IDEARC INC.
Form 10-Q
August 07, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2009

Commission file number: 1-32939

IDEARC INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware (State of Incorporation)	**20-5095175** (I.R.S. Employer Identification No.)
2200 West Airfield Drive, P.O. Box 619810 **D/FW Airport, TX** (Address of Principal Executive Offices)	**75261** (Zip Code)

Registrant s telephone number, including area code: **(972) 453-7000**

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). o Yes o No

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 x
Non-accelerated filer o	Smaller reporting company o

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

As of August 3, 2009, there were 148,143,459 shares of the Registrant s common stock outstanding.

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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You should not place undue reliance on these statements. These forward-looking statements include statements that reflect the current views of our senior management with respect to our financial performance and future events with respect to our business and industry in general. Statements that include the words may, could, should, would, believe, anticipate, forecast, estim expect, preliminary, intend, plan, project, outlook and similar statements of a future or forward-looking nature identify forward-looking statements. Forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to, the following:

- risks related to the impact of our ongoing Chapter 11 bankruptcy could have on our corporate image, normal business operations, financial condition, liquidity or cash flow;

- risks related to our ability to successfully develop, negotiate, execute, confirm and consummate a plan of reorganization with respect to the Chapter 11 bankruptcy in a timely manner that will provide assurance for the long-term continued viability of our business;

- limitations on our operating and strategic flexibility during the pendency of the bankruptcy proceedings or under the terms of new debt agreements that may result from the reorganization;

- access to capital markets and increased borrowing costs resulting from recent ratings downgrades and Chapter 11 bankruptcy;

- risks associated with third-parties seeking and obtaining court approval to terminate or shorten the exclusivity period for us to propose and confirm a plan of reorganization, to appoint a Chapter 11 trustee or to convert the case to a Chapter 7 bankruptcy;

- risks related to our declining revenue, including a reduction in customer advertising spend and contract cancellations resulting from the current economic environment;

- changes in our competitive position due to competition from other yellow pages directories publishers and other traditional and new media and our ability to anticipate or respond to changes in technology and user preferences;

- declining use of print yellow pages directories;

- changes in the availability and cost of paper and other raw materials used to print our directories and our reliance on third-party providers for printing and distribution services;

- increased credit risk associated with our reliance on small- and medium-sized businesses as clients, in particular in the current economic environment;
- changes in our operating performance;
- our ability to attract and retain qualified executives;
- our ability to maintain good relations with our unionized employees;
- changes in U.S. labor, business, political and/or economic conditions;
- changes in governmental regulations and policies and actions of regulatory bodies;
- the outcome of pending or future litigation and other claims;
- our reliance on third-party providers for computer systems and data processing for key financial systems, including payroll, accounts payable, procurement and general ledger; and
- risks associated with our obligations under agreements entered into with Verizon in connection with our spin-off.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this and other reports we file with the Securities and Exchange Commission, including the information in Item 1A. Risk Factors in Part I of our Annual Report on Form 10-K for the year ended December 31, 2008 and as updated in this Quarterly Report on Form 10-Q for the period ending June 30, 2009. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Idearc Inc. and Subsidiaries

Debtor and Debtor-In-Possession

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
	(in millions, except per share amounts)			
Operating Revenue				
Print products	**$ 580**	$ 683	**$ 1,180**	$ 1,379
Internet	**70**	75	**143**	148
Other	**1**	1	**2**	2
Total Operating Revenue	**651**	759	**1,325**	1,529
Operating Expense				
Selling	**164**	182	**361**	365
Cost of sales (exclusive of depreciation and amortization)	**148**	161	**299**	310
General and administrative	**106**	117	**230**	196
Depreciation and amortization	**17**	20	**34**	40
Total Operating Expense	**435**	480	**924**	911
Operating Income	**216**	279	**401**	618
Interest expense (income), net	**(3)**	163	**151**	329
Income Before Reorganization Items and Provision (Benefit) for Income Taxes	**219**	116	**250**	289
Reorganization items	**9**		**405**	
Income (Loss) Before Provision (Benefit) for Income Taxes	**210**	116	**(155)**	289
Provision (benefit) for income taxes	**68**	40	**(54)**	102
Net Income (Loss)	**$ 142**	$ 76	**$ (101)**	$ 187
Basic and diluted earnings (loss) per common share	**$ 0.97**	$ 0.52	**$ (0.69)**	$ 1.28
Basic and diluted weighted-average common shares outstanding	**147**	146	**147**	146
Dividends declared per common share	**$**	$	**$**	$ 0.3425

See Notes to Consolidated Financial Statements.

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Idearc Inc. and Subsidiaries

Debtor and Debtor-In-Possession

Consolidated Balance Sheets

(Unaudited)

	At June 30, 2009	At December 31, 2008
	(in millions)	
Assets		
Current assets:		
Cash and cash equivalents	$ **559**	$ 510
Accounts receivable, net of allowances of $124 and $108	**324**	366
Accrued taxes receivable	**58**	
Deferred directory costs	**264**	282
Debt issuance costs		75
Deferred tax asset	**154**	49
Prepaid expenses and other	**10**	18
Total current assets	**1,369**	1,300
Property, plant and equipment	**474**	475
Less: accumulated depreciation	**378**	373
	96	102
Goodwill	**76**	73
Intangible assets, net	**60**	66
Pension assets	**113**	147
Non-current deferred tax assets	**134**	126
Other non-current assets	**9**	1
Total assets	$ **1,857**	$ 1,815
Liabilities and Stockholders Equity (Deficit)		
Current liabilities:		
Current maturities of long-term debt	$	$ 9,267
Derivative liabilities		248
Accounts payable and accrued liabilities	**150**	242
Deferred revenue	**140**	155
Other	**16**	21
Total current liabilities	**306**	9,933
Employee benefit obligations	**268**	287
Unrecognized tax benefits		85
Other liabilities	**3**	1
Total liabilities not subject to compromise	**577**	10,306
Liabilities subject to compromise	**9,777**	
Stockholders equity (deficit):		
Common stock ($.01 par value; 225 million shares authorized, 148,143,459 and 148,262,447 shares issued and outstanding in 2009 and 2008, respectively)	**1**	1
Additional paid-in capital (deficit)	**(8,758)**	(8,764)
Retained earnings	**393**	494
Accumulated other comprehensive loss	**(133)**	(222)
Total stockholders equity (deficit)	**(8,497)**	(8,491)

Total liabilities and stockholders equity (deficit)	**$**	**1,857**	$	1,815

See Notes to Consolidated Financial Statements.

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Idearc Inc. and Subsidiaries

Debtor and Debtor-In-Possession

Consolidated Statements of Cash Flows

(Unaudited)

	Six Months Ended June 30, 2009	2008
	(in millions)	
Cash Flows from Operating Activities		
Net income (loss)	$ (101)	$ 187
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Non-cash reorganization items	403	
Depreciation and amortization	34	40
Employee retirement benefits	12	(1)
Deferred income taxes	(158)	7
Provision for uncollectible accounts	122	87
Stock-based compensation	5	1
Changes in current assets and liabilities		
Accounts receivable	(78)	(72)
Deferred directory costs	18	
Other current assets	9	5
Accounts payable and accrued liabilities	18	(66)
Other, net	(23)	(12)
Net cash provided by operating activities	261	176
Cash Flows from Investing Activities		
Capital expenditures (including capitalized software)	(21)	(25)
Acquisitions	(3)	
Proceeds from sale of assets		2
Net cash used in investing activities	(24)	(23)
Cash Flows from Financing Activities		
Repayment of long-term debt	(188)	(24)
Dividends paid to Idearc stockholders		(50)
Net cash used in financing activities	(188)	(74)
Increase in cash and cash equivalents	49	79
Cash and cash equivalents, beginning of year	510	48
Cash and cash equivalents, end of period	$ 559	$ 127

See Notes to Consolidated Financial Statements.

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Idearc Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Unaudited)

Note 1

Chapter 11 Bankruptcy Filings

Idearc Inc. and its subsidiaries (collectively, Idearc , We , Our or the Company) is one of the nation s largest providers of yellow and white pages directories and related advertising products. On March 31, 2009 (the Petition Date), the Company and its domestic subsidiaries filed voluntary petitions for reorganization under Chapter 11 of Title 11 of the United States Code (the Bankruptcy Code) in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the Bankruptcy Court). The cases are being jointly administered under Case No. 09-31828.

Subject to certain exceptions under the Bankruptcy Code, the Company s Chapter 11 bankruptcy filings automatically enjoined, or stayed, the continuation of any judicial or administrative proceedings or other actions against the Company or its property to recover on, collect or secure a claim arising prior to the Petition Date. Thus, for example, most creditor actions to obtain possession of property from the Company, or to create, perfect or enforce any lien against the property of the Company, or to collect on monies owed or otherwise exercise rights or remedies with respect to a pre-petition claim are enjoined unless and until the Bankruptcy Court lifts the automatic stay.

The filing of the Chapter 11 bankruptcy petitions constituted an event of default under the Company s senior secured credit facility and the indenture governing the 8% senior unsecured notes due in 2016, and the debt obligations under those instruments became automatically and immediately due and payable, although any actions to enforce such payment obligations are automatically stayed under the applicable bankruptcy law. In anticipation of this action, the total outstanding debt obligations of $9,267 million were classified as current maturities of long-term debt on the consolidated balance sheet at December 31, 2008. Based on the bankruptcy petition, the long-term debt is included in liabilities subject to compromise at June 30, 2009.

Likewise, the filing of Chapter 11 bankruptcy constituted an event of default under the Company s interest rate swap agreements and therefore are no longer deemed financial instruments required to be remeasured at fair value each reporting period, but are now liabilities under the guidance of FASB Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies.* The Company recorded these net liabilities as of the bankruptcy Petition Date in the amount of $496 million. These net liabilities are classified under liabilities subject to compromise in the accompanying consolidated balance sheet as of June 30, 2009.

Reorganization Process

The Company is currently operating as a debtor-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. In general, a debtor-in-possession is authorized under Chapter 11 to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court. The Company continues to generate positive cash flow necessary for daily operations and as such, it is not expected that debtor-in-possession financing will be needed.

Immediately after filing the Chapter 11 bankruptcy petitions, the Company began notifying all known current or potential creditors of the bankruptcy filing. Vendors are, however, being paid for goods furnished and services provided after the Petition Date in the ordinary course of business.

At hearings held during the quarter ended June 30, 2009, the Bankruptcy Court granted interim approval of several of the Company s first day motions, including the payment of certain pre-petition and post-petition obligations of the Company related to employee wages, salaries and benefits and certain customer obligations, as well as the continuation of certain customer programs. Also, the Bankruptcy Court has authorized the banks to pay outstanding obligations (checks, EFTs, etc.) without interruption in the usual and normal course of business. Additionally, the Company paid an adequacy protection payment of $250 million ($188 million of secured debt

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principal and $62 million of accrued interest) to the agent of secured lenders under its senior secured credit facilities (the Lenders) for pro rata distribution to the Lenders and holders of the swap agreements that reduced pre-petition obligations. The Company has retained legal and financial professionals to advise and assist the Company on the bankruptcy proceedings. From time to time, the Company may seek Bankruptcy Court approval for the retention of additional professionals.

As required by the Bankruptcy Code, the United States Trustee for the Northern District of Texas appointed an official committee of unsecured creditors (the Creditors Committee). The Creditors Committee and its legal representatives have a right to be heard on all matters that come before the Bankruptcy Court with respect to the Company. There can be no assurance that the Creditors Committee will support the Company s positions on matters to be presented to the Bankruptcy Court in the future or on any proposed plan of reorganization. Disagreements between the Company and the Creditors Committee could protract the Chapter 11 proceedings, delaying the Company s emergence from the Chapter 11 bankruptcy proceedings, and thus negatively impacting the Company s ongoing operations.

Under Section 365 and other relevant sections of the Bankruptcy Code, the Company may assume, assume and assign, or reject certain executory contracts and unexpired leases, including, without limitation, leases of real property and equipment, subject to the approval of the Bankruptcy Court and certain other conditions. Any description of an executory contract or unexpired lease in this report, including, where applicable, the Company s express termination rights or a quantification of obligations, must be read in conjunction with, and is qualified by, any overriding rejection rights under Section 365 of the Bankruptcy Code.

On May 15, 2009, the Company submitted a joint plan of reorganization (the Plan) and proposed disclosure statement for consideration by the Bankruptcy Court and the affected creditors. The Plan and disclosure statement describe the anticipated organization, operations and financing of the reorganized entity. Among other things, the Plan resolves the Company s pre-petition obligations, sets forth the revised capital structure of the newly reorganized entity and provides for the corporate governance subsequent to emergence from bankruptcy. Specifically, the disclosure statement contains certain information about the Company s pre-petition operating and financial history, the events leading up to the commencement of bankruptcy and significant events that have occurred while operating under Chapter 11 of the Bankruptcy Code. The disclosure statement also describes the terms and provisions of the Plan, including certain effects of confirmation of the Plan, certain risk factors associated with securities to be issued under the Plan, certain alternatives to the Plan, the manner in which distribution will be made under the Plan, and the confirmation process and the voting procedures that holders of claims and interests entitled to vote under the Plan must follow for their votes to the counted.

The Bankruptcy Court is scheduled to review the Plan and disclosure statement on August 26, 2009. Upon approval of the disclosure statement, the Company will begin soliciting votes from their creditors to accept or reject the Plan. The Bankruptcy Court will set a final hearing date for the confirmation of the Plan. However, there can be no assurance at this time that the Plan will be confirmed by the Bankruptcy Court or that any such plan will be implemented successfully and on a timely basis.

Under the priority order of claims established by the Bankruptcy Code, unless creditors agree otherwise, pre-petition liabilities and post-petition liabilities must generally be satisfied in full before stockholders are entitled to receive any distribution or retain any property under the confirmed Plan. The ultimate recovery to creditors and/or stockholders, if any, will not be determined until confirmation of the Plan. No assurance can be given as to what values, if any, will be ascribed in the Chapter 11 proceedings to each of these constituencies or what types or amounts of distributions, if any, they would receive. The confirmed Plan could result in holders of the Company s liabilities and/or securities, including common stock, receiving no distribution and cancellation of their holdings. Due to these uncertainties, the value of the Company s liabilities and securities, including its common stock, is highly speculative. Appropriate caution should be exercised with respect to existing and future investments in any of the liabilities and securities of the Company. At this time, there is no assurance the Company will be able to restructure as a going concern or successfully implement the Plan on a timely basis.

For periods subsequent to the Chapter 11 bankruptcy filings, the American Institute of Certified Public Accountant s Statement of Position 90-7 *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code* (SOP 90-7), has been applied in preparing the consolidated financial statements. SOP 90-7 requires that the financial statements distinguish transactions and events that are directly associated with the reorganization from

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the ongoing operations of the business. Accordingly, certain expenses (including professional fees), realized gains and losses and provisions for losses that are realized from the reorganization and restructuring process will be classified as reorganization items on the consolidated statement of operations. Additionally, on the consolidated balance sheet, liabilities are segregated between liabilities not subject to compromise and liabilities subject to compromise. Liabilities subject to compromise are reported at their pre-petition amounts or current unimpaired values, even if they may be settled for lesser amounts.

Going Concern Matters

The consolidated financial statements and related notes have been prepared assuming that the Company will continue as a going concern, although the Chapter 11 bankruptcy raises substantial doubt about the Company s ability to continue as a going concern. The consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded assets or to the amounts classified as liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

The Company continues to be operationally profitable and provide positive operating cash flows. As such, debtor-in-possession financing is not expected to be required. However, the Company incurred and will continue to incur significant costs associated with its reorganization process. These costs are being expensed as incurred. In addition, during 2008, the Company began implementing strategic organizational and market exit initiatives to improve ongoing operational efficiencies. See Note 3 for additional information related to restructuring.

Basis of Presentation

Pursuant to the rules and regulations of the United States Securities and Exchange Commission (the SEC), the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal recurring items and accruals, necessary to fairly present the financial position, results of operations and cash flows of Idearc Inc. and its subsidiaries. These interim financial statements do not contain all information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States, and should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2008. The results for the interim periods are not necessarily indicative of results for the full year. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements. Certain prior period amounts have been reclassified to conform to current year presentation.

The accompanying unaudited consolidated financial statements do not purport to reflect or provide for the consequences of the Chapter 11 bankruptcy proceedings. In particular, the financial statements do not purport to show (i) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (ii) as to pre-petition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof; (iii) as to shareholders equity (deficit) accounts, the effects of any changes that may be made in the Company s capitalization; or (iv) as to operations, the effects of any changes that may be made to the Company s business.

Recent Accounting Pronouncements

Enhanced Disclosures for Postretirement Benefit Plan Assets

In December 2008, the FASB issued FASB Staff Position No. 132(R)-1, *Employers Disclosures about Postretirement Benefit Plan Assets* (FSP FAS 132(R)-1). FSP FAS 132(R)-1 amends SFAS No. 132(R), *Employer s Disclosures about Pensions and Other Postretirement Benefits* (SFAS 132(R)) to require additional disclosures about assets held in an employer s defined benefit pension or other postretirement plan. FSP FAS 132(R)-1 requires the disclosure of the level within the fair value hierarchy (i.e., Level 1, Level 2 and Level 3) in which each major category of plan assets falls using the guidance in SFAS No. 157, *Fair Value Measurement*. FSP FAS 132(R)-1 is applicable to an employer that is subject to the disclosure requirements of SFAS 132(R) and is effective for fiscal years ending after December 15, 2009.

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Interim Disclosures about Fair Value of Financial Instruments

In April 2009, the FASB issued FASB Staff Position No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP FAS 107-1 and APB 28-1). FSP FAS 107-1 and APB 28-1 amends SFAS No. 107, *Disclosures about Fair Value of Financial Instruments* to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. FSP FAS 107-1 and APB 28-1 also amend APB Opinion No. 28, *Interim Financial Reporting,* to require those disclosures in summarized financial information at interim reporting periods. The Company has adopted FSP FAS 107-1 and APB 28-1 effective for the quarter ended June 30, 2009 consolidated financial statements and disclosures. The adoption of FSP FAS 107-1 and APB3 28-1 did not have a material impact on the Company s disclosures related to the consolidated financial statements.

Subsequent Events

In June 2009, the FASB issued Statement of Financial Accounting Standard No. 165 *Subsequent Events* (FAS 165). FAS 165 requires companies to recognize in the financial statements the effects of subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. An entity shall disclose the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued. Companies are not permitted to recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are issued. Some non-recognized subsequent events must be disclosed to keep the financial statements from being misleading. For such events a company must disclose the nature of the event, an estimate of its financial effect, or a statement that such an estimate cannot be made. FAS 165 applies prospectively for interim or annual financial periods ending after June 15, 2009. The Company has adopted FAS 165 effective for the quarter ended June 30, 2009 consolidated financial statements and disclosures. The adoption of FAS 165 did not have a material impact on the Company s consolidated financial statements and disclosures.

The Company evaluates events and transactions that occur after the balance sheet date as potential subsequent events. This evaluation was performed through August 7, 2009, the date on which the Company s financial statements were issued.

Note 2

Reorganization Items

During the three and six months ended June 30, 2009, the Company recorded $9 million and $405 million, respectively, of reorganization items on a separate line item in the consolidated statements of operations, in accordance with provisions established by SOP 90-7. Reorganization items represent charges that are directly associated with the process of reorganizing the business under Chapter 11 of the Bankruptcy Code, and include certain expenses (including professional fees), realized gains and losses, and provisions for losses resulting from the reorganization of the business.

The following table displays the details of reorganization items for the three and six months ended June 30, 2009:

		Three Months Ended June 30, 2009		Six Months Ended June 30, 2009
		(in millions)		
Fair value adjustment associated with interest rate swap derivatives	$		$	279
Write-off of deferred losses associated with interest rate swap derivatives		7		124
Other		2		2
Total reorganization items	$	9	$	405

For the six months ended June 30, 2009, the fair value adjustment associated with interest rate swap derivatives and write-off of deferred losses associated with interest rate swap derivatives represents non-cash reorganization items, totaling $403 million. Cash paid for reorganization items for the six months ended June 30, 2009 totaled $1 million, primarily representing payment of professional fees directly associated with the reorganization of the

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business under Chapter 11 of the Bankruptcy Code. No cash payments were made by the Company related to reorganization items during the first quarter of 2009.

Note 3

Restructuring

During the three and six months ended June 30, 2009, the Company recorded $1 million and $13 million, respectively, of restructuring charges associated with its ongoing strategic organizational, market exit and pre-petition capital restructuring costs, which began during 2008. The $13 million recorded for the six months ended June 30, 2009 includes $10 million of professional fees associated with pre-petition capital restructuring costs.

The following table sets forth the restructuring costs that are included in general and administrative expense in the consolidated statements of operations for the three and six months ended June 30, 2009, and 2008.

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
	(in millions)			
Severance pay and benefits	**$ 1**	$ 7	**$ 1**	$ 7
Facilities charges			**1**	
Capital restructuring - pre-petition			**10**	
Other			**1**	
Total restructuring expense	**$ 1**	$ 7	**$ 13**	$ 7

The following table sets forth the balance of the restructuring accrual at June 30, 2009, and details the changes in the accrued liability through the first six months of 2009:

	Beginning Balance at January 1, 2009	Restructuring Expense	Payments	Ending Balance at June 30, 2009
	(in millions)			
Severance pay and benefits	$ 3	$ 1	$ (2)	$ 2
Facilities charges		1	(1)	
Capital restructuring - pre-petition		10	(10)	
Other		1	(1)	
Total	$ 3	$ 13	$ (14)	$ 2

The Company anticipates there will be additional restructuring charges in subsequent periods.

Note 4

Earnings (Loss) Per Share

Basic earnings (loss) per share are computed by dividing net income (loss) by the number of weighted average common shares outstanding during the reporting period. Diluted earnings (loss) per share are calculated to give effect to all potentially dilutive common shares that were outstanding during the reporting period. Due to the reported net loss for the first six months of 2009, the effect of potentially dilutive common shares was anti-dilutive and therefore not included in the calculation of diluted earnings (loss) per share. The effect of potentially dilutive common shares for the three and six months ended June 30, 2009 and the three and six months ended June 30, 2008 was not material.

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The following table illustrates the calculation of basic and diluted earnings (loss) per share for the three and six months ended June 30, 2009 and the three and six months ended June 30, 2008:

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
	(in millions, except per share amounts)			
Income (loss) available to common stockholders	**$ 142**	$ 76	**$ (101)**	$ 187
Weighted-average common shares outstanding	**147**	146	**147**	146
Basic and diluted earnings (loss) per share	**$ 0.97**	$ 0.52	**$ (0.69)**	$ 1.28

Note 5

Additional Financial Information

The tables that follow provide additional financial information related to our consolidated financial statements.

Balance Sheet

As a result of the Company filing for Chapter 11, there has been a reclass of certain liabilities from accounts payable and accrued liabilities to liabilities subject to compromise. See Note 6 for additional information related to liabilities subject to compromise.

The following table displays the components of accounts payable and accrued liabilities:

	At June 30, 2009	At December 31, 2008
	(in millions)	
Accounts payable and accrued liabilities		
Accounts payable	**$ 24**	$ 34
Accrued expenses	**29**	48
Accrued vacation pay	**20**	19
Accrued salaries and wages	**72**	66
Accrued taxes	**5**	45
Accrued interest		30
	$ 150	$ 242

The following table displays items previously classified as accounts payable and accrued liabilities at December 31, 2008 that are now categorized as liabilities subject to compromise: