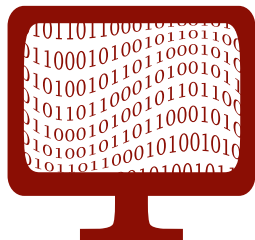


Electronic Information Report



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Market Intelligence on the Business of Online Content

After Yahoo!, Microsoft Invests in Search

Microsoft Corp. (Redmond, Wash.) will now invest approximately \$500 million more in search during the 2009 fiscal year after claiming the company's highly publicized, albeit unsuccessful, bid to take over Yahoo! is "dead."

"Yahoo! for us was always a tactic, not a strategy," said Microsoft CEO Steve Ballmer during the company's annual financial analyst meeting last month. In February, Microsoft made an unsolicited bid to purchase Yahoo! for approximately \$44.6 billion.

Microsoft remains a distant third in the search engine market behind Google and Yahoo!.

"Give Google credit, they invented the

[See 'Microsoft' on p. 4](#)

infoGroup Retains Gupta, Delays SEC Filings Again

The board of directors of infoGroup (Omaha, Neb.) last month agreed to allow embattled founder Vin Gupta to keep his post as CEO, while relinquishing his chairman position as part of a settlement with investors who have challenged his stewardship.

The company set up a Special Litigation Committee (SLC) in December to investigate infoGroup's expenses in response to shareholders' gripes about Gupta's alleged misappropriation of company funds.

The Securities and Exchange Commission around the same time last year launched an informal investigation of the company, then known as infoUSA, after a lawsuit was filed

[See 'infoGroup' on p. 6](#)

VOL. 29, NUMBER 15 | AUGUST 11, 2008

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Credit Information Segment Steady in Q2

The eight most prominent companies in the credit information services segment witnessed sales increase 4.7%, according to *EIR's* second quarter 2008 analysis.

Equifax Inc. revenue was \$501.9 million in the second quarter, a 10.4% increase from the prior year. However, the downturn in the U.S. economy led to total U.S. revenue of \$228.6 million, which is a 9% decrease from the second quarter of 2007. Latin America revenue was \$61.1 million, a 38% increase, while Europe revenue was \$46.4 million, a 3% improvement.

"Equifax's increasingly diversified business model positioned us well for the current environment as we delivered solid, broad-based performance," said Richard Smith, Equifax chairman and CEO. "We continue to invest for the future through new product innovation, international expansion, and enhancing our value-added services, including enabling technologies and predictive sciences."

Total revenue contributed from TALX was \$76.7 million during the second quarter. Total records in the employment

database grew to 179.2 million, an 18% increase from the same period last year.

Experian saw its Credit Services sales decline 3.4% in its fiscal first quarter. North American Credit Services revenue fell 5%. Revenue fell off in international markets as well, down 2% in the U.K. and Ireland, and down 3% in the rest of Europe, the Middle East, Africa and Asia. Experian said that this was due to weak conditions in the mortgage and pre-screen markets, partially mitigated by strength in portfolio management and collections.

“The strategic moves we have undertaken to balance the Experian portfolio have again enabled the group to withstand the market challenges in the U.S. and the U.K.,” said CEO Don Robert.



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60 Long Ridge Road, Suite 300, Stamford, CT 06902 USA
Tel: 203-325-8193; Fax: 203-325-8915
Internet: www.simbainformation.com

Electronic Information Report:

Senior Analyst/Editor:Dan Strempel (203-325-8193 ext. 103)
Analyst/Editor:Sean Kilkelly (203-325-8193 ext. 113)
Copy Editor:Lori Coupe (203-325-8193 ext. 107)
Publisher:Linda Kopp (203-325-8193 ext. 101)
Customer Service:888-297-4622;
240-747-3091

ISSN#: 1076-0490

Subscriptions: \$695 for 24 issues per year; single copies: \$50

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Last month, the company's name became Experian plc, with the ticker symbol EXPN on the London Stock Exchange.

D&B's Risk Management segment increased revenue 9.4% to \$281 million in the second quarter from \$256.8 million last year. Despite a slowing economy, D&B's U.S. Risk Management Solutions segment grew 4% to \$194.5 million in the second quarter of 2008.

Simba estimates that TransUnion revenue grew 5.1% to \$207.7 million in the second quarter from \$197.5 million. Last month, TransUnion launched Payment Behaviour Score, a new score to improve the effectiveness of acquisition and portfolio reviews for credit card businesses. This scoring solution is designed to strengthen relationships with cardholders and enhance the portfolio management strategy for the credit card providers. TransUnion's Payment Behaviour Score analyzes every stage of the customer life cycle, predicts payment behavior, and designs programs and offers that are specific to segmented consumers and their affordability risk levels.

CREDIT INFORMATION SERVICES SEGMENT PERFORMANCE, Q2 2008 VS. Q2 2007 (\$ in 000)

Company	Q2 2008	Q2 2007	Change
Equifax	\$501,900	\$454,500	10.4%
Experian ¹ (E)	\$459,050	\$475,000	-3.4%
D&B ²	\$281,000	\$256,800	9.4%
TransUnion (E)	\$207,650	\$197,500	5.1%
Kroll Factual Data Corp. (E)	\$21,580	\$21,137	2.1%
Cortera (E)	\$9,585	\$9,275	3.3%
Credit.net (E)	\$1,275	\$1,250	2.0%
CreditRiskMonitor.com (E)	\$1,195	\$1,175	1.7%
Total, 8 companies	\$1,483,235	\$1,416,637	4.7%

(E) = Estimate

¹Credit Services division

²Risk Management division

Sources: Simba Information, company reports

“TransUnion’s Payment Behaviour Score will help businesses with segmentation strategies and modeling to improve efficiency and increase return on their customer portfolio,” said Lawrence Tsong, TransUnion’s managing director.

Kroll Factual Data Corp., a Marsh & McLennan company, is estimated to have witnessed 2.1% growth in the quarter to \$21.6 million. Cortera, formerly eCredit, is estimated to have improved moderately 3.3% to \$9.6 million for the second quarter of 2008. infoGroup company Credit.net grew an estimated 2% to \$1.3 million.

CreditRiskMonitor.com rounds out the list growing 1.7% to \$1.2 million. ■

Comcast Avoids Fine Following FCC Net Neutrality Ruling

The Federal Communications Commission this month found Comcast Corp. (Philadelphia) guilty of secretly degrading network traffic by a 3-2 vote.

As a result of the ruling, the FCC has ordered Comcast to stop blocking traffic, disclose to the FCC the full extent of its traffic practices and keep the public informed of its future network management plans.

“Would you be OK with the post office opening your mail, deciding they didn’t want to bother delivering it, and hiding that fact by sending it back to you stamped ‘address unknown—return to sender?’” asked FCC chairman Kevin Martin. “Or if they opened letters mailed to you, decided that because the mail truck is full sometimes letters to you could wait, and then hid both that they read your letters and delayed them? Unfortunately, that is exactly what Comcast was doing with their subscribers’ Internet traffic.”

Ruling on a complaint by Free Press and Public Knowledge, the Commission concluded that Comcast had unduly interfered with Internet users’ rights to access Internet content and to use the applications of their choice. The Commission found that Comcast had deployed equipment throughout its network to monitor the content of its customers’ Internet connections and selectively block specific types of connections known as peer-to-peer connections.

Voting in favor were Martin, a Republican, and Michael Copps and Jonathan Adelstein, both Democrats. While Robert McDowell and Deborah Taylor Tate, both Republicans, voted against the measures.

“Presently, we are benefiting from over \$100 billion in

“Would you be OK with the post office opening your mail, deciding they didn’t want to bother delivering it, and hiding that fact by sending it back to you stamped ‘address unknown—return to sender?’”

—Kevin Martin, FCC

broadband investment, robust industry competition and cooperation and unprecedented consumer options in this dynamic multi-platform marketplace,” said Tate. “Thus, regulatory action in this

instance should yield. However, while the Commission should refrain from regulating the digital marketplace, we do have an important function in protecting the consumer interest.”

Comcast said it needed to do something about the small percentage of subscribers who swap large files on peer-to-peer networks because they use a disproportionate amount of bandwidth.

“We are gratified that the Commission did not find any conduct by Comcast that justified a fine and that the deadline established in the order is the same self-imposed deadline that we announced four months ago,” said Sena Fitzmaurice, senior director, government affairs. She said Comcast was disappointed in the ruling because it believes that its network management practices are reasonable and wholly consistent with industry practices.

“We also believe that the Commission’s order raises significant due process concerns and a variety of substantive legal questions. We are considering all our legal options,” said Fitzmaurice.

The FCC action arose when bloggers reported that Comcast customers who used file-sharing software like BitTorrent noticed their transmissions were aborting

prematurely. Although the FCC ruling did not include a fine, it does require Comcast to disclose within 30 days the details of its network management; submit a compliance plan describing how it intends to stop these practices by the end of the year; and disclose to customers and the commission its new plan. ■

Cuil Search Engine Launched by Former Google Engineers

Technology company Cuil (Menlo Park, Calif.) this month launched a new search engine of the same name claiming it's "the biggest search engine on the Web" with 120 billion indexed Web pages.

Cuil (pronounced cool and Gaelic for "knowledge") claims to go beyond today's search techniques of link analysis and traffic ranking to analyze the context of each page and the concepts behind each query. Cuil claims it then organizes similar search results into groups and sorts them by category all the while stressing privacy.

"The Web continues to grow at a fantastic rate and other search engines are unable to keep up with it," said CEO and co-founder Tom Costello. "Our significant breakthroughs in search technology have enabled us to index much more of the Internet, placing nearly the entire Web at the fingertips of every user. In addition, Cuil presents searchers with content-based results, not just popular ones, providing different and more insightful answers that illustrate the vastness and the variety of the Web."

The company is led by husband-and-wife team Costello and Anna Patterson. Costello researched and developed search engines at Stanford University and IBM, while Patterson is best known for her work at Google where she was the architect of the company's search index and led a Web page ranking team. Russell Power, a former colleague of Patterson's at Google, will serve as the vice president of engineering. While at Google, he spent two years working on Web ranking and on the automatic spam detection project.

Cuil will attempt to succeed where AltaVista, Lycos and LookSmart all failed; becoming a viable contender to Google's search engine crown. Louis Monier, vice president of Cuil products, was the founding chief technological officer of AltaVista.

Google this month dedicated an entire post on the company's official blog to discussing search, concluding with, "We're actually constantly changing Google's result page and have been doing so for a long time. And no, we won't mess with a good thing. You won't let us."

Cuil claims that since its search engine ranks pages based on content instead of number of clicks, personal data collection is unnecessary, so personal search history is always private.

Cuil offers far fewer results than Google, and measuring the quality of those results is subjective. For example, a search for "Barack Obama" returned 6.4 million hits on Cuil, while Google returned 57.1 million. Similarly, a Cuil search for "John McCain" listed 3.6 million results, while Google had 37.9 million. ■

Microsoft, cont'd. from p. 1

business model that supports the modern search business, and yet it hasn't been touched," said Ballmer, who also said the category is "ripe" for innovation. "We will not be able to be very successful by only doing what the market leader does. On the other hand, if you turn to how do we succeed, we're going to have to ante up in a significant way to even be in this game."

Kevin Johnson, president of Microsoft's platforms and services division, last month left the company to head up Juniper Networks, a Silicon Valley maker of networking hardware. Johnson was the executive in charge of Microsoft's Windows and Web operations. While some viewed Johnson's departure as a reflection of dissatisfaction by Ballmer with the performance of the company's online business, Ballmer praised the departing Johnson.

Also last month, Microsoft released an update to its Live Search Home Page, which, according to the Microsoft Live Search official blog, features background images that will change frequently, augmented with "hotspots" (high or special activity within a specific area). These interactive areas highlight parts of the image and help users explore search results related to the highlighted area.

"Hotspots gleam to the user when the page first loads then fade into the image," wrote Chris Rayner, senior product manager, and Zach Gutt, senior program manager. "Users can discover them again by moving their mouse over

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them, revealing details about the image and a link to a related search result.”

Microsoft said that extensive user research and exploration of many concepts with its customers pointed them in the direction for this design. It also added that users who have tested this new home page have found it both engaging and a great place to start a search.

The new home page was released in the U.S. only, with more markets to follow in the future. ■

Thomson Reuters Sells Financial Database Copies

Thomson Reuters (New York) last month sold copies of two financial databases in order to comply with regulatory requirements the European Commission and U.S. Department of Justice placed on Thomson’s acquisition of Reuters.

FactSet Research Systems Inc. (Norwalk, Conn.) purchased copies of the Thomson Fundamentals database, source documents, collection software, documentation and collection training materials. Thomson, however, retains full ownership of the original fundamentals database and associated intellectual property. Thomson Fundamentals will continue as a product on the FactSet platform. Eight key employees connected with the database and related assets have accepted employment offers to immediately join FactSet.

FactSet paid cash consideration of \$63 million for a copy of the Thomson Fundamentals database, related assets

and daily database updates over the next 18 months, and approximately \$1 million of annual revenue transferred to FactSet.

Last month, ISI Emerging Markets (New York) acquired a copy of the Reuters EcoWin Economics Database. ISI said it would integrate this data into the company’s CEIC Data time-series databases within the next few months. Thomson Reuters will retain full ownership of the original Reuters EcoWin Economics database. The sale is expected to close this quarter.

“The purchase of this data allows us to enhance our existing Asian and emerging market expertise and to offer our customers a genuinely global economic database,” said Brian de Lacy, ISI CEO. ■

Martindale-Hubbell to Launch Attorney Networking Site

Martindale-Hubbell (New York) last month said it is set to launch an online professional networking site in response to a survey that found high demand among legal professionals.

The 2008 Networks for Counsel Survey of 650 lawyers found that almost 50% of attorneys are members of online social networks and over 40% of lawyers believe professional networking has the potential to change the business and practice of law over the next five years.

“I think all legal publishers should look at the survey’s results and learn what is working and not working,” said Martindale-Hubbell vice president Laxmi Wordham.

“There is a great need to provide content in a legal forum and then to have a two-way discussion about the content.”

The survey found that less than 10% of attorneys can rely on their current network to help them work more efficiently and cost effectively. It was conducted by Leader Networks, a consultancy that helps businesses foster online social networks, and commissioned by LexisNexis Martindale-Hubbell.

“We want this to be a site where people will come for the content, but stay for the community.”

—Laxmi Wordham,
Martindale-Hubbell

Unsurprisingly, the survey found the majority of attorneys using social networking for personal and professional purposes are between the ages of 25 and 35. The survey also found that 54% of attorneys reported being a

member of an online social network such as LinkedIn, Plaxo, Facebook or MySpace.

Martindale-Hubbell last month reached a content-sharing agreement with LinkedIn, a career-focused social network, in which Martindale users will be able to use their LinkedIn relationships when conducting searches.

Martindale-Hubbell said the Web site is currently in beta and that it will formally launch early next year.

According to the survey, the top reasons considered by corporate counsel when joining a professional legal network are access to information not found anywhere else; ease of exchanging information/experiences; ability to identify, evaluate and select private practice attorneys quickly; and finding the “right” attorney directly.

“We want this to be a site where people will come for the content, but stay for the community,” said Wordham. ■

infoGroup, cont'd. from p. 1

by key shareholders Cardinal Value Equity Partners and Dolphin L.P.

The investors claimed that infoGroup made large payments to Annapurna Corp., another company Gupta owns, for use of a private plane, an 80-foot yacht, condos in Hawaii and California, and a University of Nebraska stadium box.

The company’s investors questioned Gupta’s spending, including a \$3.3 million consulting contract given to former President Bill Clinton. Although the lawsuit and the SEC investigation have not been completed, Gupta has orally agreed with the SLC to repay infoGroup \$9 million over the next five years pending court approval of the settlement. The yacht, *American Princess*, will be sold and not replaced. Gupta, who founded the company in 1972 and owns 40% stock, will not be allowed to buy any additional stock through July 2009.

Although the SLC did not find any fraud committed in its 8K report to the SEC, it stated that various related party transactions, expense reimbursements and corporate expenditures were excessive.

infoGroup also filed a form with the SEC last month stating that in light of the ongoing investigation, the company’s 2007 annual report will be delayed once again.

As a result of the investigation, infoGroup has undergone a personnel upheaval. As part of the implementation of the remedial framework approved by the SLC, the positions of CEO and chairman of the board have been separated. Bill Fairfield has been named the new chairman of the board. Stormy Dean, the current chief financial officer, will be replaced and reassigned to another position within the company. John Longwell, the company’s general counsel and secretary, has been appointed to serve as the acting executive vice president for business conduct and general counsel, a newly created position.

In connection with the SLC’s findings, directors George Haddix, Elliot Kaplan and Vasant Raval have been asked to resign from the company’s board of directors. C. Thomas Weatherford has been appointed chairman of the audit committee of the board. ■

Yahoo! Earnings Increase During Tumultuous Second Quarter

Yahoo! Inc. (Sunnyvale, Calif.) staved off a hostile takeover from Microsoft and avoided a battle with activist investor

Carl Icahn while posting solid second-quarter revenue.

“Our board and management are pleased to have reached this agreement to settle the proxy contest,” said CEO Jerry Yang. “This eliminates the distractions and allows us to move forward to create and deliver shareholder value.”

Revenue increased in the quarter to \$1.8 billion from \$1.7 billion, a 5.9% spike from the same period last year. Marketing services revenue was \$1.59 billion, a 6.8% increase from the second quarter of 2007. Fees fell 0.5% from \$212 million to \$211 million. Page views increased 20% and query growth improved 11% from the second quarter of 2007. Yahoo! increased the number of employees in the second quarter by 500.

“We delivered two quarters of performance in line with our strategic plan, demonstrating meaningful progress in both search and display,” said Yang. “We signed an important agreement with Google, which has the potential to generate substantial revenues that are expected to enhance our financial results and be reinvested in the company to strengthen our competitiveness.”

Meanwhile, operating income was \$101 million for the second quarter, a 45.4% decrease compared to \$185 million for the same period in 2007. Operating income includes incremental costs of \$22 million incurred for outside advisors related to addressing Microsoft’s offer, other strategic alternatives, the proxy contest and related litigation defense costs. Net income declined 18.6% to

FINANCIAL OVERVIEW, YAHOO! INC.
Q2 2008 vs. Q2 2007
 (\$ in millions)

	Q2 2008	Q2 2007	Change
Revenue	\$1,798	\$1,698	5.9%
Marketing Services	\$1,587	\$1,486	6.8%
Fees	\$211	\$212	-0.5%
Operating income	\$101	\$185	-45.4%
Net income	\$131	\$161	-18.6%

Source: Company report

\$131 million in the second quarter. Product development costs increased 12% to \$314 million from \$281 million as Yahoo! spent more on improving search-engine technology.

“Like many companies in our industry, we were affected by the weakness in the overall economy,” said Yang. “In some categories, such as finance, we saw demand for branded display advertising soften and we saw a shift away from branded campaigns towards performance marketing. Because we’ve positioned Yahoo! well in both branding and performance marketing, we were able to continue to grow our display revenue in the quarter.”

Yahoo! avoided an Aug. 1 proxy battle with Icahn in exchange for three seats on an 11-member board. The 72-year-old Icahn controls almost 70 million Yahoo! shares, or 5%.

At its Aug. 1 shareholder meeting, all of Yahoo!’s board nominees were re-elected. As part of the deal with Icahn, the board also voted to expand from nine members to 11. A vote will take place on Aug. 15 to fill the remaining two seats. Icahn prior to the election replaced Robert Kotick, who resigned. ■

People in the News

- ▶ **Stephen Wolf** this month was named **Interactive Data Corp.** (Bedford, Mass.) chief technology officer. Wolf will be responsible for formulating and directing the company’s global information technology strategy to support the company’s data collection, delivery and product development organizations. Wolf formerly served as the chairman of the executive board of Interactive Data Managed Solutions.
- ▶ **Alex Croydon** and **Steve Paton** this month were named sales director and commercial director, respectively, of **Experian plc’s** (Dublin, Ireland) insurance division. Prior to her promotion, Croydon was an account director in the insurance division of Experian. As sales director, she will manage the insurance sales team to drive new revenue opportunities for risk management products in the personal and commercial insurance sectors. Paton will head up product development and take an active role in industry

relations and business development. He was formerly an Experian senior consultant in the insurance division.

- ▶ **Richard Kimber** this month was appointed the new CEO of **Friendster Inc.** (San Francisco) succeeding **Kent Lindstrom**. Kimber most recently was Google regional managing director for South Asia. Lindstrom, who has been the CEO for the last two-and-a-half years, will remain with Friendster in an unspecified capacity.

News Briefs

- ▶ **LexisNexis** (New York) last month purchased the assets of **Florida Legal Periodicals** (Tallahassee, Fla.), a wholly owned subsidiary of Law Bulletin Publishing Co. (Chicago). Florida Legal Periodicals acquires and delivers verdict and settlement information in print and electronic formats. The company also provides research

services to attorneys seeking verdict information from its large database of content.

- ▶ **OneSource Business Information Services**, an infoGroup (Omaha, Neb.) company, last month introduced expanded news coverage into its service offerings, including the industry-leading Business Browser product line.
- ▶ **ICAP** (London), an interbank foreign exchange and interest rate broker, last month launched a new Web-based service offering access to spot currency trading through the company's EBS platform. EBS Global Access allows traders to access the same global liquidity pool and counterparty community as traditional keypad access, which previously required a dedicated communications line. ICAP said that the service will be particularly attractive to smaller banks and institutions in certain regional areas where telecom costs are high.



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