BEARINGPOINT INC
Form 10-K
June 05, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 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.)**
100 Crescent Court, Suite 700, Dallas, TX	**75201**
(Address of principal executive offices)	**(Zip Code)**

(703) 747-3000
(Registrant s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.01 Par Value
(Title of class)
Series A Junior Participating Preferred Stock Purchase Rights
(Title of class)

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller

reporting company in Rule 12b-2 of the Exchange Act.

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

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

As of June 30, 2008, the aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing price of such stock on the New York Stock Exchange on June 30, 2008, was approximately $176.0 million.

The number of shares of common stock of the Registrant outstanding as of May 1, 2009 was 4,416,987.

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PART I.

FORWARD-LOOKING STATEMENTS

Some of the statements in this Annual Report on Form 10-K (this Annual Report) constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. These statements relate to our operations and are based on our current expectations, estimates and projections. Words such as may, will, could, would, should, anticipate, predict, potential, continue, expects, intends, plans, projects, goals, in our view and similar expressions are used to identify these forward-looking statements. The forward-looking statements contained in this Annual Report include, without limitation, statements about our reorganization proceedings under chapter 11 of the U.S. Bankruptcy Code, the potential sale of all or substantially all of our businesses and assets, our ability to continue as a going concern, the value of our common stock, our internal control over financial reporting, our results of operation and our financial condition. Forward-looking statements are only predictions and as such, are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Forward-looking statements are based upon assumptions as to future events or our future financial performance that may not prove to be accurate. Actual outcomes and results may differ materially from what is expressed or forecast in these forward-looking statements. The reasons for these differences include changes that occur in our continually changing business environment and the risk factors enumerated in Item 1A, Risk Factors. As a result, these statements speak only as of the date they were made, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

AVAILABLE INFORMATION

We were incorporated as a business corporation under the laws of the State of Delaware in 1999. Our principal offices are currently located at 100 Crescent Court, Suite 700, Dallas, Texas 75201. Our main telephone number is (703) 747-3000.

Our website address is *www.bearingpoint.com.* Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as any amendments to those reports, are available free of charge through our website as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission (the SEC). Information contained or referenced on our website is not incorporated by reference into and does not form a part of this Annual Report.

You may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

In this Annual Report, we use the terms BearingPoint, we, the Company, our Company, our and us to refe BearingPoint, Inc. and its subsidiaries. All references to years, unless otherwise noted, refer to our twelve-month fiscal year.

On December 5, 2008, our stockholders approved a one-for-fifty reverse stock split, which became effective on December 10, 2008. All references to share and per share data for all periods presented have been adjusted to give effect to this reverse stock split unless otherwise noted. The effect of the reverse stock split on 2006, 2005 and 2004 disclosures is unaudited.

ITEM 1. BUSINESS

General

BearingPoint, Inc. is a provider of management and technology consulting services to commercial and public sector organizations around the world. Our core services, which include management consulting, technology solutions, application services and managed services, are designed to help our clients generate revenue, increase cost-effectiveness, manage regulatory compliance, integrate information and transition to next-generation technology. We believe we differentiate our services from others through our results, approach and people. Our collaborative and flexible approach, including our passionate and dedicated people who bring both deep management and technology experience to bear on solving our clients issues, is well recognized for producing innovative and effective solutions.

Historically, in North America, we have delivered consulting services through our Public Services, Commercial Services and Financial Services industry groups (our North American Industry Groups), which provide significant industry-specific knowledge and service offerings. Historically, outside of North America, we have been organized on a geographic basis Europe, the Middle East and Africa (collectively EMEA), the Asia Pacific region and Latin America (including Mexico).

For more information about our operating segments, see North American Industry Groups and International Operations, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operation Segments, and Note 18, Segment Information, of the Notes to Consolidated Financial Statements.

As of January 1, 2009, we combined three of our business segments: Commercial Services, Financial Services and Latin America and began managing the operations of these three segments as one combined segment reporting to a single segment leader, and realigned resources and internal management to gain synergies in both costs and revenue.

Chapter 11 Bankruptcy Proceedings and Sale Transactions

On February 18, 2009 (the Petition Date), BearingPoint, Inc. and certain of its subsidiaries based in the U.S. (collectively, the Debtors) filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the Bankruptcy Code) in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). The chapter 11 cases are being jointly administered under the caption *In re BearingPoint, Inc., et al.*, Case No. 09-10691 (REG) (the Chapter 11 Cases). The Debtors will continue to manage their properties and operate their business as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court. In addition, as part of the relief granted to the Debtors on the Petition Date, the Bankruptcy Court entered an order confirming that the Company s subsidiaries that are domiciled outside of the United States are not part of the Chapter 11 Cases. The Debtors may pay all debts and honor all obligations arising in the ordinary course of their businesses after the Petition Date. However, the Debtors may not pay creditors on account of obligations arising before the Petition Date or engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

As set forth in more detail below, the Company sold significant portions of its businesses and assets and has entered into agreements or is in negotiations to sell its remaining businesses and assets. It is expected that upon the consummation of these transactions the Company will wind down its operations and cease to operate as a going concern.

On November 13, 2008, the New York Stock Exchange (the NYSE) notified the Company that it had decided to suspend trading in the Company s common stock prior to market open on November 17, 2008, based on its determination that the trading price of the Company s common stock was abnormally low. The Company appealed the NYSE s decision to suspend the trading of its common stock; however, due to the commencement of the Chapter 11 Cases, the Company withdrew its appeal on March 5, 2009 and the Company s common stock was delisted from the NYSE effective as of March 19, 2009.

The decision to seek relief under the Bankruptcy Code was made after an exhaustive review of alternative options. In addition to significantly reducing our debt burden, the bankruptcy filing resolved potential defaults relating to our near-term cash payment obligations, including the right of the holders of the $200.0 million 5.00% Convertible Senior Subordinated Debentures due 2025 (the 5.00% Convertible Senior Debentures) to require us to repurchase the 5.00% Convertible Senior Debentures, as early as April 2009, at a purchase price equal to 100% of the principal amount of $200 million, plus any accrued and unpaid interest. Our failure to repurchase these debentures pursuant to the holders option would have caused a cross default under certain other of our debentures and our $500.0 million senior secured credit facility dated as of May 18, 2007, as amended and restated on June 1, 2007 (the 2007 Credit Facility). Such a cross default, in turn, would have caused all amounts outstanding thereunder to accelerate. The bankruptcy filing also resolved the prospect that we would have to repay all of our outstanding debt in the event our common stock is delisted from the NYSE. The chapter 11 filing, however, has resulted in the acceleration of these debt obligations. Accordingly, they became automatically due and payable on the Petition Date, subject to an automatic stay pursuant to the Bankruptcy Code of any action to collect or recover a claim against the Debtors.

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On the Petition Date, the Debtors filed their pre-arranged proposed joint plan of reorganization (the Plan), which embodied the proposed terms of the Debtors restructuring. The Debtors secured lenders (the Secured Lenders), who are parties to the 2007 Credit Facility, agreed in principle to support the Plan. As proposed, the Plan provided, among other things, that:

New Senior Secured Credit Facility. The 2007 Credit Facility would be replaced with a new senior secured credit facility as follows: term loan in the amount of $272 million plus accrued interest and a synthetic letter of credit facility in the amount of up to $130 million; plus the issuance of new convertible preferred stock with a liquidation preference of $50 million, plus accrued and unpaid dividends, which would be convertible into class 3 common stock (as described below).

Unsecured Debt. All unsecured debt would be exchanged for three different classes of common stock. Holders of the 5.00% Convertible Senior Debentures and holders of the $40 million 0.50% Convertible Senior Subordinated Debentures due 2010 would receive shares of class 1 common stock. Holders of the $250 million 2.50% Series A Convertible Subordinated Debentures due 2024 and holders of the $200 million 2.75% Series B Convertible Subordinated Debentures due 2024 would receive shares of class 2 common stock. Certain general unsecured creditors would receive shares of class 3 common stock. The three classes of common stock would be entitled to the same dividends, distributions and voting rights, except that until the holders of class 1 common stock had received dividends and distributions of $240 million, such holders would be entitled to the dividend, distribution and voting rights (except with respect to the election of directors) of the holders of class 2 common stock.

Existing Equity. All existing equity in the Company would be cancelled for no consideration.

However, as previously announced and as discussed in more detail below, the Company has actively marketed the sale of its businesses and assets to potential bidders during the pendency of the Chapter 11 Cases. The Company expects that the proposed Plan will be modified to reflect the Sale Transactions described below. If the Company is successful in selling all or substantially all of its assets, it will result in the liquidation of the Company s business and the Company would cease to operate as a going concern.

In order for a plan of reorganization to be confirmed by the Bankruptcy Court, such plan must be voted on by holders of impaired claims and must satisfy certain requirements of the Bankruptcy Code. Confirmation of a plan by a Bankruptcy Court would make the plan binding on the Debtors, any issuer of securities under the plan, any person acquiring property under the plan and any of the Debtors creditors or equity interest holders. Subject to certain limited exceptions, the order confirming a plan of reorganization will generally discharge the Debtors from any debt that arose prior to the date the Debtors filed the Chapter 11 Cases, and substitutes for such debt the obligations specified under the confirmed plan.

The Bankruptcy Court granted all of the relief sought by the Debtors on the Petition Date, including our motion for interim authority to use cash on which the Debtors Secured Lenders have asserted liens (the Cash Collateral), which provides us with continued access to funds to operate our business. The Debtors use of the Cash Collateral must be in accordance with a budget setting forth their anticipated cumulative cash receipts and expenditures on a weekly basis and all necessary and required cumulative expenses which the Debtors expect to incur during each week of the budget. The Debtors failure to use the Cash Collateral in accordance with the budget could, depending on the extent of the deviation, result in the Debtors losing access to the funds. The Bankruptcy Court also entered an interim order establishing notification procedures and restrictions in connection with holding and trading in our common stock and debt securities and certain of our other liabilities. The order is intended to preserve, to the greatest extent possible, the potential value of certain of our tax attributes, both during the pendency of the Chapter 11 Cases and following emergence from bankruptcy. A final hearing confirming our ability to use the Cash Collateral occurred on April 15, 2009.

As required by the Bankruptcy Code, the United States Trustee for the Southern District of New York appointed an official committee of unsecured creditors on February 27, 2009.

On March 5, 2009, the Debtors filed their schedules of assets and liabilities and their statements of financial affairs with the Bankruptcy Court. On March 11, 2009, the Bankruptcy Court issued an order establishing April 17, 2009 as the deadline for each person or entity other than a governmental unit (as defined in the Bankruptcy Code) to file a proof of claim against any of the Debtors to assert any claim.

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On March 23, 2009, the Company and certain of its subsidiaries entered into an Asset Purchase Agreement with Deloitte LLP pursuant to which the Company and certain of its subsidiaries agreed to sell a significant portion of their assets related to the Company s North American Public Services business to Deloitte and Deloitte agreed to assume certain liabilities associated with these assets as set forth in the Asset Purchase Agreement (the Deloitte Transaction). On April 17, 2009, the Bankruptcy Court approved this sale. The closing of the Deloitte Transaction occurred on May 8, 2009. In connection with the closing, the Company received net proceeds of approximately $329.3 million (subject to certain contractual adjustments).

Under the 2007 Credit Facility, the Company is obligated to repay the lenders amounts borrowed if it sells assets in excess of $15 million. The Bankruptcy Court s order approving the Deloitte Transaction provided that all liens, claims, and encumbrances attached to the proceeds of such sale. While the undisputed amount of liens totaled $255 million, Wells Fargo and the Official Committee of Unsecured Creditors have entered into an agreed order stipulating that the disputed amount of such liens totals no more than $1.5 million in the aggregate. In accordance with the Bankruptcy Court s order approving the Deloitte Transaction and the undisputed security interests of the lenders under the 2007 Credit Facility, on or about May 13, 2009, the Company made a payment in the amount of $255 million to Wells Fargo from the proceeds of the Deloitte Transaction.

On April 2, 2009, BearingPoint International Bermuda Holdings Limited, an indirect subsidiary of the Company, entered into a Share Sale Agreement with PwC Advisory Co., Ltd. (PwC Japan), the Japanese member firm of the PricewaterhouseCoopers global network of firms, for the sale of the Company s consulting business in Japan to PwC Japan (the PwC Japan Transaction). Pursuant to the Share Sale Agreement, PwC Japan agreed to purchase BearingPoint Co., Ltd. (Chiyoda-ku) (BearingPoint Japan), an indirect, wholly-owned subsidiary of the Company, through the purchase of all issued and outstanding shares of BearingPoint Japan. The Company generated cash of approximately $45 million in connection with the PwC Japan Transaction. In addition, in connection with the PwC Japan Transaction, PwC Japan assumed the intercompany debt owed by certain non-Debtor subsidiaries of the Company to BearingPoint Japan. The closing of the PwC Japan Transaction occurred on May 11, 2009.

On April 17, 2009, the Company and certain of its subsidiaries entered into an Asset Purchase Agreement with PricewaterhouseCoopers LLP (PwC) pursuant to which the Company agreed to sell a substantial portion of its assets related to its North American Commercial Services business unit, including Financial Services (collectively, the CS Business), to PwC, and PwC agreed to assume certain liabilities associated with these assets (the PwC U.S. Transaction). In addition, an affiliate of PwC also entered into a definitive agreement to purchase the equity interests of BearingPoint Information Technologies (Shanghai) Limited (BearingPoint China GDC), a subsidiary of the Company that operates a global development center in China, and certain assets of a separate global development center in India (the PwC China/India Transaction, and together with the PwC U.S. Transaction, the PwC Commercial Services Transaction). On April 27, 2009, the Bankruptcy Court approved bidding procedures in connection with an auction of all or substantially all of the assets of the CS Business and BearingPoint China GDC (the Auction). The Auction was held on May 27, 2009 and concluded on May 28, 2009. At a hearing on May 28, 2009, the Bankruptcy Court approved PwC as the winning bidder at the Auction. Under the terms of the winning bid, the aggregate purchase price for the PwC Commercial Services Transaction to be paid by PwC is approximately $44 million (subject to certain contractual adjustments). The closing of the PwC Commercial Services Transaction is expected to occur by the end of June 2009 and is subject to customary closing conditions.

On April 20, 2009, the Board of Directors of the Company authorized the Company to enter into a non-binding term sheet for the sale of its EMEA business to local management. Additionally, the Company is in negotiations with other parties and local management to sell its Latin America practices and sell various Asia Pacific practices other than BearingPoint Japan and BearingPoint China GDC and is in various stages of negotiations to sell certain remaining assets that were not, or will not be, sold pursuant to other transactions. These potential transactions, together with the Deloitte Transaction, the PwC Japan Transaction and the PwC Commercial Services Transaction, are referred to collectively as the Sale Transactions.

The purpose of these Sale Transactions is to sell all or substantially all of our business and assets to third parties or local management. Although certain of the Sale Transactions must be approved by the Bankruptcy Court and the Sale Transactions are subject to a number of risks, we expect that the Plan will be modified to reflect the Sale Transactions

and that the Chapter 11 Cases will result in a liquidation of BearingPoint s business and assets under either chapter 11 or chapter 7 of the Bankruptcy Code, such that BearingPoint will cease to operate as a going concern. There can be no assurance that the Sale Transactions will be completed.

Operating in bankruptcy imposes significant risks and uncertainties on our business. See Item 1A Risk Factors Risks Relating to Bankruptcy for a discussion of the risks and uncertainties relating to our business and investing in our securities as a result of the Chapter 11 Cases.

Additional information about our Chapter 11 Cases is available on our website *www.bearingpoint.com* and can be found by clicking on Restructuring Information. Our internet website and the information contained or incorporated therein are not intended to be incorporated into this Annual Report.

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Going Concern

As discussed above, we expect that the Plan will be modified to reflect the Sale Transactions and that the Chapter 11 Cases will result in a liquidation of our business and assets under either chapter 11 or chapter 7 of the Bankruptcy Code, with the Debtors ceasing to operate as a going concern. In addition, Ernst & Young LLP s report on the Company s 2008 consolidated financial statements states that uncertainties inherent in the bankruptcy process raise substantial doubt about the Company s ability to continue as a going concern.

North American Industry Groups

Historically, our North American operations were managed on an industry basis, enabling us to capitalize on our significant industry-specific knowledge. We believe this focus enhanced our ability to monitor global trends and observe best practice behavior, to design specialized service offerings relevant to the marketplaces in which our clients operate, and to build sustainable solutions. All of our industry groups provided management consulting, technology solutions, application services and managed services to their respective clients.

Prior to January 1, 2009, our three historical North American Industry Groups were:

Public Services, serving a broad range of both public and private clients, including agencies of the U.S. Federal government such as the Departments of Defense, Homeland Security, and Health and Human Services; provincial, state and local governments; public healthcare companies and private sector healthcare agencies; aerospace and defense companies; and higher education clients. As described above, the closing of the sale of a significant portion of our assets related to our North American Public Services business pursuant to the Deloitte Transaction occurred on May 8, 2009.

Commercial Services, supporting a highly diversified range of clients, including those in the life sciences and energy markets, as well as technology, consumer markets, manufacturing, transportation, communications and private and public utilities. As described above, we have entered into an agreement to sell a substantial portion of our assets related to our Commercial Services business pursuant to the PwC Commercial Services Transaction.

Financial Services, directing its solutions to many of the world s leading banking, insurance, securities, real estate, hospitality and professional services institutions. As described above, we have entered into an agreement to sell a substantial portion of our assets related to our Financial Services business pursuant to the PwC Commercial Services Transaction.

International Operations

Our operations outside of North America historically have been organized on a geographic basis, with alignment to our three North American Industry Groups enabling consistency in our global strategy and execution.

Our three traditional geographic regions are:

EMEA. As noted above, the Board of Directors of the Company authorized the Company to enter into a non-binding term sheet for the sale of its EMEA business to local management.

Asia Pacific. As described above, the closing of the sale of our consulting business in Japan pursuant to the PwC Japan Transactions occurred on May 11, 2009.

Pursuant to the PWC China/India Transaction, we have entered into agreements to sell two global development centers in the Asia Pacific region. We are also in separate negotiations with other parties and local management to sell various other Asia Pacific practices.

Latin America. As noted above, we are in negotiations with other parties and local management to sell our Latin America practices.

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Our Joint Marketing Relationships

As of December 31, 2008, our alliance program had approximately 40 relationships with key technology providers that support and complement our service offerings. Through this program, we created joint marketing relationships to enhance our ability to provide our clients with high value services. Those relationships typically entail some combination of commitments regarding joint marketing, sales collaboration, training and service offering development.

Competition

We operate in a highly competitive and rapidly changing market and compete with a variety of organizations that sell services similar to those we offer. Our competitors historically have included specialized consulting firms, systems consulting and implementation firms, former Big 4 and other large accounting and consulting firms, application software firms providing implementation and modification services, service and consulting groups of computer equipment companies, outsourcing companies, systems integration companies, aerospace and defense contractors and general management consulting firms. We also compete with our clients internal resources. Some of our competitors have significantly greater financial and marketing resources, name recognition and market share than we do.

We believe that the principal competitive factors in the markets in which we operate include scope of services, service delivery approach, technical and industry expertise, value added, availability of appropriate talent and resources, global reach, pricing and relationships.

Intellectual Property

We compete based in part on our methodologies and other proprietary intellectual property rights. We rely upon a combination of nondisclosure and other contractual arrangements, non-solicitation agreements, trade secrets, copyright and trademark laws to protect our proprietary rights and the rights of third parties from whom we license intellectual property. We also enter into confidentiality and intellectual property agreements with our employees that limit the distribution of proprietary information. We have only a limited ability to protect our important intellectual property rights.

Customer Dependence

During 2008 and 2007, our revenue from the U.S. Federal government, inclusive of government sponsored enterprises, was $1,031.7 million and $981.6 million, respectively, representing 32.3% and 28.4% of our total revenue, respectively. For 2008 and 2007, this included approximately $426.4 million and $378.7 million of revenue from the U.S. Department of Defense, respectively, representing approximately 13.3% and 11.0% of our total revenue for 2008 and 2007, respectively. While most of our government agency clients have the ability to unilaterally terminate their contracts, our relationships are seldom with political appointees, and we have not historically experienced a loss of U.S. Federal government business with a change in administration. For more information regarding government proceedings and risks associated with U.S. government contracts, see Item 3 Legal Proceedings, and Note 11, Commitments and Contingencies, of the Notes to Consolidated Financial Statements.

Employees

As of December 31, 2008, we had approximately 15,200 full-time employees, including approximately 12,700 billable professionals. For 2008, our voluntary annualized attrition rate was 24.8%, a slight increase over our attrition rate of 24.7% in 2007. However, due to the Chapter 11 Cases and the closing of certain Sale Transactions, as of May 15, 2009, we had approximately 8,900 full-time employees.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below before making an investment decision regarding our securities. The risks described below are not the only ones facing us. Additional risks not presently known to us or that we currently deem immaterial may also adversely affect our business or operations. Our business, financial condition or results of operations, cash flows or prospects could be materially and adversely affected by the occurrence of any of the matters included in these risks.

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Risks that Relate to Our Bankruptcy and the Sale Transactions

We are pursuing the sale of all or substantially all of our businesses pursuant to the Sale Transactions, which will result in the liquidation of our business and the Company ceasing to operate as a going concern.

On May 8, 2009, the Company and certain of its subsidiaries sold a significant portion of our assets related to our North American Public Services business to Deloitte. On May 11, 2009, BearingPoint International Bermuda Holdings Limited, an indirect subsidiary of the Company, sold the Company s consulting business in Japan to PwC Japan. On April 17, 2009, the Company and certain of its subsidiaries entered into an Asset Purchase Agreement with PwC pursuant to which we agreed to sell a substantial portion of our assets related to our Commercial Services business unit, including Financial Services, to PwC, and PwC agreed to assume certain liabilities associated with these assets. In addition, an affiliate of PwC also entered into a definitive agreement to purchase the equity interests of BearingPoint China GDC and certain assets of a separate global development center in India. On April 20, 2009, the Board of Directors of the Company authorized the Company to enter into a non-binding term sheet for the sale of its EMEA business to local management. Additionally, the Company is in negotiations with third parties and local management to sell its Latin America practices and sell various Asia Pacific practices other than BearingPoint Japan and BearingPoint China GDC and is in various stages of negotiations to sell certain remaining assets that were not, or will not be, sold pursuant to other transactions.

The purpose of the Sale Transactions is to sell all or substantially all of our businesses to third parties or local management. Although not all of the Sale Transactions requiring Bankruptcy Court approval have been approved by the Bankruptcy Court at this time and the Sale Transactions are subject to a number of risks, we expect that the Plan will be modified to reflect the Sale Transactions and that the Chapter 11 Cases will result in a liquidation of our business and assets pursuant to a liquidation under either chapter 11 or chapter 7 of the Bankruptcy Code, with the Debtors ceasing to operate as a going concern. In any event, we do not expect any funds to be available for distribution to holders of our common stock or certain of our unsecured creditors. See Risks that Relate to Our Common Stock below.

We are subject to the risks and uncertainties associated with bankruptcy proceedings as a result of our filing for reorganization under chapter 11 of the Bankruptcy Code on February 18, 2009.

On February 18, 2009, we filed a voluntary petition with the Bankruptcy Court to reorganize under chapter 11 of the Bankruptcy Code. Our operations based outside the United States were not included in our filing. Although we are currently pursuing the sale of all or substantially all of our businesses pursuant to the Sale Transactions, we plan to continue to operate our business as a debtor-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code while the Sale Transactions are pending. We expect that the Debtors Joint Plan of Reorganization under chapter 11 of the Bankruptcy Code that we originally filed with the Bankruptcy Court on February 18, 2009 will be modified to reflect the Sale Transactions. There can be no assurance that the Plan, as modified, will be approved by the Bankruptcy Court or that any conditions precedent to its implementation will be satisfied or when, if ever, such confirmation and satisfaction will occur. Failure to obtain such confirmation or to satisfy such conditions to implementation may result in lengthier chapter 11 proceedings as we attempt to negotiate and implement an alternative plan of reorganization.

For the duration of the Chapter 11 Cases, our operations will be subject to the risks and uncertainties associated with bankruptcy and the Sale Transactions, which include, among other things:

- the relationships between us and our customers, employees, vendors, strategic partners and others may be negatively affected by the Chapter 11 Cases and the Sale Transactions, including risks that our customers will be less likely to purchase our services, that our employees will seek out other opportunities or lack proper motivation to fulfill their commitments and that vendors and strategic partners could terminate their relationships with us or require financial assurances or enhanced performance to continue their business relationships with us, which may be unduly burdensome on our business and operations;

- our ability to negotiate and consummate the Sale Transactions;

- the actions and decisions of our creditors and other third parties with interests in our Chapter 11 Cases may be inconsistent with our plans;
- objections to or limitations on our ability to obtain Bankruptcy Court approval with respect to motions in the Chapter 11 Cases that we may seek from time to time or potential adverse decisions by the Bankruptcy Court with respect to such motions;
- objections to or limitations on our ability to reject contracts that are burdensome or uneconomical;
- our ability to obtain and maintain commercially reasonable terms with vendors, strategic partners and service providers;
- our ability to obtain and maintain contracts that are critical to our operations;
- our ability to retain client engagements and maintain our billing and utilization rates;
- our ability to retain and motivate our managing directors and other key employees; and
- our ability to maintain adequate financing and cash on hand and to generate sufficient cash from operations.

These risks and uncertainties could affect our business and operations in various ways. For example, negative events or publicity associated with our Chapter 11 Cases could adversely affect our relationships with our customers, as well as with employees, which in turn could adversely affect our operations and financial condition, particularly if the Chapter 11 Cases are protracted. Also, transactions outside the ordinary course of business are generally subject to the prior approval of the Bankruptcy Court, which may limit our ability to respond in a timely manner to certain events or take advantage of certain opportunities. Third parties could propose and seek confirmation of their own plan or plans for reorganization. Any such third party plan or plans could disrupt our business, adversely affect our relationships with customers, vendors, strategic partners and employees, or otherwise adversely affect our results of operations and financial condition.

Because of the risks and uncertainties associated with our chapter 11 proceedings, the ultimate impact of events that occur during these proceedings will have on our business, financial condition and results of operations cannot be accurately predicted or quantified. Our current Plan filed with the Bankruptcy Court provides, among other things, that all existing equity in the Company will be cancelled for no consideration. We do not expect that any modifications to the Plan, including those needed to reflect the Sale Transactions, would allow for distributions to holders of our common stock or certain of our unsecured creditors. We believe that the value of our common stock and various pre-petition liabilities is highly speculative. In addition, the Bankruptcy Court entered an interim order establishing notification procedures and restrictions in connection with holding and trading in our common stock and debt securities and certain of our other liabilities. Accordingly, extreme caution should be exercised with respect to existing and future investments in any of these securities or liabilities.

Operating under the Bankruptcy Code may restrict our ability to pursue our business strategies.

Under the Bankruptcy Code, we must obtain Bankruptcy Court approval to, among other things:

- sell assets outside the ordinary course of business;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- meet our capital needs;
- grant liens; and

finance our operations, investments or other capital needs or to engage in other business activities that would be in our interest.

In addition, if a trustee is appointed to operate the Company while in chapter 11 bankruptcy, the trustee would assume control of our assets.

Our liquidity position and our ability to continue as a going concern impose significant risks to our operations.

Because of the public disclosure of our liquidity constraints, our ability to maintain normal contractual terms with many of our customers has become impaired. We may be required to obtain surety bonds, letters of credit or bank guarantees in support of an increased number of customer engagements. We have experienced restrictions on the availability of credit, which has further reduced our liquidity. In addition, due to our financial condition and results of operations, in particular with regard to our Chapter 11 Cases and the explanatory paragraph indicating that substantial doubt exists as to the Company s ability to continue as a going concern contained in the audit report on our 2008 Financial Statements of our independent registered public accounting firm, we expect that customers will become more reluctant to enter into engagements with us.

We will not be able to pursue our original Plan, as filed with the Bankruptcy Court on February 18, 2009.

Although we filed a pre-arranged Plan with the Bankruptcy Court contemporaneously with our filing of the Chapter 11 Cases, we have since determined to proceed with the Sale Transactions. We expect to amend the Plan to reflect the Sale Transactions and do not expect to emerge from bankruptcy as a going concern. As a result of the Sale Transactions, we will not be able to pursue our original Plan, as filed with the Bankruptcy Court on February 18, 2009.

If the conditions to closing the Sale Transactions are not satisfied, the Sale Transactions may be terminated, which would have a significant adverse impact on us and the Chapter 11 Cases.

The Sale Transactions are subject to the satisfaction or waiver of various conditions, many of which are subject to uncertainty. The conditions to the consummation of the PwC Commercial Services Transaction include that the Chapter 11 Cases have not been dismissed or converted to a chapter 7 proceeding, and that no trustee or examiner has been appointed, and other customary closing conditions. There can be no assurance that the Chapter 11 Cases will not have been dismissed or converted to a chapter 7 proceeding prior to the consummation of the PwC Commercial Services Transaction. The other Sale Transactions may contain similar or other conditions to closing, including Bankruptcy Court approval. If we are unable to satisfy these conditions to closing, we will not be able to consummate the Sale Transactions, which would have a significant adverse impact on us and the Chapter 11 Cases.

The Sale Transactions could be negatively affected by current adverse conditions in financial markets.

The financial markets have recently been, and continue to be, disrupted and volatile. In particular, the cost and availability of financing has been and may continue to be adversely affected by illiquid financial and credit markets. As a result, potential bidders and purchasers in the Sale Transactions may not be able to obtain the financing necessary to purchase our businesses, which may diminish the proceeds available for distribution to our creditors. Regardless of the outcome of the Sale Transactions, we do not expect any funds to be available for distribution to our stockholders or certain of our unsecured creditors.

Failure to complete the Sale Transactions could negatively impact our business.

If the Sale Transactions are not completed for any reason, we will be subject to several risks, including the following:

- having to convert from a proceeding under chapter 11 of the Bankruptcy Code to a liquidation proceeding under either chapter 11 or chapter 7 of the Bankruptcy Code;

- having to negotiate one or more alternative sale transactions, which may not create as much value as the Sale Transactions; and

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having the focus of our senior management directed toward the proposed Sale Transactions instead of on our stand-alone operations.

If the Sale Transactions are not completed, these risks may materialize and have a material adverse effect on our operations, business, financial results, financial condition and recoveries under an alternate plan of reorganization.

The pursuit of the Chapter 11 Cases and the Sale Transactions have consumed and will continue to consume a substantial portion of the time and attention of our management, and certain aspects of the Sale Transactions will impact how our business is conducted, which may have an adverse effect on our business and results of operations.

The requirements of the Chapter 11 Cases and the Sale Transactions have consumed and will continue to consume a substantial portion of our management s time and attention and leave them with less time to devote to the operations of our business. This diversion of management s attention may have a material adverse effect on the conduct of our business, and, as a result, on our financial condition and results of operations, particularly if the Chapter 11 Cases are protracted. In addition, certain aspects of the Sale Transactions will impact how our business is conducted, which may have an adverse effect on our business and results of operations.

Uncertainty related to the Sale Transactions could have a material adverse effect on our business.

Uncertainty about whether and when the Sale Transactions will be completed and expectations as to how the acquired businesses and assets will be operated after the consummation of the Sale Transactions could have a material adverse effect on our business, including through employee attrition (as discussed further in the risk factor below) and increased attempts by competitors to persuade our customers to change service providers. This would have a negative impact on our results of operations and financial condition.

We have experienced increased levels of employee attrition, we have begun to reduce our workforce and our employees are facing considerable distractions and uncertainty, due to the Chapter 11 Cases and the Sale Transactions.

Because of the Chapter 11 Cases and the Sale Transactions, we have experienced increased levels of employee attrition, and our employees are facing considerable distractions and uncertainty. In addition, we have started reductions of our workforce during the Chapter 11 Cases and expect to lose employees in connection with the acquisitions of our businesses pursuant to the Sale Transactions. A loss of key personnel or a substantial reduction in our workforce or material erosion of employee morale could have a material adverse effect on our business, particularly if the Chapter 11 Cases are protracted. Our ability to motivate and retain key employees is restricted by provisions of the Bankruptcy Code, which limit or prevent our ability to implement a retention program or take other measures intended to motivate key employees to remain with us throughout the pendency of the Chapter 11 Cases and the Sale Transactions without Bankruptcy Court approval. The loss of the services of any members of our senior management could impair our ability to execute our strategy and, as a result, could have a material adverse effect on our results of operations and financial condition.

We will be subject to claims made after the date that we filed for bankruptcy and other claims that are not discharged in the Chapter 11 Cases, which could have a material adverse effect on our results of operations and financial condition.

We are currently subject to claims in various legal proceedings and may become subject to other legal proceedings in the future. Although we will seek to satisfy and discharge all claims made against us prior to the date of the bankruptcy filing (which claims are generally stayed during the Chapter 11 Cases), we may not be successful in doing so. Claims made against our international operations (which were not included in our bankruptcy filing) are not stayed and will not be discharged in the Chapter 11 Cases. In addition, any claims arising after the date of our bankruptcy filing may not be subject to discharge in the Chapter 11 Cases. The outcome of each of these claims, including our ability to have such claims satisfied and discharged in the Chapter 11 Cases, cannot, at this time, be determined, nor can the liability that may potentially result from a negative outcome be reasonably estimated presently for every case. The liability that we may ultimately incur with respect to any of these claims (in the event of a negative outcome) may be in excess of amounts that have currently been accrued with respect to such claims and, as a result, may have a material adverse effect on our results of operations and financial condition.

We likely will be unable to timely file certain periodic reports with the SEC.

We did not timely file with the SEC this Annual Report or our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, and likely will continue to be unable to timely file our annual and quarterly periodic reports with the SEC in the future.

Following the commencement of the Chapter 11 Cases, our management has been particularly strained by the considerable attention required for administering the Chapter 11 Cases and marketing, negotiating and consummating the Sale Transactions. In addition, due to the continuing demands on management s time and attention in connection with the Chapter 11 Cases and the Sale Transactions, as well as the significant employee attrition we have recently experienced and expect to continue to experience, we cannot make any assurances as to whether or when we will be able to complete and file our periodic reports in the future.

Risks that Relate to Our Common Stock

Trading in our securities during the pendency of the Chapter 11 Cases is highly speculative and poses substantial risks. Regardless of whether the Sale Transactions are consummated or an alternate plan of reorganization is confirmed by the Bankruptcy Court, our common stock likely will be cancelled and holders of such common stock likely will not receive any distribution with respect to, or be able to recover any portion of, such investment.

Regardless of whether the Sale Transactions are consummated or an alternate plan of reorganization is confirmed by the Bankruptcy Court, it is highly unlikely that the proceeds from such sales would be sufficient to, or that any such plan of reorganization would, allow for distributions with respect to our common stock or certain of our unsecured creditors. Our common stock likely will be cancelled and extinguished upon the approval of the Bankruptcy Court and the holders thereof would not be entitled to receive, and would not receive or retain, any property or interest in property on account of such equity interests. Amounts invested by such holders in our outstanding equity securities likely will not be recoverable. As such, our currently outstanding equity securities likely have no value. Trading prices are very volatile and frequently bear no relationship to the expected recovery by the holders of such securities in the Chapter 11 Cases. In addition, the Bankruptcy Court also entered an interim order establishing notification procedures and restrictions in connection with holding and trading in our common stock and debt securities and certain of our other liabilities. Accordingly, we urge that extreme caution be exercised with respect to existing and future investments in our equity securities and any of our other securities.

Our common stock has been delisted from the NYSE and is not listed on any other national securities exchange. It will likely be more difficult for stockholders and investors to sell our common stock or to obtain accurate quotations of the share price of our common stock.

As a result of our failure to maintain certain standards for continued listing on the NYSE, on November 13, 2008, the Company received a notice from the NYSE that it had decided to suspend trading in the Company s common stock on November 17, 2008, based on its determination that the trading price of the Company s common stock was abnormally low, and to commence delisting proceedings. The NYSE filed a Form 25 to delist our common stock on March 9, 2009 and such delisting became effective on March 19, 2009. Due to the suspension of trading and delisting, our common stock is now traded over-the-counter.

Stocks trading on the over-the-counter market are typically less liquid than stocks that trade on a national securities exchange. Trading on the over-the-counter market may also negatively impact the trading price of our common stock. In addition, the liquidity of our common stock may be impaired, not only in the number of shares that are bought and sold, but also through delays in the timing of transactions, and coverage by security analysts and the news media, if any, of our company. Stockholders may find it difficult to resell their shares of our common stock, due to the delisting and the likely effect of the Chapter 11 Cases on our common stock. The delisting of our common stock from the NYSE may also result in other negative implications, including the potential loss of confidence by customers, strategic partners and employees, and loss of institutional investor interest in our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2008, our properties consisted of leased office facilities for specific client contracts and for sales, support, research and development, consulting, administrative and other professional personnel. Prior to the closing of the Deloitte Transaction, our corporate headquarters consisted of approximately 235,000 square feet in McLean, Virginia. Our corporate headquarters are currently located at 100 Crescent Court, Suite 700, Dallas, Texas 75201. As of December 31, 2008, we occupied approximately 80

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additional offices in the United States and approximately 50 offices in Latin America, Canada, the Asia Pacific region and EMEA. All of our office space generally is leased pursuant to operating leases that expire over various periods during the next 9 years. Portions of our office space are sublet under operating lease agreements that expire over various periods during the next 8 years and are also being marketed for sublease or disposition.

Pursuant to the Bankruptcy Code, and subject to the approval of the Bankruptcy Court, the Debtors have the ability to reject unexpired leases of real property at their discretion. The Debtors are currently reviewing and have commenced rejecting various leases that they believe are no longer required as they proceed through the Sale Transactions and the liquidation of the Company. The rejection of these leases leads to a pre-petition claim for damages which is capped under the Bankruptcy Code.

ITEM 3. LEGAL PROCEEDINGS

Chapter 11 Cases

On February 18, 2009, the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York, as discussed in Item 1 Business . Under the Bankruptcy Code, the filing of a petition automatically stays most actions against the Company, including most actions to collect pre-petition indebtedness or to exercise control over the property of our bankruptcy estates. Absent further order of the Bankruptcy Court, no party, subject to certain exceptions, may take any action, also subject to certain exceptions, to recover on pre-petition claims against the Debtors. We expect substantially all of our pre-petition liabilities will be resolved under our plan of reorganization if not otherwise satisfied pursuant to orders of the Bankruptcy Court.

At this time, it is not possible to predict the outcome of the Chapter 11 Cases or their effect on our business or certain claims and investigations being conducted by agencies or officers of the U.S. Federal government and arising in connection with our provision of services under contracts with agencies of the U.S. Federal government. Prior to the closing of the Deloitte Transaction, a significant portion of our business related 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 our operations have been or are 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.

Overview

We currently are a party to a number of disputes that involve or may involve litigation or other legal or regulatory proceedings. Generally, there are three types of legal proceedings to which we may be made a party:

- Claims and investigations arising from our inability to timely file periodic reports under the Exchange Act, and the restatement of our financial statements for certain prior periods to correct accounting errors and departures from generally accepted accounting principles for those years;

- Claims and investigations being conducted by agencies or officers of the U.S. Federal government and arising in connection with our provision of services under contracts with agencies of the U.S. Federal government; 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.

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 our financial results in our 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. We were 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. 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 and oral argument was held on January 29, 2009. On April 8, 2009, the lead plaintiffs filed a Motion for Modification of Stay in BearingPoint s Chapter 11 Cases, seeking to modify the automatic stay for the limited purpose of allowing the Fourth Circuit to render a decision on the plaintiffs appeal. By order dated May 7, 2009, the Bankruptcy Court granted the plaintiffs motion and modified the automatic stay solely to permit the Fourth Circuit to render its decision on the appeal. On May 7, 2009, the plaintiffs filed a status report with the Fourth Circuit advising of the Bankruptcy Court s modification of the automatic stay.

2005 Shareholder s Derivative Demand. On May 21, 2005, we received a letter from counsel representing one of our shareholders requesting that we initiate a lawsuit against our Board and certain 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 our 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, our Board 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. We 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 our 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 and the other defendants renewed their motion to dismiss all remaining claims by filing demurrers, which argument was heard on March 23, 2007. On February 20, 2008, the court granted the demurrers and dismissed the claims with prejudice.

SEC Investigation. On April 13, 2005, pursuant to the same matter number as its inquiry concerning our restatement of certain financial statements issued in 2003, the staff of the SEC s Division of Enforcement requested information and documents relating to our March 18, 2005 Form 8-K. On September 7, 2005, we announced that the staff had issued a formal order of investigation in this matter. We subsequently have received subpoenas from the staff seeking production of documents and information, including certain information and documents related to an investigation conducted by our Audit Committee. We continue 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 our current and former employees, as well as one of our former directors.

In connection with the investigation by our Audit Committee, we became aware of incidents of possible non-compliance with the Foreign Corrupt Practices Act and our internal controls in connection with certain of our

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, we received a subpoena from the SEC regarding information related to these matters and has responded to their requests through the summer of 2006. We have not received any further requests since that time.

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Government Contracting Matters

Prior to the closing of the Deloitte Transaction, a significant portion of our business related 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 our operations are 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 us, 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 us in any such investigation could have a material effect on our results of operations or financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

As previously reported, on December 5, 2008, we held our 2008 Annual Meeting of Stockholders. Set forth below is information concerning each matter submitted to a vote at the meeting. The numbers of votes below do not reflect the one-for-fifty reverse stock split that became effective on December 10, 2008.

(1) *Election of Directors.* Our stockholders elected the following persons as Class II directors to hold office until the annual meeting of stockholders to be held in 2011 and their respective successors have been duly elected and qualified.

Nominee for Class I Director	For	Withhold
Wolfgang H. Kemna	119,646,439	59,096,506
Albert L. Lord	103,531,942	75,211,003
J. Terry Strange	119,484,462	59,258,483

(2) *Ratification of Appointment of Ernst & Young LLP.* Our stockholders ratified the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2008.

For	Against	Abstain
169,758,988	1,783,706	7,200,251

(3) *Amendment to the Amended and Restated Certificate of Incorporation.* The Board of Directors amended and restated the Company s Amended and Restated Certificate of Incorporation, effective immediately following the Company s Annual Meeting, to permit the Board of Directors, at their discretion, to enact a reverse stock split of the Company s common stock at a ratio within the range from one-for-ten and one-for-fifty at any time prior to January 16, 2009.

For	Against	Abstain
152,226,526	5,632,576	20,883,843

PART II.

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Until November 17, 2008, our common stock was traded on the NYSE under the symbol BE. Because the trading price of our common stock was abnormally low, the NYSE suspended trading in our common stock and thereafter our common stock was delisted by the NYSE on March 19, 2009. In addition, we had previously fallen below the NYSE s continued listing standard for minimum average closing price of $1.00 over a consecutive 30 trading day period and minimum average market capitalization of $100 million over a consecutive 30 trading day period. Since November 17, 2008, our common stock is traded the over-the-counter, including on the Pink Sheets and OTC Bulletin Board under the trading symbol BGPTQ.

The following table sets forth the high and low sales prices for our common stock, adjusted for all periods to reflect the reverse stock split executed on December 10, 2008 as more fully described below, as reported on the NYSE and over-the-counter for the quarterly periods indicated.

Price Range of Common Stock

	Price Range of Common Stock	
	High	**Low**
2008		
Fourth Quarter	30.00	1.00
Third Quarter	72.00	25.00
Second Quarter	101.50	31.00
First Quarter	145.50	75.00
2007		
Fourth Quarter	259.50	122.50
Third Quarter	382.00	191.50
Second Quarter	400.00	345.00
First Quarter	428.00	366.50

Regardless of whether the Sale Transactions are consummated or an alternate plan of reorganization is confirmed by the Bankruptcy Court, it is highly unlikely that the proceeds from such sales would be sufficient to, or that any such plan or reorganization would, allow for distributions with respect to our common stock. These equity interests will likely be cancelled and extinguished without consideration upon the approval of the Bankruptcy Court and the holders thereof would not be entitled to receive, and would not receive or retain, any property or interest in property on account of such equity interests. Accordingly, we urge that extreme caution be exercised with respect to existing and future investments in the Company s equity securities and any of the Company s liabilities or other securities. In addition, the Bankruptcy Court also entered an interim order establishing notification procedures and restrictions in connection with holding and trading in our common stock.

Holders

At April 27, 2009, we had approximately 227 stockholders of record.

Dividends

We have never paid cash dividends on our common stock, and we do not anticipate paying any cash dividends on our common stock. We intend to retain all of our earnings, if any, for general corporate purposes. Our 2007 Credit Facility contained limitations on our payment of dividends.

Reverse Stock Split

At our 2008 Annual Meeting of Stockholders held on December 5, 2008, our stockholders approved an amendment to the Amended and Restated Certificate of Incorporation permitting the Board to effect, at its discretion, a reverse stock split of our common stock at a

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ratio within the range from one-for-ten and one-for-fifty at any time prior to January 16, 2009. Upon stockholder approval, the Board approved the implementation of a one-for-fifty reverse stock split of our common stock. As a result of the reverse stock split, every fifty shares of our common stock that was issued and outstanding as of market close on the record date was automatically combined into one issued and outstanding share of common stock. The record date for the reverse stock split was December 10, 2008 and the split was effective at 6:01 p.m., Eastern Time, on the same date. As of the record date, we had 220,851,816 shares of common stock outstanding and upon the effectiveness of the reverse stock split, we had 4,417,037 shares of common stock outstanding. Instead of issuing fractional shares as a result of the reverse stock split, stockholders received cash payments for such fractional shares after our transfer agent sold all of the aggregated fractional shares of common stock.

Equity Compensation Plan Information
(as of December 31, 2008)

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity Compensation Plans Approved by Security Holders	934,510	$ 506.49	1,177,690(1)(2)
Equity Compensation Plans Not Approved by Security Holders	13,325(3)	$ 0.00	
Total	947,835	$ 506.49	1,177,690

(1) Includes 610,359 shares of common stock available for grants of stock options, restricted stock, stock appreciation rights and other stock-based awards under our Amended and Restated 2000 Long-Term Incentive Plan

(the LTIP) and 567,331 shares of common stock available for issuance under our Amended and Restated Employee Stock Purchase Plan (the ESPP). Effective as of January 14, 2009, we terminated the ESPP program.

(2) Under the LTIP, the number of shares of common stock authorized for grants or awards is 1,843,586. Under the ESPP, the number of shares of our common stock available for purchase is 75,322 shares, plus an annual increase on the first day of each of our fiscal years beginning on July 1, 2001 and ending on June 30, 2026 equal to the lesser of (i) 600,000 shares, (ii) three percent of the shares outstanding on the last day of the immediately preceding fiscal year or (iii) a

lesser number of shares as determined by our Board.

(3) Consists of 13,325 outstanding RSUs held by Mr. Harbach, all of which were non-LTIP grants.

Issuer Purchases of Equity Securities

The following table provides information relating to our purchase of shares of common stock of the Company in 2008:

Period	**Total Number of Shares Purchased**	**Average Price per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)**	**Approximate Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Plans or Programs ($ in millions)(1)**
January 1, 2008 December 31, 2008	2,321(2)	$ 65.85		$ 64.3

(1) In July 2001, our Board authorized us to repurchase up to $100.0 million of our common stock. Any shares so repurchased are held as treasury shares. During 2008, there were no open market purchases by the Company of our common stock.

(2) In 2008, as permitted under the LTIP, we acquired an aggregate of 1,979 shares of our common stock for an aggregate price of $117,684 in connection with share withholding for payroll tax obligations due from employees and former employees for the issuance of shares of common stock upon settlement of RSUs. Additionally, we acquired an aggregate of 342 shares of our common stock in connection with repayment of RSU gains realized totaling $35,180 from employees who terminated for cause.

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COMPARATIVE STOCK PERFORMANCE

Our Peer Group (the Peer Group) consists of Accenture Ltd, Computer Sciences Corporation, Electronic Data Systems Corporation (acquired by HP in August of 2008) and Cap Gemini SA. We believe that the members of the Peer Group are most comparable to us in terms of client base, service offerings and size.

The following graph compares the total stockholder return on our common stock from 2004 through 2008 with the total return on the Standard & Poor s (S&P) 500 Index and the Peer Group. The graph assumes that $100 is invested initially and all dividends are reinvested.

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ITEM 6. SELECTED FINANCIAL DATA

Our selected financial data is derived from our audited Consolidated Financial Statements and related Notes included elsewhere in this report as of and for the years ended December 31, 2008, 2007 and 2006. The selected data as of and for the years ended December 31, 2005 and 2004 are also derived from audited financial statements, unless noted otherwise. Through June 30, 2003, our fiscal year ended on June 30. In February 2004, our Board approved a change in our fiscal year-end to a twelve-month period ending December 31. Selected financial data should be read in conjunction with Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operation, and the Consolidated Financial Statements and the related Notes included herein.

Statements of Operations

	Year Ended				
	December 31, 2008	December 31, 2007	December 31, 2006	December 31, 2005	December 31, 2004
	(in thousands, except per share amounts)				
Revenue	$ 3,197,041	$ 3,455,562	$ 3,444,003	$ 3,388,900	$ 3,375,782
Costs of service:					
Costs of service(1)(2)	2,521,254	2,966,168	2,863,856	3,001,327	2,816,559
Lease and facilities restructuring charge	(3,524)	20,869	29,621	29,581	11,699
Total costs of service	2,517,730	2,987,037	2,893,477	3,030,908	2,828,258
Gross profit	679,311	468,525	550,526	357,992	547,524
Amortization of purchased intangible assets			1,545	2,266	3,457
Goodwill impairment charge(3)				166,415	397,065
Selling, general and administrative expenses(1)(2)	550,818	701,317	748,250	750,867	641,176
Operating income (loss)	128,493	(232,792)	(199,269)	(561,556)	(494,174)
Insurance settlement			38,000		
Interest /other expense, net(4)	(91,811)	(57,698)	(19,774)	(37,966)	(17,644)
Loss on early extinguishment of debt					(22,617)
Income (loss) before taxes	36,682	(290,490)	(181,043)	(599,522)	(534,435)
Income tax expense(5)	68,754	72,233	32,397	122,121	11,791
Net income (loss) applicable to common stockholders(6)	(32,072)	(362,723)	(213,440)	(721,643)	(546,226)
Income (loss) per share:					
Net (income) loss applicable to common stockholders basic and diluted	$ (7.18)	$ (83.90)	$ (50.30)*	$ (179.50)*	$ (138.61)*

* Unaudited for reverse stock split, see

Available Information and Note 1, Reverse Stock Split.

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Balance Sheet Data

	December 31, 2008	December 31, 2007	December 31, 2006 (in thousands)	December 31, 2005	December 31, 2004
Cash, cash equivalents, and restricted cash(7)	$ 353,132	$ 468,518	$ 392,668	$ 376,587	$ 265,863
Total assets	1,654,915	1,981,404	1,939,240	1,972,426	2,182,707
Long-term liabilities(8)	1,336,135	1,538,801	1,078,930	976,501	648,565
Total debt	976,916	974,643	671,850	674,760	423,226
Total liabilities(8)	2,201,146	2,450,693	2,116,541	2,017,998	1,558,009
Total stockholders (deficit) equity(8)	(546,231)	(469,289)	(177,301)	(45,572)	624,698

(1) During the year ended December 31, 2008, an adjustment of $77.2 million was recorded to reverse expenses recorded in 2007 associated with the performance share unit (PSU) and performance cash award (PCA) plans, comprised of $62.7 million within costs of service and $14.5 million within selling, general and administrative expenses, due to the Company s estimate of the performance condition not being probable of achievement at the end of the

plan period. During the year ended December 31, 2008, an additional adjustment was recorded of $37.0 million, which increased net income, comprised of $36.6 million within cost of service and $0.4 million within selling, general and administrative expense, to adjust accruals associated with global tax equalization expense. During the year ended December 31, 2008, severance expenses of $27.6 million were recorded, comprised of $22.1 million within costs of service and $5.5 million within selling, general and administrative expenses resulting from routine adjustments to the size of our workforce to better meet the needs of the business.

(2) During the year ended

December 31, 2007, an adjustment of $7.6 million was recorded, comprised of $2.5 million within costs of service and $5.1 million within selling, general and administrative expenses, to adjust the stock-based compensation expense to account for an increase in the estimated forfeiture rate and capture the impact of unanticipated forfeitures that occurred in the fourth quarter of 2007.

(3) During the years ended December 31, 2005 and 2004, we recorded goodwill impairment charges of $166.4 million and $397.1 million, respectively.

(4) During the year ended December 31, 2004, we recorded a change in accounting principle

resulting in a charge of $0.5 million related to the elimination of a one-month lag in reporting for certain Asia Pacific subsidiaries, as well as a subsidiary within the EMEA region. While the elimination of the one-month lag is considered a change in accounting principle, the effect of the change is included in other income (expense) due to the immateriality of the change in relation to consolidated net loss.

(5) During the year ended December 31, 2005, we recorded a valuation allowance of $55.3 million, primarily against our U.S. deferred tax assets to reflect our conclusion that it is more likely than not that these tax benefits would

not be realized.

(6) During the fourth quarter of 2006, the one-month reporting lag in the remaining EMEA entities was eliminated. The elimination of one month of activity increased our 2006 consolidated net loss for the year ended December 31, 2006 by $1.2 million.

(7) Restricted cash amounts at December 31, 2007, 2006, 2005 and 2004 were $1.7 million, $3.1 million, $121.2 million and $21.1 million, respectively.

(8) During the year ended December 31, 2007, we recognized an increase of approximately $119.8 million in liability for unrecognized tax benefits, which was reflected as an increase to the January 1, 2007 balance of

accumulated deficit as a result of adopting the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes, as of January 1, 2007.

Note: On February 18, 2009, the Debtors filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The selected financial data set forth above does not reflect the impact of the Chapter 11 filing.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following Management s Discussion and Analysis of Financial Condition and Results of Operation (MD&A) should be read in conjunction with the Consolidated Financial Statements and the Notes to Consolidated Financial Statements included elsewhere in this Annual Report. This Annual Report contains forward-looking statements that involve risks and uncertainties. See Forward-Looking Statements.

Overview

Historically, we strived to be recognized as the world leader in management and technology consulting, admired for our passion and respected for our ability to solve our clients most important challenges. We provide strategic consulting applications services, technology solutions and managed services to government organizations, Global 2000 companies and medium-sized businesses in the United States and internationally. Historically, in North America, we provided consulting services through our Public Services, Commercial Services and Financial Services industry groups in which we focused significant industry-specific knowledge and service offerings to our clients. Outside of North America, historically, we were organized on a geographic basis, with operations in EMEA, the Asia Pacific region and Latin America.

Chapter 11 Bankruptcy Proceedings and Sale Transactions

On February 18, 2009, the Debtors filed voluntary petitions for relief under the Bankruptcy Code in the Bankruptcy Court. The chapter 11 cases are being jointly administered under the caption *In re BearingPoint, Inc., et al.*, Case No. 09-10691 (REG) (the Chapter 11 Cases). The Debtors will continue to manage their properties and operate their business as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court. In addition, as part of the relief granted to the Debtors on the Petition Date, the Bankruptcy Court entered an order confirming that the Company s subsidiaries that are domiciled outside of the United States are not part of the Chapter 11 Cases. The Debtors may pay all debts and honor all obligations arising in the ordinary course of their businesses after the Petition Date. However, the Debtors may not pay creditors on account of obligations arising before the Petition Date or engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

As set forth in more detail below, the Company has sold significant portions of its businesses and assets and has entered into agreements or is in negotiations to sell its remaining businesses and assets. It is expected that upon the consummation of these transactions the Company will wind down its operations and cease to operate as a going concern.

On November 13, 2008, the NYSE notified the Company that it had decided to suspend trading in the Company s common stock prior to market open on November 17, 2008, based on its determination that the trading price of the Company s common stock was abnormally low. The Company appealed the NYSE s decision to suspend the trading of its common stock; however, due to the commencement of the Chapter 11 Cases, the Company withdrew its appeal on March 5, 2009 and the Company s common stock was delisted from the NYSE effective as of March 19, 2009.

The decision to seek relief under the Bankruptcy Code was made after an exhaustive review of alternative options. In addition to significantly reducing our debt burden, the bankruptcy filing resolved potential defaults relating to our near-term cash payment obligations, including the right of the holders of the 5.00% Convertible Senior Debentures to require us to repurchase the 5.00% Convertible Senior Debentures, as early as April 2009, at a purchase price equal to 100% of the principal amount of $200 million, plus any accrued and unpaid interest. Our failure to repurchase these debentures pursuant to the holders option would have caused a cross default under certain other of our debentures and our 2007 Credit Facility. Such a cross default, in turn, would have caused all amounts outstanding thereunder to accelerate. The bankruptcy filing also resolved the prospect that we would have to repay all of our outstanding debt in the event our common stock is delisted from the NYSE. The chapter 11 filing, however, has resulted in the acceleration of these debt obligations. Accordingly, they became automatically due and payable on the Petition Date, subject to an automatic stay pursuant to the Bankruptcy Code of any action to collect or recover a claim against the Debtors.

On the Petition Date, the Debtors filed the Plan, which embodied the proposed terms of the Debtors restructuring. The Secured Lenders, who are parties to the 2007 Credit Facility, agreed in principle to support the Plan. As proposed,

the Plan provides, among other things, that:

New Senior Secured Credit Facility. The 2007 Credit Facility would be replaced with a new senior secured credit facility as follows: term loan in the amount of $272 million plus accrued interest and a synthetic letter of credit facility in the amount of up to $130 million; plus the issuance of new convertible preferred stock with a liquidation preference of $50 million, plus accrued and unpaid dividends, which would be convertible into class 3 common stock (as described below).

Unsecured Debt. All unsecured debt would be exchanged for three different classes of common stock. Holders of the 5.00% Convertible Senior Debentures and holders of the $40 million 0.50% Convertible Senior Subordinated Debentures due 2010 would receive shares of class 1 common stock. Holders of the $250 million 2.50% Series A Convertible Subordinated Debentures due 2024 and holders of the $200 million 2.75% Series B Convertible Subordinated Debentures due 2024 would receive shares of class 2 common stock. Certain general unsecured creditors would receive shares of class 3 common stock. The three classes of common stock would be entitled to the same dividends, distributions and voting rights, except that until the holders of class 1 common stock had received dividends and distributions of $240 million, such holders would be entitled to the dividend, distribution and voting rights (except with respect to the election of directors) of the holders of class 2 common stock.

Existing Equity. All existing equity in the Company would be cancelled for no consideration.

However, as previously announced and as discussed in more detail below, the Company has actively marketed the sale of its businesses and assets to potential bidders during the pendency of the Chapter 11 Cases. The Company expects that the proposed Plan will be modified to reflect the Sale Transactions described below. If the Company is successful in selling all or substantially all of its assets, it will result in the liquidation of the Company s business and the Company would cease to operate as a going concern.

In order for a plan of reorganization to be confirmed by the Bankruptcy Court, such plan must be voted on by holders of impaired claims and must satisfy certain requirements of the Bankruptcy Code. Confirmation of a plan by a Bankruptcy Court would make the plan binding on the Debtors, any issuer of securities under the plan, any person acquiring property under the plan and any of the Debtors creditors or equity interest holders. Subject to certain limited exceptions, the order confirming a plan of reorganization will generally discharge the Debtors from any debt that arose prior to the date the Debtors filed the Chapter 11 Cases, and substitutes for such debt the obligations specified under the confirmed plan.

The Bankruptcy Court granted all of the relief sought by the Debtors on the Petition Date, including our motion for interim authority to use the Cash Collateral, which provides us with continued access to funds to operate our business. The Debtors use of the Cash Collateral must be in accordance with a budget setting forth their anticipated cumulative cash receipts and expenditures on a weekly basis and all necessary and required cumulative expenses which the Debtors expect to incur during each week of the budget. The Debtors failure to use the Cash Collateral in accordance with the budget could, depending on the extent of the deviation, result in the Debtors losing access to the funds. The Bankruptcy Court also entered an interim order establishing notification procedures and restrictions in connection with holding and trading in our common stock and debt securities and certain of our other liabilities. The order is intended to preserve, to the greatest extent possible, the potential value of certain of our tax attributes, both during the pendency of the Chapter 11 Cases and following emergence from bankruptcy. A final hearing confirming our ability to use the Cash Collateral occurred on April 15, 2009.

As required by the Bankruptcy Code, the United States Trustee for the Southern District of New York appointed an official committee of unsecured creditors on February 27, 2009.

On March 5, 2009, the Debtors filed their schedules of assets and liabilities and their statements of financial affairs with the Bankruptcy Court. On March 11, 2009, the Bankruptcy Court issued an order establishing April 17, 2009 as the deadline for each person or entity other than a governmental unit (as defined in the Bankruptcy Code) to file a proof of claim against any of the Debtors to assert any claim.

On March 23, 2009, the Company and certain of its subsidiaries entered into an Asset Purchase Agreement with Deloitte LLP pursuant to which the Company and certain of its subsidiaries agreed to sell a significant portion of their

assets related to the Company s North American Public Services business to Deloitte and Deloitte agreed to

assume certain liabilities associated with these assets as set forth in the Asset Purchase Agreement (the Deloitte Transaction). On April 17, 2009, the Bankruptcy Court approved this sale. The closing of the Deloitte Transaction occurred on May 8, 2009. In connection with the closing, the Company received net proceeds of approximately $329.3 million (subject to certain contractual adjustments).

Under the 2007 Credit Facility, the Company is obligated to repay the lenders amounts borrowed if it sells assets in excess of $15 million. The Bankruptcy Court s order approving the Deloitte Transaction provided that all liens, claims, and encumbrances attached to the proceeds of such sale. While the undisputed amount of liens totaled $255 million, Wells Fargo and the Official Committee of Unsecured Creditors have entered into an agreed order stipulating that the disputed amount of such liens totals no more than $1.5 million in the aggregate. In accordance with the Bankruptcy Court s order approving the Deloitte Transaction and the undisputed security interests of the lenders under the 2007 Credit Facility, on or about May 13, 2009, the Company made a payment in the amount of $255 million to Wells Fargo from the proceeds of the Deloitte Transaction.

On April 2, 2009, BearingPoint International Bermuda Holdings Limited, an indirect subsidiary of the Company, entered into a Share Sale Agreement with PwC Advisory Co., Ltd. (PwC Japan), the Japanese member firm of the PricewaterhouseCoopers global network of firms, for the sale of the Company s consulting business in Japan to PwC Japan (the PwC Japan Transaction). Pursuant to the Share Sale Agreement, PwC Japan agreed to purchase BearingPoint Co., Ltd. (Chiyoda-ku) (BearingPoint Japan), an indirect, wholly-owned subsidiary of the Company, through the purchase of all issued and outstanding shares of BearingPoint Japan. The Company generated cash of approximately $45 million in connection with the PwC Japan Transaction. In addition, in connection with the PwC Japan Transaction, PwC Japan assumed the intercompany debt owed by certain non-Debtor subsidiaries of the Company to BearingPoint Japan. The closing of the PwC Japan Transaction occurred on May 11, 2009.

On April 17, 2009, the Company and certain of its subsidiaries entered into an Asset Purchase Agreement with PricewaterhouseCoopers LLP (PwC) pursuant to which the Company agreed to sell a substantial portion of its assets related to its North American Commercial Services business unit, including Financial Services (collectively, the CS Business), to PwC, and PwC agreed to assume certain liabilities associated with these assets (the PwC U.S. Transaction). In addition, an affiliate of PwC also entered into a definitive agreement to purchase the equity interests of BearingPoint Information Technologies (Shanghai) Limited (BearingPoint China GDC), a subsidiary of the Company that operates a global development center in China, and certain assets of a separate global development center in India (the PwC China/India Transaction, and together with the PwC U.S. Transaction, the PwC Commercial Services Transaction). On April 27, 2009, the Bankruptcy Court approved bidding procedures in connection with an auction of all or substantially all of the assets of the CS Business and BearingPoint China GDC (the Auction). The Auction was held on May 27, 2009 and concluded on May 28, 2009. At a hearing on May 28, 2009, the Bankruptcy Court approved PwC as the winning bidder at the Auction. Under the terms of the winning bid, the aggregate purchase price for the PwC Commercial Services Transaction to be paid by PwC is approximately $44 million (subject to certain contractual adjustments). The closing of the PwC Commercial Services Transaction is expected to occur by the end of June 2009 and is subject to customary closing conditions.

On April 20, 2009, the Board of Directors of the Company authorized the Company to enter into a non-binding term sheet for the sale of its EMEA business to local management. Additionally, the Company is in negotiations with other parties and local management to sell its Latin America practices and sell various Asia Pacific practices other than BearingPoint Japan and BearingPoint China GDC and is in various stages of negotiations to sell certain remaining assets that were not, or will not be, sold pursuant to other transactions. These potential transactions, together with the Deloitte Transaction, the PwC Japan Transaction and the PwC Commercial Services Transaction, are referred to collectively as the Sale Transactions.

The purpose of these Sale Transactions is to sell all or substantially all of our business and assets to third parties or local management. Although certain of the Sale Transactions must be approved by the Bankruptcy Court and the Sale Transactions are subject to a number of risks, we expect that the Plan will be modified to reflect the Sale Transactions and that the Chapter 11 Cases will result in a liquidation of BearingPoint s business and assets under either chapter 11 or chapter 7 of the Bankruptcy Code, such that BearingPoint will cease to operate as a going concern. There can be no assurance that the Sale Transactions will be completed.

Operating in bankruptcy imposes significant risks and uncertainties on our business. See Item 1A Risk Factors Risks Relating to Bankruptcy for a discussion of the risks and uncertainties relating to our business and investing in our securities as a result of the Chapter 11 Cases.

Additional information about our Chapter 11 Cases is available on our website *www.bearingpoint.com* and can be found by clicking on Restructuring Information. Our internet website and the information contained or incorporated therein are not intended to be incorporated into this Annual Report.

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Going Concern

As discussed above, we expect that the Plan will be modified to reflect the Sale Transactions and that the Chapter 11 Cases will result in a liquidation of our business and assets under either chapter 11 or chapter 7 of the Bankruptcy Code, with the Debtors ceasing to operate as a going concern. In addition, Ernst & Young LLP s report on the Company s 2008 consolidated financial statements states that uncertainties inherent in the bankruptcy process raise substantial doubt about the Company s ability to continue as a going concern.

Economic and Industry Factors

We believe that our clients spending for consulting services is partially correlated to, among other factors, the performance of the domestic and global economy as measured by a variety of indicators such as gross domestic product, government policies, mergers and acquisitions activity, corporate earnings, U.S. Federal and state government budget levels, inflation and interest rates and client confidence levels, among others.

Historically, as economic uncertainties increase, clients interests in business and technology consulting have turned more to improving existing processes and reducing costs rather than investing in new innovations. Demand for our services, as evidenced by new contract bookings, also does not uniformly follow changes in economic cycles. Consequently, we may experience rapid decreases in new contract bookings at the onset of significant economic downturns while the benefits of economic recovery may take longer to realize. Generally, during time of economic uncertainty, our business plan places significant emphasis on continuing cost reduction and consolidation efforts, monitoring utilization rates, and making conservative estimates of minimal to no revenue growth. Nonetheless, most bookings are subject to cancellation on short notice and we may be unable to rapidly and effectively adjust our cost structure if we experience significant cancellations or deferrals of work.

The markets in which we provide services are increasingly competitive and global in nature. While supply and demand in certain lines of business and geographies may support price increases for some of our standard service offerings from time to time, to maintain and improve our profitability we must constantly seek to improve and expand our unique service offerings and deliver our services at increasingly lower cost levels. Our Public Services industry group, which was our largest, also must operate within the U.S. Federal, state and local government markets where unique contracting, budgetary and regulatory regimes control how contracts are awarded, modified and terminated. Budgetary constraints or reductions in government funding may result in the modification or termination of long-term government contracts, which dramatically affect that business.

Revenue and Income Drivers

We derive substantially all of our revenue from professional services activities. Our revenue is driven by our ability to continuously generate new opportunities to serve clients, by the prices we obtain for our service offerings, and by the size and utilization of our professional workforce. Our ability to generate new business is directly influenced by the economic conditions in the industries and regions we serve, our anticipation and response to technological change, the type and level of technology spending by our clients and by our clients perception of the quality of our work. Our ability to generate new business is also indirectly and increasingly influenced by our clients perceptions of our ability to manage our ongoing issues surrounding our financial position.

Our gross profit consists of revenue less our costs of service. The primary components of our costs of service include professional compensation and other direct contract expenses. Professional compensation consists of payroll costs and related benefits associated with client service professional staff (including bonuses, the vesting of various stock awards, tax equalization for employees on foreign and long-term domestic assignments and costs associated with reductions in workforce). Other direct contract expenses include costs directly attributable to client engagements. These costs include out-of-pocket costs such as travel and subsistence for client service professional staff, costs of hardware and software, and costs of subcontractors. If we are unable to adequately control or estimate these costs, or properly anticipate the sizes of our client service and support staff, our profitability suffers.

Our operating profit reflects our revenue less costs of service and certain additional items that include, primarily, SG&A expenses, which include costs related to marketing, information systems, depreciation and amortization, finance and accounting, human resources, sales force, and other expenses related to managing and growing our business. Write-downs in the carrying value of goodwill and amortization of intangible assets have also reduced our operating profit.

Our operating cash flow is derived predominantly from gross operating profit and how we manage our receivables and payables.

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Key Performance Indicators

In evaluating our operating performance and financial condition, we focus on the following key performance indicators: bookings, revenue growth, gross margin (gross profit as a percentage of revenue), utilization, days sales outstanding, free cash flow and attrition.

Bookings. We believe that information regarding our new contract bookings provides useful trend information regarding how the volume of our new business changes over time. Comparing the amount of new contract bookings and revenue provides us with an additional measure of the short-term sustainability of revenue growth. Information regarding our new bookings should not be compared to, or substituted for, an analysis of our revenue over time. There are no third-party standards or requirements governing the calculation of bookings. New contract bookings are recorded using then existing currency exchange rates and are not subsequently adjusted for currency fluctuations. These amounts represent our estimate at contract signing of the net revenue expected over the term of that contract and involve estimates and judgments regarding new contracts as well as renewals, extensions and additions to existing contracts. Subsequent cancellations, extensions and other matters may affect the amount of bookings previously reported; however, we do not revise previously reported bookings. Bookings do not include potential revenue that could be earned from a client relationship as a result of future expansion of service offerings to that client, nor does it reflect option years under contracts that are subject to client discretion. We do not record unfunded U.S. Federal contracts as new contract bookings while appropriation approvals remain pending, as there can be no assurances that these approvals will be forthcoming in the near future, if at all. Consequently, there can be significant differences between the time of contract signing and new contract booking recognition. Our level of bookings provides an indication of how our business is performing: a positive variance between bookings and revenue is indicative of business momentum, a negative variance is indicative of a business downturn. Nonetheless, we do not characterize our bookings, or our engagement contracts associated with new bookings, as backlog because our engagements generally can be cancelled or terminated on short notice or without notice.

Revenue Growth. Unlike bookings, which provide only a general sense of future expectations, period-over-period comparisons of revenue provide a meaningful depiction of how successful we have been in growing our business over time.

We believe that it is also useful to monitor net revenue, as well as revenue growth. Net revenue represents the actual amount paid by our clients for the services we provide, as opposed to services provided by others and ancillary costs and expenses. Net revenue is a non-GAAP financial measure. The most directly comparable financial measure in accordance with generally accepted accounting principles in the United States of America (GAAP) is revenue. Net revenue is derived by reducing the components of revenue that consist of other direct contract expenses, which are costs that are directly attributable to client engagements. These costs include items such as computer hardware and software, travel expenses for professional personnel and costs associated with subcontractors.

Gross Margin (gross profit as a percentage of revenue). Gross margin is a meaningful tool for monitoring our ability to control our costs of service. Analysis of the various cost elements, including professional compensation expense, effects of foreign exchange rate changes and the use of subcontractors, as a percentage of revenue over time can provide additional information as to the key challenges we are facing in our business. The cost of subcontractors is generally more expensive than the cost of our own workforce and can negatively impact our gross profit. While the use of subcontractors can help us to win larger, more complex deals, and also may be mandated by our clients, we focus on limiting the use of subcontractors whenever possible in order to minimize our costs. We also utilize certain adjusted gross margin metrics in connection with the vesting and settlement of certain employee incentive awards. For a discussion of these metrics, see Item 11, Executive Compensation Compensation Discussion and Analysis.

We also monitor contribution margin to better review the profitability of our respective operating segments. Contribution margin is a non-GAAP financial measure. The most directly comparable financial measure in accordance with GAAP is gross margin. Contribution margin is calculated by subtracting, from net revenue, professional compensation, other costs of service, SG&A and certain other allocations, and then dividing by net revenue.

Utilization. Utilization represents the percentage of time our consultants are performing work, and is defined as total hours charged to client engagements or to non-chargeable client-relationship projects divided by total available hours for any specific time period, net of holiday and paid vacation hours.

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Days Sales Outstanding (DSO). DSO is an operational metric that approximates the amount of earned revenue that remains unpaid by clients at a given time. DSOs are derived by dividing the sum of our outstanding accounts receivable and unbilled revenue, less deferred revenue, by our average net revenue per day. Average net revenue per day is determined by dividing total net revenue for the most recently ended trailing twelve-month period by 365.

Free Cash Flow. Free cash flow is calculated by subtracting purchases of property and equipment from cash provided by operating activities. We believe free cash flow is a useful measure because it allows better understanding and assessment of our ability to meet debt service requirements and the amount of recurring cash generated from operation after expenditures for fixed assets. Free cash flow does not represent our residual cash flow available for discretionary expenditures as it excludes certain mandatory expenditures such as repayment of maturing debt. We use free cash flow as a measure of recurring operating cash flow. Free cash flow is a non-GAAP financial measure. The most directly comparable financial measure calculated in accordance with GAAP is net cash provided by operating activities.

Attrition. Attrition, or voluntary total employee turnover, is calculated by dividing the number of our employees who have chosen to leave the Company within a certain period by the total average number of all employees during that same period. Our attrition statistic covers all of our employees, which we believe provides metrics that are more compatible with, and comparable to, those of our competitors.

Readers should understand that each of the performance indicators identified above are utilized by many companies in our industry and by those who follow our industry. There are no uniform standards or requirements for computing these performance indicators, and, consequently, our computations of these amounts may not be comparable to those of our competitors.

Discussion of Certain 2008 Financial Results

Our overall performance in 2008 was negatively impacted by the global economic downturn, coupled with continued concerns by our clients over our financial stability, particularly in light of the rights of the holders of our 5.00% Convertible Senior Debentures to demand payment of up to the entire principal amount of those debentures as early as April 2009 and potential acceleration of all amounts under our various debt instruments upon a delisting of our common stock from the NYSE.

Of particular note in 2008 are the following:

New contract bookings for 2008 were $2,710.6 million, a decrease from new contract bookings of $2,864.9 million for 2007.

During the year ended December 31, 2008, an adjustment of $66.6 million and $10.6 million was recorded to reverse expenses recorded in 2007 associated with the PSU and PCA plans, respectively, due to the Company s estimate of the performance conditions not being probable of achievement at the end of the plan period.

Global tax equalization refers to our policy of estimating and recording expenses to ensure that our employees working on domestic long-term and foreign short-term assignments outside of their home tax jurisdiction will be subject to the same level of personal tax as their home tax jurisdiction. If the estimated tax equalization liability is determined to be greater or less than the amount due upon final settlement, the difference is recorded in the current period. During 2008, we reversed accruals of $37.0 million in connection with our global tax equalization policy, which resulted in our professional compensation expense being reduced by this amount.

During 2008, we implemented numerous new controls in our efforts toward remediating our material weaknesses in internal control over financial reporting. One material weakness remains (see Item 9A of this Annual Report).

As of January 1, 2009, we combined three of our business segments: Commercial Services, Financial Services, and Latin America and began managing the operations of these three segments as one combined segment reporting to a single segment leader, and began realigning resources and internal management in order to gain synergies in both costs and revenue.

Utilization for 2008 was 78.9%, compared with 77.2% in 2007.

As of December 31, 2008, our DSOs stood at 66 days, representing a decrease of 11 days, or 14.3%, from our DSOs at December 31, 2007 of 77 days.

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Free cash flow for 2008 and 2007 was ($112.1) million and ($231.5) million, respectively. Net cash used in operating activities in 2008 and 2007 was ($63.9) million and ($193.3) million, respectively. Purchases of property and equipment in 2008 and 2007 were $48.2 million and $38.2 million, respectively.

During 2008, we spent approximately $39.9 million in connection with the implementation of our new North American financial reporting system, of which $15.6 million was expensed and $24.3 million was capitalized, including $2.1 million of interest costs. We finalized decisions regarding the design of, and obtained licenses for the components needed to substantially replace, our existing North American financial reporting systems. This implementation has been suspended due to the Company s Sale Transactions.

As of December 31, 2008, we had approximately 15,200 full-time employees, including approximately 12,700 consulting professionals, which represented a decrease in billable headcount of approximately 11.8% from full-time employees and consulting professionals at December 31, 2007 of 17,100 and 14,400, respectively.

Our voluntary, annualized attrition rate for 2008 was 24.8%, compared to 24.7% for 2007.

In 2008, we paid performance-based cash bonuses totaling approximately $30.7 million ($17.2 million to staff and $13.5 million to managing directors), based on 2007 performance. As of December 31, 2008, we had accrued performance-based cash bonuses totaling approximately $19.6 million based on 2008 performance, however, as a result of our bankruptcy and Sale Transactions, we currently do not anticipate paying this full amount.

In April 2009, the U.S. Defense Contract Audit Agency (DCAA) issued a report on its audit of our financial capability, which concluded that our financial condition is unfavorable for performing government contracts due to our filing for bankruptcy. However, we are still eligible to continue to receive contract awards of all types from the U.S. Federal government. The DCAA examined our financial condition and capability and determined we may not have adequate financial resources to perform government contracts in the current and near-term (up to one year) without extraordinary management actions.

At the annual meeting of stockholders, held on December 5, 2008, the Board approved the implementation of a one-for-fifty reverse stock split of the Company s common stock. The record and effective date for the reverse stock split was December 10, 2008. As of the record date, the Company had 220,851,816 shares of common stock outstanding and upon the effectiveness of the reverse stock split, the Company had 4,417,036 shares of common stock outstanding. The reverse stock split had no effect on the number of authorized shares of common stock.

Segments

Our reportable segments for 2008 consist of our three North America Industry Groups (Public Services, Commercial Services and Financial Services), our three international regions (EMEA, Asia Pacific and Latin America) and the Corporate/Other category (which consists primarily of infrastructure costs). Revenue and gross profit information about our segments are presented below, starting with each of our industry groups and then with each of our three international regions (in order of size).

Our chief operating decision maker, the Chief Executive Officer, evaluates performance and allocates resources among the segments. Accounting policies of our segments are the same as those described in Note 2, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements. Upon consolidation, all intercompany accounts and transactions are eliminated. Inter-segment revenue is not included in the measure of profit or loss for each reportable segment. Performance of the segments is evaluated on operating income excluding the costs of infrastructure functions (such as information systems, finance and accounting, human resources, legal and marketing) as described in Note 18, Segment Information, of the Notes to Consolidated Financial Statements.

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Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Revenue. Our revenue for 2008 was $3,197.0 million, a decrease of $258.5 million, or 7.5%, compared to 2007 revenue of $3,455.6 million. Dampening the impact of revenue declines in 2008 was $87.4 million of favorable impact of the strengthening of foreign currencies, particularly the Euro, the Japanese Yen, and the Brazilian Real, against the U.S. dollar. The following tables present certain revenue information and performance metrics for each of our reportable segments during 2008 and 2007. Amounts are in thousands, except percentages. For additional geographical revenue information, please see Note 18, Segment Information, of the Notes to Consolidated Financial Statements.

	Year Ended December 31,			Percent Increase (Decrease)	Percent Increase (Decrease)
	2008	2007	US$ Change	US$	Local Currency
Revenue					
Public Services	$ 1,368,992	$ 1,432,645	$ (63,653)	(4.4%)	(4.4%)
Commercial Services	386,599	509,789	(123,190)	(24.2%)	(24.2%)
Financial Services	185,978	264,198	(78,220)	(29.6%)	(29.6%)
EMEA	833,520	791,298	42,222	5.3%	(1.2%)
Asia Pacific	324,047	362,715	(38,668)	(10.7%)	(18.3%)
Latin America	101,361	90,091	11,270	12.5%	5.8%
Corporate/Other	(3,456)	4,826	(8,282)	n/m	n/m
Total	$ 3,197,041	$ 3,455,562	$ (258,521)	(7.5%)	(10.0%)

n/m = not meaningful

Public Services revenue decreased in 2008 due to declines in the SLED, Healthcare, and Emerging Markets sectors, partially offset by increases in the Civilian and Defense sectors. The declines in the SLED, Healthcare, and Emerging Markets sectors were primarily due to a reduced demand for services. Additionally SLED was negatively impacted by reductions in revenue due to performance issues on certain SLED contracts, and declines in Emerging Markets sector were the result of our decision to exit certain locations due to security concerns. Revenue growth in the Civilian sector was due to increased activity with existing clients as well as increases in billing rates for our services. Revenue growth in the Defense sector was due to increased demand for our services, and the recognition of $7.7 million in revenue during the first quarter of 2008 relating to work performed in earlier periods for which contract contingencies were resolved in the current period.

Commercial Services revenue decreased significantly in 2008 due to declines in all sectors. Revenue decreases were attributable to reduced demand for our services and reductions in the effective rates charged for our services.

Financial Services revenue decreased significantly in 2008 due to revenue decreases in the Banking, Services and Global Markets sectors, slightly offset by revenue increases in the Insurance sector. Revenue decreases were attributable, in part, to lower levels of contract signings since the fourth quarter of 2007. These decreases were due to a combination of factors, including reduced demand for our services, and our devoting significant efforts during the first quarter of 2008 to reducing headcount and stabilizing our business model, as many clients deferred new initiatives in the wake of the crisis in the financial markets and became increasingly sensitive to negative perceptions regarding our financial stability. These revenue declines were only slightly

offset by increased revenue in the Insurance sector driven by additional efforts on a small number of large client engagements.

*EMEA r*evenue increased during 2008 primarily as a result of the favorable impact of the strengthening of foreign currencies, specifically the Euro, against the U.S. dollar. The currency impact further enhanced meaningful revenue growth in Germany and France, and partially offset the effects of revenue decreases in the United Kingdom, Spain, Sweden and Norway. The increase in revenues in Germany and France resulted from both increased billing rates and increased demand for our services. Revenues in Spain continue to decline as a result of our strategic decision to significantly reduce our activities in this country. The revenues in the United Kingdom, Sweden and Norway declined due to the loss of key personnel in the early part of 2008 in these countries.

Asia Pacific revenue decreased during 2008 primarily as a result of revenue declines in Australia, and New Zealand. These revenue declines were offset by the favorable impact of the strengthening of the Japanese yen against the U.S. dollar. The

favorable impact of the strengthening yen fully offset revenue declines in local currency in Japan, resulting in marginal revenue growth in U.S. dollars. In Australia, we experienced significant attrition and lost a number of key employees, in early 2008, which led to a substantial reduction in our business and lower revenues in 2008. Revenues in Australia were also adversely impacted by the transitioning of work on a large systems implementation contract with a telecommunication client in the support phase. In Japan the decline in revenue in local currency was due largely to the impact of fewer projects related to J-SOX and the decline in rates billed for our work on a particularly large systems implementation contract. In addition, our decision to reduce our presence in New Zealand in late 2007 resulted in significantly less revenue year over year. All countries in the region were significantly impacted by the current economic slowdown, which resulted in reduced bookings and revenue.

Latin America revenue increased in 2008 primarily as a result of revenue increases in Brazil and Costa Rica, as well as the favorable impact of the strengthening of the Brazilian Real against the U.S. dollar. These increases were only partially offset by revenue declines in Mexico.

Corporate/Other: Our Corporate/Other segment does not contribute significantly to our revenue.

Gross Profit. During 2008, our revenue decreased $258.5 million and total costs of service decreased $469.3 million when compared to 2007, resulting in an increase in gross profit of $210.8 million, or 45.0%. Gross profit as a percentage of revenue increased to 21.2% for 2008 from 13.6% for 2007. Contributing to the increase in gross profit was $22.3 million as a result of the favorable impact of the strengthening of foreign currencies, primarily the Euro, the Japanese Yen, and Brazilian Real, against the U.S. dollar. The change in gross profit for 2008 compared to 2007 resulted primarily from the following:

Professional compensation expense decreased as a percentage of revenue to 48.9% for 2008, compared to 53.8% for 2007. We experienced a net decrease in professional compensation expense of $294.2 million, or 15.8%, to $1,564.2 million for 2008 over $1,858.5 million for 2007. The decrease in professional compensation was primarily due to reductions in headcount in every segment, the reversal of $62.7 million of expenses recorded in 2007 associated with the performance share unit (PSU) and performance cash award (PCA) plans due to the Company s estimate of the performance condition not being probable of achievement at the end of the plan period, a $37.0 million adjustment related to the reversal of accruals in connection with our global tax equalization and a decline in cost of service bonus expense of $37.9 million. Dampening the declines in professional compensation was the unfavorable impact of $44.6 million as a result of the strengthening of foreign currencies against the U.S. dollar.

Other direct contract expenses decreased as a percentage of revenue to 21.1% for 2008 compared to 23.4% for 2007. We experienced a net decrease in other direct contract expenses of $133.1 million, or 16.5%, to $674.6 million for 2008 from $807.7 million for 2007. The decrease was driven primarily by reduced subcontractor expenses as a result of increased use of our internal resources coupled with a decline in the volume of work. Dampening the declines of other direct contract expenses was the unfavorable impact of $13.9 million as a result of the strengthening of foreign currencies against the U.S. dollar.

Other costs of service as a percentage of revenue increased slightly to 8.8% for 2008 from 8.7% for 2007. We experienced a net decrease in other costs of service of $17.6 million, or 5.9%, to $282.4 million for 2008 from $300.0 million for 2007. The decrease was primarily due to a decline in depreciation and amortization expense of $11.3 million, a decline in rent and facilities related expenses of $7.8 million, and a decline in bad debt expense of $3.8 million. Partially offsetting the declines in other cost of service was $11.5 million of expense associated with the settlement of a contract dispute with one particular Public Services client. Additionally, dampening the declines in other cost of service was the unfavorable impact of $6.6 million as a result of the strengthening of foreign currencies against the U.S. dollar.

In 2008 we recorded, within the Corporate/Other operating segment, a credit of $3.5 million for lease and facilities restructuring costs, compared to a $20.9 million charge for lease and facilities restructuring costs in 2007. These costs for 2008 related primarily to the fair value of future lease obligations associated with office space, primarily within the EMEA and North America regions, which we no longer use.

Gross Profit by Segment. The following tables present certain gross profit and margin information and performance metrics for each of our reportable segments for years 2008 and 2007 Amounts are in thousands, except percentages.

	Year Ended December 31,			Percent Increase (Decrease)	Percent Increase (Decrease)
	2008	2007	US$ Change	US$	Local Currency
Gross Profit					
Public Services	$ 328,794	$ 263,431	$ 65,363	24.8%	24.8%
Commercial Services	85,736	81,656	4,080	5.0%	5.0%
Financial Services	47,766	41,627	6,139	14.7%	14.7%
EMEA	183,260	153,959	29,301	19.0%	10.5%
Asia Pacific	90,110	81,946	8,164	10.0%	(0.4%)
Latin America	17,433	(11,240)	28,673	255.1%	241.7%
Corporate/Other	(73,788)	(142,854)	69,066	n/m	n/m
Total	$ 679,311	$ 468,525	$ 210,786	45.0%	40.2%

	Year Ended December 31,	
	2008	2007
Gross Profit as a Percentage of Revenue		
Public Services	24.0%	18.4%
Commercial Services	22.2%	16.0%
Financial Services	25.7%	15.8%
EMEA	22.0%	19.5%
Asia Pacific	27.8%	22.6%
Latin America	17.2%	(12.5%)
Corporate/Other	n/m	n/m
Total	21.2%	13.6%

n/m = not meaningful

Changes in gross profit by segment were as follows:

Public Services gross profit increased in 2008 despite the decline in revenue, primarily due to the significant reductions in other direct contract expense and professional compensation. These cost savings were primarily due to decreases in subcontractor expenses, the reversal of compensation expense associated with our PSU and PCA plans as discussed above, and the reversal of costs associated with global tax equalization. Though revenue declined during 2008, gross profit was positively impacted by the recognition of $7.7 million in revenue during the first quarter of 2008 relating to work performed in earlier periods for which contract contingencies were resolved in the current period. Gross profit improvements were also attributable to improved results in the Defense and Civilian sectors. The improvements were substantially offset with declines in the SLED and Emerging Markets sectors due to revenue declines coupled with an increase in costs associated with one large loss contract in the SLED sector.

Commercial Services gross profit increased in 2008 as the impact of significant revenue declines in most sectors was more than offset by significant reductions in professional compensation, and, to a lesser extent, reductions in other direct contract expenses. The reduction in professional compensation was due primarily to the effects of continuing headcount reductions, including reductions among additional internal personnel allocated to this segment, the reversal of compensation expense associated with our PSU and PCA plans as

discussed above, and the reversal of costs associated with global tax equalization.

Financial Services gross profit increased slightly in 2008 as the impact of significant revenue decreases were offset by significant decreases in professional compensation, and, to a lesser extent, reductions in other direct contract expenses and other cost of service. The reduction in professional compensation was due primarily to the reversal of compensation expense associated with our PSU and PCA plans discussed above, and, to a lesser extent, accrual reversals for costs associated with global tax equalization recorded during the year, as well as the effects of continuing headcount reductions in response to declining demand for our services.

EMEA gross profit increased in 2008 due to the favorable impact of the strengthening of the Euro against the U.S. dollar, as well as increased profitability, primarily in Germany and France. These increases in profitability were driven by increases in revenue coupled with decreases in professional compensation and other costs of services as a result of cost reduction efforts executed throughout the year. Additionally other cost of service also declined due to an asset impairment recorded in 2007 without any corresponding impairment recorded in 2008.

Asia Pacific gross profit increased in 2008 due primarily to the favorable impact of the strengthening of foreign currencies against the U.S. dollar, particularly the Japanese yen. Significant declines in revenue, particularly in Australia, Japan, and New Zealand were substantially offset by lower professional compensation and other direct contract expenses. These declines in cost of service were in response to the lower volume of work in the region due to the significant reduction in staffing levels in Australia and New Zealand, a slowing economy, as well as lower use of sub-contracted labor in Japan and a reduction in cost accruals related to loss contracts.

Latin America gross profit increased in 2008 due to increases in revenue as well as reductions in professional compensation.

Corporate/Other contains rent and facilities expenses not specifically allocated to one of the reportable segments, as well as the residual expenses of our Global Delivery Centers (GDC s) and other cross industry technology resources, which are charged out to our reportable segments as they are utilized on customer facing engagements. In 2008, we experienced declines in lease and facilities charges of $38.0 million, as well as $22.4 million of lower residual expenses for our GDC s as a result of the change in the method we utilize to cross charge the costs associated with these personnel to the other segments. While the declines in lease and facilities related charges contributed to consolidated growth in gross profit, the lower residual expenses associated with our GDC s would have been absorbed within the other segments and would not contribute to growth in consolidated gross profit.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased $150.5 million, or 21.5%, to $550.8 million for 2008 from $701.3 million for 2007. Selling, general and administrative expenses as a percentage of gross revenue decreased to 17.2% for 2008 from 20.3% for 2007. The decrease was primarily due to reduced costs directly related to the closing of our financial statements, primarily related to subcontracted labor, as well as savings from the reduction in the size of our sales force. In addition, significant declines were due to a reduction in stock compensation expenses and bonus expenses totaling $14.5 million related to the reversal of expense associated with our PSU and PCA plans as discussed above, and savings in marketing expense in response to the current economic conditions.

Interest Income. Interest income was $7.4 million and $12.1 million in 2008 and 2007, respectively. Interest income is earned primarily from cash and cash equivalents, including money-market investments. The decline in interest income was due to lower levels of cash invested during 2008, as well as declines in market rates on those investments during the year.

Interest Expense. Interest expense was $61.0 million and $61.2 million in 2008 and 2007, respectively. Interest expense is attributable to our debt obligations, consisting of interest due along with amortization of loan costs and loan discounts.

Other Expense, net. Other expense, net, was $38.2 million and $8.6 million in 2008 and 2007, respectively. The balances in each period primarily consisted of foreign currency exchange gains and losses associated with the revaluation of our intercompany payables and receivables.

Income Tax Expense. We incurred income tax expense of $68.8 million in 2008 and income tax expense of $72.2 million in 2007. The principle reasons for the differences between the effective income tax rate on loss from continuing operations of 187.4% and (24.9)% for 2008 and 2007, respectively, and the U.S. Federal statutory income tax rate were: nondeductible meals and entertainment expense of $19.0 million and $19.0 million; changes to deferred tax asset valuation allowance of $(12.7) million and $125.6 million; state and local income taxes of $1.7 million and

$(12.4) million; foreign recapitalization and restructuring of $24.7 million and $17.3 million; foreign taxes of $11.0 million and $17.4 million; tax on unremitted foreign earnings of $22.1 million and $0; prior year tax refund claims of $(5.6) million and $0: income tax reserves of $(1.9) million and $12.5 million; non-deductible intercompany charges and interest of $7.5 million and $7.8 million; foreign dividend income of $7.0 million and $1.0 million; and other non-deductible items of $(2.2) million and $17.4 million, respectively.

Final determination of a significant portion of the Company s tax liabilities that will effectively be settled remains subject to ongoing examination by various taxing authorities, including the Internal Revenue Service. We are actively pursuing strategies to

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favorably settle or resolve these liabilities for unrecognized tax benefits. If we are successful in mitigating these liabilities, in whole or in part, the majority of the impact will be recorded as an adjustment to income tax expense in the period of settlement.

In 2008, we realized a net loss of $32.1 million, or a loss of $7.18 per share, representing a decrease of $330.7 million over a net loss of $362.7 million, or a loss of $83.90 per share in 2007. This change in net loss was primarily attributable to:

An increase in gross profit of $210.8 million in 2008;

A decrease in selling, general and administrative expenses of $150.5 million in 2008; and offset by

An increase in other expense of $29.6 million in 2008 due to foreign currency exchange losses associated with the revaluation of our intercompany payables and receivables.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Revenue. Our revenue for 2007 was $3,455.6 million, an increase of $11.6 million, or 0.3%, over 2006 revenue of $3,444.0 million. The following tables present certain revenue information and performance metrics for each of our reportable segments during 2007 and 2006. Amounts are in thousands, except percentages. For additional geographical revenue information, please see Note 18, Segment Information, of the Notes to Consolidated Financial Statements.

	Year Ended December 31,			
	2007	**2006**	**$ Change**	**% Change**
Revenue				
Public Services	$ 1,432,645	$ 1,339,358	$ 93,287	7.0%
Commercial Services	509,789	554,806	(45,017)	(8.1)%
Financial Services	264,198	399,331	(135,133)	(33.8)%
EMEA	791,298	703,083	88,215	12.5%
Asia Pacific	362,715	360,001	2,714	0.8%
Latin America	90,091	82,319	7,772	9.4%
Corporate/Other	4,826	5,105	(279)	n/m
Total	$ 3,455,562	$ 3,444,003	$ 11,559	0.3%

	Impact of currency fluctuations	**Revenue growth (decline), net of currency impact**	**Total**
Revenue			
Public Services	0.0%	7.0%	7.0%
Commercial Services	0.0%	(8.1)%	(8.1)%
Financial Services	0.0%	(33.8)%	(33.8)%
EMEA	9.4%	3.1%	12.5%
Asia Pacific	1.7%	(0.9)%	0.8%
Latin America	9.5%	(0.1)%	9.4%
Corporate/Other	n/m	n/m	n/m
Total	2.3%	(2.0)%	0.3%

n/m = not meaningful

Public Services revenue increased in 2007 due to significant revenue growth in our Emerging Markets, SLED and Civilian sectors. Revenue growth within these sectors was partially derived from expected increases in work on several large existing multi-year contracts signed in prior years. Revenue in our Defense sector declined somewhat, due to congressional decisions regarding ongoing funding by the U.S. government of the continuing war on terrorism and combat operations in Iraq and Afghanistan, as well as increased budgetary pressures on U.S. defense spending. The non-governmental portion of our Healthcare sector also experienced revenue declines.

Commercial Services revenue decreased in 2007. While we experienced significant revenue growth in our Energy sector as client demand for the Company s industry-specific solutions increased, overall, revenue decreased due to declines in the

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Communications and Media, High Technology and Manufacturing sectors. These declines were due, in part, to decreased business levels caused by consolidation within the telecommunications industry and disputes with two significant telecommunications clients in that sector.

Financial Services revenue decreased in 2007 due to significant revenue declines across all of its industry sectors. Revenue decreases were attributable to several factors, including the winding down of the segment s largest client engagement during 2007. The continuing effects of losses of senior staff in certain of our higher rate business sectors also attributed to revenue declines in 2007. In addition, difficulties in securing long-term client commitments and delays by clients in implementing new initiatives given the recently reported industry-wide losses related to asset write-downs all had a negative effect on revenue on a year-over-year basis.

EMEA revenue increased in 2007, primarily as a result of the favorable impact of the strengthening of foreign currencies, primarily the Euro, against the U.S. dollar, but also due to significant revenue increases in France, Russia and Switzerland. Revenue growth in France was due to an expanding systems implementation practice while revenue growth in Russia and Switzerland was generally attributable to increased demand for our consulting services in those markets. These increases were partially offset by revenue declines in Spain and the United Kingdom. Revenue in the United Kingdom declined due to the reduction in the volume of work provided to multi-national clients in 2007, and the decline in revenue in Spain was attributable to our strategic decision to reduce our activities in this country.

Asia Pacific revenue increased in 2007, primarily as a result of the favorable impact of the strengthening of foreign currencies against the U.S. dollar. Significant revenue growth was achieved in Japan and to a lesser extent in China. These increases continue to be offset by lower revenue in Australia, Korea and New Zealand. Japanese revenue increased due to continued revenue growth from systems implementation contracts and projects involving compliance with Japan s Financial Instruments and Exchange Law. This growth began in 2006 and has continued throughout 2007. China revenue increased as a result of significant new contracts signed with several large multi-national clients in 2007. Lower revenue in Australia and New Zealand resulted from the winding down or completion of several significant client engagements and partially due to deteriorating market conditions.

Latin America revenue increased in 2007, with Brazil and Mexico contributing equally to the growth in U.S. dollars. The favorable impact of the strengthening of the Brazilian Real against the U.S. dollar served to offset local currency revenue declines in Brazil.

Corporate/Other: Our Corporate/Other segment does not contribute significantly to our revenue.

Gross Profit. During 2007, our revenue increased $11.6 million and total costs of service increased $93.6 million when compared to 2006, resulting in a decrease in gross profit of $82.0 million, or 14.9%. Gross profit as a percentage of revenue decreased to 13.6% for 2007 from 16.0% for 2006. The change in gross profit for 2007 compared to 2006 resulted primarily from the following:

Professional compensation expense increased as a percentage of revenue to 53.8% for 2007, compared to 50.1% for 2006. We experienced a net increase in professional compensation expense of $133.0 million, or 7.7%, to $1,858.5 million for 2007 over $1,725.5 million for 2006. The increase in professional compensation was primarily due to merit-based annual salary increases, increases in stock-based compensation expense for PSUs, RSUs and, to a lesser extent, cash bonuses.

Other direct contract expenses decreased as a percentage of revenue to 23.4% for 2007 compared to 25.8% for 2006. We experienced a net decrease in other direct contract expenses of $80.4 million, or 9.1%, to $807.7 million for 2007 from $888.2 million for 2006. The decrease was driven primarily by reduced subcontractor expenses as a result of increased use of our internal resources. In addition, the decline was driven

by higher other direct contract expenses recorded in the first quarter of 2006 related to the HT Contract.

Other costs of service as a percentage of revenue increased to 8.7% for 2007 from 7.3% for 2006. We experienced a net increase in other costs of service of $49.8 million, or 19.9%, to $300.0 million for 2007 from $250.2 million for 2006. The increase was primarily due to an increase in non-billable employees over the prior year, due in part to the redeployment of existing employees from client-facing roles to practice support roles, which resulted in related salaries and expenses now being reflected in other costs of service rather than professional compensation expense.

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In 2007 we recorded, within the Corporate/Other operating segment, a charge of $20.9 million for lease and facilities restructuring costs, compared to a $29.6 million charge for lease and facilities restructuring costs in 2006. These costs for 2007 related primarily to the fair value of future lease obligations associated with office space, primarily within the EMEA and North America regions, which we will no longer be using.

Gross Profit by Segment. The following tables present certain gross profit and margin information and performance metrics for each of our reportable segments for years 2007 and 2006. Amounts are in thousands, except percentages.

	Year Ended December 31,			
	2007	**2006**	**$ Change**	**% Change**
Gross Profit				
Public Services	$ 263,431	$ 263,841	$ (410)	(0.2)%
Commercial Services	81,656	81,419	237	0.3%
Financial Services	41,627	135,187	(93,560)	(69.2)%
EMEA	153,959	129,523	24,436	18.9%
Asia Pacific	81,946	80,448	1,498	1.9%
Latin America	(11,240)	9,058	(20,298)	n/m
Corporate/Other	(142,854)	(148,950)	6,096	n/m
Total	$ 468,525	$ 550,526	$ (82,001)	(14.9)%

	Year Ended December 31,	
	2007	**2006**
Gross Profit as a Percentage of Revenue		
Public Services	18.4%	19.7%
Commercial Services	16.0%	14.7%
Financial Services	15.8%	33.9%
EMEA	19.5%	18.4%
Asia Pacific	22.6%	22.3%
Latin America	(12.5)%	11.0%
Corporate/Other	n/m	n/m
Total	13.6%	16.0%

n/m = not meaningful

Changes in gross profit by segment were as follows:

Public Services gross profit remained relatively unchanged in 2007. Significant year-over-year revenue increases were offset by a significant increase in professional compensation expense of $80.4 million, or 13.5%, over 2006, and additional costs and revenue write-downs of approximately $15 million were taken on two of our SLED sector contracts. The increase in professional compensation expense was associated with the hiring of additional personnel needed to meet the demand for our services, as well as bonus payments and accruals, and increases in stock-based compensation expense.

Commercial Services gross profit remained relatively unchanged in 2007, with declines in subcontractor expenses, professional compensation and reimbursable client expenses being partially offset by reductions in revenue and contract losses. In 2006, Commercial Services gross profit was negatively impacted by losses of approximately $86.2 million attributable to settlements reached with two telecommunications clients, as compared to losses of approximately $16.7 million in 2007, primarily in connection with a single

Communications and Media sector project.

Financial Services gross profit significantly decreased in 2007, primarily due to significantly lower revenue combined with a decline in higher margin engagements in the total mix of engagements. Declines in revenue were partially offset by declines in compensation expense, reimbursable client expenses and subcontractor expenses. These declines in costs of services were at a slower pace than the declines in revenue, resulting in lower gross profits in 2007 as compared to 2006.

EMEA gross profit increased in 2007, primarily due to overall higher revenue in the EMEA region as well as improved profitability in Germany, France and Switzerland as a result of higher utilization and lower costs. This increase was partially

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offset by an increase in professional compensation due to a larger number of additional personnel to meet the demand for our services and, to a lesser extent, an increase in other costs of services. The increases in professional compensation and other costs of services were partially offset by decreases in costs associated with subcontractors due largely to our effort to increase the use of internal resources.

Asia Pacific gross profit increased in 2007, due to increased revenue and improvements in profitability and staff utilization in our Japanese business. In addition, positive growth in gross profit in the region was realized from decreases in other direct contract expenses as a result of decreased subcontractor usage in Japan, which were substantially offset by higher professional compensation costs as well as increased contract loss reserves of $12.1 million recorded during 2007 as compared to 2006.

*Latin America g*ross profit decreased in 2007, due to significant increases in compensation expense, other direct contract expenses and contract write-offs. These increases were driven by an increase in employee compensation recognized as a result of statutory overtime regulations and other employee benefits in Brazil, and to a lesser extent by increased subcontractor expenses in Mexico.

Corporate/Other consists primarily of rent expense and other facilities related charges.

Amortization of Purchased Intangible Assets. We did not incur any amortization expense in 2007 as our intangible assets were fully amortized. Amortization of purchased intangible assets was $1.5 million in 2006.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased $46.9 million, or 6.3%, to $701.3 million for 2007 from $748.3 million for 2006. Selling, general and administrative expenses as a percentage of gross revenue decreased to 20.3% for 2007 from 21.7% for 2006. The decrease was primarily due to reduced costs directly related to the closing of our financial statements, primarily subcontracted labor, as well as savings from the reduction in the size of our sales force. Partially offsetting these savings was increased compensation expense for additional SG&A personnel, additional recruiting costs incurred and stock-based compensation expense related to RSUs and PSUs.

Interest Income. Interest income was $12.1 million and $8.7 million in 2007 and 2006, respectively. Interest income is earned primarily from cash and cash equivalents, including money-market investments. The increase in interest income was due to a higher level of cash invested in money markets during 2007.

Interest Expense. Interest expense was $61.2 million and $37.2 million in 2007 and 2006, respectively. Interest expense is attributable to our debt obligations, consisting of interest due along with amortization of loan costs and loan discounts. The increase in interest expense was due to interest attributable to our 2007 Credit Facility, the acceleration of debt issuance costs resulting from the termination of the 2005 Credit Facility, and, to a lesser extent, higher interest rates on our debt obligations.

Insurance Settlement. During 2006, related to the Settlement Agreement with HT, we recorded $38.0 million for an insurance settlement. For additional information, see Note 11, Commitments and Contingencies, of the Notes to Consolidated Financial Statements.

Other (Expense) Income, net. Other expense, net, was $8.6 million in 2007, and other income, net, was $8.7 million in 2006. The balances in each period primarily consisted of foreign currency exchange gains and losses.

Income Tax Expense. We incurred income tax expense of $72.2 million for the year ended December 31, 2007 and income tax expense of $32.4 million for the year ended December 31, 2006. The principle reasons for the differences between the effective income tax rate on loss from continuing operations of (24.9)% and (17.9)% for years ended December 31, 2007 and 2006, respectively, and the U.S. Federal statutory income tax rate were: nondeductible meals and entertainment expense of $19.0 million and $22.0 million; increases to deferred tax asset valuation allowance of $125.6 million and $76.8 million; state and local income taxes of $(12.4) million and $(6.7) million; foreign recapitalization and restructuring of $17.3 million and $5.4 million; foreign taxes of $17.4 million and $(3.8) million; income tax reserves of $12.5 million and $8.4 million; non-deductible interest of $7.8 million and $10.7 million; foreign dividend income of $1.0 million and $13.6 million; and other non-deductible items of $17.4 million and $10.0 million, respectively.

Net Loss. For 2007, we incurred a net loss of $362.7 million, or a loss of $83.90 per share. Contributing to the net loss for 2007 were $60.1 million of bonus expense (which includes, among other things, $6.3 million related to 2006 performance bonuses,

$10.6 million related to the PCAs and $30.3 million expected to be paid in 2008 for 2007 performance), $97.1 million of non-cash compensation expense related to the vesting of stock-based awards, $20.9 million of lease and facilities restructuring charges, and the previously mentioned $83.5 million in external costs related to the preparation of our financial statements, our auditors review and audit of our financial statements and the testing of internal controls. For 2006, we incurred a net loss of $213.4 million, or a loss of $50.30 per share. Contributing to the net loss for 2006 were $48.2 million of losses related to the previously mentioned settlements with telecommunications clients, $57.4 million of bonus expense, $53.4 million of non-cash compensation expense related to the vesting of stock-based awards, $29.6 million of lease and facilities restructuring charges and the previously mentioned $33.6 million year over year increase in external costs related to the closing of our financial statements.

Obligations and Commitments

As of December 31, 2008, we had the following obligations and commitments to make future payments under contracts, contractual obligations and commercial commitments. These obligations were affected by the Debtors filing voluntary petitions for relief under Chapter 11 of the Bankruptcy Code and therefore may not be paid in full as a result. Amounts are in thousands.

		Payments due by Period			
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Contractual Obligations					
Short-term and long-term debt(1)	1,238,773	238,693	98,152	319,978	581,950
Operating leases	234,763	75,453	92,254	45,513	21,543
Purchase obligations(2)	98,201	57,751	30,558	9,372	520
Obligations under the pension and postretirement medical plans	60,414	4,164	9,395	10,901	35,954
Total(3)	1,632,151	376,061	230,359	385,764	639,967

(1) Short-term and long-term debt includes both principal and interest scheduled payment obligations. Certain of our debt allows the holders the right to convert the debentures into shares of our common stock or cash (at the Company s option) in earlier periods than presented above. For additional information, see Note 6, Notes

Payable, of the Notes to Consolidated Financial Statements.

(2) Purchase obligations include material agreements to purchase goods or services, principally software and telecommunications services, that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty. From time to time, our operating segments, particularly our Public Services segment, enter into agreements with vendors in the normal course of business that support existing contracts with our clients (client vendor agreements). The vast majority of these client vendor agreements involve subcontracts for services to be provided by third-party vendors.

These agreements may be in the form of teaming agreements or may be a client requirement, and can span multiple years, depending on the duration of the underlying arrangement with our clients. We are liable for payments to vendors under these client vendor agreements. We are unable to cancel some of these client vendor agreements unless the related agreement with our client is terminated and/or upon payment of a penalty. However, our clients are generally obligated by contract to reimburse us, directly or indirectly, for payments we make to vendors under these agreements. We are not aware of any payments we have been required to make to vendors after a related client contract has been terminated. We currently estimate that the total payments we could be obligated to make under all client vendor agreements known to us would be approximately $57,237; however, we are unable to

identify which of these agreements might constitute purchase obligations.

(3) The above table does not reflect unrecognized tax benefits of $285,576. Due to uncertainty regarding the completion of tax audits and possible outcomes, the estimate of obligations related to unrecognized tax benefits cannot be made. For additional information, see Note 14, Income Taxes, to the Consolidated Financial Statements.

Liquidity and Capital Resources

Chapter 11 Filing

As disclosed above, on February 18, 2009, the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the Bankruptcy Code in the Bankruptcy Court. For additional information regarding the Company s liquidity and capital resources see Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operation Overview *Chapter 11 Bankruptcy Proceedings and Sale Transactions* .

The following table summarizes the cash flow statements for the year ended December 31, 2008, 2007 and 2006 (amounts are in thousands):

	Year Ended December 31,			
	2008	**2007**	**2006**	**2007 to 2008 Change**
Net cash (used in) provided by:				
Operating activities	$ (63,858)	$ (193,295)	$ 60,970	$ 129,437
Investing activities	(49,986)	(36,834)	65,280	(13,152)
Financing activities	(567)	290,566	(7,316)	(291,133)
Effect of exchange rate changes on cash and cash equivalents	(2,740)	16,807	15,297	(19,547)
Net increase in cash and cash equivalents	$ (117,151)	$ 77,244	$ 134,231	$ (194,395)

Operating Activities. Net cash used in operating activities during 2008 decreased $129.4 million over 2007. This decrease was primarily attributable to a decline in net loss, net of non-cash items, as well as decreases to our unbilled revenue, accounts receivable and deferred revenue, despite a decrease in DSOs during 2008.

Net cash used in operating activities during 2007 increased $254.3 million over 2006. This increase was primarily attributable to an increase in net loss, net of non-cash items, the timing of payment of significant amounts of accounts payable and, to a lesser degree, increases to our combined accounts receivable and unbilled revenue despite a decrease in DSOs during 2007.

Investing Activities. Net cash used in investing activities increased $13.2 million during 2008 from 2007. This increase was attributable to an increase in capital expenditures of $10.0 million in 2008 from 2007 and an additional $1.8 million of restricted cash was posted as collateral for letters of credit and surety bonds during 2008.

Net cash used in investing activities during 2007 increased $102.1 million over 2006. This increase was predominantly due to the release of restricted cash posted as collateral for letters of credit and surety bonds. The increase was offset by a decrease of $14.6 million in capital expenditures in 2007 over 2006.

Financing Activities. Net cash used in financing activities during 2008 was $0.6 million. Net cash provided by financing activities during 2007 was $290.6 million, resulting primarily from the proceeds received from the term loans under the 2007 Credit Facility with an aggregate principal amount of $300.0 million.

At December 31, 2008, we had global cash balances of $353.1 million. The Company s ability to generate cash will be governed by its plan of reorganization and its bankruptcy filing as disclosed above.

In addition, issuances of common stock under the ESPP generated $1.7 million, $12.4 million and $0 in cash during 2008, 2007 and 2006, respectively. Because we were not current in our SEC periodic reports in 2006, we were unable to issue freely tradable shares of our common stock and had not issued shares under the LTIP or ESPP since early 2005. These sources of financing became available to us again once we became current in our SEC periodic reports in 2007; however, we terminated the ESPP effective January 14, 2009.

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Debt Obligations

The following tables present a summary of the activity in our debt obligations for 2008 and 2007 (amounts are in thousands):

	Balance December 31, 2007	Borrowings	Repayments	Other(1)	Balance December 31, 2008
Convertible debentures	$ 675,611	$	$	$ 4,910	$ 680,521
Term Loans under the 2007 Credit Facility	297,750				297,750
Other	1,282	3,249	(5,886)		(1,355)
Total notes payable	$ 974,643	$ 3,249	$ (5,886)	$ 4,910	$ 976,916

	Balance December 31, 2006	Borrowings	Repayments	Other(1)	Balance December 31, 2007
Convertible debentures	$ 671,490	$	$	$ 4,121	$ 675,611
Term Loans under the 2007 Credit Facility		300,000	(2,250)		297,750
Other	360	2,853	(1,931)		1,282
Total notes payable	$ 671,850	$ 302,853	$ (4,181)	$ 4,121	$ 974,643

(1) Other changes in notes payable consist of amortization of notes payable discount and foreign currency translation adjustments.

2007 Credit Facility

On May 18, 2007, we entered into a $400.0 million senior secured credit facility and on June 1, 2007, we amended and restated the credit facility to increase the aggregate commitments under the facility from $400.0 million to $500.0 million. The 2007 Credit Facility consists of (1) term loans in an aggregate principal amount of $300.0 million (the Term Loans) and (2) a letter of credit facility in an aggregate face amount at any time outstanding not to exceed $200.0 million (the LC Facility). The LC Facility is supported by cash deposits made on our behalf by the lenders. If the Company fails to repay any disbursement on a letter of credit and these cash deposits are used to reimburse the issuing bank, the amount of any cash deposits used for such purpose will be considered as additional loans to the Company (the LC Loans and, together with the Term Loans, the Loans). Interest on the Term Loans under the 2007 Credit Facility is calculated, at the Company s option, at a rate per annum equal to either (1) 3.5% plus the London Interbank Offered Rate (LIBOR) or (2) 2.5% plus a base rate equal to the higher of (a) the federal funds rate plus 0.5% and (b) UBS AG, Stamford Branch s prime commercial lending rate. Interest on the LC Loans is similarly calculated at the Company s option at a rate per annum equal to either (1) 4.0% plus LIBOR or (2) 4.0% plus a base rate computed in the same manner as the Term Loans. Debt issuance costs of $18.8 million, mainly comprised of underwriting,

commitment, and legal fees, were capitalized into other non-current assets and are being amortized to interest expense over the life of the Loans. As of December 31, 2008, we had $294.8 million outstanding under the Term Loans and an aggregate of approximately $124.3 million of letters of credit issued and outstanding. The Company is charged fees for the LC Facility s continued availability, which totals 4.125% per annum on the total amount of cash deposits made available from time to time by the lenders under the LC Facility to collateralize their obligation to fund demands made on letters of credit issued under the LC Facility. We are separately charged a fronting fee of 0.1875% per annum on the average daily aggregate outstanding face amount of all letters of credit issued.

Our obligations under the 2007 Credit Facility are secured by first priority liens and security interests in substantially all of our assets and most of our material domestic subsidiaries, as guarantors of such obligations (including a pledge of 65% of the stock of certain of our foreign subsidiaries), subject to certain exceptions.

The 2007 Credit Facility requires us to make prepayments of outstanding Loans and cash collateralize outstanding letters of credit in an amount equal to (i) 100% of the net proceeds received from property or asset sales (subject to exceptions), (ii) 100% of the net proceeds received from the issuance or incurrence of additional debt (subject to exceptions), (iii) 100% of all casualty and condemnation proceeds (subject to exceptions), (iv) 50% of the net proceeds received from the issuance of equity (subject to exceptions) and (v) for each fiscal year ending on or after December 31, 2008, the difference between (a) 50% of the Excess Cash Flow (as defined in the 2007 Credit Facility) and (b) any voluntary prepayment of the Loans or the LC Facility (subject to exceptions). In addition, we are required to pay $750,000 in principal plus any accrued and unpaid interest at the end of each quarter, commencing on June 29, 2007 and ending on March 31, 2012.

The 2007 Credit Facility contains affirmative and negative covenants, customary representations, warranties and covenants, certain of which include exceptions for events that would not have a material adverse effect on the Company s business, results of operation, financial condition, assets or liabilities.

The *affirmative covenants* include, among other things: the delivery of unaudited quarterly and audited annual financial statements, all in accordance with generally accepted accounting principles; certain monthly operating metrics and budgets; compliance with applicable laws and regulations (excluding, prior to October 31, 2008, compliance with certain filing requirements under the securities laws); maintenance of existence and insurance; after October 31, 2008, as requested by the Administrative Agent, reasonable efforts to maintain credit ratings; and maintenance of books and records (subject to the material weaknesses previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2005).

The *negative covenants*, which (subject to exceptions) restrict certain of our corporate activities, include, among other things, limitations on: disposition of assets; mergers and acquisitions; payment of dividends; stock repurchases and redemptions; incurrence of additional indebtedness; making of loans and investments; creation of liens; prepayment of other indebtedness; and engaging in certain transactions with affiliates.

Events of default under the 2007 Credit Facility include, among other things: defaults based on nonpayment, breach of representations, warranties and covenants, cross-defaults to other debt above $10 million, loss of lien on collateral, invalidity of certain guarantees, certain bankruptcy and insolvency events, certain ERISA events, judgments against us in an aggregate amount in excess of $20 million that remain unpaid, and change of control events.

The 2007 Credit Facility replaced our 2005 Credit Facility, which was terminated on May 18, 2007. For information about the 2005 Credit Facility, see Discontinued 2005 Credit Facility.

Discontinued 2005 Credit Facility

On July 19, 2005, we entered into a $150.0 million Senior Secured Credit Facility (the 2005 Credit Facility). Our 2005 Credit Facility, as amended, provided for up to $150.0 million in revolving credit and advances. Advances under the revolving credit line were limited by the available borrowing base, which was based upon a percentage of eligible accounts receivable and unbilled receivables.

In 2005 and 2006, we entered into five amendments to the 2005 Credit Facility. Among other things, these amendments revised certain covenants contained in the 2005 Credit Facility, including the extensions of the filing deadlines for our 2005, 2006 and 2007 SEC periodic reports and an increase in the amounts of civil litigation payments that we are permitted to pay and in the aggregate amount of investments and indebtedness that we are permitted to make and incur with respect to our foreign subsidiaries. In addition, in 2007 we obtained several limited waivers that, among other things, waived the delivery requirement of our SEC periodic reports to the lenders under the facility.

The 2005 Credit Facility was terminated on May 18, 2007. On that date, all outstanding obligations under the 2005 Credit Facility were paid or assumed under the 2007 Credit Facility, and all liens and security interests under the 2005 Credit Facility were released.

Guarantees and Indemnification Obligations

In the normal course of business, we have indemnified third parties and have commitments and guarantees under which we may be required to make payments in certain circumstances. 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 with them; 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 we could be obligated to make. We estimate that the fair value of these agreements was minimal. Accordingly, no liabilities have been recorded for these agreements as of December 31, 2008.

We are also required, in the course of business, particularly with certain of our Public Services clients, largely in the state and local markets, to obtain surety bonds, letters of credit or bank guarantees for client engagements. At

December 31, 2008, we had

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$87.9 million in outstanding surety bonds and $126.2 million in letters of credit extended to secure certain of these bonds. The issuers of our outstanding surety bonds may, at any time, require that we post collateral (cash or letters of credit) to fully secure these obligations.

From time to time, we enter into contracts with clients whereby we have joint and several liability with other participants and/or third parties providing related services and products to clients. Under these arrangements, we 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 our 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 we could be obligated to make. As of December 31, 2008, we estimate we had assumed an aggregate potential contract value of approximately $43.8 million to our clients for the performance of others under arrangements described in this paragraph. These contracts typically include recourse provisions that would allow us to recover from the other parties all but approximately $0.3 million if we are obligated to make payments to the clients that are the consequence of a performance default by the other parties. To date, we have not been required to make any payments under any of the contracts described in this paragraph. We estimate that the fair value of these agreements was minimal. Accordingly, no liabilities have been recorded for these contracts as of December 31, 2008.

Critical Accounting Policies and Estimates

The preparation of our Consolidated Financial Statements in conformity with GAAP requires that management make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. Management s estimates, assumptions and judgments are derived and continually evaluated based on available information, historical experience and various other assumptions that are believed to be reasonable under the circumstances. Because the use of estimates is inherent in GAAP, actual results could differ from those estimates. The areas that we believe are our most critical accounting policies include:

- revenue recognition,
- valuation of accounts receivable,
- valuation of goodwill,
- accounting for income taxes,
- valuation of long-lived assets,
- accounting for leases,
- restructuring charges,
- legal contingencies,
- retirement benefits,
- accounting for stock-based compensation,
- accounting for intercompany loans, and
- accounting for employee global mobility and tax equalization.

A critical accounting policy is one that involves making difficult, subjective or complex accounting estimates that could have a material effect on our financial condition and results of operation. Critical accounting policies require us

to make assumptions about matters that are highly uncertain at the time of the estimate, and different estimates that we could have used, or changes in the estimate that are reasonably likely to occur, may have a material impact on our financial condition or results of operation.

Revenue Recognition

We earn revenue from three primary sources: (1) technology integration services where we design, build and implement new or enhanced system applications and related processes, (2) services to provide general business consulting, such as system selection or assessment, feasibility studies, business valuations and corporate strategy services, and (3) managed services in which we manage, staff, maintain, host or otherwise run solutions and systems provided to our customers. Contracts for these services have different terms based on the scope, deliverables and complexity of the engagement, which require management to make judgments and estimates in recognizing revenue. The Company is compensated on contracts principally through time-and-material arrangements, cost-reimbursable plus fee arrangements, and fixed price arrangements.

Technology integration services represent a significant portion of our business and are generally accounted for under the percentage-of-completion method in accordance with Statement of Position (SOP) 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts (SOP 81-1). A portion of the Company s revenue is derived from arrangements that include software developed and/or provided by the Company. The Company recognizes software license fees included in these arrangements as revenue in accordance with SOP 97-2, Software Revenue Recognition, as amended by SOP 98-9 by applying the provisions of SOP 81-1, as appropriate. Software license fee revenue is generally included in the Company s technology integration service revenue, which is recognized using the percentage-of-completion method. Under the percentage-of-completion method, management estimates the percentage-of-completion based upon costs to the client incurred as a percentage of the total estimated costs to the client. When total cost estimates exceed revenue, we accrue for the estimated losses immediately. The use of the percentage-of-completion method requires significant judgment relative to estimating total contract revenue and costs, including assumptions relative to the length of time to complete the project, the nature and complexity of the work to be performed, and anticipated changes in estimated salaries and other costs. Incentives and award payments are included in estimated revenue using the percentage-of-completion method when the realization of such amounts is deemed probable upon achievement of certain defined goals. Estimates of total contract revenue and costs are continuously monitored during the term of the contract and are subject to revision as the contract progresses. When revisions in estimated contract revenue and costs are determined, such adjustments are recorded in the period in which they are first identified. Revenue arrangements entered into with the same client that are accounted for under SOP 81-1 are accounted for on a combined basis when they: are negotiated as a package with an overall profit margin objective; essentially represent an agreement to do a single project; involve interrelated activities with substantial common costs; and are performed concurrently or sequentially.

Revenue for general business consulting services is recognized as work is performed and amounts are earned in accordance with Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements, as amended by SAB No. 104, Revenue Recognition (SAB 104). We consider amounts to be earned once evidence of an arrangement has been obtained, services are delivered, fees are fixed or determinable and collectability is reasonably assured. For these types or arrangements, we recognize revenue over the period of performance. Depending on the specific contractual provisions and nature of the deliverable, revenue may be recognized on a proportional performance model based on level of effort, as milestones are achieved or when final deliverables have been provided. Revenue arrangements entered into with the same client that are accounted for under SAB 104 are accounted for on a combined basis when they are entered into at or near the same time, unless it is clearly evident that the contracts are not related to one another.

For our managed service arrangements, we typically implement or build system applications for customers that we then manage or run for periods that may span several years. Such arrangements include the delivery of a combination of one or more of our service offerings and are governed by Emerging Issues Task Force Issue 00-21, Accounting for Revenue Arrangements with Multiple Deliverables. In managed service arrangements in which the system application implementation or build has standalone value to the customer, and we have sufficient objective evidence of fair value for the managed or run services, we bifurcate the total arrangement into two units of accounting based on the residual method: (i) the system application implementation, or build, which is recognized as technology integration services using the percentage-of-completion method under SOP 81-1 and (ii) the managed or run services, which are recognized under SAB 104 ratably over the estimated life of the customer relationship. In instances where we are

unable to bifurcate a managed service arrangement into separate units of accounting, the total contract is recognized as one unit of accounting under SAB 104. In such instances, total fees and direct and incremental costs related to the system application implementation or build are deferred and recognized together with managed or run services upon completion of the system application implementation or build ratably over the estimated life of the customer relationship. Certain managed service arrangements may also include transaction-based services in addition to the system application implementation or build and managed services. Fees from transaction-based services are recognized as earned if we have sufficient objective evidence of fair value for such transactions; otherwise, transaction fees are recognized ratably over the remaining life of the customer relationship period when we determine these fees are realizable. The

determination of fair value requires us to use significant judgment. We determine the fair value of service revenue based upon our recent pricing for those services when sold separately and/or prevailing market rates for similar services.

Revenue on cost-plus-fee contracts is recognized to the extent of costs incurred plus an estimate of the applicable fees earned. We consider fixed fees under cost-plus-fee contracts to be earned in proportion to the allowable costs incurred in performance of the contract.

Revenue includes reimbursements of travel and out-of-pocket expenses with equivalent amounts of expense recorded in other direct contract expenses. In addition, we generally enter into relationships with subcontractors where we maintain a principal relationship with the customer. In such instances, subcontractor costs are included in revenue with offsetting expenses recorded in other direct contract expenses.

Unbilled revenue consists of recognized recoverable costs and accrued profits on contracts for which billings had not been presented to clients as of the balance sheet date. We anticipate that the collection of these amounts will likely occur within one year of the balance sheet date. Billings in excess of revenue recognized for which payments have been received are recorded as deferred revenue until the applicable revenue recognition criteria have been met.

Valuation of Accounts Receivable

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. Assessing the collectability of customer receivables requires management judgment. We determine our allowance for doubtful accounts by specifically analyzing individual accounts receivable, historical bad debts, customer concentrations, customer creditworthiness, current economic and accounts receivable aging trends, and changes in our customer payment terms. Our valuation reserves are periodically re-evaluated and adjusted as more information about the ultimate collectability of accounts receivable becomes available. Upon determination that a receivable is uncollectible, the receivable balance and any associated valuation reserve is written off. As noted above in our policy on Revenue Recognition, in the normal course of accounting for long-term contracts, we will periodically adjust our estimates for these contracts which may result in changes to amounts recorded as accounts receivable and/or unbilled revenues.

Valuation of Goodwill

Goodwill is the amount by which the cost of acquired net assets in a business acquisition exceeds the fair value of net identifiable assets on the date of purchase. We assess the impairment of goodwill and identifiable intangible assets on at least an annual basis on April 1 and whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable, as prescribed in the SFAS No. 142, Goodwill and Other Intangible Assets (SFAS 142).

An impairment review of the carrying amount of goodwill is conducted if events or changes in circumstances indicate that goodwill might be impaired. Factors we consider important that could trigger an impairment review include significant underperformance relative to historical or projected future operating results, identification of other impaired assets within a reporting unit, the more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold, significant adverse changes in business climate or regulations, significant changes in senior management, significant changes in the manner of our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, a significant decline in our stock price for a sustained period, or a significant unforeseen decline in our credit rating. Determining whether a triggering event has occurred includes significant judgment from management.

The goodwill impairment test prescribed by SFAS 142 requires us to identify reporting units and to determine estimates of the fair value of our reporting units as of the date we test for impairment unless an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. As of December 31, 2008, our reporting units consisted of our three North America Industry Groups and our three international regions. To identify impairment, the fair value of the reporting unit is first compared to its carrying value. If the reporting unit s allocated carrying value exceeds its fair value, we undertake a second evaluation to assess the required impairment loss to the extent that the carrying value of the goodwill exceeds its implied fair value. The fair value of a reporting unit is the amount for which the unit as a whole could be bought or sold in a current transaction between willing parties. We estimate the fair values of our reporting units using a combination of the

discounted cash flow valuation model and comparable market transaction models. Those models require estimates of future revenue, profits, capital expenditures and working capital for each unit as well as comparability with recent transactions in the industry. We estimate these

amounts by evaluating historical trends, current budgets, operating plans and industry data. Determining the fair value of reporting units and goodwill includes significant judgment by management and different judgments could yield different results.

Accounting for Income Taxes

Provisions for federal, state and foreign income taxes are calculated on reported pre-tax earnings based on current tax law and also include, in the current period, the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provisions differ from the amounts currently receivable or payable because certain items of income and expense are recognized in different time periods for financial reporting purposes than for income tax purposes. Significant judgment is required in determining income tax provisions and evaluating tax positions.

We establish reserves for income tax when, despite the belief that our tax positions are fully supportable, there remains uncertainty in a tax position in our previously filed income tax returns. For tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. For income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the Consolidated Financial Statements. For additional information, see Note 14, Income Taxes, of the Notes to the Consolidated Financial Statements.

The majority of our deferred tax assets at December 31, 2008 consisted of federal, foreign and state net operating loss carryforwards that will expire between 2009 and 2028. During 2008, the valuation allowance against federal, state and certain foreign net operating loss and foreign tax credit carryforwards decreased $24.9 million due to the utilization of foreign tax loss carryovers.

Since our inception, various foreign, state and local authorities have audited us in the area of income taxes. Those audits included examining the timing and amount of deductions, the allocation of income among various tax jurisdictions and compliance with foreign, state and local tax laws. In evaluating the exposure associated with various tax filing positions, we accrue charges for exposures related to uncertain tax positions.

During 2005, the Internal Revenue Service commenced a federal income tax examination for the tax periods ended June 30, 2001, June 30, 2003, December 31, 2003, December 31, 2004 and December 31, 2005. During 2007, the Internal Revenue Service opened the examination for the tax period ended June 30, 2002. We are unable to determine the ultimate outcome of these examinations, but we believe that we have established appropriate reserves related to apportionment of income between jurisdictions, the impact of the restatement items and certain filing positions. We are also under examination from time to time in foreign, state and local jurisdictions.

At December 31, 2008, we believe we have appropriately accrued for exposures related to uncertain tax positions. To the extent we were to prevail in matters for which accruals have been established or be required to pay amounts in excess of reserves, our effective tax rate in a given financial statement period may be materially impacted.

No significant statute of limitations expired during 2008. During 2007, a statute of limitations expired in one of our foreign taxing jurisdictions. As a result, we recognized a total decrease of $9.1 million in our tax reserve, $1.7 million of which was recognized as a reduction to our income tax expense for the year ended December 31, 2007. During 2006, none of the established reserves expired based on the statute of limitations with respect to certain tax examination periods. An increase to the reserve for tax exposures of $26.1 million, $12.7 million and $13.8 million, was recorded as an income tax expense for changes in exposures in 2008, 2007 and 2006, respectively, including interest and penalties.

The carrying value of our net deferred tax assets assumes that we will be able to generate sufficient future taxable income in certain tax jurisdictions to realize the value of these assets. If we are unable to generate sufficient future taxable income in these jurisdictions, a valuation allowance is recorded when it is more likely than not that the value of the deferred tax assets is not realizable. Management evaluates the realizability of the deferred tax assets and assesses the need for any valuation allowance. In 2008, we determined that it was more likely than not that a significant amount of our deferred tax assets primarily in the U.S. may not be realized; therefore, we recorded a valuation allowance against those deferred assets.

Valuation of Long-Lived Assets

Long-lived assets primarily include property and equipment and intangible assets with finite lives (purchased software and capitalized software). In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, we periodically review long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives are no longer appropriate. Each impairment test is based on a comparison of the undiscounted cash flows expected to result from the use and eventual disposition of the asset to the carrying amount of the asset. If an impairment is indicated, the asset is written down to its estimated fair value based on a discounted cash flow analysis. Determining the fair value of long-lived assets includes significant judgment by management, and different judgments could yield different results.

Accounting for Leases

We lease office facilities under non-cancelable operating leases that expire at various dates through 2017, and may include options that permit renewals for additional periods. Rent abatements and escalations are considered in the determination of straight-line rent expense for operating leases. Leasehold improvements made at the inception of or during the lease are amortized over the shorter of the asset life or the lease term. We receive incentives to lease office facilities in certain areas, which are recorded as a deferred credit and recognized as a reduction to rent expense on a straight-line basis over the lease term.

Restructuring Charges

We periodically record restructuring charges resulting from restructuring our operation (including consolidation and/or relocation of operation), changes in our strategic plan or management responses to increasing costs or declines in demand. The determination of restructuring charges requires management to utilize significant judgment and estimates related to expenses for employee benefits, such as costs of severance and termination benefits, and costs for future lease commitments on excess facilities, net of estimated future sublease income. In determining the amount of lease and facilities restructuring charges, we are required to estimate such factors as future vacancy rates, the time required to sublet excess facilities and sublease rates. These estimates are reviewed and potentially revised on a quarterly basis based on available information and known market conditions. If our assumptions prove to be inaccurate, we may need to make changes in these estimates that could impact our financial position and results of operation.

Legal Contingencies

We are currently involved in various claims and legal proceedings. We periodically review the status of each significant matter and assess our potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss. We use significant judgment in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Due to the uncertainties related to these matters, accruals are based only on the best information at that time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. Such revisions in the estimates of potential liabilities could have a material impact on our financial position and results of operation. We expense legal fees as incurred.

Retirement Benefits

Our pension plans and postretirement benefit plans are accounted for using actuarial valuations required by SFAS No. 87, Employers Accounting for Pensions, SFAS No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions, and SFAS 158, Employer s Accounting for Defined Benefit Pension and Other Postretirement Plans. The pension plans relate to our plans for employees in Germany and Switzerland. Accounting for retirement plans requires management to make significant subjective judgments about a number of actuarial assumptions, including discount rates, salary growth, long-term return on plan assets, retirement, turnover, health care cost trend rates and mortality rates. Depending on the assumptions and estimates used, the pension and postretirement benefit expense could vary within a range of outcomes and have a material effect on our financial position and results of operation. In addition, the assumptions can materially affect accumulated benefit obligations and future cash funding. For 2008, the discount rate to determine the benefit obligation for the pension plans was 4.9%. The discount rate reflects the rate at which the pension benefits could be effectively settled. The rate is based upon comparable high

quality corporate bond yields with maturities consistent with expected pension payment periods. A 100 basis point increase in the discount rate would decrease the 2009 pension expense for the plans by approximately $3.2 million. A 100 basis point decrease in the discount rate would increase the 2009 pension expense for the plans by approximately $2.9 million. The expected long-term rate of return on assets for 2008 was 4.8%. This

rate represents the average of the long-term rates of return for the defined benefit plan weighted by the plan s assets as of December 31, 2008. To develop this assumption, we considered historical asset returns, the current asset allocation and future expectations of asset returns. The actual long-term rate of return from July 1, 2003 until December 31, 2008 was 14.7%. A 100 basis point increase or decrease in the expected long-term rate of return on the plans assets would have had an approximately $0.3 million impact on our 2009 pension expense. As of December 31, 2008, the pension plan had a $3.2 million unrecognized actuarial gain that will be expensed over the average future working lifetime of active participants.

We also offer a postretirement medical plan to the majority of our full-time U.S. employees and managing directors who meet specific eligibility requirements. For 2008, the discount rate to determine the benefit obligation was 6.1%. The discount rate reflects the rate at which the benefits could be effectively settled. The rate is based upon comparable high quality corporate bond yields with maturities consistent with expected retiree medical payment periods. A 100 basis point increase in the discount rate would decrease the 2008 retiree medical expense for the plan by approximately $3.1 million. A 100 basis point decrease in the discount rate would increase the 2008 retiree medical expense for the plan by approximately $2.6 million. As of December 31, 2008, the postretirement medical plan had $3.4 million in unrecognized actuarial gains that will be expensed over the average future working lifetime of active participants.

Accounting for Stock-Based Compensation

We have various stock-based compensation plans under which we have granted stock options, restricted stock awards and stock units to certain officers, employees and non-employee directors. We granted both service-based and performance-based stock units and stock options during 2008. The fair value is generally fixed on the date of grant based on the number of stock units or stock options issued and the fair value of the Company s stock on the date of grant. For the performance-based stock units and stock options, each quarter we compare the actual performance results with the performance conditions to determine the probability of the award fully vesting. The determination of successful compliance with the performance conditions requires significant judgment by management, as differing outcomes may have a significant impact on current and future stock compensation expense.

We adopted SFAS No. 123(R), Share-Based Payment (SFAS 123(R)), on January 1, 2006. This standard requires that all share-based payments to employees be recognized in the statements of operation based on their fair values. We have used the Black-Scholes model to determine the fair value of our stock option awards. Under the fair value recognition provisions of SFAS 123(R), share-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period. Determining the fair value of share-based awards at the grant date requires judgment, including estimating stock price volatility and employee stock option exercise behaviors. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operation could be materially impacted. As stock-based compensation expense recognized in the Consolidated Statements of Operation is based on awards that ultimately are expected to vest, the amount of expense has been reduced for estimated forfeitures. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience. If factors change and we employ different assumptions in the application of SFAS 123(R), the compensation expense that we record in future periods may differ significantly from what we have recorded in the current period.

We adopted the modified prospective transition method permitted under SFAS 123(R) and consequently have not adjusted results from prior years. Under the modified prospective transition method, the 2006 compensation cost includes expense relating to the remaining unvested awards granted prior to December 31, 2005 along with new grants made during 2006. For grants which vest based on certain specified performance criteria, the grant date fair value of the shares is recognized over the requisite period of performance once achievement of criteria is deemed probable. For grants that vest through the passage of time, the grant date fair value of the award is recognized over the vesting period.

We elected the alternative transition method as outlined in FASB Staff Position (FSP) 123(R)-3, Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards, to calculate the historical pool of excess tax benefits available to offset tax shortfalls in periods following the adoption of SFAS 123(R).

The after-tax stock-based compensation expense impact of adopting SFAS 123(R) for the year ended December 31, 2006 was $25.7 million with a $0.12 per share reduction to diluted earnings per share. Prior to the adoption of SFAS 123(R), we used the intrinsic value method of accounting prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, including FIN 44, Accounting for Certain Transactions Involving Stock Compensation, for our plans. Under this accounting method, stock option compensation awards that are granted with an exercise price at the current fair value of our common stock as of the date of the award generally did not require compensation expense to be recognized in the Consolidated Statements of Operations.

As of December 31, 2008, there was $1.6 million, $12.8 million and $48.8 million of total unrecognized compensation cost, net of expected forfeitures, related to nonvested options, RSUs and PSUs, respectively, granted under the LTIP. That cost is expected to be recognized over a weighted-average period of 3.1 years, 1.6 years and 1 year, respectively.

Accounting for Intercompany Loans

Intercompany loans are classified between long- and short-term based on management s intent regarding repayment. Translation gains and losses on short-term loans are recorded in other (expense) income, net, in our Consolidated Financial Statements and similar gains and losses on long-term loans are recorded as other comprehensive income in our Consolidated Statements of Changes in Stockholders Equity (Deficit). Accordingly, changes in management s intent relative to the expected repayment of these intercompany loans will change the amount of translation gains and losses included in our Consolidated Financial Statements.

Accounting for Employee Global Mobility and Tax Equalization

We have a tax equalization policy designed to ensure that our employees on domestic long-term and foreign assignments will be subject to the same level of personal tax, regardless of the tax jurisdiction in which the employee works. We record for tax equalization expenses in the period incurred. If the estimated tax equalization liability, including related interest and penalties, is determined to be greater or less than amounts due upon final settlement, the difference is recorded in the current period.

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 establishes a single authoritative definition of fair value, sets a framework for measuring fair value and expands on required disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning January 1, 2008 and will be applied prospectively. In February 2008, the FASB issued a Staff Position that (1) partially deferred the effective date of SFAS 157 for one year for certain nonfinancial assets and nonfinancial liabilities and (2) removed certain leasing transactions from the scope of SFAS 157. The adoption of SFAS 157 and its related pronouncements did not have a material effect on our consolidated financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FAS 115 (SFAS 159). The new statement allows entities to choose, at specific election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item s fair value in subsequent reporting periods must be recognized in current earnings. SFAS 159 is effective for the fiscal year beginning January 1, 2008. We have elected not to apply the fair value option to any of our financial instruments.

In December 2007, the FASB issued 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. We do not expect this will have a significant impact on our consolidated financial position, results of operations, or cash flows.

In May 2008, the FASB issued FASB Staff Position (FSP) Accounting Principles Board Opinion No. 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP APB 14-1). FSP APB 14-1 requires issuers of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) to separately account for the liability and equity components in a manner that will reflect the issuer s nonconvertible debt borrowing rate when interest expense is recognized in subsequent periods. The provisions of FSP APB 14-1 shall be applied retrospectively to all periods presented, effective for the fiscal year beginning January 1, 2009. We are continuing to evaluate the impact of the provisions of FSP APB 14-1; however, at this time we believe the incremental interest expense to be recognized as a result of the adoption will be material.

In October 2008, the FASB issued FSP SFAS No. 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active (FSP 157-3). FSP 157-3 clarifies the application of SFAS 157 in a market that is not active and provides

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an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP 157-3 became effective immediately, including prior periods for which financial statements have not been issued. Therefore, we have adopted the provisions of FSP 157-3 in our financial statements. The adoption did not have a material impact on our consolidated financial position, results of operations, or cash flows.

In December 2008, the FASB issued FSP SFAS 132(R)-1, Employers Disclosure about Postretirement Benefit Plan Assets, effective for fiscal years ending after December 15, 2009. The additional disclosure requirements are designed to provide the users of the financial statements with an understanding of a) how the investment allocation decisions are made; b) the major categories of plan assets; c) the inputs and valuation techniques used to measure the fair value of the plan assets, including the effect of using significant unobservable inputs; and d) significant concentration of risk within plan assets. We do not believe the adoption of this FSP will have a material impact on our consolidated financial position, results of operations, or cash flows.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a number of market risks in the ordinary course of business. These risks, which include interest rate risk and foreign currency exchange risk, arise in the normal course of business rather than from trading activities.

Interest Rate Risk

Our exposure to potential losses due to changes in interest rates is minimal as our outstanding debt obligations have fixed interest rates. The fair value of our debt obligations may increase or decrease for various reasons, including fluctuations in the market price of our common stock, fluctuations in market interest rates and fluctuations in general economic conditions.

The table below presents principal cash flows (net of discounts) and related weighted average interest rates by scheduled maturity dates for our debt obligations as of December 31, 2008:

	Expected Maturity Date Year ended December 31, (In thousands U.S. Dollars, except interest rates)							
	2009	**2010**	**2011**	**2012**	**2013**	**Thereafter**	**Total**	**Fair Value**
U.S. Dollar Functional Currency Series A Convertible Subordinated Debentures						$250,000	$250,000	$ 62,500
Average fixed interest rate						3.10%	3.10%	
U.S. Dollar Functional Currency Series B Convertible Subordinated Debentures						$200,000	$200,000	$ 66,260
Average fixed interest rate						4.10%	4.10%	
U.S. Dollar Functional Currency Series C Convertible Subordinated Debentures						$200,000	$200,000	$137,000
Average fixed interest rate						5.00%	5.00%	
U.S. Dollar Functional Currency Convertible Senior Subordinated Debentures(1)		$30,521					$ 30,521	$ 19,832

Average fixed interest rate		0.50%					0.50%	
U.S. Dollar Functional Currency Term Loans under the 2007 Credit Facility	$3,000	$ 3,000	$3,000	$285,750			$294,750	$112,100
Average fixed interest rate	4.94%	4.94%	4.94%	4.94%			4.94%	
U.S. Dollar Functional Currency Other	$ 997	$ 648					$ 1,645	$ 1,645
Average fixed interest rate	7.93%	6.32%					7.30%	

(1) The fair value was estimated using the Black-Scholes model with an expected volatility of 138.7%, risk-free interest rate of 0.1%, an expected life of 1.5 years, and an expected dividend yield of zero.

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Foreign Currency Exchange Risk

We operate internationally and are exposed to potentially adverse movements in foreign currency rate changes. Any foreign currency transaction, defined as a transaction denominated in a currency other than the U.S. dollar, will be reported in U.S. dollars at the applicable exchange rate. Assets and liabilities are translated into U.S. dollars at exchange rates in effect at the balance sheet date and income and expense items are translated at average rates for the period.

We have foreign exchange exposures related primarily to short-term intercompany loans denominated in non-U.S. dollars to certain of our foreign subsidiaries. The potential gain or loss in the fair value of these intercompany loans that would result from a hypothetical change of 10% in exchange rates would have been approximately $7.6 million and $3.1 million as of December 31, 2008 and 2007, respectively. For additional information, see Note 2, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the index included on Page F-1, Index to Consolidated Financial Statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

As previously reported, on February 5, 2007, the Chairman of the Audit Committee of the Board (the Audit Committee) was notified by our independent registered public accounting firm, PwC, that PwC was declining to stand for re-election and that the client-auditor relationship between the Company and PwC would cease upon PwC s completion of services related to the audit of our annual financial statements for 2006 and related 2006 quarterly reviews.

During the Company s years ended December 31, 2005 and December 31, 2006, and through June 28, 2007, there were no disagreements between the Company and PwC on any matter of accounting principle or practice, financial statement disclosure, or auditing scope or procedure that, if not resolved to PwC s satisfaction, would have caused it to make reference to the matter in connection with its report on the Company s consolidated financial statements for the relevant year, and there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K, except that the Company disclosed that material weaknesses existed in its internal control over financial reporting for 2006 and 2005. The material weaknesses identified are discussed in Item 9A of the Company s Annual Reports on Form 10-K for the year ended December 31, 2006 and for the year ended December 31, 2005. The Company has authorized PwC to respond fully to any inquiries of its successor concerning the material weaknesses. PwC s audit reports on the Company s consolidated financial statements for the years ended December 31, 2006 and December 31, 2005 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

On February 9, 2007, the Audit Committee of the Board, as part of its periodic review and corporate governance practices, determined to engage Ernst & Young LLP (Ernst & Young) as the Company s independent registered public accounting firm commencing with the audit for the year ending December 31, 2007. Ernst & Young also has been engaged as the independent registered public accounting firm for the 401(k) Plan, commencing with the audit for the 401(k) Plan s year ending December 31, 2007. During the Company s years ended December 31, 2005 and December 31, 2006, and through February 9, 2007, neither the Company, nor anyone on its behalf, consulted with Ernst & Young with respect to either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company s consolidated financial statements for 2006 or 2005, and no written report or oral advice was provided by Ernst & Young to the Company that Ernst & Young concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing, or financial reporting issue for 2006 or 2005 or (ii) any matter that was the subject of either a disagreement as defined in Item 304(a)(1)(iv) of Regulation S-K or a reportable event as described in Item 304(a)(1)(v) of Regulation S-K.

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ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report, management performed, with the participation of our Chief Executive Officer and our Chief Financial Officer, an evaluation of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosures. Based on the evaluation performed, with the participation of our Chief Executive Officer and our Chief Financial Officer, we concluded that as of December 31, 2008, because of the existence of the material weakness discussed below, the Company s disclosure controls and procedures were not effective.

We believe that because we performed substantial additional procedures to compensate for the material weakness, our consolidated financial statements included in this Annual Report are fairly stated in all material respects.

Management s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company s assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has conducted, with the participation of our Chief Executive Officer and our Chief Financial Officer, an assessment, including testing of the effectiveness of our internal control over financial reporting as of December 31, 2008. Management s assessment of internal control over financial reporting was conducted using the criteria in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. In connection with management s assessment of our internal control over financial reporting, we identified a material weakness in our internal control over financial reporting as of December 31, 2008. Specifically, we did not design effective controls to capture and accrue costs incurred but not yet invoiced by third party suppliers and contractors. In addition, we did not maintain adequate controls over the approval and processing of purchase orders.

The above material weakness affects the completeness, accuracy and timeliness of the recording of accounts payable, accrued liabilities, and other current and non-current liabilities. Until the underlying control deficiencies are remediated, this material weakness could result in a material misstatement of our annual or interim consolidated financial statements. Management will continue to perform additional procedures to mitigate the risk of misstatement otherwise mitigated by an effective control environment. Because of the material weakness described above, management has concluded that we did not maintain effective internal control over financial reporting as of December 31, 2008, based on the *Internal Control Integrated Framework* issued by COSO.

The effectiveness of our internal control over financial reporting as of December 31, 2008 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included elsewhere in this Item 9A.

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Changes in Internal Control over Financial Reporting

Senior management implemented significant changes in internal control over financial reporting. These changes represent changes that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting. These improvements in our internal control over financial reporting have enabled us to significantly strengthen our control environment, the completeness and accuracy of underlying accounting data, and the timeliness with which we are able to close our books. The areas remediated were attained through:

- Implementation of numerous formal management financial review monitoring controls within the financial statement close and reporting process in our Asia Pacific region,

- Strengthening of policies and procedures across the organization, and

- The continued adherence to revenue related policies and the maturity of internal controls over revenue and related revenue accounts.

Report of Ernst & Young LLP, Independent Registered Public Accounting Firm, on Internal Control over Financial Reporting

The Board of Directors and Stockholders of BearingPoint, Inc.:

We have audited BearingPoint, Inc. s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). BearingPoint, Inc. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

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

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

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

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company s annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management s assessment. Management has identified a material weakness in controls relating to the Company s accounts payable and accrual process. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2008 financial statements and this report does not affect our report dated March 30, 2009, except for Note 22 as to which the date is June 4, 2009, on those financial statements that included an explanatory paragraph regarding BearingPoint, Inc. s ability to continue as a going concern.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, BearingPoint, Inc. has not maintained effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

/s/ Ernst & Young LLP
McLean, Virginia
March 30, 2009

ITEM 9B. OTHER INFORMATION

None.

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PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our Board currently consists of four directors. Information about our directors as of June 1, 2009 is provided below. For information about our executive officers, please see Executive Officers of the Registrant included in Part I of this Annual Report.

Reduction in Size of Board of Directors

On May 27, 2009, the Board unanimously approved a reduction in its size from ten members to four members, which became effective as of 12:00 p.m., Eastern time, on June 1, 2009. The Board believes that this reduction in size is appropriate to facilitate the responsibilities and obligations of the Board in connection with the Company s bankruptcy proceedings and potential Sale Transactions.

In connection with this reduction, each of Douglas C. Allred, Betsy J. Bernard, Jill S. Kanin-Lovers, Wolfgang H. Kemna, Albert L. Lord and J. Terry Strange voluntarily resigned from the Board, effective as of the 12:00 p.m., Eastern time, on June 1, 2009. After such resignations, the Board is currently composed of F. Edwin Harbach, Roderick C. McGeary, Frederic F. Brace and Eddie R. Munson.

In addition, as of June 1, 2009, the full Board will fulfill the obligations and responsibilities previously assigned to the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee of the Board.

Frederic F. Brace, age 51, has been a member of the Board since January 1, 2009. Mr. Brace retired from UAL Corporation (United Air Lines, Inc.) where he served as Executive Vice President and Chief Financial Officer from August 2002 to 2008, and held various other senior management positions at UAL from 1983 to 2002.

F. Edwin Harbach, age 55, has been Chief Executive Officer and a member of the Board since December 2007. Mr. Harbach also served as the Company s President and Chief Operating Officer from January 2007 to December 2007. From 1976 until his retirement in 2004, Mr. Harbach held various positions with and served in leadership roles at Accenture Ltd, a global management consulting, technology services and outsourcing company, including chief information officer, Managing Partner of Japan and Managing Director of Quality and Client Satisfaction.

Roderick C. McGeary, age 58, has been a member of the Board since August 1999 and Chairman of the Board since November 2004. From March 2005 until December 2007, Mr. McGeary served the Company in a full-time capacity, focusing on clients, employees and business partners. From 2004 until 2005, Mr. McGeary served as our Chief Executive Officer. From 2000 to 2002, Mr. McGeary was the Chief Executive Officer of Brience, Inc., a wireless and broadband company. Mr. McGeary is a director of Cisco Systems, Inc., a worldwide leader in networking for the Internet, and Dionex Corporation, a manufacturer and marketer of chromatography systems for chemical analysis.

Eddie R. Munson, age 58, was our Chief Financial Officer on an interim basis from June 2008 through November 2008 and a member of the Board since October 2007. He is a retired partner with KPMG and has more than 30 years of auditing experience focusing on the financial services, government and automotive industries. From 1996 to 2004, Mr. Munson was a member of KPMG s board of directors, where he was a member of the pension committee and chair of the committees responsible for partner rights and board nominations. Most recently, Mr. Munson was the national partner in charge of KPMG s University Relations and Campus Recruiting programs. Mr. Munson is also a director of United American Healthcare Corporation.

No family relationships exist between any of the directors or between any director and any executive officer of the Company.

Executive Sessions of Non-Management Directors

Our non-management directors who are not employees of the Company meet separately on a regular basis.

Audit Committee

Following the reduction in the size of our Board in June 2009, the full Board will fulfill the obligations and responsibilities previously assigned to the Audit Committee. The Board believes that this is appropriate in light of the reduced size of the Board and the Board s obligations in connection with the Company s bankruptcy proceedings and potential Sale Transactions. The Board has determined that Mr. Munson is an audit committee financial expert as defined in Item 401(h) of Regulation S-K.

Compensation Committee Interlocks and Insider Participation

To the Company s knowledge, there are no other relationships involving members of the Board requiring disclosure in this Annual Report.

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Standards of Business Conduct

On May 10, 2007, the Board approved our Standards of Business Conduct (the SBC), which superseded our prior Code of Business Conduct and Ethics. The SBC became effective as of May 31, 2007. The SBC was developed as part of our commitment to enhancing our culture of integrity and our corporate governance policies. The SBC reflects changes in law and regulation, best practices and updates to the Company s policies. In addition, the SBC contains new or enhanced policies and/or procedures relating to violations of the SBC, conflicts of interest (including those related to the giving and receiving of gifts and entertainment), financial disclosures, the importance of maintaining the confidentiality of Company, client and competitor information, data privacy and protection, Company property, investor and media relations, records management, and lobbying/political activities. The SBC applies to all of our directors and employees, including our principal executive officer, principal financial officer and principal accounting officer. The SBC is posted on our website, at *www.bearingpoint.com* in the Corporate Governance. We intend to satisfy the disclosure requirement regarding any amendment to, or waiver of, a provision of the SBC for our Chief Executive Officer, Chief Financial Officer, Corporate Controller or persons performing similar functions, by posting such amendment or waiver on our website within the applicable deadline that may be imposed by government regulation following the amendment or waiver. A printed copy of the SBC documents is available free of charge to any person who makes a request to our Investor Relations team at 973-214-9953.

Committees

Following the reduction in the size of our Board in June 2009, and given the Company s bankruptcy proceedings and the various Sale Transactions, the full Board will fulfill the obligations and responsibilities previously assigned to the Audit Committee, Compensation Committee and the Nominating and Corporate Governance Committee. As the full Board now consists of four members, the Board does not believe that having separate committees is efficient in light of the Company s situation and the speed at which events are occurring.

Communications with Board of Directors

The Board welcomes your questions and comments. If you would like to communicate directly with our Board or our non-management directors of the Board as a group, you may submit your communication to our Chief Legal Officer by writing to them at the following address:

BearingPoint, Inc.
c/o Chief Legal Officer
100 Crescent Court, Suite 700
Dallas, Texas 75201

All communications and concerns will be forwarded to our Board or our non-management directors as a group, as applicable. We also have established a dedicated telephone number for communicating concerns or comments regarding compliance matters to the Company. The phone number is 1-800-206-4081 (or 240-864-0229 for international callers), and is available 24 hours a day, seven days a week. The SBC prohibits any retaliation or other adverse action against any person for raising a concern. If you wish to raise your concern in an anonymous manner, you may do so by calling the telephone number listed above.

Section 16(a) Beneficial Ownership Reporting Compliance

Under the U.S. Federal securities laws, directors and executive officers, as well as persons who beneficially own more than ten percent of our outstanding common stock, must report their initial ownership of the common stock and any changes in that ownership to the SEC. The SEC has designated specific due dates for these reports, and we must identify in this Annual Report those persons who did not file these reports when due. Based solely on a review of copies of Forms 3, 4 or 5 filed by us on behalf of our directors and executive officers or otherwise provided to us and copies of Schedule 13Gs, we believe that all of our directors, executive officers and greater than ten percent stockholders complied with their applicable filing requirements for 2008.

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ITEM 11. EXECUTIVE COMPENSATION

Effective 12:00 p.m., Eastern time, on June 1, 2009, the Board was reduced in size from ten members to four members. In addition, the remaining members of the Board are fulfilling the obligations and responsibilities previously assigned to the Compensation Committee. References in the Compensation Discussion and Analysis below to the Compensation Committee or Committee refer to the Compensation Committee prior to the reduction in the size of the Board. As most decisions related to compensation occurred prior to June 1, 2009, this discussion, where appropriate, refers to the actions and decisions of the former directors, Jill Kanin-Lovers, Betsy J. Bernard and Douglas C. Allred, who previously comprised the Compensation Committee. However, as set forth below in the Report of the Board of Directors on Executive Compensation, the current Board has approved such actions and decisions of the Compensation Committee discussed below.

Compensation Discussion and Analysis

Prior to June 1, 2009, the Compensation Committee of our Board of Directors (the Committee) determined the compensation of our executive officers, including making individual compensation decisions, and reviewing and monitoring the compensation programs applicable to our executive officers. This discussion describes the Committee s determination of 2008 compensation for our named executive officers.

Bankruptcy Proceedings and Sale of Assets

The Company is currently undergoing bankruptcy proceedings and is in the process of selling all or substantially all of its assets. In addition, the Board has not yet fully evaluated the effect of the Chapter 11 Cases and disposition of assets on its compensation practices. However, it is expected that the Board will not make any significant changes to executive compensation in 2009, except as set forth below, due, in part, to the uncertainties regarding the bankruptcy and sale processes and the likelihood that the Company will no longer continue as a going concern. If necessary, upon the completion of the Chapter 11 Cases, the Board will review and modify the compensation philosophy and objectives set forth below. Please note that the discussion below relates to compensation determinations that were made during the course of 2008 and early 2009. Moreover, due to the Chapter 11 Cases, all significant compensation decisions and changes to compensation must be approved by the Bankruptcy Court and, as such, the Board cannot be assured that any compensation decisions that it makes going forward would be approved.

Key Employee Incentive Plan

Due to the difficulties currently faced by the Company s employees in managing the Chapter 11 Cases and the sale process, the Board is evaluating the implementation of a new program that seeks to motivate employees to maximize the Company s value during the sale and bankruptcy processes. Any amounts paid to employees through such program would be subject to the Company achieving certain established milestones. Currently, the Board is still discussing the potential implementation and specifics of such a plan, however, any plan that is approved will be subject to the approval of the Bankruptcy Court.

Changes in Management in 2008

In 2008, there were several changes in our executive management team. On March 17, 2008, David Hunter was named as our Chief Operating Officer, effective as of March 13, 2008. As of May 13, 2008, Eileen A. Kamerick was appointed as our Chief Financial Officer, replacing Judy A. Ethell in such position. Ms. Ethell, however, agreed to continue as an employee until July 31, 2008 to assist in the transition to the new chief financial officer. Ms. Ethell entered into a separate compensation arrangement at such time; therefore, the Committee did not make any 2008 bonus determinations for Ms. Ethell. Effective as of June 2, 2008, Ms. Kamerick resigned as Chief Financial Officer and Eddie R. Munson, a director of the Board and former member of the Audit Committee, agreed to serve as the Company s Chief Financial Officer on an interim basis, effective as of June 2, 2008. Pursuant to Mr. Munson s compensation arrangement with the Company, he did not participate in our bonus compensation program and did not receive any equity awards as compensation. As such, the Committee did not make any 2008 bonus determinations for Ms. Kamerick or Mr. Munson. Effective as of November 11, 2008, Kenneth A. Hiltz, a managing director of AlixPartners, LLP, was appointed as our Chief Financial Officer, at which point Mr. Munson ceased to serve as the interim Chief Financial Officer and resumed his duties as a member of the Board and the Audit Committee. Pursuant to an interim management services agreement, the Company paid AlixPartners a fee based on an hourly rate for time worked by Mr. Hiltz and also paid or reimbursed AlixPartners for reasonable out-of-pocket expenses. As Mr. Hiltz is

not an employee of the Company, he does not receive any compensation, or bonus, directly from the Company and does not participate in the Company s employee benefit plans. On November 19, 2008, Laurent C. Lutz provided the Company with notice of his intention to terminate his employment with the Company and to resign from his positions as Chief Legal Officer and Secretary. We agreed with Mr. Lutz that he would cease to be an employee of the Company as of the close of business on December 31, 2008; however, Mr. Lutz entered into an independent contractor agreement with the Company where he was compensated on an hourly basis through February 15, 2009. John DeGroote was appointed as Chief Legal Officer of the Company, effective on December 31, 2008; however, Mr. DeGroote is not considered a named executive officer.

Rejection of Employment Agreements with David R. Hunter

On May 27, 2009, the Bankruptcy Court entered an order authorizing the Company s rejection of (i) the employment letter agreement dated March 13, 2008 between the Company and David R. Hunter, the Company s Chief Operating Officer, and (ii) the Special Termination Agreement dated March 13, 2008 between the Company and David R. Hunter. Pursuant to the order, such agreements will be deemed to be rejected effective as of April 29, 2009. In accordance with the order, Mr. Hunter has 30 days from the date the order is served on him to file a proof of claim to assert any damage claim arising from the rejection of such agreements.

Overall Compensation Philosophy and Objectives

In 2008, our compensation philosophy continued to center on our desire to enhance corporate performance and stockholder value by aligning the financial interests of our executive officers with those of our stockholders. We implemented this philosophy by adopting pay for performance measures, based upon both individual performance and Company performance. Our goal was to design compensation programs that would:

attract and retain the best possible talent;

recognize and reward outstanding individual performance;

motivate our people to deliver quality service to our clients, in order to drive client satisfaction and the profitability of our Company;

provide for cash and long-term incentive compensation at levels that are competitive with companies within our industry and of similar size (targeting total target compensation to remain at approximately the 50th percentile); and

communicate individual metrics openly and transparently, to influence employee performance and accountability.

How Compensation is Determined

The Committee devoted a substantial portion of its time to determining the compensation of our executive officers. This process includes reviewing market data, sharing best practices, determining appropriate milestones to assess Company performance, and discussing appropriate levels of compensation based upon both individual and Company performance. In addition, the Committee engaged, from time to time, a compensation consultant for independent guidance and expertise. For 2008, we engaged Towers Perrin to provide its counsel related to various executive compensation matters. In addition, the Committee considered the financial performance and outlook of the Company for 2009 and beyond when assessing and reviewing its compensation decisions for the executive officers.

As part of the process, the Committee considered peer benchmarking information, which is used to assess the level of our executive officer compensation relative to a group of peer companies, and to compare the mix of total compensation. For 2008, the Committee reviewed market comparisons for all companies participating in the Towers Perrin U.S. Executive Compensation Databank within the business services or information technology industries (the Peer Companies). This broad industry peer group for 2008 consisted of 38 companies:

Accenture Ltd	eBay Inc.	IKON Office Solutions, Inc.
ADVO, Inc.	eFunds Corporation	IMS Health Incorporated
APAC Customer Services, Inc.	Electronic Data Systems Corporation	Iron Mountain Inc.
ARAMARK Corporation	EMC Corporation	Kelly Services Inc.
Automatic Data Processing, Inc.	Emdeon Corporation	MacDonald Dettwiler & Assoc.
Booz Allen Hamilton Inc.	Equifax Inc.	Oracle Corporation
CA, Inc.	First Data Corporation	Pitney Bowes Inc.
Ceridian Corporation	Fiserv, Inc.	Robert Half International Inc.
CheckFree Corporation	G&K Services, Inc.	Symantec Corporation
CitiStreet	Gartner, Inc.	TeleTech Holdings Inc.
Convergys Corporation	The GEO Group, Inc.	Unisys Corporation
Deluxe Corporation	GTECH Holdings Corp	Viad Corp.
Dendrite International Inc.	H&R Block, Inc.	

In addition, the Committee reviewed its compensation decisions against compensation data for 9 direct peer companies, provided through a survey prepared by Towers Perrin. These companies were:

Accenture Ltd	Gartner, Inc.
Booz Allen Hamilton Inc.	International Business Machines Corporation
Cap Gemini U.S.	SAIC
Deloitte Consulting	Unisys Corporation
Diamond Management & Technology Consultants	

Generally, the Committee determined executive compensation based upon the total amount of compensation relative to the Peer Companies, with the general goal of setting the level of compensation at approximately the 50th percentile. Given the challenges and financial uncertainties facing the Company, the Committee did not set specific goals and target compensation levels for its executive officers in 2008, as the Committee wanted management to focus on addressing the Company s substantial issues. The Committee determined that it would be more appropriate to review, in early 2009, the Company s performance, situation and outlook upon the completion of fiscal year 2008 before making bonus decisions, including decisions regarding the mix of compensation. Prior to June 1, 2009, the Committee had determined that no bonus payouts would be made for any executive officers for 2008 and the Board has not decided, to date, to change or alter such decision.

As part of its regular decision-making process, the Committee met with the Chief Executive Officer to discuss the annual performance of each executive officer (and in the case of the Chief Executive Officer, the Committee met with both the Chairman of the Board and other members of the Board). The Committee then deliberated and determined the executive officer s compensation, taking into account management s recommendations, the executive officer s individual performance and Company performance and market data. For 2008 decisions, the Committee examined the bankruptcy proceedings, the current state of the Company and a short- and long-term outlook of the Company s prospects, among other factors.

Principal Components of Executive Officer Compensation

Prior to our bankruptcy filing, the principal elements of our executive officer compensation program consisted of base salary, annual cash incentive payments and, at appropriate intervals, long-term incentive compensation typically in stock-based awards. We also provide the same deferred compensation plans, health and welfare (including medical), retirement and other perquisites and benefits to our executive officers that are available to our managing directors.

We have utilized employment agreements and other agreements, prior to the bankruptcy filing, as the primary manner for structuring the compensation of our executive officers. Certain terms and conditions of our employment agreements with our executive officers reflected our strong desire, at the time of hire, to induce these individuals to join our Company given their level of expertise and experience and the specific issues we faced at that time. The Committee s goal in using such agreements was to further align the terms of employment of our executive officers with the standard terms and conditions that apply to the vast majority of our managing directors, unless specific situations necessitate alternative treatment. In 2008, the Committee made significant efforts to standardize the employment agreements that the Company had been using as a number of officers had agreements that differed, in one respect or another. The Committee felt that the use of standardized agreements would enable it to offer competitive packages to executive officers, but also would better ensure equity in these agreements and simplify the administration of such employment packages.

Fixed Compensation

Base Salaries. Base salaries for our executive officers are determined by evaluating the responsibilities of the position, the experience and performance of the individual and market information comparing such salaries to the competitive marketplace for executive talent, with emphasis on our primary competitors in the management and technology consulting industry. The Committee considered salary adjustments based upon the recommendation of the Chief Executive Officer (other than with respect to his salary) and the Committee s evaluation of Company performance and individual performance, taking into account any additional or new responsibilities assumed by the individual executive officer in connection with promotions or organizational changes. Our philosophy is that, base

salary should comprise a smaller percentage of total target compensation for our executive officers, with a greater percentage tied to Company performance than the compensation mix of our other employees. Because our executive officers are the primary decision-makers and policy-makers for our Company, we believe it is appropriate to directly link a larger percentage of their compensation with Company performance, to hold them accountable for the decisions that they make.

Base salary information for our executive officers can be found in the Summary Compensation Table included in this Annual Report. As previously disclosed, Mr. Harbach s 2008 annual base salary was increased to $900,214 as of January 2, 2008 in connection with his promotion to Chief Executive Officer announced on December 3, 2007. Ms. Ethell s 2008 annual base salary remained constant from 2007 at $520,094. Mr. Lutz s 2008 annual base salary was increased to $600,142 due to Mr. Lutz s expanded role and increased responsibilities given the Company s particular circumstances. The Committee determined that these base salaries were appropriate, given the tasks management had performed in the past and the objectives it had outlined for the future. No named executive officers received any increase in salary in 2009.

As part of its analysis, the Committee assessed each executive officer s proposed base salary for 2008 against relevant market data provided by Towers Perrin. In the case of Mr. Harbach, his 2008 base salary was between the 25th and 50th percentile for direct peer companies. Ms. Ethell s and Mr. Lutz s 2008 base salaries were between the 50th and 75th percentile for direct peer companies. As set forth in more detail below, Mr. Hunter s 2008 base salary was set at approximately the 50th percentile for direct peer companies.

In addition, the Committee evaluated the salaries given to new executive officers, including Messrs. Hunter and Munson and Ms. Kamerick. The Committee s evaluation with respect to these officers differed from determinations made with respect to continuing officers. In the case of Mr. Hunter, the Committee evaluated, among other things, Mr. Hunter s residence in Australia, the tax consequences of such residence, Mr. Hunter s preferred tax planning and travel requirements. Based upon these considerations, Mr. Hunter s base compensation for 2008 was initially established at the equivalent of $750,000 USD (United States Dollars). Because of Mr. Hunter s particular circumstances, it was determined that Mr. Hunter would receive approximately 50% of his base compensation in cash (he received a salary of $430,000 AUD (Australian Dollars) based upon the conversion rate on March 13, 2008, this approximately equaled $400,000 USD) and approximately 50% in stock options (which at the date of grant were valued at approximately $350,000 USD). The Committee determined in the fourth quarter of 2008 that Mr. Hunter s annual compensation for 2009 would continue to be the equivalent of $750,000 USD, however, such amount would be paid 100% in cash rather than in a combination of cash and stock options due to the Company s circumstances and the unavailability of sufficient shares to meet Mr. Hunter s previous mix of cash and stock options. Mr. Hunter s 2009 local base compensation was then determined based on the exchange rate as of December 31, 2008, set at $1,086,531 AUD. In Mr. Munson s case, the Committee examined precedent for interim Chief Financial Officers and determined that Mr. Munson s base salary would constitute the substantial majority of his compensation. The Committee did not set any target compensation for Mr. Munson above the base salary. The Committee retained the ability to provide Mr. Munson with a bonus if it determined to do so, however, no bonus was paid to Mr. Munson. Mr. Munson was paid a monthly salary of $75,000 for his service as our interim Chief Financial Officer. Ms. Kamerick s base salary was determined after an evaluation of Peer Companies and a review of the challenges posed by the Company s fiscal situation. Ms. Kamerick s annual base salary was set at $600,000.

Variable Compensation

Cash Awards. The Committee made cash award determinations each year based upon its pay for performance philosophy. For 2008, our executive officers were awarded the annual cash awards set forth in the Bonus column of the Summary Compensation Table included in this Annual Report. Awards earned for performance during one year are paid in the following year. For 2008, all of our executive officers were eligible to receive a maximum cash award equal to 100% of their respective base salaries, as set forth in their respective employment agreements. In mid-2008, the Committee, after reviewing the Company s performance at such time and given the significant issues facing the Company, determined that no individual or objective performance metrics would be set for the named executive officers. The Committee determined that it would evaluate variable compensation upon the completion of 2008 and make determinations based upon a totality of factors, including, but not limited to, Company performance, individual performance, stock price, revenue, DSOs, gross profit, maintenance of public reporting obligations, and issues related to the Company s liquidity. However, given the fact that the Company has filed voluntary petitions under Chapter 11 of the Bankruptcy Code, no bonuses were paid for 2008 performance to any of the named executive officers.

Long-Term Incentive Compensation

While we have maintained parity with our major competitors on base cash compensation for our executive officers, comparisons with our Peer Companies indicate that our long-term incentive equity awards continue to lag behind our competitors. However, as part of the plan of reorganization, no additional equity will be issued during the Chapter 11 Cases.

Performance Share Units. In early 2007, we issued performance share units (PSUs) to certain of our executive officers to help balance the mix of fixed and variable compensation paid to our executive officers. Award amounts were based upon each executive officer s individual performance and responsibilities and roles within the Company and by assessing and comparing the executive officer s total compensation, including previously granted incentive awards and the balance of fixed and variable compensation.

The vesting of the PSUs is tied to the achievement of performance targets of both minimum growth in consolidated business unit contribution (CBUC) and relative total shareholder return as compared to the S&P 500. We currently do not believe that the minimum CBUC target will be achieved and that the PSUs will not vest.

Restricted Stock Units. We have granted restricted stock units (RSUs) for various purposes, including employment offers for new executive officer candidates. In 2008, Mr. Harbach was the only executive officer to receive a grant of RSUs (additional information can be found in the Grants of Plan-Based Awards table included in this Annual Report). Mr. Harbach received such RSU grants as part of his promotion to Chief Executive Officer

Stock Options. The following executive officers received grants of stock options in 2008: Mr. Harbach and Mr. Hunter.

Mr. Harbach received stock options in 2008 as part of his promotion to Chief Executive Officer, and Mr. Hunter received his options as part of his initial employment compensation package. To date, we have not instituted any equity ownership requirements for our executive officers. We did not consider any such policy in 2008 due to the significant issues faced by the Company.

As part of the Company s plan of reorganization, it is expected that all outstanding equity awards will be cancelled for no consideration.

Other Compensation

Deferred Compensation Plans. We have a Deferred Compensation Plan and a Managing Directors Deferred Compensation Plan for our managing directors and other highly compensated executives. The two plans are substantially identical and permit a select group of management and highly compensated employees to accumulate additional income for retirement and other personal financial goals by making elective deferrals of compensation to which they will become entitled in the future. Our deferred compensation plans are nonqualified and unfunded, and participants are unsecured general creditors of the Company with respect to their accounts. None of our executive officers have participated in our deferred compensation plans.

Other Benefits. Our executive officers are eligible for the same health and welfare programs as our other employees. Our retirement program for U.S. employees includes a 401(k) program. We match 25% of the first 6% of pre-tax eligible compensation contributed by the individual employee to the plan, and, at our discretion, may make additional discretionary contributions of up to 25% of the first 6% of pre-tax eligible compensation contributed to the plan. Employee contributions to the 401(k) program for our executive officers are limited by federal law. We do not make up for the impact of these statutory limitations through any type of nonqualified deferred compensation or other program.

Perquisites and Other Compensation. Certain of our executive officers have received perquisites such as reimbursements of moving expenses and legal fees and gross-up payments in connection with the same as set forth in their respective employment agreements. As part of Mr. Harbach s employment arrangement as Chief Executive Officer of the Company, Mr. Harbach will be reimbursed for his rental of an apartment in New York City during part of 2007 and 2008, which is his primary office location (Mr. Harbach resides in Florida). The Committee will review its decision to provide this reimbursement to Mr. Harbach at each lease renewal date.

Regulatory Considerations

The Internal Revenue Code contains a provision that limits the tax deductibility of certain compensation paid to our executive officers to the extent it is not considered performance-based compensation under the Internal Revenue Code. We have adopted policies and practices to facilitate compliance with Section 162(m) of the Internal Revenue Code. It is intended that awards granted under the LTIP to such persons will qualify as performance-based compensation within the meaning of Section 162(m) and regulations under that section.

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In making decisions about executive compensation, we also consider the impact of other regulatory provisions, including the provisions of Section 280G of the Internal Revenue Code. In accordance with recent IRS guidance interpreting Section 409A, we have amended the relevant employment agreements and the LTIP so that such agreements and programs will be administered in a manner that is in good faith compliance with Section 409A. The Board intends that any awards under the LTIP satisfy the applicable requirements of Section 409A. Generally, Section 409A is inapplicable to incentive stock options and restricted stock and also to nonqualified stock options so long as the exercise price for the nonqualified option may never be less than the fair market value of the common stock on the date of grant.

REPORT OF THE BOARD OF DIRECTORS ON EXECUTIVE COMPENSATION

The Board of Directors has reviewed and discussed the Compensation Discussion and Analysis section of this Annual Report on Form 10-K with the Company s management and, based on such review and discussion, recommended that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

BOARD OF DIRECTORS

Frederic F. Brace
F. Edwin Harbach
Roderick C. McGeary
Eddie R. Munson

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Summary of Cash and Certain Other Compensation

The Summary Compensation Table below sets forth information concerning all compensation for services in all capacities to the Company for 2006, 2007 and 2008 of those persons who were or acted as the Chief Executive Officer, Chief Financial Officer and the other most highly compensated executive officers of the Company for 2008 (collectively, the named executive officers).

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)(1)	Total ($)
F. Edwin Harbach(3)	2008	$ 900,214	$	$ 549,930	$ 3,401,976	$	$ 625,643	$ 5,477,763
Chief Executive Officer	2007	686,830	1,350,046	1,710,473			152,364	3,899,713
David Hunter(4)	2008	323,691			375,677		138,424	837,792
Chief Operating Officer								
Kenneth A. Hiltz(5)	2008							
Chief Financial Officer								
Eddie R. Munson(6)	2008	405,515					912	406,427
Former Interim Chief Financial Officer								
Judy A. Ethell(7)	2008	303,388					71,102	374,490
Former Chief Financial	2007	520,094	260,047	1,500,626	379,396		78,579	2,738,742
Officer	2006	500,000	500,000	690,700	1,131,000		3,797	2,825,497
Eileen A. Kamerick	2008	37,151						37,151
Former Chief Financial Officer								
Laurent C. Lutz	2008	600,142					12,245	612,387
Former Chief	2007	520,094	635,047	1,418,690		525,000	10,777	3,109,608
Legal Officer and	2006	411,059	1,311,059			525,000	78,431	2,325,549
Secretary								

(1) Unless otherwise noted, Bonus

amounts consist of performance-based cash bonuses accrued in the fiscal year for which the bonus has been earned. We have entered into employment agreements with Mr. Harbach and Mr. Lutz that set forth the terms of their compensation. Ms. Ethell also had employment agreements that set forth the terms of their compensation. All Other Compensation does not include matching contributions to be made by the Company under the 401(k) Plan for 2008, since these amounts are not finalized for payment until the following year.

(2) Amounts reflected in the table as 2008 equity compensation reflect the amount recognized for financial statement reporting purposes in 2008 in accordance with SFAS 123(R) for equity award expense. These amounts reflect the Company s accounting expense for these awards, and do not

correspond to the actual value that may be recognized by the named executive officers. Whether and to what extent a named executive officer realizes value will depend on various factors, including actual operating performance, stock price fluctuations and the named executive officer s continued employment. For a discussion of the assumptions used by the Company in calculating these amounts, see Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operation Accounting for Stock-Based Compensation, and Note 13, Stock-Based Compensation, of the Notes to Consolidated Financial Statements. For information regarding 2008 Stock Awards and Option Awards, see Grants of Plan-Based Awards below.

(3) Mr. Harbach s annual base salary

for 2008 was $900,214. Mr. Harbach s All Other Compensation consists of $129,600 in reimbursements for costs associated with a furnished apartment in New York City for Mr. Harbach s use (monthly rental cost of $10,800), and $496,043 in tax equalization payments as

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part of the Company s tax equalization programs provided to all employees with respect to reimbursement of certain state taxes paid by an employee for work performed outside his or her state of residence. The significantly higher tax equalization payments in 2008 resulted from Mr. Harbach spending much of the year in New York City due to the various strategic initiatives pursued by the Company. For additional information regarding Mr. Harbach s employment arrangements, see Employment Agreements Employment Agreement for F. Edwin Harbach.

(4) Mr. Hunter s 2009 base compensation will continue to be $750,000, the initial value of Mr. Hunter s total base compensation in 2008; however, his compensation in 2009 will be paid in cash rather than in a combination of cash and stock options. Mr. Hunter was paid a base salary of $343,724 AUD (Australia Dollars) in 2008. The figure listed in the Salary column above is based upon a conversion rate as of March 13, 2008 (the date on which Mr. Hunter s 2008 base salary was set). Mr. Hunter s All Other Compensation consists of $87,970 in tax equalization payments with respect to

the reimbursement of certain taxes paid by Mr. Hunter resulting from work performed outside his country of residence and $50,454 for the reasonable travel expenses of Mr. Hunter s spouse, pursuant to Mr. Hunter s employment agreement.

(5) Effective November 11, 2008, the Company appointed Mr. Hiltz, a managing director of AlixPartners, LLP, as the Company s Chief Financial Officer. Mr. Hiltz is a temporary employee of the Company, receives no compensation directly from the Company and does not participate in the Company s employee benefit plans. For additional information, see Item 13 Certain Relationships and Related Transactions, and Director Independence Related Transactions-AlixPartners.

(6) Mr. Munson s annual salary for 2008 was $900,000. Mr. Munson s All Other Compensation consists of $912 in tax equalization payments with respect to the reimbursement of certain state taxes paid by Mr. Munson resulting from work performed outside his state of residence.

(7) Effective as of May 13, 2008, Ms. Ethell no longer held the positions of Chief Financial Officer and Chief Accounting Officer and as of August 1, 2008, she is no longer an employee of

the Company. Ms. Ethell s All Other Compensation consists of (i) $1,102 in tax equalization payments with respect to the reimbursement of certain state taxes paid by Ms. Ethell resulting from work performed outside her state of residence and (ii) pursuant to Ms. Ethell s Separation and Release of Claims Agreement, dated May 12, 2008, (A) Ms. Ethell was to be paid $70,000 in settlement of her personal and vacation days that were accrued but unused as of July 31, 2008, (B) $1,040,000 as a severance payment (equaling Ms. Ethell s annual base salary and target bonus), and (C) $700,000 as an additional lump sum payment for her continued service through July 31, 2008. Currently, amounts under (B) and (C) above have not been paid to Ms. Ethell.

(8) Effective as of the close of business on December 31, 2008, Mr. Lutz no longer held the positions of Chief Legal Officer and Secretary. Mr. Lutz entered into an independent contractor agreement with the Company where he is compensated on an hourly basis of $350.00 per hour from the period of January 1, 2009 to February 15, 2009, for which he earned $58,275. Mr. Lutz will also receive certain reasonable out-of-pocket expenses that

he incurs. Mr. Lutz s All Other Compensation consists of $12,245 in tax equalization payments with respect to the reimbursement of certain state taxes paid by Mr. Lutz resulting from work performed outside his state of residence.

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Grants of Plan-Based Awards

The following table provides information relating to equity awards made in 2008 to our named executive officers.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	**Grant Date**	**Compensation Committee Approval Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**(#)**	**(#)**	**($/Sh)**	**($)(1)**
F. Edwin Harbach (2)	1/2/2008	12/31/2007							3,985	24,652	138.00	$3,951,906
David Hunter (3)	3/13/2008	3/13/2008								29,700	83.00	2,465,100
	4/1/2008	3/13/2008								1,926	85.50	164,673
	7/1/2008	3/13/2008								1,926	39.50	76,077
	10/1/2008	3/13/2008								1,926	24.00	46,244
Kenneth A. Hiltz												
Eddie R. Munson												
Judy A. Ethell												
Eileen A. Kamerick												
Laurent C. Lutz												

* Please note that the securities listed in the above table and expected vesting schedules do not take into account the Company s reorganization

plan wherein it is contemplated that all outstanding equity of the Company will be cancelled for no consideration.

(1) Amounts reflected in the Grant Date Fair Value of Stock and Option Awards column reflect the amount recognized for financial statement purposes in 2008 in accordance with SFAS 123(R) for equity award expense. These amounts reflect the Company s accounting expense for these awards, and do not correspond to the actual value that may be recognized by the named executive officers. Whether and to what extent a named executive officer realizes value will depend on various factors, including actual operating performance,

stock price fluctuations and the named executive officer s continued employment. For a discussion of the assumptions used by the Company in calculating these amounts, see Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operation Accounting for Stock-Based Compensation, and Note 13, Stock-Based Compensation, of the Notes to Consolidated Financial Statements.

(2) Mr. Harbach received a grant of 3,985 RSUs on January 2, 2008, and 996 RSUs vested on January 2, 2009 and 996 RSUs will vest on January 2 of each of 2010 and 2011 and 997 RSUs will vest on January 2, 2010. Mr. Harbach also received a grant of 24,652

options on January 2, 2008, 25% of which vested on January 2, 2009 and 25% of which will vest on each of January 2, 2010, 2011 and 2012.

(3) Mr. Hunter was granted (i) 29,700 options on March 13, 2008 at an exercise price of $83.00 per share, 25% of which vest on each of March 13, 2009, 2010, 2011 and 2012, (ii) 1,926 options on April 1, 2008 at an exercise price of $85.50 per share, 100% of which vested on December 31, 2008, (iii) 1,926 options on July 1, 2008 at an exercise price of $39.50 per share, 100% of which vested on December 31, 2008 and (iv) 1,926 options on October 2008 at an exercise price of $24.00 per share, 100% of which vested on December 31,

2008, in
connection with
his employment
arrangements.

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Outstanding Equity Awards at Fiscal Year-End (December 31, 2008)

The following table provides information regarding the value of all unexercised options and unvested restricted stock units previously awarded to our named executive officers as of December 31, 2008.

	Option Awards					Stock Awards(1)			
Name	Number of Securities Underlying Unexercised Options(#) Exercisable	Number of Securities Underlying Unexercised Options(#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options(#)	Option Exercise Price($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested(#)	Market Value of Shares or Units of Stock That Have Not Vested($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested(#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested($)
F. Edwin Harbach(2)		24,652		$138.00	1/2/2018	17,310 (2)	$16,027		$
David Hunter(3)		29,700		83.00	3/13/2018				
	1,926			85.50	4/1/2018				
	1,926			39.50	7/1/2018				
	1,926			24.00	10/1/2018				
Kenneth A. Hiltz									
Eddie R. Munson									
Judy A. Ethell(4)									
Eileen A. Kamerick									
Laurent C. Lutz(5)									

* Please note that the securities listed in the above table and expected vesting schedules do not take into account

the Company s reorganization plan wherein it is contemplated that all outstanding equity of the Company will be cancelled for no consideration.

(1) Due to the terms of the PSUs and the fact that no determinations regarding the vesting of PSUs can be made until December 31, 2009, PSU awards are not included in this table. The Company determined the performance-based metrics are not probable of achievement.

(2) Mr. Harbach was granted 24,652 options to purchase common stock on January 2, 2008, 6,163 options will vest on each of January 2, 2009, 2010, 2011 and 2012. Mr. Harbach received a grant of 17,766 RSUs on January 8, 2007, of which 4,441 RSUs vested on January 8, 2008 and 4,442 RSUs vested on January 8, 2009 (but for the purposes of the table above are not considered as

"exercisable" as they did not vest by December 31, 2008) and of which 4,441 RSUs will vest on January 8, 2010 and 4,442 RSUs will vest on January 8, 2011. In addition, Mr. Harbach received a grant of 3,985 RSUs on January 2, 2008, and 996 RSUs vested on January 2, 2009 (but for the purposes of the table above are not considered as "exercisable" as they did not vest by December 31, 2008) and 996 RSUs will vest on January 2 of each of 2010 and 2011 and 997 RSUs will vest on January 2, 2010. For information regarding these grants, see Footnote 1 to Grants of Plan-Based Awards above.

(3) Mr. Hunter was granted 29,700 options on March 13, 2008, 7,425 of which vested on March 13, 2009 (but for the purposes of the table above are not considered as "exercisable" as they did not vest by

December 31, 2008) and 7,425 of which will vest on March 13 of each of 2010, 2011 and 2012. Mr. Hunter was also granted 1,926 options on each of April 1, 2008, July 1, 2008 and October 1, 2008, all of which vested on December 31, 2008. For information regarding these grants, see Footnote 1 to Grants of Plan-Based Awards above.

(4) Pursuant to the Separation and Release of Claims Agreement, executed by Ms. Ethell and the Company, all outstanding equity awards granted to Ms. Ethell were accelerated. A total of 1,054 RSUs were accelerated pursuant to the terms of such agreement on July 1, 2008. Ms. Ethell s stock options all expired as of October 31, 2008.

(5) Upon Mr. Lutz s resignation from the Company, effective as of the close of business on December 31,

2008, Mr. Lutz forfeit all outstanding RSUs and PSUs that had been granted to him.

Option Exercises and Stock Vested

The following table provides information regarding restricted stock units that vested during 2008 with respect to our named executive officers. No options were exercised in 2008.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise(#)	Value Realized on Exercise($)	Number of Shares Acquired on Vesting(#)	Value Realized on Vesting($)(1)
F. Edwin Harbach		$	4,441	$ 557,346
David Hunter			5,778	7,800
Kenneth A. Hiltz				
Eddie R. Munson				
Judy A. Ethell (2)			2,108	83,266
Eileen A. Kamerick				
Laurent C. Lutz			732	988

(1) Amounts reflect the value of awards realized by the named executive officer and are computed by multiplying the number of vested shares by the closing price of the Company s stock on the date of vesting.

(2) Effective as of July 31, 2008, all and options and RSUs granted in Ms. Ethell employment agreements were accelerated pursuant to a separation and release of claims agreement.

Pension Benefits

Our only retirement plan for our U.S.-based associates, including our named executive officers, is our 401(k) plan. We do not have a pension plan in which our named executive officers are eligible to participate.

Nonqualified Deferred Compensation Plans

We have a Deferred Compensation Plan and a Managing Directors Deferred Compensation Plan, which are designed to permit a select group of management and highly compensated employees who contribute materially to our continued growth, development and future business success to accumulate additional income for retirement and other personal financial goals through plans that enable the participants to make elective deferrals of compensation to which they will become entitled in the future. Our deferred compensation plans are nonqualified and unfunded, and participants are unsecured general creditors of the Company with respect to their accounts. Our managing directors, including our named executive officers, and other highly compensated executives selected by the plans administrative committee are eligible to participate in the plans. To date, none of our named executive officers have participated in any of our deferred compensation plans.

Employment Agreements

Managing Director Agreements. We have entered into a Managing Director Agreement (a Managing Director Agreement) with each of our managing directors and named executive officers. Pursuant to the Managing Director Agreement, we provide up to six months pay for certain terminations of employment by us. In addition, the Managing Director Agreement contains non-competition and non-solicitation provisions for a period of up to two years after such executive s termination of employment or resignation.

With respect to our named executive officers, we entered into the following employment agreements. Generally, each of these arrangements provided for participation in all benefit, fringe and perquisite plans, practices, programs, policies and arrangements generally provided to senior executives of the Company at a level commensurate with the executive s position.

Employment Agreement for F. Edwin Harbach. Effective December 31, 2007, we entered into the following arrangements with Mr. Harbach, in connection with his promotion to Chief Executive Officer. In establishing his new arrangements, as well as terminating or amending the agreements previously executed with Mr. Harbach when he first joined the Company, we have endeavored to adjust Mr. Harbach s compensation to reflect his new position as Chief Executive Officer and also to more closely align most of the terms of his employment agreements with current standard terms utilized in agreements with our other managing directors. Mr. Harbach s employment agreement provides for the following:

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Termination of Prior Agreements. Effective as of December 31, 2007, Mr. Harbach s previous employment agreement, Managing Director Agreement and Special Termination Agreement were terminated. Mr. Harbach s annual base salary and bonus compensation for 2007 can be found in the Summary Compensation Table above, and information regarding his equity awards are included under Outstanding Equity Awards at Fiscal Year-End (December 31, 2007), in each instance pursuant to his previous employment agreement.

Compensation. Mr. Harbach s compensation for 2009 will be:

Mr. Harbach s annual base salary for 2009 is $900,214. In addition, in 2009, Mr. Harbach will be eligible for an annual performance bonus with a target amount of 100% of his annual base salary for the year with respect to which the performance bonus is being awarded, based on his ability to achieve all performance objectives as established for the applicable year by the Committee.

On January 2, 2008, Mr. Harbach received a grant of 3,986 RSUs and a grant of stock options pursuant to the LTIP, with an exercise price of $138.00 per share, to purchase 24,652 shares of common stock of the Company. The RSUs and the stock options vest in equal 25% increments on each of the next four anniversary dates of such grant date, provided that Mr. Harbach s employment has not terminated prior to such date. Furthermore, all of the RSUs will vest upon the termination of Mr. Harbach s employment due to his death, disability or retirement.

Effective as of December 31, 2007, the terms of Mr. Harbach s prior RSU grant of 17,766 restricted stock units awarded to him in January 2007 was amended to provide that in the event of a Change in Control (as defined in the LTIP), the RSUs will become 100% vested and nonforfeitable effective as of the date of such Change in Control, provided that Mr. Harbach s employment has not terminated prior to such date. This amendment conforms the vesting of the RSUs upon a change in control to that contained in all other RSU awards granted by the Company. Previously, the RSUs would have vested only upon (i) a Change in Control and (ii) Mr. Harbach s termination by the Company for any reason other than for cause within three years following a Change in Control.

Living Expenses. Mr. Harbach will be reimbursed for monthly rental payments for his current apartment lease in New York City. The Committee of the Board will review its decision to provide this reimbursement at each lease renewal date, which is set to end in September 2009.

Indemnification. We agreed to indemnify Mr. Harbach with respect to his activities on behalf of the Company to the fullest extent permitted by law and the Company s Articles of Incorporation.

Termination Payments. Mr. Harbach is entitled to certain termination payments under his employment agreement, which are described below under Potential Payments upon Termination of Employment or Change in Control.

In addition, Mr. Harbach and the Company entered into a new Managing Director Agreement and Special Termination Agreement, effective as of December 31, 2007.

Managing Director Agreement. Mr. Harbach s Managing Director Agreement is the standard form currently utilized for all new managing directors of the Company. The Managing Director Agreement contains non-competition and non-solicitation provisions that apply for a period of two years after his termination or resignation.

Special Termination Agreement. The term of Mr. Harbach s Special Termination Agreement is three years (subject to potential one-year extensions) or, if longer, two years after a Change in Control. If, after a Change in Control and during the term of the Special Termination Agreement, the Company terminates Mr. Harbach s employment other than for Cause or Disability (as defined in the Special Termination Agreement) or if he

terminates his employment within 60 days after any decrease of his base salary by 20% or more after such Change in Control, Mr. Harbach is entitled to certain benefits, including the payment of approximately one year s compensation (based on salary plus potential bonus).

Employment Agreement for David R. Hunter. Please see Item 11. Rejection of Employment Agreements with David R. Hunter above for information regarding the rejection of certain of Mr. Hunter's employment agreements. Effective as of March 13, 2008, we had entered into the following arrangements with Mr. Hunter:

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Compensation. Mr. Hunter s compensation for 2009 was:

Mr. Hunter s annual base salary for 2009 was $750,000. In addition, in 2009, Mr. Hunter was eligible for an annual performance bonus with a target amount of 100% of his annual base salary for the year with respect to which the performance bonus is being awarded, based on his ability to achieve all performance objectives as established for the applicable year by the Committee.

The Company granted to Mr. Hunter the following stock options to purchase shares of common stock of the Company pursuant to the Company s 2000 Long-Term Incentive Plan (the LTIP):

Effective as of March 13, 2008, Mr. Hunter was granted stock options to purchase 29,700 shares of common stock (accounting for the reverse stock split) of the Company, with an exercise price of $83.66 per share. On March 13, 2009, 25% of these stock options vested and the remainder will vest in equal 25% increments on each of the next three anniversary dates of such grant date.

In addition, as part of his 2008 compensation, on each of April 1, 2008, July 1, 2008 and October 1, 2008, Mr. Hunter was granted stock options to purchase 1,926, 1,926 and 1,926 shares of common stock (accounting for the reverse stock split) of the Company, respectively, as he was an employee of the Company on such dates, with an exercise price per share equal to the closing price of the Company s common stock on the New York Stock Exchange on such grant dates. Each of these stock options vested on December 31, 2008.

All unvested stock options will vest as of the date of any Change in Control (as defined in the LTIP).

Benefits/Long-Term Incentives. Mr. Hunter was entitled to participate in all employee benefit (including long-term incentive), fringe and perquisite plans, practices, programs, policies and arrangements generally provided to executives of the Company at a level commensurate with his position and location.

Living Expenses. The Company agreed to provide reasonable living accommodations for Mr. Hunter during extended stay periods at the Company s New York, New York location. In addition, the Company agreed to reimburse Mr. Hunter for the reasonable travel expenses of his spouse, up to four times per year, while Mr. Hunter is on Company business.

Severance. Upon termination of Mr. Hunter s employment by the Company other than Summary Termination (as defined in Mr. Hunter s Managing Director Agreement), and in lieu of any amounts payable under Mr. Hunter s Managing Director Agreement, the Company will pay to Mr. Hunter, within 30 days after the Company s receipt of a fully executed release, a lump sum cash payment in the amount of $1,500,000 USD.

Indemnification. The Company agreed to indemnify Mr. Hunter with respect to his activities on behalf of the Company to the fullest extent permitted by law and the Company s Certificate of Incorporation.

In addition, Mr. Hunter and the Company entered into a Managing Director Agreement and Special Termination Agreement.

Managing Director Agreement. Effective as of March 13, 2008, the Company and Mr. Hunter entered into a Managing Director Agreement that contains non-competition and non-solicitation provisions for a period of two years after his termination or resignation.

Special Termination Agreement. Effective as of March 13, 2008, the Company and Mr. Hunter entered into a Special Termination Agreement. The term of the Special Termination Agreement was three years (subject to potential one-year extensions) or, if longer, two years after a Change in Control. If, after a Change in Control and during the term of the Special Termination Agreement, the Company terminates Mr. Hunter s employment other than as a Summary Termination (as defined in the Managing Director Agreement) or for Disability (as defined in the Special Termination Agreement) or if he terminates his employment within 60 days after any decrease of his base salary by 20% or more after such Change in Control, Mr. Hunter is entitled to certain

benefits, including a lump sum cash payment of $1,500,000 USD.

Judy A. Ethell. As of May 13, 2008, Judy A. Ethell no longer held the positions of Chief Financial Officer and Chief Accounting Officer; however, Ms. Ethell agreed to continue as an employee until July 31, 2008 to assist with the transition to our new chief

financial officer. As of August 1, 2008, Ms. Ethell was no longer an employee of the Company. We have entered into an Separation and Release of Claims Agreement dated as of May 12, 2008 with Ms. Ethell that includes the terms set forth below. The terms of the agreement are in lieu of certain applicable provisions of Ms. Ethell s existing employment arrangements, including severance payments and payment upon a change of control.

Lump Sum Payment. Ms. Ethell was scheduled to receive a payment in the amount of $1,740,000 to be paid in a lump sum on or about February 1, 2009. This amount has not yet been paid. We expect that Ms. Ethell will have a claim as an unsecured creditor with respect to such payment and that she will file such claim with the Bankruptcy Court.

Restricted Stock Units. On July 1, 2008, all of Ms. Ethell s RSUs that were scheduled to vest on July 1, 2009 vested. As such, as of July 31, 2008, all 7,720 RSUs granted in Ms. Ethell s two RSU agreements (taking into account the reverse stock split) had vested.

Stock Options. On July 1, 2008, Ms. Ethell s stock options that were scheduled to vest on July 1, 2009 pursuant to the BearingPoint Stock Option Agreement and the terms of Ms. Ethell s September 19, 2006 Award Notice vested.

Change of Control Payment. If we had experienced a change of control prior to January 31, 2009, we would have had to make a lump sum payment of $1,400,000 to Ms. Ethell. As no such change of control occurred, Ms. Ethell did not receive any payments pursuant to this provision.

Release of Claims. In consideration of the above listed payments and actions, Ms. Ethell has agreed to release us of all claims (other than those limited types of claims expressly set forth in the agreement) related to her employment, including amounts potentially owed to Ms. Ethell pursuant to her existing employment arrangements.

Potential Payments upon Termination or Change of Control

Severance Payments under Managing Director Agreements. Under our Managing Director Agreements, we provide up to six months pay for terminations of employment by us other than for cause, as defined in the agreements. In addition, these agreements contain non-competition and non-solicitation provisions that apply for a period of up to two years after such executive s termination of employment or resignation.

Severance Payments under Employment Agreements. Under our employment agreements with Mr. Harbach and Mr. Hunter, we state that upon termination of the individual s employment by us without cause (as defined in the agreements), within 30 days after our receipt of a fully executed release, we will make a severance payment to the individual. These severance payments are significantly higher than those that we would pay under our Managing Director Agreements.

Termination Payments under Special Termination Agreements. We have entered into special termination agreements (each, a Special Termination Agreement) with certain key personnel. The purpose of the Special Termination Agreement is to ensure that these executives are properly protected in the event of a change in control of the Company, thereby enhancing our ability to hire and retain them. The terms of the Special Termination Agreements vary up to a maximum of three years, which terms automatically renew for additional one-year terms unless we give notice that the agreement will not be renewed, or, if later, two years after a change in control. The protective provisions of the Special Termination Agreement become operative only upon a change in control, as defined in the agreement.

All Special Termination Agreements signed on or after August 1, 2006 specify that if, after a change in control and during the term of the agreement, we terminate the executive s employment other than for cause (as defined in the agreements) or the executive terminates his employment because his salary was reduced by at least 20%, the executive is entitled to certain benefits. Generally, Special Termination Agreements signed before August 1, 2006 specify that if, after a change in control and during the term of the agreement, we terminate the executive s employment other than for cause or if the executive terminates his employment for specified reasons (including if his responsibilities have

been materially reduced or adversely modified or his compensation has been reduced), the executive is entitled to certain benefits. Under the Special Termination Agreements, these benefits generally include the payment of approximately one year s compensation, based on salary plus bonus as specified in the agreement, continued coverage under our welfare benefit plans (e.g., medical, life insurance and disability insurance) for up to two years at no cost, and outplacement counseling.

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Potential Payments
Upon Termination of Employment or Change-in-Control
as of December 31, 2008

The table below sets forth the potential payments that generally would have been payable to each of our named executive officers as of December 31, 2008 if:

the named executive officer s employment were terminated by us without Cause (as defined in such named executive officer s employment agreement) or by the named executive officer for Good Reason (as defined in such named executive officer s employment agreement); and

the named executive officer s employment (a) were terminated by us within two years after a Change in Control (as defined in such named executive officer s Special Termination Agreement) for any reason other than Cause (as defined in such named executive officer s Special Termination Agreement) or if the executive became permanently disabled or was unable to work for a period of 180 consecutive days, (b) (i) were involuntarily terminated by us (other than for Cause) or (ii) were terminated by the named executive officer following a reduction or adverse change in the named executive officer s duties or compensation, in each case within six months prior to a Change in Control and in anticipation of a Change in Control or (c) were terminated by the named executive officer during the term of the Special Termination Agreement but after a Change in Control if one of the events specified in such named executive officer s Special Termination Agreement has occurred.

Name	Termination of Employment(1)(2)	Change in Control(2)(3)
F. Edwin Harbach	$ 3,739,198(4)	1,841,392(5)
David R. Hunter	1,536,812(6)	2,070,591(7)

* The Company has not provided information regarding Ms. Kamerick as she is no longer an employee of the Company and was not paid any termination fees upon her resignation as Chief Financial Officer. Upon Ms. Kamerick s resignation, all her employment arrangements were terminated, including the Managing Director Agreement and Special Termination

Agreement.
Mr. Munson is no longer acting as Chief Financial Officer of the Company and was not a party to any employment or change of control agreements and, as such, would not receive any amounts upon his termination of employment or upon a change of control of the Company.
Mr. Hiltz is also not a party to any employment or change of control agreements and therefore will not receive any amounts upon a termination of employment or a change of control of the Company.
Mr. Lutz did not receive any additional compensation upon his resignation of employment, effective as of the close of business on December 31, 2008. Ms. Ethell executed a Separation and Release of Claims Agreement on May 12, 2008. For more information

about payments made to Ms. Ethell, please see *Employment Agreements - Judy Ethell* and Footnote 7 to the Summary Compensation Table above.

(1) Amounts set forth in the table for Messrs. Harbach and Hunter reflect the severance payments payable under their respective employment agreements. If Messrs. Harbach and Hunter s employment is not terminated (i) by us without Cause (as defined in such named executive officer s employment agreement) or (ii) by the named executive officer for Good Reason (as defined in such named executive officer s employment agreement), then such named executive officer may still be eligible to receive payments representing earned but

unpaid salary and bonus amounts, any unpaid accrued personal days or unreimbursed business expenses and any other amounts due under the Company s benefit plans. If Messrs. Harbach and Hunter does not qualify for payment under any of the provisions of their respective employment agreements, they may be eligible to receive severance payments under their respective Managing Director Agreements if their employment is terminated other than for Cause (as defined in the respective Managing Director Agreement) or for no reason. In Mr. Harbach s case, such payment would generally consist of all earned and unpaid base salary plus a payment equal to three months pay at his current base salary. In the case of

Mr. Hunter, under his agreement, he would be only be entitled to all earned and unpaid base salary and any accrued but untaken annual leave. Amounts payable under the Managing Director Agreements for Messrs. Harbach and Hunter as of December 31, 2008 would have been $225,054 and $36,812, respectively.

(2) The dollar amounts in the table with respect to RSUs and PSUs that accelerate upon a termination, Change in Control or other triggering event assume a $1.35 per share price for our common stock (the closing price on December 31, 2008).

(3) Amounts set forth in the table for Messrs. Harbach and Hunter reflect the termination payments payable governed under

their respective Special Termination Agreements upon a Change of Control (as defined in such agreements). Even if Messrs. Harbach or Hunter is not eligible to receive the payments set forth in the table above upon a change in control (as defined in the Special Termination Agreements), all unvested options and RSUs held will immediately vest upon the occurrence of a Change of Control

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(as defined under the LTIP) pursuant to such named executive officer s employment agreement. In addition, the Change of Control provisions under the LTIP generally provide that any unvested portion of stock option grants and RSUs will vest upon the occurrence of a Change of Control (as defined in the LTIP). See Change of Control Provisions Under the LTIP below. Furthermore, if such named executive officer is not eligible to receive the payments and other benefits specified in his or her Special Termination Agreement upon a change in control, such named executive officer may be eligible to receive the payments payable upon termination of employment under such individual s employment agreement, as specified in this table and the related footnotes.

(4) Under Mr. Harbach s

employment agreement in effect as of December 31, 2008, Mr. Harbach would have been entitled to the following: (i) payment equal to two times the sum of his (A) annual base salary ($900,214) and (B) bonus compensation of $900,214, (ii) payment of accrued and unused personal days ($116,461), (iii) payment of premiums under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended for a period of 18 months after termination ($14,540), and (iv) the vesting of an additional 5,438 RSUs that would have vested within the first anniversary of the termination date ($7,341).

(5) Under Mr. Harbach s Special Termination Agreement in effect as of December 31, 2008, Mr. Harbach would have been entitled to the following: (i) payment equal to the sum of his (A) annual base

salary in 2008 ($900,214) and (B) bonus compensation of $900,214, (ii) for a period of 2 years after his termination, continuation of medical, dental, life insurance, disability, accidental death and dismemberment benefits and other welfare benefits, subject to certain exceptions ($17,595), (iii) pursuant to the terms of Mr. Harbach s RSU grant, in the event of a Change in Control, the vesting of all unvested RSUs (an additional 17,310 RSUs valued at $23,369), (iv) reimbursement for outplacement services and (v) payment of any earned but unpaid salary, bonus or incentive compensation.

(6) Under Mr. Hunter s employment agreement, Mr. Hunter would have been entitled to (i) payment equal to the sum of $1,500,000, (ii) payment of accrued and unused personal days

($36,812), and (iii) the vesting of an additional 35,478 options that would have vested within the first anniversary of the termination date ($0).

(7) Under Mr. Hunter s Special Termination Agreement, Mr. Hunter would have been entitled to the following: (i) payment equal to the sum of $1,500,000, (ii) for a period of 2 years after his termination, continuation of medical, dental, life insurance, disability, accidental death and dismemberment benefits and other welfare benefits, subject to certain exceptions ($17,595), (iii) pursuant to the terms of Mr. Hunter s option grant, in the event of a Change in Control, the vesting of all unvested options (an additional 35,478 options valued at $0), (iv) reimbursement for outplacement services, (v) payment of any earned but unpaid

salary, bonus or incentive compensation and (vi) an additional tax gross-up payment of $552,996.

Change of Control Provisions Under the LTIP. In addition to the provisions in the agreements referred to above, in the event of certain Changes of Control of the Company, any non-vested portion of stock option grants, RSUs and other awards made under the LTIP will generally vest, and any contractual transfer restrictions on restricted stock or other shares issued upon the settlement of RSUs will be released except under the PSU awards. If such a Change of Control were to occur, all stock options not yet exercisable, including those of our named executive officers set forth in the table captioned Outstanding Equity Awards at Fiscal Year-End (December 31, 2008) would vest. Upon a Change of Control, for PSU awards, the growth target in CBUC will be waived and the acquiring company may (i) substitute the PSUs for the right to receive the acquiring company s stock with the same vesting and settlement schedule, (ii) accelerate and settle in cash the ratable number of PSUs that would vest through the date of Change in Control and replace the remaining PSUs with a cash incentive bonus program that provides for an opportunity to earn up to the value of the remaining PSUs, or (iii) if neither of the above options is selected, then the PSUs will vest and settle and be payable within 10 days of the Change of Control. No PSUs were ever granted to Messrs. Harbach and Hunter.

Managing Director Compensation Plan

In January 2006, the Committee approved and authorized the development of our MD Compensation Plan. The MD Compensation Plan was designed to be a comprehensive cash and equity-based compensation program for the managing directors of the Company and was intended to replace the previous cash-based compensation program for such individuals. Generally, all managing directors, including our named executive officers, are eligible to participate in the MD Compensation Plan. The primary goal of the MD Compensation Plan is to align the compensation of our managing directors with those of our stockholders, and the plan is designed to offer transparency into the Company s executive compensation program, align Company performance and individual performance, provide a fair and objective basis for assessing performance, link managing director roles and responsibilities to the Company s business objectives, and enhance the accountability of the Company s executives. Under the MD Compensation Plan, a managing director s compensation may include the following components: (i) RSUs; (ii) target compensation (which may be cash or equity); (iii) performance compensation; and (iv) additional breakthrough awards.

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For 2006 and 2007, our MD Compensation Plan was not fully activated because we were not current in the filing of our SEC periodic reports. Even though the target levels of profitability under the MD Compensation Plan were not achieved in either year, we decided to pay performance-based cash bonuses for retention purposes and because we were able to sustain our underlying operations and our core business continued to perform, despite the issues we continue to face with respect to our financial accounting systems and efforts to become timely in our SEC periodic reports.

In 2007, upon the recommendation of our Chief Executive Officer, the Compensation Committee of our Board agreed, for 2008, not to activate the provision of our MD Compensation Plan that provides for 20% of a managing director s salary to be paid two fiscal quarters after the compensation has been earned, as determined by the Company s performance.

Director Compensation

Non-employee directors, those who are not employed by us on a full-time or other basis, receive compensation for their service on our Board. The goals for non-employee director compensation are to fairly pay directors for their service, to align directors interests with the long-term interests of our stockholders and to have a structure that is transparent. An employee director receives no additional compensation for their service on the Board.

In 2008, non-employee director compensation included the following elements:

- an annual fee of $40,000;
- a meeting fee of $2,000 for attendance in person at any meeting of the Board or a committee of the Board and $1,000 for attendance by telephone (members of the Audit Committee are paid $2,000 for attendance at any Audit Committee meeting, whether they attended in person or by telephone);
- a fee of $40,00 to each of Messrs. Lord and McGeary and a fee of $50,000 to Mr. Strange for their participation in a Special Committee of the Board;
- a grant of stock options to purchase up to 300 shares of common stock upon initial election to the Board; and
- a grant of stock options to purchase up to 100 shares of common stock upon initial election as the Chair of the Audit Committee.

Under the 2000 Amended and Restated LTIP, automatic grants of restricted stock awards ceased as of January 1, 2007. The Company may, in its discretion, provide discretionary grants. The Committee did not grant any shares of restricted common stock or stock options to any non-employee director for service performed in 2008.

On December 31, 2007, Roderick McGeary, Chairman of the Board, retired as an employee of the Company. On January 1, 2008, the Compensation Committee of the Board approved an annual fee of $150,000 payable to Mr. McGeary, as compensation for his ongoing services as Chairman of the Board. This fee is in addition to the $40,000 annual fee payable to the Company s non-employee directors.

In January 2008, the Nominating and Corporate Governance Committee of the Board performed a review of our non-employee director compensation policy and determined not to make any changes to non-employee director compensation for 2008, although it agreed to consider re-addressing the policy later in the year.

Eddie R. Munson, a director and former member of the Audit Committee, agreed to serve as our Chief Financial Officer, effective as of June 4, 2008, on an interim basis. Effective November 11, 2008, the Company appointed Kenneth A. Hiltz as Chief Financial Officer and Mr. Munson resumed his service on the Audit Committee. Effective July 15, 2008, Spencer Fleischer resigned from our Board. Effective as of January 1, 2009, Frederic F. Brace was appointed to the Board as a Class III Director.

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2008 Director Compensation Table

Name*	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(5)	Option Awards ($)(5)(6)	Total ($)
Douglas C. Allred	$ 88,000	$	$	$ 88,000
Betsy J. Bernard	86,000			86,000
Frederic F. Brace(2)				
Jill S. Kanin-Lovers	88,000			88,000
Wolfgang H. Kemna	81,000			81,000
Albert L. Lord	125,000			125,000
Roderick C. McGeary(3)	261,000			261,000
Eddie R. Munson	77,000			77,000
J. Terry Strange	151,000			151,000
Spencer C. Fleischer(4)	69,000			69,000

* For information regarding the current composition of our Board, please see Item 10 Reduction in Size of Board of Directors above.

(1) Unless otherwise noted, Fees Earned or Paid in Cash amounts consist of amounts paid for Board service rendered in 2008.

(2) Effective as of January 1, 2009, Frederic F. Brace was appointed to the Board as a Class III Director and, as such, received no compensation

for service in 2008.

(3) On January 1, 2008, the Compensation Committee of the Board approved an annual fee of $150,000 payable to Mr. McGeary, as compensation for his ongoing services as Chairman of the Board. This fee is in addition to the $40,000 annual fee payable to the Company s non-employee directors.

(4) Mr. Fleischer resigned from the Board effective July 15, 2008.

(5) No awards of stock or options were granted to the directors for their service on the Board in 2008.

(6) Outstanding equity awards for each non-employee director is as follows (for a complete description of the beneficial ownership by our directors,

see Security Ownership of Certain Beneficial Owners and Management):

Name	Outstanding Stock Awards at December 31, 2008(1)	Outstanding Option Awards at December 31, 2008
Douglas C. Allred	880	300
Betsy J. Bernard	640	300
Frederic F. Brace(2)		
Jill S. Kanin-Lovers	160	300
Wolfgang H. Kemna	880	300
Albert L. Lord	800	300
Roderick C. McGeary(3)	4,230	9,458
Eddie R. Munson	160	300
J. Terry Strange	800	400

(1) No awards of stock or options were granted to the directors for their service on the Board in 2008.

(2) Effective as of January 1, 2009, Frederic F. Brace was appointed to the Board as a Class III Director and as part of his appointment received 300 option awards.

(3) Mr. McGeary s outstanding stock awards consist of (i) 2,430 Founders shares, (ii) 600 shares due to

purchases on December 5, 2007, (iii) 101 shares due to a settlement of 147 RSUs on December 12, 2007, subtracting 46 for net share delivery, (iv) 398 shares due to a settlement of 583 RSUs on July 1, 2008, subtracting 185 for net share delivery, (v) 301 shares due to a settlement of 441 RSUs on July 1, 2008, subtracting 140 for net share delivery and (vi) 400 shares of restricted stock issued to Mr. McGeary for his service on the Board. Mr. McGeary s outstanding option awards consist of (i) 158 options, granted on June 30, 2000, at an exercise price of $2,775.50 per share, all of which vested on June 30, 2001, (ii) 300 options, granted on April 24, 2001, at an exercise price of $819.00 per share, all of

which vested on April 24, 2002, and (iii) 9,000 options, granted on November 19, 2004, at an exercise price of $450.00 per share, 50% of which vested on March 21, 2005 and 50% of which vested on March 21, 2006.

We also reimburse directors for reasonable travel expenses related to attending a Board, Committee or other Company-related business meetings, and provide liability insurance for our directors and officers.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Beneficial Ownership of More Than Five Percent

The following table sets forth the only persons known by us, as of May 1, 2009, to be beneficial owners or more than five percent of our common stock.

	Common Stock	
Name and Address of 5% Holders of Common Stock	**Number of Shares**	**Percentage of Shares Outstanding**
Glenview Capital Management, LLC(1) 767 Fifth Avenue, 44th Floor New York, NY 10153	606,681	13.7%
Ariel Investments, LLC (2) 200 E. Randolph Drive, Suite 2900 Chicago, IL 60601	522,482	11.8%
Silver Point Capital, L.P.(3) Two Greenwich Plaza Greenwich, CT 06830	399,977	9.1%
Thornburg Investment Management, Inc.(4) 119 E. Marcy Street Santa Fe, NM 87501	360,068	8.2%
Tracer Capital Management L.P.(5) 540 Madison Avenue, 33rd Floor New York, NY 10022	316,986	7.2%
Whitebox Advisors, LLC(6) 3033 Excelsior Boulevard, Suite 300 Minneapolis, MN 55416	278,213	6.3%
Franklin Resources, Inc.(7) One Franklin Parkway San Mateo, CA 94403-1906	248,707	5.6%

(1) Represents shares beneficially held by Glenview Capital Management, LLC (Glenview) and Lawrence M. Robbins, as reported on a Schedule 13G/A

filed on February 17, 2009. Glenview serves as investment manager to various entities and Mr. Robbins is the Chief Executive Officer of Glenview. As such, each of Glenview and Mr. Robbins may be deemed to have shared voting power and shared dispositive power with respect to all 606,681 of such shares, of which 115,103 shares are issuable upon conversion of certain convertible debentures of the Company.

(2) Represents shares beneficially held by Ariel Investments, LLC (Ariel), as reported on a Schedule 13G/A filed on June 10, 2008. Ariel has sole voting power with respect to 198,323 of such shares and sole dispositive power with respect to all 522,482 of such

shares. These shares are beneficially owned by investment advisory clients of Ariel.

(3) Represents shares beneficially held by Silver Point Capital, L.P. (Silver Point), Mr. Edward A. Mulé and Mr. Robert J. O Shea, as reported on a Schedule 13G/A on February 17, 2009. Silver Point serves as investment manager t various entities and Messrs. Mulé and O Shea are members of Silver Point Capital Management, LLC, the general partner of Silver Point. As such, Silver Point may be deemed to have sole voting and dispositive power over all 399,977 shares and Messrs. Mulé and O Shea may be deemed to have shared voting and dispositive power over all 399,977 shares.

(4) Represents shares beneficially held by Thornburg Investment Management, Inc. (Thornburg), as reported on a Schedule 13G/A filed on April 19, 2007. Thornburg has sole voting power with respect to 220,162 of such shares and sole dispositive power with respect to all 360,068 of such shares. These shares are beneficially owned by investment advisory clients of Thornburg.

(5) Represents shares beneficially held by Tracer Capital Management L.P. (Tracer), Riley McCormack and Matt Hastings, as reported on a Schedule 13G/A filed on February 17, 2009. Tracer serves as an investment manager to various entities. Mr. McCormack and Mr. Hastings are the sole limited partners

of Tracer. As such, each of Tracer, Mr. McCormack and Mr. Hastings may be deemed to have shared voting power and shared dispositive power with respect to all 316,986 of such shares.

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(6) Represents shares beneficially held by Whitebox Advisors, LLC (Whitebox) and its various related entities, as reported on a Schedule 13G filed on February 25, 2009. Whitebox serves as investment manager to various entities and as such may be deemed to have shared voting power and shared dispositive power with respect to all of such shares, all of which are issuable upon the conversion of certain convertible debentures of the Company.

(7) Represents shares beneficially held by Franklin Resources, Inc. (FRI), Charles B. Johnson, Rupert H. Johnson, Jr. and Franklin Templeton Investments Corp. (Franklin Templeton), as reported on a Schedule 13G/A

filed on February 6, 2009. The shares are beneficially owned by one or more open or closed end investment companies or other managed accounts that are investment management clients of investment managers that are direct and indirect subsidiaries of FRI. Mr. Charles Johnson and Mr. Rupert Johnson are the principal stockholders of FRI. As reported on the Schedule 13G/A, Franklin Templeton has sole voting and dispositive power with respect to 248,707 of such shares. The address for Franklin Templeton is 200 King Street W, Suite 1500, Toronto, ON, Canada M5H 3T4.

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Security Ownership of Directors and Executive Officers

The following table sets forth, as of May 1, 2009, information regarding the beneficial ownership of our common stock held by (i) each of our directors, including those directors who voluntarily resigned effective June 1, 2009, and named executive officers and (ii) all of our directors and executive officers as a group. To our knowledge, except as otherwise indicated, each of the persons or entities listed below has sole voting and investment power with respect to the shares beneficially owned by him or her. Beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act, pursuant to which a person or group of persons is deemed to have beneficial ownership of any shares that he or she has the right to acquire within 60 days of May 1, 2009. Any shares that a person has the right to acquire within 60 days of May 1, 2009 are deemed to be outstanding but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

	Common Stock	
Name and Address (1)	**Number of Shares**	**Percentage of Shares Outstanding**
F. Edwin Harbach (2)	16,042	*
David R. Hunter(3)	13,203	*
Kenneth A. Hiltz		*
Douglas C. Allred(4)	1,180	*
Betsy J. Bernard(5)	940	*
Frederic F. Brace(6)		*
Jill S. Kanin-Lovers(7)	460	*
Wolfgang H. Kemna(8)	1,180	*
Albert L. Lord (9)	1,332	*
Roderick C. McGeary(10)	13,688	*
Eddie R. Munson (11)	460	*
J. Terry Strange(12)	1,300	*
All current executive officers and directors as a group (12 persons)	49,785	*

* Less than 1% of our common stock outstanding.

(1) The address for all persons listed is c/o BearingPoint, Inc., 100 Crescent Court, Suite 700, Dallas, Texas 75201.

(2) Includes 6,163 shares of common stock that may be acquired

through the exercise of stock options.

(3) Includes 13,203 shares of common stock that may be acquired through the exercise of stock options.

(4) Includes 300 shares of common stock that may be acquired through the exercise of stock options.

(5) Includes 300 shares of common stock that may be acquired through the exercise of stock options.

(6) Effective as of January 1, 2009, Frederic F. Brace was appointed to the Board a Class III Director. Mr. Brace was granted 300 shares of common stock that may be acquired through the exercise of stock options, however, such options will not vest until

January 1, 2010.

(7) Includes 300 shares of common stock that may be acquired through the exercise of stock options.

(8) Includes 300 shares of common stock that may be acquired through the exercise of stock options.

(9) Includes 300 shares of common stock that may be acquired through the exercise of stock options.

(10) Includes 9,458 shares of common stock that may be acquired through the exercise of stock options.

(11) Includes 300 shares of common stock that may be acquired through the exercise of stock options.

(12) Includes 400 shares of common stock that may be

acquired
through the
exercise of
stock options.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Related Party Transaction Policies

Prior to the reduction of the size of our Board on June 1, 2009, the Audit Committee of our Board had, and our Board currently has, the primary responsibility for reviewing, approving or ratifying any related party transactions, which include certain transactions that we may enter into with our directors or executive officers (or their immediate family members), or certain shareholders of the Company. Our legal department assisted the Audit Committee and will assist the Board in implementing procedures and processes to obtain information regarding any such related party transactions, including information obtained from our directors and officers through annual questionnaires. Prior to the reduction of the size of our Board on June 1, 2009, the Audit Committee made, and our Board currently makes, all decisions with respect to whether a transaction meets the criteria of a related party transaction.

Related Transactions

Friedman Fleischer & Lowe, LLC /Spencer C. Fleischer

On July 15, 2005, we issued $40,000,000 aggregate principal amount of our July 2005 Convertible Debentures and common stock warrants to purchase up to 3,500,000 shares of our common stock pursuant to a securities purchase agreement, dated July 15, 2005 (the FF&L Purchase Agreement), among the Company and certain affiliates of Friedman Fleischer & Lowe, LLC (the FF&L Purchasers). In accordance with the terms of the FF&L Purchase Agreement, Mr. Spencer C. Fleischer was appointed to our Board as a Class I Director, effective July 15, 2005. Mr. Fleischer is a senior managing member and Vice Chairman of Friedman Fleischer & Lowe GP II, LLC, the general partner of Friedman Fleischer & Lowe GP II, LP, which is the general partner of several investment funds that make investments in private and public companies in the United States and Bermuda; he has served in this capacity since 1998. Mr. Fleischer resigned from the Board effective July 15, 2008. Under the terms of the FF&L Purchase Agreement, if Mr. Fleischer ceases to be affiliated with the FF&L Purchasers or ceases to serve on the Board, so long as the FF&L Purchasers together hold at least 40% of the original principal amount of the July 2005 Senior Debentures, the FF&L Purchasers or their designees have the right to designate a replacement director to our Board. The FF&L Purchasers have informed the Company that they have no current intention of exercising their right to appoint a replacement director to the Board at this time. In connection with the Supplemental Indentures entered into for the Subordinated Debentures and the April 2005 Convertible Debentures and the payment of a consent fee to the holders of the April 2005 Convertible Debentures equal to 1.00% of the outstanding principal amount of the April 2005 Convertible Debentures on November 9, 2006 and an additional consent fee of 0.25% on October 27, 2007, we paid to the holders of the July 2005 Convertible Debentures an amount equal to 1.00% of the outstanding principal amount of the July 2005 Convertible Debentures and an additional 0.25%, respectively.

AlixPartners

In September of 2008, the Company signed an Agreement for Interim Management Services with AlixPartners, LLP, an internationally recognized business and financial advisory firm to assist the Company in developing its 2009 plan, participate in its upcoming discussions to restructure its indebtedness and lead a number of key cash management initiatives. Effective November 11, 2008, the Company appointed Kenneth A. Hiltz, a managing director of AlixPartners, LLP, as the Company s Chief Financial Officer. On February 5, 2009, the Company entered into an Interim Management and Restructuring Services Agreement with AP Services, LLC, an affiliate of AlixPartners, LLP for the engagement of AP Services to provide certain temporary employees to the Company to assist it in its restructuring. This agreement was approved by the Bankruptcy Court and replaced in its entirety the agreement between AlixPartners, LLP and the Company. The Company pays AP Services a fee based on an hourly rate for time worked by Mr. Hiltz and pays or reimburses AP Services for reasonable out-of-pocket expenses. In addition, pursuant to the Interim Management and Restructuring Services Agreement with AP Services, AP Services is entitled to a fee of $4,500,000 upon the consummation of certain transactions. The Company believes that upon the consummation of the Sale Transactions, AP Services will be entitled to the payment of such fee. Mr. Hiltz is a temporary employee of the Company, receives no compensation directly from the Company and does not participate in the Company s employee benefit plans. As of March 31, 2009, the Company has paid AlixPartners and AP Services a cumulative total of $5,632,062 and has an outstanding payable balance of $1,950,000 for all financial advisory services provided

by the firm, including for Mr. Hiltz s services. In addition, AlixPartners was paid a retainer of $1,000,000 on October 1, 2008, which was transferred to AP Services on February 5, 2009.

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Director Independence

The Board has reviewed each director s independence. As a result of this review, the Board affirmatively determined that each of Messrs. Brace and Munson has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Mr. Harbach is an employee of the Company and, while Mr. McGeary resigned as an employee of the Company as of December 31, 2007, he is not considered an independent director due to his recent employment with the Company.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Pre-Approval Policies

Prior to the reduction of the size of our Board on June 1, 2009, the Audit Committee adopted policies and procedures for approving all audit and permissible non-audit services performed by our independent auditors. Consistent with these policies, all engagements of the independent auditor to perform any audit services and non-audit services were pre-approved by the Audit Committee. No services provided by our independent auditor were approved by the Audit Committee pursuant to the de minimis exception to the pre-approval requirement set forth in paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

Independent Registered Public Accountants Fees

For fiscal years 2008 and 2007, our independent registered public accountants, Ernst & Young LLP, billed us the fees and expenses set forth below in connection with services rendered:

	Fiscal Year Ended December 31,	
Type of Fee	**2008**	**2007**
Audit Fees(1)	$ 24,875,000	$ 31,595,000
Audit-Related Fees(2)	1,200,000	805,000
Tax Fees(3)	1,700,000	449,000
All Other Fees(4)	20,000	2,187,000
Total	$ 27,795,000	$ 35,036,000

(1) Audit fees include audits of consolidated financial statements, reviews of unaudited quarterly financial statements and services that are normally provided by independent auditors in connection with statutory and regulatory filings.

(2)

Audit-related fees include assurance and related services provided by our independent auditors that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not included above under Audit Fees. These services principally include audits of employee benefit plans, accounting consultations, and other services in connection with regulatory reporting requirements.

(3) Tax services principally include consultation in connection with tax compliance, tax consultations and tax planning.

(4) All other fees include licenses to technical accounting research software and other consultations.

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PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) The financial statements of the Company required in response to this Item are incorporated by reference from Item 8 of this Report.

(a)(3) See the exhibits listed below under Item 15(b).

(b) Exhibit Index

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation, dated as of February 7, 2001, which is incorporated herein by reference to Exhibit 3.1 from the Company s Form 10-Q for the quarter ended March 31, 2001.
3.2	Certificate of Ownership and Merger merging Bones Holding into the Company, dated October 2, 2002, which is incorporated herein by reference to Exhibit 3.3 from the Company s Form 10-Q for the quarter ended September 30, 2002.
3.3	Certificate of Amendment of Amended and Restated Certificate of Incorporation, dated as of December 10, 2008, which is incorporated herein by reference to Exhibit 3.1 from the Company s Form 8-K filed with the SEC on December 10, 2008.
3.4	Amended and Restated Bylaws, amended and restated as of December 5, 2008, which is incorporated herein by reference to Exhibit 3.1 from the Company s Form 8-K filed with the SEC on December 5, 2008.
4.1	Rights Agreement, dated as of October 2, 2001, between the Company and EquiServe Trust Company, N.A., which is incorporated herein by reference to Exhibit 1.1 from the Company s Registration Statement on Form 8-A dated October 3, 2001.
4.2	Certificate of Designation of Series A Junior Participating Preferred Stock, which is incorporated herein by reference to Exhibit A to Exhibit 1.1 from the Company s Registration Statement on Form 8-A dated October 3, 2001.
4.3	Amendment No. 1 to the Rights Agreement between the Company and EquiServe Trust Company, N.A., which is incorporated herein by reference to Exhibit 99.1 from the Company s Form 8-K filed on September 6, 2002.
4.4	Second Amendment to the Rights Agreement, dated as of October 27, 2007, between the Company and Computershare Trust Company, N.A. (formerly EquiServe Trust Company, N.A.), which is incorporated herein by reference to Exhibit 4.4 from the Company s Form 10-Q for the quarter ended June 30, 2007.
10.1	Amended and Restated Separation Agreement, dated as of February 13, 2001, among KPMG LLP, KPMG Consulting, LLC and the Company, which is incorporated herein by reference to Exhibit 10.1 from the Company s Form 10-Q for the quarter ended March 31, 2001.
10.2	Transition Services Agreement, dated as of February 13, 2001, among KPMG LLP, KPMG Consulting, LLC and the Company, which is incorporated herein by reference to Exhibit 10.3 from the Company s Form 10-Q for the quarter ended March 31, 2001.

10.3	Stock Purchase Agreement dated as of December 29, 1999, among Cisco Systems, Inc., KPMG LLP and the Company, which is incorporated herein by reference to Exhibit 10.11 from the Company s Form S-1. (Registration No. 333-36328) (referred to below as the Company s Form S-1).
10.4	Investor Rights Agreement dated as of January 31, 2000, among KPMG LLP, Cisco Systems, Inc. and the Company, which is incorporated herein by reference to Exhibit 10.12 from the Company s Form S-1.
10.5	Irrevocable Waiver, dated May 17, 2004, by Cisco Systems, Inc. with respect to the Investor Rights Agreement, dated January 31, 2000 and the Stock Purchase Agreement, dated December 29, 1999, which is incorporated herein by reference to Exhibit 10.49 of the Company s Form S-1/A (Registration No. 333-100199).
10.6	Credit Agreement dated as of May 18, 2007, as amended and restated on June 1, 2007, among the Company, BearingPoint, LLC, the guarantors party thereto, the lenders party thereto, UBS Securities LLC, Morgan Stanley Senior

Exhibit No.	Description
	Funding, Inc., UBS AG, Stamford Branch and Wells Fargo Foothill, LLC, which is incorporated herein by reference to Exhibit 10.6 from the Company s Form 10-K for the year ended December 31, 2006.
10.7	Security Agreement dated as of May 18, 2007, among the Company, BearingPoint, LLC, the guarantor s party thereto and UBS AG, Stamford Branch, as Collateral Agent, which is incorporated herein by reference to Exhibit 10.7 from the Company s Form 10-K for the year ended December 31, 2006.
10.8	Form of Term Note under the Credit Agreement dated as of May 18, 2007, which is incorporated herein by reference to Exhibit 10.8 from the Company s Form 10-K for the year ended December 31, 2006.
10.9	Form of 2.50% Series A Convertible Subordinated Debentures due 2024, which is incorporated by reference to Exhibit 10.66 from the Company s Form 10-K for the year ended December 31, 2004.
10.10	Form of 2.75% Series B Convertible Subordinated Debentures due 2024, which is incorporated by reference to Exhibit 10.67 from the Company s Form 10-K for the year ended December 31, 2004.
10.11	Purchase Agreement, dated as of December 16, 2004, among the Company and the Initial Purchasers named therein, which is incorporated by reference to Exhibit 10.68 from the Company s Form 10-K for the year ended December 31, 2004.
10.12	Indenture, dated as of December 22, 2004, by and between the Company and The Bank of New York, as trustee, which is incorporated by reference to Exhibit 99.1 from the Company s Form 8-K filed on March 10, 2006.
10.13	First Supplemental Indenture, dated as of November 7, 2006, between BearingPoint, Inc. and The Bank of New York, as trustee under the Indenture, dated as of December 22, 2004, which is incorporated by reference to Exhibit 99.1 from the Company s Form 8-K filed on November 8, 2006.
10.14	Resale Registration Rights Agreement, dated December 22, 2004, between the Company and the Initial Purchasers, which is incorporated by reference to Exhibit 10.70 from the Company s Form 10-K for the year ended December 31, 2004.
10.15	Form of 5.00% Convertible Senior Subordinated Debentures due 2025, which is incorporated by reference to Exhibit 10.71 from the Company s Form 10-K for the year ended December 31, 2004.
10.16	Form of Securities Purchase Agreement, dated April 21, 2005, among the Company and the purchasers named therein, which is incorporated by reference to Exhibit 10.72 from the Company s Form 10-K for the year ended December 31, 2004.
10.17	Indenture, dated as of April 27, 2005, by and between the Company and the Bank of New York, as trustee, which is incorporated by reference to Exhibit 99.2 from the Company s Form 8-K filed on March 10, 2006.

10.18	First Supplemental Indenture, dated as of November 2, 2006, between BearingPoint, Inc. and The Bank of New York, as trustee under the Indenture, dated as of April 27, 2005, which is incorporated by reference to Exhibit 99.2 from the Company s Form 8-K filed on November 3, 2006.
10.19	Registration Rights Agreement, dated April 27, 2005, between the Company and the placement agents named therein, which is incorporated by reference to Exhibit 10.74 from the Company s Form 10-K for the year ended December 31, 2004.
10.20	Securities Purchase Agreement, dated July 15, 2005, among the Company and certain affiliates of Friedman Fleischer & Lowe, LLC, which is incorporated by reference to Exhibit 10.75 from the Company s Form 10-K for the year ended December 31, 2004.
10.21	Form of 0.50% Convertible Senior Subordinated Debentures due July 2010, which is incorporated by reference to Exhibit 10.76 from the Company s Form 10-K for the year ended December 31, 2004.
10.22	Form of Warrant Certificate, dated July 15, 2005, which is incorporated by reference to Exhibit 10.77 from the Company s Form 10-K for the year ended December 31, 2004.
10.23	Registration Rights Agreement, dated July 15, 2005, between the Company and certain affiliates of Friedman Fleischer & Lowe, LLC, which is incorporated by reference to Exhibit 10.78 from the Company s Form 10-K for the year ended December 31, 2004.
10.24*	Amended and Restated 2000 Long-Term Incentive Plan, effective as of November 19, 2008.

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Exhibit No.	Description
10.25	Employee Stock Purchase Plan, as amended and restated as of February 1, 2007, which is incorporated herein by reference to Exhibit 10.25 from the Company s Form 10-K for the year ended December 31, 2006.
10.26	Amended and Restated 401(k) Plan dated August 21, 2003, which is incorporated herein by reference to Exhibit 10.19 from the Company s Form 10-K for the year ended June 30, 2003.
10.27	Amendment No. 1 to Amended and Restated 401(k) Plan dated April 29, 2004, which is incorporated herein by reference to Exhibit 10.20 from the Company s Form S-1/A (Registration No. 333-100199).
10.28	Amendment No. 2 to Amended and Restated 401(k) Plan dated June 24, 2005, which is incorporated by reference to Exhibit 10.24 from the Company s Form 10-K for the year ended December 31, 2004.
10.29	Amendment No. 3 to Amended and Restated 401(k) Plan dated August 22, 2005, which is incorporated by reference to Exhibit 10.25 from the Company s Form 10-K for the year ended December 31, 2004.
10.30	Amendment No. 4 to Amended and Restated 401(k) Plan dated November 1, 2005, which is incorporated by reference to Exhibit 10.26 from the Company s Form 10-K for the year ended December 31, 2004.
10.31	Amendment No. 5 to Amended and Restated 401(k) Plan, effective as of September 14, 2006, which is incorporated herein by reference to Exhibit 10.31 from the Company s Form 10-K for the year ended December 31, 2006.
10.32	Amendment No. 6 to Amended and Restated 401(k) Plan, effective as of January 1, 2006, which is incorporated herein by reference to Exhibit 10.32 from the Company s Form 10-K for the year ended December 31, 2006.
10.33	Amendment No. 7 to Amended and Restated 401(k) Plan, effective as of May 1, 2007, which is incorporated herein by reference to Exhibit 10.33 from the Company s Form 10-K for the year ended December 31, 2006.
10.34*	Amendment No. 8 to Amended and Restated 401(k) Plan, effective as of February 1, 2008.
10.35*	Amendment No. 9 to Amended and Restated 401(k) Plan, effective as of May 1, 2009.
10.36*	Amendment No. 10 to Amended and Restated 401(k) Plan, effective as of January 1, 2009.
10.37	Deferred Compensation Plan, as amended and restated as of August 1, 2003, which is incorporated herein by reference to Exhibit 10.20 from the Company s Form 10-K for the year ended June 30, 2003.
10.38	Amendment to Deferred Compensation Plan effective as of December 31, 2004, which is incorporated by reference to Exhibit 10.28 from the Company s Form 10-K for the year ended December 31, 2004.
10.39	

	Amended and Restated BearingPoint, Inc. Managing Directors Deferred Compensation Plan dated January 1, 2006, which is incorporated by reference to Exhibit 10.30 from the Company s Form 10-K for the year ended December 31, 2004.
10.40*	First Amendment to Amended and Restated BearingPoint, Inc. Managing Directors Deferred Compensation Plan dated January 1, 2006.
10.41*	Amended and Restated BearingPoint, Inc. Managing Directors Deferred Compensation Plan, effective December 31, 2008.
10.42	Form of Member Distribution Agreement for KPMG Consulting Qualified Employees, which is incorporated herein by reference to Exhibit 10.6 from the Company s Form S-1 (including for Richard Roberts).
10.43	Form of Amendment to the Managing Director Agreement, dated as of January 31, 2005, between the Company and certain executive officers (including for Richard Roberts), which is incorporated by reference to Exhibit 10.8 from the Company s Form 10-K for the year ended December 31, 2004.
10.44	Form of Managing Director Agreement (including for Roderick C. McGeary), which is incorporated herein by reference to Exhibit 10.39 from the Company s Form 10-K for the year ended December 31, 2006.
10.45	Form of Managing Director Agreement, which is incorporated herein by reference to Exhibit 10.40 from the Company s Form 10-K for the year ended December 31, 2006.
10.46*	Form of Managing Director Agreement.

Exhibit No.	Description
10.47*	Amendment to Managing Director Agreement, Member Distribution Agreement and Member Agreement.
10.48	Form of Special Termination Agreement (including for Richard Roberts), which is incorporated by reference to Exhibit 10.93 from the Company s Form 10-K for the year ended December 31, 2005.
10.49*	Amendment to Special Termination Agreement.
10.50*	Form of Special Termination Agreement.
10.51	Form of Restricted Stock Agreement with certain officers of the Company pursuant to the 2000 Long-Term Incentive Plan, which is incorporated herein by reference to Exhibit 10.5 from the Company s Form 10-Q for the quarter ended September 30, 2002.
10.52	Form of Restricted Stock Agreement with non-employee directors of the Company pursuant to the Amended and Restated Long-Term Incentive Plan, which is incorporated herein by reference to Exhibit 10.5 from the Company s Form 10-Q for the quarter ended December 31, 2002.
10.53	Form of Restricted Stock Unit Agreement under the Company s 2000 Long-Term Incentive Plan for managing directors and employees, which is incorporated by reference to Exhibit 10.81 from the Company s Form 10-K for the year ended December 31, 2004.
10.54*	Amendment to Restricted Stock Unit Agreement under the Company s 2000 Long-Term Incentive Plan for managing directors and employees.
10.55	Form of Performance Share Award Unit Agreement, which is incorporated by reference to Exhibit 99.1 from the Company s Form 8-K filed with the SEC on February 8, 2007.
10.56*	Amendment to Performance Share Award Unit Agreement.
10.57	Form of Performance Cash Award Agreement, which is incorporated by reference to Exhibit 99.2 from the Company s Form 8-K filed with the SEC on February 8, 2007.
10.58*	Amendment to Performance Cash Award Agreement.
10.59	Employment Letter, effective as of July 1, 2005, between the Company and Judy A. Ethell, which is incorporated by reference to Exhibit 10.91 from the Company s Form 10-K for the year ended December 31, 2004.
10.60	Managing Director Agreement, dated as of July 1, 2005, between the Company and Judy A. Ethell, which is incorporated herein by reference to Exhibit 10.54 from the Company s Form 10-K for the year ended December 31, 2006.
10.61	Special Termination Agreement, dated as of July 1, 2005, between the Company and Judy A. Ethell, which is incorporated by reference to Exhibit 10.93 from the Company s Form 10-K for the year ended

	December 31, 2004.
10.62	Letter Agreement dated October 3, 2006, between the Company and Judy A. Ethell, which is incorporated by reference to Exhibit 10.95 from the Company s Form 10-K for the year ended December 31, 2005.
10.63	Restricted Stock Unit Agreement, dated September 19, 2006, between the Company and Judy A. Ethell, which is incorporated by reference to Exhibit 10.96 from the Company s Form 10-K for the year ended December 31, 2005.
10.64	Restricted Stock Unit Agreement, dated September 19, 2006, between the Company and Judy A. Ethell, which is incorporated by reference to Exhibit 10.97 from the Company s Form 10-K for the year ended December 31, 2005.
10.65	Employment Letter, effective as of February 24, 2006, between the Company and Laurent C. Lutz, which is incorporated by reference to Exhibit 10.91 from the Company s Form 10-K for the year ended December 31, 2005.
10.66	Managing Director Agreement, dated as of February 24, 2006, between the Company and Laurent C. Lutz, which is incorporated by reference to Exhibit 10.92 from the Company s Form 10-K for the year ended December 31, 2005.
10.67	Special Termination Agreement, dated as of February 24, 2006, between the Company and Laurent C. Lutz, which is incorporated by reference to Exhibit 10.94 from the Company s Form 10-K for the year ended December 31, 2005.
10.68*	Independent Contractor Agreement, effective January 1, 2009, between the Company and Laurent C. Lutz.

Exhibit No.	Description
10.69	Employment Letter, effective as of December 31, 2007, between the Company and F. Edwin Harbach, incorporated by reference to Exhibit 10.62 from the Company s Form 10-K for the year ended December 31, 2007.
10.70*	Amendment to Employment Letter, effective as of December 31, 2008, between the Company and F. Edwin Harbach.
10.71	Managing Director Agreement, effective as of December 31, 2007, between the Company and F. Edwin Harbach, incorporated by reference to Exhibit 10.6 from the Company s Form 10-K for the year ended December 31, 2007.
10.72	Special Termination Agreement, dated as of December 31, 2007, between the Company and F. Edwin Harbach, incorporated by reference to Exhibit 10.64 from the Company s Form 10-K for the year ended December 31, 2007.
10.73	Restricted Stock Unit Agreement, dated January 8, 2007, between the Company and F. Edwin Harbach, which is incorporated by reference to Exhibit 99.5 from the Company s Form 8-K filed with the SEC on January 12, 2007.
10.74	Amendment No. 1 to the Restricted Stock Unit Agreement with F. Edwin Harbach dated January 8, 2007, dated as of December 31, 2007, incorporated by reference to Exhibit 10.66 from the Company s Form 10-K for the year ended December 31, 2007.
10.75	Restricted Stock Unit Agreement, dated January 7, 2008, between the Company and F. Edwin Harbach, incorporated by reference to Exhibit 10.67 from the Company s Form 10-K for the year ended December 31, 2007.
10.76	Stock Option Agreement, dated January 7, 2008, between the Company and F. Edwin Harbach, incorporated by reference to Exhibit 10.68 from the Company s Form 10-K for the year ended December 31, 2007.
10.77	Employment Letter, effective as of March 13, 2008, between the Company and David Hunter, incorporated by reference to Exhibit 10.1 from the Company s Form 10-Q for the quarter ending March 31, 2008.
10.78*	Amendment to Employment Letter, effective as of December 31, 2008, between the Company and David Hunter.
10.79	Managing Director Agreement, effective as of March 13, 2008, between the Company and David Hunter, incorporated by reference to Exhibit 10.2 from the Company s Form 10-Q for the quarter ending March 31, 2008.
10.80	Special Termination Agreement, effective as of March 13, 2008, between the Company and David Hunter, incorporated by reference to Exhibit 10.3 from the Company s Form 10-Q for the quarter ending March 31, 2008.

10.81	Stock Option Agreement, dated March 17, 2008, between the Company and David Hunter, incorporated by reference to Exhibit 10.4 from the Company s Form 10-Q for the quarter ending March 31, 2008.
10.82	Employment Letter dated April 24, 2008, effective as of May 13, 2008, between the Company and Eileen A. Kamerick, incorporated by reference to Exhibit 10.5 from the Company s Form 10-Q for the quarter ending March 31, 2008.
10.83	Supplemental Employment Letter dated May 12, 2008, between the Company and Eileen A. Kamerick, incorporated by reference to Exhibit 10.6 from the Company s Form 10-Q for the quarter ending March 31, 2008.
10.84	Special Termination Agreement, effective as of May 13, 2008, between the Company and Eileen A. Kamerick, incorporated by reference to Exhibit 10.7 from the Company s Form 10-Q for the quarter ending March 31, 2008.
10.85	Form of Restricted Stock Unit Agreement (including for Eileen A. Kamerick) , incorporated by reference to Exhibit 10.8 from the Company s Form 10-Q for the quarter ending March 31, 2008.
10.86	Employment Letter dated July 1, 2008, effective as of June 4, 2008, between the Company and Eddie R. Munson, incorporated by reference to Exhibit 10.5 from the Company s Form 10-Q for the quarter ending June 30, 2008.
10.87	Managing Director Agreement dated July 1, 2008, effective as of June 4, 2008, between the Company and Eddie R. Munson, incorporated by reference to Exhibit 10.6 from the Company s Form 10-Q for the quarter ending June 30, 2008.
10.88	Separation and Release of Claims Agreement dated as of May 12, 2008, between the Company and Judy A. Ethell, incorporated by reference to Exhibit 10.7 from the Company s Form 10-Q for the quarter ending June 30, 2008.
10.89	Form of BearingPoint, Inc. Performance Cash Award Agreement, incorporated by reference to Exhibit 10.8 from the Company s Form 10-Q for the quarter ending June 30, 2008.

Exhibit No.	Description
10.90	Form of BearingPoint, Inc. Performance Share Unit Award Agreement, incorporated by reference to Exhibit 10.9 from the Company s Form 10-Q for the quarter ending June 30, 2008.
10.91	Agreement for Interim Management Services dated November 10, 2008, between the Company and AlixPartners, LLP, incorporated by reference to Exhibit 10.3 from the Company s Form 10-Q for the quarter ending September 30, 2008.
10.92*	Agreement for Interim Management and Restructuring Services, dated February 5, 2009, between the Company and AP Services, LLC.
10.93	Joint Plan of Reorganization of BearingPoint, Inc. and its Subsidiaries under Chapter 11 of the Bankruptcy Code, dated February 18, 2009, incorporated by reference to Exhibit 99.1 from the Company s Form 8-K filed with the SEC on February 23, 2009.
10.94	Asset Purchase Agreement by and among Deloitte LLP, BearingPoint Inc. and certain subsidiaries of BearingPoint, Inc. that are signatories thereto, dated as of March 23, 2009, incorporated by reference to Exhibit 99.1 from the Company s Form 8-K filed with the SEC on April 10, 2009.
10.95	Amendment No. 1 to the Asset Purchase Agreement by and among Deloitte LLP, BearingPoint Inc. and certain subsidiaries of BearingPoint, Inc. that are signatories thereto, dated as of April 3, 2009, incorporated by reference to Exhibit 99.2 from the Company s Form 8-K filed with the SEC on April 10, 2009.
10.96	Amended and Restated Purchase Agreement among PricewaterhouseCoopers LLP, BearingPoint, Inc. and certain subsidiaries of BearingPoint, Inc. that are signatories thereto, dated as of May 28, 2009, incorporated by reference to Exhibit 99.1 from the Company s Form 8-K filed with the SEC on June 1, 2009.
10.97	Share Sale Agreement relating to BearingPoint Co., Ltd (Chiyoda-ku) among BearingPoint International Bermuda Holdings Limited and PwC Advisory Co., Ltd., dated April 2, 2009, incorporated by reference to Exhibit 99.3 from the Company s Form 8-K filed with the SEC on April 23, 2009.
14.1	Standards of Business Conduct, which is incorporated by reference to Exhibit 14.1 from the Company s Form 10-K for the year ended December 31, 2006.
16.1	Letter dated June 28, 2007, from PricewaterhouseCoopers LLP to the Securities and Exchange Commission, which is incorporated by reference to Exhibit 16.1 from the Company s Form 10-K for the year ended December 31, 2006.
21.1*	List of subsidiaries of the Registrant, as of December 31, 2008.
23.1*	Consent of Ernst & Young LLP.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a).

31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a).
32.1*	Certification of Chief Executive Officer pursuant to Section 1350.
32.2*	Certification of Chief Financial Officer pursuant to Section 1350.

* filed herewith

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf on June 5, 2009 by the undersigned, thereunto duly authorized.

BEARINGPOINT, INC.

By: /s/ F. Edwin Harbach
Name: F. Edwin Harbach
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on June 5, 2009 by the following persons on behalf of the Registrant and in the capacities indicated.

Signature	Title
/s/ F. Edwin Harbach **F. Edwin Harbach**	Director, President and Chief Executive Officer (principal executive officer)
/s/ Kenneth A. Hiltz **Kenneth A. Hiltz**	Chief Financial Officer (principal financial and accounting officer)
/s/ Roderick C. McGeary **Roderick C. McGeary**	Chairman of the Board of Directors
/s/ Frederic F. Brace **Frederic F. Brace**	Director
/s/ Eddie R. Munson **Eddie R. Munson**	Director

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

BEARINGPOINT, INC.

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REPORT OF ERNST & YOUNG LLP,
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of BearingPoint, Inc.:

We have audited the accompanying consolidated balance sheets of BearingPoint, Inc. as of December 31, 2008 and 2007, and the related consolidated statements of operations, changes in stockholders deficit, and cash flows for each of the two years in the period ended December 31, 2008. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2008 and 2007 financial statements referred to above present fairly, in all material respects, the consolidated financial position of BearingPoint, Inc. at December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that BearingPoint, Inc. will continue as a going concern. As more fully described in Note 1 to the consolidated financial statements, on February 18, 2009, the Company and certain of its U.S. subsidiaries filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code. Uncertainties inherent in the bankruptcy process raise substantial doubt about BearingPoint, Inc. s ability to continue as a going concern. Management s plans with respect to these matters are also described in Note 1. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 14 to the consolidated financial statements, the Company adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes, effective January 1, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), BearingPoint, Inc. s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 30, 2009 (included in Item 9A) expressed an adverse opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia
March 30, 2009,
except for Note 22, as to which the date is
June 4, 2009

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REPORT OF PRICEWATERHOUSE COOPERS LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of BearingPoint, Inc.:

In our opinion, the consolidated statements of operations, changes in stockholders deficit and of cash flows for the year ended December 31, 2006, before the effects of the adjustments to retrospectively reflect the reverse stock split described in Note 1, present fairly, in all material respects, the results of operations and cash flows of BearingPoint, Inc. and its subsidiaries (the Company) for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America (the 2006 financial statements before the effects of the adjustments discussed in Note 1 are not presented herein). These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit, before the effects of these adjustments described above, of these statements in accordance with the standards of the Public Company Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively reflect the reverse stock split described in Note 1 and accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were not audited.

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for defined benefit pension and other post retirement plans effective December 31, 2006.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
June 27, 2007

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BEARINGPOINT, INC.

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

	December 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 349,664	$ 466,815
Restricted cash (note 2)	3,468	1,703
Accounts receivable, net of allowance for doubtful accounts of $2,287 at December 31, 2008 and $5,980 at December 31, 2007	294,069	356,178
Unbilled revenue	228,828	319,132
Income tax receivable	11,854	8,869
Deferred income taxes	13,555	11,521
Prepaid expenses	43,060	36,500
Other current assets	22,761	43,172
Total current assets	967,259	1,243,890
Property and equipment, net	102,187	103,671
Goodwill	478,545	494,656
Deferred income taxes, less current portion	17,008	25,179
Other assets	89,916	114,008
Total assets	$ 1,654,915	$ 1,981,404
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Current portion of notes payable	$ 203,997	$ 3,700
Accounts payable	153,121	215,999
Accrued payroll and employee benefits	295,253	368,208
Deferred revenue	69,489	115,961
Income tax payable	30,116	58,304
Current portion of accrued lease and facilities charges	14,956	17,618
Deferred income taxes	8,339	15,022
Accrued legal settlements	6,591	8,716
Other current liabilities	83,149	108,364
Total current liabilities	865,011	911,892
Notes payable, less current portion	772,919	970,943
Accrued employee benefits	124,335	118,235
Accrued lease and facilities charges, less current portion	25,226	48,066
Deferred income taxes, less current portion	36,933	9,581
Income tax reserve	238,548	242,308

Other liabilities	138,174	149,668
Total liabilities	2,201,146	2,450,693
Commitments and contingencies (notes 9, 10, 11)		
Stockholders deficit:		
Preferred stock, $.01 par value 10,000,000 shares authorized		
Common stock, $.01 par value 1,000,000,000 shares authorized, 4,514,555 shares issued and 4,417,553 shares outstanding on December 31, 2008 and 4,397,803 shares issued and 4,303,122 shares outstanding on December 31, 2007	2,244	2,186
Additional paid-in capital	1,387,154	1,438,369
Accumulated deficit	(2,212,650)	(2,180,578)
Accumulated other comprehensive income	315,297	308,857
Treasury stock, at cost (97,002 shares on December 31, 2008 and 94,681 shares on December 31, 2007)	(38,276)	(38,123)
Total stockholders deficit	(546,231)	(469,289)
Total liabilities and stockholders deficit	$ 1,654,915	$ 1,981,404

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

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BEARINGPOINT, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

	Year Ended December 31,		
	2008	**2007**	**2006**
Revenue	$ 3,197,041	$ 3,455,562	$ 3,444,003
Costs of service:			
Professional compensation	1,564,250	1,858,480	1,725,479
Other direct contract expenses	674,627	807,709	888,152
Lease and facilities restructuring (benefit) charges	(3,524)	20,869	29,621
Other costs of service	282,377	299,979	250,225
Total costs of service	2,517,730	2,987,037	2,893,477
Gross profit	679,311	468,525	550,526
Amortization of purchased intangible assets			1,545
Selling, general and administrative expenses	550,818	701,317	748,250
Operating income (loss)	128,493	(232,792)	(199,269)
Interest income	7,374	12,084	8,749
Interest expense	(61,023)	(61,216)	(37,182)
Insurance settlement			38,000
Other (expense) income, net	(38,162)	(8,566)	8,659
Income (loss) before taxes	36,682	(290,490)	(181,043)
Income tax expense	68,754	72,233	32,397
Net loss	$ (32,072)	$ (362,723)	$ (213,440)
Loss per share basic and diluted:			
Net loss	$ (7.18)	$ (83.90)	$ (50.30)*
Weighted average shares basic and diluted	4,468,179	4,323,343	4,243,093*

* Unaudited for reverse stock split, see Note 1, Reverse Stock Split.

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

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BEARINGPOINT, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS DEFICIT
(in thousands)

	Common Stock Shares issued	Common Stock Amount	Additional paid-in capital	Accumulated deficit	Notes receivable from stockholders	Accumulated other comprehensive income (loss)	Treasury Stock Shares	Treasury Stock Amount	Comprehensive Income (loss)	T
nt r 31,	4,107*	$ 2,044	$ 1,261,797	$ (1,484,199)	$ (7,578)	$ 218,091	(76)*	$ (35,727)		$
eivable ers, $3 in nd ss of					112					
l stock Board ors	1*		460							
ation d for ons and stock			52,933							
3 nt, net efit of						(11,417)				
ensive oss):										
				(213,440)					$ (213,440)	(
n ability, of						8,880			8,880	
urrency n nt						30,743			30,743	
									$ (173,817)	
nsive										

at r 31,	4,108*	$ 2,044	$ 1,315,190	$ (1,697,639)	$ (7,466)	$ 246,297	(76)*	$ (35,727)		$ (
ation d for ons, stock										
nce s, e Stock Plan, vner cted rds			97,062							
ommon er e Stock Plan vner	51	26	10,122							
ommon er e Stock Plan	62	31	12,343							
l stock Board ors	1									
t of eivable ers		(3)	(6,649)		7,466		(6)	(782)		
t of n n	11	6	10,383							
t of stock	165	82	(82)				(13)	(1,614)		
9-2				(371)						
loption				(119,845)						(
ensive oss):										
				(362,723)					$ (362,723)	(
ice f tax $1,270						1,800			1,800	
						13,056			13,056	

rial of tax												
urrency n nt							47,704				47,704	
nsive											$ (300,163)	
at r 31,	4,398	$ 2,186	$ 1,438,369	$ (2,180,578)	$	$	308,857	(95)	$	(38,123)		$ (

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

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BEARINGPOINT, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS DEFICIT (Continued)
(in thousands)

	Common Stock Shares issued	Amount	Additional paid-in capital	Accumulated deficit	Notes receivable from stockholders	Accumulated other comprehensive income (loss)	Treasury Stock Shares	Amount	Comprehensive Income (loss)	Total
ance at ember 31, 7	4,398	$ 2,186	$ 1,438,369	$ (2,180,578)	$	$ 308,857	(95)	$ (38,123)		$ (469,2
npensation gnized for k options, icted stock s, ormance e units, loyee Stock hase Plan, in Owner estricted k awards, of stments			(52,778)							(52,7
of common k under loyee Stock hase Plan	46	23	1,672							1,6
ricted stock rds to Board irectors	1		124							1
ement of icted stock s	70	35	(233)				(2)	(153)		(3
nprehensive me (loss):										
loss				(32,072)					$ (32,072)	(32,0
r service net of tax 110						1,126			1,126	1,1
actuarial net of tax efit of						(3,983)			(3,983)	(3,9

442) ign ency slation stment						9,297				9,297	9,2
l prehensive me										$ (25,632)	
nce at ember 31, 3	4,515	$ 2,244	$ 1,387,154	$ (2,212,650)	$	$ 315,297	(97)	$ (38,276)			$ (546,2

* Unaudited for reverse stock split, see Note 1, Reverse Stock Split.

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)

	Year Ended December 31,		
	2008	**2007**	**2006**
Cash flows from operating activities:			
Net loss	$ (32,072)	$ (362,723)	$ (213,440)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Deferred income taxes	21,976	4,060	(13,406)
(Benefit) provision for doubtful accounts	(1,343)	2,465	(464)
Stock-based compensation, net of adjustments	(52,654)	97,062	53,393
Depreciation and amortization of property and equipment	45,915	63,472	74,023
Amortization of purchased intangible assets			1,545
Lease and facilities restructuring (benefit) charges	(3,524)	20,869	29,621
Loss on disposal and impairment of assets	4,929	9,575	3,769
Amortization of debt issuance costs and debt accretion	12,410	13,955	8,936
Reversal of global tax equalizations	(36,959)		
Unrealized foreign exchange losses (gains)	16,935	11,326	(8,549)
Changes in assets and liabilities:			
Accounts receivable	57,808	17,353	84,124
Unbilled revenue	85,560	28,510	19,814
Income tax receivable, prepaid expenses and other current assets	9,084	20,188	(22,557)
Other assets	17,205	(13,917)	(4,565)
Accounts payable	(62,182)	(58,711)	(26,322)
Income tax payable, accrued legal settlements and other current liabilities	(63,814)	(51,421)	(12,715)
Accrued payroll and employee benefits	(25,240)	(5,501)	48,099
Deferred revenue	(57,025)	(18,941)	(38,605)
Income tax reserve and other liabilities	(867)	29,084	78,269
Net cash (used in) provided by operating activities	(63,858)	(193,295)	60,970
Cash flows from investing activities:			
Purchases of property and equipment	(48,221)	(38,227)	(52,871)
(Increase) decrease in restricted cash	(1,765)	1,393	118,151
Net cash (used in) provided by investing activities	(49,986)	(36,834)	65,280
Cash flows from financing activities:			
Proceeds from issuance of common stock	1,695	12,374	
Treasury stock through net share delivery	(118)	(1,614)	
Net proceeds from issuance of notes payable	2,141	284,015	
Repayments of notes payable	(5,391)	(4,209)	(6,506)

Increase (decrease) in book overdrafts	1,106		(810)
Net cash (used in) provided by financing activities	(567)	290,566	(7,316)
Effect of exchange rate changes on cash and cash equivalents	(2,740)	16,807	15,297
Net (decrease) increase in cash and cash equivalents	(117,151)	77,244	134,231
Cash and cash equivalents beginning of period	466,815	389,571	255,340
Cash and cash equivalents end of period	$ 349,664	$ 466,815	$ 389,571
Supplementary cash flow information:			
Interest paid	$ 50,150	$ 43,733	$ 27,582
Taxes paid, net of refunds	$ 69,108	$ 18,427	$ 21,333
Supplemental non-cash investing and financing activities:			
Settlement of notes receivable from stockholders	$	$ 7,466	$
Settlement of Softline acquisition obligation	$	$ 10,389	$
Sale of common stock BE an Owner	$	$ 10,148	$

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

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BEARINGPOINT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)

The information set forth in Notes 1 through 21 below is as of March 31, 2009. These Notes should be read in conjunction with Note 22, Subsequent Events, which provides information regarding BearingPoint, Inc. since March 31, 2009 and supplements the information provided in Notes 1 through 21.

1. Description of the Business, Chapter 11 Reorganization Proceedings and Basis of Presentation

The Company

BearingPoint, Inc. (the Company) is one of the world s leading providers of management and technology consulting services to Forbes Global 2000 companies as well as government organizations. The Company s core services, which include management consulting, technology solutions, as well as application services and managed services, are designed to help its clients generate revenue, increase cost-effectiveness, manage regulatory compliance, integrate information and transition to next-generation technology. The Company had approximately 15,200 employees at December 31, 2008.

In North America, the Company delivers consulting services through its Public Services, Commercial Services and Financial Services industry groups, which provide significant industry-specific knowledge and service offerings. Outside of North America, the Company is organized on a geographic basis Europe, the Middle East and Africa (EMEA), the Asia Pacific region and Latin America. As of January 1, 2009, the Company combined three of its business segments, Commercial Services, Financial Services and Latin America, into Commercial Services and will manage the operations of these three segments as one combined segment reporting to a single segment leader, and realign resources and internal management to gain synergies in both costs and revenue.

Reverse Stock Split

At the annual meeting of stockholders held on December 5, 2008, the Company s stockholders approved the implementation of a one-for-fifty reverse stock split of the Company s common stock. The record and effective date for the reverse stock split was December 10, 2008. Immediately prior to the effective time of the reverse stock split, the Company had 220,851,816 shares of common stock outstanding. Upon the effectiveness of the reverse stock split, the Company had 4,417,036 shares of common stock outstanding. The reverse stock split had no effect on the number of authorized shares of common stock. All share amounts presented in the Consolidated Financial Statements and in the notes thereto have been adjusted to reflect the reverse stock split. The effect of the reverse stock split on 2006 and 2005 disclosures is unaudited.

Chapter 11 Bankruptcy Proceedings and Proposed Plan of Reorganization; Proposed Sale of Portions of the Company

On February 18, 2009 (the Petition Date), BearingPoint, Inc. and certain of its subsidiaries based in the U.S. (collectively, the Debtors) filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the Bankruptcy Code) in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). The chapter 11 cases are being jointly administered, for procedural purposes only, under the caption In re BearingPoint, Inc., et al., Case No. 09-10691 (REG) (the Chapter 11 Cases). The Debtors will continue

to manage their properties and operate their business as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court. In addition, as part of the relief granted to the Debtors on the Petition Date, the Bankruptcy Court entered an order confirming that the Company s subsidiaries that are domiciled outside of the United States are not part of the Chapter 11 Cases. The Debtors expect to continue to operate in the normal course of business during the reorganization process and to continue to serve their clients. The Debtors may pay all debts and honor all obligations arising in the ordinary course of their businesses after the Petition Date. However,

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the Debtors may not pay creditors on account of obligations arising before the Petition Date or engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

On November 13, 2008, the New York Stock Exchange (the NYSE) notified the Company that it had decided to suspend trading in the Company s common stock prior to market open on November 17, 2008, based on its determination that the trading price of the Company s common stock was abnormally low. The Company appealed the NYSE s decision to suspend the trading of its common stock; however, since the Company commenced the Chapter 11 Cases, the Company withdrew its appeal on March 5, 2009 and the Company s common stock was delisted from the NYSE effective as of March 19, 2009.

The decision to seek relief under the Bankruptcy Code was made after an exhaustive review of alternative options. In addition to potentially reducing the Company s unsustainable debt burden, the bankruptcy process resolves near-term cash payment obligations relating to the right of the holders of the $200.0 million 5.00% Convertible Senior Subordinated Debentures due 2025 (the 5.00% Convertible Senior Debentures) to require the Company to repurchase the 5.00% Convertible Senior Debentures, as early as April 2009, at a purchase price equal to 100% of the principal amount of $200 million, plus any accrued and unpaid interest. The Company s failure to repurchase these debentures pursuant to the holders option would have caused a cross default under certain other debentures and the $500.0 million senior secured credit facility dated as of May 18, 2007 and as amended and restated on June 1, 2007 (the 2007 Credit Facility). Such a cross default would, in turn, have caused all amounts outstanding thereunder to accelerate. The bankruptcy filing also resolved the prospect that the Company would have to repay all of its outstanding debt in the event its common stock is delisted from the NYSE. The chapter 11 filing, however, has resulted in the acceleration of these debt obligations. Accordingly, they became automatically due and payable, subject to an automatic stay pursuant to the Bankruptcy Code of any action to collect or recover a claim against the Debtors. While the Company believes it will be able to reduce its unsustainable debt burden through the bankruptcy process, there can be no assurances that it will be successful in doing so.

On the Petition Date, the Debtors filed a pre-arranged proposed joint plan of reorganization (the Plan), which embodied the original proposed terms of the Debtors restructuring. The Debtors secured lenders (the Secured Lenders) that are parties to the 2007 Credit Facility agreed in principle to support the Plan. The proposed Plan, among other things, provides that:

> *New Senior Secured Credit Facility.* The 2007 Credit Facility will be replaced with a new senior secured credit facility as follows: term loan in the amount of $272 million plus accrued interest and a synthetic letter of credit facility in the amount of up to $130 million; plus the issuance of new convertible preferred stock with a liquidation preference of $50 million, plus accrued and unpaid dividends, which is convertible into class 3 common stock (as described below).
>
> *Unsecured Debt.* All unsecured debt will be exchanged for three different classes of common stock. Holders of the 5.00% Convertible Senior Debentures and holders of the $40 million 0.50% Convertible Senior Subordinated Debentures due 2010 (the 0.50% Convertible Senior Debentures) will receive shares of class 1 common stock. Holders of the $250 million 2.50% Series A Convertible Subordinated Debentures due 2024 (the Series A Convertible Subordinated Debentures) and holders of the $200 million 2.75% Series B Convertible Subordinated Debentures due 2024 (the Series B Convertible Subordinated Debentures) will

receive shares of class 2 common stock. Certain general unsecured creditors will receive shares of class 3 common stock. The three classes of common stock will be entitled to the same dividends, distributions and voting rights, except that until the holders of class 1 common stock have received dividends and distributions of $240 million, such holders will be entitled to the dividend, distribution and voting rights (except with respect to the election of directors) of the holders of class 2 common stock.

Existing Equity. All existing equity in the Company will be cancelled for no consideration.

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Based on the Company s recent announcement regarding the proposed sale of various portions of the Company, however, the Company expects that the proposed Plan will be modified accordingly. If the Company is successful in selling all or substantially all of its assets, it would result in the liquidation of the Company s business and the Company would cease to operate as a going concern.

In order for a plan of reorganization to be confirmed by the Bankruptcy Court, such plan must be voted on by holders of impaired claims and must satisfy certain requirements of the Bankruptcy Code. Confirmation of a plan of reorganization by a Bankruptcy Court would make the plan binding on the Debtors, any issuer of securities under the plan, any person acquiring property under the plan and any of the Debtors creditors or equity interest holders. Subject to certain limited exceptions, the order confirming a plan of reorganization will generally discharge debtors from any debt that arose prior to the date of confirmation of such plan and substitutes for such debt the obligations specified under the confirmed plan.

The Bankruptcy Court granted all of the relief sought by the Debtors on the Petition Date, including our motion for interim authority to use the Secured Lenders cash collateral, which provides us with continued access to funds to operate our business. A final hearing on the cash collateral motion is scheduled for April 8, 2009. The Bankruptcy Court also entered an interim order establishing notification procedures and restrictions in connection with holding and trading in our common stock and claims. The order is intended to preserve, to the greatest extent possible, the potential value of certain of our tax attributes, both during the pendency of the Chapter 11 Cases and following emergence from bankruptcy.

As required by the Bankruptcy Code, the United States Trustee for the Southern District of New York appointed an official committee of unsecured creditors on February 27, 2009.

On March 5, 2009, the Debtors filed their schedules of assets and liabilities and their statements of financial affairs with the Bankruptcy Court. On March 11, 2009, the Bankruptcy Court issued an order establishing April 17, 2009 as the deadline for each person or entity other than a governmental unit (as defined in the Bankruptcy Code) to file a proof of claim against any of the Debtors to assert any claim.

On March 23, 2009, the Company, certain of its subsidiaries and Deloitte LLP (Deloitte) entered into an Asset Purchase Agreement (the Purchase Agreement) pursuant to which the Company agreed to sell a substantial portion of its assets related to its North American Public Services business to Deloitte for $350,000, subject to adjustment, and Deloitte agreed to assume certain liabilities associated with these assets as set forth in the Purchase Agreement. The consummation of the transaction contemplated by the Purchase Agreement is subject to (i) the approval of the Bankruptcy Court of certain bidding procedures in connection with an auction of all or substantially all of the assets of the Company s Public Services business to be held on April 15, 2009 (the Auction), (ii) the Company not receiving higher or better offers at the Auction, (iii) the approval of the Bankruptcy Court of the Purchase Agreement and the sale transaction and (iv) other customary closing conditions.

In addition, on March 23, 2009, the Company signed a non-binding letter of intent to sell a substantial portion of its North American Commercial Services business, including its Financial Services segment, to PricewaterhouseCoopers LLP for $25,000. The Company also announced that it is in advanced negotiations with PwC Advisory Co., Ltd., a

PricewaterhouseCoopers firm operating in Japan, to sell its consulting practice in Japan, and in late-stage negotiations with its local management teams to sell its European and Latin America practices. Further, the Company is in separate negotiations with other parties and local management to sell its various Asia Pacific practices, separate from Japan. There can be no assurance that the Company can enter into definitive agreements regarding such sales or that any transaction will be completed. In addition, the consummation of any such transaction may be subject to approval by the Bankruptcy Court. If the Company is successful in selling all or substantially all of its assets, it would result in the liquidation of the Company s business and the Company would cease to operate as a going concern. The net proceeds

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received through the successful completion of any of the aforementioned sales transactions would be reduced by applicable fees and costs directly associated with completion of the transactions.

Subsequent to the bankruptcy filing date, the provisions in Statement of Position 90-7, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code (SOP 90-7) apply to the Debtors financial statements while the Debtors operate under the provisions of chapter 11. SOP 90-7 does not change the application of generally accepted accounting principles in the preparation of financial statements. However, SOP 90-7 does require that the financial statements, for periods including and subsequent to the filing of the chapter 11 petition, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business.

Going Concern

As discussed above, the Debtors are operating under chapter 11 of the Bankruptcy Code the uncertainties inherent in the bankruptcy process raise substantial doubt relating to the Company s ability to continue as a going concern.

In addition, a plan of reorganization could materially change amounts reported in the Company s consolidated financial statements, which do not give effect to any adjustments of the carrying value of assets and liabilities that are necessary as a consequence of reorganization under chapter 11 of the Bankruptcy Code.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The 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. Certain of the Company s consolidated foreign subsidiaries reported their results on a one-month reporting lag, which allowed additional time to compile results. During the fourth quarter of 2006, the one-month reporting lag in the remaining EMEA entities was eliminated, in order for certain foreign subsidiaries of the Company to report on a basis consistent with the Company s fiscal reporting period. The elimination of one month of activity increased the Company s 2006 consolidated net loss for the year ended December 31, 2006 by $1,164.

Use of Estimates

The preparation of Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States requires that management make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. Management s estimates, assumptions and judgments are derived and continually evaluated based on available information, historical experience and various other assumptions that are believed to be reasonable under the circumstances. Because the use of estimates is inherent in the financial reporting process, actual results could differ from those estimates.

Reclassifications

Certain amounts reported in previous years have been reclassified to conform to the current period presentation.

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Revenue Recognition

The Company earns revenue from three primary sources: (1) technology integration services in which it designs, builds and implements new or enhanced system applications and related processes, (2) services to provide general business consulting, such as system selection or assessment, feasibility studies, business valuations and corporate strategy services, and (3) managed services in which it manages, staffs, maintains, hosts or otherwise runs solutions and systems provided to its customers. Contracts for these services have different terms based on the scope, deliverables and complexity of the engagement, which require management to make judgments and estimates in recognizing revenue. The Company is compensated on contracts principally through time and material arrangements, cost-reimbursable plus fee arrangements, and fixed price arrangements.

Technology integration services represent a significant portion of the Company s business and are generally accounted for under the percentage-of-completion method in accordance with Statement of Position (SOP) 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts (SOP 81-1). A portion of the Company s revenue is derived from arrangements that include software developed and/or provided by the Company. The Company recognizes software license fees included in these arrangements as revenue in accordance with SOP 97-2, Software Revenue Recognition as amended by SOP 98-9 by applying the provisions of SOP 81-1, as appropriate. Software license fee revenue is generally included in the Company s technology integration service revenue, which is recognized using the percentage-of-completion method. Under the percentage-of-completion method, management estimates the percentage of completion based upon costs to the client incurred as a percentage of the total estimated costs to the client. When total cost estimates exceed revenue, the Company accrues for the estimated losses immediately. The use of the percentage-of-completion method requires significant judgment relative to estimating total contract revenue and costs, including assumptions relative to the length of time to complete the project, the nature and complexity of the work to be performed, and anticipated changes in estimated salaries and other costs. Incentives and award payments are included in estimated revenue using the percentage-of-completion method when the realization of such amounts is deemed probable upon achievement of certain defined goals. Estimates of total contract revenue and costs are continuously monitored during the term of the contract and are subject to revision as the contract progresses. When revisions in estimated contract revenue and costs are determined, such adjustments are recorded in the period in which they are first identified. Revenue arrangements entered into with the same client that are accounted for under SOP 81-1 are accounted for on a combined basis when they: are negotiated as a package with an overall profit margin objective; essentially represent an agreement to do a single project; involve interrelated activities with substantial common costs; and are performed concurrently or sequentially.

Revenue for general business consulting services is recognized as work is performed and amounts are earned in accordance with Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements, as amended by SAB No. 104, Revenue Recognition (SAB 104). The Company considers amounts to be earned once evidence of an arrangement has been obtained, services are delivered, fees are fixed or determinable and collectibility is reasonably assured. For these types of arrangements, the Company recognizes revenue over the period of performance. Depending on the specific contractual provisions and nature of the deliverable, revenue may be recognized on a proportional performance model based on level of effort, as milestones are achieved or when final deliverables have been provided. Revenue arrangements entered into with the same client that are accounted for under SAB 104 are accounted for on a combined basis when they are entered into at or near the same time, unless it is clearly evident that the contracts are not related to one another.

For managed service arrangements, the Company typically implements or builds system applications for

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customers that it then manages or runs for periods that may span several years. Such arrangements include the delivery of a combination of one or more of the Company s service offerings and are governed by Emerging Issues Task Force Issue (EITF) 00-21, Accounting for Revenue Arrangements with Multiple Deliverables. In managed service arrangements in which the system application implementation or build has standalone value to the customer, and management has sufficient objective evidence of fair value for the managed or run services, the Company bifurcates the total arrangement into two units of accounting based upon the residual method: (i) the system application implementation or build, which is recognized as technology integration services using the percentage-of-completion method under SOP 81-1; and (ii) the managed or run services, which are recognized under SAB 104 ratably over the estimated life of the customer relationship. In instances where the Company is unable to bifurcate a managed service arrangement into separate units of accounting, the total contract is recognized as one unit of accounting under SAB 104. In such instances, total fees and direct and incremental costs related to the system application implementation or build are deferred and recognized together with managed or run services upon completion of the system application implementation or build ratably over the estimated life of the customer relationship. Certain managed service arrangements may also include transaction-based services in addition to the system application implementation or build and managed services. Fees from transaction-based services are recognized as earned if the Company has sufficient objective evidence of fair value for such transactions; otherwise, transaction fees are recognized ratably over the remaining life of the customer relationship period when the Company determines these fees are realizable. The determination of fair value requires the Company to use significant judgment. Management determines the fair value of service revenue based upon the Company s recent pricing for those services when sold separately and/or prevailing market rates for similar services.

Revenue on cost-plus-fee contracts is recognized to the extent of costs incurred plus an estimate of the applicable fees earned. The Company considers fixed fees under cost-plus-fee contracts to be earned in proportion to the allowable costs incurred in performance of the contract.

Revenue includes reimbursements of travel and out-of-pocket expenses with equivalent amounts of expense recorded in other direct contract expenses. In addition, the Company generally enters into relationships with subcontractors where it maintains a principal relationship with the customer. In such instances, subcontractor costs are included in revenue with offsetting expenses recorded in other direct contract expenses.

Unbilled revenue consists of recognized recoverable costs and accrued profits on contracts for which billings had not been presented to clients as of the balance sheet date. Management anticipates that the collection of these amounts will likely occur within one year of the balance sheet date. Billings in excess of revenue recognized for which payments have been received are recorded as deferred revenue until the applicable revenue recognition criteria have been met.

Costs of Service

Costs of service include professional compensation and other direct contract expenses, as well as costs attributable to the support of client service professional staff, depreciation and amortization costs related to assets used in revenue-generating activities, bad debt expense relating to accounts receivable, and other costs attributable to serving the Company s client base. Professional compensation consists of payroll costs and

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related benefits including stock-based compensation, bonuses, tax equalization for employees on foreign assignments, and the costs of reductions in workforce associated with client service professional staff. Other direct contract expenses include costs directly attributable to client engagements, such as out-of-pocket costs including travel and subsistence for client service professional staff, costs of hardware and software and costs of subcontractors. Lease and facilities restructuring charges represent the fair value of future lease obligations (net of estimated sublease income), the unamortized cost of fixed assets no longer in use and other incurred costs associated with the Company s office space reduction efforts. Recurring lease and facilities charges for occupied offices are included in other costs of service.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include expenses related to marketing, information systems, depreciation and amortization, finance and accounting, human resources, sales force and other functions related to managing and growing the Company s business. Advertising costs are expensed when advertisements are first placed or run. Advertising expense was $12,193, $24,903 and $21,304 for the years ended December 31, 2008, 2007 and 2006, respectively.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of all cash balances, demand deposits and highly liquid investments with insignificant interest rate risks and original maturity of three months or less. The Company s cash equivalents included money market investments and interest-bearing accounts of $124,832 and $190,359 at December 31, 2008, respectively, and $203,507 and $225,411 at December 31, 2007, respectively. Overdrafts representing outstanding checks in excess of funds on deposit are classified as short-term borrowings and included in other current liabilities on the Consolidated Balance Sheets. As of December 31, 2008 and 2007, the Company classified as restricted cash approximately $3,468 and $1,703, respectively, of cash collateral posted with providers of letters of credit and surety bonds issued in connection with client engagements.

Concentrations of Credit Risk and Fair Value of Financial Instruments

The amounts reflected in the Consolidated Balance Sheets for cash and cash equivalents, accounts receivable and accounts payable approximate their fair value due to their short-term maturities. At December 31, 2008 and 2007, the fair value of the Company s notes payable, including the current portion, was $399,337 and $744,013, respectively, compared to their respective carrying values of $976,916 and $974,643. The fair value was primarily estimated based on the quoted market price or in the case of the 0.50% Convertible Senior Debentures, based on a Black-Scholes calculation. As outlined in Note 1 to these consolidated financial statements, the fair value of these notes payable will be impacted by the Company s filing for bankruptcy. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of notes payable, trade receivables, and unbilled revenue. The Company s cash and cash equivalents are placed with financial institutions with high credit standings. The Company s cash equivalents are primarily invested in money market funds. These money market funds invest in asset-backed securities that could subject the Company to valuation risk in the event that these securities experience significant declines in their fair value. As of December 31, 2008, the Company had cash and cash equivalent balances, excluding restricted cash, of $152,232 in North America, $8,511 in Latin America, $136,359 in EMEA, and $52,562 in Asia

Pacific. During 2008, $128,431 of cash was repatriated to the US. The Company s customer base consists of large numbers of geographically diverse customers dispersed across many countries. Concentration of credit risk with respect to trade accounts receivables is not significant.

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During 2008, 2007 and 2006, the Company s revenue from the U.S. Federal government, inclusive of government sponsored enterprises and reported in the Public Services segment, was $1,031,660, $981,604 and $983,075, respectively, representing 32.3%, 28.4% and 28.5% of total revenue, respectively. At December 31, 2008 and 2007, receivables due from the U.S. Federal government were $81,797 and $101,047, respectively. Unbilled revenue due from the U.S. Federal government was $71,271 and $93,445 at December 31, 2008 and 2007, respectively. While most of the Company s government agency clients have the ability to unilaterally terminate their contracts, the Company s relationships are seldom with political appointees, and the Company has not historically experienced a loss of U.S. Federal government projects with a change in administration.

Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Assessing the collectibility of customer receivables requires management judgment. The Company determines its allowance for doubtful accounts by specifically analyzing individual accounts receivable, historical bad debts, customer concentrations, customer credit-worthiness, current economic and accounts receivable aging trends, and changes in customer payment terms. Allowance for doubtful accounts are periodically re-evaluated and adjusted as more information about the ultimate collectibility of accounts receivable becomes available. Upon determination that a receivable is uncollectible, the receivable balance and any associated allowance for doubtful accounts are written-off.

As noted above in the Company s policy on Revenue Recognition, in the normal course of accounting for long-term contracts, the Company will periodically adjust its estimates for these contracts which may result in changes to amounts recorded as accounts receivable and/or unbilled revenues.

Property and Equipment

Property and equipment are recorded at cost, less allowances for depreciation and amortization. The cost of software purchased or developed for internal use, including associated interest costs, is capitalized in accordance with SOP 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. Depreciation is provided for all classes of assets for financial statement purposes using the straight-line method over the estimated useful lives of the assets when those assets are placed in service. Equipment is depreciated over three to five years, software purchased or developed for internal use is depreciated over one to five years, and furniture is depreciated over three to ten years. Leasehold improvements are amortized over the shorter of their useful lives or the remaining term of the respective lease. Maintenance and repairs are charged to expense as incurred. When assets are sold or retired, the asset cost and related accumulated depreciation are relieved from the Consolidated Balance Sheets, and any associated gain or loss is recognized in income from operation.

Accounting for Leases

The Company leases its office facilities under non-cancelable operating leases that expire at various dates through 2017, and may include options that permit renewals for additional periods. Rent abatements and escalations are considered in the determination of straight-line rent expense for operating leases. The Company receives incentives to

lease office facilities in certain areas. These incentives are recorded as a deferred credit and recognized as a reduction to rent expense on a straight-line basis over the lease term.

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Asset Retirement Obligations

The Company leases all of its office facilities under various operating leases, some of which contain clauses that require the Company to restore the leased facility to its original state at the end of the lease term. In accordance with Statement of Financial Accounting Standards (SFAS) No. 143, Accounting for Asset Retirement Obligations, these asset retirement obligations are initially measured at fair value and recorded as a liability, and a corresponding increase is recorded to the carrying amount of the leasehold improvement. At December 31, 2008 and 2007, asset retirement obligations were $3,728 and $3,802, respectively.

Goodwill and Other Intangible Assets

Goodwill is the amount by which the cost of acquired net assets in a business acquisition exceeds the fair value of net identifiable assets on the date of purchase. The Company assesses goodwill for impairment on at least an annual basis on April 1 and whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Company considers the following to be important factors that could trigger an impairment review: significant underperformance relative to historical or projected future operating results; identification of other impaired assets within a reporting unit; the more-likely-than not expectation that a reporting unit or a significant portion of a reporting unit will be sold; significant adverse changes in business climate or regulations; significant changes in senior management; significant changes in the manner of use of the acquired assets or the strategy for the Company s overall business; significant negative industry or economic trends; a significant decline in the Company s stock price for a sustained period or a significant unforeseen decline in the Company s credit rating.

In testing goodwill for impairment, the Company aggregates its reporting units with similar economic characteristics as one reporting unit. The resulting reporting units are consistent with the Company s reportable segments as identified in Note 18, Segment Information. To conduct a goodwill impairment test, the fair value of the reporting unit is first compared to its carrying value. The aggregate carrying value of all reporting units equals the Company s stockholders deficit. If the reporting unit s allocated carrying value exceeds its fair value, the Company undertakes a second evaluation to assess the required impairment loss to the extent that the carrying value of goodwill exceeds its implied fair value. Management estimates the fair value of its reporting units using a combination of the discounted cash flow valuation model and comparable market transaction models.

Other identifiable intangible assets include finite-lived purchased intangible assets, which primarily consist of market rights, order backlog, customer contracts and related customer relationships and trade names. Finite-lived purchased intangible assets are amortized using the straight-line method over their expected period of benefit, which generally ranges from one to five years.

Valuation of Long-Lived Assets

Long-lived assets primarily include property and equipment and intangible assets with finite lives (purchased software and capitalized software). In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the Company periodically reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives are no longer appropriate. Each impairment test is based on a comparison of the undiscounted cash flows

expected to result from the use and eventual disposition of the asset to the carrying amount of the asset. If an impairment is indicated, the asset is written down to its estimated fair value based on a discounted cash flow analysis. Determining the fair value of long-

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lived assets includes significant judgment by management, and different judgments could yield different results.

Foreign Currency

Assets and liabilities of consolidated foreign subsidiaries, whose functional currency is the local currency, are translated to U.S. dollars at period end exchange rates. Revenue and expense items are translated to U.S. dollars at the average rates of exchange prevailing during the period. The adjustment resulting from translating the financial statements of such foreign subsidiaries to U.S. dollars is reflected as a cumulative translation adjustment and reported as a component of accumulated other comprehensive income in the Consolidated Statements of Changes in Stockholders Equity (Deficit). Foreign currency transaction gains and losses related to short-term intercompany loans are recorded in the Consolidated Statements of Operations as incurred. Intercompany loans that are of a long-term nature are accounted for in accordance with SFAS No. 52, Foreign Currency Translation, whereby foreign currency transaction gains and losses are reported in the same manner as translation adjustments. Cash flows of consolidated foreign subsidiaries, whose functional currency is the local currency, are translated to U.S. dollars using weighted average exchange rates for the period.

Foreign currency gains (losses) are reported as a component of other (expense) income, net in the Consolidated Statements of Operations. For the years ended December 31, 2008, 2007 and 2006, net foreign currency (losses) gains were ($38,589), ($9,653) and $8,855, respectively.

Accounting for Income Taxes

In accordance with SFAS No. 109, Accounting for Income Taxes (SFAS 109), the Company recognizes deferred income taxes based on the expected future tax consequences of differences between the financial statement basis and the tax basis of assets and liabilities, calculated using enacted tax rates in effect for the year in which the differences are expected to be reflected in the tax return.

The carrying value of the Company s net deferred tax assets assumes that the Company will be able to generate sufficient future taxable income in certain tax jurisdictions to realize the value of these assets. If the Company is unable to generate sufficient future taxable income in these jurisdictions, a valuation allowance is recorded when it is more likely than not that the value of the deferred tax assets is not realizable. Management evaluates the realizability of the deferred tax assets and assesses the need for any valuation allowance adjustment. Management periodically evaluates the need of tax reserves for uncertain tax positions. To the extent that the probable tax outcome of these uncertain tax positions changes, such changes in estimate will impact the income tax provision in the period in which such determination is made.

Pension and Postretirement Benefits

The Company s pension expense and obligations are developed from actuarial valuations required by the provisions of SFAS No. 87, Employers Accounting for Pensions (SFAS 87), SFAS No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions (SFAS 106), and SFAS No. 158, Employer s Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R) (SFAS 158). SFAS 158 requires recognition of the overfunded or underfunded status of pension and other

postretirement benefit plans on the balance sheet. Under SFAS 158, gains and losses, prior service costs and credits and any remaining transition amounts under SFAS 87 and SFAS 106 that have not yet been recognized through net periodic benefit cost will be recognized in

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accumulated other comprehensive income, net of tax effects, until they are amortized as a component of net periodic cost. The measurement date, the date at which the benefit obligation and plan assets are measured, is now required to be the same as the Company s fiscal year-end. As required by SFAS 158, the Company adopted the balance sheet recognition provisions at December 31, 2006. The measurement date of the benefit obligation and plan assets is the same as the Company s fiscal year end. In addition, SFAS 87 required the recognition of an additional minimum liability (AML) if the market value of plan assets was less than the accumulated benefit obligation at the end of the measurement date. The AML was eliminated upon the adoption of SFAS 158. See Note 15, Employee Benefit Plans, for additional information.

Accounting for Employee Global Mobility and Tax Equalization

The Company has a tax equalization policy designed to ensure that its employees on domestic long-term and foreign assignments will be subject to the same level of personal tax, regardless of the tax jurisdiction in which the employee works. The Company records tax equalization expenses in the period incurred. If the estimated tax equalization liability, including related interest and penalties, is determined to be greater or less than amounts due upon final settlement, the difference is recorded in the current period. The Company s liabilities associated with tax equalization expenses remaining to be paid and interest and penalties associated with failure to timely file and withhold payroll and other taxes were $39,299 and $33,451 as of December 31, 2008, respectively, and $59,287 and $48,768 as of December 31, 2007, respectively.

Stock-Based Compensation

On January 1, 2006, the Company adopted the provisions of SFAS No. 123(R), Share-Based Payment (SFAS 123(R)), to record compensation expense for its employee stock options, restricted stock awards, restricted stock units (RSUs), performance stock units (PSUs) and shares purchased by employees under the ESPP. This Statement is a revision of SFAS No. 123, Accounting for Stock-Based Compensation (SFAS 123), and supersedes Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees (APB 25), and its related implementation guidance. Prior to the adoption of SFAS 123(R), the Company followed the intrinsic value method in accordance with APB 25, in accounting for its stock options and other equity instruments.

SFAS 123(R) requires that all share-based payments to employees be recognized in the Consolidated Statements of Operations based on their grant date fair values with the expense being recognized over the requisite service period. The Company uses the Black-Scholes model to determine the fair value of its awards at the time of grant. See Note 13, Stock-Based Compensation, for additional information.

Derivative Financial Instruments

The Company accounts for derivative instruments and debt instruments in accordance with the interpretative guidance of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), EITF 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock, APB No. 14, Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants, EITF 98-5, Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios (EITF 98-5), and EITF 00-27, Application of Issue No. 98-5 to Certain Convertible Instruments (EITF 00-27), and

associated pronouncements related to the classification and measurement of warrants and instruments with conversion features. The Company makes certain assumptions and estimates to value its derivatives and debt instruments.

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The Company is exposed to changes in foreign currency exchange rates and interest rates that may affect its results of operations and financial position. The Company manages its exposure to changes in foreign currency exchange rates and interest rates through its normal operating and financing activities. The Company accounts for its derivative instruments in accordance with SFAS 133, which requires that all derivative instruments be reported on the balance sheet at fair value. If the derivative instrument is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative instrument are either recognized in net loss or in other comprehensive income until the hedged item is recognized in net loss. For derivatives that do not qualify as hedges under SFAS 133, the change in fair value is recorded in other (expense) income in the Consolidated Statements of Operations. The Company did not have any derivative instruments at December 31, 2008 and 2007.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of the following:

	Foreign currency translation adjustment	Pension and post-retirement benefit	Total
Balance December 31, 2006	$ 262,155	$ (15,858)	$ 246,297
Prior service cost, net of tax benefit of $1,270		1,800	1,800
Net actuarial gain, net of tax of $6,229		13,056	13,056
Change in foreign currency translation	47,704		47,704
Balance December 31, 2007	309,859	(1,002)	308,857
Prior service cost, net of tax of $110		1,126	1,126
Net actuarial loss, net of tax benefit of $1,442		(3,983)	(3,983)
Change in foreign currency translation	9,297		9,297
Balance December 31, 2008	$ 319,156	$ (3,859)	$ 315,297

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 establishes a single authoritative definition of fair value, sets a framework for measuring fair value and expands on required disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after January 1, 2008 and will be applied prospectively. In February 2008, the FASB issued a Staff Position that (1) partially deferred the effective date of SFAS 157 for one year for certain nonfinancial assets and nonfinancial liabilities and (2) removed certain leasing transactions from the scope of SFAS 157. The adoption of SFAS 157 and its related pronouncements

did not have a material effect on the Company s consolidated financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FAS 115. This new statement allows entities to choose, at specific election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item s fair value in subsequent reporting periods must be recognized in current earnings. SFAS 159 is effective for the fiscal year beginning January 1, 2008. The Company has elected not to apply the fair value option to any of its financial instruments.

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In December 2007, the FASB issued 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 the financial statements of the Company.

In May 2008, the FASB issued FASB Staff Position (FSP) Accounting Principles Board Opinion No. 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP APB 14-1). FSP APB 14-1 requires issuers of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) to separately account for the liability and equity components in a manner that will reflect the issuer s nonconvertible debt borrowing rate when interest expense is recognized in subsequent periods. The provisions of FSP APB 14-1 shall be applied retrospectively to all periods presented, effective for the fiscal year beginning January 1, 2009. The Company is continuing to evaluate the impact of the provisions of FSP APB 14-1; however, at this time management believes that the incremental interest expense to be recognized as a result of the adoption will be material.

In October 2008, the FASB issued FSP SFAS No. 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active (FSP 157-3). FSP 157-3 clarifies the application of SFAS 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP 157-3 became effective immediately, including prior periods for which financial statements have not been issued. Therefore, the Company has adopted the provisions of FSP 157-3 in its financial statements. The adoption did not have a material impact on the Company s consolidated financial position, results of operations, or cash flows.

In December 2008, the FASB issued FSP SFAS 132(R)-1, Employers Disclosure about Postretirement Benefit Plan Assets, effective for fiscal years ending after December 15, 2009. The additional disclosure requirements are designed to provide the users of the financial statements with an understanding of a) how the investment allocation decisions are made; b) the major categories of plan assets; c) the inputs and valuation techniques used to measure the fair value of the plan assets, including the effect of using significant unobservable inputs; e) and significant concentration of risk within plan assets. The Company does not believe the adoption of this FSP will have a material impact on the Company s consolidated financial position, results of operations, or cash flows.

3. Loss per Share

On December 5, 2008, our stockholders approved a one-for-fifty reverse stock split, which became effective at 6:01 p.m. Eastern Time on December 10, 2008. All references to share and per-share data for all periods presented have been adjusted to give effect to this reverse split.

Basic loss per share is computed based on the weighted average number of common shares outstanding and vested RSUs during the period. Diluted loss per share is computed using the weighted average number of basic shares outstanding during the period plus the dilutive effect of the issuance of other potential common shares.

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The following table sets forth the computation of basic earnings per share (EPS):

	Year Ended December 31,		
	2008	2007	2006
Net loss	$ (32,072)	$ (362,723)	$ (213,440)
Weighted average common shares outstanding	4,371,495	4,056,394	4,024,869
Weighted average vested RSUs	96,684	266,949	218,224
Weighted average shares outstanding	4,468,179	4,323,343	4,243,093
Earnings per share basic and diluted	$ (7.18)	$ (83.90)	$ (50.30)

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 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.

	Year Ended December 31,		
	2008	2007	2006
Employee stock options	566,334	673,657	797,398
Employee stock purchase plan	798,716		96,635
Restricted stock units	111,578	165,065	86,665
Performance share units(1)	783,902	900,787	
Series A Convertible Subordinated Debentures	476,204	476,204	476,204
Series B Convertible Subordinated Debentures	380,963	380,963	380,963
5.00% Convertible Senior Debentures	606,060	606,060	606,060
0.50% Convertible Senior Debentures	118,519	118,519	118,519
Warrants issued in connection with the 0.50% Convertible Senior Debentures	70,000	70,000	70,000
Softline acquisition obligation (see Note 9)			14,715
	3,912,276	3,391,255	2,647,159

(1)

As of the end of the reporting period, the performance conditions described further in Note 13, Stock-Based Compensation, have not been met; however, the shares reflected in the table represent the maximum settlement of shares under this program.

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4. Property and Equipment

Property and equipment, net, consists of the following:

	December 31,	
	2008	**2007**
Property and equipment:		
Internal-use software	$ 100,899	$ 126,728
Equipment	70,524	83,491
Leasehold improvements	62,206	65,089
Furniture	28,077	30,111
Total property and equipment	261,706	305,419
Accumulated depreciation and amortization:		
Internal-use software	(47,475)	(84,671)
Equipment	(55,063)	(61,695)
Leasehold improvements	(40,561)	(39,099)
Furniture	(16,420)	(16,283)
Total accumulated depreciation and amortization	(159,519)	(201,748)
Property and equipment, net	$ 102,187	$ 103,671

Depreciation and amortization expense related to property and equipment consists of the following:

	Year Ended December 31,		
	2008	**2007**	**2006**
Amounts included in:			
Other costs of service	$ 27,892	$ 40,502	$ 40,502
Selling, general and administrative expenses	18,023	22,970	33,521
	$ 45,915	$ 63,472	$ 74,023

On March 25, 2009, the Company concluded that it would suspend all efforts associated with the implementation of its North American financial reporting system as a direct result of announcing the Purchase Agreement between the

Company and Deloitte, as described in Note 1. As of the date of this decision, the Company has capitalized $38,642 of costs on this project, and will continue to evaluate these costs for impairment on a periodic basis.

5. Business Acquisitions, Goodwill and Other Intangible Assets

Goodwill balances at December 31, 2008 and 2007 are associated with the acquisition of KPMG Consulting AG (subsequently renamed BearingPoint GmbH) in August 2002 and a series of acquisitions of Andersen Business Consulting practices during 2002.

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The changes in the carrying amount of goodwill, at the reporting unit level, for the years ended December 31, 2008 and 2007 were as follows:

	Balance December 31, 2007	Reductions	Foreign Currency Translation Adjustment	Balance December 31, 2008
Public Services	$ 23,581	$	$ 171	$ 23,752
Financial Services	9,210		25	9,235
EMEA	385,650		(15,559)	370,091
Asia Pacific	75,003		(607)	74,396
Latin America	1,010		(141)	869
Corporate/Other	202			202
Total	$ 494,656	$	$ (16,111)	$ 478,545

	Balance December 31, 2006	Reductions	Foreign Currency Translation Adjustment	Balance December 31, 2007
Public Services	$ 23,581	$	$	$ 23,581
Financial Services	9,210			9,210
EMEA	359,133	(7,495)(1)	34,012	385,650
Asia Pacific	70,402		4,601	75,003
Latin America	918		92	1,010
Corporate/Other	202			202
Total	$ 463,446	$ (7,495)	$ 38,705	$ 494,656

(1) Amount represents the reversal of uncertain income tax liabilities recorded as part of the acquisition of a consulting practice in EMEA against goodwill, as the statute of limitations for the potential tax liability expired during the first quarter of 2007.

The Company completed its required annual impairment test in April 2008 and determined that the carrying value of goodwill was not impaired. Further, the Company regularly monitors the carrying value of its goodwill. This

monitoring includes an assessment as to whether or not certain events would, more likely than not, cause the Company to conclude that the carrying value of any of its reporting units would exceed their fair value. The Company identified and evaluated the affects of the events which occurred in the fourth quarter by performing an analysis of the affect of these events on the fair value of its reporting units. While these events decreased the fair value of the Company s reporting units, the Company concluded that the fair value of the respective reporting units exceeded their carrying values. The assumptions used by management in this analysis are highly sensitive and judgmental. Should actual future results vary significantly from expectations, impairment of the Company s goodwill could result in future periods.

Identifiable intangible assets include finite-lived intangible assets, which primarily consist of market rights, order backlog, customer contracts and related customer relationships. Identifiable intangible assets are amortized using the straight-line method over their expected period of benefit, which generally ranges from one to five years. Identifiable intangible assets consist of market rights and backlog, customer contracts and

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related customer relationships, both of which were fully amortized as of December 31, 2006. Amortization expense related to identifiable intangible assets was $1,545 in 2006. There was no amortization expense recorded in 2007 or 2008.

6. Notes Payable

Notes payable consist of the following:

	December 31,	
	2008	**2007**
Current portion(1):		
Term Loans under the 2007 Credit Facility	$ 3,000	$ 3,000
$200,000 5.00% Convertible Senior Subordinated Debentures due 2025	200,000	
Other	997	700
Total current portion	203,997	3,700
Long-term portion:		
$250,000 2.50% Series A Convertible Subordinated Debentures due 2024 and $200,000 2.75% Series B Convertible Subordinated Debentures due 2024	450,000	450,000
$200,000 5.00% Convertible Senior Subordinated Debentures due 2025		200,000
$40,000 0.50% Convertible Senior Subordinated Debentures due 2025 (net of discount of $9,479 and $14,389, respectively)	30,521	25,611
Term Loans under the 2007 Credit Facility	291,750	294,750
Other	648	582
Total long-term portion	772,919	970,943
Total notes payable	$ 976,916	$ 974,643

The following is a schedule of annual maturities on notes payable, net of discounts, as of December 31, 2008 for each of the next five calendar years and thereafter:

Year	**Amount(2)**
2009	$ 3,997
2010	34,169
2011	3,000
2012	285,750

2013		
Thereafter(3)		650,000
Total	$	976,916

(1) The weighted average interest rate on the current portion of notes payable as of December 31, 2008 and 2007 was 5.7% and 8.8%, respectively.

(2) As described below, the holders of the Subordinated Debentures (as defined below) have the right to convert the debentures into shares of Company common stock only upon occurrence of certain triggering events. The 5.00% Convertible Senior Debentures (as defined below) were convertible upon issuance on April 27, 2005, and the

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0.50% Convertible Senior Debentures (as defined below) were convertible starting on July 15, 2006. Upon conversion of these debentures, the Company will have the right to deliver, in lieu of shares of common stock, cash or a combination of cash and shares of common stock. In addition, the holders of the 5.00% Convertible Senior Debentures and Subordinated Debentures have the right, at their option, to require the Company to repurchase all or some of their debentures on various dates prior to maturity (see below).

(3) The $200,000 principal outstanding related to the 5.00% Convertible Senior Subordinated Debentures is presented according to its 2025 maturity.

In December 2006, the FASB issued FASB Staff Position No. EITF 00-19-2, Accounting for Registration Payment Arrangements (FSP 00-19-2). FSP 00-19-2 specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with SFAS No. 5, Accounting for Contingencies. As a result of implementing FSP 00-19-2, the Company recognized a cumulative effect adjustment of $371 that increased the January 1, 2007 accumulated deficit balance and recognized an undiscounted liability associated with its estimated remaining obligation to pay additional interest to the holders of the 5.00% Convertible Senior Debentures (as defined below) and the 0.50% Convertible Senior Debentures (as defined below) as a result of the Company s noncurrent filer status and related inability to file a registration statement. The 5.00% Convertible Senior Debentures and the 0.50% Convertible Senior Debentures became eligible for sale under SEC Rule 144(k) without registration as of April 28, 2007 and December 3, 2007, respectively; therefore, the Company was no longer required to file a registration statement.

2007 Credit Facility

On May 18, 2007, the Company entered into a $400,000 senior secured credit facility and on June 1, 2007, the Company amended and restated the credit facility to increase the aggregate commitments under the facility from $400,000 to $500,000 (the 2007 Credit Facility). The 2007 Credit Facility consists of (1) term loans in an aggregate principal amount of $300,000 (the Term Loans) and (2) a letter of credit facility in an aggregate face amount at any time outstanding not to exceed $200,000 (the LC Facility). The LC Facility is supported by cash deposits made on our behalf by the lenders. If the Company fails to repay any disbursement on a letter of credit and these cash deposits are used to reimburse the issuing bank, the amount of any cash deposits used for such purpose will be considered as additional loans to the Company (the LC Loans and, together with the Term Loans, the Loans). Interest on the Term Loans under the 2007 Credit Facility is calculated, at the Company s option, at a rate per annum equal to either (1) 3.5% plus the London Interbank Offered Rate (LIBOR) or (2) 2.5% plus a base rate equal to the higher of (a) the federal funds rate plus 0.5% and (b) UBS AG, Stamford Branch s prime commercial lending rate. Interest on the LC loans is similarly calculated at the Company s option at a rate per annum equal to either (1) 4.0% plus LIBOR or (2) 4.0% plus a rate computed in the same manner as the Term Loans. Debt issuance costs of $18,801, mainly comprised of underwriting, commitment and legal fees, were capitalized into other non-current assets and are being amortized to interest expense over the life of the Loans. As of December 31, 2008, the Company had $294,750 in principal outstanding under the Term Loans and an aggregate of $124,280 of letters of credit issued and outstanding. The Company is charged fees for the LC Facility s continued availability, which totals 4.125% per annum on the total amount of cash deposits made available from time to time by the lenders under the LC Facility to collateralize their obligation to fund demands made on letters of credit issued under the LC Facility. We are separately charged a

fronting fee of 0.1875% per annum on the average daily aggregate outstanding face amount of all letters of credit issued.

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The Company s obligations under the 2007 Credit Facility are secured by first priority liens and security interests in substantially all of the Company s assets and most of its material domestic subsidiaries, as guarantors of such obligations (including a pledge of 65% of the stock of certain of its foreign subsidiaries), subject to certain exceptions.

The 2007 Credit Facility requires the Company to make prepayments of outstanding Loans and cash collateralize outstanding letters of credit in an amount equal to (i) 100% of the net proceeds received from property or asset sales (subject to exceptions), (ii) 100% of the net proceeds received from the issuance or incurrence of additional debt (subject to exceptions), (iii) 100% of all casualty and condemnation proceeds (subject to exceptions), (iv) 50% of the net proceeds received from the issuance of equity (subject to exceptions) and (v) for each fiscal year ending on or after December 31, 2008 the difference between (a) 50% of the Excess Cash Flow (as defined in the 2007 Credit Facility) and (b) any voluntary prepayment of the Loans or the LC Facility (subject to exceptions). In addition, the Company is required to pay $750 in principal plus any accrued and unpaid interest at the end of each quarter, commencing on June 29, 2007 and ending on March 31, 2012.

The 2007 Credit Facility contains affirmative and negative covenants, customary representations and warranties, certain of which include exceptions for events that would not have a material adverse effect on the Company s business, results of operation, financial condition, assets or liabilities.

> The *affirmative covenants* include, among other things: the delivery of unaudited quarterly and audited annual financial statements, all in accordance with generally accepted accounting principles, certain monthly operating metrics and budgets; compliance with applicable laws and regulations (excluding, prior to October 31, 2008, compliance with certain filing requirements under the securities laws); maintenance of existence and insurance; after October 31, 2008, as requested by the Administrative Agent, reasonable efforts to maintain credit ratings; and maintenance of books and records (subject to the material weaknesses previously disclosed in the Company s Annual Report on Form 10-K for the year ended December 31, 2005).
>
> The *negative covenants*, which (subject to exceptions) restrict certain of the Company s corporate activities, include, among other things, limitations on: disposition of assets; mergers and acquisitions; payment of dividends; stock repurchases and redemptions; incurrence of additional indebtedness; making of loans and investments; creation of liens; prepayment of other indebtedness; and engaging in certain transactions with affiliates.

Events of default under the 2007 Credit Facility include, among other things: defaults based on nonpayment, breach of representations, warranties and covenants, cross-defaults to other debt above $10,000, loss of lien on collateral, invalidity of certain guarantees, certain bankruptcy and insolvency events, certain ERISA events, judgments against the Company in an aggregate amount in excess of $20,000 that remain unpaid, and change of control events.

The 2007 Credit Facility replaced the Company s 2005 Credit Facility, which was terminated on May 18, 2007. For information about the 2005 Credit Facility, see below.

Series A and Series B Convertible Subordinated Debentures

On December 22, 2004, the Company closed on a $400,000 offering of convertible subordinated debentures. The offering consisted of $225,000 aggregate principal amount of 2.50% Series A Convertible Subordinated Debentures due December 15, 2024 (the Series A Debentures) and $175,000 aggregate principal amount of 2.75% Series B Convertible Subordinated Debentures due December 15, 2024 (the

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Series B Debentures and together with the Series A Debentures, the Subordinated Debentures). On January 5, 2005, the Company issued an additional $25,000 aggregate principal amount of its Series A Debentures and an additional $25,000 aggregate principal amount of its Series B Debentures upon the exercise in full of an option granted to the initial purchasers. Interest is payable on the Subordinated Debentures on June 15 and December 15 of each year, beginning June 15, 2005. The Subordinated Debentures are unsecured and are subordinated to the 5.00% Convertible Senior Debentures and July 2005 indentures and borrowings and future senior debt. Due to the delay in the completion of the Company s audited financial statements for the year ended December 31, 2004, the Company was unable to file a timely registration statement with the SEC to register for resale its Subordinated Debentures and the shares of common stock issuable upon conversion of the Subordinated Debentures. Accordingly, the applicable interest rate on each series of Subordinated Debentures increased by 0.25% beginning on March 23, 2005 and increased another 0.25% beginning on June 22, 2005. The interest rates on the Series A Debentures and the Series B Debentures increased to 3.00% and 3.25%, respectively, until January 6, 2007.

On January 6, 2007, the Subordinated Debentures and the shares of common stock issuable upon conversion of the Subordinated Debentures became transferable by non-affiliates of the Company without restriction pursuant to the provisions of Rule 144(k) under the Securities Act. As a result, the Company is no longer obligated to register the Subordinated Debentures for resale or pay the additional interest associated with these registration requirements.

In connection with the Company s previously disclosed resolution of a dispute with certain holders of the Series B Debentures (these holders had provided a purported notice of default based upon the Company s failure to timely file certain of its periodic reports due in 2005), on November 2, 2006, the Company entered into the First Supplemental Indenture (the First Supplemental Indenture) with The Bank of New York, as trustee, which amends the indenture governing the Subordinated Debentures. The First Supplemental Indenture includes: (i) a waiver of the Company s SEC reporting requirements under the Subordinated Indentures through October 31, 2008, (ii) adjustment of the interest rate payable on all Series A Debentures from 3.00% per annum to 3.10% per annum until December 23, 2011, and (iii) adjustment of the interest rate payable on all Series B Debentures from 3.25% per annum to 4.10% per annum until December 23, 2014. In accordance with EITF 96-19, Debtor s Accounting for a Modification or Exchange of Debt Instruments (EITF 96-19), since the change in the terms of the Subordinated Debentures did not result in substantially different cash flows, this change in terms is accounted for as a modification, and therefore additional interest payments will be expensed over the period from November 2, 2006 through December 23, 2011 for the Series A Debentures, and December 23, 2014 for the Series B Debentures. During the period of November 2, 2006 through December 23, 2011 for the Series A Debentures and December 23, 2014 for the Series B Debentures, the new effective interest rates on this debt are 3.60% and 4.50%, respectively. In addition, the Company paid approximately $1,800 in fees and expenses to third-parties for work performed in connection with all of the modifications to the Company s outstanding debentures, which were expensed as incurred.

The net proceeds from the sale of the Subordinated Debentures were approximately $435,600, after deducting offering expenses and the initial purchasers commissions of $11,400 and other fees and expenses of approximately $3,000. The Company used approximately $240,590 of the net proceeds from the sale of the Subordinated Debentures to repay its then outstanding $220,000 senior notes and approximately $135,000 to repay amounts outstanding under its then existing revolving credit facility. The Company also used the proceeds to pay fees and expenses in connection with entering into the $400,000 Interim Senior Secured Credit Facility, as defined below.

The Subordinated Debentures are initially convertible, under certain circumstances, into shares of the Company s common stock at a conversion rate of 1.9048 shares for each $1 principal amount of the

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Subordinated Debentures, subject to anti-dilution and adjustments but not to exceed 2.6 shares, equal to an initial conversion price of approximately $525.00 per share. Holders of the Subordinated Debentures may exercise the right to convert the Subordinated Debentures prior to their maturity only under certain circumstances, including when the Company s stock price reaches a specified level for a specified period of time, upon notice of redemption, and upon specified corporate transactions. Upon conversion of the Subordinated Debentures, the Company will have the right to deliver, in lieu of shares of common stock, cash or a combination of cash and shares of common stock. The Subordinated Debentures will be entitled to an increase in the conversion rate upon the occurrence of certain change of control transactions or, in lieu of the increase, at the Company s election, in certain circumstances, to an adjustment in the conversion rate and related conversion obligation so that the Subordinated Debentures are convertible into shares of the acquiring or surviving company. The Company will also increase the conversion rate upon occurrence of certain transactions. As of December 31, 2008, none of the circumstances under which the Subordinated Debentures would have been convertible existed.

On December 15, 2011, December 15, 2014 and December 15, 2019, holders of Series A Debentures, at their option, have the right to require the Company to repurchase any outstanding Series A Debentures. On December 15, 2014 and December 15, 2019, holders of Series B Debentures, at their option, have the right to require the Company to repurchase any outstanding Series B Debentures. In each case, the Company will pay a repurchase price in cash equal to 100% of the principal amount of the Subordinated Debentures, plus accrued and unpaid interest, including liquidated damages, if any, to the repurchase date. In addition, holders of the Subordinated Debentures may require the Company to repurchase all or a portion of the Subordinated Debentures on the occurrence of a designated event, at a repurchase price equal to 100% of the principal amount of the Subordinated Debentures, plus any accrued but unpaid interest and liquidated damages, if any, to, but not including, the repurchase date. A designated event includes certain change of control transactions and a termination of trading, occurring if the Company s common stock is no longer listed for trading on a U.S. national securities exchange.

The Company may redeem some or all of the Series A Debentures beginning on December 23, 2011 and, beginning on December 23, 2014, may redeem the Series B Debentures, in each case at a redemption price in cash equal to 100% of the principal amount of the Subordinated Debentures plus accrued and unpaid interest and liquidated damages, if any, on the Subordinated Debentures to, but not including, the redemption date.

Upon a continuing event of default, the trustee or the holders of at least 25% in aggregate principal amount of the Subordinated Debentures may declare the applicable series of Debentures immediately due and payable, which could lead to cross-defaults and possible acceleration of unpaid principal and accrued interest of the 5.00% Convertible Senior Debentures, 0.50% Convertible Senior Debentures (defined below) and the 2007 Credit Facility.

5.00% Convertible Senior Debentures

On April 27, 2005, the Company issued $200,000 aggregate principal amount of its 5.00% Convertible Senior Debentures. Interest is payable on the 5.00% Convertible Senior Debentures on April 15 and October 15 of each year, beginning October 15, 2005. The 5.00% Convertible Senior Debentures are unsecured and are subordinated to the Company s existing and future senior debt. The 5.00% Convertible Senior Debentures are senior to the Subordinated Debentures. Since the Company failed to file a registration statement with the SEC to register for the resale of its 5.00% Convertible Senior Debentures and the shares of common stock issuable upon conversion of the

5.00% Convertible Senior Debentures by December 31, 2005, the interest rate on the 5.00% Convertible Senior Debentures increased by 0.25% to 5.25% beginning on January 1, 2006 and continued until April 28, 2007, at which time the interest rate was reduced to the original rate of 5.00%, as

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more fully described below. On November 9, 2006, the Company paid to certain consenting holders of April 2005 Convertible Debentures, who provided their consents prior to the expiration of the consent solicitation, a consent fee equal to 1.00% of the outstanding principal amount of the April 2005 Convertible Debentures. The supplemental indenture includes a waiver of the Company s SEC reporting requirements through October 31, 2007, and provides for further extension through October 31, 2008 upon the Company s payment of an additional fee of 0.25% of the principal amount of the debentures. On October 29, 2007, the Company paid the additional fee to the consenting holders of the April 2005 Convertible Debentures, and as a result, the Company s SEC reporting requirements under the indenture were waived through October 31, 2008. In accordance with EITF 96-19, since the change in the terms of the 5.00% Convertible Senior Debentures did not result in substantially different cash flows, the change in terms was accounted for as a modification, and as a result, the consent fees of 0.25% will be recognized over future periods.

On April 28, 2007, the 5.00% Convertible Senior Debentures and the shares of common stock issuable upon conversion of the 5.00% Convertible Senior Debentures became transferable by non-affiliates of the Company without restriction pursuant to the provisions of Rule 144(k) under the Securities Act. As a result, the Company is no longer obligated to register the 5.00% Convertible Senior Debentures for resale or to pay any additional interest on the 5.00% Convertible Senior Debentures in connection therewith.

The net proceeds from the sale of the April 2005 Convertible Debentures, after deducting offering expenses and the placement agents commissions and other fees and expenses, were approximately $192,800. The Company used the net proceeds from the offering to replace the working capital that was at the time used to cash collateralize letters of credit under the 2004 Interim Credit Facility (see below).

The 5.00% Convertible Senior Debentures are initially convertible into shares of the Company s common stock at a conversion rate of 3.0303 shares for each $1 principal amount of the April 2005 Convertible Debentures, subject to anti-dilution and adjustments, equal to an initial conversion price of $330.00 per share at any time prior to the stated maturity. Upon the conversion of the April 2005 Convertible Debentures, the Company will have the right to deliver, in lieu of shares of common stock, cash or a combination of cash and shares of common stock. The 5.00% Convertible Senior Debentures will be entitled to an increase in the conversion rate upon the occurrence of certain change of control transactions or, in lieu of the increase, at the Company s election, in certain circumstances, to an adjustment in the conversion rate and related conversion obligation so that the 5.00% Convertible Senior Debentures are convertible into shares of the acquiring or surviving company.

The holders of the 5.00% Convertible Senior Debentures have the right, at their option, to require the Company to repurchase all or some of their debentures on April 15, 2009, 2013, 2015 and 2020. In each case, the Company may be required to pay a repurchase price in cash equal to 100% of the principal amount of the April 2005 Convertible Debentures, plus any accrued but unpaid interest, including additional interest, if any, to the repurchase date. As a result of the repurchase feature that can be exercised in April 2009, the Company changed the classification of the outstanding principal and unpaid interest related to the 5.00% Convertible Senior Debentures from the long-term portion of notes payable to the current portion of notes payable within the Consolidated Balance Sheet. In addition, holders of the 5.00% Convertible Senior Debentures may require the Company to repurchase all or a portion of the 5.00% Convertible Senior Debentures on the occurrence of a designated event, at a repurchase price equal to 100% of the principal amount of the April 2005 Convertible Debentures, plus any accrued but unpaid interest and additional interest, if any, to, but not including, the repurchase date. A designated event includes certain change of control

transactions and a termination of trading, occurring if the Company s common stock is no longer listed for trading on a U.S. national securities exchange.

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The 5.00% Convertible Senior Debentures will be redeemable at the Company s option on or after April 15, 2009 at a redemption price in cash equal to 100% of the principal amount of the 5.00% Convertible Senior Debentures plus accrued and unpaid interest and additional interest, if any, on the 5.00% Convertible Senior Debentures to, but not including, the redemption date.

Upon a continuing event of default, the trustee or the holders of at least 25% in aggregate principal amount of the 5.00% Convertible Senior Debentures may declare the debentures immediately due and payable, which could lead to cross-defaults and possible acceleration of unpaid principal and accrued interest of the Subordinated Debentures, 0.50% Convertible Senior Debentures (defined below) and the 2007 Credit Facility.

July 2005 Convertible Senior Subordinated Debentures

On July 15, 2005, the Company issued $40,000 aggregate principal amount of its 0.50% Convertible Senior Debentures 0.50% Convertible Senior Debentures and common stock warrants (the July 2005 Warrants) to purchase up to 70,000 shares of the Company s common stock. The 0.50% Convertible Senior Debentures bear interest at a rate of 0.50% per year and will mature on July 15, 2010. Interest is payable on the 0.50% Convertible Senior Debentures on January 15 and July 15 of each year, beginning January 15, 2006. The 0.50% Convertible Senior Debentures are senior to the Subordinated Debentures. Since the Company failed to file a registration statement with the SEC to register for resale the shares of common stock issuable upon conversion of the 0.50% Convertible Senior Debentures and exercise of the July 2005 Warrants by December 31, 2005, the interest rate on the 0.50% Convertible Senior Debentures increased by 0.25% to 0.75% beginning on January 1, 2006 and continued until December 3, 2007, at which time the interest rate was reduced to the original 0.50% rate, as more fully described below. Pursuant to the original purchase agreement entered into by the Company and the holders of the 0.50% Convertible Senior Debentures, on November 9, 2006, the Company entered into an agreement with the holders of the July 2005 Debentures, pursuant to which the Company paid a consent fee equal to 1.00% of the outstanding principal amount of the July 2005 Debentures, in accordance with the terms of the purchase agreement governing the issuance of the July 2005 Debentures. On October 29, 2007, in connection with the payment of the additional fee to the consenting holders of the April 2005 Convertible Debentures, the Company paid an additional fee equal to 0.25% of the outstanding principal amount of the 0.50% Convertible Senior Debentures, in accordance with the terms of the purchase agreement governing the issuance of the 0.50% Convertible Senior Debentures. In accordance with EITF 96-19, since the change in the terms of the July 2005 Convertible Senior Debentures did not result in substantially different cash flows, this change in terms is accounted for as a modification, and therefore the consent fees will be recognized over future periods.

On December 3, 2007, upon the filing of the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, the shares of common stock issuable upon conversion of the 0.50% Convertible Senior Debentures and exercise of the July 2005 Warrants became transferable by the holders of these debentures without restriction pursuant to the provisions of Rule 144(k) under the Securities Act. As a result, the Company is no longer obligated to register the 0.50% Convertible Senior Debentures for resale or to pay any additional interest on the 0.50% Convertible Senior Debentures.

The net proceeds from the sale of the 0.50% Convertible Senior Debentures and July 2005 Warrants, after deducting offering expenses and other fees and expenses, were approximately $38,900. The Company used the net proceeds from the offering for general corporate purposes, including the funding of strategic acquisitions to build capabilities in certain areas.

In accordance with the terms of the purchase agreement, the holders of the 0.50% Convertible Senior Debentures appointed a designated director to the Company s Board of Directors effective July 15, 2005. If

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the designated director ceases to be affiliated with the holders of the 0.50% Convertible Senior Debentures or ceases to serve on the Company s Board of Directors, so long as the holders together hold at least 40% of the original principal amount of the 0.50% Convertible Senior Debentures, the holders or their designees have the right to designate a replacement director to the Company s Board of Directors.

The 0.50% Convertible Senior Debentures are initially convertible on or after July 15, 2006 into shares of the Company s common stock at a conversion price of $337.50 per share, subject to anti-dilution and other adjustments. Upon conversion of the 0.50% Convertible Senior Debentures, the Company will have the right to deliver, in lieu of shares of common stock, cash or a combination of both. The 0.50% Convertible Senior Debentures will be entitled, in certain change of control transactions, to an adjustment in the conversion obligation so that the 0.50% Convertible Senior Debentures are convertible into shares of stock, other securities or other property or assets receivable upon the occurrence of such transaction by a holder of shares of the Company s common stock in such transaction.

The holders of the 0.50% Convertible Senior Debentures may require the Company to repurchase all or a portion of the 0.50% Convertible Senior Debentures on the occurrence of a designated event, at a repurchase price equal to 100% of the principal amount of the 0.50% Convertible Senior Debentures, plus any accrued but unpaid interest and additional interest, if any, to, but not including, the repurchase date. The list of designated events includes certain change of control transactions and a termination of trading occurring if the Company s common stock is no longer listed for trading on a U.S. national securities exchange.

The July 2005 Warrants may be exercised on or after July 15, 2006 and have a five-year term. The initial number of shares issuable upon exercise of the July 2005 Warrants is 70,000 shares of common stock, and the initial exercise price per share of common stock is $400.00. The number of shares and exercise price are subject to certain customary anti-dilution protections and other customary terms. These terms include, in certain change of control transactions, an adjustment in the conversion obligation so that the July 2005 Warrants, upon exercise, will entitle the July 2005 Warrant holders to receive shares of stock, other securities or other property or assets receivable upon the occurrence of such transaction by a holder of shares of the Company s common stock in such transaction.

Upon a continuing event of default, the holders of at least 25% in aggregate principal amount of the 0.50% Convertible Senior Debentures may declare the 0.50% Convertible Senior Debentures immediately due and payable, which could lead to cross-defaults and possible acceleration of unpaid principal and accrued interest of the Subordinated Debentures, 5.00% Convertible Senior Debentures and the 2007 Credit Facility.

In accordance with the provisions of EITF 98-5 and EITF 00-27, the Company allocated the proceeds received from the 0.50% Convertible Senior Debentures to the elements of the debt instrument based on their relative fair values. The Company allocated fair value to the July 2005 Warrants and conversion option utilizing the Black-Scholes option pricing model, which was consistent with the Company s historical valuation methods. The following assumptions and estimates were used in the Black-Scholes model: volatility of 48.5%; an average risk-free interest rate of 3.98%; dividend yield of 0%; and an expected life of 5 years. The fair value of debt component of the July 2005 Debentures was based on the net present value of the underlying cash flows discounted at a rate derived from the Company s then publicly traded debt, which was 11.4%. Once the relative fair values were established, the Company allocated the proceeds to each component of the contract. Because the conversion price was lower than the then current fair market value of the Company s common stock, the Company determined that a beneficial conversion feature (BCF) existed

which required separate accounting.

The accounting conversion value of the BCF calculated was $14,288 and the fair value allocated to the July 2005 Warrants was $8,073. The fair value allocated to the warrants and the accounting conversion value

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of the BCF amounting to $22,361 were recorded as credits to additional paid-in capital. In addition, $1,000 paid to the holders in connection with this transaction was recorded as a reduction of the net proceeds. The offsetting $23,361 was treated as a discount to the $40,000 principal amount of the 0.50% Convertible Senior Debentures. Using the effective interest method with an imputed interest rate of 17.9%, the discount will be accreted as interest expense over the term of the debt contract to bring the value of the debt to its face amount at the time the principal payment is due in July 2010. As of December 31, 2008, 2007 and 2006 the Company has amortized $13,882, $8,972 and $4,851, respectively, of the discount as interest expense.

Discontinued Credit Facilities

2005 Credit Facility

On July 19, 2005, the Company entered into a $150,000 Senior Secured Credit Facility (the 2005 Credit Facility). The 2005 Credit Facility, as amended, provided for up to $150,000 in revolving credit and advances, all of which was available for issuance of letters of credit. Advances under the revolving credit line were limited by the available borrowing base, which was based upon a percentage of eligible accounts receivable and unbilled receivables. The 2005 Credit Facility was terminated on May 18, 2007. On that date, all outstanding obligations under the 2005 Credit Facility were assumed by the 2007 Credit Facility and liens and security interests were released.

In addition, prior to the March 30, 2006 amendment, the Company was required to cash collateralize 105% of its borrowings, including any outstanding letters of credit, under the 2005 Credit Facility and any accrued and unpaid interest and fees thereon. As of December 31, 2006, the Company had no borrowings under the 2005 Credit Facility but had letters of credit outstanding of approximately $89,300. The Company was charged an annual rate of 2.75% for the credit spread and other fees for its outstanding letters of credit. The Company fulfilled its obligation to cash collateralize using cash on hand. The requirement to deposit and maintain cash collateral terminated as part of the March 30, 2006 amendment to the 2005 Credit Facility, and such cash collateral was released to the Company.

Chapter 11 Impact

On February 18, 2009, the Debtors filed voluntary petitions for reorganization relief under chapter 11 of title 11 of the United States Bankruptcy Code. The bankruptcy filing was made with a pre-arranged plan of reorganization with the support of the Secured Lenders under the 2007 Credit Facility. Wells Fargo Foothill, LLC, successor to UBS AG, Stamford Branch, as administrative and collateral agent, and the lenders, issuing banks and other agents party thereto agreed in principle to support the terms of the proposed Plan. For additional information regarding the Chapter 11 Cases, see Note 1, Chapter 11 Bankruptcy Proceedings and Proposed Plan of Reorganization; Proposed Sale of Portions of the Company.

As originally proposed, the Plan, among other things, provides that (i) the 2007 Secured Credit Agreement will be replaced with a new secured, senior credit facility as follows: term loan in the amount of $272,000 plus accrued interest and a synthetic letter of credit facility in the amount of up to $130,000; plus the issuance of new preferred stock; (ii) the unsecured debt, including the Subordinated Debt (as defined below), will be exchanged for different classes of common stock; and (iii) all existing equity in the Company will be cancelled for no consideration. However, based on the Company s recent announcement regarding the proposed sale of various portions of the Company, the

Company expects that the proposed Plan will be modified accordingly. The implementation of a plan of reorganization is dependent upon a number of factors,

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including final documentation, the approval of a disclosure statement and confirmation and consummation of such plan in accordance with the provisions of the Bankruptcy Code.

The filing of the bankruptcy petitions described above constituted an event of default under the 2007 Secured Credit Agreement and under the Company s various other debt instruments described below and results in the acceleration of all amounts due under such obligations. The ability of the creditors to seek remedies to enforce their rights under such agreements is automatically stayed as a result of the filing of Chapter 11 Cases, and the creditors rights of enforcement are subject to the applicable provisions of the Bankruptcy Code. The automatic stay invoked by filing the Chapter 11 Cases effectively precludes any action against the Company resulting from such acceleration. Therefore, the Company continues to classify its borrowings under the Subordinated Debentures and the Term Loans under the 2007 Credit Facility as non-current on its balance sheet.

As of the Petition Date, (i) under the 2007 Secured Credit Agreement, the total principal amount of the outstanding obligations under the term loan was approximately $323,300 and the aggregate face amount of undrawn letters of credit issued under the letter of credit facility was approximately $84,100; and (ii) the Company has issued and outstanding $200,000 principal amount of the 5.00% Convertible Senior Subordinated Debentures due April 15, 2025, $40,000 principal amount of the 0.50% Convertible Senior Subordinated Debentures due July 10, 2010, $250,000 principal amount of the 2.50% Series A Convertible Subordinated Debentures due December 15, 2024 and $200,000 of the 2.75% Series B Convertible Subordinated Debentures due December 15, 2024 (collectively, the Subordinated Debt).

7. Accrued Payroll and Employee Benefits

Accrued payroll and employee benefits consist of the following:

	December 31,	
	2008	**2007**
Accrued compensated absences	$ 87,014	$ 100,210
Payroll related taxes	29,778	45,671
Employee mobility and tax equalization	72,750	108,056
Accrued bonus(1)	25,220	37,393
Deferred compensation and retirement benefits	43,382	28,402
Other	37,109	48,476
Total	$ 295,253	$ 368,208

(1) During the fourth quarter of 2008, the Company reversed $10,565 related to the 2007 portion of a performance cash award (PCA) program for which the Company determined the achievement of the performance condition not to be probable.

The Company has a tax equalization policy designed to ensure that its employees on domestic long-term and foreign assignments will be subject to the same level of personal tax, regardless of the tax jurisdiction in which the employee works. The Company accrues tax equalization expenses in the period incurred. If the estimated tax equalization liability, including related interest and penalties, is determined to be greater or less than amounts due upon final settlement, the difference is recorded in the current period. In 2008, the Company reversed $36,959 of these liabilities as a result of settlements at amounts less than previously estimated and recorded the resulting benefit to professional compensation.

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8. Other Current Liabilities

Other current liabilities consist of the following:

	December 31,	
	2008	**2007**
Accrual for loss contracts	$ 12,821	$ 23,006
Sales, use and value added taxes payable	31,050	37,694
Other	39,278	47,664
Total	$ 83,149	$ 108,364

9. Softline Acquisition Obligation

On May 27, 1999, KPMG LLP (the Company s former parent) acquired all of the voting common stock of Softline Consulting & Integrators, Inc. (Softline), a systems integration company, and entered into an agreement with the then shareholders of Softline (the Softline Sellers) to acquire all of the Softline nonvoting common stock for not less than $65,000. In August 2000, the Company and the Softline Sellers entered into an amendment pursuant to which the Company acquired the nonvoting common stock of Softline and paid $65,000 to the Softline Sellers. Of the $65,000 purchase price, the parties agreed to hold back $15,000, which accrued interest at 6% per annum (the Softline Holdback), until the final determination of claims by the Company against the Softline Sellers. The Softline Holdback was payable in shares of the Company s common stock (calculated based on the Company s initial public offering price less the underwriting discount in such offering); provided, however, that the Softline Sellers could elect to receive cash in lieu of up to 30% of the shares of the Company common stock otherwise issuable to such Softline Sellers. The 30% portion of the liability that, at the election of the counterparties, can be settled in either cash or in shares of the Company s common stock represents a derivative feature. Accordingly, the 30% portion of the liability was marked to market each reporting period based on the changes in the intrinsic value of the underlying equity shares. Any change in the value of the underlying shares was recorded as a component of interest expense, amounting to $863 and $430 for the years ended December 31, 2007 and 2006, respectively.

The Softline Sellers elected to settle the Softline Holdback by a payment of an aggregate of $2,025 in cash and the issuance of an aggregate of 11,269 shares of the Company s common stock, which payment and issuance was made on August 16, 2007. The Company recorded the non-cash component of this settlement amounting to $10,389 within the statement of stockholders equity.

10. Collaboration Agreement

In August 1997, KPMG LLP entered into a collaboration agreement with Microsoft Corporation. Under this agreement, the Company developed a broad portfolio of services and solutions to enable the rapid deployment of Microsoft products. Microsoft paid the Company $15,000. The agreement requires the Company to train a specified

number of consultants to be proficient in Microsoft products, and to participate in joint marketing efforts with Microsoft. Revenue of $5,000 was recognized as training and other costs associated with the agreement were incurred. Revenue was not recognized for the remaining $10,000 due to a minimum royalty liability of $10,000 associated with the agreement. The agreement requires the Company to pay Microsoft royalties on certain net revenue for business relating to Microsoft products. The royalty period ends on the earlier of the date on which the Company makes the minimum aggregate royalty payment of $10,000 or June 30, 2006. Since the aggregate payments on June 30, 2006 were less than $10,000, the

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Company was obligated to make final payment for the difference, of which $4,689 was paid in July 2006 and the remaining $4,689 was paid in June 2007.

11. 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 Exchange Act (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).

On February 18, 2009, the Debtors filed voluntary petitions for relief under chapter 11 of the title 11 of Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York, as discussed in Note 1. Under the Bankruptcy Code, the filing of a petition automatically stays most actions against the Company, including most actions to collect pre-petition indebtedness or to exercise control over the property of our bankruptcy estates. Absent further order of the Bankruptcy Court, no party, subject to certain exceptions, may take any action, also subject to certain exceptions, to recover on pre-petition claims against the Debtors. The Company expects that substantially all of its pre-petition liabilities will be resolved under a plan of reorganization, if not otherwise satisfied pursuant to orders of the Bankruptcy Court.

At this time, it is not possible to predict the outcome of the Chapter 11 Cases or their effect on the business or certain claims and investigations being conducted by agencies or officers of the U.S. Federal government and arising in connection with the Company s provision of services under contracts with agencies of the U.S. Federal government. A significant portion of the 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 operations are 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.

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

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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.

SEC Investigation

On April 13, 2005, pursuant to the same matter number as its inquiry concerning the Company s restatement of certain financial statements issued in 2003, 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. We have 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.

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Government Contracting Matters

Government Contracts

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. During the year ended December 31, 2008, 39.1% of the Company s revenue was earned from contracts with the U.S. Government or state and local governments. 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 December 31, 2008, the Company had accrued amounts related to these matters, which are not material.

Other Matters

The County of San Diego, CA

On January 6, 2009, the Company and the County of San Diego, California (SD County) entered into a Settlement Agreement (the SD Settlement Agreement) to resolve a dispute between the Company and SD County regarding the scope of work encompassed by a contract to design, develop and implement an integrated property tax system for SD County (the IPTS Contract). The Company and SD County recently entered into voluntary, non-binding mediation to resolve such dispute. Under the terms of the IPTS Contract, the Company s contractual liability was limited to $31,800 plus associated legal fees and costs. To avoid the expense, disruption and uncertainty of a continuing dispute, the Company and SD County entered into the SD Settlement Agreement pursuant to which the Company paid $21,000 to SD County; the IPTS Contract is deemed terminated without cause, without any admission of liability by either party; and the Company and SD County released each other from all liabilities and claims related to the IPTS Contract. This amount ultimately was paid by drawing down on a letter of credit previously issued under the 2007 Credit Facility, which letter of credit was issued as collateral for a surety bond previously provided to SD County in support of the IPTS Contract. The Company s obligation under the 2007 Credit Facility to reimburse the draw down in the letter of credit was funded through the incurrence of additional indebtedness under the 2007 Credit Facility and was not paid from the Company s current cash on hand.

The full amount of the settlement was recorded as expense in the consolidated statement of operations in the year ended December 31, 2008. As certain costs on the contract had been deferred previously, a portion of the settlement expense was recorded in professional compensation and other direct contract expenses in the accompanying consolidated statements of operations in the amounts of $5,800 and $4,400 respectively. The remainder of the settlement $10,800 was recorded as other costs of service on the accompanying statements of operations.

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Department of the Interior

In September 2005, the Company received a Termination for Cause notice (the Notice) directing it to cease work on a task order (Task Order 3) being completed for the Department of Interior (DOI). The Notice also stated that the DOI may seek to recover excess reprocurement costs or pursue other legal remedies. Although the Company does not believe that the termination was valid, the DOI subsequently terminated the underlying Basic Purchase Agreement for cause, though the only task order that was potentially affected was Task Order 3.

The Company believes that it is owed approximately $20,000 in unpaid fees in connection with Task Order 3; therefore, in July 2006, the Company filed an administrative claim against the DOI seeking payment. In January 2007, the DOI s contracting officer denied the Company s claim.

In addition, in September 2006, the Company filed a lawsuit against the DOI in the U.S. Court of Federal Claims, seeking to overturn the DOI s termination for cause. On April 30, 2007, the U.S. Court of Federal Claims held that the DOI s termination for default was procedurally invalid and dismissed the lawsuit. The appeal period expired without the DOI filing an appeal. As the Court held that the termination for default was invalid, the Company believes that there was no valid termination for default.

In August 2007, the Company appealed the DOI s denial of the Company s administrative claim (the Company s Court Claim) for the payment of unpaid fees to the U.S. Court of Federal Appeals, seeking damages, a judicial ruling that there was no valid termination for default, and a declaration that the DOI was not entitled to any reprocurement costs or other damages.

Separately, on December 19, 2007, the General Services Administration issued a final decision that denied all but one of the Company s claims of excusable delay, ratified the DOI s decision to terminate for default, denied the Company s claim and concluded that the DOI s attempt to terminate the Basic Purchase Agreement was improper. On December 24, 2008, the DOI s contracting officer issued its final decision on the Company s appeal of the DOI s denial of the Company s administrative claim for the payment of unpaid fees. The DOI rejected the Company s demand for payment of unpaid fees, and notified the Company that the DOI is claiming in excess of $47,000 in reprocurement costs.

The Company and the DOI have agreed to stay the Company s Court Claim with the U.S. Court of Federal Appeals and any setoff by the DOI for reprocurement costs pending a settlement conference, currently scheduled for April 2009.

The Company believes that the termination for default is invalid based on the U.S. Court of Federal Claims ruling. In addition, the Company believes that it has a strong defense of excusable delay, and believes that where there is a meritorious case of excusable delay, terminations for cause have been overturned. As to reprocurement costs, due to the nature of the claims described by the DOI, the Company cannot make an assessment regarding any amount of such costs. The Company intends to defend itself vigorously against DOI s assertions. While the Company believes that there is a reasonable possibility of loss in this matter, no estimate of such loss can be determined at this time. Accordingly, no liability has been recorded.

Previously Resolved Matters

Hawaiian Telcom Communications, Inc.

The Company had a significant contract (the HT Contract) with Hawaiian Telcom Communications, Inc., a telecommunications industry client, under which the Company was engaged to design, build and operate various information technology systems for the client. The Company incurred losses of approximately

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$28,191 and $111,690 under this contract in 2006 and 2005, respectively. The HT Contract experienced delays in its build and deployment phases and contractual milestones were missed. The client alleged that the Company was responsible to compensate it for certain costs and other damages incurred as a result of these delays and other alleged failures. The Company believed the client s nonperformance of its responsibilities under the HT Contract caused delays in the project and impacted its ability to perform, thereby causing it to incur significant damages. On February 8, 2007, the Company entered into a Settlement Agreement, and Transition Agreement with the client. Pursuant to the Settlement Agreement, the Company paid $52,000, $38,000 of which was paid by certain of its insurers. In addition, the Company waived approximately $29,600 of invoices and other amounts otherwise payable by the client to the Company. The Transition Agreement governed its transitioning of the remaining work under the HT Contract to a successor provider, which has been completed and accepted by the client.

Telecommunications Company

A telecommunications industry client initiated an audit of certain of the Company s time and expense charges, alleging that the Company inappropriately billed the client for days claimed to be non-work days, such as days before and after travel days, travel days, overtime, and other alleged errors. A preliminary audit by the Company of the time and expense records for the project did not reveal the improprieties as alleged. On June 18, 2007, the Company and the client entered into a settlement resolving the client s claims. In connection with the settlement, the Company will make six equal annual payments to the client in an aggregate amount of $24,000, with the first payment made on the signing date in return for a full release of the client s claims.

Operating Leases

The Company leases all of its office facilities under various operating leases, some of which contain escalation clauses. In addition, the Company leases certain of its office facilities under subleases with KPMG LLP. Subleases with KPMG LLP are for periods that coincide with the KPMG LLP lease periods, which run through 2014. The rental cost is based on square footage utilized by the Company.

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2008. Total minimum rental payments are inclusive of payments related to leases for facilities the Company has restructured and are net of future minimum sublease income of $27,417.

Year ending December 31:	
2009	$ 75,453
2010	54,258
2011	37,996
2012	27,333
2013	18,180
Thereafter	21,543

Total minimum payments required	$ 234,763

Total rental expense for all operating leases, net of sublease income, was $58,690, $69,443 and $61,490 for the years ended December 31, 2008, 2007 and 2006, respectively. Sublease income was $7,310, $6,927 and $7,642 for the years ended December 31, 2008, 2007 and 2006, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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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 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 December 31, 2008.

Some clients, principally in the state and local market, require the Company to obtain surety bonds, letters of credit or bank guarantees for client engagements. As of December 31, 2008, the Company had approximately $87,937 of outstanding surety bonds and $126,171 of outstanding letters of credit for which the Company may be required to make future payment. An aggregate of $77,405 of the outstanding letters of credit are used to secure outstanding surety and performance bonds.

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 December 31, 2008, the Company estimates it had assumed an aggregate potential contract value of approximately $43,772 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 $254 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 December 31, 2008.

12. Stockholders Equity

Notes Receivable from Stockholders

On February 16, 2000, the Company issued stock awards aggregating 5,946 shares to certain employees as part of the separation of KPMG LLP s consulting businesses. In connection with these awards, the Company also provided loans

of $7,433 to the grantees for personal income taxes attributed to the awards. The loans are secured by the shares of common stock issued to the employees and, prior to August 7, 2003, bore interest at 6.2% per annum with respect to $5,845 of the principal amount and at 4.63% per annum with respect to $1,588 of the principal amount. Principal and accrued interest on the loans was due no later than August 9, 2008. In December 2007, in accordance with the terms of these loans, the Company and such

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employees reached a settlement and agreed that in lieu of payment under the loans, such employees returned an aggregate of 5,946 shares of common stock in full satisfaction of such loans. The fair value of the respective shares on the settlement date was recorded as treasury stock and the offset to alleviate the liability was recorded to additional paid in capital and common stock.

Treasury Stock

As noted above, during 2007, the Company recorded 5,946 shares as treasury stock in connection with the settlement of shareholder notes receivable. The fair value of these shares on the date of settlement was $782. Also during 2007, 12,490 shares of the Company s common stock were acquired by the Company to satisfy individual tax withholdings in connection with RSU settlements (see Note 13). The fair value of these shares on the date of settlement was $1,614, which was recorded to treasury stock. The Company did not repurchase any shares of its common stock in the open market during the years ended December 31, 2008, 2007 or 2006.

Preferred Stock

The Company has 10,000,000 authorized shares of $0.01 par value preferred stock. An aggregate of 1,000,000 shares of preferred stock have been designated as Series A Junior Participating Preferred Stock for issuance in connection with the Company s shareholder rights plan. As of December 31, 2008, none of the Company s preferred stock was issued or outstanding.

Shareholder Rights Plan

On August 29, 2001, the Board of Directors of the Company adopted a shareholder rights plan. Under the plan, a dividend of one preferred share purchase right (a Right) was declared for each share of common stock of the Company that was outstanding on October 2, 2001. Each Right entitles the holder to purchase from the Company one one-thousandth of a share of a new series of Series A Junior Participating Preferred Stock at a purchase price of $90, subject to adjustment.

Effective as of October 22, 2007, the Board of Directors of the Company approved an amendment to the shareholder rights plan, dated as of October 2, 2001 and as amended by the First Amendment dated as of August 19, 2002. As amended, a shareholder s right to purchase additional shares of the Company s common stock under the rights agreement is not triggered unless either (a) a shareholder who is a passive investor acquires 20% or more of outstanding common stock or (b) a shareholder who is not a passive investor acquires 15% or more of outstanding common stock. Prior to the amendment, these rights were triggered upon a shareholder acquiring 15% or more of outstanding common stock in all instances.

Pursuant to the plan, as amended by the Second Amendment, generally, the Rights will trade automatically with the common stock and will not become exercisable until a person or group has become an acquiring person by (a) either acquiring (i) 15% or more of outstanding common stock, or (ii) if the person or group declares itself as a passive investor, 20% or more of outstanding common stock, or (b) until a person or group commences a tender offer that will result in such person or group either (i) owning 15% or more of outstanding common stock or (ii) if the person or group declares itself as a passive investor, 20% or more of outstanding common stock.

Upon an announcement that any person or group has become an acquiring person, each Right will entitle all rightholders (other than the acquiring person) to purchase, for the exercise price of $90, a number of shares

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of the Company s common stock having a market value equal to twice the exercise price. Rightholders would also be entitled to purchase common stock of the acquiring person having a value of twice the exercise price if, after a person had become an acquiring person, the Company were to enter into certain mergers or other transactions. If any person becomes an acquiring person, the Board of Directors may, at its option and subject to certain limitations, exchange one share of common stock for each Right.

For purposes of the plan, a passive investor is a person who (a) has either a Schedule 13G or Schedule 13D, which states that such person has no intent to seek control of the Company, on file with the SEC or (b) acquires shares of common stock pursuant to trading activities undertaken in the ordinary course of such person s business and not with the purpose, nor the effect, of exercising the power to direct or cause the direction of management or policies or otherwise changing or influencing the control of the Company.

The Rights have certain anti-takeover effects, in that they would cause substantial dilution to a person or group that attempts to acquire a significant interest in the Company on terms not approved by the Board of Directors. In the event that the Board of Directors determines a transaction to be in the best interests of the Company and its stockholders, the Board of Directors may redeem the Rights for $0.01 per share at any time prior to a person or group becoming an acquiring person. The Rights will expire on October 2, 2011.

13. Stock-Based Compensation

Long-Term Incentive Plan

On January 31, 2000, the Company adopted the 2000 Long-Term Incentive Plan (LTIP) pursuant to which the Company is authorized to grant stock options and other awards to its employees and directors.

On December 14, 2006, the plan was amended for certain changes and clarifications. These changes included a 500,000 share increase in the number of shares authorized for equity awards made under the plan; the elimination of an evergreen formula used to determine the number of shares available under the plan by reference to a certain percentage of the Company s total shares outstanding; revisions that allow awards made to the most senior executives under the plan to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code (the Code); and revisions to comply with Section 409A of the Code that will minimize the risk of excise taxes being levied on plan participants in connection with changes to the vesting, settlement, or delivery of shares under the awards.

As of December 31, 2008, the LTIP had 1,843,586 shares of common stock that were authorized for grants or awards in the form of stock options, restricted stock awards, RSUs or PSUs (collectively stock units).

Stock options are granted with an exercise price equal to the common stock s fair market value at the date of grant. Generally, stock options granted have 10-year contractual terms and vest over three to four years from the date of grant. Stock-based awards may be issued under the LTIP for consideration as determined by the Compensation Committee of the Board of Directors. As of December 31, 2008, the Company had stock options, restricted stock awards, RSUs and PSUs outstanding.

The Company adopted the modified prospective transition method permitted under SFAS 123(R) and consequently has not adjusted results from prior years. For grants which vest based on certain specified performance criteria, the grant date fair value of the shares is recognized over the requisite period of performance once achievement of criteria is deemed probable. For grants that vest through the passage of time, the grant date fair value of the award is recognized over the vesting period. The amount of stock-based compensation recognized during the period is based on the value of the portion of the award that is ultimately

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expected to vest. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The pre-tax effect of the change in accounting associated with the adoption of SFAS 123(R) in 2006 was $26,653 and the application of a forfeiture rate to compensation expense recognized in prior years was not considered significant for disclosure. The after-tax stock-based compensation impact of adopting SFAS 123(R) in 2006 was $25,709 and a $6.00 per share reduction to earnings per share.

The Consolidated Statements of Operations for the years ended December 31, 2008, 2007 and 2006 include stock-based compensation expense related to awards of stock options, RSUs, PSUs, and issuances under the Company s ESPP, including the Company s BE an Owner program, and restricted stock awards, as follows:

	Year Ended December 31,		
	2008(1)	**2007(2)**	**2006**
Stock options	$ 1,144	$ 7,473	$ 21,097
RSUs	11,884	18,920	26,280
PSUs	(66,590)	66,590	
ESPP and BE an Owner	784	3,736	5,556
Restricted stock awards	124	343	460
Total	$ (52,654)	$ 97,062	$ 53,393

(1) During the fourth quarter of 2008, an adjustment of $93,472 was recorded to reverse $66,590 of expenses originally recorded in 2007 and $26,882 of expenses recorded through the third quarter of 2008, associated with the PSU plan due to the Company s estimate of the performance-based metrics not being probable of achievement at the end of the plan period. Additionally, the Company recorded an adjustment to the forfeiture rate on RSUs totaling $2,906.

(2) During the year ended December 31, 2007, an adjustment of $7,586 was recorded to true up the stock-based compensation expense calculated with an estimated forfeiture rate and capture the impact of unanticipated forfeitures that occurred in the fourth quarter of 2007.

The tax benefit related to the stock based compensation recognized in 2008, 2007 and 2006 was approximately $352, $3,080 and $1,658, respectively.

The Company elected the alternative transition method as outlined in FASB Staff Position 123(R)-3, Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards, to calculate the pool of excess tax benefits available to absorb tax deficiencies recognized subsequent to the adoption of SFAS 123(R). As the Company was in a net operating loss carry forward position, there was no windfall tax benefit in 2006 and therefore, no impact thereof.

Certain of the Company s stock-based awards include a retirement eligibility provision that provides for the award to be fully earned upon the recipient s attainment of retirement eligibility. Any additional contractual vesting after attainment of retirement eligibility is considered non-substantive, and therefore not included in the requisite service period. With the adoption of SFAS 123(R), the Company recognizes compensation expense related to stock-based awards granted on or after January 1, 2006 over the shorter of the requisite service period or the period to attainment of retirement eligibility. Certain awards granted to retirement- eligible employees prior to January 1, 2006 have not been accelerated and will continue to be amortized over their original vesting periods, until employment with the Company has terminated, at which point the compensation expense associated with any remaining unvested awards will be recognized. Had the Company adopted the retirement eligibility provisions of SFAS 123(R) prior to January 1, 2006, the

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cumulative impact of the change in accounting would have been a reduction to expense of $2,222 in 2006 (pro forma).

The fair value of each option award was estimated on the date of grant using the Black-Scholes option pricing model. Beginning in 2005, the Company determined the expected volatility of the options based on a blended average of the Company s historical volatility and the volatility from its peer group, due to the limited trading experience of the Company and its current filing status. The expected life for awards was approximated by averaging the vesting term and the contractual term in accordance with the simplified method described in SAB No. 107, Share-Based Payment. The risk-free interest rate is the yield currently available on U.S. Treasury zero-coupon issues with a remaining term approximating the expected life used as the input to the Black-Scholes model. The relevant data used to determine the value of the stock option grants, in the respective years, is as follows:

	Stock Price Expected Volatility	Risk-Free Interest Rate	Expected Life	Expected Dividend Yield
Year ended December 31, 2008	46.50%	3.05%	5.7	
Year ended December 31, 2007	41.85%	4.41%	5.5	
Year ended December 31, 2006	50.80%	4.69%	6	

The grant date fair value of the Company s common stock purchased under the ESPP was estimated for the year ended December 31, 2008 using the 15% discount that the participant will receive upon the purchase. The grant date fair value of the Company s common stock purchased or expected to be purchased under the ESPP was estimated for the years ended December 31, 2007 and 2006 using the Black-Scholes option pricing model with an expected volatility ranging between 30% to 70%, risk-free interest rates ranging from 1.29% to 3.29%, an expected life ranging from 6 to 24 months, and an expected dividend yield of zero. For the years ended December 31, 2008, 2007 and 2006, the weighted average grant date fair value of shares purchased under the ESPP was $6.60, $333.00, and $0, respectively.

Blackout Period

On April 20, 2005, pursuant to Regulation Blackout Trading Restriction, the Company announced there would be a blackout period under the Company s 401(k) Plan with respect to purchases of Company stock. Effective as of September 14, 2006, the Company notified its directors, executive officers and employees, that it had amended the 401(k) Plan to permanently prohibit participant purchases and Company contributions of Company stock under the 401(k) Plan. As a result of this action, the blackout period under the 401(k) Plan ended effective as of September 14, 2006.

On April 20, 2005, the Company sent notices to its directors and executive officers notifying them that in connection with the determination that investors should not rely upon certain previously-issued financial statements, and until the Company is current in the filing its SEC periodic reports, the registration statements on Form S-8 covering the issuances of the Company s common stock under its LTIP and ESPP will not be available. ESPP participants would not be permitted to purchase the Company s common stock normally offered pursuant to the ESPP, and stock-based

awards under the LTIP would not be settled, as the Company could not provide valid registration of shares delivered for resale. These restrictions were lifted on October 23, 2007, when the Company became current in the filing of its SEC periodic reports and the registration statements on Form S-8 became available.

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Stock Option Plans

A summary of option activity as of December 31, 2008, and changes during the year then ended is presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2007	613,393	$ 555.73		
Granted	60,132	$ 102.34		
Forfeited	(161,048)	$ 543.15		
Outstanding at December 31, 2008	512,477	$ 506.49		
Vested or expected to vest at December 31, 2008	504,174	$ 512.96	4.4	$
Exercisable at December 31, 2008				