

PROQUEST CO
Form DEF 14A
April 19, 2004
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SCHEDULE 14A INFORMATION

**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 Section 240.14a-11(c) or Section 240.14a-12

PROQUEST COMPANY

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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**Notice of
Year 2004
Annual Meeting
and
Proxy Statement**

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ProQuest Company
300 N. Zeeb Road
Ann Arbor MI 48103

April 19, 2004

Dear Shareholder,

You are invited to attend the Annual Meeting of Shareholders of ProQuest Company (hereinafter referred to as "ProQuest" or the "Company") to be held at 8:00 a.m. eastern time on Wednesday, May 26, 2004, at ProQuest Company, 300 N. Zeeb Road, Ann Arbor, Michigan.

The Annual Meeting will begin with voting for directors and amendments to the ProQuest Company Strategic Performance Plan and will continue with other business matters properly brought before the meeting, and will be followed by a summary of the Company's 2003 performance and a question and answer period.

Whether or not you plan to attend, you can be sure your shares are represented at the meeting by promptly completing, signing, and dating the enclosed proxy card and returning it to us in the enclosed envelope. Or, as an alternative method, you may cast your vote via the Internet or by telephone.

Cordially,
James P. Roemer,

Chairman of the Board

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Time	8:00 a.m. eastern time on Wednesday, May 26, 2004
Place	ProQuest Company 300 N. Zeeb Road, Ann Arbor, Michigan
Items of Business	(1) To elect nine members of the Board for the ensuing year; and (2) To approve amendments to ProQuest Company's 2003 Strategic Performance Plan (the Plan) (i) to reserve an additional 1,900,000 shares of common stock for issuance according to the Plan; (ii) to increase the maximum amount of shares that can be granted each year to any individual; and (iii) to modify the adjustment provision in the Plan; and (3) To transact such other business as may properly come before the meeting or at any adjournment or postponement of the meeting.
Record Date	You can vote if you are a shareholder of record on March 31, 2004.
Financial Information	Our Form 10-K for the 2003 fiscal year is included in our Annual Report which is being mailed to you along with this Proxy Statement.
Proxy Voting	It is important that your shares be represented and voted at the meeting. Please vote your shares in one of these ways: (1) Mark, sign, date and promptly return the enclosed proxy card in the envelope provided; (2) Vote via the Internet at the website noted on your proxy card; or (3) Use the toll-free telephone number shown on the proxy card.

You may revoke your proxy at any time before it is exercised by voting in person at the Annual Meeting, by submitting another proxy bearing a later date, or by notifying the Secretary of the Company in writing of your election to revoke it prior to the meeting. Unless you decide to vote your shares in person, you must revoke your prior proxy card in the same way you initially submitted it—that is, by Internet, telephone or mail. If your shares are held in street name through a broker, bank or other third party, you will receive instructions from that third party that you must follow in order for your shares to be voted.

If you plan to attend the meeting, please complete and return the advance registration form on the back page of this Notice of 2004 Annual Meeting and Proxy Statement.

Todd W. Buchardt,

Secretary

April 19, 2004

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QUESTIONS AND ANSWERS ABOUT VOTING

Q: Who can vote?

A: You can vote, if you were a shareholder at the close of business on the record date of March 31, 2004.

Q: What am I voting on?

A: You are voting on:

The election of nine directors for terms that expire in 2005. The Board of Directors nominees are: Alan W. Aldworth; David Bonderman; David G. Brown; Todd S. Nelson; William E. Oberndorf; Linda G. Roberts; James P. Roemer; Gary L. Roubos; and William J. White; and

To approve amendments to and grants under ProQuest Company's 2003 Strategic Performance Plan (the Plan) (i) to reserve an additional 1,900,000 shares of common stock for issuance according to the Plan; (ii) to increase the maximum amount of shares that can be granted each year to any individual; and (iii) to modify the adjustment provision in the Plan; and

Other business as may properly come before the meeting or at any adjournment or postponement of the meeting.

Q: How will the proxies vote on any other business brought up at the meeting?

A: By submitting your proxy card, you authorize the proxies to use their judgement to determine how to vote on any other matter brought before the Annual Meeting. The Company does not know of any other business to be considered at the Annual Meeting. The proxies authority to vote according to their judgement applies only to shares you own as the shareholder of record.

Q: How do I cast my vote?

A: You may vote your shares in any one of these ways:

Mark, sign, date, and promptly return the proxy card in the envelope provided;

Vote via the Internet at the website noted on your proxy card, if applicable; or

Use the toll-free telephone number shown on the proxy card.

Q: How does the Board recommend I vote on the proposals?

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A: The Board recommends you vote **for** each of the items on the proxy card.

Q: Can I revoke my proxy card?

A: You may revoke your proxy card by:

Submitting a new proxy card before the Annual Meeting bearing a later date;

Giving written notice before the Annual Meeting to the Secretary of the Company, stating that you are revoking your proxy card; or

Attending the Annual Meeting and voting your shares in person.

Unless you decide to vote your shares in person, you must revoke your prior proxy card in the same way you initially submitted it that is, by Internet, telephone, or mail.

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Q: Who will count the votes?

A: EquiServe Trust Company, N.A.

Q: What shares are included on my proxy card?

A: Your proxy card represents all shares registered to your account with the same social security number and address.

Q: How many votes can I cast?

A: On each matter voted upon, you are entitled to one vote per share.

Q: What is a quorum ?

A: A quorum is the number of shares that must be present to have the annual meeting. The quorum requirement for the Annual Meeting is a majority of the outstanding shares, present in person or represented by proxy. If you submit a valid proxy card or attend the Annual Meeting, your shares will be counted to determine whether there is a quorum.

Q: How many votes will it take to elect the director nominees?

A: The Directors are elected by a plurality of the votes cast by the shares present in person or by proxy at the Annual Meeting and entitled to vote.

Q: How many votes will it take to approve the amendments to the ProQuest Company s Strategic Performance Plan?

A: Approval of the amendments to ProQuest Company s Strategic Performance Plan requires the approval of a majority of shares present in person or by proxy at the Annual Meeting and entitled to vote on each proposal.

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GENERAL INFORMATION FOR SHAREHOLDERS

CORPORATE GOVERNANCE.

Our business is managed by the Company's employees under the direction and oversight of the Board of Directors. Except for Messrs. Roemer and Aldworth, none of the Board members are employees of the Company. The Board limits membership of the Audit Committee, Compensation and Nominating and Governance Committee to independent non-employee Directors as determined by the New York Stock Exchange Listing Standards. We keep Board members informed of our business through discussions with management, materials we provide to them, visits to our offices and their participation in Board meetings and Board committee meetings.

The Board of Directors has adopted Corporate Governance Principles which, along with the charters of the Board Committees and the Company's Code of Conduct, provide the framework for the governance of the Company. A complete copy of the Company's governance principles, the charters of the Board Committees and the Code of Conduct may be found on the Company's Investor Relations website at www.proquestcompany.com. The charters for each of the committees are also attached as Appendix A to this Proxy Statement.

The following is a summary of the Company's Corporate Governance Principles:

A significant majority of the Board of Directors shall consist of independent, non-management directors who meet the criteria for independence required by the New York Stock Exchange.

A director is independent if he or she does not have a material relationship with the Company.

The following relationships will be considered material:

If a Company director is an executive officer of another company which does business with the Company and the annual revenues derived from that business exceed 2% of either company's total revenues.

If a Company director is a director, officer or trustee of a charitable organization and the Company's annual charitable contributions to the organization (exclusive of gift-match payments) are greater than 2% of the organization's total annual charitable receipts.

If a Company director is a partner or of counsel to a law firm that performs substantial legal services to the Company on a regular basis.

If a Company director is a partner, officer or employee of an investment bank or consulting firm that performs substantial services to the Company on a regular basis.

A director will not be considered independent if, within the last three years (i) the director or an immediate family member was employed by the Company or a subsidiary as an officer, (ii) the director or an immediate family member was employed by the

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Company's auditor as partner or manager, or (iii) an executive officer of the Company serves on the compensation committee of another company that employs the director or an immediate family member of the director as an officer. In addition, members of the Audit Committee will meet the independence and experience requirements set forth in the Sarbanes-Oxley Act of 2002, and other laws, regulations and rules.

The Board of Directors has determined that as of March 3, 2004, Ms. Roberts and Messrs. Bonderman, Brown, Nelson, Oberndorf, Roubos and White are independent under the requirements of the New York Stock Exchange.

Directors should be persons who have achieved prominence in their field and who possess significant experience in areas of importance to the Company, such as general management, finance, marketing, technology, law, international business or public sector activities.

Directors should possess integrity, independence, energy, forthrightness, analytical skills and commitment to devote the necessary time and attention to the Company's affairs. Directors should possess a willingness to challenge and stimulate management and the ability to work as part of a team in an environment of trust.

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The Board will schedule executive sessions of non-management directors each year. Generally, these sessions will occur at each Board meeting. The Board met in executive session at each of the 2003 meetings. Mr. Oberndorf has been appointed as the lead Director for these meetings.

The Company has established several means for shareholders or others to communicate their concerns to the Board of Directors. If the concern relates to the Company's financial statements, accounting practices or internal controls, the concern should be submitted in writing to the Chairman of the Audit Committee in care of the Company's Secretary at the Company's headquarters address. If the concern relates to the Company's governance practices, business ethics or corporate conduct, the concern may be submitted in writing to the Chairman of the Nominating and Governance Committee in care of the Company's Secretary at the Company's headquarters address. In addition, shareholders or others may also communicate with the Board via email as described on the Company's website (www.proquestcompany.com).

The Company's whistleblower policy prohibits the Company or any of its employees from retaliating or taking any adverse action against anyone for raising a concern. If a shareholder or employee nonetheless prefers to raise his or her concern in a confidential or anonymous manner, the concern may be directed to the Office of the Secretary at the Company's headquarters. The Secretary will refer the concern to the appropriate independent director.

The Board of Directors presently consists of nine members. There are currently no vacancies on the Board.

The Board held four meetings during 2003. Except for Mr. Bonderman who attended all but two meetings, the average attendance by Directors at these meetings was greater than 75%. The Board has an Audit Committee, a Compensation Committee and a Nominating and Governance Committee.

The Board of Directors encourages all of its members to attend the Annual Meeting of Shareholders. In May 2003, seven of the eight director nominees were present at the Annual Meeting of Shareholders.

Audit Committee. The Audit Committee's primary responsibilities are:

to be directly responsible for the appointment, compensation and oversight of the Company's independent auditors;

to oversee the evaluation of the Company's systems of internal accounting controls;

to review the Company's financial reporting (including its Proxy Statement and 10-K) and the accounting standards and principles followed;

to provide direct oversight of the Company's internal audit function;

to pre-approve all audit and non-audit services by the Company's independent auditors;

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to establish procedures for receipt of anonymous tips and concerns regarding internal accounting controls, accounting and audit matters;

to perform an annual evaluation of the Audit Committee; and

to ensure audit partner rotation.

The Audit Committee met thirteen times during 2003. Messrs. Roubos (Chairman), Oberndorf and Brown were members of the Audit Committee in 2003. All members attended at least 90% of the Committee meetings they were scheduled to attend. Effective April 4, 2004, Mr. White replaced Mr. Oberndorf as a member of the Audit Committee. The Audit Committee operates under a formal written charter, which has been approved by the Board and is attached hereto as Appendix A. All of the members of the Audit Committee are independent under New York Stock Exchange listing standards and the rules of the Securities and Exchange Commission. The Board determined each of the members of the Audit Committee qualifies as an Audit Committee financial expert as defined under the rules and regulations of the Securities and Exchange Commission.

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Compensation Committee. The Compensation Committee's responsibilities are:

to monitor the Company's management resources, structure, succession planning, development and selection process and the performance of key executives;

to administer ProQuest Company's Strategic Performance Plan and the Management Incentive Bonus Plan; and

to review and approve executive compensation.

This Committee met two times during 2003. Messrs. Oberndorf (Chairman), Bonderman, and Roubos are members of the Compensation Committee. Except for Mr. Bonderman, the members attended all meetings in 2003. The Compensation Committee operates under a formal written charter, a copy of which is attached as Appendix A. All members of the Compensation Committee are independent under the New York Stock Exchange listing standards.

Nominating and Governance Committee. The Nominating and Governance Committee's responsibilities are:

to identify and recommend candidates for membership on the Board;

to review the size, composition and compensation of the Board;

to develop an evaluation process for the Board; and

to develop and recommend corporate governance guidelines.

This Committee met two times during 2003. Messrs. Brown (Chairman), Oberndorf and Roubos are members of the Committee. Except for Mr. Oberndorf, who attended 75% of the meetings scheduled, the members attended all meetings in 2003. The Nominating and Governance Committee operates under a formal written charter, a copy of which is attached as Appendix A. The Charter will be reviewed periodically by the Board. All of the members of the Nominating and Governance Committee are independent under the New York Stock Exchange listing standards.

The Nominating and Corporate Governance Committee will consider board nominees recommended by shareholders. Those recommendations should be sent to the Chair of the Nominating and Governance Committee, care of the Corporate Secretary of ProQuest Company, 300 N. Zeeb Road, Ann Arbor, MI 48103. In order for a shareholder to nominate a candidate for director, under the Company's Bylaws, timely notice of the nomination must be given in writing to the Secretary of the Company. To be timely, such notice must be received at the principal executive offices of the Company not less than ninety days prior to the meeting of shareholders. Notice of a nomination must include your name, address and number of shares you own; the name, age, business address, residence address and principal occupation of the nominee; and the number of shares beneficially owned by the nominee. It must also include the information that would be required to be disclosed in the solicitation of proxies for election of directors under the federal securities laws, as well as whether the individual can understand basic financial statements and the candidate's other board memberships (if any). You must submit the nominee's consent to be elected and to serve. The Nominating and Governance Committee may require any nominee to furnish any other information, within reason, that may be needed to determine the eligibility

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of the nominee. As provided in its Charter, the Nominating and Governance Committee will follow procedures which the Committee deems reasonable and appropriate in the identification of candidates for election to the board and evaluating the background and qualifications of those candidates. Those processes include consideration of nominees suggested by an outside search firm, by incumbent board members and by shareholders. The Committee will seek candidates having experience and abilities relevant to serving as a director of the Company and who represent the best interests of shareholders as a whole and not any specific interest group or constituency.

The Committee will consider a candidate's qualifications and background, including, but not limited to responsibility for operating a public company or a division of a public company, international business experience, a candidate's technical background or professional qualifications and other public company boards

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on which the candidate is a director. The Committee will also consider whether the candidate would be independent for purposes of the New York Stock Exchange and the rules and regulations of the Securities and Exchange Commission. The Committee may from time to time engage the service of a professional search firm to identify and evaluate potential nominees.

Compensation of Directors. All of the non-employee Directors receive the following compensation:

each Director receives an annual cash retainer of \$50,000;

a one-time grant of restricted stock equal to \$75,000, subject to a three year restriction period, upon a member's initial election;

an annual stock option grant valued at \$25,000;

a fee of \$2,000 in cash is paid to each Director for each Board meeting attended;

each Director serving on the Audit Committee receives an annual cash committee meeting fee of \$15,000 and the Chairman of the Audit Committee receives an additional cash fee of \$10,000;

each Director serving on the Compensation and the Nominating and Governance Committees receives an annual cash committee meeting fee of \$6,000 and the Chairman of each of the Compensation Committee and Nominating and Governance Committee receives an additional cash fee of \$6,000;

Directors are also reimbursed travel expenses for their attendance at these meetings.

The annual stock option grant is made under the ProQuest Company Strategic Performance Plan. Each Director receives an annual stock option grant made as of the last day of trading of ProQuest's Common Stock in the second fiscal quarter (June 27, 2003). The stock option grant permits a non-employee Director to purchase shares of ProQuest's Common Stock at an exercise price not less than the market value of the Common stock on the date the option is granted. The number of shares that may be purchased is equal to \$25,000 divided by the fair market value of an option of one share of Common stock. For these purposes, the value of an option is determined by using the Black-Scholes option-pricing model. In 2003, each Director received an option grant of 1,937 shares of the Company's Common Stock at an exercise price of \$26.72 per share. No initial grants of restricted stock were issued in 2003. However, Ms. Roberts and Mr. Nelson each received 2,547 shares of restricted Common Stock effective January 4, 2004, the first day of fiscal 2004. These shares of restricted Common Stock were determined by dividing \$75,000 by the market value of the Common Stock on the trading day immediately prior to January 4, 2004.

Employee Directors receive no additional compensation for being members of the Board of Directors. Employee Directors are reimbursed for any travel expenses incurred for their attendance at these meetings.

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COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

EXECUTIVE COMPENSATION

The philosophy of the Compensation Committee is to:

align executive compensation with shareholder interests;

ensure that compensation is at a level that enables the Company to attract and retain high quality talent; and

provide significant rewards for achievement of business objectives and growth in shareholder value.

The Company's compensation program for executive officers currently consists of the following key elements:

base salary;

annual bonuses;

stock option grants; and

long term incentive programs.

Each element of the program has a somewhat different purpose. Salary and annual bonuses are made to compensate ongoing performance and achievement of business objectives through the year based upon established targets and goals. Stock option grants and long term incentive plans are designed to provide strong incentives for creation of long term shareholder value and continued retention of executive officers and other key employees of the Company.

In determining the overall level and form of executive compensation to be paid or awarded in 2003, the Committee considered, among other things, continued increases in the Company's sales and productivity in a period of rapid change and intensified competition; and the compensation practices and performances of other major corporations which are most likely to compete with the Company for the services of its executive officers.

BASES FOR CHIEF EXECUTIVE OFFICER COMPENSATION

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In January 2003, Mr. Aldworth was elected Chief Executive Officer of the Company. During 2003, Mr. Aldworth received total cash payments of \$618,942 salary and \$529,783 in bonuses as shown in the Summary Compensation Table on page 9. In determining Mr. Aldworth's 2003 compensation, the Compensation Committee focused on his ability to enhance the long-term value of the Company. During his tenure with ProQuest, Mr. Aldworth has been a leader in the revitalization of the Company and its transformation into a provider of technological solutions within a number of market segments. Mr. Aldworth has also been instrumental in improving the capital and debt structure of the Company. Mr. Aldworth's total compensation is based on both ProQuest's recent performance and his contributions to the overall long-term strategy and financial strength of the Company.

Mr. Roemer was Chief Executive Officer of the Company for a portion of fiscal 2003. At the beginning of fiscal year 2001 (dated December 31, 2000) the Compensation Committee implemented a three year arrangement with Mr. Roemer to provide long term incentive benefits based upon appreciation of the ProQuest stock price. This arrangement continued through December 31, 2003 and is comprised of the following two elements:

a grant of 406,250 shares of ProQuest stock under the 1995 Employee Stock Option Plan; and

an incentive compensation arrangement that provides for a mirror cash payment based upon the stock price appreciation of ProQuest stock. This element contains 406,250 stock units.

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Due to the increase in the Company's stock price since December 31, 2000, all of the options have vested and 100% of the performance percentage of the mirror cash payment has been achieved. The stock option exercise price is equal to the fair market value of the stock on the date of the grant, \$16.50 per share. Fifty percent of the options became exercisable on or after December 31, 2003, seventy five percent may be exercised on or after December 31, 2004 and 100% may be exercised on or after December 31, 2005. Under the mirror cash element of Mr. Roemer's incentive compensation arrangement a payment equal to \$2,260,938 was earned on December 31, 2003. Said payment was credited to the Company's Executive Deferred Compensation Plan on or before March 31, 2004 in an account under Mr. Roemer's name.

As a Director of Bigchalk, Mr. Roemer was granted an option to purchase shares of Bigchalk. Mr. Roemer exercised this option and purchased 105,833 shares of Bigchalk, 87,500 of which were granted to Mr. Roemer by the Company. On December 30, 2002, the Company acquired the remaining ownership interest in Bigchalk. As a common shareholder, Mr. Roemer was entitled to receive \$.0001 per common share of Bigchalk.

DEDUCTIBILITY OF COMPENSATION IN EXCESS OF \$1,000,000 PER YEAR

Internal Revenue Code Section 162(m), in general, precludes a public corporation from claiming a tax deduction for compensation in excess of \$1,000,000 in any taxable year for any executive officer named in the summary Compensation table in such corporation's proxy statement. Certain performance-based compensation is exempt from this tax deduction limitation. The Compensation Committee's policy is to structure executive compensation in order to maximize the amount of the Company's tax deduction. However, the Compensation Committee reserves the right to deviate from that policy to the extent it is deemed necessary to serve the best interests of the Company.

The foregoing report on executive compensation is provided by the following members of the Compensation Committee during 2003:

William E. Oberndorf (Chairman), David Bonderman and Gary L. Roubos.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Oberndorf, Bonderman, and Roubos are the members of the Compensation Committee. No member of the Compensation Committee is an officer of the Company. No member of the Compensation Committee served as a director or member of the Compensation Committee of another entity, one of whose executive officers served as a director or member of the Compensation Committee of the Company.

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COMPENSATION AND STOCK OWNERSHIP INFORMATION

SUMMARY COMPENSATION TABLE

The following table sets forth the compensation paid by the Company or a subsidiary of the Company to the Chief Executive Officer and each of the other four most highly compensated executive officers of the Company at the end of fiscal 2003 for fiscal years 2003, 2002 and 2001:

Name and Principal Position	Fiscal Year	LONG TERM COMPENSATION					
		ANNUAL COMPENSATION			AWARDS	PAYOUTS	
		Salary (\$)	Bonus ⁽²⁾ (\$)	Other Annual Compensation (\$)	Securities Underlying Options/SARs ⁽³⁾ (#)	LTIP Payouts ⁽⁴⁾ (\$)	All Other Compensation (\$)
James P. Roemer	2003	675,002					
Chairman of the Board, ProQuest Company	2002 ⁽¹⁾	675,002					
	2001	674,146					