PROQUEST CO
Form 8-K/A
March 17, 2003

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): December 30, 2002

ProQuest Company
(Exact Name of Registrant as Specified in its Charter)

DELAWARE	1-3246	36-3580106
(State or Other Jurisdiction of Incorporation or Organization)	(Commission File No.)	(I.R.S. Employer Identification No.)

300 NORTH ZEEB ROAD, ANN ARBOR, MICHIGAN	48103-1553
(Address of Principal Executive Offices)	(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (734) 761-4700

Item 7. Financial Statements and Exhibits.

The following financial statements and pro forma financial information omitted from the Form 8-K dated January 14, 2003, (December 30, 2002, date of earliest event reported) in reliance upon Item 7 (a) (4) and 7 (b) (2) of Form 8-K are filed herewith.

(a) (1) Consolidated Financial Statements of Bigchalk, Inc. and Subsidiaries as of December 31, 2001 and 2000, and for each of the years in the three-year period ended December 31, 2001.

Report of Independent Auditors.
Consolidated Balance Sheet.
Consolidated Statement of Operations.
Consolidated Statements of Equity (Deficit).
Consolidated Statements of Cash Flows.

(2) Unaudited Condensed Consolidated Balance Sheet of Bigchalk, Inc. and Subsidiaries as of September 30, 2002 and Unaudited Condensed Consolidated Statements of Operations for the nine amd three months ended September 30, 2002.

(b) Pro Forma Combined Condensed Financial Statements of ProQuest Company.

Pro Forma Combined Condensed Balance Sheet as of September 28, 2002
Pro Forma Combined Condensed Consolidated Statement of Operations as of December 29, 2001.
Pro Forma Combined Condensed Statement of Operations for the thirty-nine weeks ended September 28, 2002.

(c) Exhibits.

23.1 Consent of KPMG LLP

BIGCHALK.COM, INC. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2001, 2000 and 1999

(With Independent Auditors' Report Thereon)

bigchalk.com, inc. and Subsidiaries

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
bigchalk.com, inc.:

We have audited the accompanying consolidated balance sheets of bigchalk.com, inc. and subsidiaries (the Company) as of December 31, 2001 and 2000, and the related consolidated statements of operations, equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of bigchalk.com, inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

Chicago, Illinois
March 22, 2002

bigchalk.com, inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2001 and 2000
(dollars in thousands, except per share amounts)

ASSETS		2001
Current assets:		
Cash and cash equivalents	$	23,086
Accounts receivable, net of allowance of $207 and $65		4,354
Prepaid expenses and other current assets		1,545
Total current assets		28,985
Restricted investment		829
Property and equipment, net		6,919
Goodwill and other intangible assets, net		10,423
Other		681
Total assets	$	47,837
LIABILITIES AND DEFICIT		
Current liabilities:		
Accounts payable	$	1,837
Accrued expenses		1,653
Accrued royalties		1,316
Accrued facilities costs		1,053
Current portion of capital lease obligations		--
Deferred revenue		14,733
Total current liabilities		20,592
Long term deferred revenue		373
Long term accrued facilities costs		2,272
Capital lease obligations, less current portion		--
Deferred income taxes		152

Total liabilities	23,389
Series A Preferred Stock; $0.01 par value; 1,544,286 and 7,600,002 shares authorized; 1,544,286 and 7,600,002 shares issued and outstanding at December 31, 2001 and 2000 (aggregate liquidation preferences of $16,916 at December 31, 2001 and aggregate redemption value of $17,511, including accrued dividends, at December 31, 2003)	13,088
Series A-2 Preferred Stock; $0.01 par value; 6,055,716 and 7,600,002 shares authorized; 6,055,716 and -0- shares issued and outstanding at December 31, 2001 and 2000	51,291
(aggregate liquidation preferences of $66,331 at December 31, 2001 and aggregate redemption value of $68,672, including accrued dividends, at December 31, 2003)	
Series B Preferred Stock; $0.01 par value; 20,000,000 shares authorized; 14,302,423 and 6,676,846 shares issued and outstanding at December 31, 2001 and 2000 (aggregate liquidation preferences of $66,584 at December 31, 2001 and aggregate redemption value of $70,213, including accrued dividends, at December 31, 2003)	50,168
Deficit:	
Undesignated Preferred Stock; $0.01 par value; 20,000,000 shares authorized; -0- shares issued and outstanding at December 31, 2001 and 2000	--
Common Stock; $0.01 par value; 100,000,000 shares authorized; 16,816,620 and 16,816,620 shares issued and outstanding at December 31, 2001 and 2000	168
Additional paid-in capital	26,273
Accumulated deficit	(116,540)
Total deficit	(90,099)
Total liabilities and deficit	$ 47,837

See accompanying notes to consolidated financial statements.

bigchalk.com, inc. and Subsidiaries
Consolidated Statements of Operations
Years ended December 31, 2001, 2000, and 1999
(dollars in thousands, except per share amounts)

	2001	2000	1999
Sales	$ 28,152	33,185	14,701
Cost of Sales	9,658	12,117	6,461

Gross Profit	18,494	21,068	8,240
Operating expenses			
Sales and marketing	16,824	25,265	7,866
Product development	3,633	3,067	1,761
Information and technology	9,958	15,553	774
General and administration	4,731	9,163	2,621
Loss before interest, taxes, depreciation and amortization, closure of facilities, impairment charges and loss on disposal of fixed assets	(16,652)	(31,980)	(4,782)
Charges for closure of facilities	3,675	-	-
Impairment charge for good will and other intangible assets	30,282	-	-
Depreciation and amortization	21,350	18,401	657
Loss on disposal of fixed assets	335	-	-
Operating Loss	(72,314)	(50,381)	(5,439)
Interest Income (expense), net	1,022	1,136	(30)
Loss before income taxes	(71,292)	(49,245)	(5,469)
Income tax benefit	718	3,279	-
Net Loss	(70,574)	(45,966)	(5,469)
Dividends on and accretion of Series A Preferred Stock, Series A-2 Preferred Stock and Series B Preferred Stock	(16,654)	(2,407)	-
Net loss available to common shareholders	$ (87,228)	(48,373)	(5,469)
Basic and diluted loss per share	$ (5.19)	(2.95)	(0.36)
Weighted-average common shares outstanding	16,816,620	16,423,042	15,000,000

See accompanying notes to consolidated financial statements.

bigchalk.com, inc. and Subsidiaries
Consolidated Statements of Equity (Deficit)
Years ended December 31, 2001, 2000, and 1999
(dollars in thousands)

	Undesignated Preferred Stock Shares	Undesignated Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Additi defi
Balance at December 31, 1998	-	$ -	-	$ -	-	-

Net Loss	-	-	-	-	-	-
Contributions from ProQuest, net	-	-	-	-	-	-
Issuance of members' interests	-	-	-	-	-	-
Due from member for members' interest	-	-	-	-	-	-
Common Stock subscribed	-	-	-	-	-	-
Balance at December 31, 1999	-	-	-	-	-	-
Receipt of amount due from member for members' interests	-	-	-	-	-	-
Exchange of members' interests for Common Stock	-	-	15,000,000	150	33,985	-
Issuance of Common Stock	-	-	1,816,620	18	10,721	-
Issuance of stock options and warrants in Common Stock	-	-	-	-	469	-
Issuance of stock options in Common Stock non-employee	-	-	-	-	159	-
Dividends earned on convertible, redeemable Series A preferred Stock	-	-	-	-	(2,032)	-
Adjustment to accrete convertible, redeemable Series A preferred Stock to redemption value by December 31, 2003	-	-	-	-	(268)	-
Dividends earned on convertible, redeemable Series B Preferred Stock	-	-	-	-	(23)	-
Adjustment to accrete convertible, redeemable Series B preferred Stock to redemption value by December 31,2003	-	-	-	-	(84)	-
Net Loss	-	-	-	-	-	(45
Balance at December 31,2000	-	$ -	16,816,620	$ 168	42,927	(45
Dividends earned on convertible, redeemable Series A Preferred Stock	-	-	-	-	(474)	-
Adjustment to accrete convertible, redeemable Series A preferred Stock to redemption value by December 31, 2003	-	-	-	-	(2,536)	-
Dividends earned on convertible, redeemable Series A-2 Preferred Stock	-	-	-	-	(940)	-
Adjustment to accrete convertible, redeemable Series A-2 Preferred Stock to redemption value by December 31, 2003	-	-	-	-	(5,176)	-
Dividends earned on convertible, redeemable Series B Preferred Stock	-	-	-	-	(1,556)	-
Adjustment to accrete convertible, redeemable						

Series B Preferred Stock to redemption value by December 31, 2003	-	-	-	-	(5,972)	-
Net loss	-	-	-	-	-	(
Balance at December 31, 2001	-	$ -	16,816,620	$ 168	26,273	(1

bigchalk.com, inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years ended December 31, 2001, 2000, and 1999
(dollars in thousands)

	2001	2000
Cash flows from operating activities:		
Net Loss	$ (70,574)	(45,966)
Adjustments to reconcile net cash flows from operating activities:		
Charges for closure of facilities	3,675	-
Impairment charge for goodwill and other intangible assets	30,282	-
Depreciation and amortization	21,350	18,401
Loss on disposal of fixed assets	355	
Provision for doubtful accounts	285	305
Non-cash compensation expense	-	159
Deferred Income taxes	(718)	(3,279)
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	7,075	(4,574)
Prepaid expenses and other current assets	1,499	(1,368)
Restricted investment	71	(900)
Other non-current assets	178	(856)
Accounts payable	(3,358)	1,304
accrued expenses and royalties	(1,019)	1,346
Due to members	-	(2,970)
Deferred revenue	(4,630)	1,140
Net cash flows used in operating activities	(15,529)	(37,258)
Cash flows from investing activities:		
Deposit for acquisition	-	-
Acquisition of business, less cash acquired	-	(23,286)
Capital expenditures, net of minor disposals	(1,277)	(11,298)
Purchases of marketable securities	(13,305)	-
Maturities of marketable securities	13,305	-
Proceeds from sale of fixed assets	32	-
Issuance of note receivable	-	(240)

Net cash flows used in investing activities	(1,245)	(34,824)
Cash flows from financing activities:		
Contributions from ProQuest, net	-	-
Proceeds from issuance of members' interests	-	-
Proceeds from Common Stock subscribed	-	-
Principal payments on capital lease obligations	(126)	(304)
Receipt of amount due from member for members' interests	-	15,000
Proceeds from issuance of Series A Preferred Stock and Series B Preferred Stock, net of issuance costs	22,397	73,089
Proceeds from issuance of Common Stock	-	1,752
Net cash flows provided by financing activities	22,271	89,537
Net increase in cash and cash equivalents	5,497	17,455
Cash and cash equivalents at beginning of year	17,589	134
Cash and cash equivalents at end of year	$ 23,086	17,589

See accompanying notes to consolidated financial statements.

bigchalk.com, inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2001 and 2000
(dollars in thousands, except share and per share amounts)

(1) DESCRIPTION AND FORMATION OF BUSINESS

bigchalk.com, inc., including its subsidiaries, (the "Company") is a leading online learning destination in the kindergarten through twelfth grade ("K-12") domestic educational market, which includes teachers, administrators, students, and parents of students of public and private schools (the "K-12 Market") and publicly-owned and government-funded libraries (the "Public Library Market"). The Company provides a portfolio of products and services, including: research and reference services consisting of an extensive collection of published material; standards correlation services for educational resources; standards-based curriculum solutions; and professional development services for teachers. The Company currently operates in one segment.

On September 30, 1999, ProQuest Information and Learning Company (formerly known as Bell & Howell Information and Learning Company) ("ProQuest") and Tucows Inc. (formerly known as Infonautics, Inc.) ("Tucows") (collectively, the "Members") entered into an Amended and

Restated Limited Liability Company Agreement (the "LLC Agreement") that provided for the formation and capitalization of BHW/INFO/EDCO.COM, LLC ("LLC") under the Delaware Limited Liability Company Act. On December 15, 1999, ProQuest contributed the assets and liabilities that relate exclusively to or arise from sales to the K-12 Market, $5,000 in cash, and an obligation to pay $15,000 in cash on January 3, 2000 in exchange for an equity investment in LLC. On that same date, Tucows contributed the assets and liabilities that relate exclusively to or arise from sales to the K-12 Market and Public Library Market in exchange for an equity investment in LLC, $5,000 in cash, and the right to receive $15,000 in cash on January 3, 2000. Subsequent to the contributions, the equity interests owned by ProQuest and Tucows were approximately 73% and 27%, respectively. On January 10, 2000, pursuant to the Certificate of Conversion, the LLC Agreement was terminated and the LLC was converted to bigchalk.com, inc., a Delaware corporation.

For financial reporting purposes, the above transactions have been accounted for as if the Company is a successor to the contributed ProQuest business. The Tucows contribution has been accounted for as a purchase business combination, and accordingly, the assets acquired and liabilities assumed from Tucows have been reflected in these financial statements at fair value as of the contribution date.

On January 10, 2000, the Company converted from a limited liability company under the Delaware Limited Liability Company Act to a Delaware corporation. The Certificate of Incorporation provided for the authorization of 25,900,002 shares of Common Stock and 7,600,002 shares of Series A Preferred Stock.

On December 19, 2000, the Company amended and restated its Certificate of Incorporation. The Amended and Restated Certificate of Incorporation provides for the authorization of 100,000,000 shares of Common Stock, 7,600,002 shares of Series A Preferred Stock, 7,600,002 shares of Series A-2 Preferred Stock, 20,000,000 shares of Series B Preferred Stock, and 20,000,000 shares of Undesignated Preferred Stock.

On June 29, 2001, the Company amended and restated its Certificate of Incorporation. The Second Amended and Restated Certificate of Incorporation provides for the authorization of 100,000,000 shares of Common Stock, 1,544,286 shares of Series A Preferred Stock, 6,055,716 shares of Series A-2 Preferred Stock, 20,000,000 shares of Series B Preferred Stock, and 20,000,000 shares of Undesignated Preferred Stock.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The consolidated financial statements have been prepared as if the Company operated as a stand-alone entity prior to December 15, 1999. Accordingly, for periods prior to December 15, 1999, certain expenses reflected in the consolidated financial statements include allocations from ProQuest. These allocations take into consideration related business volume, personnel, or other appropriate bases, and generally include administrative expenses related to general management, information management, and other services provided to the Company by ProQuest. The allocations of expenses are based on ProQuest's assessment of actual expenses incurred by the Company and are reasonable in the opinion of ProQuest's management.

The financial information for periods prior to December 15, 1999 may not necessarily reflect the financial position, results of operations, or cash flows of the Company in the future, or what the financial position, results of operations, or cash flows of the Company would have been if it had been a separate, stand-alone corporation during such periods.

(b) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of MediaSeek Technologies, Inc. ("MediaSeek") and HomeworkCentral.com, Inc. ("HomeworkCentral"), the Company's wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

(c) USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Subsequent actual results may differ from those estimates.

(d) CASH EQUIVALENTS

Cash equivalents are comprised of investments in highly liquid debt instruments, with original maturities of 90 days or less.

(e) RESTRICTED INVESTMENT

Restricted investments represent certificates of deposit that are security for letters of credit for leases of the Company's office space in Berwyn, Pennsylvania and New York, New York.

(f) MARKETABLE SECURITIES

Management determines the appropriate classification of marketable debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date.

(g) REVENUE/COMMISSION EXPENSE RECOGNITION

The Company principally derives its revenue from subscriptions. Subscription sales are deferred as a liability and recognized ratably as revenue in the periods the subscriptions are fulfilled, normally over twelve months. Prepaid expenses and other current assets includes commissions paid to sales representatives on successful subscription sales, which are recorded as an asset and recognized as expense over the periods the subscriptions are fulfilled.

(h) CONTRIBUTIONS FROM (DISTRIBUTIONS TO) PROQUEST

Prior to December 15, 1999, ProQuest provided funding for working capital. The Company participated in Bell & Howell Company's cash management system, and accordingly, all cash generated from and cash required to support the Company's operations was deposited and received through ProQuest's cash accounts. The amounts represented by the caption "Contributions from ProQuest, net" in the Company's consolidated statements of cash flows and equity (deficit) represent the net effect of all cash transactions between the Company and ProQuest. No interest expense has been charged on such activity. The average balance of the member's deficit was $7,079 for the period from January 1, 1999 to December 15, 1999.

(i) INCOME TAXES

The consolidated financial statements of the Company have been prepared assuming the Company was a limited liability company prior to December 15, 1999. On December 15, 1999, the Company was formed as a limited liability company in the state of Delaware. As such, the net loss of the Company for the period from December 16, 1999 to December 31, 1999 was reportable in the members' tax returns. As discussed in note 1, on January 10, 2000, the Company converted from a limited liability company to a C corporation. Accordingly, prior to January 10, 2000, the consolidated financial statements contain no provision or benefit and no assets or liabilities for Federal or state income taxes as the net loss recorded prior to January 10, 2000 was reported in the members' tax returns.

Beginning January 10, 2000, the Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(dollars in thousands, except share and per share amounts)

(j) BASIC AND DILUTED LOSS PER SHARE

The Company computes net loss per share in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings per Share. Under the provisions of SFAS 128, basic and diluted net loss per share is computed by dividing the net loss for the period by the weighted-average number of common shares outstanding for the period. All share and per share data have been retroactively adjusted to January 1, 1999 to reflect the incorporation of the Company as described in note 1 as if all shares were outstanding for the periods presented.

The Company has equity securities that may have had a dilutive effect on earnings per share had the Company generated income during the years ended December 31, 2001 and 2000. There were no equity securities that could have had a dilutive effect on earnings per share for the year ended December 31, 1999. Shares issuable from securities that could potentially dilute earnings per share in the future that were not included in the computation of loss per share because their effect was anti-dilutive were as follows:

	YEARS ENDED DECEMBER 31,	
	2001	2000
Common stock options	3,217,006	2,651,256
Common stock warrants	61,432	61,432
Convertible preferred stock	23,751,804	14,276,848

(k) FINANCIAL INSTRUMENTS

The Company believes that the carrying amounts of its financial instruments, consisting of cash and cash equivalents, accounts receivable, note receivable, restricted investment, accounts payable, accrued expenses, and capital lease obligations, approximate the fair values of such items based on their short maturities.

(l) PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost and depreciated on a straight-line basis over their estimated useful lives as follows:

Equipment	3 years
Furniture and fixtures	7 years
Leasehold improvements	3 years
Software	3 years
Web-site development costs	3 years

Equipment held under capital leases is stated at the present value of minimum lease payments at inception of the lease and is depreciated on a straight-line basis over the estimated useful life of the equipment or the lease term, whichever is shorter.

bigchalk.com, inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2001 and 2000
(dollars in thousands, except share and per share amounts)

(m) COMPUTER SOFTWARE AND WEB-SITE DEVELOPMENT COSTS

The Company has adopted the provisions of Statement of Position 98-1 ("SOP 98-1"), Accounting for the Costs of Computer Software Developed or Obtained for Internal Use, and Emerging Issues Task Force Issue No. 00-2 ("EITF 00-2"), Accounting for Web-site Development Costs. During 2001 and 2000, the Company capitalized costs incurred to purchase and install computer software in accordance with SOP 98-1. In addition, during 2000, the Company capitalized costs associated with acquiring and developing technology to operate its website in accordance with EITF 00-2. The Company has recorded these capitalized costs as property and equipment in the accompanying consolidated balance sheet.

All costs incurred by the Company in the planning stage for the development of its web-site and costs incurred in operating its web-site were expensed.

(n) INTANGIBLE ASSETS

Intangible assets consist of the values assigned to customer lists, technology, workforce, tradename, license agreements, and non-compete agreements in connection with purchase business combinations. Intangible assets also include goodwill, which represents the excess of purchase price over fair value of net assets acquired for such transactions. Goodwill is amortized on a straight-line basis over five years. Other intangible assets are amortized over their estimated useful lives, which range from two to five years, on a straight-line basis. When events and circumstances so indicate, the Company assesses the recoverability of intangible assets by comparing the carrying amount of the asset balances to undiscounted future net operating cash flows. The amount of impairment, if any, is measured based on projected discounted future operating cash flows expected to be generated by the asset using a discount rate reflecting the Company's average cost of funds and other available information. The assessment of the recoverability of intangible assets will be impacted if estimated future operating cash flows are not achieved.

(o) STOCK-BASED COMPENSATION

As permitted by SFAS No. 123, Accounting for Stock-Based Compensation, the Company has elected to apply the provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("Opinion No. 25"), in recognizing compensation costs associated with its stock option plan. Under Opinion No. 25, compensation is measured as the difference between the stock option exercise price and the estimated fair value of the stock at the measurement date. The measurement date is the first date on which both the number of shares subject to the option and the option exercise price are known. As required by SFAS No. 123, the Company provides pro forma net loss information as if compensation had been measured under the fair value based method defined in SFAS No. 123. Under that method, compensation is measured by the fair value of the stock option. Under both SFAS No. 123 and Opinion No. 25, compensation is recognized using straight-line and accelerated methods over the periods in which an employee renders service to the Company, generally the vesting period.

(p) RETIREMENT SAVINGS PLAN

On February 1, 2000, the Company established the bigchalk.com Retirement Savings Plan ("Retirement Savings Plan") which covers substantially all full-time employees. Participants may make tax-deferred contributions up to 20% of annual compensation (subject to limitations specified by the Internal Revenue Code). The Retirement Savings Plan provides for an annual Company match dollar for dollar up to $1 after the employee has achieved one year of service. During 2001 and 2000, the Company contributed $210 and $161, respectively, to the Retirement Savings Plan on behalf of employees of the Company.

(q) ADVERTISING COSTS

Advertising costs are recognized as incurred. During 2001 and 2000, advertising expense totaled $391 and $811, respectively.

(r) SUPPLEMENTAL CASH FLOW INFORMATION

In connection with the sale of the Series B Preferred Stock, holders of Series A Preferred Stock who also invested in Series B Preferred Stock exchanged their Series A Preferred Stock for Series A-2 Preferred Stock. A total of 6,055,716 shares of Series A Preferred Stock were exchanged for shares of Series A-2 Preferred Stock.

During 2000, the Company's investing activities included the following non-cash transactions: (1) the Company acquired equipment when it purchased MediaSeek and assumed a lease obligation totaling $97 to acquire this equipment, (2) the purchase price for HomeworkCentral included 1,516,622 shares of Common Stock valued at $9,096, and (3) the Company acquired equipment totaling $101 by incurring a lease obligation.

During 1999, the Company's investing activities included a non-cash transaction whereby the Company acquired equipment totaling $217 by incurring a lease obligation.

(dollars in thousands, except share and per share amounts)

The Company paid interest of $10, $40, and $3, for 2001, 2000, and 1999, respectively.

(S) RECLASSIFICATIONS

Certain reclassifications have been made in the prior period financial statements to conform to the current year presentation.

(3) BUSINESS COMBINATIONS

As described in note 1, on December 15, 1999, Tucows contributed the assets and liabilities that relate exclusively to or arise from sales to the K-12 Market and the Public Library Market to the Company, in exchange for $5,055 in cash, the right to receive $15,000 in cash, and an interest valued at $23,500.

The acquisition was accounted for in these consolidated financial statements using the purchase method of accounting. The following

allocation of the purchase price to the assets acquired and liabilities assumed has been made using estimated fair values that include values based on independent appraisals and management estimates:

Purchase price	$ (43,555)
Long-term assets acquired	1,599
Long-term liabilities assumed	(1,867)
Working capital	(7,033)
Other intangible assets	20,799
Goodwill	30,057
	===========

On January 27, 2000, the Company, MediaSeek, and the principal vendors of MediaSeek entered into a Share Purchase Agreement whereby the Company acquired all of the issued and outstanding shares of MediaSeek pursuant to a purchase business combination. The Company provided aggregate consideration of $8,004.

The acquisition was accounted for in these consolidated financial statements using the purchase method of accounting. The following allocation of the purchase price to the assets acquired and liabilities assumed has been made using estimated fair values that include values based on independent appraisals and management estimates:

Purchase price	$ (8,004)
Long-term assets acquired	126
Long-term liabilities assumed	(39)
Deferred income taxes	(1,563)
Working capital	(45)
Other intangible assets	4,597
Goodwill	4,928
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(dollars in thousands, except share and per share amounts)

On April 1, 2000, the Company and HomeworkCentral completed an Agreement and Plan of Reorganization whereby the Company acquired all of the issued and outstanding shares of HomeworkCentral pursuant to a purchase business combination. The shareholders of HomeworkCentral had the option to receive either cash or shares of the Company's Common Stock. Aggregate consideration was $11,472, comprised of $1,907 in cash, 1,516,622 shares of Common Stock valued at $9,096, and 122,506 Common Stock options valued at $150 and 61,432 Common Stock warrants valued at $319.

In connection with the acquisition of HomeworkCentral, employee stock options for HomeworkCentral common stock were exchanged for 122,506 of stock options for the Company's Common Stock. The exchange of these options occurred in the same ratio as the exchange of HomeworkCentral stock for the Company's Common Stock and the exercise prices of these options were adjusted to reflect the change in the number of options held by each employee as a result of the exchange.

Also in connection with the acquisition of HomeworkCentral, warrants to purchase shares of HomeworkCentral common stock were exchanged for 61,432 warrants to purchase shares of the Company's Common Stock. The exchange of these warrants occurred in the same ratio as the exchange of

HomeworkCentral stock for the Company's Common Stock and the price at which these warrants were exercisable was adjusted reflect the change in the number of warrants outstanding as a result of the exchange. At December 31, 2001, the Company had outstanding warrants to purchase 61,432 shares of the Company's Common Stock at an exercise price of $8.79 per share, to be reduced upon certain conditions in the issuance of Common Stock. The warrants are exercisable at any time and expire on dates ranging from October 1, 2004 to December 22, 2004.

The acquisition was accounted for in these consolidated financial statements using the purchase method of accounting. The following allocation of the purchase price to the assets acquired and liabilities assumed has been made using estimated fair values that include values based on independent appraisals and management estimates:

Purchase price	$ (11,472)
Long-term assets acquired	329
Deferred income taxes	(2,586)
Working capital	132
Other intangible assets	6,466
Goodwill	7,131
	==========

(4) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2001	2000
Equipment	$ 5,584	4,919
Equipment under capital lease	-	326
Furniture and fixtures	1,326	1,329
Leasehold improvements	2,378	2,885
Software	2,542	2,241
Web-site development costs	1,594	1,594
	13,424	13,294
Less accumulated depreciation and amortization	(6,505)	(2,448)
	$ 6,919	10,846

bigchalk.com, inc. and Subsidiaries
Notes to Consolidated Financial Statements
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(dollars in thousands, except share and per share amounts)

(5) IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

During the year ended December 31, 2001, certain events and changes in circumstances caused the Company to conduct a review of the carrying value of its goodwill and intangible assets. These events included: (1) the consolidation and integration of the operations of HomeworkCentral and MediaSeek with the Company's core K-12 business, (2) workforce reductions, initiated in May 2001, and (3) changes in the business climate, which have generated the valuation declines of dot com companies. Certain intangibles were determined to be impaired because the carrying amount of the assets exceeded the undiscounted future cash flows expected to be derived from the assets. These impairment losses were measured as the amount by which the carrying amounts of the assets exceeded the fair values of the assets, determined based on the discounted future cash flows expected to be derived from the assets and other available information. Accordingly, actual results could vary significantly from such estimates.

The goodwill and certain intangible assets acquired in the purchase of Tucows, HomeworkCentral, and MediaSeek were determined to be impaired. The resulting impairment charge totaled $30,282 and was reported as a component of operating expenses.

A summary of the asset impairment charge is outlined as follows:

	IMPAIRMENT CHARGE
Goodwill	$ 25,486
Customer list	2,611
Technology	1,164
Workforce	552
Tradename	450
Non-compete agreements	19
	$ 30,282

bigchalk.com, inc. and Subsidiaries
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December 31, 2001 and 2000
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(6) GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets consisted of the following at December 31:

	2001	2000	ESTIMATED USEFUL LIFE
Customer list	$ 16,429	19,040	3-5 years
Technology	6,545	7,709	3-4 years
Workforce	2,014	2,625	4-5 years
Tradename	792	1,242	5 years
License agreements	--	1,023	2 years
Non-compete agreements	204	223	3 years
Goodwill	--	42,116	5 years
	25,984	73,978	
Less accumulated amortization	(15,561)	(16,390)	
	$ 10,423	57,588	

(7) LEASE OBLIGATIONS

The Company leases its facilities and certain equipment under non-cancelable operating leases expiring at varying dates through June 2008. Rent expense was approximately $2,078, $1,639, and $504, for the years ended December 31, 2001, 2000, and 1999.

Minimum lease payments as of December 31, 2001 are as follows:

	OPERATING LEASES
2002	$ 2,376
2003	1,985
2004	1,899
2005	1,615
2006	1,497
Thereafter	2,101
Total future minimum lease payments	$ 11,473

bigchalk.com, inc. and Subsidiaries
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During 2000, the Company moved its primary office space to a new facility. In 2001, the Company entered into sublease arrangements for its previous office spaces expiring at varying dates through March 2005. Minimum lease payments to be received under non-cancelable subleases as of December 31, 2001 are as follows:

2002	$ 324
2003	314
2004	300
2005	75
Total future minimum lease payments to be received	$ 1,013

The Company recorded a charge of $3,675 related to the reduction and consolidation of office space. The charge includes the write-off of leasehold improvements of $350 and the ongoing lease obligations and related expenses of the unoccupied office space, net of estimated sublease income, of $3,325. The accrued liability at December 31, 2001, will be reduced as the Company makes lease payments in excess of sublease income and may be adjusted in future periods when additional information regarding subleases is available.

(8) INCOME TAXES

No provision for Federal or state income taxes was recorded prior to January 10, 2000, as such liability (benefit) was the responsibility of the Company's members, rather than of the Company. As a result of the Company's change from a limited liability company to a C corporation on January 10, 2000, the Company recorded initial deferred income taxes of

$4,687 to reflect the establishment of deferred tax assets and liabilities. The provision for income taxes for the year then ended relates to the period subsequent to January 10, 2000.

bigchalk.com, inc. and Subsidiaries
Notes to Consolidated Financial Statements
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The provision for income taxes consists of the following:

		YEAR ENDED DECEMBER 31,	
		2001	2000
Current taxes:			
Federal	$	--	--
State		--	--
Total		--	--
Deferred taxes:			
Federal		(718)	(2,541)
State		--	(738)
Total		(718)	(3,279)
Provision for income taxes	$	(718)	(3,279)

Deferred taxes assets (liabilities) are comprised of the following at December 31:

		2001	2000
Deferred tax assets:			
Net operating loss carryforwards	$	21,515	12,711
Accrued facilities costs		1,470	--
Deferred revenue and accrued expenses		1,053	1,343
Subtotal		24,038	14,054

Less valuation allowance		(22,312)	(8,166)
Net deferred tax assets		1,726	5,888
Deferred tax liabilities:			
Intangible assets		(1,010)	(6,002)
Capitalized software costs and accrued expenses		(868)	(756)
Subtotal		(1,878)	(6,758)
Net deferred income taxes	$	(152)	(870)

bigchalk.com, inc. and Subsidiaries
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The reconciliation of the expected income tax benefit using the Federal statutory rate of 34% for the year ended December 31, 2001 and 2000 to the Company's income tax expense is as follows:

	2001	2000
Federal income tax benefit at statutory rate	(34.00)%	(34.00)%
State income tax benefit, net of Federal taxes	(2.94)	(3.25)
Permanent differences	16.15	5.81
Establishment of deferred tax liabilities upon conversion to C corporation	--	8.12
Increase in valuation allowance	19.85	16.64
Other	(0.07)	0.02
Total	(1.01)%	(6.66)%

bigchalk.com, inc. and Subsidiaries
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The Company has Federal net operating loss carryforwards aggregating approximately $54,000 as of December 31, 2001, which can potentially be carried forward twenty years and will expire at various dates through 2021. Under the Tax Reform Act of 1986, the utilization of a corporation's net operating loss carryforward is limited following a greater-than-50% change in ownership within a three year period. Due to the Company's prior equity transactions, the Company's net operating loss carryforwards may be subject to an annual limitation generally determined by multiplying the value of the Company on the date of the ownership change by the Federal long-term tax-exempt rate. Any unused limitation can be carried forward to future years for the balance of the net operating loss carryforward period. The Company has state net operating loss carryforwards aggregating approximately $52,000 as of December 31, 2001, which can potentially be carried forward for up to twenty years. The majority of the state net operating loss carryforwards relate to Pennsylvania which are subject to an annual utilization limitation of $2,000.

During the years ended December 31, 2001 and 2000, the valuation allowance increased by $14,146 and $8,166, respectively.

Although realization of the gross deferred tax assets is not assured, management believes that it is more likely than not that the deferred tax assets will be realized after considering the reversal of the deferred tax liabilities.

(9) REDEEMABLE PREFERRED STOCK

On January 10, 2000, the Company completed the sale of 7,600,002 shares of Series A Preferred Stock for proceeds of $53,200. On December 20, 2000, the Company completed the sale of 6,676,846 shares of Series B Preferred Stock for proceeds of $20,231. On February 28, 2001, the Company completed the sale of 7,625,577 shares of Series B Preferred Stock for proceeds of $23,105. In connection with the sale of the Series B Preferred Stock, holders of Series A Preferred Stock who also invested in Series B Preferred Stock exchanged their Series A Preferred Stock for Series A-2 Preferred Stock. A total of 6,055,716 shares of Series A Preferred Stock were exchanged for shares of Series A-2 Preferred Stock.

As described in the Second Amended and Restated Certificates of Incorporation, each share of Series A Preferred Stock, Series A-2 Preferred Stock, and Series B Preferred Stock (collectively, "Preferred Stock") is convertible at the shareholder's option into such number of shares of Common Stock as determined by the Series A Conversion Price, the Series A-2 Conversion Price, and the Series B Conversion Price (collectively, "Conversion Prices"), respectively, as defined in the Second Amended and Restated Certificates of Incorporation (1.24-for-one, 1.24-for-one and one-for-one, for Series A Preferred Stock, Series A-2 Preferred Stock, and Series B Preferred Stock, respectively, at December 31, 2001). The Company reserved 23,751,804 shares of its Common Stock to provide for the conversion of such Preferred Stock. Upon the closing of a qualified public offering of the Company's Common Stock, the Preferred Stock will automatically convert to a number of shares of Common Stock as determined by the Conversion Prices.

Beginning January 1, 2002, the holders of Preferred Stock shall be entitled to receive cumulative dividends of 6% per annum of the original issue price of $7.00 per share for Series A and Series A-2 Preferred Stock and of the original issue price of $3.03 per share for the Series B Preferred Stock, payable in preference and priority to payment of dividends on common stock. The holders of Preferred Stock shall also be

bigchalk.com, inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2001 and 2000
(dollars in thousands, except share and per share amounts)

entitled to receive, when and if declared, dividends in the same amount per share as would be payable on the number of shares of Common Stock into which the Preferred Stock is then convertible.

At the earliest of: (1) the redemption of the Series A Preferred Stock, Series A-2 Preferred Stock and Series B Preferred Stock; (2) the consummation of the sale of securities in the Corporation's initial public offering of securities; or (3) a liquidation, dissolution or winding up of the Corporation, any accrued and unpaid dividends shall be paid to the holders of record of outstanding shares of Series A Preferred Stock, Series A-2 Preferred Stock and Series B Preferred Stock.

After December 31, 2003, and at the request of the holders of a majority of the outstanding shares of preferred stock, the Company will redeem all of the outstanding shares of Series A Preferred Stock, Series A-2 Preferred Stock and Series B Preferred Stock for $10.50, $10.50, and $4.545 per share, respectively, plus accrued and unpaid dividends. The Company is accreting the value of the redemption feature over the period from the issuance through December 31, 2003.

Upon the liquidation, dissolution or winding up of the Company, holders of Series A Preferred Stock, Series A-2 Preferred Stock and Series B Preferred Stock shall be first entitled, before any distribution or payment to holders of common stock, to a minimum amount of $10.50, $10.50, and $4.545 per share, respectively, plus accrued and unpaid dividends. As of December 31, 2001, the holders of Series A Preferred Stock, Series A-2 Preferred Stock and Series B Preferred Stock would be entitled to a minimum aggregate amount of $16,916, $66,331, and $66,584, respectively, in the event of a liquidation.

(10) EQUITY INSTRUMENTS

On January 10, 2000, the Company's Board of Directors adopted the bigchalk.com, inc. 2000 Stock Plan (the 2000 Plan), covering employees, directors, and unaffiliated consultants. On July 30, 2001, the Company's Board of Directors adopted the bigchalk.com, inc. 2001 Stock Plan (the 2001 Plan), covering employees, directors, and unaffiliated consultants. Stock options are granted at an exercise price equal to the stock's fair value on the date of grant. All stock options have a contractual life of ten years and generally vest ratably over a period of four years; however, certain options vested in part immediately upon grant and ratably over a period of three years. The Company has reserved 3,000,000 shares of common stock for issuance under both the 2000 Plan and the 2001 Plan.

bigchalk.com, inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2001 and 2000
(dollars in thousands, except share and per share amounts)

Stock option transactions consisted of the following:

	2001		
	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHA
Outstanding at beginning of year			
Balance at January 10, 2000	2,651,256	$ 5.87	
Granted	1,286,500	3.14	2,96
Granted in connection with HomeworkCentral acquisition	--	--	12
Exercised	--	--	
Cancelled	(720,750)	6.00	(43
Outstanding at end of year	3,217,006	4.76	2,65
Weighted-average fair value of options granted		$ 0.53	
Options exercisable at end of year	891,881		51

The weighted-average contractual life of options outstanding at December 31, 2001 and 2000 is 8.4 years and 9.6 years. The exercise prices for options outstanding at December 31, 2001 that were granted in connection with the HomeworkCentral acquisition range from $.59 to $9.88. The exercise prices for all other options outstanding at December 31, 2001 are either $3.03 or $6.00.

The Company applies Opinion No. 25 in accounting for the Plan and, accordingly, no compensation expense has been recognized as the exercise price of all grants equaled the fair value of the underlying stock on the date of grant. The pro forma impact of recognizing the fair value of granted options as expense is as follows for the years ended December 31, 2001 and 2000:

	2001	2000
Net loss to common stockholders:		

As reported	$	(87,228)	(48,373)
Pro forma		(87,799)	(49,443)
Loss per common share:			
As reported	$	(5.19)	(2.95)
Pro forma		(5.22)	(3.01)

bigchalk.com, inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2001 and 2000
(dollars in thousands, except share and per share amounts)

For purposes of calculating pro forma compensation expense, the fair value of each stock option is estimated on the date of grant using the Black-Scholes option-pricing model using the following weighted-average assumptions for fiscal 2001 and 2000: nominal volatility; risk free interest rate of 4.65% and 6.00%; no dividend yield; and expected life of 4 years and 2.6 years.

During 2000, the Company granted 37,500 stock options in Common Stock with an exercise price of $6.00 per share to a consultant and recorded the related compensation expense of $159 in accordance with EITF Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services". At December 31, 2000, all of these options are exerciseable and are outstanding.

(11) RELATED-PARTY TRANSACTIONS

The Company enters into various transactions with two of its significant shareholders, ProQuest and Tucows.

The Company sells ProQuest's products and pays royalties to ProQuest based on a percentage of revenue. The amounts paid to ProQuest are recorded as costs of sales in the accompanying consolidated statements of operations and amounted to $3,287 and $5,927 in fiscal 2001 and 2000, respectively. At December 31, 2001 and 2000, the Company was obligated to ProQuest for $449 and $2,343, respectively. These amounts were included in accounts payable and accrued expenses at December 31, 2001 and 2000 in the accompanying consolidated balance sheets.

Tucows sells the Company's products and pays royalties to the Company based on a percentage of revenue. The amounts received from Tucows are recorded as sales in the accompanying consolidated statements of operations and amounted to $2,027 and $3,472 in 2001 and 2000, respectively. At December 31, 2001 and 2000, Tucows was obligated to the Company for $293 and $655, respectively. This amount is included in accounts receivable in the accompanying consolidated balance sheet.

(12) COMMITMENTS AND CONTINGENCIES

The Company is subject to pending and threatened legal actions that arise in the normal course of business. In the opinion of management, no such actions are known to have a material adverse impact on the financial position of the Company.

The Company has entered into contracts with several partners to provide content for the Company's portfolio of products and services. Under these contracts, the Company is obligated to make minimum payments for license fees of $2,229, $2,409, and $1,910 in 2002, 2003, and 2004, respectively. In addition, under the terms of most of these contracts, the Company is required to pay royalties based on various units of measure related to the content provided the Company.

bigchalk.com, inc. and Subsidiaries
Consolidated Balance Sheet
Dollars in thousands
(unaudited)

ASSETS	SEPTEMBER 30, 2002
Current assets:	
Cash and cash equivalents	$ 17,850
Accounts receivable	7,198
Prepared expenses and other current assets	1,789
Total current assets	26,837
Property and equipment, net	4,297
Restricted investment	649
Goodwill and other intangible assets, net	6,257
Other	94
Total assets	$ 38,134
LIABILITIES AND EQUITY (DEFICIT)	
Current liabilities:	
Accounts payable	$ 898
Accrued expenses	922
Accrued royalties	1,325
Accrued facilities cost	548
Deferred revenue	15,090
Total current liabilities	18,783
Long-term deferred revenue	727
Long-term accrued facilities costs	1,612
Total liabilities	21,122
Series A Preferred Stock	71,962
Series B Preferred Stock	57,043
Equity (deficit):	
Common stock	168

Additional paid-in capital		11,815
Accumulated deficit		(123,976)
Total equity (deficit)		(111,993)
Total liabilities and equity (deficit)	$	38,134

bigchalk.com, inc. and Subsidiaries
Consoldiated Statements of Operations
(Dollars in Thousands)
(unaudited)

		Nine months ended September 30, 2002 (UNAUDITED)	Three months ended September 30, 2002 (UNAUDITED)
Sales	$	19,952	5,958
Cost of Sales		6,100	1,726
Gross Profit		13,852	4,232
Operating Expenses:			
Sales and marketing		7,427	2,298
Product Development		2,611	907
Information and technology		1,955	713
General and administrative		2,424	758
Depreciation and amortization		7,080	2,327
Loss on disposition of fixed assets		247	(6)
Operating loss		(7,893)	(2,766)
Interest income (expense), net		303	111
Loss before income taxes		(7,590)	(2,655)
Income tax benefit		152	-
Net loss		(7,438)	(2,655)

Dividends on and accretion of preferred stock		(14,458)	(4,964)
Net loss to common shareholders	$	(21,896)	(7,619)

ProQuest Company
Pro Forma Combined Condensed Financial Statements
(Unaudited)

This information should be read in conjunction with the previously filed form 8-K, dated January 14, 2003, the previously filed historical consolidated financial statements and accompanying notes of ProQuest Company, contained in its Annual Report on Form 10-K for the fiscal year ended December 29, 2001 and in its 2002 Quarterly Report on Form 10-Q, and in conjunction with the historical financial statements and accompanying notes of Bigchalk included elsewhere in this Form 8-K.

The following unaudited pro forma combined condensed balance sheet as of September 28, 2002, and the pro forma combined income statements for the fiscal year ended December 29, 2001, and for the thirty-nine weeks ended September 28, 2002, give effect to the acquisition, by ProQuest Company (the Company), of all the issued and outstanding common stock of Bigchalk, Inc. (Bigchalk), on December 30, 2002, for total consideration of approximately $27 million. Under the terms of the Merger Agreement, Merger Sub was merged with and into Bigchalk. Pursuant to the terms of the Merger Agreement, all of the outstanding series A Preferred Stock and Series B Preferred Stock of Bigchalk received in the aggregate $55,375,000 less any consideration paid to the holders of Common Stock of Bigchalk, subject to certain adjustments. Prior to the Merger, the Company owned approximately 38% of the equity of Bigchalk on a fully diluted basis (4,950,495 shares of Series B Preferred Stock and 10,632,303 shares of Common Stock of Bigchalk) for which the Company would have received approximately $8.5 million. In addition, the Company received $20 million in cash that Bigchalk had at the time of the acquisition.

The unaudited pro forma combined condensed balance sheet represents the financial position of the Company and Bigchalk as of September 28, 2002, assuming the acquisition occurred as of that date. The unaudited pro forma combined condensed financial statements of operations have also been prepared assuming the acquisition occurred as of the beginning of the periods presented. The acquisition actually occurred on December 30, 2002.

The unaudited pro forma condensed financial statements are provided for informational purposes only in response to Securities and Exchange Commission ("SEC") requirements and do not purport to represent what the Company's financial position or results of operations would actually have been if the transaction had in fact occurred at such dates, or to project the Company's financial position or results of operations for any future date or period. Furthermore, the unaudited pro forma condensed financial statements have been prepared in accordance with rules prescribed by Article 11 of Regulation S-X.

For financial reporting purposes, Bigchalk's assets and liabilities have been adjusted, on a preliminary basis, to reflect their fair values in the unaudited pro forma condensed consolidated balance sheet as of September 28, 2002. The estimated effects resulting from these adjustments have been reflected in the unaudited pro forma condensed consolidated statements of operations.

Pro Forma Combined Condensed Balance Sheet
As of September 28, 2002
(In thousands)
(Unaudited)

	ProQuest Historical	Bigchalk Historical	Pro Forma Adjustments
Curent assets:			
Cash and cash equivalents	$1,110	$17,850	($17,850)
Accounts receivable, net	111,313	7,198	-
Inventory, net	4,127	-	-
Other current assets	43,832	1,789	-
Total current assets	160,382	26,837	(17,850)
Net property, plant, equipment and product masters	165,917	4,297	(3,297)
Restricted investment	-	649	-
Long-term receivables	2,730	-	-
Goodwill	243,209	6,257	32,383
Intangible assets, net	-	-	7,581
Other assets	102,489	94	4,783
Total assets	$674,727	$38,134	$23,600
Current liabilities:			
Notes payable	19	-	-
Current maturities of long-term debt	138	-	-
Accounts payable	39,728	898	-
Accrued expenses	45,004	2,795	9,100
Current portion of monetized future billings	27,223	-	-
Deferred income	105,290	15,090	-
Total current liabilities	$217,402	$18,783	$9,100
Long-term liabilities:			
Long-term debt, less current maturities	209,361	-	29,050
Long-term monetized future billings	51,711	-	-
Other liabilities	86,134	2,339	2,000
Total long-term liabilties	347,206	2,339	31,050

Series A Preferred Stock	-	71,962	(71,962)
Series B Preferred Stock	-	57,043	(57,043)
Shareholder's equity:			
Common stock	28	168	(168)
Capital surplus	296,924	11,815	(11,815)
Notes receivable from executives	(674)	-	-
Retained earnings (accumulated deficit)	(171,460)	(123,976)	124,438
Treasury stock	(11,529)	-	-
Other comprehensive income (loss):			
Accumulated foreign currency translation adjustment	(2,220)	-	-
Unrealized loss from derivatives	(950)	-	-
Accumlated other comprehensive loss	(3,170)		
Total shareholders' equity (deficit)	110,119	(111,993)	112,455
Total liabilities and shareholders' equity	$674,727	$38,134	$23,600

See accompanying notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements.

Pro Forma Combined Condensed Statement of Operations
For the fiscal year ended December 29, 2001
(In Thousands)
(Unaudited)

	ProQuest Historical	Bigchalk Historical	Pro Forma Adjustments		ProQuest Pro Forma
Net sales	$ 401,628	$ 28,152	($ 4,003)	(1)	$ 425,777
Cost of sales	(186,963)	(31,008)	20,359	(2)	(197,612)
Gross profit (loss)	214,665	(2,856)	16,356		228,165
Research and development expense	(21,381)	(3,633)	2,010	(3)	(23,004)
Selling and administrative expense	(124,546)	(31,513)	22,667	(4)	(133,392)
Loss on sales of assets	(2,312)	(355)	355	(5)	(2,312)

Restructuring	--	(3,675)	3,675	(6)	--
Asset impairment	--	(30,282)	30,282	(7)	--
Earnings (loss) from continuing operations before interest, income taxes and equity in loss of affiliate	$ 66,426	($ 72,314)	$ 75,345		$ 69,457
Net interest expense:					
Interest income	1,159	1,022	--		2,181
Interest expense	(26,198)	--	(1,754)	(8)	(27,952)
Net interest expense	(25,039)	1,022	(1,754)		(25,771)
Earnings (loss) from continuing operations before income taxes and equity in loss of affiliate	$ 41,387	($ 71,292)	$ 73,591		$ 43,686
Income tax expense	(15,727)	718	5,686	(9)	(9,323)
Equity in loss of affiliate	(13,374)	--	13,374	(10)	--
Earnings (loss) from continuing operations	$ 12,286	($ 70,574)	$ 92,651		$ 34,363

See accompanying notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements.

Pro Forma Combined Condensed Statement of Operations
For the thirty-nine weeks ended September 28, 2002
(In Thousands)
(Unaudited)

	ProQuest Historical	Bigchalk Historical	Pro Forma Adjustments	
Net sales	$318,102	$19,952	($2,255)	(1)
Cost of sales	(151,464)	(13,180)	5,022	(2)
Gross profit (loss)	166,638	6,772	2,768	
Research and development expense	(14,853)	(2,611)	1,306	(3)
Selling and administrative expense	(86,079)	(11,807)	5,244	(4)
Loss on sales of assets		(247)	247	(5)
Earnings (loss) from continuing operations before interest, income taxes and equity in loss of affiliate	$65,706	($7,893)	$9,564	
Net interest expense:				
Interest income	2,153	303	-	
Interest expense	(28,519)	-	(762)	(6)

Net interest expense	(26,366)	303	(762)	
Earnings (loss) from continuing operations before income taxes and equity in loss of affiliate	$39,340	($7,590)	$8,802	
Income tax expense	(14,949)	152	(902)	(7)
Equity in loss of affiliate	-	-	-	
Earnings (loss) from continuing operations	$24,391	($7,438)	$7,900	

See accompanying notes to the Unaudited Pro Forma Condensed Financial Statements.

Notes to Pro Forma Combined Condensed Financial Statements

Balance Sheet

September 28, 2002 Adjustments:

(1) Adjustment (decrease) in cash necessary as the cash was utilized in reducing the debt that was borrowed in conjunction with the Bigchalk acquisition. The debt is stated net of this cash on the reduction Balance Sheet (see note (7) for more details).

(2) Adjustment (decrease) in net property, plant, equipment, and product masters necessary to recognize the fair value of the assets acquired. As the fair market value of the assets purchased was less than the book value of the assets, a reduction was necessary.

(3) Adjustment (increase) in goodwill represents the difference between the purchase price and the book value of Bigchalk.

(4) Adjustment (increase) in intangible assets necessary primarily due to additional value that was acquired from receiving Bigchalk's customer list.

(5) Adjustment (increase) in other assets due to deferred taxes.

(6) Adjustment (increase) in accrued expenses represents certain non-recurring costs (i.e., severance costs) associated with the acquisition of Bigchalk.

(7) Adjustment (increase) in long-term debt represents ProQuest's need to secure additional funds to help finance the acquisition of Bigchalk.

(8) Adjustment (increase) in other liabilities necessary due to a non-recurring facilities charge related to Bigchalk's leases.

(9) Adjustments necessary to eliminate Bigchalk's stockholder's deficit.

Statement of Operations

Adjustments for the fiscal year ended December 29, 2001:

(1) Adjustment (decrease) to net sales necessary to eliminate sales of ProQuest Company's content made by Bigchalk for the fiscal year 2001. When the entities are combined, this revenue must be eliminated.

(2) Adjustment (decrease) to cost of sales necessary as royalties paid to ProQuest by Bigchalk must be eliminated. In addition, amortization expenses would decrease as a result of recording the fair market values of purchased assets as part of purchase accounting.

(3) Adjustment (decrease) to research and development expense necessary to reflect ProQuest's planned restructuring of Bigchalk's research and development structure.

(4) Adjustment (decrease) to selling and administrative expense necessary to reflect ProQuest's planned restructuring of Bigchalk's sales force and corporate structure.

(5) Adjustment (decrease) necessary since assets would have been originally recorded at fair market value and therefore, no loss on sales of assets would have been necessary.

(6) Adjustment (decrease) necessary since assets would have been originally recorded at fair market value and therefore, no restructuring charge would have been necessary.

(7) Adjustment (decrease) necessary since assets would have been originally recorded at fair market value and therefore, no impairment charge would have been necessary.

(8) Adjustment (increase) in interest expense represents additional expense that would be assumed due to ProQuest's need to secure additional funds to help finance the acquisition of Bigchalk.

(9) Adjustment (decrease) in income tax expense necessary in conjunction with ProQuest's deferred taxes analysis.

(10) Adjustment necessary to eliminate equity loss in affiliate that had been recognized by ProQuest for it's 38% interest in Bigchalk.

Adjustments for the period ended September 28, 2002:

(1) Adjustment (decrease) to net sales necessary as ProQuest recognized sales made by Bigchalk for the nine month's ended September 28, 2002. When the entities are combined, this revenue must be eliminated.

(2) Adjustment (decrease) to cost of sales necessary as royalties paid to ProQuest by Bigchalk must be eliminated. In addition, amortization expenses would decrease as a result of recording the fair market values of purchased assets as part of purchase accounting.

(3) Adjustment (decrease) to research and development expense necessary to reflect ProQuest's planned restructuring of Bigchalk's research and development structure.

(4) Adjustment (decrease) to selling and administrative expense necessary to more closely approximate ProQuest Company's selling and administrative current expense rate.

(5) Adjustment (decrease) necessary since assets would have been originally recorded at fair market value and therefore, no loss on sales of assets would have been necessary.

(6) Adjustment (increase) in interest expense represents additional expense that would be assumed due to ProQuest's need to secure additional funds to help finance the acquisition of Bigchalk.

(7) Adjustment (increase) in income tax expense necessary in conjunction with ProQuest's deferred taxes analysis.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed in its behalf by the undersigned thereunto duly authorized.

PROQUEST COMPANY

DATE: March 17, 2003 /s/ Kevin G. Gregory

Kevin G. Gregory
Senior Vice President, Chief Financial Officer, and
Assistant Secretary