

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN

BETTY O'CONNELL, Individually and On Behalf)
of All Others Similarly Situated,)
)
) Plaintiff,)
)
) vs.)
)
) PROQUEST COMPANY, ALAN W.)
) ALDWORTH, AND KEVIN G. GREGORY,)
)
) Defendants.)
_____)

06-10788

CIVIL ACTION NO.

FILED

CLASS ACTION COMPLAINT

MICHIGAN

JURY TRIAL DEMANDED

FEB 17 2006

CLERK'S OFFICE
U.S. DISTRICT COURT
ANN ARBOR, MI

Plaintiff, Betty O'Connell ("Plaintiff"), alleges the following based upon the investigation of Plaintiff's counsel, which included, among other things, a review of the defendants' public documents, conference calls and announcements made by defendants, United States Securities and Exchange Commission ("SEC") filings, wire and press releases published by and regarding ProQuest Company ("ProQuest" or the "Company"), securities analysts' reports and advisories about the Company, and information readily obtainable on the Internet.

NATURE OF THE ACTION AND OVERVIEW

1. This is a federal class action on behalf of purchasers of the publicly traded securities of ProQuest between January 9, 2003 and February 8, 2006 (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

2. ProQuest publishes solutions for the education, automotive, and power equipment markets. During the Class Period, defendants embarked on a scheme to inflate the Company's stock price by emphasizing the Company's consistent earnings growth and strong financial results. Defendants were able to accomplish their scheme by altering the Company's financial results through various accounting manipulations. As evidenced by the chart below, the accounting fraud raised the Company's stock price from a Class Period low of \$14 to a Class Period high of \$37. This allowed defendants to complete an acquisition of Voyager Expanded Learning ("Voyager") for \$340 million in cash and approximately \$21 million in stock.



3. On February 8, 2006, ProQuest, shocked the market when it announced that its "previously issued financial statements for fiscal years 1999 through 2004, quarterly periods in 2005, and the company's guidance for fiscal 2005, should no longer be relied upon." More specifically, the Company stated that it believed that its deferred income and accrued royalty accounts were materially understated in previously issued financial statements and that its prepaid royalty account

was materially overstated, which would materially reduce earnings from continuing operations for many of the affected periods.”

4. On this news, shares of ProQuest fell \$5.22 per share, or 17.75 percent, to close, on February 9, 2006, at \$24.19 per share.

5. Throughout the Class Period, defendants failed to disclose: (1) that the defendants materially manipulated the Company’s financial results from at least 1999 to 2005 by understating its defined income and accrued royalty accounts and by overstating its prepaid royalty account; (2) that as a result of the foregoing, the Company’s revenue and income figures were materially overstated during the Class Period; (3) that the Company’s financial results were in violation of Generally Accepted Accounting Principles (“GAAP”); and (4) that the Company lacked an adequate system of internal controls and as such, defendants financial projections lacked a reasonable basis when made.

6. As a result of defendants’ wrongful acts and omissions, and the precipitous decline in the market value of ProQuest securities, Plaintiff and other class members have suffered significant losses and damages.

JURISDICTION AND VENUE

7. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act, (15 U.S.C. §§ 78j(b) and 78t(a)), and Rule 10b-5 promulgated thereunder (17 C.F.R. §240.10b-5).

8. This Court has jurisdiction over the subject matter of this action pursuant to §27 of the Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. § 1331.

9. Venue is proper in this Judicial District pursuant to §27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1391(b). Many of the acts and transactions alleged herein occurred in substantial part in this Judicial District. Additionally, the Company maintained an executive office in this Judicial District during the Class Period.

10. In connection with the acts, conduct and other wrongs alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

11. Plaintiff, Betty O'Connell, as set forth in the accompanying certification, incorporated by reference herein, purchased ProQuest securities at artificially inflated prices during the Class Period and has been damaged thereby.

12. Defendant ProQuest is a Delaware Corporation with its principal place of business located at 300 North Zeeb Road, Ann Arbor, Michigan 48103.

13. Defendant Alan W. Aldworth ("Aldworth") was named as the Company's chairman on May, 2004 and Chief Executive Officer of ProQuest in January, 2003. He joined the Company in October 2000 as senior vice president and chief financial officer, and was promoted to president and chief operating officer in January, 2002.

14. Defendant Kevin G. Gregory ("Gregory") was, until his resignation on May 6, 2005, the Company's Senior Vice President and Chief Financial Officer. Defendant Gregory has been an employee of ProQuest since 1996 and had served as Chief Financial Officer since June, 2002.

15. Defendants Aldworth and Gregory are referred to hereinafter as the "Individual Defendants." The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of ProQuest's quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, i.e., the market. Each defendant was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, each of these defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations which were being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each "group-published" information, the result of the collective actions of the Individual Defendants.

SUBSTANTIVE ALLEGATIONS

Background

16. ProQuest publishes solutions for the education, automotive, and power equipment markets. ProQuest It operates in two segments: ProQuest Information and Learning (PQIL), and ProQuest Business Solutions (PQBS). The ProQuest Information and Learning segment provides content to schools, academic institutions, and public libraries worldwide. PQIL offers published products, such as topic-specific products, digital vault initiative, SIRS products, digital dissertations, and serials solutions; general reference products, including higher education, k-12, and reseller products; traditional products, such as microfilm and paper products; and classroom products that include custom online and print course materials, and textbook supplements, as well as study aids. The

ProQuest Business Solutions segment develops and deploys parts and service information products, and dealer performance applications for the automotive market. PQBS also provides automobile original equipment manufacturers (OEM) and their dealerships with management information systems that monitor and evaluate dealer performance in areas, such as product inventory, pricing, territory, margins, and OEM support. In addition, this segment provides parts and service products to the power equipment and powersports markets. The Company offers its products through direct sales force, original equipment manufacturers, and individual dealers in the United States, United Kingdom, Germany, and Japan.

**Materially False And Misleading
Statements Issued During The Class Period**

17. The Class Period commences on January 9, 2003. At that time, ProQuest released projections for growth in 2003, and lowered its growth rate expectations for the fourth-quarter and full-year 2002. ProQuest revealed that fourth-quarter revenue growth was expected to be 4 percent, with full-year growth of approximately 7 percent. Earnings per share for the year were expected to be between \$1.62 and \$1.64. Commenting on the Company's growth projections, defendant Aldworth stated:

"In 2002, ProQuest Business Solutions had an excellent year -- electronic parts catalog sales were strong and we signed a number of important new contracts[.] At Information and Learning, our subscription-based revenue was up and we continued to see excellent renewal rates. Sales of new products, like ProQuest Historical Newspapers and XanEdu CoursePacks, more than doubled this year, and XanEdu reached \$10 million in revenue in only its second year.

We experienced a decline in revenue, primarily related to year-end, non-subscription microfilm backfile sales and our corporate reseller business. Backfile purchases are typically made in the fourth quarter by librarians seeking to augment their microform periodical archival

collections. While there was strong demand for these microfilm products, political and economic uncertainty inhibited the normal year-end buying cycle for libraries. As a result, ProQuest will have a shortfall of approximately \$4 million in revenue for the fourth quarter versus earlier guidance."

18. On February 13, 2003, ProQuest reported a 17 percent increase in earnings before interest and income taxes ("EBIT") and a 23 percent earnings per share ("EPS") growth for year ended December 28, 2002. Revenues were \$428.3 million compared with \$401.6 million one year ago -- an increase of 7 percent. Earnings before interest, income taxes, depreciation and amortization ("EBITDA") for the year were \$137.2 million, an increase of 13 percent over EBITDA of \$121.7 million in 2001. EBIT were \$89.6 million for the year, an increase of 17 percent over pro forma EBIT of \$76.8 million in 2001. Pro forma net earnings for the year increased 37 percent to \$43.9 million, or \$1.65 per fully diluted share compared with pro forma net earnings of \$32.1 million or \$1.34 per fully diluted share one year ago. Pro forma net earnings and pro forma fully diluted EPS for the full year exclude a one-time tax benefit of \$3.6 million, or \$0.13 per share; a loss of \$5.1 million, or \$0.19 per share, related to the settlement of interest rate swaps; and a gain on sales of discontinued operations of \$0.6 million, or \$0.02 per share.

19. Commenting on the Company's strong results, defendant Aldworth stated:

"In 2002, we strengthened our balance sheet, lowered expenses, and increased our financial flexibility. We grew revenue, increased content holdings, and signed and renewed long-term contracts with major automotive manufacturers[.] This growth is evidence of the strength of our business model, even in this difficult economic climate. We expect this growth to continue in 2003[.]"

20. On March 27, 2003, ProQuest filed its annual report with the SEC on Form 10-K. The Company's Form 10-K was signed by Individual Defendants and reaffirmed the Company's previously

announced financial results of February 13, 2003. With respect to the presentation of its financial results, ProQuest's annual report contained the following clean audit opinion by the Company's accountants, KPMG ("KPMG LLP"):

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ProQuest Company and subsidiaries as of December 28, 2002 and December 29, 2001, and the results of their operations and their cash flows for the fiscal years ended December 28, 2002, December 29, 2001, and December 30, 2000 in conformity with accounting principles generally accepted in the United States of America.

21. Additionally, the Individual Defendants certified that
 1. I have reviewed this annual report on Form 10-K of ProQuest Company;
 2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
 3. Based on my knowledge, the Consolidated Financial Statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
 4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

22. On April 22, 2003, ProQuest reported net earning growth of 35 for the first quarter ended March 29, 2003. Revenues were up 9 percent to \$111.8 million, compared with \$102.8 million in the first quarter of 2002. EBIT was \$22.2 million for the quarter, an increase of 8 percent over 2002 first quarter EBIT of \$20.5 million. As previously stated, net earnings for the quarter increased 35 percent to \$11.2 million, or \$0.40 per fully diluted share, compared with net earnings of \$8.3 million or \$0.34 per fully diluted share one year ago.

23. Commenting on these results, defendant Gregory stated:

"ProQuest generated strong operating cash flow in the first quarter as a result of our 35 percent net earnings growth. This cash flow improvement includes a refund of tax and accrued interest of approximately \$13.0 million from the IRS, strong collections of accounts receivable, and the positive impact from the timing of payments on accrued expenses[.]"

24. On May 13, 2003, ProQuest filed its quarterly report with the SEC on the Company's Form 10-Q. The Company's Form 10-Q was signed by the Individual Defendants and reaffirmed the Company's previously announced financial results. Additionally and with respect to the Company's financial results, the Company's management represented that it "believe[d] that these financial statements include all necessary and recurring adjustments for the fair presentation of the interim period results."

25. On July 22, 2003, ProQuest reported revenue growth of 6 percent and earnings of \$.043 per share for the second quarter ended June 28, 2003. Specifically, the Company stated that revenues were \$115.1 million, compared with \$109.0 million in the second quarter of 2002. EBIT was \$23.7 million for the quarter, compared with 2002 second quarter EBIT of \$23.3 million. Net earnings for the quarter increased 21 percent to \$12.3 million, or \$0.43 per fully diluted share, compared with net earnings of \$10.2 million or \$0.40 per fully diluted share one year ago.

26. Commenting on the Company's strong performance, defendant Gregory stated:

"We secured important new contracts in the second quarter at both our business segments. Our electronic products continue to perform well. However, we are still operating in an environment where tight library budgets are having a significant impact on sales of non-subscription microfilm backfile products[.]"

27. On August 11, 2003, ProQuest filed its quarterly report with the SEC on the Company's Form 10-Q. The Company's Form 10-Q was signed by the Individual Defendants and reaffirmed the Company's previously announced financial results. Additionally and with respect to the Company's financial results, the Company's management represented that it "believe[d] that these financial statements include all necessary and recurring adjustments for the fair presentation of the interim period results."

28. On October 21, 2003, ProQuest reported revenue growth of 10 percent and earnings of \$0.41 per share for the third quarter ended September 27, 2003. Revenues were \$116.7 million, compared with \$106.4 million in the third quarter of 2002. EBIT was \$22.3 million for the quarter, compared with 2002 third quarter EBIT of \$21.9 million. Net earnings for the quarter were \$11.7 million, or \$0.41 per fully diluted share, compared with pro forma net earnings of \$11.1 million or \$0.39 per fully diluted share one year ago. Pro forma net earnings for the third quarter of 2002 exclude a one-time charge of \$5.1 million after tax, or \$0.18 per share, related to the settlement of interest rate swaps during that quarter.

29. Commenting on the Company's strong results, defendant Aldworth stated: "We've been focused on ProQuest Company's strategic priorities all year, which were to grow revenues, reduce costs, increase free cash flow, make strategic acquisitions, and bring new products to market[.]...Our execution during the third quarter was excellent[.]"

30. On November 10, 2003, ProQuest filed its quarterly report with the SEC on Form 10-Q. The Company's Form 10-Q was signed by the Individual Defendants and reaffirmed the Company's previously announced financial results. Additionally and with respect to the Company's financial

results, the Company's management represented that it "believe[d] that these financial statements include all necessary and recurring adjustments for the fair presentation of the interim period results."

31. On February 19, 2004, ProQuest reported growth in revenue and earnings for year ended January 3, 2004. For the full year 2003, revenue grew to \$469.7 million, a 10 percent increase over 2002. Net earnings were \$49.8 million, up 13 percent over pro forma 2002.

32. Commenting on these results, defendant Aldworth stated:

"We made excellent progress on many important fronts this year. We entered content agreements with prestigious publishing partners, introduced new products and product enhancements that were well received by our markets, and signed new and renewed agreements with several of the world's top automotive OEMs. During 2003, we significantly increased our presence in the growing K-12 market with the acquisitions of Bigchalk and SIRS Publishing[.]...

We believe that the ProQuest business model is capable of generating significant free cash flow. During 2003, we surpassed the high end of our free cash flow guidance, generating \$48.8 million. I am very pleased with ProQuest's 2003 performance."

33. On March 18, 2004, ProQuest the Company filed its annual report on Form 10-K was signed by the Individual Defendants and reaffirmed the Company's previously announced financial results of February 19, 2004. With respect to the presentation of its financial results, ProQuest's annual report contained the following clean audit opinion by the Company's accountants, KPMG:

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ProQuest Company and subsidiaries as of December 28, 2002 and December 29, 2001, and the results of their operations and their cash flows for the fiscal years ended December 28, 2002, December 29, 2001, and December 30, 2000 in conformity with accounting principles generally accepted in the United States of America.

34. Additionally, the Company's Form 10-K contained certifications, signed by the Individual Defendants, similar to the certification in ¶ 21, supra. The Company's Form 10-K also contained the following certifications pursuant to Section 906 of the Sarbanes-Oxley Act:

In connection with the Annual Report of ProQuest Company (the "Company") on Form 10-K for the fiscal year ending January 3, 2004 (the "Report"), the undersigned Chief Executive Officer of the Company hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002 that based on his knowledge: 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

In connection with the Annual Report of ProQuest Company (the "Company") on Form 10-K for the fiscal year ending January 3, 2004 hereof (the "Report"), the undersigned Chief Financial Officer of the Company hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002 that based on his knowledge: 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

35. On April 20, 2004, ProQuest reported growth in revenue and net earnings for the first quarter ended April 3, 2004. Revenue increased 4 percent to \$116.2 million, compared to \$111.8 million for the prior year's first quarter. EBIT was \$21.9 million versus \$22.2 million for the first quarter of 2003, a decrease of \$0.3 million. EBITDA increased 3 percent to \$38.3 million, compared to \$37.1 million for the first quarter of 2003. Net earnings increased 3 percent to \$11.5 million or

\$0.40 per fully diluted share, versus net earnings of \$11.2 million or \$0.40 per fully diluted share in the first quarter of fiscal 2003.

36. Commenting on these results, defendant Gregory stated:

"The cash flow results for the first quarter are consistent with the company's cash flow outlook for the year. As anticipated, the decrease in cash flow is primarily the result of the first quarter ending five days later than it did in 2003, pulling certain payments into the first quarter of 2004 that were made at the beginning of the second quarter in 2003[.]"

37. On May 13, 2004, ProQuest filed its quarterly report with the SEC on Form 10-Q. The Company's Form 10-Q was signed by the Individual Defendants and reaffirmed the Company's previously announced financial results. Additionally and with respect to the Company's financial results, the Company's management represented that it "believe[d] that these financial statements include all necessary and recurring adjustments for the fair presentation of the interim period results."

38. On July 22, 2004, ProQuest reported 13 percent earnings growth for the second quarter ended July 3, 2004. Revenue from continuing operations increased 1 percent to \$112.2 million, from \$110.7 million in the prior year's second quarter. EBIT from continuing operations increased 7 percent to \$23.7 million, from \$22.2 million in the second quarter of 2003. EBITDA from continuing operations increased 9 percent over the second quarter of 2003 to \$39.7 million, from \$36.5 million in the second quarter of 2003. Earnings from continuing operations increased 13 percent to \$12.9 million or \$0.45 per fully diluted share, versus earnings from continuing operations of \$11.4 million or \$0.40 per fully diluted share in the second quarter of fiscal 2003.

39. Commenting on these results, defendant Aldworth stated:

"The DMS products are software products with less recurring revenue. We are an electronic publisher, and these products did not fit

with our long-term strategy[.]...In addition, we entered into an agreement with ADP under which they will distribute our parts and service products for the powersports market in North America. This will help us leverage their marketing and sales strength and continue to expand the presence of our parts and service products in the motorcycle, recreational vehicle and marine markets[.]"

40. On August 12, 2004, ProQuest filed its quarterly report with the SEC on Form 10-Q. The Company's Form 10-Q was signed by the Individual Defendants and reaffirmed the Company's previously announced financial results. Additionally and with respect to the Company's financial results, the Company's management represented that it "believe[d] that these financial statements include all necessary and recurring adjustments for the fair presentation of the interim period results."

41. On October 21, 2004, ProQuest reported an 11 percent earnings growth for the third quarter ended October 2, 2004. Revenue from continuing operations increased to \$113.1 million, from \$112.3 million in the prior year's third quarter. EBIT from continuing operations increased 7 percent to \$22.5 million, from \$21.0 million in the third quarter of 2003. EBITDA from continuing operations increased 14 percent over the third quarter of 2003 to \$41.7 million, from \$36.7 million in the third quarter of 2003. Earnings from continuing operations increased 11 percent to \$12.2 million or \$0.42 per fully diluted share, versus earnings from continuing operations of \$11.0 million or \$0.38 per fully diluted share in the third quarter of fiscal 2003.

42. Commenting on these results, defendant Aldworth stated:

"Our earnings performance was in line with our expected 10 to 13 percent growth. Revenue from our published products continues to show healthy growth. However, declines in revenue from general reference databases and non-recurring revenue products continue to pressure overall revenue growth[.]...The strategic initiatives that will drive ProQuest Company's long-term growth are: investing in our electronic publishing business, making acquisitions that strengthen and extend our product lines and market reach, and continuing to make

productivity improvements. We continue to make progress on each of these initiatives[.]”

43. On November 12, 2004, ProQuest filed its quarterly report with the SEC on Form 10-Q. The Company’s Form 10-Q was signed by the Individual Defendants and reaffirmed the Company’s previously announced financial results. Additionally and with respect to the Company’s financial results, the Company’s management represented that it “believe[d] that these financial statements include all necessary and recurring adjustments for the fair presentation of the interim period results.”

44. On February 14, 2005, ProQuest reported a 13 percent increase in earnings for year ended January 1, 2005. Revenue from continuing operations increased 3 percent to \$462.8 million compared to \$451.1 million in fiscal 2003. EBIT from continuing operations increased 8 percent to \$96.2 million versus \$89.2 million for fiscal 2003. EBITDA increased 12 percent to \$167.2 million compared to \$149.4 million for fiscal 2003. Earnings from continuing operations increased 13 percent to \$52.7 million or \$1.83 per fully diluted share versus \$46.7 million or \$1.64 per fully diluted share in fiscal 2003.

45. Commenting on these results, defendant Aldworth stated:

“Both of our business segments had solid fourth quarter results. We had a strong close to the year and achieved 3 percent revenue growth for 2004[.]...There were many positive developments in the fourth quarter including continued growth in our published products, improved library budgets, and the acquisition of Voyager Expanded Learning. In light of these developments, we expect solid results for 2005[.]”

46. Also, defendant Gregory added:

“In the fourth quarter, our published products continued to experience double-digit revenue growth and renewal rates were strong[.]... While overall microfilm revenue declined, we had another quarter of increased microfilm backfile sales. Business Solutions revenue

showed renewed growth in the fourth quarter, driven primarily by our performance management products[.]”

47. On March 17, 2005, ProQuest filed its annual report with the SEC on Form 10-K. The Company’s Form 10-K was signed by the Individual Defendants and reaffirmed the Company’s previously announced financial results of February 14, 2005. With respect to the presentation of its financial results, ProQuest’s annual report contained the following clean audit opinion by the Company’s accountants, KPMG:

In our opinion, management’s assessment that ProQuest Company maintained effective internal control over financial reporting as of January 1, 2005, is fairly stated, in all material respects, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, ProQuest Company maintained, in all material respects, effective internal control over financial reporting as of January 1, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

48. Additionally, the Company’s Form 10-K contained certifications, signed by Individual Defendants, similar to the certification stated in ¶¶ 21, 34, supra.

49. On April 28, 2005, ProQuest reported that its revenue was up 9 percent for the first quarter of 2005. Earnings from continuing operations for the quarter were \$7.8 million and earnings per share were \$0.26. EBITDA from continuing operations increased 1 percent to \$37.2 million from \$36.9 million in the first quarter of 2004. Excluding the dilutive impact of Voyager Learning -- which included the effect of the timing of the transaction -- EBITDA was \$38.8 million, an increase of 5 percent over the first quarter of 2004. Earnings from continuing operations decreased 28 percent to \$7.8 million or \$0.26 per fully diluted share versus \$10.9 million or \$0.38 per fully diluted share in the

first quarter of fiscal 2004. Excluding the dilutive impact of Voyager Learning -- which included the effect of the timing of the transaction and its associated additional costs for interest and amortization of intangibles -- earnings from continuing operations grew to \$11.9 million, an increase of 9 percent over the first quarter of 2004.

50. Commenting on these results, defendant Aldworth stated:

"An important initiative in the first quarter was the acquisition and integration of Voyager Expanded Learning. The acquisition was closed on January 31, and the integration has gone well[.]...Strong performance from Information and Learning, including Voyager, and Business Solutions resulted in a good start to the year. With this solid beginning to 2005, we are reiterating our full year guidance[.]"

51. On May 12, 2005, ProQuest filed its quarterly report with the SEC on Form 10-Q. The Company's Form 10-Q was signed by the Individual Defendants and reaffirmed the Company's previously announced financial results. Additionally and with respect to the Company's financial results, the Company's management represented that it "believe[d] that these financial statements include all necessary and recurring adjustments for the fair presentation of the interim period results."

52. On July 28, 2005, ProQuest reported revenue growth of 25 percent quarter ended July 2, 2005. Revenue from continuing operations was \$140.4 million for the second quarter and \$261.5 million for the first half of 2005. Earnings from continuing operations were \$12.3 million or \$0.41 per fully diluted share for the second quarter. For the first half of 2005, earnings from continuing operations were \$20.1 million or \$0.67 per fully diluted share. EBIT from continuing operations increased 16 percent to \$27.4 million from \$23.7 million in the second quarter of 2004. EBITDA from continuing operations increased 18 percent to \$46.7 million from \$39.7 million in the second quarter

of 2004. Earnings from continuing operations were \$12.3 million or \$0.41 per fully diluted share, a decrease of 5 percent.

53. Commenting on these results, defendant Aldworth stated:

"In its first full quarter with ProQuest Company, Voyager Learning grew in every aspect. Voyager Learning added more than 250 new school districts and renewal rates were strong. We also increased our penetration in existing districts and introduced new products[.]

Overall at ProQuest Company, the products that drive our growth -- K-12 classroom solutions, digital published products, digital news products and automotive information solutions -- generated double-digit revenue growth. Based on the results in the first half of the year, we remain confident in our full-year guidance[.]"

54. On August 10, 2005, ProQuest filed its quarterly report with the SEC on Form 10-Q. The Company's Form 10-Q was signed by the Individual Defendants and reaffirmed the Company's previously announced financial results. Additionally and with respect to the Company's financial results, the Company's management represented that it "believe[d] that these financial statements include all necessary and recurring adjustments for the fair presentation of the interim period results."

55. On October 27, 2005, ProQuest reported revenue of \$159.4 million and earnings per share of \$0.60 for third quarter ended October 1, 2005. Revenue from continuing operations increased 41 percent to \$159.4 million from \$113.1 million in the prior year's third quarter. EBIT from continuing operations increased 63 percent to \$35.3 million from \$21.6 million in the third quarter of 2004. EBITDA from continuing operations increased 48 percent to \$60.3 million from \$40.8 million in the third quarter of 2004. Earnings from continuing operations were \$18.2 million or \$0.60 per fully diluted share, an increase of 57 percent.

56. Commenting on these results, defendant Aldworth stated:

"ProQuest Company's revenue and earnings increased in the third quarter of 2005 despite the previously disclosed impact of Hurricanes Katrina and Rita and earnings dilution from acquisitions and investments made at Business Solutions[.]"

57. On November 10, 2005, ProQuest filed its quarterly report with the SEC on Form 10-Q. The Company's Form 10-Q was signed by the Individual Defendants and reaffirmed the Company's previously announced financial results. Additionally and with respect to the Company's financial results, the Company's management represented that it "believe[s] that these financial statements include all necessary and recurring adjustments for the fair presentation of the interim period results."

58. The statements contained in ¶¶ 17-57 were materially false and misleading when made because defendants failed to disclose or indicate the following: (1) that the defendants materially manipulated the Company's financial results from at least 1999 to 2005 by understating its defined income and accrued royalty accounts and by overstating its prepaid royalty account; (2) that as a result of the foregoing, the Company's revenue and income figures were materially overstated during the Class Period; (3) that the Company's financial results were in violation of Generally Accepted Accounting Principles ("GAAP"); and (4) that the Company lacked an adequate system of internal controls and as such, defendants financial projections lacked a reasonable basis when made.

The Truth Begins to Emerge

59. On February 9, 2006, ProQuest issued a press release entitled "ProQuest Company to Restate Historical Financial Statements." Therein, the Company, in relevant part, stated:

ProQuest Company (NYSE: PQE), a publisher of information and education solutions, announced that during a review related to its internal controls assessment required by the Sarbanes-Oxley Act of 2002, the company discovered material irregularities in its accounting. As a result, the company intends to restate certain of its previously issued financial statements.

The accounting irregularities that have been identified primarily affect ProQuest's Information and Learning division. While the results for the Voyager Expanded Learning business have been included in the segment results for the Information and Learning business unit since the first quarter 2005, the accounting irregularities do not involve Voyager.

Based upon its initial findings, the company believes that its deferred income and accrued royalty accounts are materially understated in previously issued financial statements. It also believes that its prepaid royalty account is materially overstated. It anticipates that as a result it will be required to recognize amounts of royalty and other expenses as well as reduce a portion of revenues previously reported for its Information and Learning business, the effect of which will materially reduce earnings from continuing operations for many of the affected periods. Based upon its initial findings, the company believes that the accounting irregularities do not affect the company's cash balances, the amounts invoiced to customers, cash receipts from customers, or disbursements to publishers and suppliers.

"While we are disappointed to have discovered these accounting irregularities, the Board and senior management team of ProQuest are absolutely committed to the highest level of accounting and financial reporting standards," said Alan Aldworth, chairman and chief executive officer of ProQuest Company. "Our business units remain focused on providing our customers with quality products and the highest level of customer service."

Upon discovery of the accounting irregularities, the company discussed these matters with its independent auditor, KPMG LLP. ProQuest has also retained an external accounting firm to assist the company with its internal review. Until the review is complete, the company's previously issued financial statements for fiscal years 1999 through 2004, quarterly periods in 2005, and the company's guidance for fiscal 2005, should no longer be relied upon. In addition, the company's review is ongoing and there can be no assurance additional material irregularities or errors will not be identified.

ProQuest's Audit Committee has initiated an independent investigation which is being conducted with the assistance of Skadden, Arps, Slate, Meagher & Flom LLP, who was retained solely for this purpose. Skadden, Arps has hired forensic accountants from Chicago Partners LLC to assist it in the investigation. While the Audit Committee

believes a restatement will be required, it has not yet determined the time periods involved or the amount of the accounting restatement.

As a result of the expected restatement, the company believes that it is not in compliance with certain covenants and representations and warranties of its revolving credit agreement and its private-placement debt, including certain financial covenants and representations made with regard to previously issued financial statements. The company has discussed the initial results of its internal review with its revolving credit agreement lenders and private placement note holders and has begun discussions to obtain interim waivers until its internal review can be completed.

ProQuest will continue to work with its external accounting firm to complete the review and restatement as soon as possible. The company anticipates that it will delay filing its 2005 10-K as a result of its internal review. The company is in the process of evaluating whether these accounting irregularities were the result of one or more material weaknesses in its internal control over financial reporting.

60. On this news, shares of ProQuest fell \$5.22 per share, or 17.75 percent, to close, on February 9, 2006, at \$24.19 per share.

**DEFENDANTS VIOLATION OF GAAP RULES
IN ITS ANNUAL AND QUARTERLY REPORTS FILED WITH THE SEC**

61. These financial statements and the statements about the Company's financial results were false and misleading, as such financial information was not prepared in conformity with GAAP, nor was the financial information a fair presentation of the Company's operations due to the Company's improper accounting for and disclosure about its revenues, in violation of GAAP and SEC rules.

62. GAAP are those principles recognized by the accounting profession as the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. Regulation S X (17 C.F.R. '210.4 01(a) (1)) states that financial statements filed with the SEC which are not

prepared in compliance with GAAP are presumed to be misleading and inaccurate. Regulation S X requires that interim financial statements must also comply with GAAP, with the exception that interim financial statements need not include disclosure which would be duplicative of disclosures accompanying annual financial statements. 17 C.F.R. '210.10 01(a).

63. Given these accounting irregularities, the Company announced financial results that were in violation of GAAP and the following principles:

(a) The principle that interim financial reporting should be based upon the same accounting principles and practices used to prepare annual financial statements was violated (APB No. 28, &10);

(b) The principle that financial reporting should provide information that is useful to present to potential investors and creditors and other users in making rational investment, credit, and similar decisions was violated (FASB Statement of Concepts No. 1, &34);

(d) The principle that financial reporting should provide information about an enterprise's financial performance during a period was violated (FASB Statement of Concepts No. 1, &42);

(e) The principle that completeness, meaning that nothing is left out of the information that may be necessary to insure that it validly represents underlying events and conditions was violated (FASB Statement of Concepts No. 2, &79);

(f) The principle that financial reporting should be reliable in that it represents what it purports to represent was violated (FASB Statement of Concepts No. 2, &&58 59); and

(g) The principle that conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered was violated. (FASB Statement of Concepts No. 2, &95).

64. The adverse information concealed by defendants during the Class Period and detailed above was in violation of Item 303 of Regulation S K under the federal securities law (17 C.F.R. 229.303).

PLAINTIFF'S CLASS ACTION ALLEGATIONS

65. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased the securities of ProQuest between January 9, 2003 and February 8, 2006, inclusive (the "Class Period") and who were damaged thereby. Excluded from the Class are defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

66. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, ProQuest's securities were actively traded on the NYSE. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by ProQuest or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

67. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

68. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

69. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by defendants' acts as alleged herein;

(b) whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of ProQuest; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

70. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

UNDISCLOSED ADVERSE FACTS

71. The market for ProQuest's securities was open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to disclose, ProQuest's securities traded at artificially inflated prices during the Class Period. Plaintiff

and other members of the Class purchased or otherwise acquired ProQuest securities relying upon the integrity of the market price of ProQuest's securities and market information relating to ProQuest, and have been damaged thereby.

72. During the Class Period, defendants materially misled the investing public, thereby inflating the price of ProQuest's securities, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

73. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading statements about ProQuest's business, prospects and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of ProQuest and its business, prospects and operations, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein.

LOSS CAUSATION

74. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

75. During the Class Period, Plaintiff and the Class purchased securities of ProQuest at artificially inflated prices and were damaged thereby. The price of ProQuest common stock declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

SCIENTER

76. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding ProQuest, their control over, and/or receipt and/or modification of ProQuest's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning ProQuest, participated in the fraudulent scheme alleged herein.

77. Defendants knew and/or recklessly disregarded the falsity and misleading nature of the information which they caused to be disseminated to the investing public. The ongoing fraudulent scheme described in this complaint could not have been perpetrated over a substantial

period of time, as has occurred, without the knowledge and complicity of the personnel at the highest level of the Company, including the Individual Defendants.

78. During the Class Period, and with the Company's stock trading at artificially inflated prices, the Company completed the acquisition Voyager for \$340 million in cash and approximately \$21 million in stock.

**Applicability Of Presumption Of Reliance:
Fraud-On-The-Market Doctrine**

79. At all relevant times, the market for ProQuest securities was an efficient market for the following reasons, among others:

(a) ProQuest stock met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient and automated market;

(b) As a regulated issuer, ProQuest filed periodic public reports with the SEC and the NYSE;

(c) ProQuest regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) ProQuest was followed by several securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

80. As a result of the foregoing, the market for ProQuest securities promptly digested current information regarding ProQuest from all publicly-available sources and reflected such information in ProQuest stock price. Under these circumstances, all purchasers of ProQuest securities during the Class Period suffered similar injury through their purchase of ProQuest securities at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

81. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as "forward-looking statements" when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of ProQuest who knew that those statements were false when made.

FIRST CLAIM
Violation Of Section 10(b) Of
The Exchange Act And Rule 10b-5
Promulgated Thereunder Against All Defendants

82. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

83. During the Class Period, defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase ProQuest securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

84. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for ProQuest securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

85. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of ProQuest as specified herein.

86. These defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of ProQuest value and performance and continued substantial growth, which included the making of, or the participation in the making of,

untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about ProQuest and its business operations and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of ProQuest securities during the Class Period.

87. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of his responsibilities and activities as a senior officer and/or director of the Company was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

88. The defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose

and effect of concealing ProQuest's operating condition and future business prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by defendants' overstatements and misstatements of the Company's business, operations and earnings throughout the Class Period, defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

89. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of ProQuest securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of ProQuest's publicly-traded securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by defendants, or upon the integrity of the market in which the securities trades, and/or on the absence of material adverse information that was known to or recklessly disregarded by defendants but not disclosed in public statements by defendants during the Class Period, Plaintiff and the other members of the Class acquired ProQuest securities during the Class Period at artificially high prices and were damaged thereby.

90. At the time of said misrepresentations and omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that ProQuest was experiencing, which were not disclosed by defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their ProQuest securities, or, if they had acquired

such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

91. By virtue of the foregoing, defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

92. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

SECOND CLAIM
Violation Of Section 20(a) Of
The Exchange Act Against the Individual Defendants

93. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

94. The Individual Defendants acted as controlling persons of ProQuest within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were

issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

95. In particular, each of these defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

96. As set forth above, ProQuest and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

(a) Determining that this action is a proper class action, designating Plaintiff as Lead Plaintiff and certifying Plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and Plaintiff's counsel as Lead Counsel;

(b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: February 17, 2006

Respectfully submitted,

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