BANKRATE INC
Form DEF 14A
April 29, 2004

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

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

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e) (2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Under § 240.14a-12

(Name of Registrant as Specified In Its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ $125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(2) or Item 22 (a)(2) of Schedule 14A.

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

11811 U.S. Highway One, Suite 101

North Palm Beach, Florida 33408

(561) 630-2400

May 7, 2004

Dear Bankrate, Inc. Stockholders,

You are cordially invited to attend the Annual Meeting of Stockholders of Bankrate, Inc., to be held on Thursday, June 10, 2004. The Annual Meeting will begin promptly at 9:00 a.m., local time, at The Waterford Hotel & Conference Center, 11360 U.S. Highway One, North Palm Beach, Florida 33408.

The Notice of Annual Meeting and Proxy Statement on the following pages contain information on the official business of the Annual Meeting. Whether or not you expect to attend, please sign, date and return your proxy promptly in the enclosed envelope to assure that your stock will be represented at the Annual Meeting. If you decide to attend and vote in person, you will, of course, have that opportunity.

We gratefully acknowledge your continuing interest in our business, and we hope that many of you will attend the Annual Meeting.

Sincerely,

Elisabeth DeMarse

President and Chief Executive Officer

11811 U.S. Highway One,

Suite 101

North Palm Beach, Florida 33408

(561) 630-2400

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD JUNE 10, 2004

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Bankrate, Inc. will be held at The Waterford Hotel & Conference Center, 11360 U.S. Highway One, North Palm Beach, Florida 33408, at 9:00 a.m., local time, on Thursday, June 10, 2004, to consider and act upon:

1. the election of two directors to the Board of Directors;

2. a proposal to ratify the selection of independent public accountants for the current fiscal year; and

3. such other business as may properly come before the Annual Meeting or any adjournments or postponements.

The Board of Directors has fixed the close of business on April 16, 2004 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting.

By Order of the Board of Directors,

Robert J. DeFranco

Senior Vice President-Chief Financial Officer

Secretary

May 7, 2004

North Palm Beach, Florida

IMPORTANT

WHETHER OR NOT YOU EXPECT TO BE PRESENT AT THE ANNUAL MEETING, PLEASE MARK, DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT IN THE ENVELOPE PROVIDED; NO POSTAGE IS REQUIRED FOR MAILING IN THE UNITED STATES. IN THE EVENT YOU ARE ABLE TO ATTEND THE ANNUAL MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE YOUR SHARES IN PERSON.

11811 U.S. Highway One,

Suite 101

North Palm Beach, Florida 33408

(561) 630-2400

PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON

JUNE 10, 2004

INFORMATION CONCERNING SOLICITATION AND VOTING

Introduction

This Proxy Statement and the enclosed proxy card (Proxy) are being furnished on behalf of the Board of Directors of Bankrate, Inc., a Florida corporation (the Company), for use at the 2004 Annual Meeting of Stockholders of the Company (the Annual Meeting), or at any adjournments or postponements, for the purposes set forth below and in the accompanying Notice of Annual Meeting. The Annual Meeting will be held at The Waterford Hotel & Conference Center, 11360 U.S. Highway One, North Palm Beach, Florida 33408, at 9:00 a.m. local time, on Thursday, June 10, 2004. The Company intends to mail this Proxy Statement and the Proxy on or about May 7, 2004, to all stockholders entitled to vote at the Annual Meeting.

Stockholders Entitled to Notice and to Vote; Quorum

Only holders of record of the Company s Common Stock at the close of business on April 16, 2004 (the Record Date), will be entitled to notice of and to vote at the Annual Meeting. At the Record Date, the Company had outstanding and entitled to vote 15,306,562 shares of Common Stock. Each holder of record of Common Stock on the Record Date will be entitled to one vote for each share held on all matters to be voted upon at the Annual Meeting.

The holders of a majority of the Common Stock outstanding on the Record Date, whether present at the Annual Meeting in person or represented by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. The shares held by each stockholder who signs and returns a valid Proxy will be counted for purposes of determining the presence of a quorum at the Annual Meeting, whether or not the stockholder abstains on all or any matters to be acted on. Abstentions and broker non-votes both will be counted toward fulfillment of quorum requirements. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received instructions from the beneficial owner.

Voting Requirements

At the Annual Meeting, stockholders will consider and act upon the election of directors, the ratification of the selection of the Company s independent public accountants, and such other business as may properly come before the Annual Meeting.

The Company s Bylaws provide that directors are elected by a plurality of the votes cast. The withholding of authority by a stockholder (including broker non-votes) as to the election of directors (Proposal 1) thus has no effect on the results of the election.

Under Florida law, the ratification of the selection of the Company s independent public accountants (Proposal 2) must be approved by a majority of the votes cast. Abstentions and broker non-votes are not treated as votes cast and thus have no effect on the vote for Proposal 2.

At the Record Date, the directors and executive officers of the Company owned or controlled the power to vote 6,425,006 shares of Common Stock eligible to be voted at the Annual Meeting, constituting approximately 41.98% of the outstanding Common Stock. The Company believes that directors and executive officers will vote all of their shares of Common Stock in favor of the election of each of the director nominees and in favor of Proposal 2 and, therefore, that the presence of a quorum, the election of the director nominees and the ratification of the selection of the independent public accountants is reasonably assured.

Proxies

When a Proxy is properly signed and returned, the shares that it represents will be voted at the Annual Meeting in accordance with the owner s instructions. In the absence of such instructions, the shares represented by a signed Proxy will be voted in favor of each of the nominees for election to the Board of Directors, as set forth in Proposal 1, and in favor of the ratification of the selection of independent public accountants, as set forth in Proposal 2.

Discretionary authority is provided in the Proxy as to any matters not specifically referred to in the Proxy or this Proxy Statement. The Board of Directors is not aware of any other matters that are likely to be brought before the Annual Meeting. If any other matter is properly presented for action at the Annual Meeting, including a proposal to adjourn or postpone the Annual Meeting to permit the Company to solicit additional proxies in favor of any proposal, the persons named in the Proxy will vote on such matter in their own discretion.

Any stockholder who signs and returns a Proxy has the power to revoke it at any time before it is exercised by providing written notice of revocation to the Secretary of the Company or by filing with the Secretary of the Company a Proxy bearing a later date. Alternatively, a stockholder can revoke a Proxy by attending the Annual Meeting and voting in person.

Proxies will be solicited from the Company s stockholders by mail. The Company will pay all expenses in connection with the solicitation, including postage, printing and handling, and the expenses incurred by brokers, custodians, nominees and fiduciaries in forwarding proxy material to beneficial owners. The Company may employ a proxy solicitation firm to solicit proxies in connection with the Annual Meeting, and the Company estimates that the fee payable for such services would be less than $10,000. It is possible that directors, officers and other employees of the Company may make further solicitations personally or by telephone, facsimile or mail. Directors, officers and other employees of the Company will receive no additional compensation for any such further solicitations.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the amount and percent of shares of Common Stock that, at the Record Date, are deemed under the rules of the Securities and Exchange Commission (the Commission) to be beneficially owned by each member of the Board of Directors, by each nominee for election to the Board of Directors, by each executive officer of the Company named in the Summary Compensation Table below, by all directors and executive officers of the Company as a group, and by any person or group (as that term is used in the Securities Exchange Act of 1934, as amended (Exchange Act)) known to the Company to be a beneficial owner of more than 5% of the outstanding shares of Common Stock as of that date. The information concerning the beneficial ownership of the Company s directors and officers is based solely on information provided by those individuals.

Beneficial Ownership Table

	Common Stock Beneficially Owned (1)	
Name of Beneficial Owner	**Number of Shares of Common Stock**	**Percentage of Class**
Peter C. Morse (2)	5,095,625	33.2%
Principal Stockholder and Chairman of the Board		
Federated Investors, Inc. (3)	1,047,964	6.5%
Principal Stockholder		
Randall E. Poliner (4)	601,365	3.9%
Director		
Elisabeth DeMarse (5)	448,936	2.9%
President, Chief Executive Officer and Director		
Robert P. O Block (6)	414,325	2.7%
Director		
Bruns H. Grayson (7)	402,376	2.6%
Director		
G. Cotter Cunningham (8)	93,100	*
Senior Vice President-Chief Operating Officer		
William C. Martin (9)	59,215	*
Director		
Robert J. DeFranco (10)	32,500	*
Senior Vice President-Chief Financial Officer		
Procopia T. Skoran (11)	20,400	*
Vice President		
Richard G. Stalzer		*
Senior Vice President-Chief Revenue Officer		
All current executive officers and directors as a group (11 persons) (12)	7,180,692	44.7%

* Less than 1% of the outstanding Common Stock.

(1) For purposes of calculating the percentage beneficially owned, the number of shares of Common Stock deemed outstanding includes (i) 15,306,562 shares outstanding at the Record Date, and (ii) shares issuable by the Company pursuant to options held by the respective persons which may be exercised within 60 days following the Record Date. The shares issuable pursuant to options are considered to be outstanding and beneficially owned by the person holding such options for the purpose of computing the percentage ownership of such person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

(2) Includes 50,000 shares of Common Stock issuable upon exercise of stock options. The address of Mr. Morse is 100 Four Falls Plaza, Suite 205, West Conshohocken, Pennsylvania 19428.

(3) Based solely on information in a Schedule 13G filed with the Commission on February 14, 2004, which also states that Federated Investors, Inc. (the Parent) filed the Schedule 13G because it is the parent holding company of Federated Investment Management Company, Federated Investment Counseling, and Federated Global Investment management Corp. (collectively, the Investment Advisors), which act as investment advisors to registered investment companies and separate accounts that own shares of Common Stock. The Investment Advisors are wholly owned subsidiaries of FII Holdings, Inc., which is a wholly subsidiary of Federated Investors, Inc. All of the Parent s outstanding voting stock is held in the Voting Shares Irrevocable Trust for which John F. Donahue, Rhodora J. Donahue and J. Christopher Donahue act as trustees (collectively, the Trustees). The Trustees have joined in the Schedule 13G filing because of their collective voting control that they exercise over the Parent. The address of Federated Investors, Inc. is Residence Federated Investors Tower, Pittsburgh, Pennsylvania 15222.

(4) Includes 50,000 shares of Common Stock issuable to Mr. Poliner upon exercise of stock options.

(5) Includes 426,936 shares of Common Stock issuable to Ms. DeMarse upon exercise of stock options.

(6) Includes 50,000 shares of Common Stock issuable to Mr. O Block upon exercise of stock options.

(7) Includes 30,000 shares of Common Stock issuable to Mr. Grayson upon exercise of stock options.

(8) Includes 45,500 shares of Common Stock issuable to Mr. Cunningham upon exercise of stock options.

(9) Includes 37,500 shares of Common Stock issuable to Mr. Martin upon exercise of stock options.

(10) Represents 32,500 shares of Common Stock issuable to Mr. DeFranco upon exercise of stock options.

(11) Includes 17,400 shares of Common Stock issuable to Ms. Skoran upon exercise of stock options.

(12) Includes 741,336 shares of Common Stock issuable upon exercise of stock options.

PROPOSAL 1

ELECTION OF DIRECTORS

Introduction

The Board of Directors is divided into three classes, each of whose members serve for staggered three-year terms. At each annual meeting of stockholders, a class of directors is elected for a three-year term to succeed the directors of the same class whose terms are then expiring. The Board is currently comprised of two Class I directors (Mr. O Block and Mr. Poliner) whose terms expire at the 2006 annual meeting of stockholders, two Class II directors (Ms. DeMarse and Mr. Evans) whose terms expire at the Annual Meeting, and two Class III directors (Mr. Martin and Mr. Morse) whose terms expire at the 2005 annual meeting of stockholders. The Board of Directors has nominated Ms. DeMarse and Mr. Evans to stand for re-election and election, respectively, as directors at the Annual Meeting. If elected, they will serve as Class I directors with terms expiring at the 2007 annual meeting of stockholders. There are no family relationships among any of the directors or the nominees.

Shares represented by validly executed Proxies will be voted for the election of the nominees, if authority to do so is not withheld. In the event that any nominee is unavailable for election, such shares may be voted for the election of such substitute nominee or nominees, if any, as the Board of Directors may select.

The Board of Directors recommends a vote FOR each of the nominees.

Information Concerning the Nominees and Directors

Biographical information for each director and nominee appears below. The information is based entirely upon information provided by the respective directors and nominees.

Nominees to Serve as Class II Directors (Term Expiring in 2007)

Elisabeth H. DeMarse, age 49, has served as President, Chief Executive Officer and a director of the Company since April 2000. From April 1999 to April 2000, Ms. DeMarse served as Executive Vice President of International Operations of Hoover s, Inc., a financial media company, and from February 1999 to April 1999, Ms. DeMarse was a consultant to Hoover s. From October 1998 to January 1999, Ms. DeMarse was a consultant to GTCR Golder Rauner, a private equity investment firm. From 1988 to July 1998, Ms. DeMarse served as vice president, marketing and business development of Bloomberg L.P., a financial media company. From 1985 to 1988, Ms. DeMarse served as a vice president of Citicorp, where she was responsible for business development. From June 1980 to June 1985, Ms. DeMarse served as director of marketing for Western Union, a provider of communication services. Ms. DeMarse holds an A. B. from Wellesley College and an M.B.A. from Harvard Business School.

Thomas R. Evans, age 49, has served as a director of the Company since April 23, 2004. From August 1999 to August 2002, Mr. Evans served as Chairman and CEO of Official Payments Corp., a leading provider of electronic payment options to government entities. From April 1998 to June 1999, Mr. Evans was President and CEO of GeoCities Inc., an Internet community of themed neighborhood Web sites. From 1991 to 1998, Mr. Evans was President and Publisher of *U.S.News & World Report*. In addition to his duties at *U.S. News & World Report*, Evans served as President of *The Atlantic Monthly* (1996-1998) and as President and Publisher of *Fast Company* (1995-1998), a magazine launched in 1995.

Continuing Directors

The directors of the Company continuing in office as Class I Directors, with terms expiring at the 2006 annual meeting of stockholders, are as follows:

Robert P. O Block, age 61, has served as a director of the Company since 1999. Mr. O Block held senior positions with McKinsey & Company, Inc. for 30 years until his retirement in 1998, serving as a consultant to a wide variety of business, nonprofit and public sector organizations in the United States, Europe and the Far East. As a director of McKinsey & Company, Mr. O Block led studies in financial restructuring; corporate, business unit and product strategy; manufacturing operations; and organization. He started his career as a member of the faculty of Harvard University, where he performed research and taught courses in the areas of production and operations management, business economics and real estate. Mr. O Block is currently a general partner of Freeport Center, a real estate and distribution complex in Utah. He is the current Vice Chairman of the Boston Symphony Orchestra Board of Trustees and is also a Trustee Emeritus of the U.S. Ski and Snowboard Team Foundation. Mr. O Block received a bachelor s degree in mechanical engineering from Purdue University and an M.B.A. from Harvard Business School.

Randall E. Poliner, age 48, has served as a director of the Company since 1998. Since April 1993, Mr. Poliner has served as President of Antares Capital Corporation, a private venture capital firm investing equity capital in developmental and expansion stage companies. Mr. Poliner holds a Bachelor of Electrical Engineering from the Georgia Institute of Technology, an M.S. from Carnegie-Mellon University and an M.B.A. from Harvard Business School.

The directors of the Company continuing in office as Class III Directors, with terms expiring at the 2005 annual meeting of stockholders, are as follows:

William C. Martin, age 26, has served as a director of the Company since April 2000. He is editor and principal of FindProfit.com, an online investment newsletter. In 1998, Mr. Martin co-founded Raging Bull, an online financial media company.

Peter C. Morse, age 57, has been a director of the Company since 1993, and served as our Chief Executive Officer from 1993 until 1997. Mr. Morse served as our Chairman from 1997 until 1999, and since October 2002. Since 1982, Mr. Morse has also served as president of Morse Partners, Ltd., a private equity firm that acquires operating companies and provides expansion capital. From 1986 to 1990, Mr. Morse was chairman of FAO Schwarz, the national chain of children s gift stores. Mr. Morse holds a B.S.B.A. from Georgetown University and an M.B.A. from Columbia University Graduate School of Business.

Directors Not Standing for Reelection

Bruns H. Grayson, age 56, has served as director of the Company since 1997. Since 1982, Mr. Grayson has been the managing partner of ABS Ventures, a series of venture capital funds affiliated with DB Alex Brown, LLC. Mr. Grayson is a director of several private companies. Mr. Grayson holds a B.A. from Harvard University, an M.A. from Oxford University and a J.D. from the University of Virginia Law School. Mr. Grayson was a Rhodes Scholar in 1974.

Board of Directors Meetings and Committees

During 2003, the Board of Directors held four meetings. Each incumbent director attended at least 75% of the aggregate number of meetings of the Board of Directors and committees of the Board on which he or she served.

The members of the Audit Committee are Messrs. O Block (Chairman), Poliner and Grayson. The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to governmental bodies or the public; the Company s systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; and the Company s accounting and financial reporting process. The Audit Committee encourages continuous improvement of, and fosters adherence to, the Company s policies, procedures and practices at all levels.

The members of the Compensation Committee are Messrs. Poliner (Chairman) and O Block. The Compensation Committee reviews and evaluates the compensation and benefits of all our officers, reviews general policy matters relating to compensation and benefits of employees of the Company and makes recommendations concerning these matters to the Board of Directors. The Compensation Committee also administers our stock option plans.

Nomination of Directors

The Board does not have a standing nominating committee or a charter with respect to the process for nominating directors for election to the Company s Board of Directors. The Company s Board of Directors has adopted a resolution establishing nominating procedures. Under the new nominating procedures, members of the Company s Board submit nominees for election to the Company s Board of Directors to the independent directors (as that term is defined under National Association of Securities Dealers (NASD) listing standards) of the Board for their consideration.

The Company s Bylaws provide that a stockholder may submit a nomination for election to the Company s Board of Directors by delivering a written notice to the principal executive offices of the Company not less than sixty (60) days prior to an Annual or Special Meeting of the stockholders; provided, however, that in the event that stockholders are provided with fewer than seventy (70) days notice of the meeting, notice by the stockholder will be timely if received by the Company no later than the tenth (10^{th}) day following the earlier of the day on which notice of the meeting was mailed or the date on which public disclosure of the meeting was made.

The stockholder s notice to the Company must set forth, as to each person that the stockholder proposes to nominate for election (or re-election) as a director:

The proposed nominee s name, age, business address and residence address;

The proposed nominee s principal occupation or employment;

The class and number of shares of the Company s capital stock beneficially owned by the proposed nominee; and

Any other information relating to the proposed nominee that is required to be disclosed in solicitations for proxies for election of directors pursuant to Schedule 14A under the Exchange Act.

The stockholder s notice to the Company must also set forth, as to the stockholder giving notice:

The stockholder s name and address, as they appear on the Company s books; and

The class and number of shares of the Company s stock beneficially owned by the stockholder on the date of such notice.

The Corporation may require any proposed nominee to furnish such other information as may be reasonably required by the Company to determine the proposed nominee s eligibility to serve as a director.

To date, other than from Peter C. Morse, the Company s Chairman and largest shareholder, the Company has not received any recommendations from stockholders requesting that the Board consider a candidate for inclusion among the nominees in the Company s Proxy Statement. The absence of such a policy does not mean, however, that a recommendation would not have been considered had one been received. The Board would consider any candidate proposed in good faith by a stockholder. To propose a nominee, a stockholder should send the candidate s name, credentials, contact information, and his or her consent to be considered as a candidate to Robert J. DeFranco, the Company s Senior Vice President- Chief Financial Officer. The proposing stockholder should also include his or her contact information and a statement of his or her share ownership (how many shares owned and for how long).

In evaluating a director nominee, the independent directors considers the following factors:

- the appropriate size of the Company s Board of Directors;

the needs of the Company with respect to the particular talents and experience of its directors;

the nominee s knowledge, skills and experience, including experience in finance, administration or public service, in light of prevailing business conditions and the knowledge, skills and experience already possessed by other members of the Board;

whether the nominee is independent, as that term is defined under NASD listing standards;

the familiarity with the Company s industry;

the nominee s experience in political affairs;

the nominee s experience with accounting rules and practices; and

the desire to balance the benefit of continuity with the periodic injection of the fresh perspective provided by new Board members.

The Company s goal is to assemble a Board of Directors that brings together a variety of perspectives and skills derived from high quality business and professional experience. In doing so, the Board will also consider candidates with appropriate non-business backgrounds.

Other than the foregoing, there are no stated minimum criteria for director nominees, although the independent directors may also consider such other factors as they may deem are in the best interests of the Company and its stockholders. The Company also believes it appropriate for certain key members of the Company s management to participate as members of the Board.

Members of the Board identify nominees by first evaluating the current members of the Board willing to continue in service. Current members of the Board with skills and experience that are relevant to the Company s business and who are willing to continue in service are considered for re-nomination. If any member of the Board does not wish to continue in service or if the independent directors decide not to re-nominate a member for re-election, the Board then identifies the desired skills and experience of a new nominee in light of the criteria above. Current members of the Board of Directors are polled for suggestions as to individuals meeting the criteria described above. The independent directors may also engage in research to identify qualified individuals, and the Company reserves the right to retain a third party search firm, if necessary.

Stockholder Communications with the Board of Directors

Historically, the Company has not adopted a formal process for stockholder communications with the Board. Nevertheless, every effort has been made to ensure that the Board or individual directors, as applicable, hear the views of stockholders and that appropriate responses are provided to stockholders in a timely manner. Any matter intended for the Board, or for any individual member or members of the Board, should be directed to Robert J. DeFranco, the Company s Senior Vice President-Chief Financial Officer, with a request to forward the matter to the intended recipient. All such communications will be forwarded unopened.

Director Attendance at Annual Meeting of Stockholders

The Company encourages all incumbent directors, as well as all nominees for election as director, to attend the Annual Meeting of Stockholders. All of the Company s incumbent directors attended the Company s Annual Meeting in June 2003.

Corporate Governance

The Company has adopted the Bankrate, Inc. Code of Business Conduct (the code of conduct), applicable to all officers, directors and employees, and the Bankrate, Inc. Finance Code of Professional Conduct (the finance code of ethics), applicable to our Chief Executive Officer, Chief Financial Officer, Controller and other finance organization employees. Both the code of conduct and the finance code of ethics are publicly available on our Web site at http://www.bankrate.com/investor-relations/corpGovernance/corp-governance.asp.

Executive Compensation

Summary Compensation Table. The following table sets forth, for the years indicated, the total compensation paid to or accrued for the Company s President and Chief Executive Officer and our four other most highly compensated executive officers during 2003 (collectively, the Named Executive Officers).

	Annual Compensation					
Name and Principal Position	**Year**	**Salary**	**Bonus (1)**	**Other Annual Compensation (2)**	**Number of Securities Underlying Options**	**All Other Compensation**
Elisabeth DeMarse President, Chief Executive Officer and Director	2003	$ 300,000	$ 125,000	$		$
	2002	300,000	100,000		541,936	
	2001	300,000	100,000			
G. Cotter Cunningham Senior Vice President Chief Operating Officer	2003	$ 176,000	$ 126,656	$		$
	2002	160,000	102,375		160,000	
	2001	160,000	81,461			
Robert J. DeFranco Senior Vice President Chief Financial Officer	2003	$ 176,000	$ 126,656	$		$
	2002	160,000	102,375		82,500	
	2001	160,000	81,461			
Edward L. Newhouse (3) Senior Vice President Chief Revenue Officer	2003	$ 225,000	$ 251,464	$		$
	2002	225,000	163,531		200,000	
	2001	225,000	89,250			
Procopia T. Skoran Vice President, Ad Operations	2003	$ 121,000	$ 50,000	$		$
	2002	110,000	45,500		14,000	
	2001	110,000	55,580			

(1) The amounts shown in this column reflect bonuses paid in each year. Under the Company s Incentive Compensation Plan, awards are determined annually, and paid quarterly in arrears, on the basis of performance in relation to certain predetermined financial and operating goals. For 2003, the following awards were granted: Messrs. Cunningham and DeFranco $110,812; Mr. Newhouse $229,397; and Ms. Skoran $35,430. Ms. DeMarse s awards are determined under her employment agreement (see Employment Agreement below). For 2002, special awards were granted by the Board of Directors, paid in the first quarter of 2003 as follows: Ms. DeMarse $25,000; Messrs. Cunningham and DeFranco $15,000; and Ms. Skoran $7,500.

(2) Other compensation in the form of perquisites and other personal benefits has been omitted in accordance with the rules of the Commission.

(3) On February 23, 2004, the Company appointed Richard Stalzer Senior Vice President Chief Revenue Officer, replacing Mr. Newhouse who resigned from that position.

Option Grants in Last Fiscal Year

No stock options were granted to any of the Named Executive Officers during the year ended December 31, 2003.

Option Exercises in Last Fiscal Year and Year-End Option Values

The following table summarizes the number of shares and value realized by each of the Named Executive Officers upon the exercise of options and the value of the outstanding options held by the Named Executive Officers at December 31, 2003:

			Number of Securities Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-the-Money Options at Fiscal Year-End (1)	
Name	**Shares Acquired on Exercise**	**Value Realized**	**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
Elisabeth DeMarse	115,000	$ 1,181,500	426,936		$ 4,922,572	$
G. Cotter Cunningham	102,000	1,121,200	56,958	1,042	656,726	12,014
Robert J. DeFranco	50,000	503,500	32,083	417	369,917	4,808
Edward L. Newhouse	68,125	650,438	131,875		1,520,519	
Procopia T. Skoran	14,400	111,312	16,233	1,167	185,636	13,456

(1) Based on the fair market value of our Common Stock as of December 31, 2003 of $12.38 per share as reported on the Nasdaq National Market, less the exercise price payable upon exercise of such options.

Employment Agreements

On April 27, 2000, Ms. DeMarse entered into an employment agreement with the Company that expired on April 27, 2002. Ms. DeMarse entered into a new agreement on April 27, 2002. Pursuant to the terms of her employment agreement, Ms. DeMarse is entitled to receive an annual base salary of $300,000 and a bonus of $100,000 payable in quarterly installments. The Company has agreed to provide other benefits, including $500,000 in term life insurance and participation in our benefit plans available to other executive officers. Under the terms of the employment agreement, Ms. DeMarse agrees to assign to the Company all of her copyrights, trade secrets and patent rights that relate to the Company s business. Additionally, during the term of her employment and for a period of one year thereafter, Ms. DeMarse agrees not to compete with the Company and not to recruit any of its employees, unless the Company terminates her without cause or she resigns for good reason (as defined in the agreement). Upon Ms. DeMarse s termination of employment for certain reasons (i.e., without cause, disability, resignation for good reason, or a change of control), the Company agrees to pay her a severance amount of $250,000, as well as reimburse her for health, dental and life insurance coverage premiums for one year after such termination. The agreement terminates on April 27, 2005. Ms. DeMarse was previously granted options to purchase 541,936 shares of the Company s Common Stock under the Company s 1999 Equity Compensation Plan at $2.69 per share, the fair market value on the date of grant. The options vested over a 24-month period. Ms. DeMarse surrendered all of these options and was granted options to purchase 541,936 shares at $0.85, the fair market value of the Company s Common Stock on February 4, 2002, the date of grant, in connection with the Company s stock option exchange program.

On January 1, 2004, G. Cotter Cunningham, the Company s Senior Vice President-Chief Operating Officer, entered into an employment agreement with the Company. Under the terms of the employment agreement, Mr. Cunningham is entitled to receive an annual base salary as stipulated in the employment agreement and an annual bonus contingent on achieving certain performance criteria. Under the terms of the employment agreement, Mr. Cunningham agrees to assign to the Company all of his copyrights, trade secrets and patent rights that relate to the business of the Company. Additionally, during the term of his employment and for a period of one year thereafter, Mr. Cunningham agrees not to compete with the Company and not to recruit any of the Company s employees. Upon Mr. Cunningham s termination of employment for certain reasons (i.e., without cause or resignation for good reason), the Company agrees to pay a separation payment equal to one year s base salary at the then-current rate payable in three equal installments; one-third payable 15 days after the termination date; one-third payable six months after the termination date; and one-third payable 12 months from the termination date.

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On January 1, 2004, Robert J. DeFranco, the Company s Senior Vice President-Chief Financial Officer, entered into an employment agreement with the Company. Under the terms of the employment agreement, Mr. DeFranco is entitled to receive an annual base salary as stipulated in the employment agreement and an annual bonus contingent on achieving certain performance criteria. Under the terms of the employment agreement, Mr. DeFranco agrees to assign to the Company all of his copyrights, trade secrets and patent rights that relate to the business of the Company. Additionally, during the term of his employment and for a period of one year thereafter, Mr. DeFranco agrees not to compete with the Company and not to recruit any of the Company s employees. Upon Mr. DeFranco s termination of employment for certain reasons (i.e., without cause or resignation for good reason), the Company agrees to pay a separation payment equal to one year s base salary at the then- current rate payable in three equal installments; one-third payable 15 days after the termination date; one-third payable six months after the termination date; and one-third payable 12 months from the termination date.

Compensation of Directors

Neither employee nor non-employee directors receive any compensation for their services as such. The Company reimburses each director for reasonable out-of-pocket expenses incurred in attending meetings of the Board of Directors and any of its committees.

Compensation Committee Interlocks and Insider Participation

The following non-employee directors were the members of the Compensation Committee of the Board of Directors during 2003: Randall E. Poliner (Chairman) and Robert P. O Block. None of the members of the Compensation Committee is an executive officer of the Company.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

General

The Compensation Committee of the Company s Board of Directors has furnished the following report on executive compensation in accordance with the rules and regulations of the Commission. This report outlines the duties of the Compensation Committee with respect to executive compensation, the various components of the Company s compensation program for executive officers and other key employees, and the basis on which the 2003 compensation was determined for the executive officers, with particular detail given to the 2003 compensation for the Company s Chief Executive Officer.

Compensation of Executive Officers Generally

The Compensation Committee is responsible for establishing compensation levels for the executive officers of the Company, including the annual bonus plan for executive officers, and for administering the Company s equity compensation plans. The Compensation Committee is comprised of two non-employee directors: Messrs. Poliner (Chairman) and O Block. The Compensation Committee s overall objective is to establish a compensation policy that will (1) attract, retain and reward executives who contribute to the achievement of the Company s business objectives; (2) motivate executives to attain these objectives; and (3) align the interests of executives with those of the Company s long-term investors. The Company compensates executive officers with a combination of salary and incentives designed to focus their efforts on maximizing both the near-term and long-term financial performance of the Company. In addition, the Company s compensation program rewards individual performance that furthers Company goals. The executive compensation program includes base salary, incentive bonuses, long-term equity incentive awards in the form of stock option grants, and other benefits. Each executive officer s compensation package is designed to provide an appropriately weighted mix of these elements, which cumulatively provide a level of compensation roughly equivalent to that paid by companies of similar size and complexity.

Base Salary. Base salary levels for each of the Company s executive officers, including the Chief Executive Officer, are generally set within a range of base salaries that the Compensation Committee believes are paid to executive officers at companies deemed comparable to the Company based on similarities in revenue levels, industry segments and competitive employment markets. In addition, the Compensation Committee generally takes into account the Company s past financial performance and future expectations, as well as the performance of the executives and changes in the executives responsibilities. The annual base salary paid to Ms. DeMarse ($300,000) is the amount specified in her employment agreement with the Company.

Incentive Bonuses. The Compensation Committee recommends the payment of bonuses to provide an incentive to executive officers. Bonuses are awarded only if the Company achieves or exceeds certain corporate performance objectives. The incentive bonus to each executive officer is based on the individual executive s performance as it relates to the Company s performance. Pursuant to the Company s employment agreement with Elisabeth DeMarse, the Company is required to pay, and has paid, Ms. DeMarse a bonus of $100,000 per year.

Equity Incentives. Stock options are used by the Company to provide a stock-based incentive to improve the Company s financial performance and to assist in the recruitment, retention and motivation of professional, managerial and other personnel. Stock options are also designed to align the interests of the Company s executive officers with those of its stockholders by encouraging executive officers to enhance the value of the Company, the price of the Common Stock, and hence, the stockholders return over the long term. Generally, stock options are granted to executive officers from time to time based primarily u