INFOUSA INC
Form 10-Q
August 09, 2005

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

þ **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2005 or

o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange 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	47-0751545
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5711 SOUTH 86TH CIRCLE, OMAHA, NEBRASKA	68127
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code (402) 593-4500
N/A

(Former name, former address and former fiscal year, if changed since last report)
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 at least the past 90 days.
Yes þ No o
Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes þ No o
APPLICABLE ONLY TO CORPORATE ISSUERS:
Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.
53,833,598 shares of Common Stock at August 3, 2005

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June 30, 2005
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ITEM 1. FINANCIAL STATEMENTS

infoUSA INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	June 30, 2005 (UNAUDITED)	December 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,714	$ 10,404
Marketable securities	4,785	3,049
Trade accounts receivable, net of allowances of $1,452 and $1,394, respectively	43,913	51,707
List brokerage trade accounts receivable	22,222	19,635
Deferred income taxes	1,775	¾
Prepaid expenses	6,020	6,544
Deferred marketing costs	3,538	2,632
Total current assets	90,967	93,971
Property and equipment, net	46,225	42,537
Goodwill, net	303,219	298,708
Intangible assets, net	59,280	66,578
Other assets	11,273	7,642
	$ 510,964	$ 509,436
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 30,076	$ 34,134
Accounts payable	16,962	21,268
List brokerage trade accounts payable	17,660	15,427
Accrued payroll expenses	20,171	15,917
Accrued expenses	5,009	7,028
Income taxes payable	1,359	3,730
Deferred income taxes	¾	170
Deferred revenue	55,000	53,034
Total current liabilities	146,237	150,708
Long-term debt, net of current portion	161,606	162,092
Deferred income taxes	21,060	23,460
Other liabilities	1,701	1,701
Stockholders equity:		
Common stock, $.0025 par value. Authorized 295,000,000 shares; 53,817,433 shares issued and 53,532,590 outstanding at June 30, 2005	134	134

and 53,555,331 shares issued and 53,177,737 outstanding at December 31, 2004		
Paid-in capital	108,998	106,669
Retained earnings	74,540	69,770
Treasury stock, at cost, 284,843 shares held at June 30, 2005 and 377,594 held at December 31, 2004	(1,749)	(2,311)
Notes receivable from officers	(337)	(334)
Accumulated other comprehensive loss	(1,226)	(2,453)
Total stockholders equity	180,360	171,475
	$ 510,964	$509,436

The accompanying notes are an integral part of the consolidated financial statements.

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infoUSA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	THREE MONTHS ENDED June 30,		SIX MONTHS ENDED June 30,	
	2005	2004	2005	2004
	(UNAUDITED)		(UNAUDITED)	
Net sales	$93,736	$83,794	$188,831	$164,605
Costs and expenses:				
Database and production costs	26,945	24,823	52,973	48,684
Selling, general and administrative (excluding non-cash stock option compensation expense of $0 and $458 for the three months and $(289) and $640 for the six months ended June 30, 2005 and 2004, respectively)	46,123	40,021	90,521	80,200
Depreciation and amortization of operating assets	3,366	3,560	7,274	6,874
Amortization of intangible assets	4,469	3,616	8,873	7,062
Non-cash stock option compensation (benefit)		458	(289)	640
Litigation settlement charge	126		126	
Restructuring charges	917	1,007	1,620	1,622
Acquisition costs		239	354	242
Total operating costs and expenses	81,946	73,724	161,452	145,324
Operating income	11,790	10,070	27,379	19,281
Other income (expense):				
Investment income (loss)	1,074	(243)	2,394	(42)
Other charges		(2,079)		(2,223)
Interest expense	(2,979)	(1,761)	(5,718)	(3,975)
Income before income taxes	9,885	5,987	24,055	13,041
Income taxes	3,529	2,275	8,641	4,956
Net income	$ 6,356	$ 3,712	$ 15,414	$ 8,085
Basic earnings per share:				
Basic earnings per share:	$ 0.12	$ 0.07	$ 0.29	$ 0.15
Weighted average shares outstanding:	54,021	52,540	53,859	52,440
Diluted earnings per share:				
Diluted earnings per share:	$ 0.12	$ 0.07	$ 0.29	$ 0.15
Weighted average shares outstanding:	54,052	53,106	53,961	53,030

The accompanying notes are an integral part of the consolidated financial statements.

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infoUSA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	SIX MONTHS ENDED June 30, 2005	SIX MONTHS ENDED June 30, 2004
	(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 15,414	$ 8,085
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of operating assets	7,274	6,874
Amortization of intangible assets	8,873	7,062
Amortization of deferred financing costs	305	77
Deferred income taxes	(664)	(2,874)
Tax benefit related to employee stock options		762
Non-cash stock option compensation expense	(289)	640
Non-cash 401(k) contribution in common stock	1,029	812
(Gain) loss on sale of assets and marketable securities	(2,289)	79
Non-cash other charges		796
Changes in assets and liabilities, net of effect of acquisitions:		
Trade accounts receivable	9,572	213
List brokerage trade accounts receivable	(2,604)	1,316
Prepaid expenses and other assets	(94)	(151)
Deferred marketing costs	(906)	2,417
Accounts payable	(4,708)	(2,766)
List brokerage trade accounts payable	2,242	(2,206)
Income taxes receivable and payable, net	(4,146)	1,089
Accrued expenses and other liabilities	4,192	3,991
Net cash provided by operating activities	33,201	26,216
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of marketable securities	5,611	1,704
Purchase of marketable securities	(3,907)	(2,929)
Purchases of property and equipment	(3,044)	(2,491)
Acquisitions of businesses, net of cash acquired	(8,688)	(109,356)
Software and database development costs	(2,878)	(1,032)
Net cash (used in) investing activities	(12,906)	(114,104)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(39,309)	(179,649)
Proceeds of long-term debt	26,100	272,833
Deferred financing costs paid	(7)	(2,651)
Dividends paid	(10,646)	
Proceeds from exercise of stock options	1,877	4,045

Net cash provided by (used in) financing activities	(21,985)	94,578
Net increase (decrease) in cash and cash equivalents	(1,690)	6,690
Cash and cash equivalents, beginning of period	10,404	2,686
Cash and cash equivalents, end of period	$ 8,714	$ 9,376
Supplemental cash flow information:		
Interest paid	$ 5,795	$ 3,651
Income taxes paid	$ 12,580	$ 5,792

The accompanying notes are an integral part of the consolidated financial statements.

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infoUSA INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The accompanying unaudited consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, contain all adjustments, consisting of normal recurring adjustments, necessary to fairly present the financial information included therein. The consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

The Company suggests that this financial data be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2004 included in the Company s 2004 Annual Report on Form 10-K, filed with the Securities and Exchange Commission. Results for the interim period presented are not necessarily indicative of results to be expected for the entire year.

2. EARNINGS PER SHARE INFORMATION

The following table shows the amounts used in computing earnings per share and the effect on the weighted average number of shares of dilutive common stock.

	Three Months Ended June 30,		Six Months Ended June 30,	
	(In Thousands)			
	2005	2004	2005	2004
Weighted average number of shares used in basic EPS	54,021	52,540	53,859	52,440
Net additional common stock equivalent shares outstanding after assumed exercise of stock options	31	566	102	590
Weighted average number of shares outstanding used in diluted EPS	54,052	53,106	53,961	53,030

3. SEGMENT INFORMATION

The Company currently reports financial information on two business segments.

The *info*USA Group (formerly known as the Small Business segment) licenses its sales leads, mailing lists, databases, and other database marketing services to small and medium size businesses, entrepreneurs, professionals, and sales executives. This segment also includes the sale of our database content on the Internet.

The Donnelley Group (formerly known as the Large Business segment) provides licensing of the *info*USA database, direct marketing services, database marketing services, e-mail marketing services, and list brokerage and list management services to large businesses, i.e. businesses with 1,000 or more employees.

The *info*USA Group and Donnelley Group reflect actual net sales, order production costs, identifiable direct sales and marketing costs. The remaining indirect costs are presented as a consolidating item in corporate activities.

The corporate activities group includes the compilation of our proprietary databases, such as 14 million businesses, 220 million consumers, 5.2 million new homeowners, 17 million new movers, 2.6 million new business formations and other databases. They also include the cost for database verification, administrative functions of the Company and other identified gains and losses.

The Company accounts for property and equipment on a consolidated basis. The Company s property and equipment is shared by the Company s business segments. Depreciation expense is recorded in corporate activities.

Goodwill, net of accumulated amortization for the Donnelley Group segment increased from $ 252.3 million at June 30, 2004 to $262.0 million at June 30, 2005. The increase in goodwill is primarily due to the acquisition of @Once in January 2005.

The Company has changed the structure of its internal organization. Due to acquisition and realignment within the Company, one division has been moved from the Donnelley Group into the infoUSA group. In accordance with SFAS 131, disclosures about

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segments of an enterprise, the Company has restated the results by segment for the quarter and year to date ended June 30, 2004 according to the current internal structure.

The Company has no intercompany sales or intercompany expense transactions. Accordingly, there are no adjustments necessary to eliminate amounts between the Company s segments. The following table summarizes segment information:

	For The Three Months Ended June 30, 2005			
	infoUSA Group	Donnelley Group	Corporate Activities	Consolidated Total
	(In thousands)			
Net sales	$34,698	$ 59,038	$	$ 93,736
Litigation settlement			(126)	(126)
Restructuring charges			(917)	(917)
Operating income (loss)	10,243	24,462	(22,915)	11,790
Investment income			1,074	1,074
Interest expense			(2,979)	(2,979)
Income (loss) before income taxes	10,243	24,462	(24,820)	9,885
Goodwill, net of amortization	41,181	262,038		303,219

	For The Three Months Ended June 30, 2004			
	InfoUSA Group	Donnelley Group	Corporate Activities	Consolidated Total
	(In thousands)			
Net sales	$39,216	$ 44,578	$	$ 83,794
Non-cash stock compensation			(458)	(458)
Restructuring charges			(1,007)	(1,007)
Acquisition costs			(239)	(239)
Operating income (loss)	13,607	18,854	(22,391)	10,070
Investment (loss)			(243)	(243)
Other charges			(2,079)	(2,079)
Interest expense			(1,761)	(1,761)
Income (loss) before income taxes	13,607	18,854	(26,474)	5,987
Goodwill, net of amortization	41,243	257,465		298,708

	For The Six Months Ended June 30, 2005			
	InfoUSA Group	Donnelley Group	Corporate Activities	Consolidated Total
	(In thousands)			
Net sales	$72,567	$116,264	$	$188,831
Non-cash stock compensation			289	289
Litigation settlement			(126)	(126)
Restructuring charges			(1,620)	(1,620)
Acquisition costs			(354)	(354)
Operating income (loss)	22,490	47,481	(42,592)	27,379
Investment income			2,394	2,394
Interest expense			(5,718)	(5,718)
Income (loss) before income taxes	22,490	47,481	(45,916)	24,055
Goodwill, net of amortization	41,181	262,038		303,219

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	For The Six Months Ended June 30, 2004			
	InfoUSA Group	Donnelley Group	Corporate Activities	Consolidated Total
	(In thousands)			
Net sales	$80,107	$ 84,498	$	$164,605
Non-cash stock compensation			(640)	(640)
Restructuring charges			(1,622)	(1,622)
Acquisition costs			(242)	(242)
Operating income (loss)	26,231	39,284	(46,234)	19,281
Investment income			(42)	(42)
Other charges			(2,223)	(2,223)
Interest expense			(3,975)	(3,975)
Income (loss) before income taxes	26,231	39,284	(52,474)	13,041
Goodwill, net of amortization	41,243	257,465		298,708

4. COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss), including the components of other comprehensive income (loss), are as follows:

	For The Three Months Ended		For The Six Months Ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
	(In thousands)		(In thousands)	
Net income	$6,356	$3,712	$15,414	$8,085
Other comprehensive income:				
Unrealized gain from investments:				
Unrealized gains (losses)	(809)	89	1,125	(190)
Related tax expense	291	(34)	(405)	72
Net	(518)	55	720	(118)
Foreign currency translation adjustments:				
Unrealized gains	86		507	
Related tax expense	(31)		(183)	
Net	55		324	
Total other comprehensive income (loss)	(463)	55	1,044	(118)
Comprehensive income	$5,893	$3,767	$16,458	$7,967

The components of accumulated other comprehensive loss are as follows:

	Unrealized Losses Pension plan	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) On Securities	Accumulated Other Comprehensive Loss

		(in thousands)		
Balance at June 30, 2005	$(1,055)	$ (378)	$ 207	$ (1,226)
Balance at December 31, 2004	$(1,055)	$ (885)	$ (513)	$ (2,453)

5. ACQUISITIONS

On January 31, 2005, the Company acquired @Once Company, a retention based email technology company. The total purchase price was $8.1 million, of which $7 million was paid at closing and $1.1 million was paid on March 29, 2005 after final calculation for working capital. The purchase price for the acquisition has been primarily allocated to current assets of $1.5 million, property and equipment of $.7 million, current liabilities of $.5 million, and goodwill of $6.4 million. The acquisition has been accounted for under the purchase method of accounting, and accordingly, the operating results of @Once have been included in the Company s financial statements since the date of acquisition.

On June 9, 2004, the Company acquired all the issued and outstanding common stock of OneSource Information Services, Inc. (OneSource). OneSource offers a global database of over 1.7 million of the largest businesses worldwide. This database is deep in content. It also includes financial information and other public information. OneSource s primary products, the OneSource® Business BrowserSM 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 1.7 million public and private companies. OneSource customers access this information over the Internet using standard Web browsers.

The total purchase price was $109.4 million, comprised of cash paid for the outstanding common stock of OneSource of $104.6 million, a merger agreement termination fee associated with the acquisition of $3.0 million and acquisition-related costs of $1.8 million. Additionally, the Company paid $2.2 million for bank financing fees associated with the transaction recorded as deferred financing costs. The purchase price for the acquisition has been allocated to current assets of $28.2 million, property and equipment of $5.6 million, other assets of $1.6 million, current liabilities of $17.6 million (including $13.7 million of deferred revenue), other liabilities of $15.8 million and goodwill and other intangibles of $105.7 million. Goodwill and other identified intangibles include: developed technology of $9.0 million (life of 5 years), Corptech database of $2.6 million (life of 3 years), customer lists of $16.3 million (life of 6 years), tradenames and trademarks of $3.5 million (life of 20 years) and goodwill of $74.3 million. The acquisition has been accounted for under the purchase method of accounting, and accordingly, the operating results of OneSource have been included in the Company s financial statements since the date of acquisition.

In connection with the purchase price allocation for OneSource, the Company recorded deferred revenue of $13.7 million, which is less than the carrying value recorded by OneSource at the time of the acquisition. In accordance with EITF Issue 01-03 *Accounting in a Purchase Business Combination for Deferred Revenue of an Acquiree* , the Company recorded deferred revenue at the fair value of the assumed liability for fulfillment of customer obligations plus a normal profit margin.

On June 4, 2004, the Company acquired all the issued and outstanding common stock of Edith Roman Associates, Inc., Database Direct, Inc. and E-Post Direct, Inc. (collectively Edith Roman), a provider of list brokerage and list management services, data processing services and email marketing services. The total purchase price was $13.9 million including acquisition costs of $0.3 million, of which, $6.6 million was payable in cash at closing, $0.3 million was paid April 14, 2005 for Edith Roman s increased tax liability that was incurred for making section 338 (H)(10) election, and the remaining $6.7 million represented a note payable paid on June 30, 2005 for an adjustment for finalized working capital, net sales and other contingent items specified within the purchase agreement. The purchase price for the acquisition has been preliminarily allocated to current assets of $11.1 million, property and equipment of $0.5 million, current liabilities of $9.6 million, other liabilities of $0.5 million and goodwill of $12.1 million. The acquisition has been accounted for under the purchase method of accounting, and accordingly, the operating results of Edith Roman have been included in the Company s financial statements since the date of acquisition.

On February 2, 2004, the Company acquired all the issued and outstanding common stock of Triplex Direct Marketing Corp. (Triplex), a provider of direct marketing and database marketing services to nonprofit and catalog customers. The total purchase price was $7.6 million including acquisition costs of $0.3 million, of which, $6.1 million was payable in cash at closing and the remaining $1.2 million was paid on February 2, 2005. The purchase price for the acquisition has been primarily allocated to current assets of $2.4 million, property and equipment of $0.7 million, current liabilities of $1.0 million, and goodwill of $5.2 million. The acquisition has been accounted for under the purchase method of accounting, and accordingly, the operating results of Triplex have been included in the Company s financial statements since the date of acquisition.

Assuming Triplex, OneSource, Edith Roman and @Once had been acquired on January 1, 2004 and included in the accompanying consolidated statements of operations, unaudited pro forma consolidated net sales, net income and net income per share would have been as follows:

	For the three months ended		**For the six months ended**	
	June 30, 2005	**June 30, 2004**	**June 30, 2005**	**June 30, 2004**
	(In thousands, except per share amounts) (unaudited)			
Net sales	$94,312	$97,557	$189,983	$198,603
Net income	$ 6,069	$ (1,209)	$ 14,840	$ 971

Basic earnings per share	$ 0.11	$ (0.02)	$ 0.28	$ 0.02
Diluted earnings per share	$ 0.11	$ (0.02)	$ 0.28	$ 0.02

6. NON-CASH STOCK COMPENSATION EXPENSE

At June 30, 2005, the Company has a nonqualified stock option plan. The Company applies the intrinsic value-based method of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations in accounting for its stock option plan. No stock-based employee compensation cost is reflected in net income, as all options granted under the plan had an exercise price equal to the market value of the underlying common stock on the date of grant. The Company s

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pro forma net income and earnings per share would have been as indicated below had the fair value of all option grants been charged to salaries, wages, and benefits in accordance with SFAS No. 123, *Accounting for Stock-Based Compensation*:

	Three months ended June 30,		Six Months ended June 30,	
	2005	2004	2005	2004
	(in thousands, except per share amounts)		(in thousands, except per share amounts)	
Net income, as reported	$6,356	$3,712	$15,414	$8,085
Less: Total stock-based employee compensation expense determined under fair value based method, net of taxes	127	620	296	1,285
Net income, pro forma	$6,229	$3,092	$15,118	$6,800
Earnings per share:				
Basic as reported	$ 0.12	$ 0.07	$ 0.29	$ 0.15
Basic pro forma	$ 0.12	$ 0.06	$ 0.28	$ 0.13
Diluted as reported	$ 0.12	$ 0.07	$ 0.29	$ 0.15
Diluted pro forma	$ 0.12	$ 0.06	$ 0.28	$ 0.13

The above pro forma results are not likely to be representative of the effects on reported net income for future years since options vest over several years and additional awards generally are made each year.

The fair value of the weighted average of option grants is estimated as of the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants in 2005: volatility of 52.12%, dividend yield of 1.69%, risk free interest rate of 3.96% and expected lives of 5 years.

Compensation cost for stock options and warrants granted to non-employees and vendors is measured based upon the fair value of the stock option or warrant granted. When the performance commitment of the non-employee or vendor is not complete as of the grant date, the Company estimates the total compensation cost using a fair value method at the end of each period. Generally, the final measurement of compensation cost occurs when the non-employee or vendors related performance commitment is complete. Changes, either increases or decreases, in the estimated fair value of the options between the date of the grant and the final vesting of the options result in a change in the measure of compensation cost for the stock options or warrants. Compensation cost is recognized as expense over the periods in which the benefit is received.

During 2002, the Company granted non-qualified stock options to non-employee consultants of the Company in connection with consulting agreements executed by the Company. The options vested evenly over four years and have a five-year life. The fair value of the option was estimated, as of the grant date, using the Black-Scholes option pricing model and is updated at each balance sheet date. As of April 2005, the options have fully vested, and as such, there was no non-cash compensation expense during the three months ended June 30, 2005. The consulting agreement with one of the consultants committed the Company to make cash payments of $400 thousand and $775 thousand in 2005 and 2004, respectively, to the consultant for services rendered. Expense of $58 thousand and $175 thousand for this consulting agreement was recorded during the three months ended June 30, 2005 and 2004, respectively.

7. RESTRUCTURING CHARGES

During the three months ended June 30, 2005, the Company recorded restructuring charges of $917 thousand for involuntary employee separation costs (severance) due to workforce reductions for 57 employees in administration, order production and sales. As of June 30, 2005, an accrual of $1.1 million was included in the accompanying consolidated balance sheet for severance costs remaining to be paid and an accrual of $278 thousand was included for the restructuring of the Hill-Donnelly printing facilities. During the six months ended June 30, 2005, the Company recorded restructuring costs totaling $1.6 million which includes $1.3 million for 102 employees and $332 thousand for the restructuring of the Hill-Donnelly printing facilities for office space, equipment leases and raw material inventory.

During the three months ended June 30, 2004, the Company recorded restructuring charges due to workforce reductions of $1.0 million. The charges included involuntary employee separation costs for 191 employees in administration, order production and sales. During the six months ended June 30, 2004, the Company recorded restructuring charges totaling $1.6 million for 287 employees.

The following table summarizes activity related to the restructuring charges recorded by the Company, including the liability accrual balances:

	Beginning Accrual	Amounts Expensed	Amounts From Acquisition (In thousands)	Amounts Paid	Ending Accrual
Restructuring accrual	$629	$1,619	$ 96	$993	$1,351

8. GOODWILL AND INTANGIBLE ASSETS

Intangible assets consist of the following:

	June 30, 2005	December 31, 2004
	(In thousands)	
Goodwill	$362,231	$357,720
Less accumulated amortization	59,012	59,012
Goodwill, net	$303,219	$298,708
Intangible assets:		
Non-compete agreements	13,534	13,534
Core technology	13,753	13,753
Customer base	24,663	24,663
Trade names	19,259	19,259
Purchased data processing software	73,478	73,478
Acquired database costs	21,591	21,591
Perpetual software license agreement, net	1,733	2,133
Software development costs, net	7,025	5,983
Database development costs, net	1,228	461
Deferred financing costs	11,130	11,123
	187,394	185,978
Less accumulated amortization	128,114	119,400
Intangible assets, net	$ 59,280	$ 66,578

9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30, 2005	December 31, 2004
	(In thousands)	
Property and equipment	$145,537	$135,789
Less accumulated depreciation	99,312	93,252
	$ 46,225	$ 42,537

10. RELATED PARTY TRANSACTIONS

In June 2005, the Company entered into a long-term lease with a lender for ownership of a boat previously leased by Annapurna from the same lender for a total seven year commitment of $2.2 million. Annapurna is 100% owned by

Mr. Gupta, the Company s Chairman and Chief Executive Officer.

In February 2005, the Company purchased from NetJets fractional ownership interest in one airplane at a total cost of $2.6 million. The fractional ownership interest in the airplane was previously owned by Mr. Gupta, who sold it to NetJets at the same time the Company made the purchase of the aircraft.

During the second quarter and year to date 2005, the Company paid Annapurna Corporation a total of $119 thousand and $297 thousand, respectively, primarily for the business use of the aircraft before it was sold to the Company.

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11. SUBSEQUENT EVENT

In July 2005, a lawsuit that arose from the Company s acquisition of Database America Companies in February 1997 was concluded. The lawsuit was commenced in 1998 by certain former employees of Database America who sought enforcement of employee termination agreements with Database America. The Company, in addition to defending the claims brought by the employees, sought indemnification from Paul Goldner, the former owner of Database America, for any amounts the Company was required to pay to such employees, pursuant to indemnification provisions of the purchase agreement with Mr. Goldner. In July 2005, a final judgment in favor of the employees was entered against the Company, as purchaser of Database America, in the amount of $1.56 million, and concurrently a final judgment in favor of the Company was entered against Mr. Goldner in the same amount. The judgment against the Company is payable in six installments, with the first payment made in July 2005 and the final payment to be made in June 2006. The Company is taking action to collect its judgment against Mr. Goldner. The Company does not believe that the conclusion of this lawsuit will have a material effect on its financial condition or results of operations.

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ITEM 2.

infoUSA INC. AND SUBSIDIARIES
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

This discussion and analysis contains forward-looking statements, including without limitation statements in the discussion of comparative results of operations, accounting standards and liquidity and capital resources, within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933, which are subject to the safe harbor created by those sections. The Company s actual future results could differ materially from those projected in the forward-looking statements. Some factors which could cause future actual results to differ materially from the Company s recent results or those projected in the forward-looking statements are described in Factors that May Affect Operating Results below. The Company assumes no obligation to update the forward-looking statements or such factors.

GENERAL

Recent Significant Development

On June 13, 2005, *info*USA Inc. announced that it had received a proposal from an affiliate of Vinod Gupta, *info*USA s Chairman and CEO, to acquire all of the shares of common stock of *info*USA not owned by Mr. Gupta at a cash purchase price of $11.75 per share. As of June 13, 2005, Mr. Gupta held approximately 38% of the outstanding common stock of the Company. The Company s Board of Directors subsequently formed a special committee of independent directors to review Mr. Gupta s proposal and potential alternatives. The special committee has engaged Fried, Frank, Harris, Shriver & Jacobson LLP as its legal advisor and Lazard Frères & Co. LLC as its financial advisor to assist it in its review.

Company Profile

*info*USA Inc. (the Company or *info*USA or we) is the leading provider of sales leads and databases to millions of businesses in order for them to find new prospects and grow their sales. *info*USA compiles and updates over 15 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 *info*USA databases because of the high accuracy of our business database. Databases compiled and continually updated are as follows:

Business Databases	**Consumer Databases**
14 Million U.S. and Canadian Businesses	180 Million Consumers
11.5 Million Executives and Professionals	112 Million Households
5 Million Small Business Owners	65 Million Homeowners
5 Million Business Addresses with Color Photos	15 Million New Movers Per Year

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2.6 Million Brand New Businesses

3.1 Million New Homeowners Per Year

3.6 Million Yellow page Advertisers

1.7 Million Bankruptcy Filers