DATE</b>	You are entitled to vote if you were a stockholder at the close of business on Friday, March 14, 2003.
<b>VOTING BY PROXY</b>	Please submit a proxy as soon as possible so that your shares can be voted at the meeting in accordance with your instructions. For specific instructions, please refer to the <i>Questions and Answers Section</i> beginning on page 1 of this Proxy Statement and the instructions on the proxy card.

We intend to mail this Proxy Statement and the accompanying proxy card on or about March 28, 2003 to all stockholders entitled to vote at the annual meeting.

By Order of the Board of Directors,

Tae J. Rhee

*Secretary*

Calabasas, California

March 19, 2003

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To assure that your shares are represented at the meeting, please complete, date and sign the enclosed proxy and mail it promptly in the postage-paid envelope provided, whether or not you plan to attend the meeting. You can revoke your proxy at any time before it is voted.



## DIGITAL INSIGHT CORPORATION

### PROXY STATEMENT

### FOR

### ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 1, 2003

### QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

**Q: WHY AM I RECEIVING THESE MATERIALS?**

**A:** The Board of Directors of Digital Insight Corporation, a Delaware corporation, is providing these proxy materials for you in connection with our annual meeting of stockholders, which will take place on May 1, 2003. As a stockholder, you are invited to attend the meeting and are entitled to and requested to vote on the proposals described in this Proxy Statement.

**Q: WHAT INFORMATION IS CONTAINED IN THESE MATERIALS?**

**A:** The information included in this Proxy Statement relates to the proposals to be voted on at the meeting, the voting process, the compensation of directors and our most highly paid executive officers, and certain other required information. Our 2002 Annual Report and our 2002 Form 10-K, including our full 2002 consolidated financial statements, are also enclosed. **If any person who was a beneficial owner, as described below, of our common stock on the record date for the 2003 annual meeting desires additional copies of our Annual Report or Form 10-K, such copies will be furnished without charge upon receipt of a written request.** The request should identify the person making the request as a stockholder and should be directed to:

DIGITAL INSIGHT CORPORATION

26025 Mureau Road

Calabasas, California 91302

Attn: Investor Relations

We also make available free of charge on or through our Internet website at <http://www.digitalinsight.com> our Annual Report and our 2002 Form 10-K as soon as reasonably practicable after we electronically file the 2002 Form 10-K with the Securities and Exchange Commission.

**Q: WHAT PROPOSALS WILL BE VOTED ON AT THE MEETING?**

**A:** There are two proposals scheduled to be voted on at the meeting:



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1. The election of one (1) Class I Director; and

2. The ratification of the appointment of PricewaterhouseCoopers LLP as our independent public accountants for the year ending December 31, 2003.

**Q: WHAT IS THE VOTING RECOMMENDATION?**

**A:** Our Board of Directors recommends that you vote your shares **FOR** the nominee to the Board and **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as our independent public accountants for the year ending December 31, 2003.

**Q: WHAT SHARES CAN I VOTE?**

**A:** All shares owned by you as of the close of business on March 14, 2003, the *Record Date*, may be voted by you. These shares include (1) shares held directly in your name as the *Stockholder of Record*, including shares purchased through our Employee Stock Purchase Plan and our employee stock option plans, and (2) shares held for you as the *Beneficial Owner* through a stockbroker, bank, or other nominee.

**Q: WHAT IS THE DIFFERENCE BETWEEN HOLDING SHARES AS A STOCKHOLDER OF RECORD AND AS A BENEFICIAL OWNER?**

**A:** Most of our stockholders hold their shares through a stockbroker, bank or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

***Stockholder of Record.*** If your shares are registered directly in your name with our transfer agent, EquiServe Trust Company, N.A., you are considered, with respect to those shares, the *Stockholder of Record*, and these proxy materials are being sent directly to you by us. As the *Stockholder of Record*, you have the right to grant your voting proxy directly to us or to vote in person at the meeting. We have enclosed or sent a proxy card for you to use.

***Beneficial Owner.*** If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the *Beneficial Owner* of shares held in street name, and these proxy materials are being forwarded to you by your broker or nominee which is considered, with respect to those shares, the *Stockholder of Record*. As the *Beneficial Owner*, you have the right to direct your broker how to vote and are also invited to attend the meeting. However, since you are not the *Stockholder of Record*, you may not vote these shares in person at the meeting unless you obtain a signed proxy from the record holder giving you the right to vote the shares. Your broker or nominee has enclosed or provided a voting instruction card for you to use in directing the broker or nominee how to vote your shares.

**Q: HOW CAN I VOTE MY SHARES IN PERSON AT THE MEETING?**

**A:** Shares held directly in your name as the *Stockholder of Record* may be voted in person at the annual meeting. If you choose to do so, please bring the enclosed proxy card or proof of identification. If you are the *Beneficial Owner* of the shares, you must have a signed proxy from the *Stockholder of Record*.

**Even if you currently plan to attend the annual meeting, we recommend that you also submit your proxy as described below so that your vote will be counted if you later decide not to attend the meeting.**

**Q: HOW CAN I VOTE MY SHARES WITHOUT ATTENDING THE MEETING?**

**A:** Whether you hold shares directly as the *Stockholder of Record* or in street name as a *Beneficial Owner*, you may direct your vote without attending the meeting. You may vote by granting a proxy or, for shares held in street name, by submitting voting instructions to your broker or nominee. In most instances, you will be able to do this by mail. Please refer to the summary instructions below and those included on your proxy card or, for shares held in street name, the voting instruction card included by your broker or nominee.

**Q: CAN I CHANGE MY VOTE?**

**A:** You may change your proxy instructions at any time prior to the vote at the annual meeting. For shares held directly in your name, you may accomplish this by granting a new proxy bearing a later date (which automatically revokes the earlier proxy) or by attending the annual meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request. For shares held beneficially by you, you may accomplish this by submitting new voting instructions to your broker or nominee.

**Q: HOW ARE VOTES COUNTED?**

**A:** In the election of a director, you may vote **FOR** the nominee or your vote may be **WITHHELD** with respect to the nominee. For the proposal ratifying the appointment of PricewaterhouseCoopers LLP, you may vote **FOR**, **AGAINST** or **ABSTAIN**. If you **ABSTAIN**, it has the same effect as a vote **AGAINST**. If you sign your proxy card or broker voting instruction card with no further instructions, your shares will be voted in accordance with the recommendations of the Board ( **FOR** the nominee to the Board and **FOR** the ratification of PricewaterhouseCoopers LLP as independent auditors for the year ending December 31, 2003 and in the discretion of the proxy holders on any other matters that properly come before the meeting).

**Q: WHAT IS THE VOTING REQUIREMENT TO APPROVE EACH OF THE PROPOSALS?**

**A:** In the election of directors, the person receiving the highest number of **FOR** votes will be elected. All other proposals require the affirmative **FOR** vote of a majority of those shares present and entitled to vote. If you are a *Beneficial Owner* and do not provide the *Stockholder of Record* with voting instructions, your shares may constitute *Broker Non-Votes*, as described in **WHAT IS THE QUORUM REQUIREMENT FOR THE MEETING?** below. In tabulating the voting result for any particular proposal, shares that constitute *Broker Non-Votes* are not considered entitled to vote on that proposal.

**Q: WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE PROXY OR VOTING INSTRUCTION CARD?**

**A:** It means your shares are registered differently or are in more than one account. Please provide voting instructions for all proxy and voting instruction cards you receive.

**Q: WHERE CAN I FIND THE VOTING RESULTS OF THE MEETING?**

**A:** We will announce preliminary voting results at the meeting and publish final results in our quarterly report on Form 10-Q for the second quarter of 2003.

**Q: WHAT HAPPENS IF ADDITIONAL PROPOSALS ARE PRESENTED AT THE MEETING?**

**A:** Other than the two proposals described in this Proxy Statement, we do not expect any matters to be presented for a vote at the annual meeting. If you grant a proxy, the persons named as proxy holders, John C. Dorman, our Chairman, President and Chief Executive Officer, and Elizabeth S.C.S. Murray, our Executive Vice President and Chief Financial Officer, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If for any unforeseen reason our nominee is not available as a candidate for director, the persons named as proxy holders will vote your proxy for such other candidate as may be nominated by the Board of Directors.

**Q: WHAT CLASSES OF SHARES ARE ENTITLED TO BE VOTED?**

**A:** Each share of our common stock outstanding as of the close of business on the *Record Date* is entitled to vote on all items being voted upon at the annual meeting. On the *Record Date*, we had 32,477,063 shares of common stock issued and outstanding.

**Q: WHAT IS THE QUORUM REQUIREMENT FOR THE MEETING?**

**A:** The quorum requirement for holding the meeting and transacting business is a majority of the outstanding shares present in person or represented by proxy and entitled to be voted. Both abstentions and *Broker Non-votes* are counted as present for the purpose of determining the presence of a quorum. Abstentions are also counted as shares present and entitled to be voted. *Broker Non-votes*, however, are not counted as shares present and entitled to be voted with respect to the matter on which the broker has expressly not voted. Thus, *Broker Non-votes* will not affect the outcome of any of the matters being voted upon at the meeting. Generally, *Broker Non-votes* occur when shares held by a broker for a beneficial owner are not voted with respect to a particular proposal because (1) the broker has not received voting instructions from the *Beneficial Owner*, and (2) the broker lacks discretionary voting power to vote such shares.

**Q: WHO WILL BEAR THE COST OF SOLICITING VOTES FOR THE MEETING?**

**A:** Digital Insight is making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic communication by our directors, officers and employees, who will not receive any additional compensation for such solicitation activities. We will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to stockholders.

**Q: MAY I PROPOSE ACTIONS FOR CONSIDERATION AT NEXT YEAR'S ANNUAL MEETING OF STOCKHOLDERS OR NOMINATE INDIVIDUALS TO SERVE AS DIRECTORS?**

**A:** You may submit proposals for consideration at future stockholder meetings. We expect to hold our 2004 annual meeting of stockholders in May 2004. In order for any proposal by a stockholder of Digital Insight to be considered for inclusion in our proxy materials for the 2004 annual meeting of stockholders, the written proposal must be received by us no later than November 22, 2003. We will determine whether or not to include any such proposals in the proxy materials in accordance with applicable law, including the Securities and Exchange Commission's regulations.

In order for a stockholder proposal, including director nomination, to be raised from the floor during the 2004 annual meeting of stockholders, certain conditions set forth in Section 2.14 of our bylaws must be complied with, including delivery of notice to us not less than 60 days prior to the meeting as originally scheduled. However, in the event that less than 65 days notice or public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be received not later than the close of business on the 7th day following the date on which such notice of the date of meeting was mailed or such public disclosure was made.

You may contact the Secretary at our headquarters for a copy of the relevant bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates.

**PROPOSAL ONE**

**ELECTION OF DIRECTOR**

**Introduction**

At the annual meeting, one director is to be elected for a three-year term. Our Board is divided into three classes, and each director serves for a staggered three-year term. The Board is currently comprised of one Class I Director (Henry T. DeNero), two Class II Directors (Michael R. Hallman and Greg J. Santora) and three Class III Directors (John C. Dorman, James H. McGuire and Robert L. North). At each annual meeting of stockholders, the successors to the directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. The terms of the Class I Director, Class II Directors and Class III Directors will expire upon the election and qualification of successor directors at the 2006, 2004 and 2005 annual meeting of stockholders, respectively. Betsy S. Atkins, formerly a Class I Director, resigned from the Board in March 2003 due to other commitments. As permitted by our bylaws, the Board of Directors reduced its size from seven directors to six.

Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the nominee named below. In the event that the nominee should be unavailable for election as a result of an unexpected occurrence, such shares will be voted for the election of such substitute nominee as the Board of Directors may select. The person nominated for election has agreed to serve if elected, and management has no reason to believe that the nominee will be unable to serve.

**The Board of Directors recommends a vote FOR the named nominee.**

**Nominee, Incumbent Directors and Executive Officers**

The following sets forth certain information regarding the nominee, the five incumbent directors whose terms will continue following the annual meeting, and the executive officers.

*Nominee for Class I Director*

*Henry T. DeNero.* Mr. DeNero has been a director of Digital Insight since October 2002. From March 1999 to January 2001, Mr. DeNero, 57, served as Chairman and Chief Executive Officer of HomeSpace, Inc., an Internet mortgage and real estate services provider which was acquired by LendingTree, Inc. Prior to that, he served as Executive Vice President of First Data Corporation from July 1995 to December 1998. Prior to 1995, he was Vice Chairman and Chief Financial Officer of Dayton Hudson Corporation, a general merchandising retailer, and was previously a Director of McKinsey & Company, a management consulting firm. Mr. DeNero also serves as a director of Western Digital Corporation and Banta Corporation. Mr. DeNero earned a bachelor's degree in Psychology from Amherst College and an MBA from Stanford University.

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### *Incumbent Class II Directors (Terms expire in 2004)*

*Michael R. Hallman.* Mr. Hallman has been a director of Digital Insight since April 2001. Mr. Hallman, 57, founded The Hallman Group, a management consulting firm, in 1992. From February 1990 to March 1992, he was President and Chief Operating Officer of Microsoft Corporation. From 1987 to early 1990, Mr. Hallman served as Vice President of the Boeing Company and President of Boeing Computer Services. From 1967 to 1987, Mr. Hallman worked for the IBM Corporation in various sales and marketing executive positions, including his last assignment as Vice President of Field Operations. Mr. Hallman also serves as a director of Intuit Inc., InFocus Corporation, WatchGuard Technologies and Network Appliance Corporation. He received his BA and an MBA from the University of Michigan.

*Greg J. Santora.* Mr. Santora has been a director of Digital Insight since October 2002. Mr. Santora, 51, served as Senior Vice President and Chief Financial Officer of Intuit Inc. from July 1997 until his retirement in

January 2003. He held other senior finance positions at Intuit, including Vice President of Finance and Corporate Services from November 1996 to July 1997, and Corporate Controller from February 1996 to November 1996. Prior to joining Intuit, Mr. Santora held various senior financial roles at Apple Computer from May 1983 to January 1996, and at Bally Manufacturing Corporation from September 1977 to May 1983. Mr. Santora also serves as a director of LookSmart, Ltd. Mr. Santora earned a BA in accounting from the University of Illinois and an MBA from San Jose State University.

*Incumbent Class III Directors (Terms Expire 2005)*

*John C. Dorman.* Mr. Dorman has been Digital Insight's Chief Executive Officer and a director since October 1998 and was Digital Insight's President from October 1998 to February 2001. Mr. Dorman resumed his title as President in November 2002 following the departure of the former President and Chief Operating Officer. Mr. Dorman was appointed Chairman of the Board in June 1999. Prior to his appointment as Digital Insight's President and Chief Executive Officer, Mr. Dorman, 52, was Senior Vice President for Oracle Worldwide Financial Services from August 1997 to October 1998. Prior to joining Oracle, Mr. Dorman was founder, Chairman, President, and Chief Executive Officer of Treasury Services Corporation, known as TSC, a provider of management information solutions to the financial services industry, from 1983 to 1997. TSC was sold to Oracle in 1997. Prior to serving at TSC, Mr. Dorman spent 11 years in the banking industry as a senior financial executive for Union Bank of California. Mr. Dorman holds a BA in business administration and philosophy from Occidental College and an MBA in finance from the University of Southern California.

*James H. McGuire.* Mr. McGuire has been a director of Digital Insight since March 1997 and served as Chairman of the Board from its inception until June 1999. Mr. McGuire, 59, has served as President of NJK Holding Corporation, an investment company, since 1992. Mr. McGuire also serves as a director of Sylvan Learning Systems, a provider of educational services. Mr. McGuire holds a BA in finance from the University of Notre Dame.

*Robert L. North.* Mr. North has been a director of Digital Insight since June 1997. Mr. North, 67, was Chairman of the Board of HNC Software, Inc., from January to June of 2000 and served as the Chief Executive Officer of HNC Software, Inc. from April 1987 to January 2000. Mr. North is also a director of Peerless Systems Corporation, a provider of software-based embedded imaging systems. Mr. North holds BS and MS degrees in electrical engineering from Stanford University.

*Executive Officers*

*Elizabeth S.C.S. Murray.* Ms. Murray has served as our Executive Vice President and Chief Financial Officer since March 2002. Ms. Murray, 47, served as Executive Vice President, Chief Financial Officer and Treasurer of Korn/Ferry International from July 1998 to March 2002. Prior to that, Ms. Murray served as Executive Vice President and Chief Financial Officer of Tycom Inc. from June 1997 to December 1997, and from 1994 to June 1997 she was the Chief Financial Officer and Vice President of Hughes Communications, Inc., a subsidiary of Hughes Electronics Corporation. Ms. Murray is a Chartered Accountant with the Institute of Chartered Accountants in Scotland and holds a BA in business studies from Robert Gordon University.

*Vincent R. Brennan.* Mr. Brennan has served as our Senior Vice President, Sales since February 2001 and was our Vice President, Sales from February 2000 to February 2001. Mr. Brennan, 40, served as Senior Vice President, Sales of nFront from March 1999 to February 2000. From September 1998 until March 1999, he served as Senior Vice President, Sales and Marketing of nFront. Prior to joining nFront, Mr. Brennan was employed by John H. Harland Co. from June 1986 until September 1998, serving as Senior Vice President, Sales, managing the financial markets division from December 1995 until September 1998 and as Vice President from April 1993 until December 1995. Mr. Brennan received a BA in business administration from the University of Connecticut.

*Michael J. Deegan.* Mr. Deegan has served as our Senior Vice President, Internet Banking Services since October 2002. Prior to joining Digital Insight, Mr. Deegan, 49, held various roles in Electronic Data Services



Corporation since 1989, serving most recently as Senior Vice President, Product Support. Mr. Deegan earned a BA from Boston College and received additional education at the New England School of Banking.

*Drew E. Hyatt.* Mr. Hyatt has served as our Senior Vice President, Products and Marketing since July 2002 and was our Senior Vice President, Internet Banking Client Services from October 2001 to July 2002. Mr. Hyatt, 41, served as President, Chief Executive Officer and director of ZMarket, an international business-to-business channel management provider, from September 2000 to July 2001. From November 1999 to July 2000, he was President and Chief Executive Officer of ECash Technologies, a digital currency company. Previously, Mr. Hyatt was President of the Financial Services Division of HNC Software, Inc. from November 1997 to November 1999. Mr. Hyatt also worked as a Senior Manager for Ernst & Young Strategic Advisory Services from 1993 to 1997. Mr. Hyatt received a BS in electrical engineering from Lehigh University and an MBA from The Wharton School of Business at the University of Pennsylvania.

*Joseph M. McDoniel.* Mr. McDoniel has served as our Senior Vice President, Internet Banking Operations since November 2002. Mr. McDoniel, 62, also served as Senior Vice President, Internet Banking Operations and Services from July 2002 to November 2002; as Senior Vice President, Strategic Opportunities from October 2001 to July 2002; and previously as Senior Vice President, Operations from September 2000 to October 2001. Mr. McDoniel was President of First Source Group, Inc., a provider of strategic planning and consulting services to the financial services industry, from August 1993 to September 2000. Prior to joining Digital Insight, Mr. McDoniel, through First Source Group, provided consulting services to Digital Insight from October 1998 to September 2000.

*Robert R. Surridge.* Mr. Surridge has served as our Senior Vice President, Lending Division since November 2000. Prior to joining Digital Insight, Mr. Surridge, 39, served in various capacities at The Money Store Inc., a provider of mortgages, home equity and home improvement loans, and lines of credit. Most recently, he served as The Money Store's Vice President, Strategic Implementation and Development from October 1999 to October 2000; from June 1998 to September 1999, he served as its Vice President, Direct Lending Operations; and from September 1995 to May 1998, he served as its Vice President, Centralized Lending. Mr. Surridge holds a BS from the University of Utah.

### **Meetings and Compensation of Directors**

During the year ended December 31, 2002, there were ten meetings of our Board of Directors. During this period, all of the directors attended or participated in more than 75% of the aggregate of (i) the total number of Board meetings and (ii) the total number of meetings held by all committees of the Board on which each such director served.

Directors are reimbursed for all reasonable expenses incurred by them in attending Board and committee meetings. Directors who are also employees of Digital Insight are not compensated separately for serving on the Board and are not paid a retainer or additional compensation for attendance at Board or committee meetings. Non-employee directors are eligible to receive options under our 2001 Non-Employee Director Stock Option Plan, also known as the Director Plan. The Director Plan provides that each eligible director, provided he or she has served as a director for at least six months, will receive each year options to purchase 15,000 shares of our common stock on the day of the annual meeting of stockholders, or options to purchase 10,000 shares if such director elects to receive a cash retainer. All of our non-employee directors have opted for the all-option election under the Director Plan. These options will vest over a 12-month period. In addition, each newly elected or appointed non-employee director will receive options under the Director Plan to purchase 50,000 shares of our common stock upon joining the Board, or 40,000 shares if such director elects to receive a cash retainer, which will vest over a three year period. The Board has the discretion to grant additional options and rights to directors under its 1997 and 1999 stock plans. Employee directors are also eligible to participate in our employee stock purchase plan.

In the year ended December 31, 2002, Mr. Hallman received an option to purchase 15,000 shares of our common stock under the Director Plan for services as a director. These options vest in equal monthly amounts over



a 12-month period. In 2002, Messrs. McGuire and North each received an option to purchase 15,000 shares of our common stock under the 1999 stock plan with the same 12-month vesting term. Messrs. McGuire and North, who did not receive any option grants or other form of remuneration other than expense reimbursement in 2001, also each received an additional one-time option to purchase 15,000 shares of our common stock under the 1999 stock plan to compensate them in parity with the other non-employee directors for their services for 2001. These options were fully vested upon grant. In July 2002, Messrs. Hallman, McGuire, and North each received an additional, one-time option to purchase 10,000 shares of our common stock under the 1999 stock plan as compensation for increased demands on their time due to additional Board and committee requirements. These options were fully vested upon grant. Messrs. DeNero and Santora each received options under the Director Plan to purchase 50,000 shares of our common stock upon joining the Board. These options will vest over a three-year period.

In December 2002, we determined that our compensation package to non-employee directors, which was comprised entirely of equity-based compensation, was inadequate to fairly compensate them for their services. Consequently, we implemented a cash retainer program to supplement their current compensation. Beginning in 2003, non-employee directors will receive an annual cash retainer payable in quarterly installments to each director then in service, in addition to the arrangement provided under the Director Plan described above, which consists of a basic retainer for Board membership and additional retainers for their service on committees, plus an additional retainer for those who serve as chairpersons on standing committees, as follows:

<u>Service/Membership</u>	<u>Basic Retainer</u>	<u>Chairperson Retainer</u>
Board	\$30,000	N/A
Audit Committee	\$10,000	\$10,000
Compensation Committee	\$10,000	\$5,000
Nominating and Corporate Governance Committee	\$5,000	\$5,000

#### Committees of the Board of Directors

There are three standing committees and one special committee of our Board of Directors: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Special Litigation Committee.

The Audit Committee consists of Messrs. McGuire (Chair), North and Santora. The Audit Committee approves our independent auditors, and has general oversight of the scope and process of annual audits and any other accounting-related services, legal and regulatory compliance and systems of internal controls. The Audit Committee held eight meetings during the year ended December 31, 2002. The Audit Committee Report is set forth on page 17 of this Proxy Statement.

The Compensation Committee consists of Messrs. Hallman (Chair), DeNero, McGuire and North. The Compensation Committee makes recommendations regarding our stock option plans and all matters concerning executive compensation. The Compensation Committee held six meetings during the year ended December 31, 2002. The Compensation Committee Report is set forth on page 12 of this Proxy Statement.

The Nominating and Corporate Governance Committee, or NCG Committee, consists of Messrs. Santora (Chair), DeNero and Hallman. The NCG Committee held two meetings during the year ended December 31, 2002. In 2002, the Board renamed the Nominating Committee to the Nominating and Corporate Governance Committee and expanded the NCG Committee's abilities to include corporate governance responsibilities. Its current responsibilities include:

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Considering and making recommendations regarding director nominees, including stockholder nominees;

Making recommendations to the Board concerning the composition and size of the Board; and

Exercising oversight responsibility with respect to principles of corporate governance, and from time to time, making recommendations to the Board concerning corporate governance matters.

In March 2002, FundsXpress Financial Network, Inc., or FundsXpress, initiated a lawsuit against us in the United States District Court in Austin, Texas. The lawsuit alleged, among other claims, misappropriation of trade secrets and copyright infringement, and named certain members of our senior management as defendants in their individual capacities.

In part, because of the alleged involvement of senior management, our Board of Directors formed a special litigation committee, hired independent counsel, and initiated an independent investigation of the FundsXpress claims. The Special Litigation Committee consisted of Messrs. McGuire and North, and the Winthrop & Weinstine law firm was engaged as independent counsel. Independent counsel, in addition to conducting an internal investigation, also advised the Board on related issues, which included the acceptability of the terms of the final settlement, and proper discharge of duties to the stockholders by the Board of Directors.

## EXECUTIVE COMPENSATION

The following table sets forth information concerning the compensation earned during the year ended December 31, 2002 by our Chief Executive Officer and each of our other four most highly compensated executive officers who earned more than \$100,000 during the year ended December 31, 2002 and continue to be employed by us, and two former executive officers who also met that threshold during 2002.

## Summary Compensation Table

For Years Ended December 31, 2002, 2001 and 2000

Name and Principal Position <sup>(1)</sup>	Year Ended December 31,	Annual Compensation		Long-Term Compensation Awards	All Other Compensation
		Salary (\$)	Bonus (\$)	Securities Underlying Options (#)	
John C. Dorman <sup>(2)</sup> Chairman, President and Chief Executive Officer	2002	\$ 332,780	\$ 61,428 <sub>(3)</sub>	109,375	\$
	2001	316,667	40,903 <sub>(3)</sub>	75,000	
	2000	290,625		112,500	
Elizabeth S.C.S. Murray <sup>(4)</sup> Executive Vice President and Chief Financial Officer	2002	206,731	75,000	225,000	
	2001				
	2000				
Vincent R. Brennan <sup>(5)</sup> Senior Vice President, Sales	2002	321,384		22,500	
	2001	234,560		30,000	
	2000	204,714	10,000		
Joseph M. McDoniel <sup>(6)</sup> Senior Vice President, Internet Banking Operations	2002	225,267	41,582 <sub>(3)</sub>	31,250	
	2001	216,667	132,706 <sub>(3)</sub>	90,000	75,221
	2000	62,192		160,000	
Robert R. Surridge Senior Vice President, Lending Division	2002	197,994			
	2001	191,667			

2000 30,833