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June 24, 2013

**JUDGE GRANTS FINAL JUDGMENT IN FAVOR OF CREDITORS,
U S Bank, NA v. Verizon CASE TO BE APPEALED BY THE CREDITORS**

This news report concerns the case against Verizon that was filed by the Idearc/SuperMedia Litigation Trustee appointed by the bankruptcy court. In the past, the Association has sent you several email reports about the case of U S Bank, NA. v. Verizon Communications, Inc. and John W. Diercksen (the "creditors' case").

During October 2012, Senior Federal Judge A. Joe Fish conducted a two week trial to determine a single issue, the market value of former Verizon Directories Information Services segment that was spun-off and named Idearc. Judge Fish would not allow any part of the creditors' case to be tried to a jury. In January 2013, Judge Fish issued his ruling determining the new company had a value of at least \$12 billion on November 16, 2006, the date of the spin-off. In his ruling, Judge Fish categorically rejected all of the evidence submitted by the creditors supporting their position.

Next, Judge Fish accepted extensive legal briefing from both sides about the remaining aspects of the case which included the creditors' contentions that certain activities including some agreements executed by former EVP John W. Diercksen did not comply with the strict dictates of Delaware corporate law, thus, making the agreements invalid and void.

On June 18, 2013, Judge Fish issued his final rulings and determinations, and he fully sided with the Verizon Defendants. The final "conclusions of law" and the "judgment" against the creditors has been posted at the Association's website. To boil it down, Judge Fish ruled that none of the creditors' claims have any merit and cannot be maintained since he made a favorable finding on Idearc's value and solvency.

The creditors' fraudulent transfer claim was determined to fail because Judge Fish ruled that Idearc received reasonably equivalent value for what it had given to Verizon. The court ruled it saw no reason to consider any of the several financial transactions separately from the entire spinoff taken as a whole. Judge Fish declared, "because Idearc had a total enterprise value of at least \$12 billion on the date of the spinoff, it was both solvent and received reasonably equivalent value for the \$9.1 billion in cash and debt it transferred to Verizon."

With respect to the creditor's actual fraudulent transfer claim, Judge Fish ruled that there was no specific direct evidence presented during the October 2012 trial of the Verizon Defendants' fraudulent intent, nor have the creditors pointed to any such evidence that may yet be presented. Also, the court ruled the claim was negated by the plethora of material information relating to the spinoff that was presented during the October 2012 trial.

With respect to the creditors' breach of fiduciary duty claim against former EVP John W. Diercksen, Judge Fish ruled that since he had determined "Idearc was solvent on the date of the spinoff, it cannot be argued plausibly that Verizon or Diercksen caused it to be unable to meet its legal obligations." Further, the court ruled that despite the creditors' proof of Diercksen's allegedly unsavory conduct in connection with the spinoff, the creditors had not demonstrated how such actions, in light of the court's solvency finding, could logically or reasonably relate to the \$9 billion damage award the creditors sought. Judge Fish ruled that, despite any corporate procedural missteps that may have occurred, Idearc's creditors were left with a business entity with a value in excess of what would be required to protect the creditors' interests.

Judge Fish dismissed the creditors' claim that there had been an unlawful dividend paid that had not been properly declared by a duly constituted board of directors. The court ruled that Idearc had sufficient surplus to pay a dividend. Judge Fish said there was no other recorded court case in which a judge had found in favor of a creditor's claim that a corporate dividend was illegally paid based upon non-compliance with Delaware corporate law. The court chastised the creditor's for having a "rigid interpretation" of the specific Delaware statutes relied upon by the creditors. Judge Fish ruled that "an overly rigid reading of the [Delaware] statutory scheme seems inappropriate in the spinoff context." Judge Fish expressed a sympathetic view for corporations when he said, "the ruling the plaintiff seeks here could have potentially breathtaking consequences" because it would allow creditors to recover when there was proof of minor noncompliance with Delaware statutory requirements. Judge Fish said, "this court refuses to sanction such a sweeping elevation of form over substance."

The court dismissed the creditors' promoter liability claim because Judge Fish refused to reconsider his prior ruling that no reasonable fact finder could conclude that Idearc was not Verizon's wholly-owned subsidiary, despite the contrary evidence that Idearc had no duly established corporate records proving Verizon's ownership before the spinoff. The court that "post-spinoff Idearc was not 'saddled with unsupportable debt. Subsequent events -- the Great Recession -- intervened, and Idearc later became unable to support its debt."

Finally, Judge Fish ruled that since the creditors cannot prevail on the other claims in the case, judgment for the Verizon Defendants would be entered on the creditors' alter ego claim.

Accordingly, Judge Fish entered judgment in favor of the Verizon Defendants and he ruled that the creditors' should pay the Verizon Defendants' court costs, and that may prove to be a sizable amount of money. For more information about the creditors' case, see the legal filings that are posted at the Association's website. The more recent court filings appear at the top of the web page.

No doubt, the creditors' team of attorneys will appeal Judge Fish's rulings to the federal Fifth Circuit Court of Appeals which is based in New Orleans. Among the many rulings to be challenged will be the denial of a jury trial. The creditors' appeal will be timely commenced within thirty (30) days of the June 18, 2013 final judgment. The appeals process will last about a year.

It is uncertain how Judge Fish's rulings against the creditors will impact the retirees' completely distinguishable claims brought under ERISA, an issue not once addressed by Judge Fish in the creditors' case. It will do no good to speculate. And, we don't know how soon Judge Fish will turn his attention to the Murphy case which concerns the rights of about 2,750 retirees who were involuntarily transferred from Verizon to Idearc/SuperMedia.

A handwritten signature in cursive script that reads "Curtis L. Kennedy".

Curtis L. Kennedy