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VERITAS DGC INC  
Form DEF 14A  
October 27, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

SCHEDULE 14A

(RULE 14A-101)

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 Pursuant to Section 240.14a-11(c) or Section 240.14a-12.

VERITAS DGC INC.

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(Name of Registrant as Specified in its Charter)

Payment of filing fee (check the appropriate box):

- [X] No fee required.
- [ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

- [ ] Fee paid previously with preliminary materials.
- [ ] Check box if any part of the fee is offset as provided by Exchange Act

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Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:  
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(VERITAS DGC INC. LOGO)

VERITAS DGC INC.  
10300 TOWN PARK DRIVE  
HOUSTON, TEXAS 77072

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD DECEMBER 2, 2003

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We will hold the annual meeting of the holders of common stock of Veritas DGC Inc. and the holders of exchangeable shares and class A exchangeable shares series 1 of Veritas Energy Services Inc., a wholly-owned subsidiary of Veritas DGC (all such holders are collectively referred to in this Notice as "stockholders") at the offices of Veritas DGC, 10300 Town Park Drive, Houston, Texas 77072, on Tuesday, December 2, 2003, at 10:00 a.m., Houston time, for the following purposes:

- 1) To elect a board of seven directors to serve until the next annual meeting of stockholders and until their successors are elected and qualified;
- 2) To consider an amendment to our Restated Certificate of Incorporation to increase the number of shares of common stock authorized for issuance from 40,000,000 shares to 78,500,000 shares;
- 3) To consider an amendment and restatement of the Company's 1997 Employee Stock Purchase Plan to, among other things, increase the number of shares authorized under the plan from 1,000,000 shares to 2,000,000 shares;
- 4) To consent to a stock option exchange program under which certain outstanding employee options could be exchanged for new options to be issued no less than six months and one day later; and
- 5) To transact any other business as may properly be presented at the meeting or any adjournment of the meeting.

A record of stockholders has been taken as of the close of business on October 13, 2003 and only those stockholders of record on that date are entitled to notice of and to vote at the meeting. A stockholders' list will be available beginning November 20, 2003, and may be inspected during normal business hours

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before the annual meeting at the offices of Veritas DGC, 10300 Town Park Drive, Houston, Texas.

By Order of the Board of Directors,

Larry L. Worden  
Vice President, General Counsel and Secretary

Houston, Texas  
October 24, 2003

YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES YOU OWN. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE TO ENSURE THAT YOUR SHARES WILL BE REPRESENTED AT THE MEETING. IF YOU ATTEND THE MEETING, YOU MAY WITHDRAW ANY PREVIOUSLY SUBMITTED PROXY AND VOTE IN PERSON.

VERITAS DGC INC.  
10300 TOWN PARK DRIVE  
HOUSTON, TEXAS 77072

### PROXY STATEMENT

We are furnishing this proxy statement in connection with the solicitation of proxies by our board of directors for use at our annual meeting of stockholders to be held December 2, 2003, and at any adjournment of the meeting. The meeting will be held at the time and place and for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders.

As of October 13, 2003, the record date for determining the stockholders entitled to vote at the meeting, there were outstanding 32,215,353 shares of Veritas DGC common stock, par value \$.01 per share, 1,170,193 Veritas Energy Services Inc. exchangeable shares and 273,218 Veritas Energy Services class A exchangeable shares series 1. In this proxy statement, all such shares are referred to collectively as "shares," and all holders of shares are referred to collectively as "stockholders." This proxy statement addresses you if you are a stockholder. All shares vote together as a single class and each share entitles its holder to one vote on each matter presented at the meeting. Holders of a majority of the outstanding shares must be present, in person or by proxy, to constitute a quorum for the transaction of business. Abstentions will be treated as present for purposes of determining whether a quorum is present.

The proxy accompanying this proxy statement, when properly signed and returned, permits your shares to be voted by proxy on all matters that come before the meeting or any adjournment of the meeting. If you specify your choice on the proxy with respect to a matter being voted upon, your shares will be voted as you specify. IF YOU SIGN, DATE AND RETURN YOUR PROXY, THEN, UNLESS YOU SPECIFY OTHERWISE, YOUR SHARES WILL BE VOTED IN FAVOR OF OUR SEVEN NOMINEES TO THE BOARD OF DIRECTORS AND IN FAVOR OF EACH OF THE OTHER ITEMS SPECIFIED IN THE NOTICE OF ANNUAL MEETING.

We are not aware of any business to be acted upon at the meeting other than what is set forth in the accompanying Notice of Annual Meeting. If, however, other matters are properly brought before the meeting, or any adjournment of the meeting, the persons appointed as proxies will have discretion to vote in the manner they determine to or to abstain from voting on any such matter according to their best judgment.

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You may revoke your proxy by (i) giving written notice to Larry L. Worden, Vice President, General Counsel and Secretary, Veritas DGC Inc., 10300 Town Park Drive, Houston, Texas 77072, (ii) signing and delivering a later dated proxy to Mr. Worden at any time before its exercise, or (iii) attending the meeting and voting in person. Our inspector of election, who is required to decide impartially any interpretive questions as to the conduct of the vote, will tabulate the votes at the meeting and certify the results.

We will bear the cost of soliciting proxies in the accompanying form. In addition to solicitations by mail, our directors and employees may solicit proxies (without additional compensation) in person, by telephone, fax or electronic mail.

This proxy statement and form of proxy is first being sent or given to stockholders on or about October 28, 2003.

### ELECTION OF DIRECTORS

The stockholders will elect seven directors at the meeting. Each director elected will hold office until the next annual meeting of stockholders, until his successor is elected and qualified or until his earlier death, resignation or removal. By signing, dating and returning the accompanying proxy, you will grant your proxy to vote your shares as you direct. If you sign, date and return your proxy, then, unless you specify otherwise, your shares will be voted FOR election of our seven nominees to the board of directors. All nominees, except for Mr. Carroll, who was appointed as a director by the board in March 2003 have been previously elected directors by our stockholders. Each of the nominees was recommended by the nominating and corporate governance committee of our board of directors. If any nominee becomes unavailable for election, the proxy may be voted for a substitute nominee selected by the persons named in the proxy or the size of the board of directors may be reduced; however, we are not aware of any circumstances likely to render any nominee unavailable. Abstentions and broker non-votes will not be counted as a vote for or against any nominee, and will not affect the outcome of the election. Cumulative voting is not allowed.

As previously announced, Mr. David B. Robson has notified our board of directors that he intends to step down as chief executive officer of Veritas DGC as soon as a successor can be located. He intends to remain as a director and as chairman of the board after a new chief executive officer is hired and takes office. After a new chief executive officer is hired, our board may expand the number of directors to eight and appoint the new chief executive officer to our board of directors. The seven nominees who receive a majority of the votes cast will be the duly elected directors of Veritas DGC.

The board of directors recommends a vote "FOR" all seven of our nominees.

### NOMINEES

The names of the seven nominees and certain information concerning each of them is set forth below:

NAME	PRINCIPAL POSITION WITH VERITAS DGC	AGE	DIRECTOR SINCE
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Loren K. Carroll	Director	60	2003

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Clayton P. Cormier	Director	71	1991
James R. Gibbs	Director	59	1997
Stephen J. Ludlow	Director, Vice Chairman	53	1994
Brian F. MacNeill	Director	64	1996
Jan Rask	Director	48	1998
David B. Robson	Director, Chairman and Chief Executive Officer	64	1996

LOREN K. CARROLL is currently president and chief executive officer of M-I LLC and is also executive vice president of Smith International, Inc. Mr. Carroll also serves as a director of Smith International Inc. and as a director of Fleetwood Enterprises, Inc. Mr. Carroll joined Smith International in December 1984 as vice president and chief financial officer. In January 1988 he was appointed executive vice president and chief financial officer of Smith International and served in that capacity until March 1989. Mr. Carroll then rejoined Smith International in 1992 as executive vice president and chief financial officer. Smith International holds a 60% interest in M-I LLC.

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CLAYTON P. CORMIER is currently a financial and insurance consultant. Prior to that, Mr. Cormier was a senior vice president in the oil and gas division of Johnson & Higgins, an insurance broker, from 1986 to 1991 and previously served as chairman of the board, president, and chief executive officer of Ancon Insurance Company, S.A. and as an assistant treasurer of Exxon Corp.

JAMES R. GIBBS is chairman, president and chief executive officer of Frontier Oil Corporation, an oil refining and marketing company. He has been chairman since January 1999, chief executive officer since 1992 and president since 1987. He has been employed there for twenty-one years. Mr. Gibbs is a director of Frontier Oil Corporation, Smith International and Gundle/SLT Environmental, Inc. and is an advisory director of Frost Bank-Houston.

STEPHEN J. LUDLOW became vice chairman of Veritas DGC in January 1999. From August 1996, upon consummation of the business combination between Veritas DGC (formerly Digicon Inc.) and Veritas Energy Services until January 1999, he was president and chief operating officer of Veritas DGC Inc. He has been employed by Veritas DGC for 31 years and served as president and chief executive officer of Veritas DGC from 1994 to 1996. Prior to 1994, he served as executive vice president of Veritas DGC for four years following eight years of service in a variety of management positions with increasing levels of responsibility, including several years of service as the executive responsible for operations in Europe, Africa and the Middle East.

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BRIAN F. MACNEILL is currently chairman of PetroCanada, an integrated oil and natural gas energy company and Dofasco Inc., a steel producer. Prior to his retirement on January 1, 2001, he was president and chief executive officer of Enbridge Inc., a crude oil and liquids transportation and natural gas distribution company, for more than five years. Mr. MacNeill is a director of PetroCanada, Dofasco Inc., TELUS Corporation, West Fraser Timber Co., Ltd., Sears Canada Inc., Toronto-Dominion Bank, Western Oil Sands, Inc., and Legacy Hotel Real Estate Investment Trust.

JAN RASK is currently president and chief executive officer of TODCO, formerly known as R & B Falcon and has held that position since July 2002. From September 2001 to July 2002, he was the Managing Director-Acquisitions and Special Projects of Pride International, Inc. and from July 1996 to September 2001, Mr. Rask was president, chief executive officer and director of Marine Drilling Companies, Inc. Mr. Rask served as president and chief executive officer of Arethusa (Off-Shore) Limited from May 1993 until the acquisition of Arethusa (Off-shore) Limited by Diamond Offshore Drilling, Inc. in May 1996. Mr. Rask joined Arethusa (Off-shore) Limited's principal operating subsidiary in 1990 as its president and chief executive officer.

DAVID B. ROBSON has been chairman and chief executive officer of Veritas DGC since consummation of the business combination between Veritas DGC and Veritas Energy Services in August 1996. Prior to that, he held similar positions with Veritas Energy Services or its predecessors since 1974. Mr. Robson is also a director of Pride International, Inc.

### MEETINGS OF THE BOARD OF DIRECTORS AND COMMITTEES

During fiscal year 2003, the board of directors held 10 regularly and specially scheduled meetings. Committees of the board of directors held the following number of meetings: audit committee - 9 meetings; compensation committee - 4 meetings; nominating and corporate governance committee - 3 meetings; and health, safety and environment committee - 2 meetings. During fiscal year 2003, all directors attended at least 75% of the aggregate of the meetings of the board of directors and the committees on which they served.

### COMMITTEES OF THE BOARD OF DIRECTORS

Our board of directors has established the following standing committees:

Compensation Committee. The compensation committee approves the compensation arrangements for officers of our company, including establishment of salaries and bonuses and other compensation. Additionally, the compensation committee approves and administers compensation plans in which officers and directors are eligible to participate, and approves awards of stock options and restricted stock. The compensation committee also reviews our succession plan and significant issues that relate to changes in benefit plans.

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Nominating and Corporate Governance Committee. The nominating and corporate governance committee identifies and recommends nominees for election to our board of directors at annual meetings and to fill vacancies on our board of directors, recommends nominees for appointment to our committees, annually reviews the structure and operation of each board committee, and annually reviews its charter. The nominating and corporate governance committee will consider nominees recommended by stockholders. With respect to procedures that must be followed in order for nominations from stockholders to be considered, see "Stockholder Proposals and Director Nominations." In accordance with its

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charter, the committee is developing a set of corporate governance guidelines to be considered by the board of directors.

Health, Safety and Environmental Committee. The health, safety and environment committee assists the board of directors by overseeing our environmental and occupational health and safety policies and programs and monitoring related current and future environmental and occupational health and safety regulatory issues.

Audit Committee. The audit committee assists the board of directors in ensuring that our accounting and reporting practices are in accordance with all applicable requirements. Specifically, the audit committee annually reviews and recommends to our board of directors the firm to be engaged to audit the accounts of our company and its subsidiaries. Additionally, the audit committee reviews with such independent accountant the plan and results of the auditing engagement, makes inquiries as to the adequacy of internal accounting controls, and considers the independence of our independent accountants. The committee also reviews the scope and scheduling of our internal audits and reviews the results of those audits.

All members of the audit committee are independent, as defined in Sections 303.01(B) (2) (a) and (3) of the New York Stock Exchange's listing standards and as that term is used in Schedule 14A under the Securities Exchange Act of 1934. Our board of directors has determined that each member of the audit committee is financially literate and that Mr. Cormier has the necessary accounting and financial expertise to serve as chairman. Our board of directors has designated each of Messrs Carroll, Cormier, Gibbs and Rask as "audit committee financial experts" following a determination that each met the criteria for such designation under the Securities and Exchange Commission Rules and Regulations.

Our board of directors adopted a written charter for the audit committee which was most recently amended on September 23, 2003. A copy of the amended charter is attached to this proxy statement as Annex A.

Notwithstanding anything to the contrary set forth in any of our previous or future filings under the Securities Act of 1933 or the Securities Exchange Act that might incorporate this proxy statement or future filings with the Securities and Exchange Commission, in whole or in part, the preceding description of our audit committee and the audit committee report included below shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission or incorporated by reference into any filing except to the extent is specifically incorporated by reference therein.

### REPORT OF THE AUDIT COMMITTEE

The audit committee has reviewed and discussed our audited financial statements for the year ended July 31, 2003 with management and PricewaterhouseCoopers LLP, our independent accountants, and has also discussed with our independent accountants the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU Section 380) with respect to those statements.

The audit committee has received and reviewed the written disclosures and the letter from PricewaterhouseCoopers LLP required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), and has discussed with PricewaterhouseCoopers LLP its independence in connection with its audit of our most recent financial statements. The audit committee has reviewed the services provided by PricewaterhouseCoopers LLP and has determined that the services provided are compatible with the maintenance of PricewaterhouseCoopers LLP's independence.

Based on the review and discussions referred to above, the audit committee recommended to our board of directors that the most recent audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2003, filed with the Securities and Exchange Commission.

AUDIT COMMITTEE  
Clayton P. Cormier, Chairman  
Loren K. Carroll  
James R. Gibbs  
Jan Rask

#### DIRECTOR COMPENSATION

Effective December 3, 2002, each of our directors who is not also an employee is paid an annual fee of \$25,000 plus travel expenses, a fee of \$1,500 for attendance at each regular or special board and committee meeting (other than telephonic meetings) and a fee of \$750 for attendance at each telephonic board or committee meeting. Also effective December 3, 2002, the chairman of the audit committee is paid a fee of \$10,000 annually in addition to the other fees paid to non-employee directors. Prior to December 3, 2002, each non-employee director was paid an annual fee of \$15,000 plus travel expenses, a fee of \$1,500 for attendance at each regular or special board of directors meeting (other than telephonic meetings), \$750 for attendance at each telephonic board of directors meeting and \$750 for attendance at each regular, special or telephonic committee meeting. Prior to December 3, 2002, the chairman of the audit committee received no additional fee for service as chairman. The increase in the annual fee for non-employee directors and the additional fee for the chairman of the audit committee were pro-rated for the period beginning December 3, 2002 and ending July 31, 2003.

Under the company's Share Incentive Plan, non-employee directors are eligible to receive (1) nonqualified options, (2) share appreciation rights, (3) deferred share units, (4) restricted shares and (5) performance shares. The compensation committee determines the type of awards granted and the terms of each grant. It is our board's current policy to award to newly elected or appointed non-employee directors options to purchase 10,000 shares of our common stock at fair market value on the date of grant. The options granted to newly elected or appointed non-employee directors have a five-year term and become exercisable as follows: 2,500 options immediately upon the date of grant and an additional 2,500 options on each subsequent year on the anniversary of the date of grant. Each year after election or appointment, typically in March, each non-employee director is granted options to purchase 5,000 shares of our common stock at fair market value on the date of grant. These options vest immediately and have a five-year term.

Commencing with annual director's fees paid in calendar year 2003, each of our non-employee directors may elect to receive deferred share units issued under our Share Incentive Plan in lieu of either 25, 50, 75 or 100 percent of his or her annual director's fee. Once vested, each share unit is convertible into one share of our common stock. A director who elects to receive deferred share units prior to the end of any calendar year is entitled to receive on January 1 of the following year that number of deferred share units with a fair market value, as defined in the plan, equal to the amount deferred. The share units then vest on the following dates: 25 percent on January 1 (the date of grant); and 25 percent on each of the following dates: April 1, July 1, and October 1. Vested share units automatically convert to shares of our common



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stock upon the director's retirement or other termination. Only Mr. MacNeill elected to receive share units in lieu of his annual director's fees. On January 1, 2003, he was issued in lieu of 100% his annual director's fee 3,165 share units based on a price of our common shares of \$7.90 per share on December 31, 2002.

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### APPROVAL OF AMENDMENT OF RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES

#### DESCRIPTION OF PROPOSED AMENDMENT

On September 23, 2003, our board of directors adopted resolutions approving a proposed amendment to Article IV of our Restated Certificate of Incorporation (the "Certificate") to increase the number of shares of common stock that we are authorized to issue from 40,000,000 shares to 78,500,000 shares. Our board of directors determined that the amendment is advisable and directed that the amendment be considered at the 2003 annual meeting of stockholders.

Accordingly, it is proposed to amend Article IV, Section 1, of our Certificate to read in its entirety as follows:

"Section 1. The aggregate number of shares that the Corporation will have authority to issue is 79,500,000, of which 78,500,000 will be shares of common stock, par value \$.01 per share ("Ordinary Shares"), and 1,000,000 will be shares of preferred stock, par value \$.01 per share ("Preferred Stock")."

If the proposed amendment is adopted by the required vote of stockholders, it will become effective upon its being filed with the Delaware Secretary of State.

#### PURPOSES AND EFFECTS OF THE AMENDMENT

As of October 13, 2003, 32,415,353 shares of our common stock were outstanding; 1,443,411 shares were reserved for issuance upon exchange of the outstanding exchangeable shares of Veritas Energy Services and shares were reserved for issuance under equity compensation plans. In addition, we are obligated to issue to the former owners of Fairweather Geophysical L.L.C, in which we acquired an interest in December 2000, shares having a fair market value of \$500,000, which equates to 58,344 shares based on the October 13, 2003 closing price of our common stock of \$8.57 per share on the New York Stock Exchange, if certain conditions are met on or before May 1, 2004. As a result, as of October 13, 2003, only 248,590 shares of common stock were available for issuance, excluding the shares that we may be required to issue to the former owners of Fairweather Geophysical. Our board of directors believes that it is advisable and in our best interests to have available additional authorized but unissued shares of common stock in an amount adequate to provide for our future needs. The shares of common stock proposed for authorization under the amendment may be issued for any proper corporate purpose, including, without limitation: acquiring other businesses or technologies in exchange for shares of common stock; entering into joint venture arrangements with other companies in which common stock or the right to acquire common stock are part of the consideration; stock splits or stock dividends; raising capital through the sale of common stock; attracting and retaining valuable employees by the issuance of additional stock options or use of stock-based compensation plans. Our board of directors has no current plans or commitments to issue any of the additional common stock.

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The increase in authorized common stock will not have any immediate effect on the rights of existing stockholders. However, if the proposed amendment is approved, the additional shares will be available for issuance from time to time by us, in the discretion of our board of directors, without further authorization or vote of the stockholders unless such authorization is otherwise required by applicable law or regulation or the rules of any exchange on which the common stock is listed. An increase in the authorized number of shares of common stock could make more difficult, and thereby discourage, attempts to acquire control of the company, even though stockholders of the company may deem such an acquisition to be desirable. Issuance of shares of common stock could dilute the ownership interest and voting power of stockholders of the company who are seeking control of the company. Shares of common stock could be issued in a private placement to one or more persons or organizations sympathetic to management and opposed to any takeover bid, or under other circumstances that could make more difficult, and thereby discourage, attempts to acquire control of the company. To the extent that it impedes any such attempts, the proposed amendment may serve to perpetuate management.

Holders of the common stock, including the additional shares proposed for authorization under the amendment, do not have preemptive rights, which means that current stockholders do not have a prior right to purchase any new issue of our capital stock to maintain their proportionate ownership. Thus, the issuance of

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additional shares of common stock might dilute, under certain circumstances, the ownership and voting rights of existing stockholders. Each of the additional authorized shares of common stock, if and when issued, will have the same rights and privileges as the currently authorized common stock.

### VOTE REQUIRED

By signing, dating and returning the accompanying proxy, you will grant your proxy to vote your shares as you direct. The persons named in the proxy intend to vote for adoption of the amendment unless otherwise instructed. The affirmative vote of the holders of a majority of our outstanding shares will be required to approve the amendment to our Certificate. Therefore, abstentions and broker non-votes will have the same legal effect as a vote against the amendment. Cumulative voting is not allowed.

### RECOMMENDATION OF THE BOARD

The board of directors recommends a vote "FOR" approval of the amendment.

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### APPROVAL OF AMENDMENT AND RESTATEMENT OF OUR EMPLOYEE SHARE PURCHASE PLAN

Veritas DGC's 1997 Employee Stock Purchase Plan (the "Share Purchase Plan" or "Plan") was adopted by our board of directors in September 1997 and approved by our stockholders in December 1997. A total of 500,000 shares were initially reserved for issuance under the Share Purchase Plan. In 2001, our board of directors and our stockholders approved an amendment to the Plan to increase the aggregate number of shares authorized for issuance under the Plan by 500,000, bringing the total number of shares authorized for issuance under the Share Purchase Plan to 1,000,000. The Plan provides, in general, that each participating employee is deemed to have been granted an option to purchase, on

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the first day of the fiscal quarter, as many whole and fractional shares as may be purchased with the payroll deductions credited to the participant's account during the quarter. As of October 13, 2003, approximately 153 employees, or 22% of our eligible U.S. employees, were participating in the Share Purchase Plan.

### DESCRIPTION OF AMENDMENT AND RESTATEMENT

Effective January 1, 2003, we amended and restated our Share Purchase Plan, subject to approval by stockholders, to:

- o Allow the Plan's administrative committee discretion to determine which of our affiliates may participate in the Plan;
- o Clarify when employment is deemed terminated when an employee is on an authorized leave of absence;
- o Clarify the effect of termination of employment due to retirement or disability;
- o Specify that any income derived from the Plan is not part of an employee's regular compensation or salary;
- o State that participation in the Plan is completely voluntary;
- o Change the name of the Plan to the Veritas DGC Inc. Employee Share Purchase Plan;
- o Allow shares issued under the Plan to be represented by a book entry;
- o Amend the definition of "fair market value;"
- o Require written consent of a spouse if a participant is married and designates a beneficiary other than the spouse.

These changes were made to conform the Plan to current requirements of Section 423 of the Internal Revenue Code of 1986, as amended (the "Code"), allow those of our employees who work for certain of our foreign subsidiaries to participate in the Plan, and ease our administration of the Plan.

In addition, on September 23, 2003, our board of directors approved a further amendment to increase the aggregate number of shares authorized for issuance under the Plan by 1,000,000 shares, bringing the total number of shares authorized for issuance under the Share Purchase Plan to 2,000,000. In accordance with the terms of the Plan, we are seeking stockholder approval of the amended and restated Plan.

We consider the increase in shares necessary to meet our current needs. The Share Purchase Plan is an integral component of our benefits program that is intended to provide employees with an incentive to exert maximum effort for our success and to participate in that success through the acquisition of our common stock. As of September 30, 2003, a total of 899,791 shares had been issued under the terms of the Share Purchase Plan since inception. As of July 31, 2003, only 100,209 shares remained available to be issued under the Plan. Based on current participation and assuming a share price of \$8.08 or more on October 31, 2003, we estimate that we will issue approximately 48,400 shares under the Share Purchase Plan for the period that began on August 1, 2003 and

will end on October 31, 2003. Based on this estimate, less than 52,000 shares will be available to be issued under the Plan after October 31, 2003.

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A copy of the proposed amended and restated Share Purchase Plan is attached as Annex B to this proxy statement.

### GENERAL DESCRIPTION OF THE PLAN

All employees who have completed at least six consecutive months of continuous employment with Veritas DGC or any of its majority-owned subsidiaries may participate in the Plan. Subject to eligibility requirements, participation is voluntary. No employee is eligible to obtain an option to purchase shares under the Share Purchase Plan if, immediately after the grant of the option under the Plan, the employee would own shares, and/or hold outstanding options to purchase shares, possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of Veritas DGC or of any of its subsidiaries. In addition, no employee is eligible to obtain an option under the Plan that would permit him or her to purchase shares in any calendar year with a value in excess of \$25,000 (determined at fair market value of the shares at the time the option is granted).

Offering periods under the Plan are August 1 through October 31, November 1 through January 31, February 1 through April 30 and May 1 through July 31. The offering periods will continue until the Plan is terminated.

The compensation committee of the board of directors administers the Share Purchase Plan.

For each fiscal quarter, each participant is deemed to have been granted an option to purchase, on the first day of the fiscal quarter, as many whole and fractional shares as may be purchased with the payroll deductions credited to the participant's account during the quarter. The purchase price per share at which shares will be sold in an offering under the Share Purchase Plan is the lower of (i) 85% of the fair market value of a share on the first day of the fiscal quarter or (ii) 85% percent of the fair market value of a share on the last day of the fiscal quarter. Under the Share Purchase Plan, the fair market value of our shares on a given date is the closing price as of the immediately preceding business day as reported on the New York Stock Exchange.

The purchase price of the shares is accumulated by payroll deductions over the offering period. The Share Purchase Plan provides that the aggregate of such payroll deductions during the offering period shall not exceed 15% of the participant's base pay. Base pay is defined as regular straight-time earnings or base salary, excluding bonuses and other types of extraordinary compensation. All payroll deductions made for a participant are credited to the participant's account under the Share Purchase Plan and are included with our general funds. Funds received upon sales of stock under the Share Purchase Plan are used for general corporate purposes.

Option holders are protected against dilution in the event of a stock dividend, stock split, subdivision combination, recapitalization or similar event. If the company is not the surviving corporation in any merger or consolidation (or survives only as a subsidiary) or if the company is dissolved or liquidated, then unless the surviving corporation assumes or substitutes new options for all options then outstanding, the date of exercise for all options then outstanding will be accelerated to dates fixed by the board of directors prior to the effective date of such merger, consolidation, dissolution or liquidation.

A participant may abandon his or her election to purchase shares under the Share Purchase Plan by signing and delivering to us a notice of withdrawal from the Share Purchase Plan at least 15 days prior to the end of the fiscal quarter. The participant may also withdraw all of the accumulated balance in his account being held to purchase shares.

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Termination of a participant's employment for any reason, other than retirement, death or disability, immediately terminates his or her participation in the Plan. In such event the payroll deductions credited to the participant's account will be returned without interest to such participant. If a participant's termination of employment is due to retirement on or after the age of 65, death, or disability, the participant or his or her estate may elect to either (i) withdraw that balance of the participant's account as of the termination date; or (ii) exercise the option to purchase shares on the last day of the fiscal quarter based upon the balance in the participant's account as of the termination date.

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Our board of directors may at any time amend or terminate the Share Purchase Plan, except that no such termination will affect options previously granted and no amendment will make any change in an option granted prior to such time that adversely affects the rights of any participant. Under the Share Purchase Plan, an amendment to increase the number of shares authorized for issuance or an amendment to the class of employees eligible to purchase stock under the Plan requires the approval of our stockholders. The Plan will terminate in October 2007, unless terminated earlier by our board of directors.

### OPTIONS GRANTED

During the last fiscal year ended July 31, 2003, options to purchase an aggregate of 296,740 shares were exercised by 141 participants at an average cost of \$6.47 per share, including options to the named executive officers as follows: Mr. Robson - 0, Mr. Ludlow - 693, Mr. Wells - 0, Mr. Fitzgerald - 2,645, and Mr. Worden - 991; all current executive officers as a group - 4,329; and to all employees excluding current executive officers - 292,411 shares. For the offering period that began August 1, 2003 and will end on October 31, 2003, the only named executive officers who have elected to participate are Mr. Ludlow and Mr. Fitzgerald. The number of options granted to Mr. Ludlow and Mr. Fitzgerald is equal to that number of whole and fractional shares that may be purchased by the amount in each of their payroll deduction accounts on October 31, 2003 at the option price determined as described above. The remaining named executive officers, including Mr. Robson, Mr. Wells and Mr. Worden, and the other current executive officers have not elected to participate in the Plan and have not been granted options under the Plan during the current period. As described above, each employee determines his or her own level of participation in the Plan, subject to the limitations set forth in the Plan and the number of options granted is based upon the employee's selected withholding amount and the fair market value of shares of the company's common stock. As a result, the number of options to be granted in the future to executive officers is not determinable. Based upon the closing stock price of \$7.98 on September 30, 2003 and the limitations in the Plan, no executive officer can receive options for more than 3,132 shares during any calendar year.

### MATERIAL UNITED STATES FEDERAL INCOME TAX ASPECTS OF THE EMPLOYEE SHARE PURCHASE PLAN

THE FOLLOWING IS A BRIEF SUMMARY OF THE MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES RELATING TO THE SHARE PURCHASE PLAN BASED ON UNITED STATES FEDERAL INCOME TAX LAWS CURRENTLY IN EFFECT. THIS SUMMARY APPLIES TO THE SHARE PURCHASE PLAN AS NORMALLY OPERATED AND IS NOT INTENDED TO PROVIDE OR SUPPLEMENT TAX ADVICE TO ELIGIBLE EMPLOYEES. THE SUMMARY CONTAINS GENERAL STATEMENTS BASED ON CURRENT UNITED STATES FEDERAL INCOME TAX STATUTES, REGULATIONS AND CURRENTLY AVAILABLE INTERPRETATIONS THEREOF. THIS SUMMARY IS NOT INTENDED TO BE EXHAUSTIVE AND DOES NOT DESCRIBE STATE, LOCAL OR FOREIGN TAX CONSEQUENCES OR THE EFFECT, IF ANY, OF GIFT, ESTATE AND INHERITANCE TAXES. THE

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SHARE PURCHASE PLAN, AND THE RIGHT OF PARTICIPANTS TO MAKE PURCHASES THEREUNDER, IS INTENDED TO QUALIFY UNDER THE PROVISIONS OF SECTIONS 421 AND 423 OF THE CODE.

A participant's payroll deductions to purchase common stock are made on an after-tax basis. There is no federal income tax liability to the participant when shares of common stock are purchased pursuant to the Share Purchase Plan. However, the participant may incur federal income tax liability upon disposition (including by way of gift) of the shares acquired under the Share Purchase Plan. The participant's U.S. federal income tax liability will depend on whether the disposition is a qualifying disposition or a disqualifying disposition as described below.

If a qualifying disposition of the shares is made by the participant (i.e., a disposition that occurs more than two years after the first day of the option period in which the shares were purchased), or in the event of death (whenever occurring) while owning the shares, the participant will recognize in the year of disposition (or, if earlier, the year of the participant's death) ordinary income in an amount equal to the lesser of (1) the excess of the fair market value of the shares at the time of disposition (or death) over the amount paid for the shares under the option or (2) 15% of the fair market value of the shares at the date of grant (the beginning of the option period). Upon the sale of the shares, any amount realized in excess of the ordinary income recognized by the participant will be taxed to the participant as a long-term capital gain. If the shares are sold at less than the purchase price under the option, then there will be no ordinary income. Instead, the participant will have a capital loss equal to the difference between the sales price and the purchase price paid under the option.

If a disqualifying disposition of the shares is made (i.e., a disposition (other than by reason of death) within two years after the first day of the option period in which the shares were purchased), the participant generally will recognize ordinary income in the year of disposition in an amount equal to any excess of the fair market value of the

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shares at the date of exercise over the purchase price paid for the shares under the option (even if no gain is realized on the sale or if a gratuitous transfer is made). Any further gain (or loss) realized by the participant generally will be taxed as short-term or long-term capital gain (or loss) depending on the holding period.

We will be entitled to a deduction only if the participant makes a disqualifying disposition of any shares purchased under the Share Purchase Plan. In such case, we can deduct as a compensation expense the amount that is ordinary income to the participant provided that, among other things, (1) the amount meets the test of reasonableness, is an ordinary and necessary business expense and is not an "excess parachute payment" within the meaning of Section 280G of the Code, (2) any applicable reporting obligations are satisfied and (3) the one million dollar limitation of Section 162(m) of the Code is not exceeded.

### VOTE REQUIRED

By signing, dating and returning the accompanying proxy, you will grant your proxy to vote your shares as you direct. If you sign, date and return your proxy, then, unless you specify otherwise, your shares will be voted for the amendment and restatement of the Share Purchase Plan. The affirmative vote of a majority of the votes cast will be required to approve the amendment and restatement to the Share Purchase Plan. Abstentions and broker non-votes will not be counted as a vote for or against the approval of the amendment and restatement, and will not affect the outcome of the vote. Cumulative voting is

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not allowed.

### RECOMMENDATION OF THE BOARD

The board of directors recommends a vote "FOR" the amendment and restatement of the Share Purchase Plan.

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### PROPOSAL TO PERMIT A STOCK OPTION EXCHANGE PROGRAM

Our board of directors has determined that it is in the best interests of our stockholders to implement a stock option exchange program. This program will enhance long-term stockholder value by improving our ability to incent and retain our employees. Under this program, our employees will be given a one-time opportunity to exchange all of the eligible stock options they currently hold for a lesser number of options with a new exercise price equal to the fair market value of our common stock on the grant date of the new option, which grant date is expected to be in February 2005. Our five most highly compensated executive officers named in the Summary Compensation Table of this proxy statement and members of our board of directors will not be eligible to participate in this program.

To enhance long-term stockholder value we must implement and maintain competitive employee compensation, incentive and retention programs. Stock options have been, and continue to be, a key part of our employee compensation, incentive and retention program. Stock options motivate and reward our employees' efforts toward the growth and success of our business. By granting stock options to talented employees, we align their interests with those of our stockholders, incent them to grow long-term stockholder value and encourage their long-term employment with us.

As a result of the seismic industry slowdown over the past two years and the resulting decline in our stock price, a significant number of our employees hold stock options with exercise prices that greatly exceed the current market price of our common stock. Consequently, these options no longer provide the long-term incentive and retention objectives they were intended to provide.

The proposed exchange program is intended to remedy this situation by providing employees a one-time opportunity to exchange eligible options for a lesser number of new options with a new exercise price equal to the closing price of our common stock on the date the new options are granted, which is expected to be in February 2005. To meet our need to provide incentive and retention for our employees while simultaneously protecting the interests of stockholders, we have structured the program to be a "value-for-value" exchange, meaning that employees who elect to participate must exchange a number of old options with a value that approximates or is greater than the value of the number of new options they receive in the exchange.

To achieve the accounting treatment we desire for the program, we cannot commence the program until at least six months and one day have elapsed since our last option grant date to eligible employees. Because our next regular option grant to eligible employees will occur in January 2004, if the exchange program is approved by the stockholders, we expect to offer the exchange program to employees in July 2004. Employees will have 20 business days (or longer if we so determine) to elect to participate. The new options issued in exchange for the surrendered options will not be granted until at least six months and one day after the exchange offer period expires. Thus, we expect the new options to be granted in February of 2005.

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Under all foreseeable scenarios, the exchange program, if commenced, would reduce the number of outstanding options. For example, based upon the exchange ratios that would be used if our common stock was valued at \$8.00 per share shortly before the exchange offer commenced and if all eligible employees participated in the program, we would have 568,880 fewer stock options outstanding after the exchange is completed and the new options are issued. The actual net reduction in options outstanding from this exchange program will depend on a variety of factors, including the level of participation in the exchange program and the final exchange ratios. The number of shares subject to the cancelled options, however, will be available for future grants of options or other awards under the Share Incentive Plan.

On December 2, 2002, our stockholders approved the adoption of our Share Incentive Plan. Effective with the adoption of the Share Incentive Plan, no further options have been or may be made granted under previous stock option or restricted stock plans, including the 1992 Employee Non-Qualified Stock Option Plan and the 2001 Key Employee Non-Qualified Stock Option Plan. Options previously granted under either the 1992 plan or the 2001 plan continue to be governed by the terms of those plans and remain outstanding until they are exercised or terminated in accordance with the terms of the applicable plan. At any time an option issued under the 1992 plan or the 2001 plan terminates unexercised for any reason, the shares subject to those terminated options become eligible

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for issue under the Share Incentive Plan. All of the options eligible for exchange under the proposed program were issued either under the 1992 plan or the 2001 plan.

Our Share Incentive Plan expressly prohibits, without stockholder approval, cancellation of any option with an exercise price that exceeds the fair market value of the shares. None of the options proposed for exchange was issued under the Share Incentive Plan; however, all of the new options proposed to be issued in exchange for previously granted options will be issued under the Share Incentive Plan. Our 1992 plan, under which most of the options proposed for exchange were granted, prohibits any decrease in the price of an existing option without stockholder approval. The 2001 plan contains no such limitation. Because the proposed program is structured as an exchange of options granted under the 1992 plan and the 2001 plan for a lesser number of options issued under the Share Incentive Plan, stockholder approval may not be required by either the Share Incentive Plan or the 1992 plan. However, in keeping with the intent of both plans, our board of directors has determined that we will not proceed with the exchange program unless stockholders approve it. On September 23, 2003, upon the recommendation of the compensation committee, the board of directors approved the exchange program, subject to stockholder approval. Accordingly, we are seeking stockholder approval to permit the one-time exchange program described herein.

### DESCRIPTION OF THE EXCHANGE PROGRAM

**Eligible Employees.** We expect to offer the exchange program to all of our employees who hold eligible stock options, other than our five highest paid executive officers named in this proxy statement and members of our board of directors. Our one remaining executive officer, Mr. Thielen, who held eligible options for 4,696 shares at August 31, 2003, will be permitted to participate in the exchange program. If implementation of the program is not feasible or practical in certain non-U.S. jurisdictions, we may exclude employees in these countries from the program. As of August 31, 2003, approximately 263 eligible employees worldwide held options that will be eligible for exchange through the



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program. Participation in the program is voluntary.

To be eligible an employee must be employed by us on the last day of the exchange offer. If an eligible employee who surrenders options in the program is not employed by us on the date of grant of the replacement options, that employee will not receive any replacement options, except in the event of the employee's death in which case his or her estate will receive the replacement options he or she would have otherwise received.

Options Eligible for Exchange. Outstanding options under our plans will be eligible for the exchange program if they meet the following criteria:

- o held by an eligible employee;
- o have an exercise price of \$15.00 per share or higher; and
- o are fully vested on the date of the exchange offer.

Of the total of 3,103,468 options held by eligible employees as of August 31, 2003, options to acquire 747,816 shares met these specific criteria on August 31, 2003. Assuming that all employees holding these options remain employed by us in July 2004, when we expect to make the exchange offer, an additional 90,639 options to acquire shares will be vested, making a total of 838,455 options available for exchange at that time.

Exchange Ratio. Under the proposed amendment authorizing the exchange program, a series of exchange ratios has been established such that, based on the valuation methodology described below, the value of the old options surrendered will be equal to or greater than the value of the new options granted. In all cases, an option holder will be required to surrender a greater number of existing stock options than the number of new stock options issued in this exchange.

The exact number of outstanding options an employee must surrender in order to receive one new replacement option will be determined as described below based on the Black-Scholes option valuation model, which is a widely recognized and accepted method to determine the value of a stock option. The Black-Scholes valuation model takes into account a number of variables, including current stock price, stock volatility, risk-free rate of return, and the duration of the options being valued.

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In determining the exchange ratios, these Black-Scholes valuation factors, except for the current market price of Veritas DGC common stock, will be based on information available as of August 31, 2003. Because the exchange will not commence until July 2004, we have elected to have our valuation methodology take into account changes in our common stock price that occur between September 1, 2003 and the time at which the exchange offer is commenced. We have relied on Frederic W. Cook & Co., a nationally recognized independent compensation-consulting firm, in determining the appropriate option values and exchange ratios based on the Black-Scholes valuation methodology. Using this valuation methodology and the table below, we will determine the actual exchange ratios to be used in the exchange program based on the fair market value of our common stock shortly before the time the exchange offer is commenced. For this purpose, the fair market value of our common stock will be the average of the closing prices of the common stock over a period of 7 consecutive trading days ending no earlier than 30 days and no later than 14 days prior to the commencement of the exchange offer (the "Current Stock Price").

We have set forth in the following table the exchange ratios that would

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be used for the exchange program based on hypothetical Current Stock Prices taking into account the weighted average exercise price and the weighted average remaining term of each eligible option. The actual exchange ratios will be calculated using the actual Current Stock Price.

### EXCHANGE RATIOS BASED UPON SELECTED HYPOTHETICAL CURRENT STOCK PRICES

Option Exercise Price	Weighted Avg. Exercise Price (\$)	Weighted Avg. Remaining Term (Years)	Hypothetical Current Price			
			\$5.00	\$6.00	\$7.00	\$8.00
\$15.00 - \$17.49	\$15.78	4.257	3.25 to 1	2.50 to 1	2.25 to 1	1.75 to 1
\$17.50 - \$19.99	19.37	2.702	9.50 to 1	6.25 to 1	4.50 to 1	3.50 to 1
\$20.00 - \$24.99	22.83	5.249	4.25 to 1	3.50 to 1	2.75 to 1	2.50 to 1
\$25.00 - \$29.99	26.24	5.624	4.50 to 1	3.50 to 1	3.00 to 1	2.50 to 1
\$30.00 - \$56.00	34.89	6.353	8.50 to 1	6.00 to 1	4.50 to 1	3.75 to 1

If the actual Current Stock Price is below \$5.00 per share, the exchange ratios will be increased appropriately using the same valuation methodology described above. Our board of directors has determined that the exchange program will be cancelled in its entirety if the Current Stock Price is greater than 11.00 per share. On October 13, 2003, our common stock last traded on the New York Stock Exchange for \$8.57 per share. Regardless of the final exchange ratios, to participate in the program, an employee must elect to voluntarily surrender all outstanding options with exercise prices above \$15.00 per share.

Because the decision whether to participate in the exchange program is voluntary, we are not able to predict who will participate or how many options employees will elect to exchange. Assuming all eligible options are tendered, the following table shows the impact of the exchange program on outstanding options.

### EFFECT OF EXCHANGE ON OUTSTANDING OPTIONS AT SELECTED CURRENT STOCK PRICES

Options	Current Stock Price Per Share						
	\$5.00	\$6.00	\$7.00	\$8.00	\$9.00	\$10.00	\$11.00
Options cancelled	(838,455)	(838,455)	(838,455)	(838,455)	(838,455)	(838,455)	(838,455)
New options issued	130,397	176,679	222,931	269,575	313,410	354,748	387,000
Net reduction	(708,058)	(661,776)	(615,524)	(568,880)	(525,045)	(483,707)	(451,455)

Surrendered options will be cancelled and the number of shares subject to surrendered options will be available for future option grants or other awards under the Share Incentive Plan.

Grant of New Options. We currently expect that the new options will be issued on the first business day that is at least six months and one day after the cancellation of the surrendered options. All new options will be granted

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under our Share Incentive Plan. All new options granted under the exchange program will be non-qualified stock options for U.S. federal income tax purposes. The new options will have the following terms and conditions unless otherwise required or deemed advisable under local laws outside the United States:

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- o Exercise Price. All new options will be granted with an exercise price equal to the last reported price for one share traded on the NYSE on the business day immediately preceding the date of grant, which is expected to be in February 2005.
- o Vesting. The new options will vest 100% on the six-month anniversary of the date of grant.
- o Term. Each new option will have a term of five years from the date of grant.
- o Other Terms and Conditions. All other terms and conditions of the new options will be consistent with the terms of the Share Incentive Plan.

The shares of common stock for which the new options will be exercisable have been registered with the Securities and Exchange Commission.

Implementation of the Stock Option Exchange Program. On September 23, 2003, upon the recommendation of the compensation committee, our board of directors approved the exchange program, subject to stockholder approval. As described above, the program is expected to commence in July 2004. If the stockholders consent to the option exchange program, then we expect that beginning in July 2004, eligible employees will be offered the opportunity to participate in the exchange program under an Offer of Exchange filed with the Securities and Exchange Commission and distributed to all eligible employees. Employees will have an election period of at least 20 business days to accept the offer to receive new options in exchange for the surrender of all of their existing eligible options. Replacement options will be granted on the first business day that is at least six months and one day after the cancellation of the old options, which we expect to occur in February 2005. If circumstances change prior to the implementation of the stock option exchange program, our board of directors will have the authority, in its discretion, to terminate or postpone the exchange program for up to six months. In implementing the option exchange program, we intend to comply with the applicable tender offer rules and regulations promulgated by the Securities and Exchange Commission.

Accounting Treatment. We have structured the program to comply with existing U.S. Financial Accounting Standards Board guidelines so that we will avoid any variable accounting compensation charges against our earnings. In other words, we expect to receive the same accounting treatment for the new options as we receive for the currently outstanding options that are surrendered in the exchange. We are aware that accounting standards in this area may change prior to the commencement of the exchange program or the issuance of the new options. Accordingly, we may not realize the intended accounting treatment or we may modify the program as necessary to ensure the same accounting treatment or terminate the offer if the desired accounting treatment cannot be obtained.

Income Tax Consequences. The exchange is intended to be treated as a non-taxable exchange for U.S. federal income tax purposes. Therefore, participating employees are not expected to recognize any income for U.S. federal income tax purposes upon the grant of the new options. The tax consequences for participating non-U.S. employees may differ from the U.S. federal income tax consequences described above.

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Effect on Stockholders. We are not able to predict with certainty the precise impact the exchange program will have on our stockholders, because we are unable to predict how many eligible employees will exchange their options or what the future market price of our common stock will be. Some effects of the exchange are predictable. The lower strike price of the new options makes their exercise more likely, increasing the probability of stockholder dilution. As set out in the table under the heading "Effect of Exchange on Outstanding Options at Selected Current Stock Prices" and assuming all eligible options are exchanged, up to 387,422 new options will be issued representing a potential voting dilution to existing stockholders of 1.15%, calculated using total outstanding shares of 33,658,764 as of October 13, 2003.

### SUMMARY DESCRIPTION OF THE SHARE INCENTIVE PLAN

The following overall description of the material features of the Share Incentive Plan is qualified in its entirety by reference to the Share Incentive Plan. Capitalized terms not otherwise defined have the meaning

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ascribed to them in the Share Incentive Plan. We have not included a description of the other option plans because no additional options will be granted under those plans.

The Share Incentive Plan provides that the following types of awards may be granted: (1) nonqualified options to purchase our common stock, (2) incentive stock options to purchase our common stock, (3) share appreciation rights ("SARs"), (4) deferred share units, (5) restricted shares and (6) performance shares. Awards may be a combination of one or more of these types.

Subject to certain adjustment provisions in the Share Incentive Plan, the committee may grant as awards an aggregate maximum of the sum of the following numbers of shares to eligible persons during the Share Incentive Plan term: (i) 1,200,000 (no more than 300,000 of which may be granted in a form other than options), (ii) 1,146,156 shares, representing the number of shares available for issuance under the Veritas DGC Inc. Restricted Stock Agreements, Veritas DGC Inc. Restricted Stock Plan, Veritas DGC Inc. 2001 Key Employee Restricted Stock Plan, Veritas DGC Inc. 1992 Employee Nonqualified Stock Option Plan, Veritas DGC Inc. 1992 Non-Employee Director Stock Option Plan and Veritas DGC Inc. 2001 Key Employee Nonqualified Stock Option Plan (collectively, "Existing Stock Plans") which were not the subject of an option or restricted stock award granted under one of the Existing Stock Plans as of the date our stockholders approved the Share Incentive Plan; and (iii) the number of shares subject to unexercised options or unvested restricted stock awards granted under the Existing Stock Plans prior to the date the Share Incentive Plan was approved by our stockholders that expire or are cancelled, terminated or forfeited after the date our stockholders approved the Share Incentive Plan. Of those dedicated shares, the maximum number of shares with respect to which options characterized by us as incentive stock options may be granted under the Share Incentive Plan is 2,000,000; the maximum number with respect to which options and SARs may be granted to any person under the Share Incentive Plan during any three consecutive calendar years is 500,000; and the maximum number with respect to which performance shares may be granted to any person under the Share Incentive Plan during any three consecutive calendar years cannot exceed 250,000. Should an outstanding award granted under the Plan expire, terminate, be settled in cash in lieu of shares or be surrendered for any reason, the shares allocated to any unexercised portion of that award may again be subject to award under the Share Incentive Plan. If the exercise price of an option is paid in shares or if shares are withheld from payment of an award to satisfy tax obligations with respect to the award, such shares also will not count against any of the above

limits.

Administration. A committee of at least two persons who are members of and appointed by the compensation committee of our board of directors or to the extent it chooses to operate as the committee, the compensation committee of our board of directors will administer the Share Incentive Plan. The committee designates the persons to be granted awards and the types and amount of awards to be granted and has authority to interpret the Share Incentive Plan, adopt, alter and repeal administrative regulations, accelerate the time at which awards may be exercised or will vest, and determine and amend the terms of the awards. No award will be granted after July 31, 2012.

Eligibility. The committee may make awards under the Share Incentive Plan to persons, including our officers, directors, employees, consultants and advisors who have substantial responsibility for the management and growth of Veritas DGC or any of its affiliates. The Share Incentive Plan provides that options intended to qualify as incentive stock options may only be granted to key employees of Veritas DGC or its parent or subsidiary corporations. The committee, in its sole discretion, will select the persons eligible to participate in the Share Incentive Plan. The approximate number of individuals who are eligible to participate in the Share Incentive Plan is 300.

Stock Options. The Share Incentive Plan provides that the committee is authorized to grant incentive and nonqualified options to purchase shares subject to such terms and conditions as the committee may determine in its sole discretion. The price for which shares may be purchased shall not be less than the fair market value of the shares on the date the option is granted; provided, however, that the price for which shares may be purchased shall not be less than 110% of the fair market value of the shares on the date an option characterized as an incentive stock option is granted if such option is granted to a person who, at the time of the grant, owns (or is deemed to own under section 424(d) of the Code) shares of outstanding stock possessing more than 10% of the total combined voting power of all classes of stock of Veritas DGC or of Veritas DGC's parent, if any, or subsidiary corporations (a "10% Owner").

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Unless the option agreement specifies a shorter term, an option expires on the tenth anniversary of the date the option is granted (fifth anniversary of the date an option characterized as an incentive stock option is granted to a 10% Owner). Unless the option agreement specifies otherwise, an option shall not continue to vest after the termination of the option holder's employment or affiliation relationship with Veritas DGC and its affiliates for any reason other than death, disability or retirement. The Share Incentive Plan gives the committee discretion to accelerate the vesting of an option on a case-by-case basis at any time.

An option may be exercised at the time, in the manner, and subject to the conditions the committee specifies in the option agreement in its sole discretion. Payment of the exercise price of an option may be made in such manner as the committee may provide, including cash, delivery of shares already held for at least six months, or a broker-assisted cashless exercise. No option holder will have any rights as a stockholder with respect to Veritas DGC shares covered by an option.

SAR's. The committee shall specify in a SAR award agreement the term of a SAR as well as vesting and termination provisions. Upon the exercise of a SAR, the award holder is entitled to receive, for each share with respect to which a SAR is exercised, an amount (the "appreciation") equal to the excess of the fair market value of a share on the exercise date over the grant price of the SAR which exercise price may not be less than the fair market value of a share on

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the date of the grant of the SAR and in no event less than the par value of one share. The committee, in its sole discretion and subject to applicable law, determines the form in which to pay the appreciation - solely in cash, solely in shares (valued at fair market value on the date of the exercise of the SAR) or partly in cash and partly in shares. Only the actual number of shares delivered pursuant to the exercise of SARs will be charged against the aggregate maximum number of shares available for awards under the Share Incentive Plan. However, the number of shares subject to the SAR shall be reduced by the number of underlying shares as to which the exercise related unless the SAR Agreement provides otherwise. The Share Incentive Plan gives the committee discretion to accelerate the vesting of an SAR on a case-by-case basis at any time.

**Deferred Share Units.** The committee is authorized to award deferred share units subject to such terms and conditions as the committee may determine in its sole discretion. The committee shall maintain a bookkeeping ledger account that reflects the number of deferred share units credited under the Share Incentive Plan for the benefit of a holder. Deferred share units shall be similar to restricted shares (described below) except that no shares are actually transferred to the recipient until a later date specified in the recipient's award agreement. Each deferred share unit shall have a value equal to the fair market value of a share on the date the share is actually transferred to the recipient. The Share Incentive Plan gives the committee discretion to credit the holder's bookkeeping account with dividend units with respect to dividends declared on shares, subject to the same vesting and payout restrictions as applicable to the holder's deferred share units, and to accelerate the vesting of deferred share units on a case-by-case basis at any time.

**Restricted Stock Awards.** The committee is authorized to award restricted shares subject to such terms and conditions as the committee may determine in its sole discretion. The committee has authority to determine the number of restricted shares to be awarded, the price, if any, to be paid by the recipient of the restricted shares, the date or dates on which the restricted shares will vest, and the transferability restrictions on a holder's rights with respect to restricted shares. The Share Incentive Plan gives the committee discretion to accelerate the vesting of restricted shares on a case-by-case basis at any time.

Subject to the terms and conditions of the Share Incentive Plan, holders of restricted shares shall have all the rights of a stockholder including, without limitation, the right to vote such shares if holders of unrestricted shares of the same class have the right to vote during any period in which such shares are subject to forfeiture and restrictions on transfer. Dividends paid with respect to restricted shares in Veritas DGC shares or rights to acquire shares will be added to and become a part of the restricted shares; dividends paid in other property or in cash will be paid to the holder currently.

**Performance Share Awards.** The committee is authorized to award performance shares, which are subject to the attainment of one or more performance goals, to eligible persons selected by it. A performance share consists of a grant of shares upon or subject to the attainment of one or more objective performance goals. A performance share will be paid, vested or otherwise deliverable solely upon the attainment of one or more pre-established objective performance goals established by the committee. The committee must establish objective goals within the first 90 days of the performance period or within the first 25% of the performance period, whichever is earlier, and

in any event, while the outcome is substantially uncertain. A performance goal

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is objective if a third party having knowledge of the relevant facts could determine whether the goal has been met. A performance goal may be based upon one or more business criteria that apply to the individual, one or more of business units of Veritas DGC or Veritas DGC as a whole. In interpreting Share Incentive Plan provisions applicable to performance and performance share awards, it is intended that the Share Incentive Plan will conform with the standards of section 162(m) of the Code and Treasury Regulations Section 1.162-27(e)(2)(i), and the committee in establishing such goals and interpreting the Share Incentive Plan shall be guided by such provisions. Prior to the payment of any compensation based on the achievement of performance goals, the committee must certify in writing that applicable performance goals and any of the material terms thereof were, in fact, satisfied. Subject to the foregoing provisions, the committee shall determine the terms, conditions and limitations applicable to any performance share awards made pursuant to the Share Incentive Plan.

Subject to the terms and conditions of the Share Incentive Plan, holders of performance shares shall not have the rights of a stockholder until such shares have been earned and distributed.

Transferability. Except as specified in the applicable award agreement or in a domestic relations court order, an award may not be transferred other than by will or under the laws of descent and distribution. During the recipient's lifetime, only the recipient may exercise any award under the Share Incentive Plan.

Other Provisions. As a general matter, upon the occurrence of a change of control as defined in the Share Incentive Plan all outstanding share options, SARs, deferred share units, restricted shares and performance shares will become fully exercisable and vested.

Without the prior approval of stockholders, the committee may not cancel any option that has an exercise price on the date of cancellation that exceeds the fair market value of the shares that may be purchased under the option.

The Share Incentive Plan permits employees to satisfy all or a portion of their federal, state, local, foreign or other tax liabilities with respect to awards under the Share Incentive Plan by delivering previously-owned shares (that have been owned by the holder for at least six months) or by having Veritas DGC withhold from the shares otherwise deliverable to such holder shares having a value not to exceed the required employer's minimum statutory withholding tax obligations.

As a general matter, upon the occurrence of a "change of control," as defined in the Share Incentive Plan, all outstanding share options, SARs, deferred units, restricted shares and performance shares will become fully vested and exercisable.

In the event of specified changes in Veritas DGC's capital structure, the committee has the power to adjust the number and kind of shares authorized by the Share Incentive Plan (including any limitation on individual awards), and the number, option price and kinds of shares covered by outstanding awards.

The committee may amend or terminate the Share Incentive Plan at any time in its sole discretion, provided that no amendment may change the aggregate number of shares that may be issued or the class of employees eligible to receive incentive stock options under the Share Incentive Plan without prior stockholder approval.

Notwithstanding any provision of the Share Incentive Plan to the contrary, the committee, in its sole discretion, may take the action necessary

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to ensure that the Share Incentive Plan complies with the laws of other countries in which Veritas DGC or its affiliates operate or have employees. Such action may be taken either before or after an award is made, and may include, without limitation, determining plan coverage and eligibility, amending the Share Incentive Plan or the terms of any award, establishing subplans and modifying exercise or other procedures.

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### OPTIONS GRANTED

#### SHARE INCENTIVE PLAN

During the last fiscal year ended July 31, 2003, we granted options under the Share Incentive Plan on March 3 and March 28, 2003. On March 3, 2003, we granted options to purchase an aggregate of 904,000 shares to 90 participants at an exercise price of \$7.95 per share, including options granted to our directors and named executive officers as follows: Mr. Carroll - 0, Mr. Cormier - 5,000, Mr. Gibbs - 5,000, Mr. MacNeill - 5,000, Mr. Rask - 5,000, Mr. Robson - 79,100, Mr. Ludlow - 24,700, Mr. Wells - 24,700, Mr. Fitzgerald - 24,700, and Mr. Worden - 12,400, all directors and current executive officers as a group - 193,600, and to all participants excluding directors and executive officers - 710,400. On March 28, 2003, we granted options to Mr. Carroll to purchase 10,000 shares at an exercise price of \$7.11 per share. Each option granted expires five years from the date of grant. Each grant is exercisable as follows: 25% of the options are immediately exercisable on the date of grant and an additional 25% becomes exercisable on each succeeding anniversary of the date of grant until all are exercisable on the third anniversary of the date of grant. None of the options granted under the Share Incentive Plan in the last fiscal year would be eligible for exchange under the exchange program. No additional grants have been made under the Share Incentive Plan between August 1, 2003 and October 13, 2003.

#### 1992 EMPLOYEE NON-QUALIFIED STOCK OPTION PLAN

During the last fiscal year ended July 31, 2003, we granted options under the 1992 plan to purchase an aggregate of 347,582 shares to 12 participants at an exercise price of \$10.96 per share, including options granted to the named executive officers as follows: Mr. Robson - 94,662, Mr. Ludlow - 36,271, Mr. Wells - 35,584, Mr. Fitzgerald - 30,794, and Mr. Worden - 17,336, all current executive officers as a group - 214,647, and to all participants excluding executive officers - 562,229. Each grant was made on August 6, 2002, and is exercisable as follows: 25% of the options are immediately exercisable on the date of grant and an additional 25% becomes exercisable on each succeeding anniversary of the date of grant until all are exercisable on the third anniversary of the date of grant. None of the options granted under the 1992 plan in the last fiscal year would be eligible for exchange under the exchange program.

Since the adoption of the Share Incentive Plan on December 3, 2002, no further grants were made under the 1992 plan and none can be made in the future.

#### 2001 KEY EMPLOYEE NON-QUALIFIED STOCK OPTION PLAN

During the last fiscal year ended July 31, 2003, we granted options under the 2001 plan to purchase an aggregate of 1,423,995 shares to 226 participants at an exercise price of \$10.96 per share, including options granted to the named executive officers - 0, granted to current executive officers as a group - 9,580 (granted to Mr. Thielen), and to all participants excluding executive officers - 1,433,575. Each grant was made on August 6, 2002, and is exercisable as follows: 25% of the options are immediately exercisable on the



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date of grant and an additional 25% becomes exercisable on each succeeding anniversary of the date of grant until all are exercisable on the third anniversary of the date of grant. None of the options granted under the 2001 plan in the last fiscal year would be eligible for exchange under the exchange program.

Since the adoption of the Share Incentive Plan on December 3, 2002, no further grants were made under the 2001 plan and none can be made in the future.

### MATERIAL UNITED STATES FEDERAL INCOME TAX ASPECTS OF THE SHARE INCENTIVE PLAN

THE FOLLOWING IS A BRIEF SUMMARY OF THE MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES RELATING TO THE SHARE INCENTIVE PLAN BASED ON UNITED STATES FEDERAL INCOME TAX LAWS CURRENTLY IN EFFECT. THIS SUMMARY APPLIES TO THE SHARE INCENTIVE PLAN AS NORMALLY OPERATED AND IS NOT INTENDED TO PROVIDE OR SUPPLEMENT TAX ADVICE TO EMPLOYEES WHO PARTICIPATE. THE SUMMARY CONTAINS GENERAL STATEMENTS BASED ON CURRENT UNITED STATES FEDERAL INCOME TAX STATUTES, REGULATIONS AND CURRENTLY AVAILABLE INTERPRETATIONS THEREOF. THIS SUMMARY IS NOT INTENDED TO BE EXHAUSTIVE AND DOES NOT DESCRIBE STATE, LOCAL OR FOREIGN TAX CONSEQUENCES OR THE EFFECT, IF ANY, OF GIFT, ESTATE AND INHERITANCE TAXES.

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**Nonqualified Stock Options.** The grant of nonqualified stock options under the Share Incentive Plan will not result in the recognition of any U.S. federal taxable income by the option holder. The option holder will recognize ordinary income on the date of exercise of the nonqualified stock option equal to the difference between (1) the fair market value on the date of exercise and (2) the exercise price. The tax basis of our shares for the purpose of a subsequent sale includes the option price paid and the ordinary income reported on exercise of the nonqualified stock option. To the extent it is subject to federal income taxation, we or one of our subsidiaries will be entitled to a deduction in the amount reportable as income by the option holder on the exercise of a nonqualified stock option.

**Incentive Stock Options.** We believe that certain options granted under the Share Incentive Plan may qualify as "incentive stock options" within the meaning of section 422(d) of the Code. The grant of options under the Share Incentive Plan that are characterized as incentive stock options will not result in the recognition of any United States federal taxable income by the option holder. To the extent that an option granted under the Share Incentive Plan qualifies as an incentive stock option under section 422(d) of the Code, generally, the exercise of such option will also not result in the recognition of any U.S. federal income tax, but the difference between the exercise price and the fair market value of our shares at the time of exercise is an item of tax preference which may require payment of an alternative minimum tax. On the sale of our shares acquired through exercise of an option granted under the Share Incentive Plan that qualifies as an incentive stock option under section 422(d) of the Code (assuming such sale does not occur within two years of the date of grant of the option or within one year from the date of exercise), any gain (or loss) will be taxed as long term capital gain (or loss) and we will not be entitled to any deduction in connection with the sale (or the grant or exercise of the option). However, if a holder sells our shares acquired upon exercise of such an option before the later of (i) two years from the date of grant and (ii) one year from the date of exercise, the holder will be treated as having received, at the time of sale, compensation taxable as ordinary income, and we will be entitled to a corresponding deduction, subject to the compensation deduction limitation (described below). The amount treated as compensation income in the excess of the fair market value of our shares at the time of exercise over the exercise price, and any amount realized in excess of

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the fair market value of our shares at the time of exercise would be treated as long or short term capital gain, depending on how long such shares were held.

**Share Appreciation Rights.** The grant of SARs under the Share Incentive Plan will not result in the recognition of any taxable income by the recipient. The recipient will recognize ordinary income in the year of exercise in an amount equal to the amount of appreciation paid to him upon the exercise of a SAR. Upon the exercise of a SAR, we or one of our subsidiaries will be entitled to a deduction in the amount equal to the income recognized by the recipient.

**Restricted Shares.** A recipient of restricted shares under the Share Incentive Plan will not recognize taxable income at the time of grant, and neither we nor any of our subsidiaries will be entitled to a deduction at that time, assuming that the restrictions constitute a substantial risk of forfeiture for federal income tax purposes. Upon the expiration of the forfeiture restrictions, the recipient will recognize ordinary income in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. We or one of our subsidiaries will be entitled to a corresponding deduction. Dividends paid during the period that the forfeiture restrictions apply will also be treated as compensation income to the recipient and deductible as such by us or one of our subsidiaries.

However, a recipient of restricted shares may elect, pursuant to the terms of the grant agreement, to be taxed at the time of grant of the restricted shares based on the fair market value of the shares on the date of the grant. If this election is made, (1) we or one of our subsidiaries will be entitled to a deduction at the time of grant of the restricted shares based on the fair market value of the shares on the date of the grant, (2) dividends paid during the period the forfeiture restrictions apply will be taxable as dividends and will not be deductible by us or any of our subsidiaries, and (3) there will be no further federal income tax consequences when the forfeiture restrictions lapse.

**Deferred Share Units.** The grant of deferred share units under the Share Incentive Plan will not result in the recognition of any taxable income by the recipient. At the time deferred share units are settled in our shares, the recipient will recognize ordinary income, and we or one of our subsidiaries will be entitled to a corresponding deduction. Generally, the measure of the income and deduction will be the fair market value of our shares at the time the deferred share units are settled.

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**Performance Shares.** The recipient of performance shares will recognize ordinary income and we or one of its subsidiaries will be entitled to a corresponding deduction when the shares are earned and distributed.

**Compensation Deduction Limitation.** Under section 162(m) of the Code, our federal income tax deductions for certain compensation paid to designated executives is limited to \$1 million per year. These executives include our chief executive officer and our next four highest compensated officers. Section 162(m) of the Code provides an exception to this deduction for certain "performance based" compensation approved by a committee consisting solely of at least two "outside directors". We believe that options to purchase our shares, SARs and performance shares granted under the Share Incentive Plan should qualify as performance based compensation for purposes of section 162(m) of the Code.

VOTE REQUIRED

By signing, dating and returning the accompanying proxy, you will grant

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your proxy to vote your shares as you direct. If you sign, date and return your proxy, then, unless you specify otherwise, your shares will be voted to permit the option exchange program. The affirmative vote of a majority of the votes cast will be required to grant the consent. Abstentions and broker non-votes will not be counted as a vote for or against the stock option exchange program, and will not affect the outcome of the vote. Cumulative voting is not allowed.

Stock options have been, and continue to be, a key part of our employee compensation, incentive and retention program. By granting stock options to talented employees, we align their interests with those of our stockholders, incent them to grow long-term stockholder value and encourage their long-term employment with us. If our stockholders do not consent to the stock option exchange program, then we do not intend to implement the exchange program. As a result, although no decisions have been made, we would have to consider alternative mechanisms to help ensure that we are able to retain our employees, such as increased salary, bonuses and the granting of additional stock options.

### RECOMMENDATION OF THE BOARD

The board of directors recommends a vote "FOR" consent to the stock option exchange program.

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## MANAGEMENT

### EXECUTIVE OFFICERS

Except as described under the heading "Employment Agreements" below, our executive officers serve at the pleasure of our board of directors and are subject to annual appointment by our board of directors at its first meeting following each annual meeting of stockholders. In addition to Messrs. Robson and Ludlow, who are listed under "Election of Directors -- Nominees" with their biographical information, our executive officers include the following individuals:

TIMOTHY L. WELLS, age 50, was appointed president and chief operating officer of Veritas DGC in January 1999. He has been employed by Veritas DGC for eighteen years, having served as president of Veritas DGC's Asia Pacific division, regional manager of North and South American processing, manager of research and programming and in various other capacities in North and South America.

MATTHEW D. FITZGERALD, age 45, was appointed executive vice president, chief financial officer and treasurer of Veritas DGC in March 2001. Prior to his appointment, Mr. Fitzgerald was employed by BJ Services Company, an oilfield services company, from 1989 to 2001, where he served as vice president and controller from 1998 to 2001 and as controller from 1989 to 1998. Mr. Fitzgerald was also a senior manager with the accounting firm of Ernst & Whinney.

VINCENT M. THIELEN, age 43, was appointed vice president, corporate controller of Veritas DGC in September 2003. Prior to his appointment, he had been employed by Veritas DGC for 4 years as corporate controller. Prior to that time, he served for eighteen years in various technical, operational and financial roles at Baker-Hughes Incorporated.

LARRY L. WORDEN, age 51, was appointed vice president, general counsel and secretary of Veritas DGC in December 1998. For ten years prior to that time,

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Mr. Worden served as vice president, general counsel and secretary of King Ranch, Inc., a privately held Texas corporation. Prior to his employment with King Ranch, Inc. he served as division counsel at National Gypsum Company and practiced law at two private law firms.

### EMPLOYMENT AGREEMENTS

We have entered into employment agreements with each of Messrs. Robson, Ludlow, Wells, Fitzgerald, Thielen and Worden. Our agreement with Mr. Robson continues until terminated by prior written notice of either party. Our agreements with Messrs. Ludlow, Wells, Fitzgerald, Thielen and Worden continue until the employee reaches age 65 unless the agreement is earlier terminated by prior written notice of either party. As of July 31, 2003, the executive officers are entitled to minimum annual salaries under their employment agreements as follows: Mr. Robson -- \$450,000; Mr. Ludlow - \$265,021; Mr. Wells - \$260,000; Mr. Fitzgerald - \$225,000; Mr. Thielen -- \$159,600 and Mr. Worden - \$200,000. In the event of a termination without cause (other than in connection with a change of control of Veritas DGC), each executive officer is entitled to payment under his employment agreement equal to one or more years of annual base salary as follows: Mr. Robson - three years; Messrs. Ludlow, Wells and Fitzgerald - two years; and Messrs. Thielen and Worden - one year. Payment of these amounts will be made over the specified period unless we exercise our option to pay them in a lump sum. Within thirty days after a change in control of Veritas DGC, each executive officer is entitled to a lump sum payment under his employment agreement equal to the following number of times the sum of his annual base salary and annual bonus: Messrs. Robson, Ludlow, Wells and Fitzgerald - three; and Messrs. Thielen and Worden - two.

Mr. Robson has notified our board of directors that he intends to step down as chief executive officer of Veritas DGC as soon as a successor can be located. He intends to remain as a director and as chairman of the board after a new chief executive officer is hired and takes office. Although no agreement has been reached, our compensation committee is currently considering the compensation arrangement to be made with Mr. Robson once he steps down as chief executive officer.

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### EXECUTIVE COMPENSATION

The following table reflects all forms of compensation for services to us for the three years ended July 31, 2003, 2002 and 2001 of those individuals who (i) served as our chief executive officer during fiscal 2003, or (ii) were among our four most highly compensated executive officers at July 31, 2003, other than the chief executive officer.

#### SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	FISCAL YEAR	ANNUAL COMPENSATION			LONG-TERM COMP AWARDS
		SALARY	BONUS (1)	OTHER ANNUAL COMPENSATION	RESTRICTED STOCK AWARDS

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David B. Robson (4).....	2003	\$429,583	\$ 41,025	--	--
Chairman and Chief	2002	415,000	298,369	--	--
Executive Officer	2001	399,134	300,216	--	--
Stephen J. Ludlow.....	2003	\$265,021	\$ 20,246	--	--
Vice Chairman	2002	265,021	90,100	\$ 3,000 (6)	--
	2001	265,021	182,320	--	--
Timothy L. Wells.....	2003	\$276,154	\$ 19,110	--	--
President and Chief	2002	260,000	88,400	\$11,586 (6)	--
Operating Officer	2001	248,077	170,853	--	--
Matthew D. Fitzgerald(7)..	2003	\$241,154	\$ 18,463	--	--
Executive Vice	2002	225,000	76,500	--	--
President, Chief	2001	87,404	134,500 (8)	--	\$589,720 (9)
Financial Officer					
and Treasurer					
Larry L. Worden.....	2003	\$194,039	\$ 14,834	--	--
Vice President,	2002	190,000	64,600	--	--
General Counsel and	2001	190,000	130,720	--	--
Secretary					

- (1) Bonus payments reported for each fiscal year, although earned in that year, were partially paid in September of the following fiscal year. Bonuses are reported for the year in which they were earned.
- (2) All options granted were options to purchase our common shares.
- (3) Represents company matching contributions to officers' accounts pursuant to our 401(k) Plan.
- (4) Mr. Robson's compensation is paid in Canadian dollars - amounts shown have been converted to U.S. dollars.
- (5) Includes two option grants: one in August 2002, which would customarily have been made in March 2002 but was delayed pending the consummation of a business combination that was subsequently terminated in July 2002, and the other in March 2003.
- (6) For Mr. Ludlow, reflects a service award for 30 years of employment with us, and for Mr. Wells, reflects expense reimbursement for his previous relocation from Singapore to Houston in 1999.
- (7) Mr. Fitzgerald joined the company in March 2001.
- (8) Includes \$70,000 paid to Mr. Fitzgerald upon commencement of his employment in March 2001 and a prorated annual bonus of \$64,500 paid in September 2001.
- (9) 15,947 shares of restricted stock valued at \$36.98, the closing price of our common stock on the New York Stock Exchange on March 9, 2001, the date of grant. On July 31, 2003, the restricted shares had a value of \$156,600 based on the July 31, 2003, closing price of our common stock of \$9.82 per share on the New York Stock Exchange. Of the restricted shares granted, one-third vested on March 9, 2002, one-third vested on March 9, 2003 and assuming that Mr. Fitzgerald is still then employed by us, the remaining one-third will vest on March 9, 2004. We do not currently pay dividends on our common stock; however, we would pay dividends on the restricted stock should our dividend policy change.

EQUITY COMPENSATION PLAN INFORMATION

The following table presents data related to all of our equity

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compensation plans for both non-employee directors and key employees as of July 31, 2003, and provides information related to potential ownership dilution as of such date:

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EQUITY COMPENSATION PLAN INFORMATION  
AS OF JULY 31, 2003

EQUITY COMPENSATION PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS	NUMBER OF S FOR FUTUR EQUITY CO (EXCLUDING FOR ISSUANCE OUTSTA
Stock option plans approved by stockholders.....	2,443,471	\$14.89	1
Stock option plans not approved by stockholders...	1,596,028	\$15.87	
Restricted stock plans approved by stockholders.....	5,665	0 (1)	
Restricted stock plans not approved by stockholders...	42,925	0 (1)	

(1) Restricted stock vests upon completion of specified years of service. No cash payment is required from the recipient.

Our existing stock option and restricted stock plans are described further in Notes to Consolidated Financial Statements included in our Form 10-K for the fiscal year ended July 31, 2003, which description is incorporated in this proxy statement by reference.

The following table sets forth options we granted during the fiscal year ended July 31, 2003 to Messrs. Robson, Ludlow, Wells, Fitzgerald and Worden:

OPTION GRANTS IN FISCAL YEAR ENDED JULY 31, 2003

NAME OF OFFICER	INDIVIDUAL GRANTS			
	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED (1)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE (\$/SHARE)	EXPIRATION DATE
David B. Robson.....	94,662	3.5	\$10.96	8/6/2007
	79,100	3.0	7.95	3/3/2008
Stephen J. Ludlow.....	36,271	1.4	10.96	8/6/2007

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	24,700	0.9	7.95	3/3/2008
Timothy L. Wells.....	35,584	1.3	10.96	8/6/2007
	24,700	0.9	7.95	3/3/2008
Matthew D. Fitzgerald.....	30,794	1.2	10.96	8/6/2007
	24,700	0.9	7.95	3/3/2008
Larry L. Worden.....	17,336	0.6	10.96	8/6/2007
	12,400	0.5	7.95	3/3/2008

- 
- (1) Each option expires five years from the date of grant. Each grant is exercisable as follows: 25% of the options are immediately exercisable on the date of grant and an additional 25% becomes exercisable on each succeeding anniversary of the date of grant until all are exercisable on the third anniversary of the date of grant.
- (2) Calculated using the Black-Scholes option valuation method assuming no dividends, a 3.3% risk-free interest rate, 69% expected volatility and a 4 year expected life for the \$10.96 grant and a 2.6% risk free interest rate, 68% expected volatility and 4 year expected life for the \$7.95 grant.

The following table sets forth information with respect to Messrs. Robson's, Ludlow's, Wells', Fitzgerald's and Worden's options to purchase our shares that were exercised during the fiscal year ended July 31, 2003 or were unexercised at fiscal year end.

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AGGREGATED OPTION EXERCISES IN FISCAL YEAR  
ENDED JULY 31, 2003  
AND FISCAL YEAR END OPTION VALUES

NAME	OPTIONS EXERCISED DURING FISCAL YEAR		NUMBER OF UNEXERCISED OPTIONS HELD AT FISCAL YEAR END (#)	
	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	EXERCISABLE	UNEXERCISABLE
David B. Robson.....	66,537	(5,136)	183,314	114,189
Stephen J. Ludlow.....	--	--	87,543	39,550
Timothy L. Wells.....	--	--	51,352	39,152
Matthew D. Fitzgerald...	--	--	28,413	41,519
Larry L. Worden.....	--	--	31,189	19,349

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- (1) Based on the difference between the July 31, 2003, closing price of our common stock of \$9.82 per share on the New York Stock Exchange and the exercise price.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the three members of the compensation committee - Messrs. Carroll, Gibbs or MacNeill - is or has been at any time an executive officer or employee of Veritas DGC or any of its subsidiaries nor has any of them had any relationship with Veritas DGC that would otherwise require disclosure.

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Mr. Robson, chairman and chief executive officer of Veritas DGC, was an ex officio non-voting member of the compensation committee until he resigned from the committee on September 25, 2002. Prior to his resignation, he was invited to and attended meetings of the compensation committee from time to time. At no time was he allowed to vote on any item that came before the committee, nor was he allowed to be present during the committee's discussions of his compensation.

### COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The compensation committee of the board of directors has furnished the following report on executive compensation for fiscal year 2003:

We seek to relate a significant portion of potential total executive compensation to Veritas DGC's financial performance. Our executive compensation consists of three elements: (1) base compensation, (2) bonus awards and (3) stock-based benefits.

**Base Salary.** We intend the base compensation for executive officers to afford a reasonable degree of financial security and flexibility to those individuals whom we regard as acceptably discharging the levels and types of responsibility implicit in the various executive positions. In setting base compensation we initially consider the compensation plans of executives in other companies, including companies in the oil services industry. We target base compensation at levels consistent with median levels for public companies of our relative size. We generally do not consider the compensation plans of executives in other seismic companies, because some of our principal competitors are subsidiaries of larger, more diversified oilfield service concerns, and compensation data is not publicly available for the comparable executive positions in those subsidiaries. Moreover, the few publicly held seismic operators have such disparate operating and financial characteristics and are of such dissimilar sizes, that the compensation committee has found little basis for reliable comparison. In setting the base compensation of our executive officers, we also consider the executive's salary history, level of responsibility, breadth of knowledge, past performance, credentials and experience with Veritas DGC, as well as his perceived future utility to Veritas DGC.

We last increased the base compensation for certain executive officers, including Messrs Robson, Wells, Fitzgerald and Worden in March 2003. At that time, the compensation committee set the base compensation for Mr. David B. Robson, chairman and chief executive officer, at \$450,000 per year. This salary was established by comparing the compensation of chief executive officers in a group of comparable companies.

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Mr. Robson has announced his intention to resign as chief executive officer as soon as the committee locates and the board of directors appoints a successor. At that time, it is anticipated that Mr. Robson will remain as chairman of the board until the next annual stockholders meeting, unless either he or the board elects otherwise. We are currently considering the compensation arrangement to be made with Mr. Robson once he steps down as chief executive officer, but have not yet reached an agreement.

**Bonus Awards.** We require a minimum level of company financial performance before the executive officers earn any annual bonuses, and we award bonuses for achieving higher levels of performance directly tied to the level achieved. In fiscal 1998, we recommended and the board of directors adopted an incentive compensation program pursuant to which some 300 managerial personnel



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(including the named executive officers) became eligible to earn bonuses based upon two criteria: (1) Veritas DGC's actual results of operations as a percentage of those results anticipated in the annual budget approved by the board of directors at the beginning of the fiscal year; and (2) the attainment of individual performance goals assigned at the beginning of the year. Based on their achievement of performance objectives in fiscal year 2003, we awarded the following bonuses to the named executive officers (these bonuses were paid in two separate payments, one in March 2003 and the other in September 2003): Mr. Robson - \$41,025; Mr. Ludlow - \$20,246; Mr. Wells - \$19,110; Mr. Fitzgerald - \$18,463; and Mr. Worden - \$14,834.

**Stock-based Benefits.** We believe periodic grants of stock options to executive officers helps to align the executive's economic interests with those of stockholders and to provide a direct and continuing focus on the goal of increasing stockholder value. We consider such grants every year. We did not grant options in March 2002, as would have been our custom because of then ongoing merger discussions with Petroleum Geo-Services ASA. After those discussions ended in July 2002, we made the grants in August that we would have normally made in March. On August 6, 2002, options were granted to the following executive officers to purchase the specified number of shares for \$10.96 per share, the fair market value of our shares at the date of the grant: Mr. Robson - 94,662; Mr. Ludlow - 36,271; Mr. Wells - 35,584; Mr. Fitzgerald - 30,794 and Mr. Worden - 17,336. On March 3, 2003, additional options were granted to the following executive officers to purchase the specified number of shares for \$7.95 per share, the fair market value of our shares at the date of the grant: Mr. Robson - 79,100; Mr. Ludlow - 24,700; Mr. Wells - 24,700; Mr. Fitzgerald - 24,700; and Mr. Worden - 12,400. Each option granted in August 2002 and March 2003 expires five years from the date of grant. Each grant is exercisable as follows: 25% of the options were immediately exercisable on the date of grant, and an additional 25% becomes exercisable on the anniversary of the grant in each succeeding year until all are exercisable on the third anniversary of the grant.

**Section 162(m).** Section 162(m) of the Internal Revenue Code of 1986, as amended, currently imposes a \$1 million limitation on the deductibility of certain compensation paid to the chief executive officer and four highest paid executives. Certain performance-based compensation and certain other compensation that has been approved by stockholders are not subject to the deduction limit. The deductibility of compensation paid to Veritas DGC's officers has not, to date, been limited by the application of Section 162(m). The compensation committee has and will continue to take into account the potential application of Section 162(m) on incentive compensation awards and other compensation decisions.

The compensation committee of our board of directors believes that the compensation program for the executives of our company is comparable with the compensation programs provided by comparable companies and serves the best interests of our stockholders. The committee also believes that annual performance pay is appropriately linked to individual performance, annual financial performance of our company and stockholder value.

Compensation Committee

Brian F. MacNeill, Chairman  
Loren K. Carroll  
James R. Gibbs

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### COMMON STOCK PERFORMANCE GRAPH

The following graph illustrates the performance of our shares of common stock compared with the cumulative total return on (i) Standard & Poor's 500 Stock Index and (ii) an index of five peer companies we selected. The graph assumes that the value of the investment in our shares and each index was \$100 at July 31, 1998. In all cases the cumulative total return assumes, as contemplated by the Securities and Exchange Commission rules, that any cash dividends were reinvested in that security. The peer group investment is weighted at the beginning of each period based on the market capitalization of each individual company within the group.

#### COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN ASSUMES INITIAL INVESTMENT OF \$100

[PERFORMANCE GRAPH]

	1998	1999	2000	2001	2002	2003
	-----	-----	-----	-----	-----	-----
Veritas DGC, Inc.	\$100.00	\$ 53.76	\$ 64.66	\$ 68.87	\$37.05	\$29.53
S&P 500	\$100.00	\$120.20	\$130.99	\$112.22	\$85.70	\$94.83
Peer Group	\$100.00	\$103.51	\$120.31	\$ 88.20	\$68.43	\$72.89

The index of peer companies in the graph above consists of Compagnie Generale de Geophysique, Dawson Geophysical Company, Petroleum Geo-Services ASA, Schlumberger Limited, and Seitel, Inc. Because Western Atlas Inc., a direct competitor of our company, became a wholly-owned subsidiary of Baker Hughes Incorporated in 1999, the index includes Baker Hughes for 1999 and 2000. Commencing with fiscal year 2001, Baker Hughes was removed from the index of peer companies since its seismic operations were merged with Schlumberger's seismic operations to form WesternGeco, which is already included in the peer group as a part of Schlumberger. In our prior year's Proxy Statement dated October 23, 2002, the group of peer companies did not include Compagnie Generale de Geophysique. The previous peer group, without Compagnie Generale de Geophysique, is not included in the graph above because the difference between the new peer group including Compagnie Generale de Geophysique and the previous peer group excluding it is not material.

The graph above depicts the past performance of our shares and should not be used to predict future performance. We do not make or endorse any predictions as to future share performance. These price performance comparisons shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934 except to the extent that we specifically incorporate this graph by reference, and shall not otherwise be deemed filed under such acts.

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#### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of shares at October 13, 2003, by (i) each person we know to own beneficially more than 5% of the outstanding shares, (ii) all directors and director nominees, (iii) each executive officer named in the Summary Compensation Table and (iv) all directors, director nominees and executive officers as a group.

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NAME AND ADDRESS (1)	AMOUNT AND N BENEFIC OWNERSHIP (
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Beneficial Owners of 5% or more:	
Barclays Global Investors, NA (5)..... 45 Fremont Street San Francisco, CA 94105	3,783,5
Dimensional Fund Advisors Inc. (6)..... 1299 Ocean Avenue Santa Monica, CA 90401-1005	1,857,4
Named Executive Officers, Directors and Director Nominees:	
David B. Robson .....	1,541,6
Stephen J. Ludlow.....	98,8
Timothy L. Wells.....	51,3
Matthew D. Fitzgerald.....	48,5
Larry L. Worden.....	35,5
Loren K. Carroll.....	12,5
Clayton P. Cormier.....	29,5
James R. Gibbs.....	28,5
Brian F. MacNeill.....	34,4
Jan Rask.....	22,7
All directors, director nominees and executive officers as a group (11 persons) .....	1,928,0

\* Does not exceed one percent.

- (1) The address of each person shown is c/o Veritas DGC Inc., 10300 Town Park Drive, Houston, Texas 77072, unless another address is listed.
- (2) Except as specified otherwise, each person has sole voting and investment power with respect to the shares listed.
- (3) Includes the following shares subject to options granted pursuant to Veritas DGC option plans and exercisable within 60 days: Mr. Robson - 183,314 shares; Mr. Ludlow - 87,543 shares; Mr. Wells - 51,352 shares; Mr. Fitzgerald - 28,413; Mr. Worden - 31,189 shares; Mr. Carroll - 2,500; Mr. Cormier - 27,550 shares; Mr. Gibbs - 27,500 shares; Mr. MacNeill - 31,250 shares; Mr. Rask - 22,750 shares; and all directors, director nominees and executive officers as a group - 506,239 shares.
- (4) Percentages are calculated based on a total of 33,658,764 shares outstanding as of October 13, 2003.
- (5) Based solely on information furnished in Schedule 13G filed with the Securities and Exchange Commission by such person on August 11, 2003. Includes 2,769,784 shares with sole voting and investment power.
- (6) Based solely on information furnished in Schedule 13F filed with the Securities and Exchange Commission by such person on August 8, 2003. Includes 1,857,400 shares with sole voting and investment power, 147,460 shares with shares voting power and 1,75,866 shares with sole investment power.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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On August 21 2002, we acquired Hampson-Russell Software Services Ltd., a Canadian provider of software tools and consulting services related to reservoir interpretation. Under the terms of the agreement, we acquired substantially all of the assets of Hampson-Russell in exchange for a cash payment of \$9,250,000, transfer of 589,623 shares of Veritas common stock (\$12.30 per share), and Hampson-Russell's right to receive a percentage of the revenues generated by the purchased assets over the five years following the closing of the transaction, provided that certain financial targets are obtained. David B. Robson, our chairman and chief executive officer beneficially owns and controls Vada Industries Ltd., which was a 25% shareholder of Hampson-Russell at the time of the acquisition. The purchase price was determined at arm's length and was approved by our board of directors

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without Mr. Robson's presence or participation. We believe that the price paid was no less favorable to us than would have been obtained from a wholly unrelated party.

Our Canadian subsidiary, Veritas Energy Services Inc., provides certain services to Vada Industries Ltd., an Alberta corporation which David B. Robson, our chairman and chief executive officer, beneficially owns and controls. Veritas Energy Services provides to Vada certain pa