BEARINGPOINT INC
Form 10-Q
May 12, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2008.

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-31451

BEARINGPOINT, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	**22-3680505**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
1676 International Drive, McLean, VA	**22102**
(Address of principal executive offices)	**(Zip Code)**

(703) 747-3000
(Registrant s telephone number, including area code)

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 þ No o

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

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

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

The number of shares of common stock of the registrant outstanding as of May 1, 2008 was 217,900,530.

BEARINGPOINT, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2008
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PART I, ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

BEARINGPOINT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Revenue	$ 830,020	$ 866,252
Costs of service:		
Professional compensation	453,697	474,609
Other direct contract expenses	158,277	195,877
Lease and facilities restructuring credits	(6,052)	(4,887)
Other costs of service	71,359	68,593
Total costs of service	677,281	734,192
Gross profit	152,739	132,060
Selling, general and administrative expenses	142,749	177,244
Operating income (loss)	9,990	(45,184)
Interest income	2,513	1,752
Interest expense	(16,069)	(10,869)
Other (expense) income, net	(2,331)	95
Loss before taxes	(5,897)	(54,206)
Income tax expense	17,292	7,500
Net loss	$ (23,189)	$ (61,706)
Loss per share basic and diluted	$ (0.10)	$ (0.29)
Weighted average shares basic and diluted	222,351,767	214,372,953

The accompanying Notes are an integral part of these Consolidated Financial Statements.

BEARINGPOINT, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	March 31, 2008 (unaudited)	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 409,460	$ 466,815
Restricted cash	3,943	1,703
Accounts receivable, net of allowances of $6,035 at March 31, 2008 and $5,980 at December 31, 2007	362,882	356,178
Unbilled revenue	348,707	319,132
Income tax receivable	12,846	8,869
Deferred income taxes	14,322	11,521
Prepaid expenses	33,628	36,500
Other current assets	43,931	38,122
Total current assets	1,229,719	1,238,840
Property and equipment, net	111,305	113,771
Goodwill	528,230	494,656
Deferred income taxes, less current portion	17,988	25,179
Other assets	117,796	108,958
Total assets	$ 2,005,038	$ 1,981,404
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Current portion of notes payable	$ 5,310	$ 3,700
Accounts payable	202,041	215,999
Accrued payroll and employee benefits	379,276	368,208
Deferred revenue	97,446	115,961
Income tax payable	41,095	58,304
Current portion of accrued lease and facilities charges	17,326	17,618
Deferred income taxes	13,336	15,022
Accrued legal settlements	23,860	8,716
Other current liabilities	110,007	108,364
Total current liabilities	889,697	911,892
Notes payable, less current portion	971,899	970,943
Accrued employee benefits	129,020	118,235
Accrued lease and facilities charges, less current portion	37,933	48,066
Deferred income taxes, less current portion	11,922	9,581
Income tax reserve	248,334	242,308
Other liabilities	148,041	149,668
Total liabilities	2,436,846	2,450,693

Commitments and contingencies (note 8)		
Stockholders deficit:		
Preferred stock, $.01 par value 10,000,000 shares authorized		
Common stock, $.01 par value 1,000,000,000 shares authorized, 222,707,204 shares issued and 217,907,212 shares outstanding on March 31, 2008 and 219,890,126 shares issued and 215,156,077 shares outstanding on December 31, 2007	2,214	2,186
Additional paid-in capital	1,459,650	1,438,369
Accumulated deficit	(2,203,767)	(2,180,578)
Accumulated other comprehensive income	348,334	308,857
Treasury stock, at cost (4,799,992 shares on March 31, 2008 and 4,734,049 shares on December 31, 2007)	(38,239)	(38,123)
Total stockholders deficit	(431,808)	(469,289)
Total liabilities and stockholders deficit	$ 2,005,038	$ 1,981,404

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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BEARINGPOINT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Cash flows from operating activities:		
Net loss	$ (23,189)	$ (61,706)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for deferred income taxes	5,214	7,127
(Benefit) provision for doubtful accounts	(1,000)	1,352
Stock-based compensation	21,309	16,230
Depreciation and amortization of property and equipment	12,426	17,896
Lease and facilities restructuring credits	(6,052)	(4,887)
(Gain) loss on disposal and impairment of assets	(23)	106
Amortization of debt issuance costs and debt accretion	2,993	2,844
Other	3,342	(518)
Changes in assets and liabilities:		
Accounts receivable	5,753	20,285
Unbilled revenue	(24,715)	(89,713)
Income tax receivable, prepaid expenses and other current assets	(4,682)	33,711
Other assets	(8,484)	(7,657)
Accounts payable	(17,140)	(43,781)
Income tax payable, accrued legal settlements and other current liabilities	(10,596)	(56,802)
Accrued payroll and employee benefits	1,396	37,854
Deferred revenue	(18,687)	(10,849)
Income tax reserve and other liabilities	(93)	1,662
Net cash used in operating activities	(62,228)	(136,846)
Cash flows from investing activities:		
Purchases of property and equipment	(8,428)	(12,319)
Increase in restricted cash	(2,239)	(191)
Net cash used in investing activities	(10,667)	(12,510)
Cash flows from financing activities:		
Proceeds from issuance of common stock	1	
Treasury stock through net share delivery	(92)	
Net proceeds from issuance of notes payable	2,141	
Repayments of notes payable	(750)	(360)
Increase in book overdrafts	884	4,191
Net cash provided by financing activities	2,184	3,831
Effect of exchange rate changes on cash and cash equivalents	13,356	1,433

Net decrease in cash and cash equivalents	(57,355)	(144,092)
Cash and cash equivalents beginning of period	466,815	389,571
Cash and cash equivalents end of period	$ 409,460	$ 245,479

The accompanying Notes are an integral part of these Consolidated Financial Statements.

BEARINGPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)
(unaudited)

Note 1. Basis of Presentation

The accompanying unaudited interim Consolidated Financial Statements of BearingPoint, Inc. (the Company) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC) for Quarterly Reports on Form 10-Q. These statements do not include all of the information and Note disclosures required by accounting principles generally accepted in the United States of America, and should be read in conjunction with the Company s Consolidated Financial Statements and notes thereto for the year ended December 31, 2007, included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007 (the 2007 Form 10-K) filed with the SEC. The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America and reflect adjustments (consisting of normal, recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of results for these interim periods. The results of operations for the three months ended March 31, 2008 are not necessarily indicative of the results that may be expected for any other interim period or the entire year. Certain amounts reported in the prior year have been reclassified to conform to the current period presentation.

The interim Consolidated Financial Statements reflect the operations of the Company and all of its majority-owned subsidiaries. Upon consolidation, all intercompany accounts and transactions are eliminated.

Note 2. Recently Issued Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141(R), Business Combinations, which replaces SFAS No. 141, Business Combinations. This statement establishes principles and requirements for how an acquirer: recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company does not expect this will have a significant impact on its financial statements.

Note 3. Stock-Based Compensation

The Consolidated Statements of Operations for the quarters ended March 31, 2008 and 2007 include stock-based compensation expense related to awards of stock options, restricted stock units (RSUs), and performance share units (PSUs) and to issuances under the Company s Employee Stock Purchase Plan (ESPP), including the Company s BE a Owner program, and restricted stock awards as follows:

	Three Months Ended March 31,	
	2008	**2007**
Stock options	$ 288	$ 2,418
RSUs	4,129	5,416
PSUs	16,640	7,219
ESPP and BE an Owner	128	1,177
Restricted stock awards	124	
Total	$ 21,309	$ 16,230

BEARINGPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(in thousands, except share and per share amounts)
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Stock Options

During the first quarter of 2008, the Company granted 2,717,600 options to employees. As of March 31, 2008, there were 29,182,715 options outstanding.

Restricted Stock Awards

During the first quarter of 2008, the Company granted 64,000 shares of restricted stock to its non-employee members of the Board of Directors, in connection with their 2007 annual service to the Company.

Restricted Stock Units and Performance Share Units

During the first quarter of 2008, 2,753,078 shares of common stock were issued in settlement of RSUs. The following table summarizes RSU and PSU activity during the first quarter of 2008:

	RSUs (1)		PSUs (2)	
	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2007	6,428,764	$ 8.14	18,104,846	$ 12.53
Granted	1,330,027	$ 2.70		
Vested	(1,575,413)	$ 8.39		
Forfeited	(428,697)	$ 7.86	(1,454,795)	$ 12.29
Nonvested at March 31, 2008	5,754,681	$ 6.83	16,650,051	$ 12.55
Vested at March 31, 2008	4,540,919			
Outstanding at March 31, 2008	10,295,600		16,650,051	

(1) Approximately 41,883 RSUs (net of forfeitures) and 47,153 RSUs (net of forfeitures) have been excluded from the December 31, 2007 and March 31, 2008 nonvested balances, respectively, because they were awarded to recipients in

countries where local laws require a cash settlement. Similarly, approximately 27,537 RSUs (net of forfeitures) and 74,690 RSUs (net of forfeitures) have been excluded from the March 31, 2008 vested and outstanding balances, respectively.

(2) Approximately 54,348 PSUs (net of forfeitures) have been excluded from the December 31, 2007 and March 31, 2008 nonvested balances, because they were awarded to recipients in countries where local laws require a cash settlement. Similarly, approximately 54,348 PSUs (net of forfeitures) have been excluded from the March 31, 2008 outstanding balance.

Note 4. Loss per Share

Basic loss per share is computed based on the weighted average number of common shares outstanding and vested RSUs during the period. The following table sets forth the computation of basic earnings per share (EPS):

	Three Months Ended March 31,	
	2008	**2007**
Common shares outstanding	216,007,040	201,296,820
Vested RSUs	6,344,727	13,076,133
	222,351,767	214,372,953

BEARINGPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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Diluted loss per share is computed using the weighted average number of common shares outstanding during the period plus the dilutive effect of potential future issuances of common stock relating to the Company s outstanding stock options, unvested PSUs, unvested RSUs, convertible debt and other potentially dilutive securities. In calculating diluted loss per share, the dilutive effect of stock options is computed using the average market price for the period in accordance with the treasury stock method. The effect of convertible securities on the calculation of diluted net loss per share is calculated using the if converted method.

The following table sets forth the potential common stock equivalents, on a weighted-average basis, that were excluded from the computation of diluted EPS. The inclusion of any portion of such shares in future calculations of diluted EPS is dependent on several factors, including whether or not the Company generates net income, the level of net income generated and the Company s common stock price.

	Three Months Ended March 31,	
	2008	**2007**
Employee stock options	30,893,518	35,421,101
Employee stock purchase plan	1,370,783	4,128,137
Unvested restricted stock units	6,067,333	8,568,592
Performance share units(1)	43,318,610	18,773,081
$250,000 2.50% Series A Convertible Subordinated Debentures due 2024	23,810,200	23,810,200
$200,000 2.75% Series B Convertible Subordinated Debentures due 2024	19,048,160	19,048,160
$200,000 5.00% Convertible Senior Subordinated Debentures due 2025	30,303,020	30,303,020
$40,000 0.50% Convertible Senior Subordinated Debentures due 2025	5,925,926	5,925,926
Warrants issued in connection with the July 2005 Convertible Debentures	3,500,000	3,500,000
Softline acquisition obligation		753,833
	164,237,550	150,232,050

(1) As of the end of the reporting period, the performance conditions described further in Note 13, Stock-Based Compensation, included in the 2007 Form 10-K, have not been met; however, the above shares represent the

maximum settlement of shares under this program.

Note 5. Comprehensive Income (Loss)

The components of comprehensive income (loss) are as follows:

	Three Months Ended March 31,	
	2008	**2007**
Net loss	$ (23,189)	$ (61,706)
Pension prior service cost, net of tax of $22	297	
Pension net actuarial gain, net of tax of $2	(7)	
Foreign currency translation adjustment	39,187	4,748
Comprehensive income (loss)	$ 16,288	$ (56,958)

Note 6. Goodwill

The Company is in the process of completing its required annual goodwill impairment test as of April 1, 2008. The Company does not expect the completion of this test will result in an impairment of goodwill.

BEARINGPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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Note 7. Lease and Facilities Restructuring Activities

During the three months ended March 31, 2008, the Company recorded a restructuring credit of $6,052 associated with restructuring activities recognized prior to 2008. The credit was recorded within the Corporate/Other operating segment and represents a net reduction of accruals, primarily attributable to the change in sublease income assumptions associated with vacated leased facilities. Since July 2003, the Company has incurred a total of $147,154 in lease and facilities-related restructuring charges in connection with its office space reduction effort relating to the following regions: $21,432 in Europe, the Middle East and Africa (EMEA), $863 in Asia Pacific and $124,859 in North America. As of March 31, 2008, the Company had a remaining lease and facilities accrual of $55,259, of which $17,326 and $37,933 have been identified as current and non-current portions, respectively. It is anticipated that this remaining lease and facilities accrual will be paid over the remaining lease terms which expire at various dates through 2016.

Changes in the Company s accrual for restructuring charges for the three months ended March 31, 2008 were as follows:

	Total
Balance at December 31, 2007	$ 65,684
New charges	
Adjustment to the provision	(6,052)
Payments and other utilization	(5,490)
Other(1)	1,117
Balance at March 31, 2008	$ 55,259

(1) Other changes in the restructuring accrual consist primarily of foreign currency translation adjustments.

During the three months ended March 31, 2007, the Company recorded a restructuring credit of $4,887 within the Corporate/Other operating segment, to adjust its previously recorded lease charges. This credit represents a net reduction of accruals, primarily attributable to the change in sublease income assumptions associated with vacated leased facilities.

Note 8. Commitments and Contingencies

The Company currently is a party to a number of disputes which involve or may involve litigation or other legal or regulatory proceedings. Generally, there are three types of legal proceedings to which the Company has been made a party:

Claims and investigations arising from its inability to timely file periodic reports under the Securities Exchange Act of 1934, as amended (the Exchange Act), and the restatement of its financial statements for certain prior periods to correct accounting errors and departures from generally accepted accounting principles for those years (SEC Reporting Matters);

Claims and investigations being conducted by agencies or officers of the U.S. Federal government and arising in connection with its provision of services under contracts with agencies of the U.S. Federal government (Government Contracting Matters); and

Claims made in the ordinary course of business by clients seeking damages for alleged breaches of contract or failure of performance, by current or former employees seeking damages for alleged acts of wrongful termination or discrimination, and by creditors or other vendors alleging defaults in payment or performance (Other Matters).

The Company currently maintains insurance in types and amounts customary in its industry, including coverage for professional liability, general liability and management and director liability. Based on management s current assessment and insurance coverages

BEARINGPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(in thousands, except share and per share amounts)
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believed to be available, the Company believes that its financial statements include adequate provision for estimated losses that are likely to be incurred with regard to all matters of the types described above.

SEC Reporting Matters

2005 Class Action Suits

In and after April 2005, various separate complaints were filed in the U.S. District Court for the Eastern District of Virginia alleging that the Company and certain of its current and former officers and directors violated Section 10(b) of the Exchange Act, Rule 10b-5 promulgated thereunder and Section 20(a) of the Exchange Act by, among other things, making materially misleading statements between August 14, 2003 and April 20, 2005 with respect to its financial results in the Company s SEC filings and press releases. On January 17, 2006, the court certified a class, appointed class counsel and appointed a class representative. The plaintiffs filed an amended complaint on March 10, 2006 and the defendants, including the Company, subsequently filed a motion to dismiss that complaint, which was fully briefed and heard on May 5, 2006. The Company was awaiting a ruling when, on March 23, 2007, the court stayed the case, pending the U.S. Supreme Court s decision in the case of *Makor Issues & Rights, Ltd v. Tellabs,* argued before the Supreme Court on March 28, 2007. On June 21, 2007, the Supreme Court issued its opinion in the *Tellabs* case, holding that to plead a strong inference of a defendant s fraudulent intent under the applicable federal securities laws, a plaintiff must demonstrate that such an inference is not merely reasonable, but cogent and at least as compelling as any opposing inference of non-fraudulent intent. The court ordered both parties to submit briefs regarding the impact of *Tellabs* upon the defendants motion to dismiss. The parties filed their briefs on July 16, 2007, and oral arguments were held on July 27, 2007. On September 12, 2007, the court dismissed with prejudice this complaint, granting motions to dismiss filed by the Company and the other named defendants. In granting the Company s motion to dismiss, the court ruled that the plaintiff failed to meet the scienter pleading requirements set forth in the Private Securities Litigation Reform Act of 1995, as amended. On September 26, 2007, the plaintiffs filed a motion that seeks a reversal of the court s order dismissing the case or an amendment to the court s order that would allow the plaintiffs to replead. The Company filed its brief on October 17, 2007 and although a hearing on the plaintiffs motion was scheduled for November 16, 2007, the court canceled the hearing as not necessary. On November 19, 2007, the court issued an order denying the plaintiffs motion to amend or alter the court s September 12, 2007 dismissal of this matter. The plaintiffs have appealed the matter to the U.S. Court of Appeals for the Fourth Circuit. It is not possible to predict with certainty whether or not the Company will ultimately be successful in this matter, and, if not, what the impact might be. Accordingly, no liability has been recorded.

2005 Shareholders Derivative Demand

On May 21, 2005, the Company received a letter from counsel representing one of its shareholders requesting that the Company initiate a lawsuit against its Board of Directors and certain then present and former officers of the Company, alleging breaches of the officers and directors duties of care and loyalty to the Company relating to the events disclosed in its report filed on Form 8-K, dated April 20, 2005. On January 21, 2006, the shareholder filed a derivative complaint in the Circuit Court of Fairfax County, Virginia, that was not served on the Company until March 2006. The shareholder s complaint alleged that his demand was not acted upon and alleged the breach of fiduciary duty claims previously stated in his demand. The complaint also included a non-derivative claim seeking the scheduling of an annual meeting in 2006. On May 18, 2006, following an extensive audit committee investigation, the Company s Board of Directors responded to the shareholder s demand by declining at that time to file a suit alleging the claims asserted in the shareholder s demand. The shareholder did not amend the complaint to reflect the refusal of his demand. The Company filed demurrers on August 11, 2006, which effectively sought to dismiss the matter related to the fiduciary duty claims. On November 3, 2006, the court granted the demurrers and dismissed the fiduciary claims, with leave to file amended claims. As a result of the Company s annual meeting of stockholders held on December 14, 2006, the claim seeking the scheduling of an annual meeting became moot. On January 3, 2007, the plaintiff filed an amended derivative complaint re-asserting the previously dismissed derivative claims and alleging that the Board s refusal of his demand was not in good faith. The Company s renewed motion to dismiss all remaining claims was heard on March 23, 2007. On February 20, 2008, the court granted the Company s motion to dismiss and dismissed the claims with prejudice. The plaintiff did not appeal the final judgment within the applicable time period in early April 2008, therefore, the dismissal is final and the judgment cannot be appealed. Accordingly, no liability has been recorded.

BEARINGPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(in thousands, except share and per share amounts)
(unaudited)

SEC Investigation

On April 13, 2005, the staff of the SEC s Division of Enforcement requested information and documents relating to the Company s March 18, 2005 Form 8-K. On September 7, 2005, the Company announced that the staff had issued a formal order of investigation in this matter. The Company subsequently has received subpoenas from the staff seeking production of documents and information, including certain information and documents related to an investigation conducted by its Audit Committee. The Company continues to provide information and documents to the SEC as requested. The investigation is ongoing and the SEC is in the process of taking the testimony of a number of its current and former employees, including one of its former directors.

In connection with the investigation by its Audit Committee, the Company became aware of incidents of possible non-compliance with the Foreign Corrupt Practices Act and its internal controls in connection with certain of its operations in China and voluntarily reported these matters to the SEC and U.S. Department of Justice in November 2005. Both the SEC and the Department of Justice are investigating these matters in connection with the formal investigation described above. On March 27, 2006, the Company received a subpoena from the SEC regarding information related to these matters and has responded to these requests through the summer of 2006. The Company has not received any further requests since that time. The Company has a reasonable possibility of loss in this matter, although no estimate of such loss can be determined at this time. Accordingly, no liability has been recorded.

Government Contracting Matters

A significant portion of the Company s business relates to providing services under contracts with the U.S. Federal government or state and local governments, inclusive of government-sponsored enterprises. These contracts are subject to extensive legal and regulatory requirements and, from time to time, agencies of the U.S. Federal government or state and local governments investigate whether the Company s operation is being conducted in accordance with these requirements and the terms of the relevant contracts. In the ordinary course of business, various government investigations are ongoing. U.S. Federal government investigations of the Company, whether relating to these contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties being imposed upon the Company, or could lead to suspension or debarment from future U.S. Federal government contracting. It cannot be determined at this time whether any findings, conclusions, penalties, fines or other amounts determined to be applicable to the Company in any such investigation could have a material effect on the Company s results of operation, outlook or business prospects. Accordingly, as of March 31, 2008, the Company had accrued amounts related to these matters, which are not material.

Other Commitments

In the normal course of business, the Company has indemnified third parties and has commitments and guarantees under which it may be required to make payments in certain circumstances. The Company accounts for these indemnities, commitments and guarantees in accordance with FASB Interpretation No. (FIN) 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. These indemnities, commitments and guarantees include: indemnities to third parties in connection with surety bonds; indemnities to various lessors in connection with facility leases; indemnities to customers related to intellectual property and performance of services subcontracted to other providers; indemnities to directors and officers under the organizational documents and agreements of the Company; and guarantees issued between subsidiaries on intercompany receivables. The duration of these indemnities, commitments and guarantees varies, and in certain cases, is indefinite. Certain of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. The Company estimates that the fair value of these agreements was insignificant. Accordingly, no liabilities have been recorded for these agreements as of March 31, 2008.

Some clients, largely in the state and local markets, require the Company to obtain surety bonds, letters of credit or bank guarantees for client engagements. As of March 31, 2008, the Company had $80,879 of outstanding surety bonds and $124,996 of outstanding letters of credit for which the Company may be required to make future payment.

BEARINGPOINT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(in thousands, except share and per share amounts)
(unaudited)

From time to time, the Company enters into contracts with clients whereby it has joint and several liability with other participants and/or third parties providing related services and products to clients. Under these arrangements, the Company and other parties may assume some responsibility to the client or a third party for the performance of others under the terms and conditions of the contract with or for the benefit of the client or in relation to the performance of certain contractual obligations. In some arrangements, the extent of the Company s obligations for the performance of others is not expressly specified. Certain of these guarantees do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. As of March 31, 2008, the Company estimates it had assumed an aggregate potential contract value of approximately $51,202 to its clients for the performance of others under arrangements described in this paragraph. These contracts typically provide recourse provisions that would allow the Company to recover from the other parties all but approximately $109 if the Company is obligated to make payments to the clients that are the consequence of a performance default by the other parties. To date, the Company has not been required to make any payments under any of the contracts described in this paragraph. The Company estimates that the fair value of these agreements was minimal. Accordingly, no liabilities have been recorded for these contracts as of March 31, 2008.

As of March 31, 2008 the Company had approximately $117,558 of accrued liabilities associated with global tax equalizations. The Company expects to reverse approximately $17,405 of these liabilities in the quarter ending June 30, 2008 as a result of settlements for less than previously estimated liabilities and record the resulting benefit to professional compensation.

Note 9. Pension and Postretirement Benefits

The components of the Company s net periodic pension cost and postretirement medical cost for the three months ended March 31, 2008 and 2007 were as follows:

	Three Months Ended March 31,	
	2008	**2007**
Components of net periodic pension cost:		
Service cost	$ 1,590	$ 1,589
Interest cost	1,502	1,165
Expected return on plan assets	(339)	(243)
Amortization of (gain) loss	(5)	95
Amortization of prior service cost	200	163
Net periodic pension cost	$ 2,948	$ 2,769
Components of net periodic postretirement medical cost:		
Service cost	$ 631	$ 618
Interest cost	235	217
Amortization of losses		13
Amortization of prior service cost	119	119
Net periodic postretirement medical cost	$ 985	$ 967

