

INFOUSA INC  
Form 10-K  
March 10, 2006

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**SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934**

**For the fiscal year ended December 31, 2005**

**Or**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934**

**For the transition period from            to**

**Commission file number: 0-19598**

***infoUSA INC.***

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or Other Jurisdiction of  
Incorporation or Organization)*

**47-0751545**

*(I.R.S. Employer  
Identification No.)*

**5711 South 86th Circle, Omaha, Nebraska 68127**

*(Address of principal executive offices)*

**(402) 593-4500**

*(Registrant's telephone number, including area code)*

**Securities Registered Pursuant to Section 12(b) of the Act:**

**None**

**Securities Registered Pursuant to Section 12(g) of the Act:**

**Common Stock, \$0.0025 par value**

**Series A Preferred Share Purchase Rights**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act. Yes  No

The aggregate market value of the voting and non-voting common stock held by non-affiliates computed by reference to the last reported sales price of the common stock on June 30, 2005 (the last business day of the registrant's most recently completed second fiscal quarter) was \$315.7 million.

As of March 6, 2006 the registrant had outstanding 53,909,916 shares of Common Stock (excluding treasury shares of 174,632).

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on May 26, 2006, which will be filed within 120 days of the end of fiscal year 2005, are incorporated into Part III (Items 10, 11, 12, 13 and 14) hereof by reference.

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This Annual Report on Form 10-K, the documents incorporated by reference into the Company's Annual Report to shareholders, and press releases (as well as oral statements and other written statements made or to be made by the Company) contain forward-looking statements that are made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements related to potential future acquisitions and our strategy and plans for our business contained in Item 1 Business, Item 2 Properties, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations, and other parts of this Annual Report. Such forward-looking statements are based on our current expectations, estimates and projections about our industry, management's beliefs, and certain assumptions made by our management. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict; therefore, actual results may differ materially from those expressed or forecasted in any such forward-looking statements. Such risks and uncertainties include those set forth in this Annual Report under Item 1A Risk Factors, as well as those noted in the documents incorporated by reference into this Annual Report. You are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date on which they were made. Unless required by law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. However, readers should carefully review the risk factors set forth in other reports or documents we file from time to time with the Securities and Exchange Commission, particularly the Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K.

**Item 1. Business**  
**Company Profile**

*infoUSA Inc.* (the Company or *infoUSA* or we) uses the Internet under the brand names Salesgenie.com, SalesLeadsUSA.info, and Credit.com, as its primary vehicle to be the leading provider of sales leads and databases to millions of businesses in order for them to find new prospects and grow their sales. *infoUSA* compiles and updates over 12 databases under one roof in Omaha, Nebraska. Our customers include salespeople, small office/home office (SOHO) entrepreneurs, small and medium businesses, and Fortune 2000 corporations. Our database is also part of major directory assistance search firms like Yahoo!, Google, AOL, and in-car navigation companies. Most cars with GPS devices today use *infoUSA* databases because of the high accuracy of our business database. Databases compiled and continually updated are as follows:

**Business Databases**

15 Million U.S. and Canadian Businesses  
 12.5 Million Executives and Professionals  
 5.6 Million Small Business Owners  
 5 Million Business Addresses with Color Photos  
 2.6 Million Brand New Businesses  
 3.6 Million Yellow page Advertisers  
 1.7 Million Bankruptcy Filers  
 900,000 Global Businesses and 2 Million Executives  
 600,000 Manufacturers  
 410,000 Big Businesses  
 1.5 Million Business Email Addresses  
 780,000 Medical Professionals  
 380,000 U.S. Houses of Worship

**Consumer Databases**

183 Million Consumers  
 115 Million Households  
 68 Million Homeowners  
 14 Million New Movers Per Year  
 3.1 Million New Homeowners Per Year  
 1.7 Million Bankruptcies  
 123 Million Occupants  
 50 Million Consumer Email Addresses

We employ over 500 full time people to compile and update the databases from thousands of public sources such as yellow pages, white pages, newspapers, incorporation records, real estate deed transfers, and



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various other sources. For the business database, we make over 20 million phone calls a year to verify the name of the owner or key executive, their address, number of employees, number of PCs, fax numbers, e-mail addresses, and other information.

The databases change by roughly 65% per year. We spend over \$50 million a year to update these databases and related database management systems. We believe that we have the finest and most accurate databases in the industry. We believe there is no other company that compiles and updates so many databases all under one roof.

We have also developed proprietary software for direct marketing applications, database marketing applications, e-mail marketing applications, telemarketing applications, and other sophisticated modeling applications. Our proprietary software enhances the value of our databases to the customer.

New initiatives in 2005 and 2006 include:

Migration from one-time use customers to subscription-based customers of our Internet based services called Salesgenie.com, Credit.net, and SalesLeadsUSA .

Continued improvements of the content and accuracy of our database. Adding more content, such as detailed business descriptions, more executives, hours of operation, credit cards accepted, UCC filings, URL address and other information.

Expand international business and executive databases.

Migration of our data center from an outsourced mainframe to an in-house data center.

Increase investments in merchandising, advertising and branding using the mass media, key word search, and banner advertising.

Yellow Page Advertising Expense Report The report includes all spending by small businesses for Yellow Page advertising. Yellow Page publishers and web advertising firms are able to sort this information by many selects, including by individual business as well as by SIC code and any geographic region.

Business Address Photographs The Company introduced the industry's first pictures of storefronts with corresponding longitude and latitude coordinates to its Business Database. Important applications for this data include business credit reports/applications, directory assistance, wireless navigation devices and insurance appraisals/underwriting.

### **Sales & Marketing Strategy**

*infoUSA* serves over 4 million customers who access our information in the form of Internet subscription products (*Salesgenie.com*), business credit reports, sales leads, prospect lists, mailing labels, printed directories, 3 x 5 cards, computer diskettes and DVDs. Our information is used for lead generation, direct mail, telemarketing, credit decisions, market research, competitive analysis, and management of vendor relationships. For over 30 years, executives from Fortune 2000 companies, as well as small business owners and sales people have been using our information to find new customers and grow their sales.

*infoUSA* offers a variety of sales channels for any size business. The Donnelley Group, acquired in 1999, distributes databases and services to our Fortune 2000 clients who have a sophisticated need for databases, database marketing, and e-mail marketing. Donnelley Marketing is the flagship company within the Donnelley Group, and has been an industry leader since 1917. Made up of nine specialized selling companies, the Donnelley Group has a sales force of over 200 account executives.

For medium and small businesses, SOHO markets, and individual salespeople, *infoUSA* employs a sales force of over 1,000 account executives to market and sell directly to these targets. We develop in-depth relationships and offer a one-stop sales solution for all their sales and marketing needs with Salesgenie.com.



*infoUSA* employs several media options to grow and increase our market share including direct mail, print, outbound telemarketing, online keyword search engines, banner advertising, television, radio and e-mail

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marketing. Publications such as *DM News*, *Target*, *Fortune*, *Forbes* and *Direct* are a regular part of our marketing strategy, as well as local market newspapers and *USA Today*. In 2005, national and local radio and television campaigns have been launched to further build brand and drive revenue for our premiere online subscription product, *Salesgenie.com*. With the launch of *Salesgenie.ca* in 2006, Canadian radio and television will be added to our print and direct mail advertising. *infoUSA* intends to continue to advertise aggressively, occasionally focusing on specific vertical markets in response to market trends.

To monitor the success of our various marketing efforts, we have incorporated data gathering and tracking systems. These systems enable us to determine the type of advertising that best appeals to our target market so that we can invest future dollars in these programs and obtain a greater yield from our marketing. Additionally, through the use of our database tools, we are working to more efficiently determine the needs of our various client segments and tailor our services to their individual needs. With this system, we will strengthen relationships and support marketing campaigns to attract new clients. All of our methods and uses of client information are disclosed in our privacy statement.

**Salesgenie.com, Credit.net, SalesLeadsUSA.info . . . Subscription Model**

In the past, *infoUSA* sold sales leads and mailing lists on an "as needed" basis. We realized that our customers needed this information every day so we developed an Internet based service called *Salesgenie.com* for the small business & SOHO market. This is an Internet based database delivery service. *Salesgenie.com* has a built-in contact management software and mapping ability. Currently, a small business can get all the sales leads, credit reports and mailing lists for only \$300 per month per user. For additional users the charge is based on a tiered-pricing structure. This subscription product is designed for approximately 3.5 million small businesses.

We have also developed *SalesLeadsUSA.info* for single-owner businesses, contractors, and sales executives. There are 10 million plus prospects in this group. Currently, this service offers 4 databases with limited search criteria but still offers customers unlimited sales leads and mailing lists for \$125 per month per user, i.e., \$1,500 per year. This service also has contact management software.

Two of our directory divisions, Polk City Directories (*CityDirectory.com*) and Hill-Donnelly Directories (*hilldonn.com*), currently offer bundled subscription packages for \$100 per month per user. These bundled packages include a printed directory on a customer's immediate region, a DVD on the entire state, and Internet access for all of the U.S.

This migration from one-time sales to subscription-based sales is enabling us to have a better relationship with our customers, more predictable revenue, and the ability to offer more services to our customers in the arena of sales solutions.

**Our Growth Strategy**

There are approximately 15 million businesses in the United States and Canada. All of these businesses are looking for cost effective solutions to find new customers and increase their sales. Our databases and applications enable these businesses to prospect for new customers and increase their sales.

Our goal is to be the leader in proprietary databases of businesses and consumers in the United States and Canada, and to produce innovative products and services that meet the needs of these businesses for finding new prospects and increasing their sales. The information provided by our databases is integral to the new customer acquisition and retention processes for businesses. Our organization is divided into three distinct groups: Corporate Activities which includes the Database Compilation and Update Operations, The *infoUSA* Group, and The Donnelley Group.

Delivery of information via the Internet is the preferred method by our customers. We are investing in Internet technology to develop subscription-based new customer development services for businesses. The Internet has opened up brand new markets for our database products that are increasingly used by our customers for multiple applications. We will continue to use the Internet as the primary vehicle to provide new solutions to our existing customers and prospects. Starting in 2006 the Company will enhance its business

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database by increasing its data content for items such as detailed business descriptions, more executives, hours of operation, credit cards accepted, web site URLs, email addresses, and UCC and public filings. These additions will provide the customer with enhanced convenient Internet search and lookup tools. They will allow the end-user to perform Smart Searches using key words to find the most relevant results.

We have grown through more than 25 strategic acquisitions in the last ten years. These acquisitions have enabled us to acquire the requisite critical mass to compete over the long term in the direct marketing industry. During 2004, we acquired three companies that opened up brand new distribution channels for our products and applications. Triplex increased our presence in the non-profit sector by providing data processing services and our proprietary content to their fast growing customer base. Edith Roman gave us the premier access to the publishing industry for their list brokerage and list management needs. OneSource brought a compelling application to our business that is increasingly embedded in customer relationship management systems of Global 2000 corporations. These corporations use the OneSource application to access deep information on executives of the world's 1.7 million largest companies. During 2005, we acquired @Once, which allowed the Company to increase its presence in the retention based email marketing space. We will continue to use synergistic acquisitions to grow in the future. Most recently, we acquired Millard Group, a leader in the list brokerage industry.

As we have consolidated our position in the fastest growing segments of our industry, our goal now is to accelerate our momentum in the market for business intelligence information. Our subscription products, accessed 24/7 over the web by our customers, will be the critical impetus needed to achieve our desired organic revenue growth over the longer term.

### **Our International Growth Strategy**

The Company is now upgrading its international business databases by expanding its own compilation efforts, and opened a database center in India in late 2005. The Company has also partnered with hundreds of content providers around the world. Our comprehensive international database includes information on 1.1 million large public and private non-U.S. companies in approximately 170 countries. Not only is there more comprehensive coverage representing every country in the world, but there is also more depth to each company record. For example, there are over 2.2 million executives represented in its non-U.S. global database, which is constantly updated using 2,500 daily news sources to track changes like executive changes, mergers and acquisitions, and late breaking company news. The Company is also putting great emphasis on more comprehensive financial information and regulatory filings. Examples include SEC filings, annual reports, analyst and industry reports, and detailed corporate family structure.

As the Company has enhanced its international databases, we are now aggressively going after high growth, emerging markets in Asia-Pacific, Western Europe, Australia, and South American regions. Using London as its international headquarters, the Company recently opened sales offices in Hong Kong, New Delhi, Sydney, and Singapore. The Company plans to open more sales locations in France, Germany, Italy, Scandinavia, China, Japan, South Korea, and South America. OneSource is currently the primary database application that will be offered in these international markets.

The Company is also looking to expand its compilation operations in the United Kingdom. This operation will enable the Company to enhance the content of our international databases.

### **Database Compilation and Update Group**

We believe that we have the most comprehensive and up-to-date databases of businesses and consumers in the industry. The quality of our databases is far superior to our competitors. It has been repeatedly proven by our customers who have gone to the competition and then came back to get our data.

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**Business Databases**

15 Million U.S. and Canadian Businesses	3.6 Million Yellow Page Advertisers
12.5 Million Executives and Professionals	1.7 Million Bankruptcy Filers
5.6 Million Small Business Owners	900,000 Global Businesses and 2 Million Executives
5 Million Business Addresses with Color Photos	600,000 Manufacturers
2.6 Million Brand New Businesses	410,000 Big Businesses
1.5 Million Business Email Addresses	380,000 U.S. Houses of Worship
780,000 Medical Professionals	

Our proprietary business database contains information on nearly 15 million businesses in the United States and Canada. We believe that we compile the most accurate, timely and comprehensive file of business information through our proprietary compilation and verification processes. The business database contains a wealth of information about businesses such as: name, address, telephone number, SIC codes, number of employees, business owner and key executive names, credit score and sales volume. We also provide fax and toll free numbers, website addresses, headline news, and public filings including liens, judgments and bankruptcies. Our data can also be further categorized in various segments such as Small Business Owners, Executives at Home, Big Businesses and their Corporate Affiliations, Growing Businesses, Places of Interest, Schools and Female Business Owners.

We compile and update the business information from over 15,000 sources. Most of these sources fall under the following categories:

Yellow Page and White Page Directories

Annual Reports

SEC Filings

Public Filings (UCC and other public filings )

Over 20 million phone calls to verify and collect additional information

Photographs of businesses

Newspapers to collect articles

In addition, we use information licensed from the United States Postal Service's National Change of Address (NCOA) and Delivery Sequence File (DSF) to update and maintain our business database. Accuracy is the most important characteristic of any database and we believe our database is the most accurate in the industry.

Other databases within our business files include:

*900,000 World's Largest Corporations and 12.5 Million Executives by Job Title.* Our OneSource database of these large corporations and executives is one of the finest in the industry. This database provides a great deal of in-depth information on these individuals and companies, including revenue, asset and corporate linkage.

*200,000 New Businesses Data Per Month.* Our New Business Database contains the repository of newly opened businesses. This database is updated from new business listings and utility new connections and is updated with nearly 50,000 new businesses on a weekly basis.

*Yellow Page Advertising Report.* The report will include all spending by small businesses for Yellow Page advertising. Yellow Page publishers and web advertising firms will be able to sort this information by many selects, including by individual business as well as by SIC code and any geographic region.



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*Doctors and Dentists Data.* Our medical file contains a robust database of over 700,000 physicians, surgeons and dentists and contains in-depth information regarding physician specialties, prescription volume, medical schools attended, lifestyle information and many other related data elements.

*Business Address Photographs.* The company introduced the industry's first pictures of storefronts with corresponding longitude and latitude coordinates to its Business Database. Important applications for this data include business credit reports/applications, directory assistance, wireless navigation devices and insurance appraisals/underwriting.

**Consumer Databases**

Our consumer database contains approximately 183 million individuals and 115 million households and includes hundreds of data elements. Key elements in our database include: name, address, phone number, age, income, marital status, religion, ethnicity, dwelling type and size, home value, length of residence, and dozens of self-reported lifestyle elements. Our databases within our consumer files include:

183 Million Consumers	14 Million New Movers Per Year
3.1 Million New Homeowners Per Year	1.7 Million Bankruptcies
115 Million Households	68 Million Homeowners
123 Million Occupants	50 Million Consumer Email Addresses

We compile and update the consumer database with over 2 billion records annually. Examples of the sources that are used to create the database are:

White Page Directories

Real Estate Assessments

Real Estate Transactions

Public Filings

Voter Registration where applicable

Life Style and Hobby Data

We believe that our consumer data is compiled to the highest accuracy standards in the industry. Additional investment in acquiring and compiling real estate transfer and assessor data has allowed us to improve our coverage and key demographic models.

Other high value databases we compile are:

*New Mover Database.* We believe that our New Mover database is the most current file in the industry. We compile approximately 14 million new movers annually. Our investment in nationwide utility new connects and disconnects has allowed us to identify new movers as they transact.

*New Homeowners Database.* We believe our New Homeowners database is the most current file in the industry. We compile approximately over 3.1 million new homeowners annually. As stated previously, our investment in nationwide utility new connects and disconnects allows us to identify new homeowners as they transact.

*Occupant Database.* Our Occupant database includes 123 million residential addresses and is used for address only mailings, which result in lower postal rates for direct mail.

*Public Filings Database.* Our Public Filings database contains over 24 million households and businesses that have filed for bankruptcy, or have tax liens or judgments recorded against them.

*Email Database.* Since 2002 we have continued to collect and acquire business and consumer email addresses. We now offer a database of over 50 million consumer and 1.5 million business email addresses with postal addresses that are available for mail marketing and email append applications.

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We have matched the email addresses to our demographic and firm-specific information in our proprietary databases for targeted email marketing campaigns.

*Bankruptcy Filings Database.* In April 2005, we started to compile our own bankruptcy file which is delivered to our customers on a weekly basis. This is a very important database for credit card companies, car dealers and other financial services companies.

***Products and Services Derived from Our Databases***

We create many products and services from our databases to meet the needs of millions of our current and potential customers. We create products and services such as prospect lists, mailing labels, 3 × 5 cards, diskettes, printed directories, DVDs, business credit reports, and many other online and offline applications. We also offer our information on the Internet through our various websites, such as infoUSA.com, Salesgenie.com, SalesLeadsUSA.info, Fonecart.com, Credit.Net, CityDirectory.com, Drlists.com, referenceUSA.com, newleadsUSA.com, idEXEC.com, autolistsUSA.com, infoCanada.ca, Americanchurchlists.com, Listbazaar.com, databaseamerica.com, onesource.com, and hilldonn.com. Our products and data processing services are used by clients for identifying and qualifying prospective customers, initiating direct mail and email campaigns, telemarketing, analyzing and assessing market potential, and surveying competitive markets in order to find new customers and increase their sales. Our data also enables extensive data hygiene and enhancement services and is included by many customers as a value-added enhancement to our flagship MarketZone product line. MarketZone Platinum is a fully hosted data warehousing solution including hygiene, updates, matching, campaign management, selection, reporting, and analytics for direct mail and email campaign development and execution. Market Zone Gold is a web-based prospecting tool allowing customers to integrate their customer and prospect data with *infoUSA* data in a hosted environment.

**Our Customers and Potential Markets**

We are organized around two main customer groups: The *infoUSA* Group and The Donnelley Group. Our products and services are designed for the unique needs of each group.

**infoUSA Group (Small Business Group)**

Approximately 90% of all businesses are small companies with less than 25 employees. Small businesses are the lifeblood of our economy. We dedicated this division to meet the unique sales and marketing needs of small- and medium-sized businesses, including small office and home office businesses, and aspiring entrepreneurs. This market holds about 4 million potential prospects for *infoUSA*. Our products and services are used to find new customers, analyze current customers, research new markets and verify business information. Our database changes by nearly 65% annually. As a result, our customers have a great need for current information on an ongoing basis. Our *infoUSA* Group offers sales leads and mailing lists in the following formats:

***Subscription based Services***

*Salesgenie.com.* Salesgenie.com has a built-in contact management software and mapping ability. A small business can get all the sales leads and mailing lists for only \$300 per month per user. For additional users the charge is based on a tiered-pricing structure. This subscription product is designed for approximately 3.5 million small businesses.

*SalesLeadsUSA.info.* This service offers 4 databases with limited search criteria but still offers customers unlimited sales leads and mailing lists for \$125 per month per user, i.e., \$1,500 per year. This service also has contact management software. There are 10 million salespeople, one person businesses, and SOHO entrepreneurs who are potential customers for this service.

*Credit.net Business Credit Reports.* Our business credit directories include a printed directory bundled with a DVD and Internet access to business credit reports on Credit.net. The product is used by customers for making credit decisions, verifying company information, assisting in collection support, and



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identifying potential new customers. Customers can purchase individual business credit reports for \$5 from the Internet or they may select a subscription based plan offering unlimited access to our business credit reports for a flat fee of \$150 per month per user.

*Polk City Directories and Hill-Donnelly Directories.* Two of our directory divisions, Polk City Directories (CityDirectory.com) and Hill-Donnelly Directories (hilldonn.com), now offer bundled subscription packages for under \$100 per month per user. These bundled packages include a printed directory on a customer's immediate region, a DVD on the entire state, and Internet access for all of U.S.

***Non-Subscription based Services***

*Printed Prospect Lists, Mailing Labels, and Sales Lead Cards.* The Company's databases can be sliced and diced to create customized sales leads and mailing lists for our customers. Our small business consultants work with a business to select the right criteria such as geography, type of business and size of business to generate the most revenue. The custom list can then be delivered in printed format, put on mailing labels or provided on 3 x 5 index cards.

*Directories and DVD Products - Printed Directories, DVD and Internet access.* The Company offers a variety of titles: US Business Directory, State Business Directories, Big Business Directory, Manufacturers Directory, 575,000 Physicians and Surgeons, Households USA, and Entrepreneurs Directory. Each printed directory is bundled with a CD-ROM or DVD and allows for access to the information on the Internet, for one low monthly subscription price. Our customers use the directories for lead generation, telemarketing and reference purposes.

**Donnelley Group (Large Customer Group)**

Our Donnelley Group serves our largest clients from Global 2000 corporations. This Group is comprised of Donnelley Marketing, Catalog Vision, Triplex, Walter Karl, Edith Roman, Yesmail, OneSource, Millard Group and the Value Added Reseller Group.

***Donnelley Marketing***

Donnelley Marketing is one of the nation's leading direct marketing solution providers, targeting large size firms where quality data and customer service is needed for their complete solution. Our mission is to help businesses find new customers, grow their sales, reduce selling costs and become more profitable. Donnelley's reputation has been built by delivering consistent results to clients for over 85 years.

Donnelley Marketing serves a variety of industries including traditional direct marketers, packaged goods, retailers, financial institutions, telecommunications, utilities, technology, fund raising, automotive and catalog companies. Our goal in 2005 continued to be to increase client access to our databases and data processing services while reducing turnaround time and lowering costs. In 2006 we will also focus on exploring new vertical markets such as gaming, hospitality, and insurance industries among others.

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*infoConnect ONE PASS* provides online, real-time data enhancement and file cleansing access to the following databases:

**Business Databases****Consumer Databases**

15 Million U.S. and Canadian Businesses  
 12.5 Million Executives and Professionals  
 5.6 Million Small Business Owners  
 5 Million Business Addresses with Color Photos  
 2.6 Million Brand New Businesses  
 3.6 Million Yellow page Advertisers  
 1.7 Million Bankruptcy Filers  
 900,000 Global Businesses and 2 Million Executives  
 600,000 Manufacturers  
 410,000 Big Businesses  
 1.5 Million Business Email Addresses  
 780,000 Medical Professionals  
 380,000 U.S. Houses of Worship

183 Million Consumers  
 115 Million Households  
 68 Million Homeowners  
 14 Million New Movers Per Year  
 3.1 Million New Homeowners Per Year  
 1.7 Million Bankruptcies  
 123 Million Occupants  
 50 Million Consumer Email Addresses

Our newly positioned database marketing product, MarketZone® Platinum, is a closed loop, Internet-enabled, fully relational database tool for decision support, campaign management and execution system. We introduced this product to provide our clients the ability to expertly manage their customer relationships. This new product is an e-CRM (customer relationship management) solution that integrates the entire suite of Donnelley Marketing products to create real-time customer content integration. MarketZone Platinum has been very successful for us. Also available is a moderately priced brand extension of MarketZone® which was introduced in 2005, called MarketGenie.

MarketZone Platinum is an extremely flexible, full function marketing database, campaign management and e-campaign solution which incorporates an engine to support analytic tools for extracting customer insight from today's expanding data sets. MarketZone Platinum enables Donnelley Marketing to quickly build and deploy custom analytic solutions to meet the evolving demands of our customers.

MarketZone Platinum's multiple platform applications, modules, and campaign management/e-campaign management components can be leveraged to deliver high-performance analytic applications rapidly. These capabilities, along with our ability to provide data-processing, data and consultative services under one roof make MarketZone Platinum a very comprehensive & compelling solution.

MarketZone Platinum can provide the following functions:

Counts and queries

Data export and list selection

Prospect and customer profiling

Intuitive train of thought analysis

Comprehensive analytical reporting

E-mail, direct mail or telemarketing campaign execution

CatalogVision, a division of Donnelley Marketing, has been specializing in the catalog marketing industry for over 30 years serving both business-to-business and consumer direct marketers. CatalogVision clients maximize the return on their promotion dollars through use of our information and processing services. Address integrity and merge/purge

toolsets eliminate wasted mailings and optimize postal discounts. Relational marketing database systems enable multi-channel contact management and personalization.

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Triplex, acquired in the first quarter of 2004, specializes in providing data processing services to the non-profit sector. Our strategy is to grow this channel by selling more of our own proprietary data content into this channel.

List brokerage/list management division which includes Walter Karl, Edith Roman and the recently acquired Millard Group is the largest list brokerage/list management provider in the industry. We provide list brokerage, list management services and an array of database services to a broad range of direct marketing clients. Walter Karl also specializes in email list management and brokerage services for on-line marketers. Our specialized list management services provide a strong revenue base for our customers. In addition, we have our list brokerage business, which recommends and sells specialty lists to a wide range of businesses in many industries. With the acquisition of Millard Group, the division expects to acquire new customers via cross-selling opportunities.

Yesmail and @Once which was acquired in the first quarter of 2005, specialize in providing customer retention solutions for direct marketers, publishers and organizations that want to grow their customer database, develop personalized relationships with these customers, and execute more effective email marketing campaigns. As email marketing is becoming a bigger part of corporate advertising and media spending, Yesmail provides these services to their clients that deliver high returns on investment and strong overall results.

***OneSource Global Business Database***

OneSource, acquired in the second quarter of 2004, provides a compelling application providing content on the world's largest 1,700,000 businesses and their executives.

OneSource provides primarily Web-based business and financial information products to professionals who need quick access to timely and reliable company, industry, and market intelligence. OneSource's primary products, the OneSource Business Browser<sup>sm</sup> products, are password-protected, subscription-based products that provide sales, marketing, finance, and management professionals and consultants with industry and company profiles, research reports, media accounts, executive listings and biographies, and financial information on over 1,700,000 public and private companies. OneSource customers access this information over the Internet using standard Web browsers. As a Web-based solution, the Business Browser product line does not require the purchase of additional computer hardware by the customer.

OneSource products and services are designed to address the information needs of leading professional and financial services firms, technology companies, and other large organizations. OneSource's primary target market consists of Global 5000 business-to-business companies in the technology, professional services, and financial services industries and that employ large direct sales forces.

OneSource customers use the OneSource products for such purposes as account prospecting and management (i.e., business development), competitive and peer analysis, company tracking and monitoring, and company and industry research. OneSource's applications are getting increasingly embedded into the customer relationship management systems of major corporations.

***Value Added Reseller Group***

The Value Added Reseller Group (formerly the Database Licensing Group) continued its strategy of working with customers for whom data remains the core foundation of their product or service. The strength of our customers' products is predicated on the accuracy, timeliness, and relevance of the data that drives it. Our distribution channel of value added resellers and original equipment manufacturers understand that the success and profitability of their service is largely dependent on the integration of *infoUSA*'s best-in-breed business and consumer information. The information provided by the Licensing group has multiple applications. The Company licenses out *infoUSA*'s databases to be used in the following applications: directory assistance, mapping, in-car navigation, site location analysis, and demographic modeling.

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Our databases have many applications in addition to sales leads and mailing lists. The rapid proliferation of Internet and broadband technologies in U.S. households and businesses have opened up a cost-effective channel for us to become the leading brand for database applications.

**Computer Operations and Database Protection**

In 2005, the Company completed its migration from an outsourced mainframe to an in-house server technology. As a result, all of our subsidiaries can share the same data center. This will enable the Company to cut costs, increase efficiency and provide clients with faster, more flexible solutions.

**Competition**

The business and consumer marketing information industry is highly competitive. We believe that the ability to provide proprietary consumer and business databases along with data processing and database marketing services is a key competitive advantage. A number of competitors are active in specific aspects of our business. In the business sales lead products and credit report market, we face competition primarily from D & B (e.g. Dun & Bradstreet). In consumer databases, we compete primarily with Acxiom, Experian, Equifax and Harte-Hanks Data Technologies, both directly and through reseller networks.

**Employees**

As of December 31, 2005, we employed 2,695 people on a full-time basis. None of our employees is represented by a labor union or is the subject of a collective bargaining agreement. We have never experienced a work stoppage and believe that our employee relations are good.

**Executive Officers of the Registrant**

The executive officers of the Company are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Vinod Gupta	59	Chairman of the Board and Chief Executive Officer
Stormy L. Dean	48	Chief Financial Officer
Fred Vakili	52	Executive Vice President of Administration and Chief Administrative Officer
Monica Messer	43	Chief Operations Officer, Database Compilation and Technology Group and Chief Information Officer
Edward C. Mallin	56	President, Donnelley Marketing

*Vinod Gupta* is the founder of the Company and has been Chairman of the Board of the Company since its incorporation in 1972. Mr. Gupta served as Chief Executive Officer of the Company from the time of its incorporation in 1972 until September 1997 and since August 1998. Mr. Gupta holds a B.S. in Engineering from the Indian Institute of Technology, Kharagpur, India, and an M.S. in Engineering and an M.B.A. from the University of Nebraska. Mr. Gupta also was awarded an Honorary Doctorate from the Monterey Institute of International Studies and an Honorary Doctorate from the University of Nebraska. He was appointed by President Clinton to serve as a Trustee on the Kennedy Center for Performing Arts in Washington, D.C. He was nominated and confirmed to be the United States Consul General to Bermuda. Then, President Clinton nominated him to be the United States Ambassador to Fiji. Due to business commitments, he withdrew his name from consideration.

*Stormy L. Dean* has served as Chief Financial Officer since February 2006. He served as the Principal Accounting Officer of the Company since December 2005. Mr. Dean has been employed by the Company since 1995, except during the period from October 2003 to August 2004. He served as Chief Financial Officer of the Company from January 2000 through October 2003, as the Corporate Controller from September 1998 until January 2000 and as the acting Chief Financial Officer from January 1999 to August 1999. From August

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1995 to September 1998, Mr. Dean served as the Company's tax director. Mr. Dean holds a B.S. in Accounting from the University of Nebraska at Omaha, an M.B.A from the University of Nebraska at Omaha, and a Certified Public Accountant certificate.

*Fred Vakili* has served as Executive Vice President of Administration and Chief Administrative Officer since August 1998. Mr. Vakili served as Senior Vice President of Special Projects from October 1997 to August 1998, as Senior Vice President of Value Added-Resellers Group and Canada Operations from May 1987 to October 1997, and as Senior Vice President of various Company divisions from 1985 to 1987. Mr. Vakili joined the Company in 1985 as the Product Manager for the Directory Group. Mr. Vakili holds a B.S. in Industrial Engineering and Management from Iowa State University.

*Monica Messer* has served as Chief Operations Officer since October 2003, as President of the Database Compilation and Technology Group and Chief Information Officer of the Company from February 1997 to October 2003, and served as a Senior Vice President of the Company from January 1996 to January 1997. Ms. Messer joined the Company in 1983 and has served as a Vice President of the Company since 1985. Ms. Messer holds a B.S. in Business Administration from Bellevue University and is an alum of the Stanford Business School Executive Education program in Strategy and Organization.

*Edward C. Mallin* has served as President of Donnelley Marketing since August 2005, as President of Walter Karl since June 1998, as Executive Vice President of the National Accounts Division from January 1997 to June 1998 and as President of Compilers Plus from January 1990 to May 1998. Prior to that, Mr. Mallin was Executive Vice President of Compilers Plus which the Company acquired in January 1990. Mr. Mallin holds a B.A. in History from the University of Bridgeport and an M.A. in Business Administration from New York University.

### **Website Information**

The Company has a website at [www.infousa.com](http://www.infousa.com). Contents of the website are not part of, or incorporated by this reference, into this Annual Report. The Company has made available on its website all annual and quarterly reports, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after the Company has filed such material with, or furnished it to, the SEC.

### **Item 1A. Risk Factors**

Described below and throughout this report are certain risks that the Company's management believes are applicable to our business and the industry in which we operate. There may be additional risks that are not presently material or known. There are also risks within the economy, the industry and the capital markets that affect business generally, and the Company as well, which have not been described. If any of the described events occur, the Company's business, results of operations, financial condition, liquidity or access to the capital markets could be materially adversely affected.

***Our business would be harmed if we do not continue to successfully implement our Internet strategy.***

We use the Internet as our primary vehicle to provide sales leads and database information to our customers. The Internet is widely accepted by businesses all over the world. It is a very fluid distribution channel for information. The Company has always used the cutting edge technology to deliver its information to its customers. *infoUSA* was the first database company to offer its products on magnetic media, CD, DVD and also the Internet. Our *Salesgenie*, *SalesLeadsUSA* and other products are now being offered on the Internet on a subscription basis. We cannot guarantee that in the future that the Internet will be as prevalent as it is now, but we believe this will be the primary method of delivery of information.

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We have adopted an Internet strategy because we believe that the Internet represents an important and rapidly evolving market for marketing information products and services. Our business, financial condition and results of operations would be adversely affected if we:

Fail to develop products and services that are well suited to the Internet market;

Experience difficulties that delay or prevent the successful development, introduction and marketing of these products and services; or

Fail to achieve sufficient traffic to our Internet sites to generate significant revenues, or to successfully implement electronic commerce operations.

***Our markets are highly competitive and many of our competitors have greater resources than we do.***

The business and consumer marketing information industry in which we operate is highly competitive. Intense competition could harm us by causing, among other things, price reductions, reduced gross margins, and loss of market share. Our competition includes: Acxiom, Experian (a subsidiary of Great Universal Stores, P.L.C. ( GUS )), Equifax, Harte-Hanks Communications, Inc. and Dun & Bradstreet®.

In addition, we may face competition from new entrants to the business and consumer marketing information industry as a result of the rapid expansion of the Internet, which creates a substantial new channel for distributing business information to the market. Many of our competitors have longer operating histories, better name recognition and greater financial resources than we do, which may enable them to implement their business strategies more readily than we can.

***Changes in the direct marketing industry and in the industries in which our customers operate may adversely affect our business.***

Many large companies are reducing their use of direct mail advertising and increasing their use of on-line advertising, including e-mail, search words, and banner advertisements. As a result of this change in the direct marketing industry, such customers are purchasing less data for direct mail applications. In addition, several of our customers operate in industries, in particular the financial and telecommunications industries, that are undergoing consolidation. Such consolidation reduces the number of companies in those industries, and therefore may reduce the number of customers we serve. We are addressing these changes by offering products that integrate our data, data processing, database marketing and e-mail resources, and pursuing industries that are experiencing growth rather than consolidation. We cannot assure you that the marketplace will accept these new products, or that we will be successful in entering new markets. If we do not gain acceptance for our new products or successfully enter new markets, our business, financial condition and results of operations would be adversely affected.

***We are leveraged. If we are unable to service our debt as it becomes due, our business would be harmed.***

As of December 31, 2005, we had total indebtedness of approximately \$148.0 million. Substantially all of our assets are pledged as security under the terms of the Credit Facility.

Our ability to pay principal and interest on the indebtedness under the Credit Facility and our ability to satisfy our other debt obligations will depend upon our future operating performance. Our performance will be affected by prevailing economic conditions and financial, business and other factors. Certain of these factors are beyond our control. The future availability of revolving credit under the Credit Facility will depend on, among other things, our ability to meet certain specified financial ratios and maintenance tests. We expect that our operating cash flow should be sufficient to meet our operating expenses, to make necessary capital expenditures and to service our debt requirements as they become due. If we are unable to service our indebtedness, however, we will be forced to take actions such as reducing or delaying acquisitions and/or capital expenditures, selling assets, restructuring or refinancing our indebtedness (including the Credit Facility) or seeking additional equity capital. We may not be able to implement any such measures or obtain additional financing on terms that are favorable or satisfactory to us, if at all.

**Table of Contents*****Fluctuations in our operating results may result in decreases in the market price of our common stock.***

Our operating results may fluctuate on a quarterly and annual basis. Our expense levels are relatively fixed and are based, in part, on our expectations as to future revenues. As a result, unexpected changes in revenue levels may have a disproportionate effect on operating performance in any given period. In some period or periods our operating results may be below the expectations of public market analysts and investors. Our failure to meet analyst or investor expectations could result in a decrease in the market price of our common stock.

***If we do not adapt our products and services to respond to changes in technology, they could become obsolete.***

We provide marketing information and services to our customers in a variety of formats, including printed formats, electronic formats such as CD-Rom and DVD, and over the Internet. Advances in information technology may result in changing customer preferences for products and product delivery formats. If we do not successfully adapt our products and services to take advantage of changes in technology and customer preferences, our business, financial condition and results of operations would be adversely affected.

***Our ability to increase our revenues will depend to some extent upon introducing new products and services, and if the marketplace does not accept these new products and services, our revenues may decline.***

To increase our revenues, we must enhance and improve existing products and continue to introduce new products and new versions of existing products that keep pace with technological developments, satisfy increasingly sophisticated customer requirements, and achieve market acceptance. We believe much of our future growth prospects will rest on our ability to continue to expand into newer products and services. Products and services that we plan to market in the future are in various stages of development. We cannot assure you that the marketplace will accept these products. If our current or potential customers are not willing to switch to or adopt our new products and services, our ability to increase revenues will be impaired.

***Changes in laws and regulations relating to data privacy could adversely affect our business.***

We engage in direct marketing, as do many of our customers. Certain data and services provided by us are subject to regulation by federal, state and local authorities in the United States as well as those in Canada and the United Kingdom. For instance, some of the data and services that we provide are subject to regulation under the Fair Credit Reporting Act, which regulates the use of consumer credit information, and to a lesser extent, the Gramm-Leach-Bliley Act, which regulates the use of non-public personal information. We are also subject to the United Kingdom's Data Protection Act of 1998, which became fully effective on October 24, 2001 and regulates the manner in which we can use third-party data, and recent regulatory limitations relating to use of the Electoral Roll, one of our key data sources in the United Kingdom. In addition, growing concerns about individual privacy and the collection, distribution and use of information about individuals have led to self-regulation of such practices by the direct marketing industry through guidelines suggested by the Direct Marketing Association and to increased federal and state regulation. There is increasing awareness and concern among the general public regarding marketing and privacy concerns, particularly as it relates to the Internet. This concern is likely to result in new laws and regulations. Compliance with existing federal, state and local laws and regulations and industry self-regulation has not to date seriously affected our business, financial condition or results of operations. Nonetheless, federal, state and local laws and regulations designed to protect the public from the misuse of personal information in the marketplace and adverse publicity or potential litigation concerning the collection, management or commercial use of such information may increasingly affect our operations. This could result in substantial regulatory compliance or litigation expense or a loss of revenue.