HARTE HANKS INC
Form 4
April 01, 2016

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Galati Philip J

(Last) (First) (Middle)

9601 MCALLISTER FREEWAY, SUITE 610

(Street)

SAN ANTONIO, TX 78216

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
HARTE HANKS INC [HHS]

3. Date of Earliest Transaction (Month/Day/Year)
04/01/2016

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
SVP, Trillium

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	04/01/2016		F		34,650 (1)	D	$ 0	3,920	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Galati Philip J 9601 MCALLISTER FREEWAY SUITE 610 SAN ANTONIO, TX 78216			SVP, Trillium	

Signatures

/s/ Robert L. R. Munden, Power of Attorney	04/01/2016
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) These shares of restricted stock were issued pursuant to the Harte-Hanks, Inc. 2013 Omnibus Incentive Plan and were forfeited prior to vesting upon the Reporting Person's termination of employment.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ="Times New Roman" SIZE="2">Denominator for basic earnings per share weighted-average shares75.1 78.5 75.1

Effect of dilutive securities stock-based compensation

0.9 1.4 1.4

Denominator for diluted earnings per share adjusted weighted-average shares

76.0 79.9 76.5

Preferred Stock Purchase Rights

Rights to repurchase preferred stock under the Rights Agreement dated April 12, 1998 expired on May 22, 2008 pursuant to the terms of the Rights Agreement.

(10) STOCK OPTION AND INCENTIVE PLANS

We sponsor several share-based employee incentive plans. Share-based compensation expense for grants awarded under these plans was $30 million, $40 million and $37 million in 2008, 2007, and 2006, respectively. Related income tax benefits recognized in earnings were $11 million, $15 million and $14 million in 2008, 2007, and 2006, respectively.

Unrecognized compensation cost related to non-vested stock option and RSU awards as of December 31, 2008 and December 31, 2007 totaled $38 million and $54 million, respectively. The cost of these non-vested awards is recognized over the estimated requisite service period. The weighted-average remaining vesting period of the non-vested awards is approximately 22 months.

Share-Based Employee Incentive Plans

On April 17, 2007, our shareholders approved the 2007 Omnibus Stock and Incentive Plan (2007 OSIP). This plan was previously adopted by our Board of Directors on February 20, 2007 and provides for the issuance of stock options, performance stock units, performance shares, restricted stock and restricted stock equivalents with terms of no more than 10 years. We have reserved 3,000,000 shares of common stock for issuance, as authorized under this plan, of which 2,208,245 remain available for issuance at December 31, 2008.

The 2007 OSIP replaced the 1998, 2000 and 2002 OSIPs (Old Plans). The Old Plans will remain in existence solely for the purpose of addressing the rights of holders of already granted existing awards. Prior to the approval of the 2007 OSIP, we granted 453,620 options, with an exercise price of $94.47 and a 10-year term and 256,527 restricted stock units in 2007. No additional awards will be granted under the Old Plans. Any shares subject to outstanding awards granted under the old plans that subsequently lapse, expire, are forfeited or are cancelled are available for grant under the 2007 OSIP.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Stock Options

Eligible employees receive stock options as a portion of their total compensation. Such options generally become exercisable over a three-year period, expire 10 years from the date of grant and are subject to forfeiture upon termination of employment.

We use the Black-Scholes option-pricing model to measure the fair value of stock options granted to employees. Granted options have exercise prices equal to the market price of Whirlpool common stock on the grant date. The principal assumptions utilized in valuing options include: (1) risk-free interest rate an estimate based on the yield of U.S. zero coupon securities with a maturity equal to the expected life of the option; (2) expected volatility an estimate based on the historical volatility of Whirlpool common stock for a period equal to the expected life of the option; and (3) expected option life an estimate based on historical experience. Based on the results of the model, the weighted-average fair values of stock options granted during the years ended December 31, 2008, 2007, and 2006 were $21.03, $22.54, $22.07, respectively, using the following assumptions:

Weighted Average Black-Scholes Assumptions	2008	2007	2006
Risk-free interest rate	3.0%	4.7%	4.6%
Expected volatility	28.1%	22.6%	25.6%
Expected dividend yield	2.0%	1.9%	2.1%
Expected option life	5 years	5 years	5 years

Stock Option Activity

The following table summarizes stock option activity during the years ended December 31, 2008, 2007, and 2006:

	2008		2007		2006	
Thousands of shares, except per share data	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Outstanding at January 1	4,304	$ 90.71	5,013	$ 84.97	3,733	$ 60.37
Granted	698	85.32	457	94.48	2,249	117.56
Exercised	(399)	60.38	(1,052)	63.19	(871)	63.11
Canceled or expired	(466)	131.72	(114)	106.10	(98)	90.20
Outstanding at December 31	4,137	$ 87.81	4,304	$ 90.71	5,013	$ 84.97
Exercisable at December 31	3,214	$ 87.39	3,564	$ 90.70	4,488	$ 79.47

During the year ended December 31, 2006, we granted 2,249,000 stock options of which 1,778,000 relate to Maytag options that were converted to Whirlpool options on the date of the Maytag acquisition at a weighted average grant price of $125.10.

The total intrinsic value of stock options exercised was $10 million, $39 million and $20 million for the years ended December 31, 2008, 2007 and 2006, respectively. The related tax benefits were $3 million, $15 million and $8 million in 2008, 2007 and 2006, respectively. Cash received from the exercise of stock options was $21 million, $68 million, and $54 million for the years ended December 31, 2008, 2007 and 2006, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The fair value of stock options vested was $7 million, $5 million and $32 million for the years ended December 31, 2008, 2007, and 2006, respectively. Of the $32 million that vested in 2006, $27 million related to the acquisition of Maytag.

The table below summarizes additional information related to stock options outstanding at December 31, 2008:

Options in thousands	Outstanding Net of Expected Forfeitures	Options Exercisable
Number of options	3,975	3,214
Weighted-average exercise price	$ 87.72	$ 87.39
Weighted-average remaining contractual term, in years	5.0	4.2

The aggregate intrinsic value of options outstanding (net of expected forfeitures) and options exercisable was nominal at December 31, 2008.

Restricted Stock Units

Eligible employees receive Restricted Stock Units (RSU) as a portion of their total compensation. RSU awards vest over various time periods depending upon the program, but generally vest from three years to seven years and convert to unrestricted common stock at the conclusion of the vesting period. All or a portion of an award may be canceled if employment is terminated before the end of the relevant vesting period. Certain awards accrue dividend equivalents on outstanding RSUs (in the form of additional RSUs) based on dividends declared on Whirlpool common stock. We measure compensation cost based on the closing market price of Whirlpool common stock at the grant date.

The following table summarizes RSU activity during the year ended December 31, 2008:

RSUs in thousands	Number of RSUs	Weighted- Average Grant Date Fair Value
Non-vested, December 31, 2007	1,499	$ 87.55
Granted	310	55.83
Canceled	(524)	77.61
Vested and transferred to unrestricted	(177)	71.86
Non-vested, December 31, 2008	1,108	$ 77.66

Nonemployee Director Equity Plan

Our Nonemployee Director Equity Plan provides for (1) a one time grant of 1,000 shares of common stock made at the time a director first joins the Board; (2) an annual grant of stock options, with the number of options to be determined by dividing $36,000 by the product of the fair market value of a single share of our common stock on the final trading day before the annual meeting of stockholders multiplied by 0.35; and (3) an annual grant of stock, with the number of shares to be issued to the director determined by dividing $54,000 by the average fair market value of a single share of our common stock for the final three trading days before the grant. The exercise price under each option granted is the fair market value of the common stock on the last trading day before the annual meeting of stockholders.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) RESTRUCTURING CHARGES

Under our ongoing global operating platform initiatives, we implemented certain restructuring initiatives to strengthen our leadership position in the global appliance industry. We plan to continue a comprehensive worldwide effort to optimize our regional manufacturing facilities, supply base, product platforms and technology resources to support our global brands and customers.

We incurred total restructuring charges of $149 million, $61 million, $55 million during the years ended December 31, 2008, 2007, 2006 respectively. These charges are included in restructuring in our Consolidated Statements of Income and other long-term liabilities on our Consolidated Balance Sheets and primarily consist of charges to restructure the cooking platform in Latin America, shift refrigeration and dishwasher capacity to lower cost regions in Europe and North America, restructure the laundry platform in North America and Europe and reorganize the salaried workforce throughout Europe and North America.

On October 27, 2008, management committed to a workforce reduction plan whereby we will reduce our employee base worldwide beginning during the fourth quarter of 2008 and through the beginning of 2010. We expect to incur approximately $110 million in employee termination costs, $19 million in asset impairment costs and $1 million in other associated costs for a total of $130 million that will be incurred as a result of this workforce reduction. During the December 2008 quarter we incurred charges of $64 million associated with this workforce reduction, which are included in the $149 million in total restructuring charges discussed above. As of December 31, 2008, approximately $66 million of these workforce reduction costs remain, of which $51 million will result in future cash expenditures.

Our 2008 restructuring initiatives are reducing our overall workforce by approximately 5,000 employees and contractors worldwide through the beginning of 2010. We expect to incur additional costs of $39 million in our Europe region, $7 million in our Latin America region, $18 million in our North American region and $2 million in corporate expenses through the beginning of 2010 related to these initiatives. For additional information about restructuring charges by business segment, see Note 14.

Maytag integration restructuring accruals resulted from the closing of the Newton, Iowa, Herrin, Illinois and Searcy, Arkansas laundry manufacturing plants as well as the former headquarters and other administrative offices during 2006. The costs accrued are recorded in other long-term liabilities on our Consolidated Balance Sheets with a corresponding initial amount recorded to goodwill. As of March 31, 2008, we revised our estimate and reduced certain Maytag exit, relocation and employee termination accruals which resulted in a corresponding decrease to goodwill. No additional revisions were made during the remainder of 2008.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

A summary of our restructuring liability balance and full year restructuring activity for 2008, 2007, 2006 is as follows:

Millions of dollars	January 1, Balance	Maytag Acquistion	Charge to Earnings	Cash Paid	Non-Cash	Revision of Estimate	Translation	December 31, Balance
2008								
Termination costs	$ 56	$	$ 134	$ (86)	$	$ (21)	$ (1)	$ 82
Non-employee exit costs	44		15	(12)	(18)	(7)		22
Total	$ 100	$	$ 149	$ (98)	$ (18)	$ (28)	$ (1)	$ 104
2007								
Termination costs	$ 128	$	$ 34	$ (95)	$	$ (13)	$ 2	$ 56
Non-employee exit costs	49		27	(30)	(18)	16		44
Total	$ 177	$	$ 61	$ (125)	$ (18)	$ 3	$ 2	$ 100
2006								
Termination costs	$ 15	$ 134	$ 26	$ (100)	$	$ 51	$ 2	$ 128
Non-employee exit costs	4	35	29	(15)	(20)	16		49
Total	$ 19	$ 169	$ 55	$ (115)	$ (20)	$ 67	$ 2	$ 177

(12) INCOME TAXES

Income tax expense is as follows:

Year ended December 31 Millions of dollars	2008	2007	2006
Current:			
Federal	$ 9	$ (28)	$ 125
State and local	14	8	(7)
Foreign	66	128	68
	89	108	186
Deferred:			
Federal	(309)	28	(112)
State and local	(31)	3	1
Foreign	50	(22)	51
	(290)	9	(60)
Total income tax (benefit) expense	$ (201)	$ 117	$ 126

Domestic and foreign earnings (loss) before income taxes and other items are as follows:

Year ended December 31 Millions of dollars	**2008**	**2007**	**2006**
Domestic	$ (433)	$ 103	$ 231
Foreign	679	701	388
Total earnings (loss) from continuing operations before income tax and other items	$ 246	$ 804	$ 619

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Reconciliations between tax expense at the U.S. federal statutory income tax rate of 35% and the consolidated effective income tax rate for earnings from continuing operations before income taxes and other items are as follows:

Year ended December 31	**2008**	**2007**	**2006**
Income tax rate computed at U.S. federal statutory rate	35.0%	35.0%	35.0%
U.S. foreign tax credits	(73.9)	(2.2)	(5.3)
U.S. tax on foreign dividends and subpart F income	66.6	0.7	2.9
U.S. government tax incentives	(42.6)	(3.7)	(10.2)
Foreign government tax incentive	(34.5)	(7.6)	(2.7)
Deductible interest on capital	(13.4)	(2.7)	(3.1)
Foreign tax rate differential	(9.4)	(1.4)	1.6
Settlement of global tax audits	(8.6)	2.7	2.6
State and local taxes, net of federal tax benefit	(6.7)	1.0	0.3
Real estate donations		(1.1)	
Medicare Part D subsidy		(0.6)	(1.1)
Impact of tax rate changes	0.7	1.9	
Valuation allowances	2.1	(7.1)	0.3
Foreign withholding taxes	4.7	1.9	2.3
Other items, net	(1.7)	(2.3)	(2.2)
Effective tax rate	(81.7)%	14.5%	20.4%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and the amounts used for income tax purposes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Significant components of our deferred tax liabilities and assets from continuing operations are as follows:

December 31 Millions of dollars	2008	2007
Deferred tax liabilities		
Property, plant and equipment	$ 229	$ 262
Financial services leveraged leases	22	25
Pensions	17	17
Software costs	12	17
LIFO inventory	86	81
Intangibles	633	633
Other	164	163
Total deferred tax liabilities	1,163	1,198
Deferred tax assets		
Postretirement obligations	470	492
Inventory prepayments	323	
Pensions	439	189
Restructuring costs	28	30
Product warranty accrual	75	85
Receivable and inventory allowances	57	46
Capital loss carryforwards		19
Loss carryforwards	306	286
Employee payroll and benefits	87	128
Foreign tax credit carryforwards	4	102
U.S. general business credit carryforwards	175	88
Hedging	109	2
Accrued expenses	68	128
Other	218	135
Total deferred tax assets	2,359	1,730
Valuation allowances for deferred tax assets	(147)	(72)
Deferred tax assets, net of valuation allowances	2,212	1,658
Net deferred tax assets	$ 1,049	$ 460

At December 31, 2008, we have net operating loss carryforwards of $1,380 million, $789 million of which do not expire, with substantially all of the remaining expiring in various years through 2013. As of December 31, 2008, we had $4 million of foreign tax credit carryforwards and $175 million of U.S. general business credit carryforwards available to offset future payments of federal income taxes, expiring between 2016 and 2028.

We routinely review the future realization of deferred tax assets based on projected future reversal of taxable temporary differences, available tax planning strategies and projected future taxable income. We have recorded a valuation allowance to reflect the net estimated amount of certain deferred tax assets associated with net operating loss and other deferred tax assets we believe will be realized. Our recorded valuation allowance of $147 million at December 31, 2008 consists of $86 million of net operating loss carryforwards and $61 million of other deferred tax assets. We believe that it is more likely than not that we will realize the benefit of existing deferred tax assets, net of valuation allowances mentioned above.

We have historically reinvested all unremitted earnings of our foreign subsidiaries and affiliates. We plan to distribute approximately $147 million of foreign earnings over the next several years. This distribution is forecasted to result in tax benefits which have not been recorded because of their contingent nature. There has

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

been no deferred tax liability provided on the remaining amount of unremitted earnings of $1.8 billion at December 31, 2008. Should we make a distribution out of the $1.8 billion of unremitted earnings, we would be subject to additional U.S. taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. It is not practicable to estimate the amount of the deferred tax liability associated with these unremitted earnings.

On October 3, 2008, The Emergency Economic Stabilization Act of 2008 (the Act) was signed into law. The Act includes a wide-range of provisions that are intended to ensure that conservation and efficiency are a central component to the United States energy strategy. Among the many provisions of this legislation are manufacturers tax credits for the accelerated U.S. production of super-efficient clothes washers, refrigerators and dishwashers that meet or exceed certain Energy Star thresholds for energy and water conservation levels as set by the U.S. Department of Energy (Energy Credit). The tax credits apply to eligible production during the 2008 to 2010 calendar years provided the production of qualifying product in any individual year exceeds a rolling two year baseline of production. We have historically, and will continue to, invest over 2% of our annual sales in research and development to provide innovative and energy efficient products that meet these standards for our customers. As a result, during the December 2008 quarter and in future periods through 2010 we expect to record a tax credit benefit under the provisions of the Act related to the production of qualifying appliances. Including the Energy Credit, total general business tax credits recorded during 2008 reduced our effective tax rate by 43%.

We are in various stages of audits by certain governmental tax authorities. We establish liabilities for the difference between tax return provisions and the benefits recognized in our financial statements. Such amounts represent a reasonable provision for taxes ultimately expected to be paid, and may need to be adjusted over time as more information becomes known.

We adopted FIN 48 Accounting for Uncertainty in Income Taxes an interpretation of FASB 109 (FIN 48) on January 1, 2007, at which time the total amount of gross unrecognized tax benefit on the Consolidated Balance Sheet was $166 million. Upon adoption of FIN 48, we recognized a $2 million increase in the liability for unrecognized tax benefits and a $2 million decrease in federal benefit related to state uncertain tax positions. The increase has been accounted for as a reduction to retained earnings in the amount of $8 million and a reduction to goodwill in the amount of $4 million. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Millions of dollars	2008	2007
Balance, January 1	$ 189	$ 166
Additions for tax positions of the current year	4	36
Additions for tax positions of the prior year	2	20
Reductions for tax positions of prior years for:		
Changes in judgment	(39)	(28)
Settlements during the period	(37)	(4)
Lapses of applicable statute of limitation		(1)
Balance, December 31	$ 119	$ 189

Included in the liability for unrecognized tax benefits at December 31, 2008 and 2007 are $119 and $141 million, respectively, of unrecognized tax benefits that if recognized would impact the effective tax rate, net of $16 million and $16 million, respectively, of federal benefits related to state uncertain tax positions.

We recognize charges related to interest and penalties for unrecognized tax benefits as a component of income tax expense. As of December 31, 2008 and 2007, we have accrued interest and penalties of $25 and $40 million, respectively. Interest and penalties are not included in the tabular rollforward of unrecognized tax benefits above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We file income tax returns in the U.S. federal, various state, local and foreign jurisdictions. We are no longer subject to any significant U.S. federal, state, local or foreign income tax examinations by tax authorities for years before 2006. The Internal Revenue Service commenced an examination of our U.S. income tax returns for 2006 and 2007 in the fourth quarter of 2008 that is anticipated to be completed during early 2010. It is reasonably possible that certain unrecognized tax benefits of $1 million could be settled with the related jurisdictions during the next 12 months.

(13) PENSION AND POSTRETIREMENT MEDICAL BENEFITS PLANS

We have funded and unfunded noncontributory defined benefit pension plans that cover substantially all of our North American employees and certain European, Asian and Brazilian employees. The formula for U.S. salaried employees covered under the defined benefit plan sponsored by Whirlpool was based on years of service and final average salary, while the formula for U.S. hourly employees covered under the defined benefit plans sponsored by Whirlpool was based on specific dollar amounts for each year of service. There were multiple formulas for employees covered under the defined benefit plan sponsored by Maytag, including a cash balance formula. The U.S. plans are frozen for the majority of participants. An enhanced defined contribution plan is being provided to affected employees subsequent to the pension plan freezes and is not classified within the net periodic benefit cost.

The U.S. qualified defined benefit pension plans provide that in the event of a plan termination within five years (36 months for the defined benefit plan sponsored by Maytag) following a change in control of Whirlpool, any assets held by the plans in excess of the amounts needed to fund accrued benefits would be used to provide additional benefits to plan participants. A change in control generally means either a change in the majority of the incumbent Board of Directors or an acquisition of 25% (30% for purposes of the Whirlpool Production Employees Retirement Plans and 20% for purposes of the defined benefit plan sponsored by Maytag) or more of the voting power of Whirlpool s outstanding stock.

We provide postretirement health care benefits for eligible retired U.S. employees. Eligible retirees include those who were full-time employees with 10 years of service who attained age 55 while in service with us and those union retirees who met the eligibility requirements of their collective bargaining agreements. In general, the postretirement health care plans are contributory with participants contributions adjusted annually and generally include cost-sharing provisions that limit our exposure for recent and future retirees. The plans are unfunded. We reserve the right to modify the benefits. We provide no significant postretirement medical benefits to non-U.S. employees.

Amended Plans

On August 1, 2008, certain retiree medical benefits for the retirees and remaining active participants associated with our Newton, Iowa manufacturing facility were amended (Newton Amendment), effective January 1, 2009, to be consistent with those benefits provided by the Whirlpool Corporation Group Benefit Plan. The result of this amendment was a reduction in the postretirement benefit obligation of $229 million with a corresponding increase to other comprehensive income, net of tax.

In conjunction with the Newton Amendment, we initiated legal proceedings with certain retirees and the United Automobile, Aerospace, and Agricultural Implement Workers of America to seek a declaratory judgment that Whirlpool has the right to change retiree medical benefits after July 31, 2008, the expiration date of the collective bargaining agreement. In response, a similar group of retirees has initiated legal proceedings against Whirlpool asserting the above benefits are vested. We believe the outcome of the legal proceedings against Whirlpool will not have a material adverse effect on our Consolidated Financial Statements.

In December of 2007, The Maytag Corporation Employees Retirement Plan was amended to cease all benefit accruals effective December 31, 2007 for the production plant in Amana, Iowa. An enhanced defined

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contribution benefit was provided to eligible affected employees subsequent to the effective date of the plan amendment. Also, effective for retirements on and after January 1, 2008, a retirement supplement of $300 per month will be provided for 24 months following the retirement of eligible Amana hourly employees retiring during the term of the current union agreement. The effect of this amendment was to increase the PBO at December 31, 2007 by approximately $2 million.

In July of 2007, we announced certain changes to the Whirlpool Retiree Healthcare Plan that took effect on January 1, 2008 and January 1, 2009. These changes include an adjustment to the Retiree Health Savings Account (RHSA) credit received by certain groups of heritage Maytag and heritage Whirlpool employees, the substitution of post-65 drug coverage with a credit or adjusted notional account that may be used to offset the cost of Medicare Part D premiums or other employer-sponsored medical coverage for certain groups of heritage Maytag and heritage Whirlpool retirees; and the replacement of certain heritage Maytag retiree medical plans with PPO coverage offered under the Whirlpool Retiree Healthcare Plan. As a result of these changes, we recognized a reduction in our long-term post-employment obligation of $82 million. An additional $46 million reduction in the long-term post-employment benefit obligation was realized as a result of a change in discount rate consistent with the July 1, 2007 remeasurement date. The offsetting credit was recorded, net of the related deferred tax asset, as an increase in accumulated other comprehensive income.

The U.S. heritage Whirlpool and Maytag pension plans were amended to cease benefit accruals for the majority of salaried and non-union participants effective December 31, 2006. For heritage Whirlpool salaried employees who are eligible to retire before January 1, 2010, the plan freeze will be effective December 31, 2009. The Whirlpool Production Employees Retirement Plans (WPERP) at Fort Smith and LaVergne, which cover union employees, were amended to cease all benefit accruals effective June 30, 2007 and January 31, 2007, respectively. An enhanced defined contribution plan is being provided to affected employees subsequent to the plan freezes.

The Pension Protection Act of 2006 required changes in the basis for calculating lump sum payments effective January 1, 2008. The effect of these changes reduced the projected benefit obligation (PBO) at December 31, 2007 by approximately $39 million.

401(k) Defined Contribution Plan

We maintain a 401(k) defined contribution plan covering substantially all U.S. employees. Our matching contributions for most employees are based on the level of individual participants contributions and, for certain domestic union hourly and certain salaried Whirlpool employees who are eligible to retire on or before December 31, 2009, are based on annual operating results and the level of individual participants contributions. We also make automatic company contributions for eligible employees in an amount equal to 3% of the employee s eligible pay. Our contributions amounted to the following amounts:

Millions of dollars	2008	2007	2006
401 (k) Company contributions	$ 70	$ 68	$ 29

Adoption of SFAS No. 158

On December 31, 2006, we adopted the recognition and disclosure provisions of SFAS No. 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of SFAS Nos. 87, 88, 106 and 132R (SFAS 158). SFAS 158 requires that we recognize the funded status of our defined benefit pension plans and other postretirement plans on our Consolidated Balance Sheet as of December 31, 2006, with a corresponding adjustment to accumulated other comprehensive income, net of tax. The adjustment to accumulated other comprehensive income at adoption represents the net unrecognized actuarial losses and

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

unrecognized prior service costs and credits, which were previously netted against the plans funded status in our Consolidated Balance Sheets pursuant to the provisions of SFAS 87, Employers Accounting for Pensions and SFAS 106. These amounts will be subsequently recognized as net periodic (benefit) cost pursuant to our accounting policy for amortizing such amounts. Actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic (benefit) cost in the same periods will be recognized as a component of other comprehensive income. These gains and losses will be subsequently recognized as a component of net periodic (benefit) cost on the same basis as the amounts recognized in accumulated other comprehensive loss at adoption of SFAS 158.

The incremental effects of adopting SFAS 158 on our Consolidated Balance Sheet at December 31, 2006 are presented in the following table:

Millions of dollars	Before Adopting SFAS 158	Adjustments to Adopt SFAS 158	After Adopting SFAS 158
Assets			
Noncurrent benefit asset	$ 12	$ (12)	$
Intangible asset	38	(38)	
Deferred tax asset	115	63	178
Liabilities			
Current benefit liability		113	113
Noncurrent benefit liability	2,031	14	2,045
Stockholders Equity			
Accumulated other comprehensive loss	(201)	(114)	(315)

We use a December 31 measurement date for our pension and postretirement benefit plans.

Obligations and Funded Status at End of Year

Millions of dollars	U.S. Pension Benefits 2008	U.S. Pension Benefits 2007	Foreign Pension Benefits 2008	Foreign Pension Benefits 2007	Other Postretirement Benefits 2008	Other Postretirement Benefits 2007
Funded Status						
Fair value of plan assets	$ 2,212	$ 3,062	$ 156	$ 180	$	$
Benefit obligations	3,547	3,580	342	393	904	1,151
Funded status	$ (1,335)	$ (518)	$ (186)	$ (213)	$ (904)	$ (1,151)
Amounts recognized in the statement of financial position						
Noncurrent asset	$	$	$ 3	$ 13	$	$
Current liability	(12)	(8)	(7)	(10)	(82)	(90)
Noncurrent liability	(1,323)	(510)	(182)	(216)		