

DUN & BRADSTREET CORP/NW
Form 10-Q
August 07, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 1-15967

The Dun & Bradstreet Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

22-3725387
(I.R.S. Employer Identification No.)

103 JFK Parkway, Short Hills, NJ
(Address of principal executive offices)

07078
(Zip Code)

Registrant's telephone number, including area code: (973) 921-5500

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

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

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Large accelerated filer Accelerated filer Non-accelerated filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

	Shares Outstanding at
Title of Class	June 30, 2007
Common Stock, par value \$0.01 per share	58,845,123

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THE DUN & BRADSTREET CORPORATION

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****The Dun & Bradstreet Corporation****Consolidated Statements of Operations (Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(Amounts in millions, except per share data)			
Operating Revenues	\$ 396.8	\$ 367.4	\$ 789.1	\$ 734.6
Operating Expenses	118.8	117.7	236.2	227.1
Selling and Administrative Expenses	169.6	153.0	334.9	311.9
Depreciation and Amortization	10.2	7.5	19.6	14.0
Restructuring Charge	4.9	3.6	19.7	10.0
Operating Costs	303.5	281.8	610.4	563.0
Operating Income	93.3	85.6	178.7	171.6
Interest Income	1.6	1.6	3.1	4.3
Interest Expense	(6.5)	(4.2)	(12.9)	(9.6)
Other Income (Expense) - Net	1.7	0.4	7.6	(0.1)
Non-Operating Income (Expense) - Net	(3.2)	(2.2)	(2.2)	(5.4)
Income Before Provision for Income Taxes	90.1	83.4	176.5	166.2
Provision for Income Taxes	2.6	31.2	36.4	62.5
Minority Interest Income (Expense)	(0.2)	(0.1)	(0.2)	(0.2)
Equity in Net Income of Affiliates	0.3	0.1	0.4	0.2
Net Income	\$ 87.6	\$ 52.2	\$ 140.3	\$ 103.7
Basic Earnings Per Share of Common Stock	\$ 1.49	\$ 0.81	\$ 2.38	\$ 1.59
Diluted Earnings Per Share of Common Stock	\$ 1.46	\$ 0.79	\$ 2.32	\$ 1.54
Weighted Average Number of Shares Outstanding - Basic	58.6	64.3	59.0	65.3
Weighted Average Number of Shares Outstanding - Diluted	60.2	66.1	60.5	67.1

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

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The Dun & Bradstreet Corporation
Consolidated Balance Sheets (Unaudited)

	June 30, 2007	December 31, 2006
	(Amounts in millions, except per share data)	
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 154.8	\$ 138.4
Accounts Receivable, Net of Allowance of \$19.8 at June 30, 2007 and \$21.5 at December 31, 2006	379.8	415.0
Other Receivables	7.8	10.5
Prepaid Taxes	4.8	47.9
Deferred Income Tax	13.8	11.2
Other Current Assets	24.4	22.0
Total Current Assets	585.4	645.0
Non-Current Assets		
Property, Plant and Equipment, Net of Accumulated Depreciation of \$151.1 at June 30, 2007 and \$145.4 at December 31, 2006	49.4	50.7
Prepaid Pension Costs	258.0	199.0
Computer Software, Net of Accumulated Amortization of \$332.8 at June 30, 2007 and \$330.4 at December 31, 2006	69.3	54.4
Goodwill	259.7	228.2
Deferred Income Tax	64.7	106.1
Deposit	39.8	39.8
Other Receivables	38.7	
Other Non-Current Assets	52.9	36.9
Total Non-Current Assets	832.5	715.1
Total Assets	\$ 1,417.9	\$ 1,360.1
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 35.3	\$ 40.3
Accrued Payroll	99.3	129.0
Accrued Income Tax		2.8
Short-Term Debt	0.1	0.1
Other Accrued and Current Liabilities (Note 12)	199.0	165.9
Deferred Revenue	520.1	467.4
Total Current Liabilities	853.8	805.5
Pension and Postretirement Benefits	404.3	416.3
Long-Term Debt	475.8	458.9
Liabilities for Unrecognized Tax Benefits	84.0	54.4
Other Non-Current Liabilities	24.8	21.5
Total Liabilities	1,842.7	1,756.6

Contingencies (Note 7)		
Minority Interest Liability	4.8	2.6
Shareholders Equity		
Series A Junior Participating Preferred Stock, \$0.01 par value per share, authorized - 0.5 shares; outstanding - none		
Preferred Stock, \$0.01 par value per share, authorized - 9.5 shares; outstanding - none		
Series Common Stock, \$0.01 par value per share, authorized - 10.0 shares; outstanding - none		
Common Stock, \$0.01 par value per share, authorized - 200.0 shares; issued - 81.9 shares	0.8	0.8
Capital Surplus	174.8	186.8
Retained Earnings (Note 13)	1,208.8	1,132.2
Treasury Stock, at cost, 23.1 shares at June 30, 2007 and 21.8 shares at December 31, 2006	(1,404.8)	(1,265.9)
Accumulated Other Comprehensive Income	(409.2)	(453.0)
Total Shareholders Equity	(429.6)	(399.1)
Total Liabilities and Shareholders Equity	\$ 1,417.9	\$ 1,360.1

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

Table of Contents**The Dun & Bradstreet Corporation****Consolidated Statements of Cash Flows (Unaudited)**

	For the Six Months Ended June 30,	
	2007	2006
	(Amounts in millions)	
Cash Flows from Operating Activities:		
Net Income	\$ 140.3	\$ 103.7
Reconciliation of Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	19.6	14.0
Amortization of Unrecognized Pension Loss	9.0	
Gain from Sales of Businesses	(6.7)	
Income Tax Benefit from Stock-Based Awards	22.0	31.3
Excess Tax Benefit on Stock-Based Awards	(17.0)	(25.1)
Equity-Based Compensation	13.7	11.1
Restructuring Charge	19.7	10.0
Restructuring Payments	(18.9)	(7.6)
Deferred Income Taxes, Net	(62.0)	(2.7)
Accrued Income Taxes, Net	49.3	(0.8)
Changes in Current Assets and Liabilities:		
Decrease in Accounts Receivable	42.6	58.8
Net Increase in Other Current Assets	(2.5)	(0.4)
Increase in Deferred Revenue	46.0	27.9
Decrease in Accounts Payable	(1.8)	(12.1)
Net Decrease in Accrued Liabilities	(4.0)	(21.3)
Net Decrease in Other Accrued and Current Liabilities	(0.1)	(3.7)
Changes in Non-Current Assets and Liabilities :		
Net Increase in Other Long-Term Assets	(10.5)	(41.9)
Net Decrease in Long-Term Liabilities	(1.7)	(3.9)
Net, Other Non-Cash Adjustments	(0.5)	0.6
Net Cash Provided by Operating Activities	236.5	137.9
Cash Flows from Investing Activities:		
Investments in Marketable Securities		(149.6)
Redemptions of Marketable Securities		259.0
Proceeds from Sales of an Investment	0.8	
Payments for Acquisitions of Businesses, Net of Cash Acquired	(36.7)	(8.3)
Cash Settlements of Foreign Currency Contracts	(0.6)	(0.8)
Capital Expenditures	(9.1)	(4.2)
Additions to Computer Software and Other Intangibles	(24.0)	(16.8)
Net, Other	0.3	0.2
Net Cash (Used in) Provided by Investing Activities	(69.3)	79.5
Cash Flows from Financing Activities:		
Payments for Purchases of Treasury Shares	(180.5)	(396.6)
Net Proceeds from Stock-Based Awards	18.9	25.6
Spin-off Obligation		(20.9)
Payment of Debt		(300.0)
Proceeds from Issuance of Long-Term Debt		299.2
Payments of Dividends	(29.6)	
Proceeds from Borrowings on Credit Facilities	374.4	55.0

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Payments of Borrowings on Credit Facilities	(357.5)	
Payment of Bond Issue Costs		(2.2)
Termination of Interest Rate Derivatives		5.0
Excess Tax Benefit on Stock-Based Awards	17.0	25.1
Net, Other	0.2	(0.2)
Net Cash Used in Financing Activities	(157.1)	(310.0)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	6.3	14.4
Increase (Decrease) in Cash and Cash Equivalents	16.4	(78.2)
Cash and Cash Equivalents, Beginning of Period	138.4	195.3
Cash and Cash Equivalents, End of Period	\$ 154.8	\$ 117.1
Supplemental Disclosure of Cash Flow Information:		
Cash Paid for:		
Income Taxes, Net of Refunds	\$ 27.1	\$ 34.8
Interest	\$ 12.7	\$ 10.1

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

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THE DUN & BRADSTREET CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Tabular dollar amounts in millions, except per share data)

Note 1 Basis of Presentation

These interim unaudited consolidated financial statements have been prepared in accordance with the instructions to the Quarterly Report on Form 10-Q. They should be read in conjunction with the audited consolidated financial statements and related notes, which appear in The Dun & Bradstreet Corporation's (D&B, we or our) Annual Report on Form 10-K for the year ended December 31, 2006. The consolidated results for interim periods do not include all disclosures required by accounting principles generally accepted in the United States of America (U.S.) for annual financial statements and are not necessarily indicative of results for the full year or any subsequent period. In the opinion of our management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the consolidated financial position, results of operations and cash flows at the dates and for the periods presented have been included.

All significant inter-company transactions have been eliminated in consolidation.

The financial statements of the subsidiaries outside the U.S. and Canada reflect three month and six month periods ended May 31, 2007 and 2006, in order to facilitate the timely reporting of our unaudited consolidated financial results and financial position.

Where appropriate, we have reclassified certain prior period amounts to conform to our current presentation.

Significant Accounting Policies

In preparing our unaudited consolidated financial statements and accounting for the underlying transactions and balances reflected therein, we have applied the significant accounting policies described in Note 1 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2006. During the six months ended June 30, 2007, we updated our significant accounting policies as follows:

Income Taxes

Effective January 1, 2007, we adopted Financial Accounting Standard Board (FASB) Interpretation No. (FIN) 48, Accounting for Uncertainty in Income Taxes, or FIN 48, which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes, or SFAS No. 109. We utilize a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Stock-Based Compensation

In connection with our dividend payments, we updated our dividend yield assumption in our Black-Scholes valuation model from 0% at December 31, 2006 to 1.1% at June 30, 2007, in calculating the fair value of our employee stock options. We have estimated the dividend yield assumption by dividing the anticipated annual dividend payment by the stock price on the grant date.

Note 2 Recent Accounting Pronouncements

In June 2007, the Emerging Issues Task Force (EITF) reached a consensus on EITF No. 06-11, Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards, or EITF No. 06-11, that an entity should recognize a realized tax benefit associated with dividends on affected securities charged to retained earnings as an increase in Additional Paid in Capital (APIC). The amount recognized in APIC should be included in the APIC pool. When an entity's estimate of forfeitures increases or actual forfeitures exceed its estimates, the amount of tax benefits previously recognized in APIC should be reclassified into the income statement. The amount reclassified is limited to the APIC pool balance on the reclassification date. EITF No. 06-11 would apply prospectively to the income tax benefits of dividends declared on affected securities in fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. Earlier application is permitted as of the beginning of a fiscal year for which interim financial statements or annual financial statements have not been issued. We are currently assessing the impact that the adoption of EITF No. 06-11 will have, if any, on our consolidated financial statements.

Table of Contents**THE DUN & BRADSTREET CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)****(Tabular dollar amounts in millions, except per share data)**

In May 2007, the FASB issued FASB Staff Position (FSP) FIN 48-1, or FSP FIN 48-1, which clarifies when a tax position is considered settled under FIN 48. The FSP explains that a tax position can be effectively settled on the completion of an examination by a taxing authority without legally being extinguished. For tax positions considered effectively settled, an entity would recognize the full amount of tax benefit, even if (1) the tax position is not considered more likely than not to be sustained solely on the basis of its technical merits and (2) the statute of limitations remain open. FSP FIN 48-1 should be applied upon the initial adoption of FIN 48. The impact of our adoption of FIN 48 (as of January 1, 2007) is in accordance with this FSP and the implementation has not resulted in any changes to our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115*, or SFAS 159. This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions in SFAS 159 are elective; however, the amendment to FASB Statement No. 115,

Accounting for Certain Investments in Debt and Equity Securities, applies to all entities with available-for-sale and trading securities. The fair value option established by SFAS 159 permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option: (a) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method; (b) is irrevocable (unless a new election date occurs); and (c) is applied only to entire arrangements and not to portions of instruments. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of SFAS No. 157, *Fair Value Measurements*, or SFAS No. 157. We are currently assessing the impact that the adoption of SFAS No. 159 will have, if any, on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles in the U.S. (GAAP) and expands fair value measurement disclosures. SFAS No. 157 does not require new fair value measurements and is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We are currently assessing the impact the adoption of SFAS No. 157 will have, if any, on our consolidated financial statements.

In July 2006, the FASB issued FIN 48, which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. We adopted FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, we recognized approximately \$34.1 million (net of tax benefits) in the liability for unrecognized tax benefits, which was accounted for as a reduction to the January 1, 2007, balance of retained earnings. See Note 8 to our unaudited consolidated financial statements included in Item 1. of this Quarterly Report on Form 10-Q for further information regarding income taxes.

Note 3 Impact of Implementation of the Blueprint for Growth Strategy***Restructuring Charge***

Since the launch of our Blueprint for Growth Strategy, we have implemented Financial Flexibility Programs. Financial Flexibility is an ongoing process by which we seek to reallocate our spending from low-growth or low value activities to other activities that will create greater value for shareholders through enhanced revenue growth, improved profitability and/or quality improvements. With each program, we have incurred restructuring charges (which generally consist of employee severance and termination costs, contract terminations, asset write-offs, and/or costs to terminate lease obligations less assumed sublease income) and in certain instances pension or postretirement curtailments. These charges are incurred as a result of eliminating, consolidating, standardizing, and/or automating our business functions. We have also incurred transition costs such as consulting fees, costs of temporary workers, relocation costs and stay bonuses to implement our Financial Flexibility Programs.

For the three month and six month periods ended June 30, 2007 and 2006, the restructuring charges were recorded in accordance with SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, or SFAS No. 146. Under SFAS No. 146, the current period

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charge represents the liabilities incurred during the quarter for each of these obligations. For the three month and six month periods ended June 30, 2006, the curtailment was recorded in accordance with SFAS No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions, or SFAS No. 106.

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THE DUN & BRADSTREET CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(Tabular dollar amounts in millions, except per share data)

Three Months Ended June 30, 2007 vs. Three Months Ended June 30, 2006

During the three months ended June 30, 2007, we recorded a \$4.0 million restructuring charge in connection with the Financial Flexibility Program announced in January 2007 (2007 Financial Flexibility Program) and \$0.9 million restructuring charge in connection with the Financial Flexibility Program announced in February 2006 (2006 Financial Flexibility Program). The components of these charges included:

Severance and termination costs of \$3.0 million associated with approximately 100 employees related to the 2007 Financial Flexibility Program. Of these 100 employees, 75 employees have exited the Company and 25 employees will exit the Company in future quarters;

Severance and termination costs of \$0.1 million associated with approximately 5 employees, who all have exited the Company, related to the 2006 Financial Flexibility Program; and

Lease termination obligations, other costs to consolidate or close facilities and other exit costs of \$1.0 million related to the 2007 Financial Flexibility Program and \$0.8 million related to the 2006 Financial Flexibility Program.

During the three months ended June 30, 2007, we eliminated approximately 150 positions, which included approximately 75 open positions and the 75 employees referenced above who were terminated in conjunction with our 2007 Financial Flexibility Program. In addition, during the three months ended June 30, 2007, approximately 5 positions were eliminated in conjunction with our 2006 Financial Flexibility Program.

During the three months ended June 30, 2006, we recorded a \$3.5 million restructuring charge in connection with the 2006 Financial Flexibility Program, a \$0.2 million net restructuring charge in connection with the Financial Flexibility Program announced in February 2005 (2005 Financial Flexibility Program) and a \$0.1 million restructuring gain in connection with the Financial Flexibility Program announced in February 2004 (2004 Financial Flexibility Program). The components of these charges and gains included:

Severance and termination costs of \$2.6 million associated with approximately 100 employees, who all have exited the Company, related to the 2006 Financial Flexibility Program;

Severance and termination costs of \$0.3 million associated with approximately 10 employees, who all have exited the Company, related to the 2005 Financial Flexibility Program;

Lease termination obligations, other costs to consolidate or close facilities and other exit costs of \$0.9 million related to the 2006 Financial Flexibility Program; and

Curtailed gains of \$0.1 million related to the U.S. postretirement benefit plan resulting from employee termination actions for the 2005 Financial Flexibility Program and \$0.1 million related to the 2004 Financial Flexibility Program. In accordance with SFAS No. 106, we were required to recognize immediately a pro-rata portion of the unrecognized prior service cost as a result of the employee terminations.

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During the three months ended June 30, 2006, approximately 100 employees were terminated in conjunction with our 2006 Financial Flexibility Program. In addition, during the three months ended June 30, 2006, approximately 10 employees were terminated in conjunction with our 2005 Financial Flexibility Program.

Six Months Ended June 30, 2007 vs. Six Months Ended June 30, 2006

During the six months ended June 30, 2007, we recorded an \$18.3 million restructuring charge in connection with the 2007 Financial Flexibility Program and \$1.4 million restructuring charge in connection with the 2006 Financial Flexibility Program. The components of these charges included:

Severance and termination costs of \$17.3 million associated with approximately 200 employees, related to the 2007 Financial Flexibility Program. Of these 200 employees, 175 employees have exited the Company and 25 employees will exit the Company in future quarters.

Severance and termination costs of \$0.6 million associated with approximately 15 employees, who all have exited the Company, related to the 2006 Financial Flexibility Program; and

Lease termination obligations, other costs to consolidate or close facilities and other exit costs of \$1.0 million related to the 2007 Financial Flexibility Program and \$0.8 million related to the 2006 Financial Flexibility Program.

During the six months ended June 30, 2007, we eliminated approximately 425 positions, which included approximately 225 open positions and the 200 employees referenced above who were terminated in conjunction with our 2007 Financial Flexibility Program. In addition, during the six months ended June 30, 2007, approximately 15 employees were eliminated in conjunction with our 2006 Financial Flexibility Program.

During the six months ended June 30, 2006, we recorded an \$8.1 million restructuring charge in connection with the 2006 Financial Flexibility Program, a \$2.2 million net restructuring charge in connection with the 2005 Financial Flexibility Program and a \$0.3 million net restructuring curtailment gain in connection with the 2004 Financial Flexibility Program. The components of these charges and gains included:

Severance and termination costs of \$7.2 million associated with approximately 100 employees, who have exited the Company, related to the 2006 Financial Flexibility Program;

Severance and termination costs of \$2.0 million associated with approximately 25 employees, who have exited the Company, related to the 2005 Financial Flexibility Program;

Lease termination obligations, other costs to consolidate or close facilities and other exit costs of \$0.9 million related to the 2006 Financial Flexibility Program and \$0.3 million related to the 2005 Financial Flexibility Program; and

Curtailment gains of \$0.1 million for the 2005 Financial Flexibility Program and \$0.3 million for the 2004 Financial Flexibility Program related to the U.S. postretirement benefit plan resulting from employee termination actions, respectively. In accordance with SFAS No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions, or SFAS No. 106, we were required to recognize immediately a pro-rata portion of the unrecognized prior service cost as a result of the employee terminations.

During the six months ended June 30, 2006, approximately 125 employees were terminated in conjunction with our 2006 Financial Flexibility Program. In addition, during the six months ended June 30, 2006, approximately 20 employees were terminated in conjunction with our 2005 Financial Flexibility Program.

Table of Contents**THE DUN & BRADSTREET CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)****(Tabular dollar amounts in millions, except per share data)**

The following table sets forth, in accordance with SFAS No. 146, the restructuring reserves and utilization related to our 2007 Financial Flexibility Program.

	Severance and Termination	Lease Termination Obligations and Other Exit Costs	Total
Restructuring Charges			
Charge Taken during First Quarter 2007	\$ 14.3	\$	\$ 14.3
Payments during First Quarter 2007	(2.7)		(2.7)
Balance Remaining as of March 31, 2007	\$ 11.6	\$	\$ 11.6
Charge Taken during Second Quarter 2007	\$ 3.0	\$ 1.0	\$ 4.0
Payments during Second Quarter 2007	(5.7)	(0.8)	(6.5)
Balance Remaining as of June 30, 2007	\$ 8.9	\$ 0.2	\$ 9.1

Table of Contents**THE DUN & BRADSTREET CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

(Tabular dollar amounts in millions, except per share data)

The following table sets forth, in accordance with SFAS No. 146, the restructuring reserves and utilization related to our 2006 Financial Flexibility Program.

	Severance and Termination	Lease Termination Obligations and Other Exit Costs	Total
Restructuring Charges			
Charge Taken during First Quarter 2006	\$ 4.6	\$	\$ 4.6
Payments during First Quarter 2006	(0.8)		(0.8)
Balance Remaining as of March 31, 2006	\$ 3.8	\$	\$ 3.8
Charge Taken during Second Quarter 2006	\$ 2.6	\$ 0.9	\$ 3.5
Payments during Second Quarter 2006	(1.7)	(0.1)	(1.8)
Balance Remaining as of June 30, 2006	\$ 4.7	\$ 0.8	\$ 5.5
Charge Taken during Third Quarter 2006	\$ 4.5	\$ 9.5	\$ 14.0
Payments during Third Quarter 2006	(2.3)	(2.0)	(4.3)
Balance Remaining as of September 30, 2006	\$ 6.9	\$ 8.3	\$ 15.2
Charge Taken during Fourth Quarter 2006	\$ 1.3	\$	\$ 1.3
Payments during Fourth Quarter 2006	(2.9)	(3.0)	(5.9)
Balance Remaining as of December 31, 2006	\$ 5.3	\$ 5.3	\$ 10.6
Charge Taken during First Quarter 2007	\$ 0.5	\$	\$ 0.5
Payments during First Quarter 2007	(2.8)	(1.7)	(4.5)
Balance Remaining as of March 31, 2007	\$ 3.0	\$ 3.6	\$ 6.6
Charge Taken during Second Quarter 2007	\$ 0.1	\$ 0.8	\$ 0.9
Payments during Second Quarter 2007	(2.1)	(1.9)	(4.0)
Balance Remaining as of June 30, 2007	\$ 1.0	\$ 2.5	\$ 3.5

Actions under the 2005 Financial Flexibility Program have been substantially completed.

Note 4 Notes Payable and Indebtedness

Our borrowings are summarized in the following table:

	June 30, 2007	December 31, 2006
Debt Maturing Within One Year:		
Other	\$ 0.1	\$ 0.1
Total Debt Maturing Within One Year	\$ 0.1	\$ 0.1
Debt Maturing After One Year:		
Long-Term Fixed-Rate Notes (Net of a \$0.6 million discount as of June 30, 2007 and December 31, 2006)	\$ 299.4	\$ 299.4
Credit Facilities	176.4	159.5
Total Debt Maturing After One Year	\$ 475.8	\$ 458.9

Fixed-Rate Notes

In March 2006, we issued senior notes with a face value of \$300 million that mature on March 15, 2011 (the 2011 notes), bearing interest at a fixed annual rate of 5.50%, payable semi-annually. The proceeds were used to repay our then existing \$300 million senior notes, bearing interest at a fixed annual rate of 6.625% that matured on March 15, 2006. The 2011 notes of \$299.4 million, net of \$0.6 million remaining discount, are recorded as Long-Term Debt in our unaudited consolidated balance sheets at June 30, 2007 and December 31, 2006.

The 2011 notes were issued at a discount of \$0.8 million and, in connection with the issuance, we incurred underwriting and other fees in the amount of approximately \$2.2 million. These costs are being amortized over the life of the 2011 notes. The 2011 notes contain certain covenants that limit our ability to create liens, enter into sale and leaseback transactions and consolidate, merge or sell assets to another entity. The 2011 notes do not contain any financial covenants.

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THE DUN & BRADSTREET CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(Tabular dollar amounts in millions, except per share data)

On September 30, 2005 and February 10, 2006, we entered into interest rate derivative transactions with aggregate notional amounts of \$200 million and \$100 million, respectively. The objective of these hedges was to mitigate the variability of future cash flows from market changes in Treasury rates in the anticipation of the above referenced debt issuance. These transactions were accounted for as cash flow hedges and, as such, changes in fair value of the hedges that took place through the date of debt issuance were recorded in Accumulated Other Comprehensive Income. In connection with the issuance of the 2011 notes, these interest rate derivative transactions were terminated, resulting in proceeds of approximately \$5.0 million at the date of termination. The proceeds are recorded in Accumulated Other Comprehensive Income, and are being amortized over the life of the 2011 notes.

Credit Facilities

At December 31, 2006, we had a \$300 million bank revolving credit facility available at prevailing short-term interest rates, which we terminated on April 19, 2007 and then entered into a new \$500 million, five-year bank revolving credit facility, which expires in April 2012. Borrowings under the new \$500 million credit facility will be available at prevailing short-term interest rates. The new facility requires, and the terminated facility required, the maintenance of interest coverage and total debt to earnings before income taxes, depreciation and amortization (EBITDA) ratios (each defined in each credit agreement, respectively). We were in compliance with these requirements at June 30, 2007 and December 31, 2006.

On April 19, 2007, we borrowed \$182.7 million under our new \$500 million credit facility and utilized such proceeds to pay down the amounts outstanding under our then existing \$300 million credit facility immediately prior to termination. The new \$500 million credit facility will provide us the ability to access the short-term borrowings market from time-to-time to fund working capital needs, acquisitions and share repurchases.

At June 30, 2007, we had \$176.4 million of borrowings outstanding under the new \$500 million credit facility with a weighted average interest rate of 5.74%. At December 31, 2006, we had \$159.5 million of borrowings outstanding under the \$300 million credit facility with a weighted average interest rate of 5.84%. We borrowed under these facilities from time-to-time during the six months ended June 30, 2007 to fund our share repurchases, working capital needs and the acquisition of First Research. See Note 11 to our unaudited consolidated financial statements included in Item 1. of this Quarterly Report on Form 10-Q for further information regarding this acquisition. The \$500 million credit facility also supports our commercial paper borrowings of up to \$300 million (limited by borrowed amounts outstanding under the facility). We had not borrowed under our commercial paper program as of June 30, 2007 or December 31, 2006.

Other

At June 30, 2007 and December 31, 2006, certain of our international operations had non-committed lines of credit of \$15.3 million and \$14.9 million, respectively. There were no borrowings outstanding under these lines of credit at June 30, 2007 or December 31, 2006. These arrangements have no material commitment fees and no compensating balance requirements.

At June 30, 2007 and December 31, 2006, we were contingently liable under open standby letters of credit issued by our bank in favor of third parties totaling \$5.6 million.

Interest paid totaled \$2.1 million and \$12.7 million during the three month and six month periods ended June 30, 2007, respectively. During the three months ended June 30, 2006, no interest payments were made. During the six months ended June 30, 2006, \$10.1 million of interest payments were made.

Note 5 Reconciliation of Weighted Average Shares Outstanding

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	For the Three Months		For the Six Months	
	Ended		Ended June 30,	
	June 30, 2007	2006	2007	2006
	(Share data in millions)			
Weighted average number of shares outstanding - basic	58.6	64.3	59.0	65.3
Dilutive effect of our stock incentive plans	1.6	1.8	1.5	1.8
Weighted average number of shares outstanding - diluted	60.2	66.1	60.5	67.1

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Stock-based awards to acquire 0.4 million and 0.5 million shares of common stock were outstanding at June 30, 2007 and 2006, respectively, but were not included in the quarter-to-date computation of diluted earnings per share because the assumed proceeds, as calculated under the treasury stock method, resulted in these awards being anti-dilutive. Stock-based awards to acquire 0.3 million and 0.8 million shares of common stock were outstanding at June 30, 2007 and 2006, respectively, but were not included in the year-to-date computation of diluted earnings per share because the assumed proceeds, as calculated under the treasury stock method, resulted in these awards being anti-dilutive. Our stock options generally expire ten years from the grant date.

Our share repurchases were as follows:

Program	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2007		2006		2007		2006	
	Shares	\$ Amount	Shares	\$ Amount	Shares	\$ Amount	Shares	\$ Amount
Share Repurchase Programs	0.5(a)	\$ 47.1	1.6(b)	\$ 119.3	1.3(a)	\$ 115.8	2.9(b)	\$ 211.2
Repurchases to mitigate the dilutive effect of the shares issued under our stock incentive plans and Employee Stock Purchase Plan	0.3(c)	27.8	2.1(d)	154.8	0.7(c)	64.7	2.5(d)	185.4
Total Repurchases	0.8	\$ 74.9	3.7	\$ 274.1	2.0	\$ 180.5	5.4	\$ 396.6

- (a) In August 2006, our Board of Directors approved a \$200 million, one-year share repurchase program which commenced in October 2006. This program was completed in the third quarter of 2007.
- (b) In February 2005, our Board of Directors approved an additional \$100 million to our then existing \$400 million, two-year share repurchase program announced in February 2004. This program was completed in September 2006.
- (c) In August 2006, our Board of Directors approved a four-year, five million share repurchase program to mitigate the dilutive effect of the shares issued under our stock incentive plans and Employee Stock Purchase Plan (the ESPP). This program expires in August 2010.
- (d) In July 2003, our Board of Directors approved a three-year, six million share repurchase program to mitigate dilution under our stock incentive plans and ESPP. This program was completed in August 2006. In May 2007, our Board of Directors authorized a new \$200 million, one-year share repurchase program. The new \$200 million program commenced in July 2007 upon the completion of the then existing \$200 million program which had \$9.2 million remaining as of June 30, 2007. We anticipate that the new \$200 million program will be completed within twelve months of its initiation.

Note 6 Comprehensive Income

Total comprehensive income for the three month and six month periods ended June 30, 2007 and 2006, which includes net income and other gains and losses that affect shareholders' equity, was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net Income	\$ 87.6	\$ 52.2	\$ 140.3	\$ 103.7
Other Comprehensive Income:				
Foreign Currency Translation Adjustment	4.1	9.4	4.7	13.7
Pension Adjustment, Net of tax effect of \$21.5 and \$22.7 for the three month and six month periods ended June 30, 2007, respectively	32.4		34.1	
Unrealized Gains (Losses) on Investments	(0.2)	(0.2)	(0.5)	3.9
Total Comprehensive Income	\$ 123.9	\$ 61.4	\$ 178.6	\$ 121.3

In addition, for the three month and six month periods ended June 30, 2007, we recognized \$4.1 million and \$9.0 million, respectively, into pension cost related to deferred pension loss, which was previously included in Accumulated Other Comprehensive Income. The associated tax was \$1.6 million and \$3.6 million for the three month and six month periods ended June 30, 2007, respectively.

Note 7 Contingencies

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We are involved in tax and legal proceedings, claims and litigation arising in the ordinary course of business. We periodically assess our liabilities and contingencies in connection with these matters based upon the latest information available. For those matters where it is probable that we have incurred a loss and the loss, or range of loss, can be reasonably estimated, we have recorded reserves in our consolidated financial statements. In other instances, we are unable to make a reasonable estimate of any liability because of the uncertainties related to the probability of the outcome and/or amount or range of loss. As additional information becomes available, we adjust our assessment and estimates of such liabilities accordingly. It is possible that the ultimate resolution of our liabilities and contingencies could be at amounts that are different from our currently recorded reserves and that such differences could be material.

Based on our review of the latest information available, we believe our ultimate liability in connection with pending tax and legal proceedings, claims and litigation will not have a material effect on our results of operations, cash flows or financial position, with the possible exception of the matters described below.

In order to understand our exposure to the potential liabilities described below, it is important to understand the relationship between us and Moody's Corporation, our predecessors and other parties that, through various corporate reorganizations and contractual commitments, have assumed varying degrees of responsibility with respect to such matters.

In November 1996, the Company then known as The Dun & Bradstreet Corporation (D&B1) separated through a spin-off into three separate public companies: D&B1, ACNielsen Corporation (ACNielsen) and Cognizant Corporation (Cognizant) (the 1996 Distribution). This was accomplished through a spin-off by D&B1 of its stock in ACNielsen and Cognizant. In June 1998, D&B1 separated through a spin-off into two separate public companies: D&B1, which changed its name to R.H. Donnelley Corporation (Donnelley/D&B1), and a new company named The Dun & Bradstreet Corporation (D&B2) (the 1998 Distribution). During 1998, Cognizant separated into two separate public companies: IMS Health Incorporated (IMS) and Nielsen Media Research, Inc. (NMR) (the 1998 Cognizant Distribution). In September 2000, D&B2 separated through a spin-off into two separate public companies: D&B2, which changed its name to Moody's Corporation (Moody's and also referred to elsewhere in this Quarterly Report on Form 10-Q as Moody's/D&B2), and a new company named The Dun & Bradstreet Corporation (we or D&B3 and also referred to elsewhere in this Quarterly Report on Form 10-Q as D&B) (the 2000 Distribution).

Tax Matters

Moody's/D&B2 and its predecessors entered into global tax-planning initiatives in the normal course of business, principally through tax-free restructurings of both their foreign and domestic operations. As further described below, we undertook contractual obligations to be financially responsible for a portion of certain liabilities arising from certain historical tax-planning initiatives (Legacy Tax Matters).

As of the end of 2005, settlement agreements have been executed with the Internal Revenue Service (IRS) with respect to the Legacy Tax Matters previously referred to in our SEC filings as Utilization of Capital Losses and Royalty Expense Deductions. With respect to the Utilization of Capital Losses matter, the settlement agreement resolved the matter in its entirety. For the Royalty Expense Deductions matter, the settlement covered tax years 1995 and 1996, which represented approximately 90% of the total potential liability to the IRS, including penalties. We believe we are adequately reserved for the remaining exposure. In addition, with respect to these two settlement agreements, we believe that IMS and NMR did not pay their allocable share to the IRS under applicable agreements. Under our agreement with Donnelley/D&B1, we and Moody's were each required to cover the shortfall, and each of us paid to the IRS approximately \$12.8 million in excess of our respective allocable shares. We were unable to resolve our dispute with IMS and NMR through the negotiation process contemplated by our agreements, and so we commenced arbitration to enforce our rights and collect amounts owed by IMS and NMR with respect to the Utilization of Capital Losses matter. We may also commence arbitration against IMS and NMR with respect to amounts owed by them with respect to the Royalty Expense Deductions matter. We believe that the resolution of the remaining exposure to the IRS under the Royalty Expense Deductions matter and the foregoing disputes with IMS and NMR will not have a material adverse impact on D&B's financial position, results of operations or cash flows.

Our remaining Legacy Tax Matter is referred to as *Amortization and Royalty Expense Deductions/Royalty Income 1997-2007 (the 1997 Transaction)*

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During 2003, the Internal Revenue Service challenged certain amortization expense and royalty expense deductions taken with respect to the 1997 Transaction, and also allocated certain royalties received by the partnership established in connection with the 1997 Transaction as taxable income to the taxpayers, including D&B. In addition, on March 3, 2006, D&B and Moody's/D&B2 each made a deposit to the IRS of \$39.8 million in order to stop the accrual of statutory interest on additional taxes allegedly due for the 1997-2002 tax years.

As previously reported in our Current Report on Form 8-K, filed with the SEC on July 23, 2007, we believe there are technical infirmities in the IRS's ability to assess and collect tax with respect to the 1997-2002 tax periods. Despite this, in June 2007, we received three Notices of Deficiency (Notices) from the IRS relating to tax years 1997, 1998, 2001 and 2002. These Notices were sent to D&B, Donnelley/D&B1 and Moody's/D&B2, the taxpayers of record during these tax years for the matters addressed in the Notices. By these Notices, the IRS determined deficiencies against the taxpayers in the aggregate amount of \$15.8 million in taxes and penalties for these tax years, all of which are for items unrelated to the 1997 Transaction. Because the taxpayers do not intend to appeal the deficiencies contained in the Notices to the Tax Court, no additional deficiencies can be assessed for the 1997-2002 tax years for any matter. With interest, the deficiencies total approximately \$24 million, of which D&B's share is approximately \$16 million and Moody's/D&B2's share is approximately \$8 million.

We and Moody's/D&B2, on behalf of all three taxpayers, have asked the IRS to return those portions of the deposits that exceed the amount of the determined deficiencies in tax and penalties, plus interest. The balances will be left as deposits. Specifically, at this time we have asked for a return of approximately \$24 million of our \$39.8 million deposit and left approximately \$16 million on deposit. Moody's has asked for a return of approximately \$32 million of its \$39.8 million deposit and left approximately \$8 million on deposit. D&B also expects to ask the IRS for a return of the balance of its deposit (approximately \$16 million). If and to the extent we are successful in this request, we will report a further non-core gain and a further return of cash.

In light of the foregoing developments, we are reversing \$45.0 million of net reserves associated with the 1997-2002 tax years, predominately related to the 1997 Transaction, and increasing our reserves by \$13.8 million (net of taxes) for our share of the deficiencies. These actions result in a net gain of \$31.2 million.

We will no longer report on this matter in our periodic filings.

After making the foregoing adjustments, we believe that our remaining reserves for Legacy Tax Matters are adequate. As of June 30, 2007, we have \$46.7 million of net reserves recorded in the consolidated financial statements, made up of the following components: \$77.7 million in other non-current liabilities less \$31.0 million in other long-term assets. The other long-term asset of \$31.0 million is due from Moody's/D&B2, pursuant to its contractual obligations for these Legacy Tax Matters.

Legal Proceedings

Hoover's Initial Public Offering Litigation

On November 15, 2001, a putative shareholder class action lawsuit was filed against Hoover's Inc. (Hoover's), certain of its then current and former officers and directors (the Individual Defendants), and one of the underwriters of Hoover's July 1999 initial public offering (IPO). The lawsuit was filed in the U.S. District Court for the Southern District of New York on behalf of purchasers of Hoover's stock between July 20, 1999 and December 6, 2000. The operative Complaint alleges violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 against Hoover's and the Individual Defendants. Plaintiffs allege that the underwriter allocated stock in Hoover's IPO to certain investors in exchange for commissions and agreements by those investors to make additional purchases of stock in the aftermarket at prices above the IPO price. Plaintiffs allege that the prospectus for Hoover's IPO was false and misleading because it did not disclose these arrangements.

The defense of the action is being coordinated with more than 300 other nearly identical actions filed against other companies. Hoover's moved to dismiss all claims against it but the motion was denied. In 2004, the District Court certified a class in six of the approximately 300 actions (the focus cases), intending to provide strong guidance regarding the remaining cases. The underwriter defendants appealed the decision and the Second Circuit vacated the District Court's decision granting class certification in those six cases on December 5, 2006. Plaintiffs filed a petition for rehearing. On April 6, 2007, the Second Circuit denied the petition, but noted that Plaintiffs could ask the district court to certify a more narrow class than the one that was rejected. Plaintiffs have not yet moved to certify a class in the case involving Hoover's.

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Prior to the Second Circuit's decision, Hoover's had approved a settlement agreement and related agreements that set forth the terms of a settlement between Hoover's, the purported plaintiff class and the vast majority of the other approximately 300 issuer defendants. These agreements were submitted to the Court for approval. In light of the Second Circuit opinion, the parties agreed that the settlement cannot be approved because the defined settlement class, like the litigation class, cannot be certified. On June 22, 2007, the plaintiffs and the issuers agreed to a stipulation terminating the proposed settlement, subject to court approval. The Court approved the stipulation terminating the settlement on June 25, 2007. We cannot predict whether we will be able to renegotiate a settlement that complies with the Second Circuit's mandate. Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of the matter. No amount in respect of any potential judgment in this matter has been accrued in our consolidated financial statements.

Other Matters

In addition, in the normal course of business, and including without limitation, our merger and acquisition activities and financing transactions, D&B indemnifies other parties, including customers, lessors and parties to other transactions with D&B, with respect to certain matters. D&B has agreed to hold the other parties harmless against losses arising from a breach of representations or covenants, or arising out of other claims made against certain parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. D&B has also entered into indemnity obligations with its officers and directors of the Company. Additionally, in certain circumstances, D&B issues guarantee letters on behalf of our wholly-owned subsidiaries for specific situations. It is not possible to determine the maximum potential amount of future payments under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by D&B under these agreements have not had a material impact on our consolidated financial statements.

Note 8 Income Taxes***Effective Tax Rate***

For the three months ended June 30, 2007, our effective tax rate was 2.9% as compared to 37.5% for the three months ended June 30, 2006. The effective tax rate for the three months ended June 30, 2007, as compared to the three months ended June 30, 2006, was positively impacted by 34.6 points for the release of tax reserves for uncertain tax positions (see Note 7 to our unaudited consolidated financial statements included in Item 1. of this Quarterly Report on Form 10-Q) and by 0.5 points relating to our global tax planning initiatives, and negatively impacted by 0.5 points due to higher interest expense on tax liabilities for uncertain tax positions and by 0.9 points for other tax items. The effective tax rate for the three months ended June 30, 2006 had been negatively impacted by 0.9 points related to Legacy Tax Matters.

For the six months ended June 30, 2007, our effective tax rate was 20.6% as compared to 37.7% for the six months ended June 30, 2006. The effective tax rate for the six months ended June 30, 2007, as compared to the six months ended June 30, 2006, was positively impacted by 17.7 points for the release of tax reserves for uncertain tax positions (see Note 7 to our unaudited consolidated financial statements included in Item 1. of this Quarterly Report on Form 10-Q) and by 0.3 points relating to our global tax planning initiatives, and negatively impacted by 0.5 points due to higher interest expense on tax liabilities for uncertain tax positions, by 0.4 points for a tax incurred in Asia Pacific related to our Huaxia D&B China joint venture and by 0.5 points for other tax items. The effective tax rate for the six months ended June 30, 2006 had been negatively impacted by 0.5 points related to Legacy Tax Matters.

Adoption of FIN 48

In July 2006, the FASB issued FIN 48. The interpretation addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. FIN 48 also provides guidance on derecognition, classification, interest and penalties on income taxes, and accounting in interim periods and requires increased disclosures.

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We adopted the provisions of FIN 48 on January 1, 2007. As a result, we recognized an increase of approximately \$34.1 million (net of tax benefits) in the liability for unrecognized tax benefits, which was accounted for as a reduction to the January 1, 2007 retained earnings balance. The total amount of unrecognized tax benefits as of January 1, 2007 was \$136.5 million. The amount of unrecognized tax benefits that, if recognized, would have impacted the effective tax rate was \$127.6 million (net of tax benefits).

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See Note 7 to our unaudited consolidated financial statements included in Item 1. of this Quarterly Report on Form 10-Q for a Legacy Tax Matter referred to as Amortization and Royalty Expense Deductions/Royalty Income 1997-2007. As previously reported in our Quarterly Report on Form 10-Q for the period ending March 31, 2007, we believe there are technical infirmities in the IRS' ability to assess and collect tax with respect to the 1997-2002 tax periods. Despite this, in June 2007, we received three Notices of Deficiency (Notices) from the IRS relating to tax years 1997, 1998, 2001 and 2002. These Notices were sent to D&B, Donnelley/D&B1 and Moody s/D&B2, the taxpayers of record during these tax years for the matters addressed in the Notices. By these Notices, the IRS determined deficiencies against the taxpayers in the aggregate amount of \$15.8 million in taxes and penalties for these tax years, all of which are for items unrelated to the 1997 Transaction. Because the taxpayers do not intend to appeal the deficiencies contained in the Notices to the Tax Court, no additional deficiencies can be assessed for the 1997-2002 tax years for any matter. With interest, the deficiencies total approximately \$24 million, of which D&B's share is approximately \$16 million and Moody s/D&B2's share is approximately \$8 million.

As a result of the events described above, we decreased our total unrecognized tax benefits by \$14.3 million (net of increases) during the six months ended June 30, 2007. Therefore, the total amount of unrecognized tax benefits as of June 30, 2007 is \$122.2 million. The amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is \$93.2 million (net of tax benefits). We do not believe it is reasonably possible that the unrecognized tax benefits will significantly change within the next 12 months.

We or one of our subsidiaries files income tax returns in the U.S. federal, and various state, local and foreign jurisdictions. In the U.S. federal, state and local jurisdictions, we are no longer subject to examinations by tax authorities for years prior to 2003. In foreign jurisdictions, we are no longer subject to examinations by tax authorities for years prior to 2001 for foreign jurisdictions. We have been informed by the IRS of their intentions to commence an audit of the 2003, 2004 and 2005 tax periods.

We recognize accrued interest expense related to unrecognized tax benefits in income tax expense. The total amount of accrued interest as of January 1, 2007 was \$12.2 million (net of tax benefits). The total amount of interest expense recognized in the three month and six month periods June 30, 2007 was \$0.7 million (net of tax benefits) and \$1.7 million (net of tax benefits), respectively. As a result of the events described above, the total amount of accrued interest as of June 30, 2007 was \$8.1 million.

Note 9 Pension and Postretirement Benefits

The following table sets forth the components of the net periodic cost associated with our pension plans and our postretirement benefit obligations.

	Pension Plans				Postretirement Benefit Obligations			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2007	2006	2007	2006	2007	2006
Components of Net Periodic Cost:								
Service cost	\$ 4.1	\$ 4.6	\$ 8.8	\$ 9.1	\$ 0.2	\$ 0.3	\$ 0.3	\$ 0.5
Interest cost	22.8	21.9	45.7	43.7	1.1	1.2	2.4	2.4
Expected return on plan assets	(29.3)	(28.4)	(58.2)	(56.8)				
Amortization of prior service cost (credit)	0.4	0.6	0.9	1.1	(1.8)	(1.9)	(3.7)	(3.8)
Recognized actuarial (gain) loss	5.9	7.9	12.6	15.8	(0.4)	(0.5)	(0.8)	(0.9)
Net Periodic (Income) Cost	\$ 3.9	\$ 6.6	\$ 9.8	\$ 12.9	\$ (0.9)	\$ (0.9)	\$ (1.8)	\$ (1.8)

We previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2006, that we expect to contribute \$26.6 million and \$12.8 million to our Non-Qualified U.S. and non-U.S. pension plans and the U.S. postretirement benefit plan, respectively in 2007. As of

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June 30, 2007, we have made contributions to our Non-Qualified U.S. and non-U.S. pension plans and postretirement benefit plan of \$12.8 million and \$6.7 million, respectively.

For the three month and six month periods ended June 30, 2007, we recognized \$4.1 million and \$9.0 million, respectively, into pension cost related to deferred pension loss, which was previously included in Accumulated Other Comprehensive Income. The associated tax for the three month and six month periods ended June 30, 2007 was \$1.6 million and \$3.6 million, respectively.

Effective June 30, 2007, we amended The Dun & Bradstreet Corporation Retirement Account (the U.S. Qualified Plan). Any pension benefit that had been accrued through such date under the U.S. Qualified Plan was frozen at its then current value and no additional benefits, other than interest on such amounts, will accrue under the U.S. Qualified Plan. All non-vested U.S. Qualified Plan participants who were actively employed as of June 30, 2007 were immediately vested on

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July 1, 2007. As a result, we recognized a curtailment charge of \$3.2 million during the three month and six month periods ended June 30, 2007. We also remeasured all of our U.S. pension plans, inclusive of updated demographic data, as a result of this plan change in accordance with SFAS No. 88, Employers Accounting for Settlements and Curtailments of Defined Benefit Plans and for Termination Benefits and recognized pre-tax income of \$54.0 million in Other Comprehensive Income to reflect changes in the funded status of our U.S. pension plans on the remeasurement date. The associated tax was \$21.5 million. Together with the \$2.8 million recognized in the first quarter of 2007, as a result of a remeasurement of one of our U.S. Non-Qualified plans due to a reduction in future service years, we recognized pre-tax income of \$56.8 million in Other Comprehensive Income, with an associated tax of \$22.7 million. No curtailment was recognized in the first quarter of 2007.

We have also amended our 401(k) Plan (the 401k Plan) effective July 1, 2007, to increase our match formula from 50% to 100% of a team member's contributions and to increase the maximum match to seven percent (7%), from six percent (6%), of such team member's eligible compensation, subject to certain 401k Plan limitations.

We also recognized a curtailment gain of \$0.2 million and \$0.4 million for our postretirement benefit plan during the three month and six month periods ended June 30, 2006, respectively. For the three months ended June 30, 2006, \$0.1 million was related to each of the 2005 Financial Flexibility Program and 2004 Financial Flexibility Program. For the six months ended June 30, 2006, \$0.1 million and \$0.3 million was related to the 2005 Financial Flexibility Program and the 2004 Financial Flexibility Program, respectively. See Note 3 to our unaudited consolidated financial statements included in Item 1. of this Quarterly Report on Form 10-Q for further information.

Note 10 Segment Information

The operating segments reported below are our segments for which separate financial information is available and upon which operating results are evaluated by management on a timely basis to assess performance and to allocate resources. We manage our operations and our results are reported under the following two segments: U.S. and International (which consists of operations in Europe, Canada, Asia Pacific and Latin America). Our customer solution sets are Risk Management Solutions, Sales & Marketing Solutions, E-Business Solutions and Supply Management Solutions. Inter-segment sales are immaterial and no single customer accounted for 10% or more of our total revenues. For management reporting purposes, we evaluate business segment performance before restructuring charges because restructuring charges are not a component of our ongoing income or expenses and may have a disproportionate positive or negative impact on the results of our ongoing underlying business. See Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, under the heading How We Manage Our Business in this Form 10-Q for further details. Additionally, transition costs, which are period costs such as consulting fees, costs of temporary employees, relocation costs and stay bonuses incurred to implement our Financial Flexibility Programs, are not allocated to our business segments.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Operating Revenue:				
U.S.	\$ 291.6	\$ 271.2	\$ 594.1	\$ 557.2
International	105.2	96.2	195.0	177.4
Consolidated Total	\$ 396.8	\$ 367.4	\$ 789.1	\$ 734.6
Operating Income (Loss):				
U.S.	\$ 96.0	\$ 87.8	\$ 205.1	\$ 191.5
International	24.9	23.7	35.7	32.4

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Total Divisions	120.9	111.5	240.8	223.9
Corporate and Other(1)	(27.6)	(25.9)	(62.1)	(52.3)
Consolidated Total	93.3	85.6	178.7	171.6
Non-Operating Income (Expense), Net	(3.2)	(2.2)	(2.2)	(5.4)
Income before Provision for Income Taxes	\$ 90.1	\$ 83.4	\$ 176.5	\$ 166.2

(1) The following table itemizes Corporate and Other:

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(Tabular dollar amounts in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Corporate Costs	\$ (19.6)	\$ (17.5)	\$ (36.4)	\$ (33.0)
Transition Costs (costs to implement our Financial Flexibility Programs)	(3.1)	(4.8)	(6.0)	(9.3)
Restructuring Expense	(4.9)	(3.6)	(19.7)	(10.0)
Total Corporate and Other	\$ (27.6)	\$ (25.9)	\$ (62.1)	\$ (52.3)

Supplemental Geographic and Customer Solution Set Information:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Customer Solution Set Revenue:				
U.S.:				
Risk Management Solutions	\$ 177.7	\$ 169.7	\$ 359.3	\$ 345.8
Sales & Marketing Solutions	80.0	73.7	169.6	157.3
E-Business Solutions	24.6	20.2	47.5	39.8
Supply Management Solutions	9.3	7.6	17.7	14.3
Total U.S. Revenue	291.6	271.2	594.1	557.2
International:				
Risk Management Solutions	85.0	79.2	158.1	147.0
Sales & Marketing Solutions	17.7	14.5	31.9	26.0
E-Business Solutions	1.7	1.3	3.5	2.3
Supply Management Solutions	0.8	1.2	1.5	2.1
Total International Revenue	105.2	96.2	195.0	177.4
Consolidated Total:				
Risk Management Solutions	262.7	248.9	517.4	492.8
Sales & Marketing Solutions	97.7	88.2	201.5	183.3
E-Business Solutions	26.3	21.5	51.0	42.1
Supply Management Solutions	10.1	8.8	19.2	16.4
				-0-
Unvested and Accelerated Restricted Stock(5)	230,678	230,678	230,678	
Unvested and Accelerated Performance Units(6)	1,211,000	794,234	794,234	
Executive Outplacement Assistance(8)	20,000	20,000	-0-	
Health Care Benefits(9)	18,781	18,781	18,781	
Total	2,568,459	1,533,350	1,173,350	
Gail D. Makode, Senior Vice President, General Counsel and Secretary				
Bonus for year of Separation(2)	340,000	113,714	113,714	
Cash Severance(3)	680,000	340,000	-0-	
Unvested and Accelerated Stock Options(4)	-0-	-0-	-0-	

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Unvested and Accelerated Restricted Stock(5)	173,000	173,000	173,000
Unvested and Accelerated Performance Units(6)	1,038,000	680,772	680,772
Executive Outplacement Assistance(8)	20,000	20,000	-0-
Health Care Benefits(9)	18,781	18,781	18,781
Total	2,269,781	1,346,267	986,267
Thomas E. Santoni, Senior Vice President, Operations			
Bonus for year of Separation(2)	368,000	64,813	64,813
Cash Severance(3)	736,000	368,000	-0-
Unvested and Accelerated Stock Options(4)	-0-	-0-	-0-
Unvested and Accelerated Restricted Stock(5)	177,204	177,204	177,204
Unvested and Accelerated Performance Units(6)	346,000	186,840	186,840
Unvested and Accelerated Cash Units(7)	600,000	324,000	324,000
Executive Outplacement Assistance(8)	20,000	20,000	-0-
Health Care Benefits(9)	18,781	18,781	18,781
Total	2,265,985	1,159,638	771,638

- (1) Termination by the Company without Cause or by the covered executive for Good Reason, in either case, on or within 12 months following a Change in Control event.
- (2) Prior to a Change in Control, the amount of any annual bonus is as determined by the Compensation Committee and payable at the same time that annual bonuses for such fiscal year are paid to other similar executives of the Company. On or after a Change in Control, a lump sum payment equal to two (2) times the greater of the most recent (i) annual bonus paid to the covered executive or (ii) covered executive's annual

bonus opportunity, payable on the sixtieth (60th) day following termination. The annual bonus opportunities for Messrs. Lewey and Santoni and Mmes. McLaughlin and Makode are calculated in accordance with the 2017 Plan.

- (3) Prior to a Change in Control, continued payment of base salary then in effect for 12 months immediately following the date of termination. On or after a Change in Control, continued payment of base salary then in effect for 24 months immediately following the date of termination.
- (4) Reflects the value of unvested stock options held on September 30, 2017 that would experience accelerated vesting due to termination of employment.
- (5) Reflects the value of unvested shares of restricted Common Stock held on September 30, 2017 that would experience accelerated vesting due to termination of employment.
- (6) Reflects the value of unvested Performance Units held on September 30, 2017 that would experience accelerated vesting due to termination of employment. If the covered officer's employment is terminated after a Change in Control (as defined in the 2006 Equity Incentive Plan in effect at the time of the grant) that occurs prior to the Service Vesting Date, then the Performance Units will become fully vested. In the event of termination of employment prior to a Change in Control or as the result of death or disability, the unvested Performance Units will vest on a pro-rated basis based on the percentage of the performance period for which the covered executive was actively employed by the Company and only to the extent performance objectives were ultimately achieved. The value of the Performance Units is calculated assuming performance objectives are ultimately achieved. In Mr. Santoni's case, the value of the Performance Units is calculated on a prorated basis reflecting his termination date of September 15, 2017.
- (7) Reflects the value of unvested Cash Units held on September 30, 2017 that would experience accelerated vesting due to termination of employment. If the covered officer's employment is terminated after a Change in Control (as defined in the 2006 Equity Incentive Plan in effect at the time of the grant) that occurs prior to the Service Vesting Date, then the Cash Units will become fully vested. In the event of termination of employment prior to a Change in Control or as the result of death or disability, the unvested Cash Units will vest on a pro-rated basis based on the percentage of the performance period for which the covered executive was actively employed by the Company and only to the extent performance objectives were ultimately achieved. The value of the Cash Units is calculated assuming performance objectives are ultimately achieved. In Mr. Santoni's case, the value of the Cash Units is calculated on a prorated basis reflecting his termination date of September 15, 2017.
- (8) Reflects the approximate cost of outplacement services for 12 months following termination, not to exceed \$20,000.
- (9) Reflects the approximate cost to provide health care continuation benefits to the covered executive and his or her eligible dependents under COBRA for 12 months following termination, though if the covered executive's COBRA coverage terminates earlier, the actual cost would likely be less.

DEFINITIONS

The following definitions are used in the Severance Plan described above, except as where otherwise indicated below.

Cause means (i) the executive's gross negligence in the performance or intentional nonperformance of any of the executive's material duties and responsibilities to the Company or a participating affiliate; (ii) the executive's dishonesty, theft, embezzlement or fraud with respect to the business, property, reputation or affairs of the Company or a participating affiliate; (iii) the executive's conviction of, or a plea of other than not guilty to, a felony or a misdemeanor involving moral turpitude; (iv) the executive's confirmed drug or alcohol abuse that materially affects the executive's service or violates the Company's or a participating affiliate's drug or alcohol abuse policy; (v) the executive's violation of a material Company or a participating affiliate's personnel or similar policy, such policy having been made available to the executive by the Company or a participating affiliate; or (vi) the executive's having committed any material violation of any federal or state law regulating securities (without having relied on the advice of the Company's attorney) or having been the subject of any final order, judicial or administrative, obtained or issued by the SEC, for any securities violation involving fraud, including, without limitation, any such order consented to by the executive in which findings of facts or any legal conclusions establishing liability are neither admitted nor denied.

Good Reason in the Severance Plan is essentially defined as:

Any material reduction in his position, authority or Base Salary,

Any relocation of the Company's corporate office that is more than 50 miles from his primary location of work, or

The Company's breach of a material term of the agreement.

All of the above are valid reasons only if the Company fails to cure such event within 30 days after receipt from him of written notice of the event which constitutes Good Reason and he must give the Company written notice of the event by the 60th day following its occurrence.

A Change in Control is defined in the Severance Plan as follows:

Any person or persons acting together which would constitute a group for purposes of Section 13(d) of the Exchange Act, other than Tontine, the Company or any subsidiary, shall beneficially own (as defined in Rule 13d-3 of the Exchange Act) directly or indirectly, at least 50% of the ordinary voting power of all classes of capital stock of the Company entitled to vote generally in the election of the Board, or

Current directors shall cease for any reason to constitute at least a majority of the members of the Board (Current Directors means, as of the date of determination, any person who (i) was a member of the Board on the date that the Company's Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code became effective or (ii) was nominated for election or was elected by the Board with the affirmative vote of a majority of the current directors who were members of the Board at the time of such nomination or election) or at any meeting of stockholders of the Company called for the purpose of electing directors, a majority of the persons nominated by the Board for election as directors shall fail to be elected; or

The consummation of a sale, lease, exchange or other disposition in one transaction or a series of transactions of all or substantially all of the assets of the Company.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

DIRECTOR COMPENSATION

Directors who are officers of the Company or any of its subsidiaries do not receive a retainer or fees for service on the Board or any committees. Mr. David Gendell, who became an employee of the Company in November 2017, but not an officer of the Company, continues to receive a Board retainer and fees. Each non-officer director receives a \$40,000 annual retainer (the Annual Retainer), paid in quarterly installments after the annual stockholders meeting, as well as the following additional retainers for committee and committee Chairman service, which are also paid in quarterly installments: each director receives \$5,000 annually for each committee on which the director serves other than as Chairman, the Chairmen of the Human Resources and Compensation Committee and the Nominating/Governance Committee each receive \$10,000 annually, and the Chairman of the Audit Committee receives \$25,000 annually.

In addition to the annual retainers described above, upon his or her election or re-election to the Board at an annual stockholders meeting, each director receives a \$25,000 grant (the Annual Meeting Grant), paid quarterly, for his or her subsequent periods of service on the Board, provided that he or she is re-elected at subsequent annual stockholders meetings.

During the first quarter of each fiscal year, each director is provided the opportunity to elect, in respect of his or her compensation for his or her services rendered in the following calendar year, whether to receive the combined amount of his or her Annual Retainer, the value of the Annual Meeting Grant and any additional retainer payable for serving on, or as Chairman of, a committee of the Board (the Total Annual Compensation), in whole or in part, in (i) cash, (ii) fully vested shares of Common Stock, or (iii) phantom stock units issued pursuant to the 2006 Equity Incentive Plan, as it may be amended and restated from time to time, that convert to shares of Common Stock on the date the director leaves the Board for any reason (Director PSUs).

For fiscal year 2017, following the 2017 Annual Meeting, each of the directors received the following portions of his Total Annual Compensation in the form of (i) cash, (ii) fully vested shares of Common Stock, or (iii) Director PSUs:

Name	% of Total Annual Compensation Elected to be Paid in Cash	% of Total Annual Compensation Elected to be Paid in Common Stock	% of Total Annual Compensation Elected to be Paid in Director PSUs
Todd M. Cleveland	75%	0%	25%
Joseph L. Dowling III	50%	0%	50%
David B. Gendell	75%	25%	0%
Jeffrey L. Gendell	0%	0%	100%
Joe D. Koshkin	75%	0%	25%
Donald L. Luke	75%	0%	25%

For each director electing to receive a portion of his Total Annual Compensation in Director PSUs or Common Stock, the number of Director PSUs or shares of Common Stock granted is determined by dividing the amount of his Total Annual Compensation to be paid in either such form by the closing price of the Company's Common Stock on the last trading day of the quarter.

The following additional compensation was paid to directors during fiscal year 2017:

Chairman retainer: Upon Mr. David Gendell's appointment as non-executive Chairman on January 16, 2015, the Human Resources and Compensation Committee of the Board had approved, with Mr. Gendell abstaining, a cash retainer for the non-executive Chairman of the Board, in addition to his other retainers to reflect the additional commitment and responsibilities Mr. Gendell assumed upon his appointment. This amount was set at \$26,250 per month during fiscal 2017.

Upon Mr. David Gendell's appointment as non-executive Vice Chairman in November 2016, the Committee, with Mr. David Gendell abstaining, approved a continuation of this retainer to reflect the continuation of his additional commitment and responsibilities.

Vice Chairman retainer: On December 7, 2016, the Committee, with Mr. David Gendell abstaining, approved a discontinuation of such retainer and approved a new retainer for Mr. David Gendell in connection with his service as non-executive Vice Chairman of the Board and for his service as the Board's liaison to the Company's executive and divisional management, which service was expected to include approximately 72 days of travel per year (the annual limit). Effective as of January 1, 2017, the non-executive Vice Chairman of the Board, in addition to his other retainers, receives an annual cash retainer in the amount of \$100,000 (paid in equal monthly installments) for his service as the Board's liaison, an additional retainer for his service as the non-executive Vice Chairman of the Board of \$50,000 each calendar year (to be paid quarterly in the form of cash, fully vested shares of Common Stock, or Director PSUs, at his election) and following each calendar year during which he serves as non-executive Vice Chairman of the Board for the full year, a supplemental cash retainer in the amount of \$2,000 per day for each day of travel in excess of the annual limit (all such retainers, the Vice Chairman Retainer). Mr. David Gendell elected to receive the \$50,000 component of the retainer in cash.

On November 7, 2017, upon Mr. David Gendell becoming an employee of the Company as Interim Director of Operations, he was removed from the role of non-executive Vice Chairman of the Board, and the Committee approved a discontinuation of the Vice Chairman Retainer effective simultaneously. At that time, he was also removed from the Human Resources and Compensation Committee and the Nominating/Governance Committee of the Board, with Mr. Cleveland assuming those roles. Upon discontinuation of the Vice Chairman Retainer, Mr. Gendell was paid \$14,000 as the prorated value of the supplemental cash retainer portion of his Vice Chairman Retainer.

On February 2, 2017, the Committee recommended, and the Board approved, in each case with Mr. David Gendell abstaining, a discretionary cash bonus of \$157,500 to Mr. David Gendell in recognition of his service as non-executive Chairman of the Board for a substantial portion of the prior calendar year.

Directors are also reimbursed for reasonable out-of-pocket expenses incurred in attending Board and committee meetings and for their reasonable expenses related to the performance of their duties as directors.

The following table reflects the amounts paid to each individual non-employee director who served on the Board in fiscal year 2017.

Name	Fees Earned or Paid in Cash (\$)(1)	Stock Awards (\$)(2)(3)	Option Awards (\$)	Non-Equity Incentive	All Other Compensation (\$)	Total (\$)
				Plan Compensation (\$)		
Todd M. Cleveland	30,982	10,268	-0-	-0-	-0-	41,250
Joseph L. Dowling III	40,031	39,969	-0-	-0-	-0-	80,000
David B. Gendell	245,976(4)	32,771	-0-	-0-	157,500(5)	423,748
Jeffrey L. Gendell	-0-	58,721	-0-	-0-	-0-	58,721
Joe D. Koshkin	65,321	29,679	-0-	-0-	-0-	95,000
Donald L. Luke	63,781	21,219	-0-	-0-	-0-	85,000

(1) Represents cash fees earned during the fiscal year ended September 30, 2017.

(2) Represents the aggregate grant date fair value of awards of Director PSUs and Common Stock earned during the fiscal year ended September 30, 2017, computed in accordance with FASB ASC Topic 718. Each phantom stock unit converts into one share of Common Stock when the respective director leaves the Board for any reason. Assumptions used in the calculation of these amounts are included in footnote 11 to the

Company's audited consolidated financial statements for the fiscal year ended September 30, 2017 included in our Annual Report on Form 10-K filed with the SEC on December 8, 2017.

- (3) As of September 30, 2017, and including post-fiscal-year-end grants made in respect of fees earned in fiscal year 2017, each non-employee director held the following aggregate number of Director PSUs together with shares of Common Stock or restricted stock: Mr. Cleveland 159,127; Mr. Dowling 45,838; Mr. David Gendell 122,225; Mr. Jeffrey Gendell 84,490 in direct holdings (additional beneficial ownership is described under Security Ownership of Certain Beneficial Owners and Management above); Mr. Koshkin 34,535; Mr. Luke 71,812.
- (4) Includes a non-executive Chairman cash retainer of \$26,250 per month for the first three months of fiscal 2017, and thereafter \$37,500 per quarter paid as a cash component of his Vice Chairman Retainer, as described above.
- (5) On February 2, 2017, Mr. David Gendell was awarded a discretionary cash bonus of \$157,500 in recognition of his service as non-executive Chairman of the Board during a substantial portion of the calendar year 2016.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal year 2017, no executive officer of the Company served as (i) a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire Board of Directors) of another entity, one of whose executive officers served on the Human Resources and Compensation Committee of the Company, (ii) a director of another entity, one of whose executive officers served on the Human Resources and Compensation Committee of the Company or (iii) a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire Board of Directors) of another entity, one of whose executive officers served as a director of the Company. During fiscal year 2017, no member of the Human Resources and Compensation Committee (i) was an officer or employee of the Company, (ii) was formerly an officer of the Company or (iii) had any business relationship or conducted any business with the Company other than as an independent director of the Company, other than Mr. David Gendell, who is an employee of Tontine Associates, L.L.C., (an affiliate of Tontine, the majority shareholder of the Company), and a director of the Company, who during fiscal year 2017 served as non-executive Vice Chairman and non-executive Chairman of the Board of Directors of the Company, and who is the brother of Mr. Jeffrey Gendell, who is the founder and managing member of Tontine, majority shareholder of the Company and non-executive Chairman of the Company, each as described under Certain Relationships and Related Person Transactions above. The Board evaluated each member's independence under the independence standards promulgated by NASDAQ for compensation committees and determined that each member was independent for purposes of serving on the Company's Human Resources and Compensation Committee at the time of such appointment. In reaching this conclusion, the Board considered in particular whether Mr. David Gendell's affiliation with Tontine would impair his judgment as a member of the Human Resources and Compensation Committee, as outlined under the independence standards, and determined that it would not in light of his independence from management and the Board's belief that the interests of Tontine and the Company's other stockholders are aligned in seeking to set appropriate levels of executive compensation at the time of such appointment. On November 7, 2017, Mr. David Gendell was appointed by the Company as its Interim Director of Operations, a non-officer employee role, and was simultaneously removed by the Board from the Human Resources and Compensation Committee and Nominating/Governance Committee as he was found to be no longer be independent due to his employment with the Company.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's directors, executive officers and persons holding more than 10 percent of a registered class of the Company's equity securities to file with the SEC and any stock exchange or automated quotation system on which the Common Stock may then be listed or quoted (i) initial reports of ownership, (ii) reports of changes in ownership and (iii) annual reports of ownership of Common Stock and other equity securities of the Company. Such directors, officers and ten-percent stockholders are also required to furnish the Company with copies of all such filed reports.

Based solely upon review of the copies of such reports furnished to the Company and written representations that no other reports were required during fiscal year 2017, the Company believes that all Section 16(a) reporting requirements related to the Company's directors and executive officers were timely fulfilled during fiscal year 2017.

RATIFICATION OF THE SELECTION OF INDEPENDENT AUDITORS

The Audit Committee has re-appointed Ernst & Young LLP as the Company's independent auditors for the fiscal year ending September 30, 2018, subject to ratification by the Company's stockholders. Ernst & Young LLP was the Company's independent auditor for the fiscal year ended September 30, 2017.

Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and will have an opportunity to make a statement, if they desire to do so, and to respond to appropriate questions from those attending the Annual Meeting.

The affirmative vote of holders of a majority of the shares of Common Stock voted at the Annual Meeting is required to ratify the appointment of Ernst & Young LLP as the Company's independent auditors for fiscal year 2018.

If the stockholders fail to ratify the appointment, the Audit Committee will reconsider its selection. Even if the appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent accounting firm at any time during the year if the Audit Committee determines that such a change would be in the Company's and its stockholders' best interests.

THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE FOR RATIFICATION OF ERNST & YOUNG LLP'S APPOINTMENT, AND PROXIES EXECUTED AND RETURNED WILL BE SO VOTED UNLESS CONTRARY INSTRUCTIONS ARE INDICATED THEREON.

ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires that we provide our stockholders with the opportunity to vote to approve, on a non-binding, advisory basis, the compensation awarded to the Company's named executive officers, as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K.

As described in detail under the heading "Executive Compensation" of this proxy statement, we seek to closely align the interests of our named executive officers with the interests of our stockholders. Our compensation programs are designed to reward our named executive officers for the achievement of strategic and operational goals, while at the same time avoiding the encouragement of unnecessary or excessive risk-taking.

The Company has established comprehensive compensation programs for our executive officers, including our named executive officers, and this proxy statement fully and fairly discloses all material information regarding compensation of the Company's named executive officers as required by Item 402 of Regulation S-K. Stockholders should reference and consider this information in evaluating the Company's approach to compensating the NEOs.

The Company's Board of Directors, the Human Resources and Compensation Committee of the Company's Board of Directors and, when appropriate, the Company's compensation consultants monitor executive compensation programs of the Company and our competitors and adopt changes in the Company's executive compensation program to reflect the duties of each executive, the competitive market in which the Company competes for talent, as well as general economic, regulatory and legislative developments affecting executive compensation.

The Human Resources and Compensation Committee of the Company's Board of Directors will continue to emphasize compensation arrangements that align the financial interests of our executives with the near-term critical goals of the Company, balanced against the long-term interests of our stockholders. Please refer to the section entitled "Executive Compensation" of this proxy statement for a detailed discussion of the Company's executive compensation practices and philosophy.

You have the opportunity to vote for, against or abstain from voting on the resolution approving the compensation of the Company's named executive officers, as disclosed in this proxy statement. The affirmative vote of holders of a majority of the shares of Common Stock voted at the Annual Meeting is required to approve the resolution.

Accordingly, at the Annual Meeting, we will ask our stockholders to vote on the following resolution:

RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2018 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2017 Summary Compensation Table and the other related tables and disclosure.

THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE FOR APPROVAL OF THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THIS PROXY STATEMENT, AND PROXIES EXECUTED AND RETURNED WILL BE SO VOTED UNLESS CONTRARY INSTRUCTIONS ARE INDICATED THEREON.

OTHER BUSINESS

The Board knows of no business that will come before the Annual Meeting except that indicated above. However, if any other matters are properly brought before the Annual Meeting, it is intended that the persons acting under the proxy will vote thereunder in accordance with their best judgment.

DEADLINE FOR SUBMISSION OF STOCKHOLDER PROPOSALS AND NOMINATIONS OF BOARD MEMBERS

If a stockholder intends to present a proposal for action at the 2019 annual meeting of stockholders and wishes to have such proposal considered for inclusion in the Company's proxy materials in reliance on Rule 14a-8 under the Securities Exchange Act of 1934, as amended, the proposal must be submitted in writing and received by the Secretary of the Company on or before August 30, 2018. Such proposal also must meet the requirements of the rules of the SEC relating to stockholder proposals.

The Company's by-laws establish an advance notice procedure with regard to certain matters, including stockholder proposals and nominations for individuals for election to the Board of Directors. In general, written notice of a stockholder proposal or a director nomination for the next annual meeting must be received by the Secretary of the Company not later than 80 days prior to the next annual meeting (or, if less than 90 days notice of the date of the meeting is given by the Company, notice by the stockholder to be timely must be received by the Secretary of the Company no later than the close of business on the 10th day following the day on which public announcement of the date of the meeting is first made by the Company), and must contain specified information and conform to certain requirements, as set forth in the bylaws. If the presiding officer at any meeting of stockholders determines that a stockholder proposal or director nomination was not made in accordance with the bylaws, the Company may disregard such proposal or nomination.

Stockholder proposals submitted for consideration at the Annual Meeting must be delivered to the Corporate Secretary no later than the close of business on January 7, 2018, or the tenth day following the public announcement of the Annual Meeting.

In addition, if a stockholder submits a proposal outside of Rule 14a-8 for the Annual Meeting, and the proposal fails to comply with the advance notice procedures described by the by-laws, then the Company's proxy may confer discretionary authority on the persons being appointed as proxies on behalf of the Board of Directors to vote on the proposal.

Proposals and nominations should be addressed to the Secretary of the Company, IES Holdings, Inc., One Sound Shore Drive, Suite 304, Greenwich, Connecticut 06830.

DELIVERY OF DOCUMENTS TO STOCKHOLDERS SHARING AN ADDRESS

In some cases only one copy of this proxy statement or the Company's Annual Report on Form 10-K is being delivered to multiple stockholders sharing an address unless the Company has received contrary instructions from one or more of the stockholders. The Company will deliver promptly, upon written or oral request, a separate copy of this proxy statement or the Annual Report to a stockholder at a shared address to which a single copy of the document was delivered. Stockholders sharing an address who are receiving multiple copies of proxy statements or annual reports may also request delivery of a single copy. To request separate or multiple delivery of these materials now or in the future, a stockholder may submit a written request to the Corporate Secretary, IES Holdings, Inc., One Sound Shore Drive, Suite 304, Greenwich, Connecticut 06830 or an oral request by calling the Corporate Secretary at (713) 860-1500.

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IES HOLDINGS, INC.

ANNUAL MEETING OF STOCKHOLDERS

SOLICITED BY THE BOARD OF DIRECTORS OF IES HOLDINGS, INC.

By signing this proxy, you hereby revoke all prior proxies and appoint Robert W. Lewey and Gail D. Makode, and each of them individually, as proxies with full power of substitution, to vote all shares of the Common Stock of IES Holdings, Inc. that you are entitled to vote at the Annual Meeting of Stockholders to be held on February 7, 2018, at 10:00 a.m. Central Standard Time, at the offices of IES Holdings, Inc., 5433 Westheimer Road, Suite 500, Houston, Texas 77056, or at any adjournment or postponement thereof, as specified on the reverse side.

Any executed proxy which does not designate a vote on a particular proposal shall be deemed to grant authority to vote FOR such proposal.

(Continued and to be signed on the reverse side.)

14475

ANNUAL MEETING OF STOCKHOLDERS OF
IES HOLDINGS, INC.

February 7, 2018

**Important Notice Regarding Internet Availability of Proxy Materials for
the Annual Meeting to be Held on February 7, 2018.**

The Proxy Statement and Annual Report on Form 10-K are Available at <http://annualmeeting.ies-corporate.com>.

Please sign, date and mail
your proxy card in the
envelope provided as soon
as possible.

i Please detach along perforated line and mail in the envelope provided. i

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020916

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE

1. ELECTION OF DIRECTORS: TO HOLD OFFICE UNTIL THE 2019 ANNUAL MEETING AND UNTIL THEIR SUCCESSORS ARE ELECTED AND QUALIFIED.

2. RATIFICATION OF APPOINTMENT OF ERNST & YOUNG LLP AS AUDITORS FOR THE COMPANY FOR FISCAL YEAR 2018.

FOR AGAINST ABSTAIN

NOMINEES:

3. ADVISORY APPROVAL OF THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS, AS DESCRIBED IN THE PROXY STATEMENT FOR THE 2018 ANNUAL MEETING.

FOR AGAINST ABSTAIN

FOR ALL NOMINEES TODD M. CLEVELAND

WITHHOLD AUTHORITY JOSEPH L. DOWLING III

FOR ALL NOMINEES DAVID B. GENDELL

JEFFREY L. GENDELL

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- JOE D. KOSHKIN
- ROBERT W. LEWEY
- DONALD L. LUKE

ALL SHARES WILL BE VOTED AS DIRECTED HEREIN AND, UNLESS OTHERWISE DIRECTED, WILL BE VOTED FOR PROPOSAL 1 (ALL NOMINEES), FOR PROPOSAL 2, AND FOR PROPOSAL 3, AND IN ACCORDANCE WITH THE DISCRETION OF THE PERSON VOTING THE PROXY WITH RESPECT TO ANY OTHER BUSINESS PROPERLY BROUGHT BEFORE THE MEETING.

FOR ALL EXCEPT

(See instructions below)

YOU MAY REVOKE THIS PROXY AT ANY TIME PRIOR TO A VOTE HEREON.

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here:

MARK HERE IF YOU PLAN TO ATTEND THE MEETING.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Stockholder

Date:

Signature of Stockholder

Date:

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.