

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

IN RE: §
§ **CASE NO. 09-31828 (BJH)**
IDEARC INC., et al., §
§ **(Chapter 11)**
Debtors. § **(Jointly Administered)**

**Declaration of Carol Desmond-Donohue
Billing, Credit and Collections Contracts**

I, Carol Desmond-Donohue, declare under penalty of perjury as follows:

1. My name is Carol Desmond-Donohue. I am over the age of 18, am of sound mind and am fully competent to make this declaration. I am familiar with and have personal knowledge of each and every statement of fact set forth in this declaration. Each and every statement of fact contained in the declaration is true and correct.
2. This declaration is provided in support of the DEBTORS' MOTION TO ASSUME CERTAIN OPERATING AGREEMENTS PURSUANT TO 11 U.S.C. § 365 AND FEDERAL RULE OF BANKRUPTCY PROCEDURE 6006 to explain why Idearc Media LLC ("Idearc") seeks assumption of its contract with the following vendors:
 - Allied International Credit Corp.
 - Allied Interstate Inc.
 - Credit Watch Services LTD
 - Dun and Bradstreet, Inc.
 - Equifax Technology Solution
 - ER Solutions Inc.
 - Experian Information Solutions, Inc.
 - MCCR Inc.
 - Moore Wallace America Inc. /Moore Wallace DCS
 - Paymentech Merchant Services, Inc.
 - Pinnacle Financial Group
 - Telcollect
3. I am the Director of Billing and Receivables Management for Idearc Media LLC ("Idearc"). In my position as Director of Billing and Receivables Management it is my responsibility to manage the billing, credit, collection and cash teams. In that capacity, I actively participated in the selection of billing, cash processing, credit and pre write-off collection vendors. I was actively involved in the selection and renewal of the vendors identified above. In addition, I am responsible for understanding the basic terms and pricing structure of each vendor contract listed above.
4. Idearc has two primary billing vendors. The billing vendors are MCCR Inc and Moore Wallace *dba* RR Donnelly (Moore Wallace DCS is a division of Moore Wallace America). These vendors provide billing and invoicing services.
 - a. MCCR is an outsourced vendor that compiles all dot com invoicing and feeds our core billing systems. If Idearc lost MCCR's services, its dot com revenue would not bill. MCCR's billing code is unique and would not be available without specialized programming. The time and cost to secure an alternative vendor would be substantial. Again, Idearc would have no mechanism to invoice the majority of our dot com product sets without MCCR.

- b. Moore Wallace provides the printing, address verification and mailing of all Idearc invoices. In late 2007 and early 2008, Idearc completed a request for pricing, RFP, for bill printing and mailing services. The purpose of the RFP was to validate that Idearc had competitive pricing. Moore Wallace was selected because of competitive pricing. In addition, it was determined to be cost and time prohibitive to change vendors. Idearc invoices over 730,000 accounts per month for more than \$200 million. Without this vendor, invoices will not be prepared, printed or mailed.
5. Idearc has two primary cash processing vendors. The cash processing vendors are Paymentech and Telcollect. Combined, these vendors allow Idearc to process payments received by credit card and electronic check (ACH processing).
- a. Paymentech is the clearing house for all credit card activity. Idearc is in the process of negotiating a contract with Paymentech to improve our transaction pricing. Idearc explored alternative vendors and determined that the cost to alter our core systems to format an alternative feed was substantial and would require diverting IT resources from key strategic initiatives. Therefore, if this vendor is lost, Idearc will be unable to process credit card payments and will incur substantial costs setting up a new vendor.
- b. Telcollect is a call center whose toll free number is listed on our invoices. They take calls and process credit card payments and check by phone payments. Telcollect owns the toll free number that appears on our invoices and sales collateral for payment. If Idearc was unable to assume this contract, Idearc would either need to purchase or rent the toll free number from Telcollect. If they refuse to sell or rent the toll free number to Idearc, we will have to alter our billing code to display an alternative toll free number. We would also need to update and redistribute all sales collateral and corresponding forms if an alternative toll free number was required. Therefore, additional costs will be incurred if this vendor is lost.
6. Idearc has three primary credit vendors. The credit vendors are Dunn and Bradstreet, Equifax, and Experian. Idearc accesses these vendors' systems to perform credit checks on new and existing clients. The credit checks are used to determine whether the customer qualifies under Idearc's credit terms. Our online credit checking tool which is used by our sales and credit teams has direct connections with all three credit bureaus and assigns credit limits based on key criteria. In addition, Equifax supplies the infrastructure system that supports the connection to all three bureaus. If Idearc was unable to access the three systems to perform credit checks on prospective and existing clients, it would negatively impact our sales teams who offer advertising programs depending on the client's credit limits. In addition, it creates a financial risk to Idearc. These vendors are the market leaders in commercial and blended credit scoring, therefore, there are no additional vendors providing similar quality services. All three are required because of their specialization with different client sets and the programmed waterfall for primary, secondary and tertiary credit check functionality within our automated credit tool used by the sales and credit teams.
7. Idearc has five primary pre write-off collection vendors. The pre write-off collection vendors are Credit Watch Services, ER Solutions, Allied Interstate, Allied International Credit Corp., and Pinnacle Financial Group. These outsourced, pre write-off collection agencies collect from active clients. Without these services, Idearc would lose approximately fourteen million dollars in monthly collections. Idearc's internal call center is not staffed to handle the volume of outbound call activity that is required to support this level of collections. Clearing balances on delinquent accounts is critical to allowing existing clients an opportunity to renew their advertising while complying with Idearc's internal credit policies. Idearc places accounts with these agencies based on how long the debt has been outstanding. Two are for less delinquent clients and three are for more severe delinquencies. The risk in replacing these agencies is that Idearc would lose payment arrangements, promises to pay, and pending settlements. In addition, Idearc would also lose

access to all collection history for placed accounts. This would make it very difficult to recapture the momentum of active collection efforts. Regarding the price structure, Idearc has reviewed pricing and negotiated reduced rates in the last two years while in contract with the vendors. Idearc is regularly approached by alternative vendors. Idearc actively entertains discussions regarding the alternative vendor's abilities to increase our collection percentages or reduce the cost of collections. However, Idearc's current vendors have continued to meet our high standards and have not been replaced because of their cost and collection success. In general, we find it takes between six to eight weeks to activate a new outside collection agency. The time and cost to implement new pre write-off collection agencies in combination with invalidating active payment arrangements and negotiations is a financial risk which would substantially reduce our daily cash receipts over the next two to three months.

8. Idearc currently owes the following amounts to each vendor for services performed prior to March 31, 2009 (the "Petition Date"):

<u>Vendor</u>	<u>Amount Due</u>
Allied International Credit Corp.	\$80,822.26
Allied Interstate Inc.	\$30,871.08
CreditWatch Services LTD	\$84,512.42
Dun and Bradstreet, Inc.	\$17,239.94
Equifax Technology Solution, LLC	\$9,278.68
ER Solutions Inc.	\$13,576.11
Experian Information Solutions, Inc.	\$8,660.04
MCCR Inc.	\$0.00
Moore Wallace America Inc. /Moore Wallace DCS	\$82,910.01
Paymentech Merchant Services Inc.	\$0.00
Pinnacle Financial Group	\$35,738.32
Telcollect	\$12,355.20

9. The contracts are in writing and executed. The contracts are still active.

<u>Contract</u>	<u>Effective Date</u>	<u>Term/Expiration Date</u>
Allied International Credit Corp.	January 1, 2005	December 31, 2011
Allied Interstate Inc.	July 19, 2007	Perpetual
Credit Watch Services LTD	April 1, 2003	March 31, 2010
Dun and Bradstreet, Inc.	December 31, 2003	December 31, 2009
Equifax Technology Solutions, LLC	April 25, 2005	April 24, 2010
ER Solutions Inc.	May 9, 2003	May 8, 2010
Experian Information Solutions, Inc.	July 27, 2005	July 26, 2009
MCCR Inc.	January 1, 2002	December 31, 2009
Moore Wallace America Inc. /Moore Wallace DCS	August 15, 2005	August 30, 2011
Paymentech Merchant Services, Inc.	September 25, 1997	Perpetual
Pinnacle Financial Group	March 31, 2003	March 30, 2010
Telcollect	June 1, 2003	December 31, 2009

10. Idearc intends to continue to perform in accordance with its agreement with the vendors identified above and there is no need for further assurance of Idearc's performance.
11. Idearc's billing and collections teams are extremely concerned about our ability to replace the services of each vendor identified in this affidavit. Replacement of these vendors will disrupt Idearc's cash flow (billing, cash posting, collections) and/or increase Idearc's costs. The credit vendors and the interconnection to our credit scoring tools are important enablers for sales teams in pursuing new revenue.

12. Based on the facts set forth herein, Idearc has determined that assumption of the contracts listed in Paragraph 2 is in the best interest of the company, its creditors and customers.”

I declare under penalty of perjury that the foregoing is true and correct.

Executed on May 20, 2009.

/s/ Carol Desmond-Donohue
CAROL DESMOND-DONOHUE