infoGROUP Inc.
Form 10-K/A
March 16, 2009

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A

(Mark One)

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

For the fiscal year ended December 31, 2007

Or

o **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

***info*GROUP 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 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: Common Stock, $0.0025 par value
Securities Registered Pursuant to Section 12(g) of the Act: None

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

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

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 o No þ

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. o

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

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

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 29, 2007 (the last business day of the registrant s most recently completed second fiscal quarter) was $267.3 million.

As of August 4, 2008 the registrant had outstanding 56,807,996 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

None

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EXPLANATORY NOTE

*info*GROUP Inc. is filing this Amendment No. 1 on Form 10-K/A (this Amendment) to amend our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, filed with the Securities and Exchange Commission on August 8, 2008 (the Original Filing). This Amendment is being filed solely for the purpose of amending Item 9A of Part II and Item 11 and Item 13 of Part III. This Amendment is filed in response to comment letters we received from the staff of the Securities and Exchange Commission in connection with the staff s review of the Original Filing. In addition, as required by Rule 12b-15 of the Securities Exchange Act of 1934, as amended, new certifications by our principal executive officer and principal financial officer are filed as exhibits to this Amendment.

Except as described above, no other changes have been made to the Original Filing, and this Amendment does not amend, update or change the financial statements or disclosures in the Original Filing. This Amendment does not involve a restatement of our financial statements included in the Original Filing. This Amendment does not reflect events occurring after the filing of the Original Filing and unless otherwise stated herein, the information contained in the Amendment is current only as of the time of the Original Filing. Accordingly, the Amendment should be read in conjunction with our filings made with the Securities and Exchange Commission subsequent to the filing of the Original Filing, including any amendments to those filings.

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Item 9A. *Controls and Procedures*

A. INVESTIGATION BY THE SPECIAL LITIGATION COMMITTEE

Effective December 24, 2007, the Board of Directors of the Company formed the Special Litigation Committee in response to the consolidated complaint in *In re infoUSA, Inc. Shareholders Litigation*, Consol. Civil Action No. 1956-CC (Del. Ch.) (the Derivative Litigation), and in response to an informal investigation of the Company by the SEC and the related SEC request for the voluntary production of documents concerning related party transactions, expense reimbursement, other corporate expenditures and certain trading in the Company s securities. The Special Litigation Committee is composed of five members of the Board of Directors, Robin S. Chandra, Bill L. Fairfield, George Krauss, Bernard W. Reznicek and Clifton T. Weatherford. Messrs. Chandra, Krauss and Weatherford were appointed to the Board in December 2007 at the time the Special Litigation Committee was formed. The Special Litigation Committee retained the law firm of Covington & Burling LLP as independent legal counsel to assist with conducting an internal investigation of these matters.

The Special Litigation Committee s investigation began in January 2008, lasted five months, and consumed over 15,000 hours of attorney and staff time .. The scope of the Committee s investigation encompassed more than twenty discrete issues and was informed by the claims raised in the Derivative Litigation, the Committee s conversations with the Company s external auditors, and the investigation itself.

In the course of investigating these issues, the Special Litigation Committee collected and searched more than one million pages of electronic documents , and collected and reviewed more than 280,000 pages of hard-copy documents. The documents included invoices and statements provided to the Company as support for related party transactions, expense reimbursements , and corporate expenditures; reports from the Company s accounting system ; documents from Company advisors, including auditors and accountants; and calendars and itineraries maintained by Mr. Gupta.

The Special Litigation Committee interviewed approximately 80 witnesses .. These witnesses, some of whom were interviewed on more than one occasion, included current and former Company employees such as internal auditors, controllers, and accountants; the Company s external auditors; individuals who were employed by Mr. Gupta or one of his related entities and whose responsibilities included expense reimbursement, accounting, and tax preparation; and Mr. Gupta, whom the Special Litigation Committee interviewed twice.

Aided in part by an expert engaged by the Special Litigation Committee , National Economic Research Associates, Inc., the Special Litigation Committee undertook an analysis of potential damages based on available records and the testimony of witnesses. Based on its investigation and its analysis of potential damages, the Special Litigation Committee determined that various related party transactions, expense reimbursements and corporate expenditures were excessive .. The Special Litigation Committee concluded the following:

Private Aircraft:

The Special Litigation Committee examined the usage of the private planes from 1998 2007. Exact information about the approximately 1820 flights *info*GROUP paid for on private jets during this period was not available. Therefore, the Special Litigation Committee examined flights in several categories, including: (1) flights described in the consolidated complaint filed in the Derivative Litigation, as well as flights that were part of the same itinerary; (2) flights taken by former President Clinton and his family; (3) flights taken by other prominent individuals; (4) flights to international destinations and Hawaii; and (5) flights from selected time periods. In order to assess these categories of flights, the Special Litigation Committee collected documents, including invoices, *info*GROUP travel forms, and Mr. Gupta s calendar and itineraries. The Special Litigation Committee also spoke to Mr. Gupta, his counsel, and other witnesses about the purpose of various flights.

The Special Litigation Committee determined that a portion of the expenditures related to private jet use were excessive, including, for example, flights to Aspen for Mr. Gupta and his sons; flights to Hawaii for Mr. Gupta, his family, and several guests; flights for former President Bill Clinton after *info*GROUP had signed a consulting agreement with him; and flights for former President Clinton s family members and other third parties.

Expenses:

The Special Litigation Committee examined Mr. Gupta s credit card spending and requests for Company reimbursement of expenses from 2000 2007. Exact information about the purpose of credit card spending during this period was not available. Therefore, the Special Litigation Committee carefully examined expenses in several categories, including: (1) expenses in selected time periods; (2) a sample of expenses over $1,000; and (3) all expenses over $15,000. In order to assess these expenses, the Special Litigation Committee collected documentation, including invoices, Mr. Gupta s calendar, and his itineraries. The Special Litigation Committee also spoke to Mr. Gupta and/or his counsel and other witnesses about select expenses so that they could provide additional information about the circumstances surrounding the expense. The Special Litigation Committee determined that certain expenses relating to lodging, flights, meals, and various other expense categories were excessive.

The Special Litigation Committee also examined Mr. Gupta s golf club memberships from 2000-2007, for which the Company paid a portion of the membership and usage fees. Exact information was not available on the purposes for which Mr. Gupta s more than 30 private club memberships were used. The Special Litigation Committee determined that expenditures related to most of these clubs were excessive.

The Special Litigation Committee examined the salaries and expense reimbursements for the following employees who worked in part for *info*GROUP and in part for Mr. Gupta personally: (1) an individual who at the time of the investigation was an accountant for Everest, Inc. and was formerly employed by *info*GROUP; (2) an individual who at the time of the investigation was Director of Special Projects and Trade Shows for *info*GROUP; and (3) an individual who for the majority of the time of the investigation was an accountant for Everest, Inc. and prior to that was employed by *info*GROUP. The Special Litigation Committee determined that portions of these individual s salaries and expense reimbursements were excessive.

In January 2007, Mr. Gupta submitted to *info*GROUP one invoice for personal legal services from Kirkland & Ellis LLP. The Special Litigation Committee determined that remedial action was appropriate with respect to this issue.

Yacht:

The Special Litigation Committee examined yacht usage from 2002 2007. Exact information about *info*GROUP s yacht usage during this period was not available .. The Special Litigation Committee assessed yacht use by examining the yacht log , collecting and reviewing documents, and conducting interviews with the crew of the yacht , individuals who used the yacht, and Company staff responsible for booking usage on the yacht.

The Special Litigation Committee determined that expenditures related to the yacht were excessive because the yacht is rarely used for business or any other purpose.

Residences:

The Special Litigation Committee examined usage of 10 private residences owned or rented by Mr. Gupta and his family from 2001 2007. Specifically, the Special Litigation Committee assessed usage of private residences at the following locations owned by Mr. Gupta, and paid for during various periods by *info*GROUP: (1) Hillsborough, California; (2) Napa, California; (3) Aspen, Colorado; and (4) a condominium owned by Mr. Gupta s son, Jess Gupta, in Maui, Hawaii. In addition , the Special Litigation Committee examined the use of a Washington, D.C. apartment rented directly by *info*GROUP on Mr .. Gupta s behalf. Finally, the Special Litigation Committee examined the use of Mr. Gupta s homes in the following locations for which the Company has never paid rent: (1) Omaha; (2) Kauai; (3) Miami; (4) Las Vegas; and (5) Washington, D.C.

Exact information about *info*GROUP s private residence usage during this period was not available. The nature and magnitude of the usage of the residences was assessed by examination of the Company s property logs .. Further, Mr. Gupta requested that his employees and former employees submit, via email , available details on stays at his residences. This information was compiled and supplemented with employee interviews. The Special Litigation Committee determined that *info*GROUP s payments for the residences were excessive, where documentation evidencing use by Company employees or customers was lacking and the Audit Committee was unaware of such use.

From 2004 2008, the manager of Mr. Gupta s D.C. residence, was paid a salary by *info*GROUP. She also received expense reimbursements from the Company. The Special Litigation Committee determined that these expenditures were excessive.

A former *info*GROUP employee from 2000 2002, currently serves as the property manager of Mr. Gupta s residence in Kauai, Hawaii. After his employment at *info*GROUP, he received expense reimbursements from the Company. The Special Litigation Committee determined that these expenditures were excessive.

Automobiles:

The Special Litigation Committee investigated the usage of six cars leased through Aspen Leasing, as well as the

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usage of 15 additional vehicles leased or purchased by *info*GROUP. Exact information about *info*GROUP s automobile usage during this period was not available. The Special Litigation Committee examined usage by conducting employee interviews as well as reviewing insurance information that listed authorized drivers for certain of the automobiles. The Special Litigation Committee determined that payments for 14 of these 21 vehicles were excessive because these vehicles were used primarily by Mr. Gupta.

Insurance:

The Special Litigation Committee investigated whether *info*GROUP paid premiums on life insurance policies of which the Company was not the beneficiary.

The Special Litigation Committee found that from 2000 2005, *info*GROUP made various payments on three life insurance policies for Mr. Gupta. The Gupta Family 1999 Irrevocable Trust was the beneficiary of all of these policies. The Special Litigation Committee determined that remedial action was appropriate with respect to this issue.

Everest Building Mortgage:

The Special Litigation Committee investigated the circumstances surrounding the sale of the Everest Building to the Company by Everest Investment Management LLC, an entity owned by Mr. Gupta.

In the spring of 2001, the Everest Building was constructed by Everest Investment Management LLC. Everest Investment Management LLC had a $2.4 million loan from U.S. Bank to finance the Everest building construction. After the completion of construction, *info*GROUP entered into a 10-year agreement with Everest Investment Management LLC to lease office space from Everest Investment Management LLC in the Everest Building for $30,000 per month. On October 9, 2001, *info*GROUP purchased the Everest Building from Everest Investment Management LLC for $2.62 million, an amount equal to Everest Investment Management LLC s total construction costs .. The amount outstanding on the mortgage note was $2.4 million. Thus, *info*GROUP paid Everest Investment Management LLC $220,000 and assumed Everest Investment Management s obligations under the mortgage. On October 15, 2001, the Audit Committee and the Board approved the Company s acquisition of the building from Everest Investments, after being informed that *info*GROUP acquired the Everest Building by assuming the mortgage on the building.

The Special Litigation Committee determined that remedial action was appropriate with respect to amounts paid by the Company that were in excess of the amount of the mortgage on the Everest Building.

Office Space and Administrative Support :

The Special Litigation Committee investigated whether Mr. Gupta provided free office space to related-party entities, as well as whether *info*GROUP paid a salary to the secretary to an *info*GROUP director.

On October 9, 2001, *info*GROUP acquired the Everest Building. From October 2001 December 2004, Annapurna Corporation and Everest Investment Management LLC occupied space in the Everest Building without paying rent to *info*GROUP. Beginning in January 2005, Everest Investment Management LLC and Annapurna paid a combined $1,600 per month to *info*GROUP pursuant to a rental agreement.

From October 2001 November 2005, director Harold Andersen and his secretary occupied space in the Everest Building without paying rent to *info*GROUP. *info*GROUP also paid a third of Andersen s secretary s salary from 1996 2005. In December 2005, *info*GROUP signed a consulting agreement with Andersen that provided for office space and secretarial services.

The Special Litigation Committee determined that the provision of free office space to companies owned by Mr. Gupta was excessive. The Special Litigation Committee also determined that the provision of secretarial services to an *info*GROUP director was excessive prior to December 2005, when the director signed a consulting contract with the Company.

Stock Options:

The Special Litigation Committee investigated the circumstances surrounding stock option grants to an outside company named Mindspirit LLC.

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In 2001, *info*GROUP entered into a consulting agreement with Mindspirit LLC (Mindspirit) to provide advice and guidance to Vin Gupta, CEO of *info*GROUP, on strategic issues associated with the growth and sustainability of the company. Under the agreement, Mindspirit was entitled to 200,000 stock options; all of these options were exercised. These options were not approved by the Board or any Board committee. According to Mr. Gupta, Mindspirit was created by the wives of Rajat Gupta and Anil Kumar, two employees of McKinsey & Company who were rendering business advice to Mr. Gupta and *info*GROUP. The Special Litigation Committee determined that remedial action was appropriate with respect to this issue.

Corporate Avengers:

The Special Litigation Committee investigated the circumstances surrounding *info*GROUP s payments to Corporate Avengers, LLC, a company owned and controlled by the son of Mr. Gupta s wife, Laurel Gupta.

In early 2006, Corporate Avengers signed a consulting agreement with *info*GROUP. From February 2006 to December 2006, Laurel Gupta s son received $2,000 per month for viral marketing and social networking services. No *info*GROUP employees were able sufficiently to describe services provided by Corporate Avengers. The contract was not renewed at the end of the term.

The Special Litigation Committee determined that expenditures related to Corporate Avengers were excessive.

On July 16, 2008, the Special Litigation Committee approved a series of remedial actions and decisions that are described below.

The Special Litigation Committee continues to cooperate with the SEC, with respect to its findings from the investigation and related remedial actions.

Remedial Actions Approved by the Special Litigation Committee

Based on its investigation of the matters described above, the Special Litigation Committee approved a series of remedial actions described below, which have been updated since the filing of the Company s Current report on Form 8-K on July 23, 2008. The Special Litigation Committee s remedial framework is designed to continue in effect at least until December 31, 2013 (other than the standstill and voting agreements with Mr. Gupta described in the second and third bullet points below, which have expiration dates as set forth therein).

- In connection with the Derivative Litigation, Mr. Gupta orally agreed to pay the Company $9 million over five years pursuant to a payment schedule, subject to the execution of a definitive settlement agreement and upon court approval of the settlement.

- The Company entered into an amendment (the Second Amendment) with Mr. Gupta to extend the original standstill agreement between the Company and Mr. Gupta, dated July 21, 2006 (the Original Agreement), as amended on July 20, 2007 by the first amendment (the First Amendment). Pursuant to the Original Agreement, as amended by the First Amendment, Mr. Gupta had agreed that, for a period ending on July 21, 2008 (the Covered Period), he would not directly or indirectly acquire any additional securities of the Company, except for acquisitions pursuant to the exercise of stock options that had been granted to him by the Company. The Second Amendment amended the Original Agreement (as amended by the First Amendment) to extend the Covered Period to include the period from 12:00 a.m. on July 22, 2008 to and including 11:59 p.m. on July 21, 2009. All other terms of the Original Agreement remain in effect without modification.

- The Special Litigation Committee and Mr. Gupta orally agreed that, subject to the execution of a definitive settlement agreement and upon court approval of the settlement, Mr. Gupta will enter into a voting agreement with the Company, pursuant to which Mr. Gupta will agree to support, through and including the 2010 annual stockholders meeting, the election of the nominees for election as directors recommended by the Nominating and Corporate Governance Committee of the Board.

- The Special Litigation Committee approved the separation of the positions of Chief Executive Officer and Chairman of the Board and the appointment of Bill L. Fairfield, who was serving at the time as the Board s lead independent director, to serve as the chairman of the Board effective July 16, 2008. Mr. Gupta continues to serve as the chief executive officer of the Company.

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The Audit Committee of the Board, in consultation with the chief executive officer, will identify and hire a new chief financial officer. The termination or replacement of the new chief financial officer (or any successor) will require the concurrence of the Audit Committee of the Board. The current chief financial officer of the Company, Stormy L. Dean, will continue to serve as chief financial officer of the Company until a new chief financial officer is hired, at which time Mr. Dean is expected to assume a new position with the Company with responsibilities in the area of corporate strategy and planning. The Company is currently conducting a search process to fill this position.

The Special Litigation Committee approved the creation of a new position of executive vice president for business conduct and general counsel (the EVP for Business Conduct and General Counsel). The EVP for Business Conduct and General Counsel will, among other things:

(i) supervise all legal and compliance functions and have responsibility for coordinating with internal auditors regarding the review of related party transactions;

(ii) develop and administer business conduct and ethics policies for the Company (relating to insider trading, conflicts of interest, related party transactions and other matters) and monitor compliance with such policies;

(iii) approve certain expense reimbursement requests at or above specified dollar amounts, as determined by the independent directors of the Board; and

(iv) serve on the Company s Disclosure Committee.

The EVP for Business Conduct and General Counsel is retained by the independent directors of the Board and reports directly to the chairman of the Board under terms and conditions of employment determined exclusively by the independent directors of the Board. On July 16, 2008, John H. Longwell, the Company s general counsel and secretary, was appointed to serve as the acting EVP for Business Conduct and General Counsel. The Company is currently conducting a search process to fill permanently this position.

The independent directors of the Board will develop and approve a new delegation of authority protocol to specify the size of transactions each officer is permitted to enter into on behalf of the Company. Pursuant to the protocol, the following will require prior approval by the EVP for Business Conduct and General Counsel: consulting agreements in excess of specified dollar amounts as determined by the independent directors of the Board; charitable contributions in excess of a specified per-gift or aggregate annual amount; the purchase or lease of aircraft (including whole or partial interests) or motor vehicles (not including conventional car rentals); mortgage or rental payments on offices, homes, apartments or any other real property not used exclusively for business purposes; and club membership fees. The EVP for Business Conduct and General Counsel will also report to the Audit Committee on the above transactions.

The Company will sell its yacht and will not own or lease yachts in the future.

All Company reimbursements for expenses will be subject to uniform, company-wide policies and procedures. The independent directors of the Board will approve and implement a business expense policy applicable to all employees of the Company. The policy will prohibit the reimbursement of any expense that is not authorized under the Company s business expense policy. The policy will also provide clear guidance as to determining what is and what is not a proper business expenditure. In this regard, the policy will prohibit the use of Company resources (including corporate credit cards) for personal travel or entertainment; prohibit the personal use of yachts or airplanes at Company expense; and require restitution of any expenditure later deemed personal and include a compensation hold-back feature to ensure that restitution is made when necessary.

The independent directors of the Board will approve and implement detailed policies governing all employees regarding perquisites. Such policies will prohibit home office allowances.

The independent directors of the Board will approve and implement a new related party transaction policy. Among other measures, the new policy will:

(i) require pre-approval by the disinterested members of the Audit Committee of the Board (or, if necessary to reach a decision, the disinterested, independent directors of the Board) for all transactions with amounts in excess of $120,000 involving the Company and a director or executive officer (or family member of such person), a stockholder owning more than 5% of any class of Company voting securities or an entity in which a related party is an executive officer or in which a related party owns beneficially more than 10% of the outstanding voting securities;

(ii) eliminate the exception in the current policy permitting management to enter into related party transactions when circumstances require, subject to later ratification;

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(iii) require the Audit Committee of the Board to make a finding, as a condition to its pre-approval of a covered related party transaction, that the transaction has a legitimate business purpose;

(iv) require the Audit Committee of the Board to make a finding, as a condition to its pre-approval of a covered related party transaction (other than a charitable contribution), that either the terms of the transaction were determined through a competitive bidding process or that the terms are no less favorable than those generally available to unaffiliated third parties under the same or similar circumstances;

(v) require the Audit Committee of the Board to pre-approve any related party transaction that would result in the aggregate amount of transactions for that related party exceeding $120,000 in a fiscal year and for all additional related party transactions for the remainder of the fiscal year and condition such pre-approval on a finding by the Audit Committee of the Board that the transaction has a legitimate business purpose and that either the terms of the transaction were determined through a competitive bidding process or that the terms are no less favorable than those generally available to unaffiliated third parties under the same or similar circumstances;

(vi) require pre-approval of any proposed related party transaction by the EVP for Business Conduct and General Counsel (or, in appropriate circumstances, his delegee) in circumstances where no pre-approvals or findings of the Audit Committee of the Board are required; and

(vii) require implementation of procedures for monitoring the interests of related parties that are subject to transactions with the Company on a regular basis (for example, through the use of director and officer questionnaires), including requiring all officers and directors of the Company to provide the Company with a complete list of any affiliated entities that have a relationship with the Company and the nature of such relationship.

The family members of the chief executive officer or any director of the Company will be prohibited from serving as a director, officer or employee of, or a consultant to, the Company. Pre-approval by the EVP for Business Conduct and General Counsel, the Audit Committee or the Board, as appropriate, will be required before a family member of an officer of the Company (who is not a director of the Company or the chief executive officer of the Company) may serve as director, officer or employee of, or as a consultant to, the Company. Any such approval will be reported to the Audit Committee.

A mandatory director and executive officer training program addressing fiduciary duties will be instituted, which will include an orientation program for new directors, internal corporate governance tutorials conducted by outside experts selected by the Special Litigation Committee and continuing corporate governance education.

The Audit Committee of the Board will approve and implement a best practices guide regarding disclosure controls and procedures.

The independent directors of the Board will meet at least four times annually. The minutes of such meetings will be circulated to the entire Board in advance of the next Board meeting.

Within 60 days of the entry of judgment in connection with the Derivative Litigation, the Compensation Committee of the Board will endeavor to negotiate and approve employment agreements with executive officers of the Company, including compensation terms commensurate with those of executive officers of similarly situated companies. The Compensation Committee of the Board will retain an independent compensation consultant to provide advice with respect to executive officer and director compensation.

All future equity grants will be approved by a majority vote of the disinterested independent directors of the Board. Further, the Company s 2007 Omnibus Incentive Plan will be amended to clarify the number of shares available to be granted pursuant to the plan, and the amendment of the plan will be submitted to a stockholder vote for ratification.

The Company will hire a new investor relations officer who will report to the chief financial officer to improve and coordinate communications with stockholders, investors, analysts and the media.

In addition, in connection with its findings, the Special Litigation Committee asked directors George Haddix, Elliot Kaplan and Vasant Raval to resign from the Board. At this time no director has agreed to resign.

B. EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company is responsible for maintaining disclosure controls and other procedures that are designed so that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and communicated to management, including the chief executive officer and the chief financial officer, to allow timely decisions regarding required disclosure within the time periods specified in the SEC s rules and forms.

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In connection with the preparation of this Form 10-K, management performed an evaluation of the Company s disclosure controls and procedures. The evaluation was performed, under the supervision of and with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of December 31, 2007. As described below, management identified material weaknesses in the Company s internal control over financial reporting, which is an integral component of its disclosure controls and procedures. Based on this evaluation, the Company s Chief Executive Officer and Chief Financial Officer have concluded that the Company s disclosure controls and procedures were not effective as of December 31, 2007.

The principal factors contributing to the material weaknesses that led to the conclusion that the disclosure controls and procedures were not effective were (1) the Company did not maintain an effective control environment, (2) the Company did not maintain adequate policies and procedures with respect to Company disbursements, and (3) the Company did not maintain effective procedures to monitor its disbursement-related controls and whether such controls remained adequately designed, specifically procedures to ensure that the Board of Directors and management are provided sufficient information to enable them to evaluate the adequacy of the Company s disclosures, including appropriately monitoring the activities of senior management, including the Chief Executive Officer.

These factors resulted in information with regard to disclosure of disbursements being insufficiently available to management and the Board of Directors, or not available at all. Management and the Board of Directors were therefore unable to determine the adequacy of the disclosures with respect to disbursements in the Company s reports filed under the Exchange Act, including disclosures concerning expense reimbursements, corporate expenditures, personal utilization of Company assets by the Chief Executive Officer, issuance of stock options, and payments to related parties.

Based upon management s conclusion that there were material weaknesses in the Company s internal control over financial reporting, the Company has taken measures it deemed necessary to conclude its consolidated financial statements as of and for the year-ended December 31, 2007 do not contain a material misstatement.

C. MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of *info*GROUP is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by rules of the SEC, internal control over financial reporting is a process designed by, or under the supervision of, the Company s principal executive and principal financial officers and effected by the Company s Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles.

Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, should accurately and fairly reflect the Company s transactions and dispositions of the Company s assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company s management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the consolidated financial statements.

In connection with the preparation of the Company s annual consolidated financial statements, management undertook an evaluation of the effectiveness of the Company s internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO Framework). Management s evaluation included the design of the Company s internal control over financial reporting and testing of the operational effectiveness of those controls.

Management s evaluation and assessment of the effectiveness of internal control over financial reporting did not include the internal controls of Guideline, Inc., which the Company acquired on August 20, 2007 and is included in the 2007 consolidated financial statements of the Company. Guideline constituted 7% of consolidated total assets and

2% of consolidated total sales included in the consolidated financial statements of the Company and its subsidiaries as of and for the year ended December 31, 2007.

Material Weaknesses in Internal Control over Financial Reporting

A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements would not be prevented or detected on a timely basis. In connection with management s evaluation of the Company s internal control over financial reporting, management identified the following material weaknesses in the Company s internal control over financial reporting as of December 31, 2007:

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The Board of Directors and Management did not maintain an effective control environment as a result of ineffective oversight of internal control over financial reporting.

The Company did not maintain adequate policies and procedures to ensure that disbursements of the Company were made in accordance with authorizations of management and the directors of the Company. Contributing to this material weakness was inadequate segregation of duties and ineffective policies and procedures to ensure that the processing of payments requires appropriate supporting documentation and authorization. The nature of transactions subject to this material weakness included expense reimbursements, corporate expenditures, personal utilization of Company assets by the Chief Executive Officer, issuance of stock options, and payments to related parties.

The Company did not maintain effective procedures to monitor its disbursement-related controls and whether such controls remain adequately designed, specifically procedures to ensure that the Board of Directors is provided sufficient information to enable it to appropriately monitor the activities of senior management, including the Chief Executive Officer.

Because of the material weaknesses in internal control over financial reporting described above, management has concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2007 based on *Internal Control Integrated Framework* published by COSO.

KPMG LLP, our independent registered public accounting firm that audited the financial statements included in our annual report on Form 10-K, has issued an Audit Report on the effectiveness of the Company s internal control over financial reporting as of December 31, 2007.

D. CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were not any changes during the fourth quarter of 2007 in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

E. REMEDIATION STEPS TO ADDRESS MATERIAL WEAKNESSES

The Company, with oversight from the Special Litigation Committee and the Audit Committee and Compensation Committee of the Company s Board of Directors, has dedicated significant resources, including the use of outside legal counsel, to support the Company s efforts to improve the control environment and to remedy the identified material weaknesses.

The Company expects that full implementation of the remedial measures set forth herein will take significant effort, due to the complexity and extensive nature of some of the remediation required, a need to coordinate remedial efforts within the organization, and the Special Litigation Committee mandate that such remedial measures be reviewed and approved by the independent members of the Board of Directors.

Of the various remedial actions adopted by the Special Litigation Committee, the following are expected to remedy the identified material weaknesses in internal controls and to improve the control environment. The Company expects to implement all of these remedial actions during the third and fourth quarters of 2008.

Executive Vice President for Business Conduct and General Counsel. As described above, the Special Litigation Committee approved the creation of a new position of executive vice president for business conduct and general counsel that will report directly to the chairman of the Board under terms and conditions of employment determined exclusively by the independent directors of the Board. This individual will be retained by the independent members of the Board and will, among other things:

supervise all legal and compliance functions and have responsibility for coordinating with internal auditors regarding the review of related party transactions;

develop and administer business conduct and ethics policies for the Company (relating to insider trading, conflicts of interest, related party transactions and other matters) and monitor compliance with such policies; and approve certain expense reimbursement requests at or above specified dollar amounts, as determined by the independent directors to the Board.

On July 16, 2008, John H. Longwell, the Company s general counsel and secretary, was appointed to serve as the acting EVP for Business Conduct and General Counsel. The Company is currently conducting a search process to fill permanently this position.

Audit Committee Concurrence Required for Hiring and Replacement of the Chief Financial Officer. The Audit Committee of the Board, in consultation with the chief executive officer, will identify and hire a new chief financial officer. The termination or replacement of the new chief financial officer (or any successor) will require the concurrence of the Audit Committee of the Board. The current chief financial officer of the Company, Stormy L. Dean, will continue to serve as chief financial officer of the Company until a new chief financial officer is hired. The Company is currently conducting a search process to fill this position.

New Delegation of Authority Protocol. The independent directors of the Board will develop and approve a new delegation of authority protocol to specify the size of transactions each officer is permitted to enter into on behalf of the Company. The protocol will require the sale of the Company yacht and prohibit the future ownership or leasing of yachts. Pursuant to the protocol, the following will require prior approval by the EVP for Business Conduct and General Counsel: consulting agreements in excess of specified dollar amounts as determined by the independent directors of the Board; charitable contributions in excess of a specified per-gift or aggregate annual amount; the purchase or lease of aircraft (including whole or partial interests) or motor vehicles (not including conventional car rentals); mortgage or rental payments on offices, homes, apartments or any other real property not used exclusively for business purposes; and club membership fees. The EVP for Business Conduct and General Counsel will also report to the Audit Committee on the above transactions.

Policy on Company Reimbursement of Expenses. All company reimbursements for expenses will be subject to uniform, company-wide policies and procedures.

New Business Expense Policy. The independent directors of the Board will approve and implement a business expense policy applicable to all employees of the Company. The policy will prohibit the reimbursement of any expense that is not authorized under the Company s business expense policy. The policy will also provide clear guidance as to determining what is and what is not a proper business expenditure. In this regard, the policy will prohibit the use of Company resources (including corporate credit cards) for personal travel or entertainment; prohibit the personal use of yachts or airplanes at Company expense; and require restitution of any expenditure later deemed personal and include a compensation hold-back feature to ensure that restitution is made when necessary.

New Policies Regarding Perquisites. The independent directors of the Board will approve and implement detailed policies governing all employees regarding perquisites. Such policies will prohibit home office allowances.

New Related Party Transactions. The independent directors of the Board will approve and implement a new related party transaction policy. Among other measures, the new policy will:

(i) require pre-approval by the disinterested members of the Audit Committee of the Board (or, if necessary to reach a decision, the disinterested, independent directors of the Board) for all transactions with amounts in excess of $120,000 involving the Company and a director or executive officer (or family member of such person), a stockholder owning more than 5% of any class of Company voting securities or an entity in which a related party is an executive officer or in which a related party owns beneficially more than 10% of the outstanding voting securities;

(ii) eliminate the exception in the current policy permitting management to enter into related party transactions when circumstances require, subject to later ratification;

(iii) require the Audit Committee of the Board to make a finding, as a condition to its pre-approval of a covered related party transaction, that the transaction has a legitimate business purpose;

(iv) require the Audit Committee of the Board to make a finding, as a condition to its pre-approval of a covered related party transaction (other than a charitable contribution), that either the terms of the transaction were determined through a competitive bidding process or that the terms are no less favorable than those generally available to unaffiliated third parties under the same or similar circumstances;

(v) require the Audit Committee of the Board to pre-approve any related party transaction that would result in the aggregate amount of transactions for that related party exceeding $120,000 in a fiscal year and for all additional related party transactions for the remainder of the fiscal year and condition such pre-approval on a finding by the Audit Committee of the Board that the transaction has a legitimate business purpose and that either the terms of the transaction were determined through a competitive bidding process or that the terms are no less favorable than those generally available to unaffiliated third parties under the same or similar circumstances;

(vi) require pre-approval of any proposed related party transaction by the EVP for Business Conduct and General Counsel (or, in appropriate circumstances, his delegee) in circumstances where no pre-approvals or findings of the Audit Committee of the Board are required; and

(vii) require implementation of procedures for monitoring the interests of related parties that are subject to transactions with the Company on a regular basis (for example, through the use of director and officer questionnaires), including requiring all officers and directors of the Company to provide the Company with a complete list of any affiliated entities that have a relationship with the Company and the nature of such relationship.

Family Members. The family members of the chief executive officer or any director of the Company will be prohibited from serving as a director, officer or employee of, or a consultant to, the Company. Pre-approval by the EVP for Business Conduct and General Counsel, the Audit Committee or the Board, as appropriate, will be required before a family member of an officer of the Company (who is not a director of the Company or the chief executive officer of the Company) may serve as director, officer or employee of, or as a consultant to, the Company. Any such approval will be reported to the Audit Committee.

New Training Program. A mandatory director and executive officer training program addressing fiduciary duties will be instituted, which will include an orientation program for new directors, internal corporate governance tutorials conducted by outside experts selected by the Special Litigation Committee and continuing corporate governance education.

Employment Agreements. Within 60 days of the entry of judgment in connection with the Derivative Litigation, the Compensation Committee of the Board will endeavor to negotiate and approve employment agreements with executive officers of the Company, including compensation terms commensurate with those of executive officers of similarly situated companies. The Compensation Committee of the Board will retain an independent compensation consultant to provide advice with respect to executive officer and director compensation.

Independent Director Approval of Option Grants. All future equity grants will be approved by a majority vote of the disinterested independent directors of the Board. Further, the Company s 2007 Omnibus Incentive Plan will be amended to clarify the number of shares available to be granted pursuant to the plan, and the amendment of the plan will be submitted to a stockholder vote for ratification.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
*info*GROUP Inc. (formerly known as *info*USA Inc.):

We have audited *info*GROUP Inc. and subsidiaries (the Company) internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting (Item 9A (C)). Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company s annual or interim financial statements will not be prevented or detected on a timely basis. Management s Report on Internal Control over Financial Reporting (Item 9A (C)) has identified material weaknesses related to the (1) control environment, (2) policies and procedures over disbursements, and (3) monitoring activities over such disbursements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders equity and comprehensive income, cash flows, and financial statement schedule for each of the years in the three-year period ended December 31, 2007. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2007 consolidated financial statements, and this report does not affect our report dated August 8, 2008, which expressed an unqualified opinion on those consolidated financial statements.

In our opinion, because of the effect of the aforementioned material weaknesses on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We do not express an opinion or any other form of assurance on management s statements referring to corrective or remedial actions taken after December 31, 2007, relative to the aforementioned material weaknesses in internal control over financial reporting.

The Company acquired Guideline, Inc. (Guideline) on August 20, 2007, and management excluded from its assessment of the effectiveness of the Company s internal control over financial reporting as of December 31, 2007, Guideline s internal control over financial reporting associated with 7% of the Company s total assets and 2% of the Company s consolidated total sales included in the financial statements of the Company as of and for the year ended December 31, 2007. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Guideline.

/s/ KPMG LLP

Omaha, Nebraska
August 8, 2008

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Item 11. ***Executive Compensation***

Compensation Discussion and Analysis

This Compensation Discussion and Analysis (CD&A) should be read in conjunction with the Summary Compensation Table and related discussion under this Item 11 of this Annual Report. The term Named Executive Officers (NEOs) refers to the executive officers listed in the Summary Compensation Table. Our CD&A addresses the following items:

- overview of executive compensation;
- how we determine executive compensation;
- our philosophy regarding executive compensation;
- objectives of executive compensation elements;
- executive compensation decisions for fiscal year 2007;
- severance and change in control considerations; and
- tax and accounting considerations.

Overview of Executive Compensation

The Compensation Committee (the Committee) of our Board of Directors is responsible for establishing, implementing and monitoring the administration of our executive compensation programs in accordance with the Company s compensation philosophy and strategy, and for approving executive compensation and equity plan awards. The Committee seeks to reward the Company s executive officers in a fair, reasonable and competitive manner. The compensation program consists of base salary, annual short-term incentives (both performance-based and discretionary), long-term equity-based incentive compensation (used from time to time), and personal benefits and perquisites.

During fiscal year 2007, the members of the Committee who determined the compensation of our executive officers for 2007 were Bernard W. Reznicek (Chair), Anshoo S. Gupta and Dennis P. Walker. In December 2007, Mr. Anshoo Gupta passed away, and in January 2008, Mr. Walker resigned from the Board of Directors. Effective January 25, 2008, Messrs. George F. Haddix and Robin S. Chandra were appointed to the Committee.

How We Determine Executive Compensation

The Role of the Committee. Executive compensation is determined by the Committee, which meets at least quarterly to consider issues relating to executive compensation. It draws on internal and external resources to provide necessary information and recommendations, as appropriate. In 2007, the Committee met six times (in February, April, June, July, September and October). Each year, the Committee reviews its Charter to ensure that it remains consistent with stockholder interests and good corporate governance principles. In 2007, the Committee engaged in the following activities related to executive compensation to ensure it carried out its responsibilities as outlined in the Charter:

- reviewed each element of compensation of the NEOs;
- reviewed and approved corporate goals and objectives relevant to the compensation of the Chief Executive Officer (CEO), evaluated the CEO s performance in light of those goals and objectives, and set the CEO s compensation levels based on this evaluation;
- administered and managed all equity compensation programs of the Company;
- considered and made recommendations to the Board of Directors with respect to the adoption, amendment, administration or termination of compensation, welfare, benefit, pension and other plans related to

compensation of current and former employees of the Company;

reviewed and approved the CD&A as required by the SEC and certified the CD&A and its contents through the issuance of the Compensation Committee Report; and

retained legal, accounting and other relevant advisors as it deemed necessary to carry out its fiduciary responsibilities at the Company s expense.

In addition, each member of the Committee is a non-employee director within the meaning of Rule 16b-3 under the Exchange Act and an outside director within the meaning of Section 162(m) of the Internal Revenue Code.

For the benefit of our stockholders, the Compensation Committee Charter is posted on the Company s website at *www.infoUSA.com* under the caption About Us.

The Role of Executive Officers. Our CEO annually reviews the performance of each of the other NEOs. Based on this review, the CEO makes compensation recommendations to the Committee, including recommendations for salary adjustments, annual cash incentives and long-term equity-based incentive awards. Although the Committee considers these recommendations, it retains full discretion to set all compensation for the NEOs. The Committee may, in its discretion, invite the CEO to be present during the Committee s deliberations on the compensation of the NEOs.

The Committee, in carrying out the responsibilities as outlined in its Charter, is wholly responsible for determining the compensation paid to our CEO. The CEO is not present during Committee deliberations on the compensation of the CEO.

The Role of the Compensation Consultant. Under the Committee s Charter, the Committee has the authority to retain consultants to aid in its duties from time to time. Pursuant to this authority, in 2007, the Committee retained Pearl Meyer & Partners (PM&P), an outside executive compensation consulting firm. PM&P assists the Compensation Committee with the collection and interpretation of competitive market data and prevalence information with regard to executive compensation levels and executive compensation plan design. PM&P is engaged by, and reports directly to, the Committee. PM&P works with the Committee, in conjunction with management, to structure the Company s compensation programs. In addition, PM&P periodically provides the Committee and management with market data on a variety of compensation-related topics. PM&P also participates in the executive session of Committee meetings where no members of Company management are present.

In 2007, PM&P provided the Committee with objective, independent counsel concerning the types and levels of compensation to be paid to the CEO and the other senior executives, including each of the NEOs. PM&P assisted the Committee by providing market compensation data (e.g., industry compensation surveys and benchmarking data) on base pay, as well as annual and long-term incentives.

As part of the Special Litigation Committee s remedial measures, which are described in greater detail under Item 9A, Controls and Procedures of this Annual Report, the Committee will retain an independent compensation consultant to provide advice with respect to executive officer and director compensation.

Employment Agreements. As part of the Special Litigation Committee s remedial measures, which are described in greater detail under Item 9A, Controls and Procedures of this Annual Report, within 60 days of the entry of judgment in connection with the Derivative Litigation, the Committee will endeavor to negotiate and approve employment agreements with the executive officers of the Company, including compensation terms commensurate with those of executive officers of similarly situated companies.

Compensation Benchmarking. It is crucial to our long-term performance that we are able to attract and retain a strong leadership team. To facilitate retention of executive officers, it is critical that we are able to offer compensation opportunities competitive with those available to them in equivalent positions in our industry or at other publicly-traded or similarly-situated companies. The Committee considers publicly-available information concerning executive compensation levels paid by other companies in our industry and in relevant labor markets as one factor in determining appropriate compensation levels.

Peer Group. The Company primarily competes for talent in the information collection and distribution industry and benchmarks executive compensation levels against publicly-traded companies in this industry. In 2007, the Committee referred to the following peer group of publicly-traded companies in the information collection and distribution industry for benchmarking executive compensation.

Acxiom Corporation

Dun & Bradstreet Corporation

Equifax Incorporated

FactSet Research Systems, Inc.

Fair Isaac Corporation

Gartner Incorporated

Harte-Hanks Incorporated

Lamar Advertising Company

MSC Industrial Direct

Salesforce.com

Valassis Communications, Incorporated

This peer group was developed to reflect the size and growth profile of the Company. Data is generally size-adjusted as appropriate to account for the size of the companies in the peer group relative to the Company.

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Other Market Comparisons. PM&P also provides the Committee with competitive data from compensation surveys conducted by other compensation consulting firms. These surveys collect compensation information from hundreds of companies for different positions in a variety of industries. These compensation surveys were queried to analyze the types and levels of compensation paid to executive officers (with responsibilities similar to those of our executive officers) of companies comparable in size and growth profile to the Company.

The Committee considers the competitive data from the peer group and from the compensation surveys but does not rely on it exclusively in making decisions with regard to executive compensation levels. Because the Company does not rely on compensation surveys exclusively, the specific compensation survey participants were not material to our decisions regarding executive compensation. Finally, the Committee was not aware of any individual participant in these surveys.

Our Philosophy Regarding Executive Compensation

We believe that it is in the best interest of the Company and its stockholders to employ talented, committed, high-performing leaders who can sustain and improve the Company s performance. We believe that executive compensation must serve to:

- attract and retain top executives;
- reward executives for meeting financial and strategic business goals and objectives;
- motivate executives to perform at their highest potential;
- reinforce a sense of teamwork through common objectives and shared rewards for performance; and
- align the interests of executives and stockholders.

The Committee doesn t necessarily target a specific position within the external market (i.e., the 50th percentile) but rather evaluates total compensation within the context of a number of factors described in greater detail below.

Objectives of Executive Compensation Elements

Each NEO s annual total compensation is composed of a mix of fixed and variable compensation elements, consisting of:

- base salary;
- annual cash incentive plan;
- from time to time, long-term equity incentives; and
- benefits and perquisites.

We expect that this mix can and should change from time to time as our business needs and objectives evolve, and as external business and market circumstances change. The Committee reviews the combined value of all of the elements of compensation awarded in previous years, both targeted and actual, when considering proposed compensation for the current year.

We believe that it is appropriate to take a holistic view of each executive officer s total compensation opportunity and review it annually on a prospective basis. The Company believes the value of an executive s performance cannot be measured solely by reference to objective performance indicators or based on a simple formulaic approach; compensation should be awarded based on consideration of both objective and subjective factors. Therefore, we retain discretion to adjust different compensation elements based on particular facts and circumstances and consider other subjective factors which are addressed in this CD&A under the heading Executive Compensation Decisions for Fiscal Year 2007.

Base Salary. The objectives of the Company s base salary element are to allow the Company to attract and retain qualified executives and to recognize and reward individual performance. The following items are considered when determining actual base salaries and making adjustments to base salaries:

- our past performance and expectations of future performance;

individual scope of responsibility, performance and experience;

competitive compensation data from the peer group and other market comparisons;

historical salary levels; and

the recommendations of the CEO (only with respect to other NEOs).

Annual Cash Incentive Plan. The objectives of our Annual Cash Incentive Plan, which consists of annual performance-based cash incentives and discretionary bonuses, are to:

reward executives for meeting financial and strategic business goals and objectives;

motivate executives to perform at their highest potential;

reinforce a sense of teamwork through common objectives and shared rewards for performance; and

align the interests of executives and stockholders.

For performance-based cash incentives, target award opportunities are established at the beginning of each year. Actual awards of performance-based cash incentives are predicated on:

the Company s and individual s performance against goals and objectives established at the beginning of the year, which rewards executives for meeting financial and strategic business goals and objectives; and

the Committee s assessment of individual performance, which motivates executives to perform at their highest potential.

Each year the Committee selects performance measures and goals for the performance-based cash incentive portion of the Annual Cash Incentive Plan. The Company believes the performance measures and goals support stockholder value creation and align the interests of executives and stockholders.

With limited exceptions, all executive officers are measured against the same financial performance goals, which reinforces a sense of teamwork. For business unit heads, performance goals are often based on business unit-specific performance goals to reward executives when their business unit meets financial and strategic business goals and objectives.

The Committee considers a number of factors in determining who will receive a discretionary bonus award and the size of the award. Historically, discretionary cash bonuses have been made to recognize extraordinary efforts in the context of:

actual performance not warranting a formulaic incentive award because of changing business conditions; or

the completion of special projects (such as a business acquisition) or strategic initiatives.

The Committee believes it is important that it retain the authority to consider the strategic importance of items with respect to the payment of discretionary bonuses, as these items are not necessarily part of any business or strategic plan developed at the beginning of the year.

Long-term Equity Incentives. Although stock options [and other equity awards] have been granted in prior years, more recently the Committee has focused on cash compensation for our executive officers. In 2007, no stock option grants or other equity awards were made. During 2008, the Committee plans to review its prior focus on cash compensation with a view to adding an equity-based component. The equity-based component would be designed to provide significant incentives directly linked to the long-term performance of the Company.

As part of the Special Litigation Committee s remedial measures, which are described in greater detail under Item 9A, Controls and Procedures of this Annual Report, all future equity grants will be approved by a majority vote of the disinteres