

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

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THE PENNSYLVANIA AVENUE FUNDS, Individually :  
and on Behalf of All Others Similarly Situated, :

Plaintiff, :

C.A. No. \_\_\_\_\_

PETER H. KAMIN, MARTIN F. KAHN, :  
HENRY ANCONA, CARL P. FISHER, :  
ROBERT J. MASSIE and ONESOURCE :  
INFORMATION SERVICES, INC., :

Defendants. :

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**CLASS ACTION COMPLAINT**

Plaintiff, by its attorneys, for its complaint, alleges upon personal knowledge with respect to its ownership of stock, and otherwise based upon information and belief, as follows:

**THE PARTIES**

1. Plaintiff, The Pennsylvania Avenue Funds, owns 500 shares of common stock of Defendant OneSource Information Services, Inc.

2. Defendant OneSource Information Services, Inc. (“OneSource” or the “Company”), is a Delaware corporation with its principal place of business at 300 Baker Avenue, Concord, Massachusetts 01742. OneSource provides primarily web-based business and financial information products and services to professionals requiring access to company, industry and market intelligence. As of November 5, 2003, One Source had approximately

11,351,053 shares of common stock outstanding.

3. Defendant Peter H. Kamin is a Director of the Company and has been since November 2002. Defendant Kamin also is a founding partner of ValueAct Capital Partners L.P. ("ValueAct"), which, in conjunction with related entities, holds approximately 32% of the Company's outstanding shares of common stock. Defendant Kamin is a member of the Board's Governance committee.

4. Defendant Martin F. Kahn is a Director and Chairman of the Company's Board of Directors. Defendant Khan has been a Director since September 2003. Defendant Khan also currently is serving as the Company's interim Chief Executive Officer. Defendant Kahn has served as Chairman since September 1993 and is on the Board's Governance and Compensation committees. According to the Company's 2003 Annual Proxy Statement, Defendant Kahn holds 438,006 shares of OneSource common stock, which includes 213,364 shares issuable upon the exercise of presently exercisable options. Defendant Khan's holdings represent 3.7% of the Company's outstanding common stock.

5. Defendant Henry Ancona is a Director of the Company and has been since April 2001. Defendant Ancona also serves on the Board's Audit and Compensation committees. According to the Company's 2003 Annual Proxy Statement, Defendant Ancona holds 10,000 shares of OneSource common stock, which includes 10,000 shares issuable upon the exercise of presently exercisable options.

6. Defendant Carl P. Fisher is a Director of the Company and has been since 2000. Defendant Fisher also serves on the Board's Governance and Compensation committees. According to the Company's 2003 Annual Proxy Statement, Defendant Fisher

holds 11,000 shares of OneSource common stock, which includes 10,000 shares issuable upon the exercise of presently exercisable options.

7. Defendant Robert J. Massie is a Director of the Company and has been since October 2002. Defendant Massies also serves on the Board's Audit and Compensation committees.

8. As Directors of the Company, the individuals referred to above (collectively referred to hereinafter as the "Individual Defendants"), are in a fiduciary relationship with Plaintiff and the public stockholders of OneSource and owe Plaintiff and other OneSource public stockholders the highest obligations of good faith, fair dealing, due care, loyalty and full and candid disclosure.

9. In addition to the holdings of stock in OneSource mentioned above, according to the same 2003 Annual Proxy Statement, as of that filing, certain executive officers of the Company had the following interests: (a) William G. Schumacher, Senior Vice President, Content Development, held 17,487 shares and had 50,000 exercisable options; (b) Philip J. Garlicki, Senior Vice President, Global Sales, Service and Marketing, held 15,000 shares and had 49,487 exercisable options; (c) Roy D. Landon, Senior Vice President and Chief Financial Officer, held 49,010 shares and had 85,450 exercisable options; (d) David J. DeSimone, Chief Information Technology Officer, held 1000 shares and had 87,661 exercisable options; and (e) Mary F. McCabe, Senior Vice President, Packaged Solutions, held 4,059 shares and had 101,369 exercisable options. Altogether, the Company's current Directors and Officers, including Ms. McCabe, held approximately 7% of its outstanding stock as computed from the 2003 Proxy Statement.

## CLASS ACTION ALLEGATIONS

10. Plaintiff brings this case on its own behalf and as a class action, pursuant to Rule 23 of the Rules of the Court of Chancery, on behalf of all shareholders of the Company, except Defendants herein and any person, firm, trust, corporation, or other entity related to or affiliated with any of the Defendants, who will be threatened with injury arising from Defendants' actions as are described more fully below (the "Class").

11. This action is properly maintainable as a class action.

12. The Class is so numerous that joinder of all members is impracticable. The Company has thousands of shareholders who are scattered throughout the United States.

13. There are questions of law and fact common to the Class including, inter alia, whether:

(a) The Individual Defendants have breached their fiduciary duties owed by them to Plaintiff and other members of the Class; and

(b) Plaintiff and the other members of the Class are being and will continue to be injured by the wrongful conduct alleged herein and, if so, what is the proper remedy and/or measure of damages.

14. Plaintiff is committed to prosecuting the action and has retained competent counsel experienced in litigation of this nature. Plaintiff's claims are typical of the claims of the other members of the Class and Plaintiff has the same interests as the other members of the Class. Plaintiff is an adequate representative of the Class.

15. The prosecution of separate actions by individual members of the Class would create the risk of inconsistent or varying adjudications with respect to individual members of

the Class which would establish incompatible standards of conduct for Defendants, or adjudications with respect to individual members of the Class which would as a practical matter be dispositive of the interests of the other members not parties to the adjudications or substantially impair or impede their ability to protect their interests.

16. The Defendants have acted, or refused to act, on grounds generally applicable to, and causing injury to, the Class and, therefore, preliminary and final injunctive relief on behalf of the Class as a whole is appropriate.

### **SUBSTANTIVE ALLEGATIONS**

17. On November 1, 2002, ValueAct and related entities acquired 3,477,297 shares in OneSource from Information Partners Capital Fund L.P. (one of the Company's original private equity sponsors) pursuant to a Stock Purchase Agreement. On the same day, ValueAct and the Company entered into a Registration Rights Agreement (the "RRA"). Pursuant to the RRA, ValueAct was given one seat on the Company's Board until the next Shareholder Meeting. From that point forward, OneSource agreed to undertake its best efforts to ensure ValueAct's Board seat so long as ValueAct held at least thirty percent of the Company's outstanding shares.

18. On October 1, 2003, Defendant Kamin sent Defendant Kahn a letter suggesting that the Company consider a going-private transaction with ValueAct. At that time, ValueAct held approximately 33% of the Company's outstanding shares and stated it was prepared to offer \$9.50 per share cash to acquire all outstanding shares of OneSource that it did not already own. ValueAct also stated it required no more than 45 days of due diligence. The offer represented an approximate premium of 12% over the stock's closing

price on the previous day.

19. On October 3, 2003, ValueAct filed a Schedule 13D/A with the Securities and Exchange Commission (“SEC”) that included the text of its October 1 letter. On that day, the price of OneSource stock jumped almost 10%.

20. On October 6, 2003, the Company issued a press release announcing that it had formed a special committee of outside directors to evaluate OneSource’s strategic options, including the ValueAct proposal, and that it had retained Morgan Stanley & Company and Portico Capital Securities Company LLC to assist in its review.

21. On that same day, OneSource also announced that its Board had adopted a shareholder rights plan (the “Rights Plan”). Under the Rights Plan, at a specified time after a person becomes the beneficial owner of 15% of the Company’s common stock (or has commenced a tender or exchange offer that would, if consummated, result in any person becoming the beneficial owner of 15% of the Company’s common stock), the rights will become exercisable. The Rights Plan “grandfathered” ValueAct and its affiliates as long as they do not acquire beneficial ownership of more than 35% of the Company’s common stock.

22. Also on October 6, George F. Hamel, Jr., of ValueAct wrote Defendant Kahn expressing his ValueAct’s disappointment with the adoption of the Rights Plan and that ValueAct remained committed to its earlier proposal and hoped that the adoption of the plan would not restrict a fair and timely process.

23. As of January 12, 2004, neither the Board nor the Special Committee apparently made any decision to accept or reject the ValueAct (or any other) proposal. On

that date, Mr. Hamel sent Defendant Kahn another letter regarding ValueAct's proposal. Hamel repeated ValueAct's belief that it would be in the Company's best interests to operate for the foreseeable future as a private company, but stated that the Company's review process had gone on longer than ValueAct would have anticipated when it first expressed its interest in an acquisition in October 2003. Mr. Hamel stated, "[r]ecognizing the passage of time, the level of interest [ValueAct] indicated more than three months ago has become stale." In addition, Hamel stated ValueAct did not feel able to "refresh" its previous level of its interest described in its October 1, 2003 letter until the Company announced its fourth quarter and year-end 2003 financial results, scheduled for February 5, 2004.

24. Subsequent to the announcement of ValueAct's proposal in October 2003, shares in the Company traded at or around \$9.50, even exceeding \$10.00 per share on eleven separate trading days in October and December of 2003. After ValueAct's January 12, 2004 letter, the trading price of shares in the Company began a decline.

25. On February 5, 2004, the Company issued a press release stating that as part of its evaluation of strategic options, "discussions were held with potential acquirers," and that while a number of organizations apparently had expressed interest in OneSource, "none of these discussions led to a final offer to acquire the Company." The Company added that the special committee had ended its "active evaluation" of strategic options. In that same press release, the Company announced that Daniel J. Schimmel, its President and CEO who also was a Director, had resigned from those positions. The Company had accepted that resignation, stating that, in connection with review of its strategic options, both the Board and Mr. Schimmel determined that a new executive leadership would be in the best interests

of the Company and its shareholders. The Company had appointed Defendant Kahn as interim CEO and had begun the process of looking for a permanent replacement for Mr. Schimmel. According to a report the next day in the *Boston Herald*, the Company said it determined it needed a new CEO following discussions that “failed to lead to an acquisition of [OneSource].”

26. Also in the February 5 press release, the Company reported its fourth quarter 2003 financial performance. Notably, the financial information released indicated that the Company’s net income had plunged 62% (or four cents per share) when compared with net revenue from the same quarter for the previous year. In addition, other reports indicated that the Company’s cash-flow for the last quarter of 2004 had decreased 71% from the same quarter a year earlier. Following the February 5 press release, the Company’s stock price dropped further, resulting in an almost 10% decrease in share price by the time the markets opened on February 6. The Company’s stock was now trading below what it had prior to the announcement of ValueAct’s first expression of interest.

27. While revenues remained nearly constant from the December 2002 quarter, reported earnings dropped 62% due to increased expenses. Such expenses appear to have been inflated by accelerated payment of accounts payable (as reflected by year-to-year drop in the Company’s days payable outstanding from 70 to 58 days), whereby Defendants apparently reduced reported earnings by at least \$279,000. The resulting drop in share price from the report of this information allowed ValueAct to acquire the Company at a substantially reduced price.

28. On February 6, 2004, Mr. Hamel sent Defendant Kahn another letter stating

that ValueAct was prepared to offer to acquire all outstanding shares of the Company that it did not own at a cash price of \$8.10 per share. ValueAct owned approximately 32% of the Company at that time and the proposal represented an 11% premium over the closing price of OneSource shares that day. ValueAct confirmed that it did not require third-party financing to complete the transaction it had proposed. The letter also enclosed a merger agreement.

29. On February 18, 2004, the Company announced that it had entered into a merger agreement (the "Merger Agreement") with ValueAct that would take the Company private. Under the Merger Agreement, each share of the Company not owned by ValueAct will be converted into the right to receive \$8.40 in cash and all options will become vested. The deal is reported to be worth approximately \$65.1 million, over \$7 million less than ValueAct's previous proposal.

30. The proposed Merger apparently was approved by a special committee of outside directors and Morgan Stanley issued an opinion that the \$8.40 per share merger price is fair from a financial point of view, notwithstanding that ValueAct offered \$9.50 per share just five months ago.

31. Also under the Merger Agreement, the Board is precluded from soliciting better bids. The Board is permitted to negotiate or provide information to another bidder who has provided a *bona fide* unsolicited competing proposal, but only if the Board determines it would be a breach of fiduciary duty not to do so, the competing proposal if accepted is reasonably likely to be consummated and be more favorable to stockholders from a financial point of view than the Merger or any adjusted proposal made by ValueAct in response to the competing proposal, the competing proposal is not subject to financing

contingencies, and the Company notifies ValueAct of the competing proposal not less than two days prior to any such action.

32. Also, the Board must submit the Merger to a stockholder vote even if the Board determines to withdraw its recommendation.

33. Further, the Merger Agreement provides for a termination fee in an amount of \$3 million plus up to \$1 million in expenses.

34. The directors of OneSource have breached their fiduciary duties owed to shareholders by their failure duly to investigate and obtain the best value reasonably available on the sale of the Company. The Board's response to the \$9.50 per share proposal was unreasonable and resulted in a failure to obtain the best value reasonably available.

35. The Board approved a sale of the Company at \$8.40 per share, when ValueAct, the same bidder, had proposed \$9.50 per share just five months ago.

36. The \$3 million termination fee amounts to approximately 4.6% of the transaction price, and 6.1% if \$1 million in expenses are added. The termination fee plus the right of first refusal have unreasonably tilted the playing field for bidders such that the cost to another bidder to make a superior bid is unreasonably high, while ValueAct gets a free look at competing bids and a free chance to match the bid. This contractual concession was a disincentive for ValueAct to offer its best price.

37. Plaintiff and other Class members are immediately threatened by the acts and transactions complained of herein which have caused and will cause irreparable injury to them.

38. Unless enjoined by this Court, Defendants will continue to breach their

fiduciary duties owed to Plaintiff and the other members of the Class to the irreparable harm of the Class.

39. Plaintiff and the other members of the Class have no adequate remedy at law.

39. Defendants owed Plaintiff and the Class fiduciary duties of candor and loyalty, and in the context of a contemplated cash out merger or sale of the company, Defendants owed Plaintiffs a duty to obtain the best consideration available.

40. Defendants also breached its fiduciary duties owed to Plaintiff and the Class by providing ValueAct, an insider with Board representation and the owner of approximately 33% of the Company's capital stock, with preferential treatment in its bid to acquire the Company, and in agreeing to a merger whereby the Company would be sold at the inadequate price of \$8.40 per share.

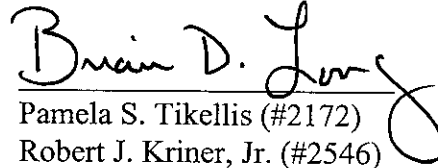
**WHEREFORE**, Plaintiff demands judgment as follows:

- (a) declaring this to be a proper class action;
- (b) ordering the Individual Defendants to fulfill their fiduciary duties to Plaintiff and the other members of the Class;
- (c) ordering Defendants, jointly and severally, to account to Plaintiff and the other members of the Class for all damages suffered and to be suffered by them as a result of the wrongs complained of herein;
- (d) awarding Plaintiff the costs and disbursements of this action, including a reasonable allowance for Plaintiff's attorney's fees and experts' fees; and

(e) granting such other and further relief as this Court may deem to be just and proper.

Dated: February 20, 2004

CHIMICLES & TIKELLIS LLP

A handwritten signature in cursive script that reads "Brian D. Long". The signature is written in black ink and is positioned above the typed name and address of the firm.

Pamela S. Tikellis (#2172)  
Robert J. Kriner, Jr. (#2546)  
Brian D. Long (#4347)  
One Rodney Square  
P.O. Box 1035  
Wilmington, Delaware 19899  
(302) 656-2500

Attorneys for Plaintiff

OF COUNSEL:

FINKELSTEIN, THOMPSON & LOUGHRAN  
The Duvall Foundry  
1050 30th Street, N.W.  
Washington, DC 20007