

Nortel Networks – Allocation Trial – Summary of May 27th, 2014

Kerry Stephens, a witness for the EMEA Debtors, was the only witness that testified on day 8 of the trial.

Mr. Stephens is a chartered accountant who worked at PricewaterhouseCoopers UK, which provided Nortel with tax services, before he joined Nortel Networks UK's EMEA Tax Group in 2003. Mr. Stephens' affidavit described Nortel's transfer pricing policy and the sale of the UMTS business to Alcatel. Mr. Stephens also provided testimony regarding his involvement in the MRDA and the representations that were made to tax authorities. Specifically, he testified that he believed that the MRDA provided certain Nortel entities (RPSM Participants) with an "economic interest" in Nortel's intellectual property (IP). Mr. Stephens appeared by video from the UK with the EMEA Debtors counsel briefly examining him in chief regarding the MRDA and the Alcatel sale. The UK pension claimants (UKPC) cross-examined Mr. Stephens regarding Nortel's tax planning policies prior to the insolvency including with respect to the UK pension plan. The Canadian Monitor cross-examined Mr. Stephens regarding his understanding of the MRDA, the rights that it provided RPSM Participants, and his involvement in negotiations with the tax authorities. The Monitor also questioned Mr. Stephens regarding the UMTS transaction, the treatment of IP in the UMTS transaction and his involvement in other divestitures. The US Debtors cross-examined Mr. Stephens regarding his involvement in divestitures and acquisitions other than the UMTS transaction.

Tomorrow, Mark Weisz will be testifying in Wilmington on behalf of the US Debtors. Geoffrey Hall is expected to testify in Toronto on behalf of the UKPC. In addition, the first expert witness is expected to testify, with Paul Huffard appearing in Wilmington on behalf of the EMEA Debtors.

Thursday and Friday of this week will continue with two experts expected to testify on behalf of the EMEA Debtors and the UKPC each day.