



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE  
IN AND FOR NEW CASTLE COUNTY

In Re: INFOUSA, Inc. Shareholders  
Litigation

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: Consol. C.A. No. 1956-CC  
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**FIRST AMENDED CONSOLIDATED COMPLAINT**

1. Plaintiff Cardinal Value Equity Partners, LP ("Cardinal") and plaintiffs Dolphin Limited Partnership I, L.P. and Dolphin Financial Partners, LLC (collectively "Dolphin") and Robert Bartow through their attorneys, bring this action against the defendants, who are current or former directors of infoUSA Inc. ("infoUSA" or the "Company"), a Delaware company located at 5711 South 86<sup>th</sup> Circle, Omaha, Nebraska. Plaintiffs file this consolidated complaint at the direction of the Court of Chancery which, over plaintiffs' opposition, ordered the consolidation of C.A. No. 1956 (filed on February 22, 2006) and C.A. No. 2486 (filed on October 19, 2006). The Consolidated Complaint is derived from separate investigations and accordingly, parts of it may be based on the investigation and knowledge of one but not all of the plaintiffs.

2. Plaintiffs incorporate by reference the allegations set forth in their prior Complaints, as amended with respect to Cardinal's Complaint, except as follows: the allegations previously made in Dolphin's Complaint that the July 21, 2006 letter agreement constitutes an amendment to the Rights Plan that adversely affects the interests of the Rights holders is withdrawn.

3. Plaintiffs' seek equitable, monetary, declaratory and other relief arising out of the continuing and serial misuse of corporate assets and resources by the Company's chief executive officer, Vinod Gupta ("V. Gupta"). V. Gupta caused the Company to engage in a sham

exploration of strategic alternatives to provide legal cover for his effort to take the Company private. He has perpetrated millions of dollars of non-board approved and wasteful related party transactions upon infoUSA. He has also caused the Company to expend considerable shareholder funds by entering into illusory and wasteful consulting agreements in order to ingratiate himself with his personal friends. V. Gupta is also unfairly capitalizing on a personal exemption granted to him in the Company's Shareholders Rights Plan by steadily increasing his control of the Company to the detriment of the public shareholders whose ability to receive a potential control premium is being diminished. A rotating board of directors that has failed to exercise its fiduciary duties has enabled V. Gupta to treat the Company as if it were his private business.

#### **THE PARTIES**

4. Cardinal, the lead plaintiff with respect to Count I below, is the record owner of 100 shares of the Company and, as of March 31, 2007, beneficially owned or had sole investment authority with respect to approximately 3,137,550 shares (5.6%) of the Company's common stock. Cardinal has beneficially owned and had investment authority with respect to shares of the Company continuously since March 31, 2004. Dolphin, the lead plaintiff with respect to Counts II - V below, beneficially owns 2,000,000 shares (3.6%) of infoUSA common stock which it began acquiring in June 2005. As explained below in greater detail in the Background section in late 2005 and early 2006, Dolphin obtained documents from infoUSA pursuant to a §220 demand. It also waged a proxy contest for the election of three directors in connection with infoUSA's May 26, 2006 annual stockholders meeting. Robert Bartow, also lead plaintiff with respect to Counts II - V below, owns 2,000 shares of infoUSA common stock. He has been an infoUSA stockholder continuously since January 19, 2000.

5. Defendant V. Gupta is Chairman of the Board and Chief Executive Officer of infoUSA. V. Gupta graduated in 1969 with a Master's Degree in engineering from Lincoln Campus, University of Nebraska. Except for the period from September 1997 to August 1998, he has been the CEO and a director and/or Chairman since infoUSA's founding in 1972. Based on Amendment No. 15 to Schedule 13G filed on July 28, 2006, V. Gupta reported beneficial ownership of 23,026,723 shares of infoUSA common stock representing over 41% of the outstanding shares. V. Gupta's newly reported beneficial ownership includes approximately 2.4 million shares (4.4%) owned by irrevocable trusts for V. Gupta's three sons and his charitable foundation. Prior to the 2006 proxy contest, the Company's proxy statements did not disclose V. Gupta's beneficial ownership of all of these shares. In fact, the Company's 2005 proxy statement filed on March 28, 2005 improperly and misleadingly represented that V. Gupta beneficially owned just 20,135,006 shares or 36.6% of the outstanding shares. In connection with the 2006 proxy contest, the Company issued a proxy statement revealing the existence of approximately 2.4 million shares held in V. Gupta's sons' irrevocable trusts and his charitable foundation and over which V. Gupta has sole voting and dispositive power. Thus, the 2005 proxy statement under-reported V. Gupta's stock ownership by at least 4.4%. An 11-K filed by infoUSA on June 29, 2006, indicates that as of December 31, 2005, the infoUSA 401(k) Plan held 681,396 shares of infoUSA common stock or 1.2% of the outstanding shares. Other directors and officers held outright 2.1%.

6. Defendant George F. Haddix ("Haddix") has served as an infoUSA director since 1995 and is Chairman of the Nominating and Governance Committee and is currently a member of the Compensation Committee. For the past five years he has been one of three members of the Compensation Committee (Chairman 2004, 2005), and served as one of three members of the

Audit Committee in at least 2001-2002. According to the Company's 2006 proxy statement, directors other than V. Gupta receive a \$48,000 annual director fee. In addition, each director who chairs a board committee receives an extra \$12,000 per year except that the chair of the Audit Committee receives an extra \$24,000 per year. Non-employee directors are also given stock options for 10,000 shares that vest immediately. The Company paid Haddix director fees of at least \$60,000 in 2003 and 2005 and \$84,000 in 2004. Haddix runs a software company called PKWare with offices in Chicago although he has conducted his business out of Omaha, Nebraska in free office space provided by the Company and which the Company paid to decorate. For example, in 2001 infoUSA paid an interior designer who assisted Haddix's carpet selection in his rent free office at the Everest Management Building. Haddix is a co-founder and former CEO and director of CSG Systems which also has offices in Omaha, Nebraska. Haddix was part of the original investor group that led a leveraged buyout of CSG Systems from First Data Group. In 1997, infoUSA invested \$500,000 in a CSG acquisition fund, organized by Trident Capital to acquire CSG Systems. In 1999, a subsidiary of infoUSA received \$10 million from Trident Capital. Trident's managing director, Donald Dixon, became chairman of the infoUSA subsidiary and a Company director. Mr. Haddix is also a member of the board of directors of Creighton University where V. Gupta and several other current and former board members have strong ties.

7. Defendant Vasant H. Raval ("Raval") has served as an infoUSA director since 2002 and is Chairman of the Audit Committee and a member of the Finance Committee. He has served as one of three members of the Audit Committee since 2003. He has also served as one of three members of the Finance Committee since 2004 and was one of three members on the Compensation Committee in 2004. Raval is a professor and chair of the Department of

Accounting at Creighton University in Omaha, Nebraska and is on Creighton University's board of directors. V. Gupta has made substantial donations to Creighton University. Creighton University has an exchange program with the Vinod Gupta School of Management at the Indian Institute of Technology, Kharagpur, India ("IIT"). Raval receives a material supplement relative to his academic salary by serving on the infoUSA board. Raval is paid a \$48,000 annual director fee and \$24,000 for chairing the Audit Committee. In 2004, he received an additional \$24,000, for a total of \$96,000. He also received an additional \$75,000 in 2005, for a total of \$147,000, for serving on the Company's short lived Special Committee which was set up to consider a going private offer from V. Gupta. The payments are material when compared to Raval's academic salary. As reported in the Chronicle of Higher Education, the average full professor's [salary] at Creighton is \$86,300 plus \$3,000 as department chair. According to the Official Nebraska Government website, <http://www.ccpe.state.ne.us/PublicDoc/CCPE/reports/factbook/95-05/Section C/FL95-05 Sec C WEB Workbook.xls>, the average salaries for Creighton professors in the period from 2002 to 2006 were: \$88,000 (2002); \$90,000 (2003); \$89,000 (2004); \$91,000 (2005); and \$92,000 (2006). According to infoUSA's proxy statements for the same period, Raval received the following payments from infoUSA: \$12,000 (2002); \$72,000 (2003); \$96,000 (2004); \$147,000 (2005); and \$72,000 (2006). Based on average salaries for Creighton professors from 2002 to 2006 as reported on the Nebraska government website, Raval received approximately \$450,000 in the aggregate from Creighton. For the same period, he received a total of \$399,000 in director and committee fees from infoUSA. The \$399,000 figure does not include infoUSA stock options given to Raval.

8. Defendant Bill L. Fairfield ("Fairfield") was appointed to the Board of Directors on November 10, 2005, to replace defendant Harold Andersen who resigned in late 2005.

Fairfield serves on the Nominating and Governance and Audit Committees and he now chairs the Compensation Committee. He is paid a \$48,000 annual director fee and \$12,000 to chair the Compensation Committee. He is chairman of Dreamfield Capital Ventures LLC, an equity venture capital firm in Omaha, Nebraska. Fairfield is the former chairman of businessCreditUSA.com, a wholly owned Company subsidiary. Notwithstanding his prior employment relationship, on July 21, 2006, Fairfield was appointed the Company's "lead independent director." Fairfield and V. Gupta (as well as former director Andersen and other former infoUSA directors) serve together as trustees on the University of Nebraska Foundation.

9. Defendant Anshoo S. Gupta ("A. Gupta") has been a director of infoUSA since 2005. A. Gupta is not related to V. Gupta. He serves on the Audit Committee and was also a member of the Special Committee. He receives a \$48,000 annual director fee and was paid an additional \$75,000 in 2005 for serving on the short-lived Special Committee. A. Gupta serves on the Advisory Board of IIT. He graduated from IIT as did V. Gupta. In 1992, V. Gupta donated \$2 million to IIT and, in 1993, he established the Vinod Gupta School of Management which has an exchange program with Creighton University.

10. Defendant Elliott S. Kaplan ("Kaplan") has been a director of infoUSA since 1988. He was one of three members of the Compensation Committee, in at least 2001 and 2002 and one of three members of the Finance Committee from 2004 to the present. Kaplan receives a \$48,000 annual director fee but he received \$60,000 in director fees in 2004. He has flown on several occasions on the Company jet to resort locations. He is a senior partner in the law firm of Robins, Kaplan, Miller & Ciresi LLP which is infoUSA's principal outside law firm. Kaplan lists his membership on the infoUSA board on his firm's website as one of only two corporations where he is a director and the Company constitutes one of "the several major corporations" he

advises on business related issues. From 2003-2005, the Company paid Kaplan's law firm an average of \$500,000 per year in legal fees. According to the American Lawyer, in 2004, the Robbins Kaplan firm had approximately \$164 million in revenue and 244 lawyers, for an average revenue of approximately \$672,000 per lawyer. In 2006, the Company paid Kaplan's law firm \$1.1 million in legal fees. Accordingly, infoUSA is a major client for Kaplan and one that he would likely lose if infoUSA were sold to a third party. Kaplan's firm represented the Company on matters related to the §220 action and the 2006 proxy contest. The Company spent \$2 million on the proxy contest (\$1.3 more than its original estimate of \$700,000 listed in the Company's 2006 proxy statement). Kaplan and his firm have also represented infoUSA with respect to many of the transactions challenged in this Complaint, including the poison pill Shareholder Rights Plan, the Opinion Research Corporation merger agreement and the drafting of infoUSA's SEC filings. Because of his dual status as a director and named partner of the firm that is principal outside counsel to the Company, Kaplan is conflicted and not independent of V. Gupta.

11. Defendant Martin F. Kahn ("Kahn") was a member of the Nominating and Governance Committee (starting in 2005) and chair of the Finance Committee (starting in 2005) and served as a director of infoUSA from 2004 until February 2, 2007, when he resigned. He is paid at least \$60,000 a year for serving on the board. Kahn also chaired the short-lived Special Committee, described below, for which he was paid \$100,000. Kahn proposed the Special Committee's compensation. His proposal, which was accepted by the board, allowed members of the Special Committee, including himself, to request additional compensation if the Special Committee's work continued after December 31, 2005, or if the Chair's (Kahn's) work required a significantly greater level of contribution than initially anticipated. His proposal, however,

contained no provision for a decrease in compensation if the Special Committee's work turned out to be substantially less than what was contemplated, which is what happened. Kahn is the former Chairman and CEO of One Source Information Services, a company acquired by infoUSA in 2004. Kahn profited by an additional \$184,000 when infoUSA made a "topping offer" bid for One Source in April 2004.

12. Defendant Bernard W. Reznicek ("Reznicek") has been a director of infoUSA since March 2006. He filled the vacancy created when defendant Charles Stryker resigned in January 2006. He serves on the Governance and Nominating Committee and the Audit Committee. Reznicek is the former dean of the Creighton University College of Business Administration, where defendants Raval and Haddix are directors. He is also a former president and CEO of Omaha Public Power in Omaha, Nebraska. He has been a director of CSG Systems since 1997 and is currently the non-executive chairman of the board of CSG Systems, an entity co-founded by defendant Haddix and in which infoUSA has invested. He is also president and CEO of Premier Enterprises.

13. Defendant Dennis P. Walker ("Walker") has been a director of infoUSA since 2003. He is a member of the Nominating and Corporate Governance Committee (2003 to the present) and the Compensation Committee. He was one of three members of the Compensation Committee in 2003, 2005 and 2006. Walker is the president and CEO of Jet Linx Aviation of Omaha, Nebraska. Jet Linx is in the business of private jet travel operated locally in Omaha, Nebraska and Topeka, Kansas. Jet Linx sells fractional interests in private jets. The Company has provided Walker with rent free office space and paid him \$60,000 for serving as a director in 2004. On March 4, 2005, Walker flew on the Company jet with V. Gupta and V. Gupta's wife on a trip labeled as "personal." Jet Linx Aviation has an internship program with the Aviation

Institute at the University of Nebraska. Defendant Walker graduated in 1968 with a Bachelor of Science degree from Lincoln Campus, University of Nebraska. Between 1998-2002, Walker was founder, board member and executive vice president of MemberWorks, Inc., a telemarketing company based in Stamford, Connecticut.

14. Defendant Harold W. Andersen ("Andersen") is a former director of infoUSA who served from September 1993 until he resigned in November 2005. Andersen is an alumnus of the University of Nebraska and a trustee of the University of Nebraska Foundation. He is the former President, Chief Executive Officer, Chairman and Publisher of the Omaha World Herald Company. In each of 2003 and 2004, the Company paid him \$84,000 in compensation and also provided him rent free office space for his personal business use. Andersen was a long standing member of the Audit Committee serving from at least 1997 until he resigned in July 2005. He chaired that committee in at least 2001 through 2003 when replaced by defendant Raval. Since at least 1997, he was a member of and in 2004 became chair of the Compensation Committee. Andersen served on the Nominating and Corporate Governance Committee from the time of its formation in January 2003 until his resignation. Andersen resigned from the Audit Committee, and then from the board, shortly after stockholders of the Company began questioning the extensive and excessive related party transactions between the Company and V. Gupta. While Andersen was an infoUSA director and a member and/or chair of important board committees, he also served as a director of two mutual funds in the Everest Mutual Fund Family. V. Gupta is also a director of the Everest funds and he owns 100% of Everest Asset Management and 40% of Everest Investment Management over which he has sole control. Everest Investment Management is an investment vehicle for V. Gupta, his family, friends and business associates. Everest is located at 5805 S. Circle, Omaha, Nebraska, which is also the Company's principal

location. In 2001, infoUSA invested \$1 million in an Everest blended index fund. Andersen chaired the Audit Committee meeting at which then CFO, Stormy Dean, disclosed this already made investment. The meeting was held because V. Gupta and Andersen were both directors of infoUSA and principals of Everest. The Everest investment was subsequently liquidated in 2004 without explanation. Andersen also chaired an October 15, 2001 Audit Committee meeting at which infoUSA's prior acquisition of an office building owned by Everest was approved. infoUSA acquired this property by assuming the mortgage for which V. Gupta was personally liable from one of V. Gupta's affiliates, Everest Investment Management, for \$2.8 million. No valuation work was presented at the Audit Committee meeting approving this sizable acquisition. After infoUSA acquired the Everest building, Andersen occupied space in it rent free. The Company even paid to decorate the space including the cost of an interior designer whose invoice to the Company for her services contained charges for helping Andersen to select carpet for his "executive office." In 2002, the Company paid Everest Asset Management \$415,000 for acquisition related expenses. Also, while an infoUSA director, Andersen took personal trips on private jets paid for by the Company. For example, on March 7, 2004, he, V. Gupta and V. Gupta's wife flew from Washington, DC to the Bahamas at the Company's expense for a week's cruise on the American Princess yacht. On May 6, 2004, he and his wife flew from Las Vegas to Omaha at the Company's expense. Anderson also took personal trips at the Company's expense to Augusta, Georgia for the Masters Tournament.

15. Defendant Charles W. Stryker ("Stryker") is a former director of infoUSA who served from May 2005 until his resignation in January 2006 when the public shareholders were questioning the propriety of related party transactions and other matters. He is not the only director to serve for a brief period. Of the 25 directors who have served on infoUSA's board

over the past decade, many have served terms of less than two years. In the past ten years, 16 directors have rotated off the board. Stryker is a former chairman and CEO of Naviant, Inc. In 2001, the Company signed a \$12 million licensing agreement with Naviant. Stryker previously served as President of infoUSA and was one of its five private shareholders at the time it went public in 1992.

16. Nominal Defendant infoUSA is a provider of business and consumer financial information products, database marketing services, data processing services and sales and marketing solutions. Its corporate headquarters is in Omaha, NE and its stock is listed for trading on the NASDAQ Global Select Market under the ticker symbol IUSA.

### **BACKGROUND**

17. V. Gupta has been a director and significant infoUSA stockholder for over 30 years. In 2005, he attempted an unsuccessful going private transaction by offering to buy infoUSA's outstanding shares for \$11.75 per share. The opportunistic offer was made shortly after an earnings warning caused the price of the Company stock to fall approximately 22%. The earnings warning lowered earnings guidance by about 5% and was based on a change in the Company's pricing policies with respect to a high margin portion of its business. The new pricing policy was initiated at V. Gupta's direction. The Company was aware that the change in pricing would have an immediate short term negative impact on its cash flow and earnings, however, the Company and V. Gupta expected that, in the long run, the change in policy would produce superior financial effects. V. Gupta's offer was significantly less than the \$18.00 per share minimum value that he had publicly placed on the Company's stock in March 2005 before he personally acquired an additional 61,000 shares in the open market at an average price of \$10.13 per share. At that time, V. Gupta stated in a press release, "I continue to believe that

infoUSA's stock is worth in excess of \$18 per share based on the Company's strong financial condition and earnings momentum. Additionally, it is trading at a discount to its peer group as measured by multiple of EBITDA and free cash flow."

18. In August 2005, after a special committee of directors deemed V. Gupta's offer to be inadequate, V. Gupta withdrew it. As explained below, the special committee then publicly announced that it would continue to explore strategic alternatives for the Company. Notwithstanding this announcement, the Special Committee was hastily disbanded the next day in a non-unanimous vote of the full board. Although he had a clear conflict of interest, V. Gupta voted to dissolve the Special Committee as did defendants Haddix, Andersen, Kaplan and Walker. Haddix, Andersen and Walker have occupied office space, rent free, in the Company's building and Kaplan's law firm is paid by infoUSA. Three of the four Special Committee members (Kahn, A. Gupta and Stryker) opposed the dissolution of the Special Committee. The fourth member, Raval, abstained.

19. Shortly after the aborted going private attempt and the disclosure of the significant related party transactions including the 80-foot American Princess yacht, Dolphin made a demand to inspect Company documents under 8 Del. C. §220. After the Company failed to respond to Dolphin's request, Dolphin filed litigation in this Court. On December 22, 2005, this Court issued an order under which the Company was required to respond to Dolphin's request for the past five years. Subsequently, this Court granted Dolphin inspection of two additional years of information regarding substantial related party transactions between V. Gupta and the Company. This Court also removed the Confidentiality designation on certain documents supplied by the Company. As explained in greater detail below, the documents received through the §220 process reveal an extensive series of self-dealing related party

transactions between infoUSA, on the one hand, and V. Gupta, members of his family and his friends on the other hand. These transactions earned the Company a rating of "D" by the Corporate Library, a well respected corporate governance and rating agency "due to concerns about related party transactions with the CEO, Chairman and dominate stockholder, V. Gupta." The Corporate Library determined the infoUSA's Board had earned a "D" for its Board effectiveness rating and further determined that Board risk assessment was "high."

20. In 2006, Dolphin waged a proxy contest in connection with infoUSA's May 26, 2006 annual stockholder meeting. infoUSA's management slate, consisting of V. Gupta, Haddix and Raval, was very narrowly re-elected. But in an unprecedented expression of stockholder discontent, over 90% of the stockholders not affiliated with the Company's management and board supported Dolphin's three independent candidates. Only one institutional stockholder (a firm with approximately 1.6% of the Company's stock and which, as of at least 2005, managed \$9.1 million of the Company's 401(K) assets) voted for V. Gupta and the other members of management's slate. This proved to be the deciding vote. Even though the chairman of infoUSA, defendant V. Gupta, his affiliates and affiliates of the Company controlled approximately 43.6% of the outstanding shares entering the election, V. Gupta only received approximately 50.7% of the shares voted, while Dolphin's independent nominees received over 48% of the shares voted. All three independent proxy advisory services, Institutional Shareholder Services, Glass Lewis and Proxy Governance, issued reports supporting the Dolphin slate. During the proxy contest, Glass Lewis, urged support for Dolphin's slate stating that V. Gupta has "abused his position." After the results for the proxy contest were disclosed on May 31, 2006, the share price closed at \$10.39.

21. After the May 26, 2006 stockholders meeting, it appears that V. Gupta had sought to depress the Company's stock price. On July 21, 2006, the Company missed second quarter analysts' estimates (after missing its first quarter analysts' estimates) and failed to fully explain the reasons for the miss. The stock price dropped approximately 10%. On July 24, 2006, the infoUSA board announced the appointment of defendant Fairfield as "Lead Director" and the execution of a one year standstill agreement between V. Gupta and infoUSA regarding V. Gupta's and his affiliates continued exclusive exemption from the Shareholders Rights Plan. On August 4, 2006, infoUSA announced the acquisition of Opinion Research Corporation ("ORC") for \$134 million, a 100% premium for the equity of ORC. Unusually, neither ORC nor infoUSA would discuss such a material event for both companies. Following this, the Company stock price dropped approximately 9%. In July 2006, one of the three sell-side analysts covering the Company, quietly dropped coverage. On information and belief, V. Gupta berated and then threatened with an FBI investigation one of the two remaining sell-side analysts that covered the Company. As a result, on August 9, 2006, this analyst dropped coverage of infoUSA causing the stock price to drop an additional 5%. This series of events depressed the Company's stock price and at the time that Dolphin and Bartow filed their original complaint, its shares (pro forma for the ORC transaction) traded at an approximate 45% discount as a multiple of TEV/EBITDA from its publicly traded peers.

22. infoUSA has a long history of operating misses, negative revisions and guidance that appear to have eroded investor confidence. In the last few years, for example, the Company has cut or simply missed guidance seven times – most recently with their results reported in their February 1, 2007 press release. Further, the 2007 EPS guidance the Company provided is inexplicably low as compared to consensus analyst EPS estimates. As a result, infoUSA shares

have been range bound for several years, trading at a significant discount to its peers, from as low as 45% to a discount of approximately 43% as of June 1, 2007. And, unfortunately, V. Gupta has a history of taking advantage of declining investor confidence to the detriment of the public shareholders.

## **SUBSTANTIVE ALLEGATIONS**

### **A. V. Gupta's Going Private Offer**

23. In February of 2005, V. Gupta wrote to the Company's second largest stockholder stating he was committed to taking the stock of the Company to \$20 per share and higher in 2005.

24. In March 2005, V. Gupta purchased 61,000 shares at an average price of \$10.13 bringing his disclosed holdings to approximately 34.5%. At that time he stated, in a public press release, "I continue to believe that infoUSA's stock is worth in excess of \$18 per share based on the Company's strong financial condition and earnings momentum. Additionally, it is trading at a discount to its peer group as measured by multiple of EBITDA and free cash flow."

25. On Wednesday June 8, 2005, after market close, infoUSA issued an earnings warning lowering its earnings guidance by about approximately 5%. The share price dropped from \$11.94 to \$9.85.

26. The earnings forecast purportedly was lowered because of the impact of a change in the Company's pricing policies with respect to a high margin portion of its business. The new pricing policy was initiated at the direction of V. Gupta. The Company was aware that the change in pricing policy would have an immediate short-term negative impact on its cash flows and earnings, however, the Company and V. Gupta, expected that in the long run the change in policy would produce superior financial effects. The Company did not disclose the expectation

of an improvement in earnings as the policy became fully implemented and the Company's plan reached fruition.

27. On Monday June 13, 2005, V. Gupta announced an offer to acquire all the outstanding shares of the Company for \$11.75 per share. The price of \$11.75 per share was less than the price at which infoUSA shares had been trading before the Company adjusted its earnings forecast just five days earlier and well below the \$18 per share minimum value placed on the Company's stock by V. Gupta in March.

28. V. Gupta's offer was made opportunistically right after the initial, and internally expected, negative impact of the new pricing policy took effect on the price of the stock.

29. On June 24, 2005, the Company announced that it had formed, on June 14, a Special Committee consisting of Messrs. Kahn, Stryker, Raval and A. Gupta. The Special Committee also announced that it had engaged the law firm of Fried Frank Harris Shriver and Jacobson LLP as legal advisor. The Company stated that the authority of the Special Committee was to "review Mr. Vinod Gupta's proposal *and potential alternatives*"(emphasis added).

30. On July 22, 2005, the Special Committee announced that it had engaged Lazard Freres & Co. as financial advisor. The Company further announced that V. Gupta had entered into an agreement, ending October 16, 2005, to refrain from taking certain actions related to acquisition of infoUSA securities. (Exhibit 1) The agreement provided he would not be subject to these restrictions *if the Company announced that it had entered into an agreement with a third party contemplating a merger consolidation, sale of assets or other similar transaction.*

31. On July 22, 2005 the Company reiterated that:

the Special Committee was formed to take all actions on behalf of the InfoUSA Board of Directors with respect to V. Gupta's proposal, including any actions that the Committee deems proper for the discharge of its fiduciary duties. *The Board of Directors*

*authorized the Committee to determine whether the Company should become a party to a transaction pursuant to V. Gupta's proposal or otherwise; negotiate, accept or reject the proposal in its sole discretion; solicit, consider or negotiate alternative proposals; engage independent advisors; and take any other actions that the Committee deems to be appropriate or necessary.* (emphasis added).

32. On June 23, 2005, V. Gupta had stated "I think this Company and this Company's employees would be better served if we were private and not have to worry about all the regulations and stock price and analysts."

33. Without dissent, the Board concluded that the going private transaction potentially was in the best interest of all stockholders and determined to seek a transaction eliminating the public stockholders equity interest in the Company.

34. On August 25, 2005, the Company announced that the Special Committee, based on its preliminary review, advised V. Gupta that his current proposal was inadequate. The Company also stated that the Special Committee further advised V. Gupta that while the Committee had made no decision about alternatives, it would continue to explore potential strategic alternatives for the Company.

35. In response, V. Gupta advised the Special Committee that he was withdrawing his \$11.75 per share offer and reiterated his intention not to sell his shares or to vote in favor of any other transaction. Despite these statements, the Special Committee, in a press release, stated that it intended to continue to explore a range of strategic alternatives.

36. On August 26, 2005, Kahn presented a report to the Board on behalf of the Special Committee. He reported that: (1) the Committee had retained Fried, Frank, Harris, Schriver and Jacobson, LLP as its legal counsel and Lazard Freres & Co. LLC as its financial advisors; (2) at a Special Committee meeting on August 23, Lazard had presented a preliminary

report which caused the Special Committee to unanimously conclude that V. Gupta's offer of \$11.75 was too low; and (3) the Special Committee concluded that any transaction should be subjected to a "market check". Kahn indicated that he had communicated these conclusions to V. Gupta on August 24 at which point V. Gupta advised the Special Committee he was withdrawing his proposal.

37. The same day, it was reported that "infoUSA, Inc. will continue to explore strategic alternatives after its Board of Directors on Thursday, August 25, rejected the \$390 million dollar offer for the business and consumer data company from CEO, Vinod Gupta."

38. V. Gupta publicly reiterated, on August 24, 2005, that he did not desire to dispose of any of his shares and would not vote in favor of any alternative transaction. Of course, because V. Gupta did not control a majority of the stock of infoUSA, he did not have the legal ability to prohibit or block a transaction that received sufficient support from other stockholders.

39. In a research report, Brad Eichler, an equity analyst with the Little Rock, Arkansas investment bank, Stephens, Inc., which followed infoUSA and was also advising V. Gupta with respect to his offer, claimed that infoUSA's Board had stated that it would negotiate with V. Gupta only "if he was willing to vote his shares in favor of the best deal" that the directors brought forward. Eichler further wrote that if the Board did not have a credible higher offer it had made a mistake. He stated "seeing that an advisor was hired only a month ago, it is hard to imagine that the Board has received a higher bid". The only possible source of Eichler's information was V. Gupta. V. Gupta was attempting to poison the waters and twist the real reason for the withdrawal of his offer.

40. V. Gupta also publicly indicated that the reason for his withdrawal was that the Special Committee required, as a condition of any negotiations, that he agree to support sale of the Company at a higher offer if one was obtained. This statement was false.

41. In fact, certain members of the Special Committee took their responsibilities more seriously than V. Gupta had anticipated. They decided that there needed to be a market check and offered V. Gupta a choice. The Special Committee said it would agree to negotiate exclusively with V. Gupta with the understanding that "there would be a post-signing market check and that V. Gupta would be required to commit to support a sale of the Company if a higher offer were ultimately obtained." Alternatively, the Special Committee said it would agree to negotiate with V. Gupta "along with other interested parties in an exploration of potential strategic alternatives, but [V. Gupta] would not be given any exclusivity and would not be required to commit to support an alternative transaction." Under the first alternative, an exclusivity arrangement, V. Gupta could have matched any offer which came forward. In this light, it is clear that V. Gupta withdrew his offer because he was unwilling to see that the public shareholders receive fair value.

42. At this point it was apparent to V. Gupta that he had miscalculated the views of three of the four members the Special Committee. These three members apparently took seriously their duties and responsibilities under the authority granted to them. Of course, V. Gupta never intended that the Special Committee actually fulfill any of its ostensible mandate. Instead, the purpose of the Special Committee was to provide legal protection for his going private offer.

43. Therefore, it was imperative for V. Gupta that he immediately quash the Special Committee's attempt to meet its mandate. Enlisting the aide of the remaining directors, who

constituted a majority of the Board, and were under his domination and control, and who could be counted on to dutifully carry out V. Gupta's mission of personal aggrandizement, V. Gupta caused the Board at the next meeting to terminate the Special Committee and its efforts. Simultaneously with the termination of the Special Committee, V. Gupta immediately initiated a campaign of false and misleading disinformation in an effort to explain away his blatant attempt at self-interest and his blatant attempt to defraud the Company's stockholders and manipulate the legal system.

44. At the August 26, 2005 board meeting, following the withdrawal of his buyout offer, V. Gupta stated that from his perspective "the Company was not for sale" and he would not sell his shares to a third party. Immediately following this statement, the Board, with three Special Committee members, (Kahn, A. Gupta and Stryker) opposing, decided that there was no need for the Special Committee, and disbanded it.

45. The minutes reflect that certain directors discussed whether it was desirable to "proactively seek alternative proposals". Then they purportedly discussed the potential disruption to Company operations, the potential adverse effect on key employees, the uncertainty and possible adverse effect on employees in general and the consequential adverse impact on the interests of the stockholders. In fact, V. Gupta and the directors under his control were laying the boilerplate framework for the termination of not only the Special Committee but of the consideration of all strategic alternatives other than any which might be presented by V. Gupta in the future.

46. Immediately, after these "discussions" a formal vote abolished the Special Committee. By a vote of 5-3 with one abstention, the directors terminated the search for strategic alternatives and dissolved the Special Committee, notwithstanding its much publicly

touted prior mandate to seek alternative transactions and take "any other action" it deemed appropriate. Those opposing the dissolution were three members of the Special Committee, A. Gupta, Kahn and Stryker. The fourth member of the Special Committee, Raval, abstained, although the minutes do not explain the basis for his abstention. The defendants also determined that V. Gupta was not conflicted, notwithstanding the rejection of his offer, from voting to terminate the pursuit of alternatives to his proposal. Had V. Gupta abstained from voting on the dissolution, as he should have, and had Raval acted free of V. Gupta's domination, the vote would have been deadlocked 4-4 and the motion to dissolve would have failed.

47. The justifications advanced by the directors who voted to dissolve the Special Committee were in direct contravention to the express mandate of the Special Committee previously granted unanimously by the Board and, in direct contravention to their determinations on those same issues made only six weeks earlier. There was no new business plan, and no new corporate appointment. In fact, even the minutes do not show that the Board evaluated any ongoing business plan or strategy. The only pertinent factor which had changed in those six weeks was V. Gupta's decision that he was unwilling to offer more than \$11.75 per share. Because V. Gupta did not want the Company sold to anyone else, *admittedly to protect his interests*, he and those under his control decided that the Company was no longer for sale.

48. V. Gupta and the entire Board had previously decided only six weeks earlier that it was in the best interest of the Company and all the shareholders to pursue a potential sale of the Company to third parties. One and only one fact changed from that time and when the Board abruptly changed its decision: V. Gupta's decision not to offer more than \$11.75 per share. The only thing that changed was V. Gupta's inability to acquire the Company on the cheap. The dissolution of the Special Committee was undertaken for one and only one purpose, to serve the

personal interest of V. Gupta in maintaining his personal fiefdom over the Company. It revealed that neither V. Gupta nor those directors he dominated ever intended that the Special Committee act with any degree of independence. Instead, the Special Committee was expected to rubber stamp V. Gupta's wishes and to provide legal cover for his pursuit of self-interest. In short, it was a sham.

49. There was no rational basis, other than the protection of V. Gupta's personal interest, for the decision of the Board to dissolve the Special Committee and terminate the consideration of strategic alternatives. The decision to undertake this action for the personal interest of its largest stockholder was a violation of the directors' fiduciary duties and an improper self-interested decision involving V. Gupta. It was achieved only through the direct participation of and domination by V. Gupta and the support of those dominated and controlled by him.

50. V. Gupta's offer at \$11.75 per share was 100% financed. V. Gupta was not required to inject any new equity into the Company in order to acquire sole ownership of it. Further, the price of \$11.75 per share was sufficiently low that he had room to raise his offer well above that level and still not be required to provide any additional equity to complete the transaction. The only consideration which would cause V. Gupta to withdraw immediately was his desire to see that the Company be sold to himself and only to himself, and at a price determined by him, not by fairness or the market.

51. In a conference call on October 26, 2005, V. Gupta continued his inaccurate characterizations of his conduct and the reason for dissolving the Special Committee. He stated when "the Special Committee indicated that they did not intend to proceed with my proposal on a prompt basis, I decided to withdraw my proposal [following] the decision of the Special

Committee." The foregoing statements by V. Gupta were false in that the reason that V. Gupta withdrew his going-private proposal had nothing to do with whether the Special Committee could proceed on a "prompt basis." His proposal was withdrawn because the Special Committee insisted on a "market check." V. Gupta adamantly opposed to having any market check of his proposal.

52. V. Gupta's desire to avoid a "market check" of his proposal highlights the falsity of his claim that his interests are aligned with other shareholders. V. Gupta did not want a "market check" because he was aware that such a check would yield well in excess of his \$11.75 per share. Indeed, V. Gupta and the Board are aware that the Company had previously received an unsolicited offer of \$20 per share from Acxiom sometime in 1998. Acxiom continues to be a major player in the Company's business sector and a major competitor. There are no factors which would indicate that Acxiom has in any way lost interest in acquiring the Company.

53. The \$20 per share offer was rejected by the Board because V. Gupta did not want to sell his stock. Of course, V. Gupta does not own a majority of the stock and the decision to reject the \$20 per share offer was improperly based on V. Gupta's personal interests and not on the interests of all stockholders.

54. Sometime in late September or early October of 2005, V. Gupta had meetings with Acxiom senior officials at Acxiom's headquarters. Such visits were not social visits as it is well-known that V. Gupta and the CEO of Acxiom do not get along well. Given this lack of personal friendship, the fact that Acxiom and the Company are direct competitors and V. Gupta's decision (supported by the other defendants) to quash any effort to sell the Company as a whole, V. Gupta's visit can only have been for his own self-interest. Based on this information it is

believed and therefore averred that V. Gupta continues to explore the possibility of a transaction for the Company which would benefit him to the detriment of the remaining stockholders

55. Stephens & Co., in assisting V. Gupta in his offer, were given confidential Company financial projections at least as early as June 16, 2005 notwithstanding that it was not until July 18, that V. Gupta executed a Confidentiality Agreement which allowed him to use certain non-public information in connection with his offer. The Company's Code of Ethics prohibited any employee from using Confidential Company Information without express permission from the Board. V. Gupta used Stephens & Company as his investment advisor in connection with his offer to acquire the Company. Stephens & Company also had an analyst who provided research on the Company's stock.

56. The existence of the InfoUSA's poison pill, which effectively precludes any interested party from acquiring the Company without the Board's consent, coupled with V. Gupta's repeated public statement that the Company "is not for sale", (in other words that he will not allow the Company to be sold to anyone other than himself) effectively insures that no alternative acquirer will come forward or make an offer as any such effort would be futile.

57. Notwithstanding his actions to preclude any other person from acquiring the Company, V. Gupta continues to publicly state that he has not ruled out making another offer to acquire the Company at any time in the future.

58. This elaborate sham cost the Company millions of dollars in the costs of the Special Committee, the Special Committee's attorneys, the Special Committee's investment advisors and the time and efforts of related support personnel. Further, the Company even paid V. Gupta's expenses in connection with the offer, including flying V. Gupta and his Stephen & Co.'s investment advisors around the country to meet with venture capitalists. The amounts

expended by the Company in response to V. Gupta's offer were not properly chargeable to the Company as they arose from V. Gupta's determination to run a sham Special Committee process in breach of his fiduciary duties. Neither were the direct personal expenses of V. Gupta pursuing his own self-interest as a stockholder.

59. Members of the Board, other than members of the Special Committee, have stated subsequently that the reason the Board dissolved the Special Committee was that it was empowered to only consider V. Gupta's offer. This explanation is obviously inconsistent with the Company's public announcements and the Special Committee's actual authority. This explanation was an attempt to conceal the reason for V. Gupta's decision to terminate the Special Committee, that was always intended by him to be a sham. Defendants terminated the Special Committee not because it had not been authorized to consider such alternatives but, because V. Gupta did not wish the Company to even consider, let alone engage in, any transactions other than his own opportunistic offer.

60. The Company's prior disclosures regarding the role and scope of the Special Committee were intentionally false and misleading. The only logical explanation for overstating the Special Committee's authority would be an attempt to protect V. Gupta's effort to take the Company private from shareholder scrutiny and challenge. Publicly stating that the Special Committee had the ability to look at strategic alternatives, but secretly denying it that authority, was intended to leave the false impression of an open and fair process thereby bolstering shareholder support for V. Gupta's proposal and insulating it from legal challenge. In other words, as the Special Committee was not actually intended to and would not have been permitted to experience the authority to consider alternatives, it was a sham designed to defraud stockholders.

61. V. Gupta's conflict of interest remained notwithstanding his decision to withdraw his offer rather than negotiate with the Special Committee. V. Gupta's conflict of interest existed because of his personal interest in blocking the sale to a third party while preserving his options and opportunities to acquire the Company on his own.

62. Notwithstanding the abrupt withdrawal of his offer, V. Gupta is not precluded from recommencing an offer at any time under any circumstances and, indeed, he remains exempted from the Company's Shareholder Rights Plan. Of course, while V. Gupta, has the right to hold and not sell his shares, he does not have the right as a board member to block a sale of the Company to serve his personal interest, nor to block action in the best interest of the Company.

#### B. The Related Party Transactions

63. As revealed for the first time in documents obtained under §220, for years, V. Gupta, and entities affiliated with him, have been self-dealing with infoUSA's assets by causing the Company to pay their personal expenses including, but not limited to, private jets, an 80-foot luxury yacht named the "American Princess" which, according to the Triton Nautical News has an all female crew, a stadium skybox, real estate, luxury cars, and watercraft. These sizeable related party transactions continue back to at least 1998.

64. infoUSA's directors have not approved most of these conflicted related party transactions, although members of the board have been aware of them and have not taken any meaningful steps to prevent them or to ensure that they are entirely fair to infoUSA or are for a valid business purpose. For example, the board has never sought independent verification that the millions of dollars of payments made by the Company to V. Gupta-controlled entities are fair to infoUSA or are for a valid business purpose. Thus, V. Gupta and his affiliates have and

continue to engage in self-interested transactions with the Company and the infoUSA directors continue to ignore their fiduciary duty to put a stop to V. Gupta acting as if this public corporation were his privately held company. The infoUSA documents received in the §220 action substantiate that when these transactions were exposed, the board did not take any action to eliminate them or to seek reimbursement for personal expenses.

65. In the years 2001-2005, infoUSA paid approximately \$8.2 million to Annapurna Corporation, a company 100% owned by V. Gupta, for (a) the use of private jets; (b) the use of the American Princess yacht; (c) undefined charges for travel services; and (d) the use of a personal residence in California.

66. In addition, in 2005, the Company paid \$199,940 to NetJets for jet travel and in 2001-2005 it paid a total of \$566,959 to a third party for expenses related to the American Princess yacht.

67. Records produced by infoUSA pursuant to Dolphin's 8 Del. C. §220 demand reveal that no business purpose is identified with respect to a substantial number of the payments made for the private jet usage. In many instances, V. Gupta is the person signing the payment requisitions even though he has a conflict of interest and stands on both sides of the payment as the payor and payee. Likewise, the log book for the American Princess yacht, the only document produced in the §220 action to support its costly usage, does not reveal any business purpose whatsoever for its usage. In the §220 action, the Company did not produce any minutes or consents of any board or committee action approving the Company's substantial payments to Annapurna and to third parties described in this and the preceding two paragraphs.

68. Many of the related party transactions between the Company and V. Gupta entities are omitted from and/or disclosed in a materially misleading fashion in the Company's

SEC filings. Thus, the defendants have not only permitted these self-interested transactions to occur, but have concealed them entirely or obscured their true character from the infoUSA stockholders. Only through Dolphin's recent §220 demands were the facts surrounding these self-dealing activities revealed to the public stockholders.

69. For example, in its annual reports on Form 10-K for 2004 and 2005, infoUSA stated that in 2004, it paid approximately \$1.5 million to Annapurna for "usage of the aircraft and related services." An internal report prepared by defendant Raval, Chair of the Audit Committee, dated February 8, 2005 (the "Raval Report") (Exhibit 2), reveals that \$597,699, or 40% of the \$1.5 million, had nothing to do with aircraft usage or services related to aircraft usage whatsoever. It went instead for:

\$120,000	use of personal residence
\$277,899	use of personal boat (the American Princess yacht)
\$195,000	undefined travel services
\$2,800	Contractor services

Moreover, the Forms 10-K state that the payments to Annapurna were for aircraft usage by the Company's "employees and officers." As shown below, these disclosures were false because, at V. Gupta's direction, infoUSA routinely paid Annapurna for private jet travel provided to V. Gupta's personal, political and other friends.

70. Despite the February 8, 2005 Raval Report, (prepared before the filings of the 2004 and 2005 Forms 10-K), both 2004 and 2005 Forms 10-K misrepresented the payments listed above as "usage of the aircraft and related services." Raval, who authored the Raval Report, and defendants Kaplan, Haddix, Kahn and Walker, who are all listed as recipients of the Raval Report, signed the 2004 and 2005 Form 10-Ks, as did V. Gupta. The 2004 10-K was filed with the SEC on March 16, 2005, just six weeks after the Raval Report. Thus, Raval, Kaplan, Haddix, Kahn, Walker and V. Gupta deliberately concealed the true nature of significant and

inappropriate self-dealing transactions in the Company's 2004 and 2005 Forms 10-K. Indeed, the existence of the American Princess yacht and the payments made by infoUSA to Annapurna for use of the yacht were never publicly disclosed until August 2005 when infoUSA filed its second quarterly report.

71. The 2004 and 2005 Forms 10-K also stated that the Company had paid Annapurna \$2.2 million for "usage of the aircraft and related services" in 2003. Over \$1 million of this amount had nothing to do with aircraft usage, but instead was comprised of concealed rental payments for personal homes, the American Princess yacht and other V. Gupta direct and indirect expenses.

72. Moreover, in violation of the Company's written policies and procedures, a substantial number of the Company's aircraft expense records fail to explain how any particular trip related to the business and operations of infoUSA. A substantial number merely identify the usage for "business development" or "IUSA." Additionally, Annapurna charged to the Company a mark up that was over and above Annapurna's cost of providing the aircraft. Thus, V. Gupta personally profited from the mark up over the actual cost charged by Annapurna.

73. The Company's records also reveal that at V. Gupta's direction, infoUSA regularly incurred hundreds of thousand of dollars in private jet travel expenses for a former high ranking U.S. government official (and his wife), and other prominent political figures. For example, in April, 2004, the Company underwrote as "business development" a \$27,440 private jet expense to fly a former national political fundraiser and his family and friends from Washington, D.C. to Montego Bay, Jamaica, and back after a week long visit. In November 2004, the Company paid at least \$43,082 for a private jet to fly this same person and six of his family members from Washington, D.C. to Punta Cana, Dominican Republic.

74. In January, 2004, the Company paid \$18,480 as a "business development" expense to fly the wife of a former high ranking U.S. government official and her four person entourage from New Mexico, where she had given a speech, to White Plains, NY. And in January, 2004, the Company flew this former high ranking government official and his seven person entourage from White Plains, NY to Miami, Florida for a speech at a cost to the Company of over \$29,000. In January 2005, the Company flew this official and eight companions (including two of V. Gupta's sons) from White Plains, New York to Zurich, Switzerland, from Zurich to Northolt, Great Britain and back to White Plains, New York for the World Economics Forum, costing the Company at least \$82,585. In addition, the Company paid more than \$1,000 for food aboard these flights.

75. Again, on April 18 and 19, 2005, this former official and his companions flew at the Company's expense from White Plains, New York to Little Rock, Arkansas, from Little Rock to Oklahoma City and back to White Plains, New York. The trip was to attend the 10th anniversary commemoration of the Oklahoma City bombing.

76. In June 2005, the Company paid for this former high ranking U.S. government official, and his eight friends, to travel via private jet from Little Rock, Arkansas to White Plains, New York. In the same month, this former high ranking U.S. government official traveled via private jet, at the Company's expense, from White Plains, New York to Portland, Maine and back to White Plains.

77. In addition, in August 2005, the Company underwrote a private jet for this official to fly from White Plains, New York to Anchorage, Alaska, from Anchorage to Lihue, Hawaii, from Lihue to Los Angeles, California and from Los Angeles to White Plains, New York at a cost to the Company of \$121,211.

78. The Company's records do not reflect any business purpose for the flights described above that occurred in April, June and August 2005.

79. In addition, the Company paid at least \$146,886 to fly V. Gupta and family members of this former high ranking U.S. government official and their friends, from White Plains, New York to Acapulco, Mexico on January 1, 2002 and back a week later. The Company's records list "business development" as the ostensible reason for this expense.

80. In September 2002, the wife of this high ranking U.S. government official and her entourage traveled on the Company's private jet from White Plains, New York to Chicago and back. This travel, which cost the Company at least \$13,740, was also labeled "business development."

81. Again, in October 2002, the wife of the former high ranking U.S. government official traveled at the Company's expense aboard a private jet from White Plains, New York to Detroit, Michigan and then to Ft. Lauderdale, Florida and home to White Plains, New York after calling the Company the previous day in desperate need of a plane. Again, the ostensible purpose for this expense was "business development."

82. Also in October 2002, the former high ranking U.S. government official traveled from San Francisco to Lihue, Hawaii on a private jet at the Company's expenses. This trip, which cost approximately \$36,187 per leg of the trip, was cryptically labeled "business development."

83. In May 2001, V. Gupta, this former high ranking U.S. government official and a family member, and others traveled to Ireland and Great Britain at the Company's expense. The only purpose shown in the Company's records for this trip is "IUSA."

84. In June 2002, the Company funded \$33,275 in private jet charges for this former official to travel from Portland, Oregon to Rifle, Colorado and Aspen, Colorado to Chicago, Illinois to give speeches.

85. From August through October 2001, the Company and shareholders paid for the former high ranking government official and others to travel via private jet (a) from Little Rock, Arkansas to Washington, D.C.; (b) from Washington, D.C. to Tucson, Arizona and then to White Plains, New York; (c) from Chicago, Illinois to Washington, D.C.; (d) from Heathrow to Rome and from Rome to Madrid, Spain at a cost of more than \$55,350 for V. Gupta, this high ranking government official, a family member and friends; and (e) from Palma, Spain to Brize Norton, Great Britain and from Brize Norton to Barcelona, Spain at a cost of \$52,275. The Company's records list "InfoUSA exp."; "IUSA" and "business development" as the purported reasons for these trips. Records produced in the §220 action show that since 2001, the Company has paid nearly \$900,000 of private jet charges for this former high ranking government official and/or his family members.

86. infoUSA has also underwritten private jet travel for V. Gupta's family and/or friends. For example, over the Thanksgiving holiday in November 2003, a friend of V. Gupta, traveled aboard a private jet from Bridgeport, Connecticut to Venice, Florida and back, at a cost to the Company of at least \$18,441. The Company's transportation charge authorization form does not list any business or other reason for this expense

87. Over the Christmas and New Year's holidays in 2004/2005, V. Gupta, his wife, two of his sons and six of their friends traveled to and from Hawaii at a cost to the Company of at least \$48,000 allegedly for "business development."

88. In August 2003, V. Gupta and his three sons and others traveled from Farnborough, Great Britain to Inverness, Scotland and Northolt, Great Britain on a private jet at the Company's expense.

89. infoUSA has also made numerous other payments to V. Gupta which have never been disclosed in the Company's public filings. In 2003 and 2004, the Company paid \$40,878 and \$57,543, respectively, to Aspen Leasing Services LLC, a company wholly owned by V. Gupta and located in V. Gupta's Las Vegas residence. The payments were for leases on luxury cars and a catamaran boat. In 2002, the Company also paid to purchase a van kept in Las Vegas for V. Gupta's use. When V. Gupta was asked how the van payment should be funded he sent his business manager a note saying "let infoUSA pay."

90. In 2003 and 2004, the Company paid \$33,000 and \$31,200, respectively, in "consulting fees" to an affiliate of V. Gupta. This affiliate was subsequently identified in an SEC filing made on March 22, 2006 as Financial Communications, a company owned by V. Gupta's wife, Laurel Gupta.

91. The Company also paid \$75,696 in each of 2003 and 2004 for insurance payments on a \$10 million personal insurance policy held by the Gupta Family 1999 Irrevocable Trust. In 2001- 2005, the Company paid \$75,455, \$45,000, \$58,000, \$48,000 and \$40,000, respectively, in rental payments on vacation condos in Aspen, Colorado and Maui, Hawaii. The Maui condo is owned by one of V. Gupta's sons.

92. In 2005, the Company paid Annapurna Corporation \$22,000 for unspecified service charges on travel expenses. The §220 action substantiates that the Company has no minutes or consents of board or committee approval of the related party payments described above.

93. The Company has also paid expenses to Everest. For example, the Company paid a portion of Everest's legal fees arising out of litigation over the use of the Everest name. The Company also paid for an investment platform so that Everest mutual funds can be offered in the Company's 401-K plan.

94. Prior to 2004, Annapurna owned fractional interests in the private jets used by V. Gupta, his family members and his friends. Annapurna billed infoUSA for these flights. In 2004, in an effort to obscure the extensive related party transactions between V. Gupta and the Company and avoid having to report them to the public, V. Gupta caused infoUSA to purchase two aircraft interests from Annapurna for \$2.7 million. In 2005, the Company purchased an additional aircraft interest from Annapurna for \$2.6 million. The §220 action substantiates that infoUSA has no minutes or consents of any board or committee action approving these payments.

95. Moreover, while the Company's purchase of the jet interests from Annapurna meant that the Company did not have to continue to report the payments as "related party" payments, it did not rectify the underlying problem. Rather than eliminating the improper and wasteful payments, infoUSA simply bought out Annapurna's interest so that V. Gupta could continue charging infoUSA for private jet usage for himself, his family and his friends without having to report them any longer as related party transactions to the public stockholders.

96. To make matters worse, in June 2005, infoUSA began leasing the American Princess yacht for seven years at a lease cost of \$2.2 million plus ongoing operating expenses. The yacht had been previously leased to Annapurna with all of its usage and maintenance charged to infoUSA. According to V. Gupta in a letter to the board dated September 7, 2005, he has been charging infoUSA for his yacht for the past 10 years. Nevertheless, prior to August

2005, infoUSA never publicly disclosed the existence of the yacht or its payments for it. The §220 action substantiates that the Company has no minutes or consents of any board or committee action approving the Company's 2005 acquisition of the yacht lease.

97. infoUSA entered into the yacht lease ostensibly to eliminate having to report the interested arrangement between the Company and Annapurna. In doing so, however, the Company is still being forced to spend millions on a yacht that V. Gupta apparently uses for personal entertainment and for which no records showing business usage whatsoever were supplied in the §220 action. To the contrary, the log book for the yacht provided in the §220 case, a typed version of which is Exhibit 3, suggests use of the yacht for pleasure trips. Yet, no records were produced in the §220 case showing that infoUSA was reimbursed for pleasure use of the yacht or the private jets. Rather, for book and tax purposes, the Company accounted for these as business expenses and, accordingly, the Company may have violated the tax laws. In addition, misuse of company assets is a violation of Section 7 of the Company's Code of Business Conduct and Ethics (Exhibit 4).

98. In 2003, infoUSA purchased rights to a skybox at the University of Nebraska-Lincoln Football Stadium for \$617,000 from Annapurna covering the remaining 21 years of a lease. The purchase agreement was signed in April 2003, although the invoice from Annapurna to infoUSA was dated May 2003. In July 2003, the Audit Committee, then chaired by Raval, requested backup to support the "price to be paid by the Company for use of the skybox." (Emphasis added). In October 2003, the Audit Committee approved the purchase of the skybox. Thus, the Audit Committee approved the transaction five months after the fact. The \$617,000 purchase price was based on the total cost per year of \$29,400 for 28 tickets multiplied by the 21 years remaining on the skybox lease. The purchase price was not discounted to present value.

The records produced by the Company in the §220 action do not reveal any business usage of the skybox. While the Company's 2006 proxy statement states that V. Gupta originally paid \$2 million for the skybox, it does not account for the diminution of value for the years that have passed during which the Company paid V. Gupta for the skybox nor does it account for the \$1.3 million charitable tax deduction V. Gupta received on the \$2 million donation.

99. In 2005, infoUSA paid \$182,000 to purchase four luxury automobiles previously leased through Aspen, a company owned by V. Gupta. The §220 action substantiates that there are no board or committee minutes or consents approving the acquisition of these vehicles.

100. Prior to the vehicles acquisition in 2005, the Company leased various vehicles (including a Mercedes SL500R, Hummer, Lexus, Honda Odyssey, a Mini Cooper and a Jeep kept in Maui). Once again, in a purported effort to eliminate the disclosure of a related party transaction, the Company purchased the assets in order to let V. Gupta use those assets improperly for his personal benefit. Thus, rather than stopping V. Gupta's interested transaction, the vehicles purchases merely continued V. Gupta's misuse of corporate resources in a different form.

101. As noted above, with the exception of the after-the-fact approvals of the acquisitions of the skybox and the Everest Building by assumption of the mortgage, the documents produced in the books and records action show that infoUSA's board has not approved the related party transactions between V. Gupta and the Company. By failing to consider and approve these transactions, the board totally abdicated its responsibilities.

102. In February 2005, defendant Raval, Chair of the Audit Committee, prepared the Raval Report analyzing some of the related party payments made by infoUSA only for 2004.

The Raval Report acknowledged there were significant problems with the related party transactions.

103. Although the Raval Report purports to be an "in-depth investigation," Raval only examined payments made in 2004, but ignored over \$14 million of related party transactions and direct payments going back to 1998 when V. Gupta was reinstated as the CEO. Instead, the Raval Report only focused on approximately \$1.5 million of reimbursements paid by the Company in 2004 to Annapurna and/or Aspen Leasing, V. Gupta's personal corporations. These payments were for use of private jets; use of the American Princess yacht; use of personal residences at a fixed monthly charge to the Company; undefined "service charges for travel services" offered by Annapurna; lease/ownership of numerous cars and other watercraft; and payment of a \$39,000 premium on a personal life insurance policy for V. Gupta.

104. The Raval Report states that \$631,899 of the charges identified in the previous paragraph were for personal and unsupportable items that "will be borne" by V. Gupta. It further states that the Company's practice of paying fixed monthly amounts to Annapurna for use of personal residences was "difficult to support under any circumstances."

105. The Raval Report also stated that former director Andersen, director Walker, director Haddix's company, PKWare, and Annapurna were occupying the Company's facilities for free and without leases and that the Company "should be compensated for such use."

106. Notwithstanding the Raval Report's conclusion with respect to charges that should be "borne" by V. Gupta, there is no evidence in the Company's public disclosures or in the books and records produced in the §220 action that V. Gupta has reimbursed the Company for these amounts or amounts in other years.

107. Raval himself observes that payments of this type call into question director independence. The Raval memo states, "The question of independence of a director may surface if the director or his organization is an occupant of InfoUSA premises and particularly, if no rental/lease agreement exists between InfoUSA, and the director or his organization." Nevertheless, there is no evidence that Annapurna, Andersen, Walker and Haddix have paid the Company for the free office space furnished them and for which the Raval Report recommended rent be paid to the Company. After 18 months of Dolphin's involvement, there is no evidence that infoUSA's board has compelled anyone to repay the Company for the items Raval concluded should be reimbursed for 2004 or any other year where these similar sizeable payments were made.

108. The Raval Report also noted that V. Gupta's wife, Laurel Gupta, was on the Company's payroll in 2004 and received consulting payments outside of the normal payroll. In 2004, Laurel Gupta was paid a total of \$31,200 in fixed monthly expense reimbursements (on top of her approximately \$120,000 salary) to cover expenses associated with her New York City apartment.

109. The Raval Report is also remarkable for what it does not say. Notwithstanding the significant history of sizable related party transactions between the Company and V. Gupta, Raval did not investigate other substantial payments; rather, he limited his review to payments made only in 2004. Moreover, in 2004, he identified \$929,000 of payments made by the Company to Annapurna for private jets and \$57,000 paid to Aspen Leasing for the use of numerous vehicles. With respect to these payments, the Raval Report simply states that "infoUSA now [in 2005] owns a share of NetJet. Personal usage, if any, will have to be reported" and the "lease/ownership of the cars will be transferred over to IUSA." It says nothing,

however, about whether these and similar expenses incurred by the Company prior to 2005 had been properly charged to infoUSA. Moreover, there is no evidence that any director of the Company has demanded an investigation of the millions of dollars of related party payments prior to 2004 notwithstanding the Ravel Report which makes it clear that V. Gupta has been charging personal expenses to the Company. In fact, defendant Kaplan confirmed as much in a communication to Dolphin's counsel (set forth in Dolphin's proxy statement) in which he said that the Company acquired these assets from V. Gupta "...to have more control over expenses that were being charged to the Company...".

110. On July 11, 2005, Raval prepared a "Tax Discussion" report (Exhibit 5) which was reviewed by the Audit Committee on July 21, 2005, and contained in materials for the Board of Directors meeting on July 21 and 22, 2005. The Tax Discussion report noted changes in IRS regulations limiting deductions when an aircraft is used for entertainment. It noted that "a more fundamental issue facing the Company is the proper determination of business use versus entertainment use." However, the infoUSA board has failed to prevent V. Gupta's continuing personal use of corporate resources. The §220 action reveals that none of V. Gupta's W-2s or 1099s for the years provided reflect any such expenses allocated to him. Accordingly, all of these expenses were charged to infoUSA. The compensation tables in the Company's proxy statements further substantiate this. In addition, as previously revealed in the §220 Action and explained to the Court in a letter dated March 22, 2006 from Richard Renck, Esquire, in 1998, the Company paid V. Gupta \$48,000 in salary (and no bonus or stock options), but his affiliate was paid \$1.4 million for travel, consulting services and related expenses. In 1999, V. Gupta again received \$48,000 in salary (and no bonus) but he and his affiliates were paid or

"reimbursed" an aggregate of \$4 million for executive travel, acquisition costs and other related expenses and transaction advisory fees.

111. After the experience of the vote by unaffiliated shareholders in the proxy contest, an infoUSA board member publicly stated, "...the vote was very, very lopsided" and this was a "very sobering experience for all the board members and one that will be responded to very thoughtfully." Instead, the infoUSA board has held at least two meetings, but there is still no evidence that any action has been taken to remedy V. Gupta's self-dealing, or the preferential treatment afforded him on the shareholders rights plan. Thus, the do-nothing board continues to do nothing to the detriment of the Company and its public shareholders.

C. Consulting Agreements with Former High Ranking Government Official

112. On April 24, 2002, V. Gupta executed a consulting agreement on behalf of the Company with a former high ranking U.S. government official who is a long time friend of V. Gupta. The Company has paid nearly \$900,000 of private jet charges for this person and/or his family members since 2001. The consulting agreement stated that this former official would "provide confidential advice and counsel to the Chairman and CEO of the company for the purpose of strategic growth and business development." For this private advice to V. Gupta, the Company paid a total of \$2.1 million in quarterly payments from July 31, 2003 through April 30, 2005. In addition, V. Gupta gave this official an option to buy 100,000 shares of the Company's common stock at the closing price of the stock on the date the agreement was executed. The option has no expiration date in the agreement.

113. In October 2005, V. Gupta caused the Company to enter into another similar consulting agreement with this former high ranking U.S. government official which requires infoUSA to pay \$1.2 million over the next three years.

114. On information and belief, neither infoUSA's board nor board committee approved either the 2002 or the 2005 sizable consulting agreements with this former high ranking U.S. government official. Furthermore, there is no evidence of board or committee approval or satisfaction of the other required elements with respect to the 100,000 share option under 8 Del. C. §157. The Company never publicly disclosed the identity of the consultant or the services he was and is supposed to provide the Company. By their terms, the agreements only require this official to provide advice and counsel to V. Gupta, and not to the Company, for the extremely vague purpose of "strategic growth and business judgment." Further, there is no requirement that any minimum amount of time be spent. Both the 2002 and 2005 sizable consulting agreements state that this former high ranking government official will not be involved in any lobbying activities. They also prohibit the Company from using this official's name, likeness or association for commercial purposes.

115. The infoUSA board refused Dolphin's request for board and/or committee minutes reflecting board and/or committee authorization for these sizeable consulting agreements.

116. This official and V. Gupta are close personal friends. Gupta donated \$1 million to this official's commemorative building and has raised campaign funds. This official nominated V. Gupta to positions of prestige, although V. Gupta did not ultimately accept them. He also appointed V. Gupta to a prestigious Washington based center, a position he still holds. A subsidiary of the Company has also donated at least \$250,000 to this official's charitable cause.

#### D. The Shareholders Rights Plan

117. On July 21, 1997, the infoUSA board adopted a Shareholders Rights Plan (the "Rights Plan"). Pursuant to Section 1(a) of the Rights Plan, "Vinod Gupta, members of his

immediate family and any entities controlled by or established for the benefit of Vinod Gupta and/or one or more members of his immediate family" were excluded from the definition of Acquiring Person and thereby exempted from the Rights Plan. The July 21, 1997 minutes of the Board of Directors meeting approving the Rights Plan do not mention the exemption for V. Gupta or his affiliates nor do they contain any discussion of whether the exemption was appropriate or the reasons for it.

118. The Rights Plan provides that prior to a Distribution Date (i.e., after the triggering of the Rights), the Rights Plan may be amended or supplemented in any manner that does not adversely affect the holders of Rights. The Rights Plan provides that upon delivery of a certificate of an appropriate officer in the Company, the Rights Agent shall execute such supplement or amendment.

119. The Company announced the adoption of the Rights Plan and explained the reasons for it in a press release dated August 1, 1997. That press release stated:

The Rights are intended to assure that the Company's stockholders receive fair and equal treatment in the event of any proposed take over of the Company and to guard against partial tender offers and other abusive tactics to gain control of the Company without paying all shareholders the fair value of their shares, including a "control premium."

Likewise, the Company's Schedule 8-A12G/A filing dated March 29, 2000 stated that the rights:

are designed to protect and maximize the value of stockholders' interests in the Company in the event of an unsolicited takeover attempt through such methods as a gradual accumulation of shares in excess of 15% of the outstanding stock...

120. The exemption of V. Gupta and his affiliates from the Plan is inconsistent with the stated purpose of the Rights Plan which is to protect shareholders from change of control transactions that deprive shareholders of fair value including a "control premium." Because of

his personal exemption and the board's refusal to amend the Rights Plan to include V. Gupta and his affiliates in it, V. Gupta has been able to advance his already sizable ownership in the Company through the receipt and exercise of material Company awarded options and his open market purchases. In other words, V. Gupta has been steadily advancing his control of the Company without paying any control premium while, at the same time, diminishing the public stockholders' ability to receive a control premium.

121. Since 1998, the Company has awarded V. Gupta options for 3.2 million shares representing an additional 6% of the Company stock. These stock awards were made notwithstanding the fact that V. Gupta already had at least 35% of the outstanding stock and thus, had more than sufficient incentive to promote the long term value of the Company. The Board has even let V. Gupta decide how many options he should give himself. For example, at a July 16, 2001 board meeting, the Board approved distribution of 700,000 shares under 1992 option plan. It gave V. Gupta sole authority to decide which officers would receive the options and V. Gupta kept most of them for himself. In connection with the May 26, 2006 proxy contest, immediately prior to the record date, V. Gupta exercised 1.2 million of these options thereby increasing his stock ownership by an additional 2.2%. These shares were a significant factor in V. Gupta retaining control in the proxy contest. Thus, V. Gupta now beneficially holds over 41% of the Company's outstanding shares excluding his unexercised options. V. Gupta and insiders hold 43.6% excluding unexercised options.

122. V. Gupta has facilitated his "creeping takeover" through false and misleading proxy statements and SEC filings. At the 2005 annual meeting, the Company asked its shareholders to approve an amendment to the Company's 1997 Stock Option Plan increasing the number of shares available for issuance from 5 million to 8 million. The amendment passed with

28.2 million (including V. Gupta's approximate 23 million shares) shares voting FOR the amendment and 20 million voting AGAINST. The proxy statement soliciting shareholder approval of the amendment falsely represented that V. Gupta beneficially owned just 20,135,006 shares (including option shares exercisable within 60 days). In fact, at the time of the 2005 proxy statement, V. Gupta beneficially owned and controlled at least an additional 2.4 million shares held by his sons' trusts and his charitable foundation. The under-reporting of V. Gupta's stock ownership by nearly 4.4% was materially misleading as shown by the fact that the SEC later insisted it be corrected. Stockholders were being asked to approve an amendment to a Stock Option Plan which would increase the number of shares available for issuance by 3 million. The ostensible purpose of the Option Plan, as set forth in the 2005 proxy statement, is "to attract and retain the best available personnel...to provide additional incentive to the employees...and to promote the success of the business." The actual number of shares owned by V. Gupta was a material fact to any stockholder asked to vote to amend the Plan to increase the number of shares available for issuance to Company employees including V. Gupta.

123. Despite his "creeping" takeover, the board has refused to amend the Rights Plan to make it applicable to V. Gupta and his affiliates. The board's refusal to make the Rights Plan applicable to V. Gupta and his affiliates is highly detrimental to the unaffiliated shareholders to whom the directors owe duties and inconsistent with the stated purpose of the Rights Plan which is to protect the shareholders' ability to obtain a control premium.

124. Indeed, recent events demonstrate that V. Gupta is the very person from whom the Company shareholders need protection. In June 2005, he tried to take the Company private through a low ball bid of \$11.75 per share. Although V. Gupta characterized the offer as representing a 25% premium, it actually was less than the price at which the Company's stock

traded just five days before the offer and Company issued lowered earnings guidance. Moreover, it was significantly below the minimum \$18.00 per share price that V. Gupta said the Company was worth in a press release issued in March 2005, just three months before his offer and this reduced earnings guidance.

125. When the Special Committee told V. Gupta that his offer was inadequate, V. Gupta immediately withdrew it and voted to disband the Special Committee. At the same time, V. Gupta made it clear that he would not support any alternative transaction for the Company.

126. V. Gupta then sent the board a letter in which he claimed that the "primary reason" for his \$11.75 per share offer was to prop up the Company's stock price. V. Gupta's September 7, 2005 letter (Exhibit 6) stated:

after we lowered our revenue guidance due to the Donnelley Marketing revenue shortfall, our stock got crushed. At that time, I had no choice but to support the stock. That was the primary reason for offering \$11.75 for the shares.

127. Rather than simply eliminating the exemption for V. Gupta in the Rights Plan, the board has entered into a series of standstill agreements with V. Gupta. The first standstill letter was dated July 18, 2005. It was "renewed" by a subsequent letter on September 12, 2005, which by its terms, expired on or about March 12, 2006. (Exhibit 7) Prior to its expiration, Dolphin sent a letter to the board asking the Company's non-management directors to publicly inform all shareholders what action the board proposed to take with respect to the expiration. The Company's response was to send a letter to Dolphin stating that the board would make an announcement to all shareholders regarding the standstill letter if and when it took action with respect to it.

128. On July 21, 2006, V. Gupta and the Company, through defendant Fairfield, its new "lead independent director," executed a letter characterized as a purported one year standstill agreement. (Exhibit 8) Fairfield signed the letter on the same day he was appointed lead independent director (notwithstanding his prior employment by a subsidiary of the Company).

129. Pursuant to the supposed July 2006 standstill, V. Gupta will not directly or indirectly acquire any additional shares of the Company except that he may exercise his currently held options. The standstill portion of the letter further states that it is not applicable if the Company (a) announces that it has entered into an agreement with a third party that contemplates a merger, consolidation, sale of substantially all of the Company's assets or business combination; or (b) the Company announces that it has entered into an agreement with a third party that contemplates a change of control of the Company. The standstill fails to indicate whether it applies to members of V. Gupta's family or other affiliates and associates. Indeed, since such family members, affiliates and associates have not signed the letter, the Company appears to have no enforceable rights against them. The standstill is timed to expire when the Company's Rights Plan expires.

130. The July 21, 2006 letter agreement further provides that:

The Company and I acknowledge and agree that during the Covered Period, so long as I am in compliance with my obligations under this letter, the Company shall not take any action to modify, extend or amend the Company's Preferred Share Rights Agreement with Northwest Bank N.A. Minnesota, (as amended, the "Rights Agreement") to directly or indirectly include me in the definition of "Acquiring Person" as such term is used in the Rights Agreement or take any action including amending the Rights Agreement or adopting any other rights agreement, plan or other arrangement that has the direct or indirect effect of including me within the purview of the Rights Amendment or such other rights agreement, plan or arrangement.

131. Because no amendment to the Rights Plan has been adopted or executed in accordance with the terms of the Rights Plan, the letter cannot eliminate the Company's right to amend the Rights Plan to make it applicable to V. Gupta. The above provision of the letter is void, invalid and unenforceable. Precluding the infoUSA board from modifying or amending the Rights Plan or adopting any agreement, plan or arrangement would impermissibly deprive the members of the board, including any new directors who may be elected, of their statutory duty under 8 Del. C. §141(a) to manage the Company and their concomitant fiduciary duties. The one year moratorium would prevent the board from completely discharging its fiduciary duty in an area of fundamental importance to shareholders until July 21, 2007. Because this supposed contract provision purports to require the board to act in such a fashion as to limit the exercise of fiduciary duties, it is invalid and unenforceable.

132. Moreover, even if the letter were enforceable, the standstill letter does not ameliorate the fundamental unfairness of the exemption in the Rights Plan for V. Gupta and his affiliates. The standstill agreement is temporary and contains broad exceptions that give V. Gupta and his affiliates the ability to acquire additional shares in order to block acquisitions of the Company including those that are in the best interests of the Company's public stockholders. It also allows V. Gupta to continue his "creeping" takeover by exercising existing sizeable options and/or new options that the Company awards to him under a plan that was approved by the stockholders in reliance on materially misleading disclosure of V. Gupta's true ownership.

E. V. Gupta's Misuse of Confidential Corporate Information

133. After the close of business on Friday, August 4, 2006, infoUSA announced that it had entered into a merger agreement with Opinion Research Corporation ("ORC") pursuant to

which it would acquire ORC for \$12.00 per share in cash. The purchase price represents an approximate 100% premium over the trading price of ORC prior to the announcement of the merger. On August 15, 2006, infoUSA filed a Schedule 13D necessitated by the execution of a voting agreement with ORC insiders pursuant to the merger agreement. This filing disclosed the Company's ownership of 259,845 shares (4.7%) of ORC. The 13D stated that infoUSA had acquired the ORC shares in open market purchases between April and August 2005 at prices ranging from \$6.50 to \$8.40 per share.

134. The Schedule 13D also indicated that the V. Gupta Revocable Trust (the "Gupta Trust") had owned 55,000 shares (1%) of ORC, currently owns 33,000 shares, and had sold 22,000 shares as follows:

5,000 shares on August 7, 2006 at \$11.55 per share

5,000 shares on August 7, 2006 at \$11.57 per share

5,000 shares on August 8, 2006 at \$11.59 per share

7,000 shares on August 9, 2006 at \$11.43 per share

The Schedule 13D filed on August 15, 2006, does not disclose when or how the Gupta Trust acquired its ORC shares.

135. In the 18 month period prior to the announcement of the merger, ORC stock never traded at more than \$9.13 per share and it typically traded in the \$5.50 to \$6.50 range. Accordingly, it appears that the Gupta Trust made a substantial profit on its purchases and sales of ORC shares based on infoUSA's interest in and ultimate acquisition of ORC.

136. The Gupta Trust profited by misappropriating corporate information from infoUSA regarding its interest in ORC and trading on that information. As a result, it sold 22,000 shares at a substantial premium following the announcement of the merger. It also stood

to profit by selling its remaining 33,000 shares into the market or selling them to infoUSA in the ORC merger at \$12 per share. V. Gupta never told the Board that he owned ORC shares when he sought Board approval of the ORC merger. When the Board first learned of the Gupta Trust's ownership of and transactions in ORC stock through the Schedule 13D filing, it did not take any action taken with respect to V. Gupta's conduct. It was only after Dolphin filed its October 19, 2006 Complaint that the Gupta Trust sold its remaining 33,000 shares to the Company for \$236,231, its apparent cost. It also disgorged back to the Company \$94,869 (an average gain of \$4.31 per share) which, according to the Company's 2006 Form 10-K, represented "gains [V. Gupta] had previously received on the sale of [ORC] common stock." The Company did not disclose this disgorgement until it filed its 2006 Form 10-K on March 15, 2007. There are no public filings prior to the 2007 Form 10-K that disclosed this disgorgement.

137. This is not the first time V. Gupta has acquired securities alongside InfoUSA. For example, in April 2004, V. Gupta sold 25,000 shares of OneSource, a company in which infoUSA had acquired a position and ultimately purchased in June 2004. V. Gupta's personal profit on the ORC stock and his other self-dealing conduct is directly contrary to his fiduciary duties and to the Company's Code of Conduct which urges the Company's officers, directors and employees to "seek to avoid even the appearance of improper behavior" and to "strive to foster a culture of honesty and accountability." It also violates the prohibitions in the Code of Conduct with respect to trading on inside information and corporate opportunities. Section 3 of the Code states that "All non-public information about the Corporation should be considered confidential proprietary information and should never be used for personal gain." Section 5 provides "Employees, officers and directors are prohibited from taking for themselves business opportunities that are discovered through the use of corporate property, information or position."

F. No Demand is Required

138. To the extent Plaintiffs' claims are individual, no demand under Chancery Court Rule 23.1 is required. To the extent any of the claims are deemed derivative, demand on the infoUSA board is excused.

139. Demand is excused because:

- a. The Complaint alleges the statutory invalidity of transactions described above;
- b. The Complaint alleges conduct that was not the product of a valid exercise of business judgment and involved an intentional, reckless or bad-faith abdication of defendants' fiduciary duties for which defendants face the risk of substantial personal liability;
- c. The Complaint alleges that the directors failed to make any business judgment with respect to many of the transactions described above;
- d. The Complaint alleges waste;
- e. The Complaint alleges that the directors have not required that V. Gupta pay back the \$631,899 of charges identified in the Raval report for 2004 alone or other years as expenses that "will be borne" by him and have otherwise failed to act despite having had the misconduct described above repeatedly called to their attention;
- f. For the reasons described herein, a majority of the board of directors of infoUSA is not disinterested and independent and is dominated and controlled by V. Gupta; and
- g. The infoUSA directors abrogated their fiduciary responsibilities.

140. V. Gupta is conflicted because the transactions complained of in the Complaint were undertaken by and for the benefit of V. Gupta and members of his family.

141. Haddix is not disinterested or independent because the Company provides Haddix's software company with apparently rent free office space. In addition, Haddix and other current board members have routinely turned a blind eye to transactions benefiting V. Gupta and his affiliates and have acceded to V. Gupta's requests for corporate action that benefits V. Gupta personally. For example, in October 2004, V. Gupta proposed that the Company's stock option plan be revised to reduce the exercise price by 17%. The primary beneficiary of this proposed change was V. Gupta who has received almost 75% of all options issued to senior management since 2001. The directors at the time, including Haddix (as well as Andersen, Kaplan, Raval and Walker) acceded to this request and reduced the exercise price as requested by V. Gupta. On February 3, 2005, the board, which included Haddix, Andersen, Kaplan, Raval, Walker and Kahn, approved the Compensation Committee's recommendation that V. Gupta be awarded an option for 500,000 shares of the Company stock, the only employee to receive an option grant. Andersen, Haddix and Walker were members of the Compensation Committee at that time. Neither they nor the full board had the benefit of any externally generated compensation data or expert advice before approving V. Gupta's option grant. On information and belief, the sole source of information given to them was V. Gupta himself and the Company. Board approval came the day after a February 2, 2005 memo from V. Gupta to the Compensation Committee requesting that his compensation plan be approved "very quickly so I can exercise my options" before they become more expensive. V. Gupta expressed his appreciation for the Compensation Committee doing whatever needed to be done "very, very quickly." Haddix's lack of independence from V. Gupta (as well as Raval's, Kahn's and Walker's) is further demonstrated

by their signature on the Company's Forms 10-K which falsely describes approximately \$598,000 of expenses as "usage of the aircraft and related service." At the time they signed the Form 10-K, Haddix and the others knew from the Raval Report that this money was spent on the American Princess yacht, a personal residence, undefined travel services and contractor services. Nonetheless, they did not demand repayment of such. In addition, Haddix has stated that he views there being no conflict between V. Gupta having made an offer for the Company and V. Gupta's participation in and decision to terminate the Special Committee. He has stated that he sees no conflict between V. Gupta's interest in acquiring the Company and his desire to see that the Company is not sold to a third party, and V. Gupta being in charge of any process which considers potential third party offers. He has stated that he considered the Special Committee's authority to "consider other alternatives" to mean alternatives involving V. Gupta. Further, Haddix has expressed a view that because V. Gupta owns a significant portion of the Company, it is appropriate to provide V. Gupta a preference in considering offers from V. Gupta as opposed to third parties.

142. Walker, a local Omaha businessman, is not disinterested and independent because infoUSA provides him with rent free office space. In addition, as set forth above, as a board member Walker has routinely turned a blind eye to transactions benefiting V. Gupta and his affiliates and has acceded to requests by V. Gupta that personally benefit V. Gupta. He supported termination of the Special Committee. He also signed the Company's Forms 10-K which, after receiving the Raval memo, he knew or should have known, falsely described the nature and purpose of related party payments made to V. Gupta and did not demand repayment.

143. Kaplan is conflicted because he is a senior partner in the law firm which represents infoUSA. His firm has been paid an average of \$500,000 per year for at least 2003,

2004, and 2005 by infoUSA. It was paid \$1.1 million in 2006. infoUSA is one of Kaplan's several major corporate clients and generates substantial fee income toward his compensation at his firm and his firm has represented infoUSA in transactions challenged herein. In addition, as set forth above, Kaplan has consistently approved requests made by V. Gupta for V. Gupta's personal financial benefit including reducing the exercise price of options award to V. Gupta. He, too, has not demanded repayment of improper benefits paid to V. Gupta. In addition, Kaplan actively supported the termination of the Special Committee despite V. Gupta's inherent conflict of interest. He has indicated that he did not believe that V. Gupta's offer presented the Company with any conflict of interest.

144. Raval and Reznicek are conflicted and not independent because V. Gupta has made substantial contributions to Creighton University, the school at which Reznicek is a former dean and Raval is a professor. Raval's academic salary is materially increased by the fees received for serving as a director including \$147,000 in 2005 and \$96,000 in 2004. In addition, Creighton has partnered in an exchange program with the Vinod Gupta School of Management. Raval or Reznicek would not vote against V. Gupta's interest or wishes and jeopardize Creighton's relationship with V. Gupta. Indeed, Raval abstained from the vote to disband the Special Committee which further shows his lack of independence from V. Gupta. Raval's lack of independence from V. Gupta is further demonstrated by his failure to require V. Gupta to pay back material amounts V. Gupta owes to infoUSA including the more than \$600,000 of expenses in 2004 that Raval concluded should be borne by V. Gupta personally as well as his failure to investigate other years and similar sizeable payments. Raval also signed the Company's Forms 10-K notwithstanding the fact that their disclosure of certain payments made to Annapurna for "aircraft usage and related payments" was false based on facts in the Raval Report. Reznicek

lacks independence because he is the non-executive chairman of CSG Systems, an entity in which the Company has invested.

145. Fairfield is not disinterested or independent because he is the former chairman of an infoUSA subsidiary.

146. Kahn is not disinterested or independent with respect to Counts II - V. He is the former CEO of a company recently acquired by infoUSA and pursuant to a compensation plan he proposed, he received \$100,000 for his two months of service on the Special Committee. He, too, has not demanded repayment of improper benefits paid to V. Gupta.

### **COUNT I**

**(Against All Defendants Except Kahn, A. Gupta and Strycker)**

147. Plaintiffs realleges all the foregoing paragraphs as if set forth herein.

148. The Company has suffered millions of dollars of damages as a result of V. Gupta's aborted going private attempt. The Company was required to expend such funds in the creation of a sham Special Committee and engaging in the sham Special Committee process, assisting V. Gupta personally in a conducting "due diligence", and in compensating V. Gupta for his expenses incurred in connection with his offer. Such amounts were improperly paid by the Company and arise from Defendant's breach of fiduciary duties. As a result the Defendants are liable to the Company for such amounts.

### **COUNT II**

**(Against All Defendants)**

**Invalidity Under DGCL §144 and §157**

149. Plaintiffs realleges all the foregoing paragraphs as if set forth herein.

150. Plaintiffs incorporate by reference all preceding and subsequent paragraphs as if set forth fully herein.

151. Pursuant to 8 Del. C. §144, a transaction between a corporation and one or more of its directors or officers in which one or more of the directors or officers have a financial interest is void or voidable unless the transaction is: (i) approved by a majority of the disinterested directors; (ii) approved by vote of the shareholders; or (iii) is fair to the corporation.

152. As described above, Gupta's self-dealing personal use and diversion of corporate resources is void under 8 Del. C. §144 because the transactions were: (i) not approved by disinterested directors; (ii) not approved by a shareholder vote; and (iii) not fair to infoUSA and its shareholders. Accordingly, the Court should rescind these transactions and require V. Gupta to disgorge all benefits and make restitution to the Company. The Defendants should also reimburse infoUSA for all damages and expenses caused by these invalid transactions and their failure to protect the interests of the Company and its stockholders.

153. As described above, certain options awarded for the Company's shares (a) were not authorized by the board or any committee of the board; (b) were issued in violation of a board resolution; and (c) were not issued in compliance with 8 Del. C. §157. These options are void.

**COUNT III**  
**(Against All Defendants)**  
**Invalidity of the July 21, 2006 Letter Agreement**

154. Plaintiffs incorporate by reference all preceding and subsequent paragraphs as if set forth fully herein.

155. The July 21, 2006 standstill letter agreement between the Company and V. Gupta is void and invalid. The letter agreement was not adopted or executed in accordance with the terms of the Rights Plan. In addition, it is invalid under 8 Del. C. §141(a) and impermissibly

limits the directors' statutory and fiduciary obligations to manage the Company's business and affairs. It should be declared invalid and unenforceable.

**COUNT IV**  
**(Against All Defendants)**  
**Breach Of Fiduciary Duty**

156. Plaintiffs incorporate by reference all preceding and subsequent paragraphs as if set forth fully herein.

157. The individual defendants owe fiduciary duties of loyalty, due care and good faith to the shareholders of infoUSA and must act to protect and maximize the value of their shares.

158. The individual defendants are engaged in a course of activities that violates their fiduciary duties to the infoUSA stockholders. They have, with full knowledge, allowed V. Gupta to use the Company's assets to pay V. Gupta's personal expenses including private jets, a luxury yacht, real estate and automobiles. Although frequently no business purpose was given for the expenses and V. Gupta is the person both incurring the expenses and signing the payment requisitions, the current members of the board and former board members Andersen and Stryker did not seek independent verification that the millions of dollars of payments made by the Company are for a proper business purpose and that the amounts are fair to the Company. Many of these expenses were incurred without any minutes or consent of any board or committee action approving that payment. These charges include:

- a. \$3.24 million paid in 2003-2005 to V. Gupta's company, Annapurna Corporation, for the use of private jets, the 80-foot American Princess yacht, a residence in California and unidentified service charges for travel services;
- b. \$199,940 paid to NetJets and \$455,917 to a third party for expenses related to the American Princess yacht;

- c. of the \$1.5 million paid to Annapurna in 2004 for "usage of the aircraft and related services," \$120,000 was spent for use of a personal residence, \$277,899 for use of a personal boat, \$195,000 for travel services and \$2,800 for contractor services;
- d. of the \$2.2 million reportedly paid for "usage of the aircraft and related services" in 2003, over \$1 million of this amount was used for rental payments for homes, the American Princess yacht and other V. Gupta expenses;
- e. hundreds of thousands of dollars in aircraft travel expenses for a former government official and his family members;
- f. charges for private jet travel for the V. Gupta family;
- g. \$40,878 and \$57,543 in 2003 and 2004, respectively, to Aspen Leasing Services, a company owned by V. Gupta, for leases on luxury cars and a catamaran;
- h. \$64,000 in 2003-2004 in consulting payments to V. Gupta's wife's company;
- i. \$75,696 in both 2003 and 2004 for payments on a personal insurance policy held by the V. Gupta family in 1999 irrevocable trust;
- j. \$58,000, \$48,000 and \$40,000 in 2003, 2004 and 2005, respectively, for rental payments on vacation condos in Aspen, Colorado and Maui, Hawaii;
- k. \$22,000 in 2005 for unspecified service charges and travel expenses;
- l. \$617,000 for the right to the remaining twenty-one years of a lease of a University of Nebraska-Lincoln football stadium skybox, which was approved by

the Audit Committee six months after the purchase agreement was signed and money changed hands; and

m. \$182,000 in 2005 for infoUSA's purchase of four luxury automobiles previously leased through Aspen, a company owned by V. Gupta.

159. Defendants have also breached their fiduciary duty by mischaracterizing numerous related party payments and concealing other similar payments including sizable payments made for the American Princess luxury yacht.

160. Defendants also breached their fiduciary duty by failing to disclose the correct number of infoUSA shares beneficially owned by V. Gupta. The Company's 2005 proxy statement, which was used to secure shareholder approval of an amendment to the Company's 1997 Stock Option Plan, misrepresented the number of shares owned by V. Gupta. It failed to disclose V. Gupta's ownership and voting control over approximately 2.4 million shares. Accordingly, shareholders who approved of the amendment were misled because they were not told that V. Gupta owned and controlled an additional 4.4% of the Company's stock at the time they were asked to vote on an increase of the number of option shares available for issuance to, among others, V. Gupta.

161. Defendants have also breached their fiduciary duties by maintaining the exemption in the Rights Plan for V. Gupta and his family while, at the same time, V. Gupta has been advancing his control of the Company by exercising Company awarded options and through open market purchases.

162. Defendant V. Gupta breached his fiduciary duty by causing the Gupta Trust to acquire shares of ORC based on confidential corporate information. Moreover, the Gupta Trust

profited by selling a portion of these shares at a profit following the Company's announcement of its acquisition of ORC.

## COUNT V

### Waste

163. Plaintiffs incorporate by reference all preceding and subsequent paragraphs as if set forth fully herein.

164. The millions of dollars of related-party transactions described above, including but not limited to infoUSA's payments to Annapurna, consulting payments and fixed monthly expense reimbursements paid to V. Gupta's wife constitute waste. Many of the payments have been made without any explanation as to how the charges relate to infoUSA's business. On their face, many of them are for V. Gupta's and his family's and friends' personal entertainment. The Company's records reflect no business usage supporting the millions of dollars paid by the Company for the American Princess yacht. There has been no examination by the board as to the fairness of the amounts charged, all in contravention of the Company's own written Code of Conduct.

165. The consulting agreements with a former high-ranking government official are without any consideration to the Company and are therefore a gift and waste of corporate assets. There is no benefit to the corporation. In fact, by their very terms, the April 24, 2002 and October 2005 consulting agreements require this former high ranking government official to provide "confidential advice and counsel to the Chairman and CEO of the Company," rather than any service to the Company. The Company was harmed by the payment to this official of \$2.1 million in consulting fees and gift of the option to purchase 100,000 shares of the Company's common stock without any compensation to the Company and without apparent board approval.

The Company has also paid nearly \$900,000 of travel expenses for this former high-ranking government official and his family members. The Company will experience additional harm if, pursuant to the October 2005 consulting agreement, an additional \$1.2 million is paid to this official. In essence, if not stopped, the Company will have paid this official \$3.3 million under the consulting agreements while receiving no consideration in exchange.

166. Plaintiffs have no adequate remedy at law.

WHEREFORE, Plaintiffs pray that the Court enter a judgment as follows:

A. A declaratory judgment that the self-interested transactions described above are void under 8 Del. C. §§144 and/or 157.

B. An Order requiring Defendants to cease using Company property for their personal use without providing fair and equitable compensation to infoUSA.

C. An order and judgment requiring Defendants to pay damages and/or disgorge any and all benefits obtained as a result of their statutory violations and breaches of fiduciary duty and waste.

D. A declaratory judgment that the July 21, 2006 letter agreement between the Company and V. Gupta is invalid and unenforceable and is not a valid amendment to the Rights Plan.

E. An order requiring defendants to amend the Shareholders Rights Plan to include V. Gupta, his family and any affiliates of V. Gupta or, alternatively, enjoining V. Gupta, his family and affiliates from acquiring additional shares of the Company.

F. An order declaring that the 2005 amendment to the Company's 1997 Stock Option Plan was invalid and enjoining the Company from issuing any options pursuant to the amendment and rescinding any options to any of the defendants pursuant to it.

G. Awarding such equitable and other relief for Defendants' breach of fiduciary duty as is appropriate to prevent and remedy harm to the stockholders.

H. Awarding attorneys' fees, expenses and costs to Plaintiffs and Plaintiffs' counsel.

I. Granting such other and further relief as the Court deems just and proper.

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Dated: June 12, 2007

**CERTIFICATE OF SERVICE**

I hereby certify that on this 12th day of June, 2007, the foregoing **FIRST AMENDED CONSOLIDATED COMPLAINT** was served through LexisNexis File and Serve upon the following counsel of record:

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