

341 CREDITORS MEETING

MAY 11, 2009

1 MR. MCELREATH: Good afternoon, Gentleman. My  
2 name is George McElreath. I'm the Assistant U.S. Trustee.  
3 This afternoon is the first meeting of creditors in the 10  
4 Chapter 11 cases filed March 31st jointly administered under  
5 the name Idearc, Inc. under Case Number 0931828.

6 The purpose of this meeting is -- which is  
7 noticed to all the creditors, and that would include 800,000  
8 people, so we expected something of a crowd which didn't  
9 develop apparently.

10 The purpose of the meeting is to allow creditors  
11 the opportunity to examine representatives of the company  
12 under oath regarding the assets and liability in the case and  
13 the prospects of reorganization in Chapter 11.

14 For that purpose this afternoon, we have Dee  
15 Jones, the CFO of the company. Up here at the table with him  
16 is Toby Gerber from Fulbright & Jaworksi, the debtor's lead  
17 counsel.

18 Shortly after the filing of the case, U.S.  
19 Trustee commenced efforts to form an official committee of  
20 unsecured creditors. We were successful in that effort. And  
21 the committee has now retained the law firms of Milbank, Tweed  
22 and Haynes and Boone as their counsel.

23 And Mr. Monsure was here a minute ago and is  
24 still here representing the committee. The format that I  
25 observe at these meetings is that I'll call on Mr. Gerber to

1 give you an opening statement about the case and then I'll  
2 swear Mr. Jones in and open the meeting to questions from  
3 creditors, so Mr. Gerber.

4 MR. GERBER: Good afternoon. Thank you,  
5 Mr. McElreath. My name is Toby Gerber. I'm a partner in the  
6 law firm of Fulbright & Jaworski, L.L.P. Fulbright is counsel  
7 to each of the 10 entities that Mr. McElreath referred to,  
8 each of which filed voluntary petitions under Chapter 11 of  
9 the United States Bankruptcy Code on March 31st, 2009.

10 These are each separate individual corporate  
11 entities; but pursuant to order of the Bankruptcy Court, the  
12 cases are being jointly administered. The judge in this  
13 matter is Chief Judge Barbara Houser of the Northern District  
14 of Texas.

15 In addition to the information we'll be  
16 providing you here today, I want to refer you to the following  
17 website. It's [www.KCCLLC.net](http://www.KCCLLC.net) backslash Idearc. And this  
18 website is entirely devoted to providing information to  
19 creditors and other constituencies interested in these  
20 bankruptcy cases and should be an excellent source of  
21 information for you.

22 Today you'll be hearing information about the  
23 company's assets and liabilities. Each of those documents is  
24 readily accessible through the court's website which you can  
25 also find indirectly through the case you see on the website I

1 just gave you. In addition on the website, you'll find more  
2 information about the official committee of unsecured  
3 creditors that Mr. McElreath referred to.

4 The committee was appointed by the office of the  
5 United States Trustee. They've asked the Court to approve the  
6 retention of not only the lawyers Milton and Tweed and Haynes  
7 and Boone, but also financial advisers Miller, Buckfire.

8 Those entities upon approval of the Bankruptcy  
9 Court will be paid by the bankruptcy estate. And you may wish  
10 to seek information from the committee or its lawyers or  
11 financial advisers as well.

12 Under Chapter 11, each of the companies has  
13 continued to operate its business in the ordinary course, but  
14 obviously subject to the statutes and the rules which govern  
15 bankruptcy estates. Our goal is to propose a confirmation of  
16 a plan of reorganization for all of the entities.

17 The Bankruptcy Code mandates that the U.S.  
18 Trustee convene this meeting and examine a representative of  
19 the company about certain matters relating to the condition of  
20 the companies as reflected in the schedules and statement of  
21 financial affairs and about the reasons for the bankruptcy  
22 filings and other matters that you may be interested in.

23 You will also be given an opportunity to  
24 question the company representative, Mr. Jones. The purpose  
25 of this meeting is not to examine the companies about specific

1 claims or litigation. So to the extent that questioning gets  
2 into matters which are outside the purpose of the meeting, I  
3 may have to object to the questioning or not permit the  
4 company representative to answer.

5 I'm not expecting to do so, but I want to advise  
6 you of that possibility. I'm not to trying to obstruct the  
7 flow of information or any disclosure. I do this because  
8 there are other forms for that information to be obtained.

9 And in the case of questions which fall within  
10 that category, I'll be glad to speak with you afterwards and  
11 assure you that you will get all the information to which  
12 you're entitled. With that, I thank you. Mr. McElreath, back  
13 to you.

14 MR. MCELREATH: Raise your right hand.

15 DEE JONES,  
16 having been first duly sworn, testified as follows:

17 MR. MCELREATH: Mr. Jones, you appear to be the  
18 signatory on the schedules and statements of affairs that were  
19 filed in these cases. Do you, by your signature, certify that  
20 all the information contained therein is true and correct to  
21 the best of your knowledge?

22 MR. JONES: Yes, I do.

23 MR. MCELREATH: At this point, I'll open the  
24 meeting to questions from creditors. If you have a question,  
25 there is a recording and the court reporter is here, so if you

1 could identify yourself and who you represent for the record.  
2 If you do have questions on the front row.

3 MR. GERBER: If you shout out, we may be able to  
4 hear you.

5 MR. MANNS: It's more important that the court  
6 reporter hear you.

7 EXAMINATION

8 BY MR. KALOOKY:

9 Q. Good afternoon, my name is Even Kalooky. I'm from  
10 the McMillan Law Firm. I represent the McMillan Law Firm and  
11 individual plaintiff Sean Ryan, both creditors of Idearc,  
12 Idearc Media Sales West, Incorporated. I could sit down.

13 THE REPORTER: Would you mind using the  
14 microphone, please.

15 BY MR. KALOOKY:

16 Q. Mr. Jones, are you aware of the claims of Sean Ryan  
17 or the McMillan Law Firm in this bankruptcy?

18 A. I'm not aware of the specific details about any of  
19 those claims.

20 Q. Okay. Are you aware of the lawsuit that occurred  
21 between Sean Ryan against Idearc Media Sales West,  
22 Incorporated?

23 A. I don't recall any specifics around that particular  
24 suit.

25 Q. Okay. When you verified the bankruptcy schedules

1 under oath, what exactly did you do to confirm that  
2 information? What sources did you go to?

3 A. Well, amongst other things, I went through  
4 discussions and reviews with all of my folks. We went through  
5 all of our accounts payable and activities. We identified our  
6 client list, our vendor list and then those -- the company  
7 records.

8 Q. Okay. Was one of your folks Lori Finkleston?

9 A. Lori Finkleston is -- Lori Finkleston is a legal  
10 counsel in our company.

11 Q. Okay. Did you speak with her in forming --

12 A. I did not speak --

13 MR. GERBER: Excuse me. What was the question?

14 Q. (BY MR. KALOOKY) Did you speak Ms. Finkleston, I  
15 guess the assistant general counsel of the Dallas office,  
16 before verifying the bankruptcy schedules? Not the content of  
17 those discussions, just was that one person -- you said you  
18 spoke with your folks?

19 MR. GERBER: Well, I'm gonna instruct him not to  
20 answer in order to avoid any revelation of attorney/client  
21 information. Is there is a question in your list that we  
22 might be able to answer that's just factually related against  
23 your claim?

24 MR. KALOOKY: That is a fact. We can discuss  
25 whether that objection stands.

1 Q. (BY MR. KALOOKY) Okay. Mr. Dee Jones, did you speak  
2 with Theresa Murray before verifying the schedules?

3 A. No, not that I recall.

4 Q. Do you know who Theresa Murray is?

5 A. I recognize the name, but I can't place her  
6 specifically.

7 Q. Okay. Does it refresh your recollection if she's the  
8 person who maintains the corporate records for Idearc Media  
9 Sales West, Incorporated?

10 A. It's Idearc Media --

11 Q. Idearc.

12 A. -- West. And, yes, I think she works for our general  
13 counsel.

14 Q. Okay. And you did discuss with her before signing  
15 the bankruptcy schedules?

16 A. No, I did not recall speaking specifically with her.

17 Q. Okay. Is Idearc -- Idearc Media Sales West,  
18 Incorporated the same legal entity as the former Verizon  
19 Directory Sales West, Incorporated?

20 MR. GERBER: Calls for a legal conclusion. Do  
21 you have a factual question that you're driving at here? Is  
22 there some purpose relating to the assets and liabilities that  
23 we can talk about rather than talking about your specific  
24 claim?

25 MR. KALOOKY: Yes. This is about bankruptcy



1 schedules being accurate as you're aware. I mean, we're not  
2 listed in the top 50 unsecured creditors, but the claim is  
3 175,000.

4 MR. GERBER: So is it your position that the  
5 schedules are --

6 MR. KALOOKY: False.

7 MR. GERBER: -- not accurate because your client  
8 is not listed?

9 MR. KALOOKY: And the law firm, yes.

10 MR. GERBER: Okay. Well, we'll stipulate the  
11 schedules state what they say. If you could not find your  
12 claimant there, we'll stipulate that it's not in there.

13 MR. KALOOKY: Okay.

14 MR. GERBER: And beyond that, we're not going to  
15 stipulate whether or not they're accurate or inaccurate.

16 MR. KALOOKY: Okay.

17 MR. GERBER: This is not the place to establish  
18 whether or not your claim has any validity or should have been  
19 listed.

20 MR. KALOOKY: It's a judgment. It's not a  
21 claim.

22 MR. GERBER: It's a what? I'm sorry.

23 Q. (BY MR. KALOOKY) Mr. Jones --

24 MR. KALOOKY: It's a judgment against Idearc  
25 Media Sales West.

1 MR. GERBER: Okay.

2 Q. (BY MR. KALOOKY) Mr. Jones, you verified the top 50  
3 list of creditors -- unsecured creditors under oath, correct?

4 A. Yes, I did.

5 Q. Okay. And what steps did you take to make sure that  
6 information was accurate?

7 MR. GERBER: Again, are you stating that because  
8 of the size of the claim you're asserting it should have been  
9 listed in the 50?

10 MR. KALOOKY: What I'm asking is what  
11 happened -- what information was reviewed before coming up  
12 with the schedules that are signed under oath. That's a valid  
13 question.

14 MR. GERBER: But the purpose of this meeting is  
15 to determine the financial condition of the company. Okay.  
16 Not to determine the accuracy or conclusion of a particular  
17 claim.

18 If you're saying that your claim should have  
19 been included in the top 50 but was not, okay, we understand  
20 and we accept your proposition that you're making; not  
21 agreeing to it, but accepting your proposition that if you've  
22 got a claim for 172,000, we might need to amend our list of  
23 top 50.

24 MR. KALOOKY: Is that an objection and you're  
25 asking him not to answer what steps were taken?

1 MR. GERBER: I'm not gonna continue to let him  
2 to continue to answer a line of questions that's not  
3 appropriate in this forum as I said earlier.

4 MR. KALOOKY: I respectfully disagree that it is  
5 appropriate exactly what steps occurred before signing these  
6 schedules. That's what we're here about, the accuracy and  
7 whether the information what was resorted to in coming to  
8 those schedules.

9 And you're refusing to allow your client to  
10 answer?

11 MR. GERBER: Well, you haven't asked that  
12 question.

13 Q. (BY MR. KALOOKY) Okay. Mr. Jones, exactly what steps  
14 did you take before certifying the top 50 list of unsecured  
15 creditors?

16 A. I reviewed the documentation. I reviewed the  
17 schedules themselves. I had conversation with my staff. I  
18 had conversation with legal counsel in assessing that and my  
19 own personal knowledge of the books and records that we do  
20 business.

21 Q. Okay. And without getting into any discussions with  
22 your counsel, can you identify the individuals that you  
23 discussed before signing these schedules?

24 MR. GERBER: He's already answered the question.  
25 We're not gonna go on a person-by-person basis.

1 Q. (BY MR. KALOOKY) How many people? Can you guess a  
2 number?

3 MR. GERBER: Pardon me?

4 Q. (BY MR. KALOOKY) How many individuals did you consult  
5 with, Mr. Jones?

6 A. My staff is nine folks. Legal staff is probably --  
7 there's probably five or six folks in that organization.  
8 Underneath my folks, I have an accounts payable group that I  
9 probably talked to three or four folks in. You know, 25 or  
10 more people.

11 Q. Okay. And if I wanted to get the names of those  
12 individuals, how would I go about that? Who would know that?

13 MR. GERBER: You can talk to me after the  
14 meeting.

15 MR. KALOOKY: Well, under oath.

16 MR. GERBER: You can talk to me after the  
17 meeting and I'll make arrangements.

18 MR. KALOOKY: Okay. For a 2004 hearing?

19 MR. GERBER: If you want to request a 2004  
20 hearing, which is probably the appropriate form for your line  
21 of questioning, please do so. And then we'll -- once I look  
22 at your application, I'll decide whether or not we oppose it  
23 or not.

24 Q. (BY MR. KALOOKY) Okay. Mr. Jones, you said that you  
25 reviewed documentation before signing off on the bankruptcy

1 schedules and the list of top 50 unsecured creditors. What  
2 specific documents?

3 A. We run reports out of our accounts payable system.  
4 We had a list, a list of folders of our various credit  
5 facilities that we had. Those sorts of books and records of  
6 the company.

7 Q. Okay. And did you review any litigation that was  
8 pending or had been completed with outstanding judgments? Let  
9 me break that down, sorry. Did you review any pending  
10 litigation in terms of listing those unsecured creditors?

11 A. I had conversation with my counsel about the  
12 litigation aspects of those.

13 Q. Okay. Now, when -- how exactly did Verizon Directory  
14 Sales West, Incorporated turn into Idearc Media Sales West,  
15 Incorporated?

16 MR. GERBER: That's all a matter of public  
17 record. If you look at our 10K, there's accurate descriptions  
18 over the years of the corporate entities. And we're not gonna  
19 get into that today.

20 Q. (BY MR. KALOOKY) Mr. Jones, was it simply a name  
21 change between the two entities?

22 MR. GERBER: That totally calls for a legal  
23 conclusion. I'm gonna instruct him not to answer.

24 Q. (BY MR. KALOOKY) Okay. Now, Mr. Jones, are you aware  
25 that bulk sale notices under Article 6 of the UCC were filed

1 from the transition of Verizon Directory Sales West,  
2 Incorporated to Idearc Media Sales West, Incorporated?

3 MR. GERBER: Article 6 of whose -- what?

4 MR. KALOOKY: The UCC bulk sale notices.

5 MR. GERBER: Bulk sale notices?

6 MR. KALOOKY: Correct.

7 MR. GERBER: What version of the Texas Business  
8 and Commerce Code are you looking at to where there's a bulk  
9 sales notice requirement?

10 MR. KALOOKY: Were they filed? It's a simple  
11 question.

12 MR. GERBER: No. The answer calls for a legal  
13 conclusion. You asked whether it was under a particular  
14 statute, and he's not gonna answer.

15 Q. (BY MR. KALOOKY) Mr. Jones, do you have any knowledge  
16 as to whether bulk sale notices were filed for that specific  
17 transaction, the Verizon Directory Sales West, Incorporated to  
18 Idearc Media Sales West, Incorporated?

19 A. I do not know.

20 Q. Okay. Who would know that information?

21 A. My legal counsel.

22 Q. Okay. And that's Mr. Gerber to your right?

23 A. Mr. Gerber is my outside legal counsel. Inside legal  
24 counsel is Cody Wilbanks. And he would have to research the  
25 question in order to determine that.

1 Q. Thank you. Now, is -- are you aware of an unsecured  
2 creditor of O'Melveny, Myers, a law firm?

3 A. I'm not aware of the specifics of it.

4 Q. Okay. It was not listed on the top 50 unsecured  
5 creditors that I have. Are you aware that O'Melveny, Myers  
6 incurred -- or Idearc Media Sales West, Incorporated incurred  
7 legal defense in the action that I am here to represent, the  
8 Ryan versus Idearc Media Sales?

9 A. No, I'm not aware of that.

10 Q. Okay. How would I obtain the information as to the  
11 outstanding creditor, that outstanding creditor?

12 MR. GERBER: You could look at our schedules and  
13 statements of financial affairs.

14 Q. (BY MR. KALOOKY) Okay. Are you aware that litigation  
15 is still pending on appeal?

16 MR. GERBER: What litigation?

17 MR. KALOOKY: The Sean Ryan versus Idearc Media  
18 Sales West, Incorporated.

19 MR. JONES: I am not aware of the specifics of  
20 that litigation.

21 Q. (BY MR. KALOOKY) Okay. Are you aware of it by name?

22 A. No.

23 Q. Okay. I'd like to provide a document to the witness.  
24 May I approach? Unfortunately I only have one copy so.

25 Mr. Jones, did you read Paragraph 3?

1 MR. GERBER: We're not going to read any  
2 documents. Do you have an authentication for this?

3 MR. KALOOKY: It's signed.

4 MR. GERBER: Do you have an authentication? How  
5 do I know this was signed by the person that it purports to  
6 be? Is this a certified copy?

7 MR. KALOOKY: It's a certification signed by  
8 Theresa Murray.

9 MR. GERBER: Where is the certification? I'm  
10 just --

11 MR. KALOOKY: You're refusing to answer  
12 questions about it?

13 MR. GERBER: You haven't -- you haven't asked  
14 the question.

15 MR. KALOOKY: That's -- Ms. Theresa Murray  
16 signed this under oath.

17 MR. GERBER: Are you representing that she did?  
18 Do you from your personal knowledge know that she signed it?

19 MR. KALOOKY: I've got the document in front of  
20 you.

21 MR. GERBER: You know from your personal  
22 knowledge that she signed this?

23 MR. KALOOKY: Sure. It's under oath.

24 MR. GERBER: Well, do you know from your  
25 personal knowledge that she signed this?



1 MR. KALOOKY: Did I see her sign it?

2 MR. GERBER: Yeah.

3 MR. KALOOKY: No, I didn't personally see her  
4 sign it.

5 MR. GERBER: Do you have any personal knowledge  
6 that she did sign it?

7 MR. KALOOKY: Yes.

8 MR. GERBER: What's your personal knowledge?

9 MR. KALOOKY: That it's submitted as a  
10 representation of Idearc Media Sales West, Incorporated. She  
11 bound --

12 Q. (BY MR. KALOOKY) Mr. Jones, you just stated earlier  
13 you knew Theresa Murray, Theresa B. Murray?

14 A. Yes.

15 Q. Okay. Does she maintain the corporate records for  
16 Idearc Media Sales West, Incorporated?

17 A. I don't know.

18 Q. Okay. Who would know -- I'm sorry.

19 A. Never mind.

20 Q. Who would have that information as to who maintains  
21 the corporate records for Idearc Media Sales West,  
22 Incorporated?

23 A. My general counsel, Cody Wilbanks.

24 Q. Okay. And how would we contact Ms. Murray if we  
25 needed to?

1 A. You could put a request in.

2 Q. Does she still work for the company?

3 A. Yes.

4 Q. Okay. And you will not answer whether there was just  
5 a name change between the entity Verizon Directory Sales West,  
6 Incorporated to Idearc Media Sales West, Incorporated?

7 MR. GERBER: You've asked that question. I'll  
8 instruct and you've been instructed that calls for a legal  
9 conclusion. And he's not gonna testify as to that.

10 Q. (BY MR. KALOOKY) Are you aware of any transfer of  
11 assets between those two companies?

12 MR. GERBER: What does that have to do with the  
13 status of this company?

14 MR. KALOOKY: A transfer to defraud creditors is  
15 directly at issue in this bankruptcy. Whether the assumption  
16 of assets includes the assumption of liabilities and part of  
17 these work creditors were not given notice is an issue because  
18 as it stands, the McMillan Law Firm is not recognized as a  
19 creditor and yet there is a judgment in excess of \$100,000  
20 which would be in those top 50 unsecured creditors.

21 MR. GERBER: It sounds like you've got a  
22 situation that's pending litigation. It's not the appropriate  
23 forum to do this. We're not gonna answer any more questions  
24 about this.

25 Q. (BY MR. KALOOKY) Okay. But you are aware of the

1 judgment in that action, Mr. Jones?

2 MR. GERBER: No. Asked and answered. And he  
3 said he wasn't aware of it.

4 Q. (BY MR. KALOOKY) Okay. And you didn't ever see fit  
5 to review outstanding judgments before signing these  
6 bankruptcy schedules?

7 MR. GERBER: He answered the question. Now  
8 you're just being argumentative. He answered the question  
9 before that he consulted with counsel about that.

10 Q. (BY MR. KALOOKY) Okay. And you did sign the  
11 schedules after your discussions?

12 MR. GERBER: That's not in dispute that he  
13 signed the schedules. Do you have any questions that really  
14 relate to the 341 meeting?

15 MR. KALOOKY: To the assets and liabilities of  
16 the debtor?

17 MR. GERBER: No, to the financial condition of  
18 the company, the assets and liabilities as in the schedules,  
19 not your specific claim.

20 MR. KALOOKY: Yes. This is all relevant to  
21 that.

22 MR. GERBER: Pardon me?

23 MR. KALOOKY: This is all relevant to that  
24 directly, sir?

25 MR. GERBER: It's not a question of relevance.

1 It's a question of appropriate forum for the questions.

2 MR. KALOOKY: We did for the person who signed  
3 the schedules under oath is here answering questions about  
4 what happened to come up with that information. But I am done  
5 with the questions. Thank you. I appreciate it.

6 MR. MCELREATH: Just to put your questioning in  
7 context, can you explain to me what Mr. Ryan got a judgment  
8 for \$100,000 plus about?

9 MR. KALOOKY: Okay. Sure. This was an action  
10 where Mr. Ryan worked as a sales person for Directory  
11 Listings. He was never employed by Idearc Media Sales West,  
12 Incorporated. He was employed by the entity that was  
13 purchased or whatever happened that won't be discussed,  
14 Verizon Directory Sales West, Incorporated.

15 During that action, when Idearc tried to  
16 substitute in the defendant, we opposed it because there  
17 wasn't any information about the transfer of assets or  
18 liabilities. We had the declaration of Theresa Murray -- and  
19 I can give you a copy -- in which they said there was simply a  
20 name change and it's the same entity.

21 Now, in the motion to assume executory  
22 contracts, there's a completely different story about what  
23 happened with the transaction. The case, the underlying  
24 claims were for conversion. The company stole a commission  
25 that was due to our client and also as a discrimination

1 wrongful termination case.

2 It proceeded to a jury trial and judgment. That  
3 judgment is attached as an exhibit to the objection of Sean  
4 Ryan and McMillan Law Firm to the motion to assume period  
5 contracts. The judgment is a final -- it's on appeal. But  
6 the judgment for Mr. Ryan is in the nature of \$55,000.

7 The McMillan Law Firm won attorneys' fees in the  
8 amount of 125,000. The total judgment if you want to combine  
9 is about 175. We were not listed on the unsecured creditors  
10 list, the top 50, even though the McMillan Law Firm was over  
11 100,000 and would have been under that.

12 MR. MCELREATH: I understand your thought --

13 MR. KALOOKY: The issue is whether there's a  
14 fraudulent debtor -- a fraudulent statement as to what  
15 happened between these, so whether the debt still is  
16 attributable to Verizon or to the debtor in this bankruptcy or  
17 to both.

18 MR. MCELREATH: So your judgment is on appeal  
19 from a state court to what?

20 MR. KALOOKY: Yes, the San Diego Superior Court  
21 judgment and it's in the Court of Appeals, the California  
22 Court of Appeals now. And consequently, Idearc paid its  
23 attorneys over a million dollars to defend that case.

24 MR. MCELREATH: That was going to be my next  
25 question because you seem to claim O'Melveny and Myers as

1 debtor's counsel in that matter.

2 MR. KALOOKY: Correct.

3 MR. MCELREATH: Are you saying they spent over  
4 \$1 million to defend a suit that resulted in a judgment for  
5 the plaintiff of \$55,000?

6 MR. KALOOKY: Unfortunately, that's true, and  
7 that they appealed it also so they there was more money. But  
8 there was an offer to settle for 300,000 that Idearc turned  
9 down and they paid three times that amount to the attorneys.

10 But the bottom line, I guess, is just why we're  
11 not listed on the unsecured creditors and why there are other  
12 debtors or judgment debtors of the prior company that aren't  
13 being given notice of this bankruptcy because of this transfer  
14 of assets.

15 And we will pursue that and obviously file an  
16 adversary complaint and challenge the bankruptcy as needed.  
17 But I just wanted to bring that to the attention and see if  
18 the schedules need to be updated.

19 MR. MCELREATH: Do you have a judgment directly  
20 against the debtor Idearc Media Sales, or do you have a  
21 judgment against the predecessor in interest to that company?

22 MR. KALOOKY: The judgment again is against  
23 Idearc Media Sales West, Incorporated. Here's a notice of  
24 judgment which you can keep because I've got plenty of copies.

25 A big bone of contention in that case and why

1 I'm here -- you know, I flew out from San Diego. I don't want  
2 to waste anybody's time here. But I'm here because of the  
3 position of who was the proper defendant and we said it was  
4 Verizon Directory Sales. And then there's a statement under  
5 oath from Theresa Murray saying that it was a name change  
6 only.

7 And so the proper defendant was listed, Idearc  
8 Media Sales West, Incorporated. But it turns out now that the  
9 representation might not have been true, and that's what we're  
10 trying to investigate so.

11 MR. MCELREATH: Toby, do we have a debtor named  
12 Idearc Directory Sales West?

13 MR. GERBER: No.

14 MR. KALOOKY: It's Media Sales. I think that  
15 was a typo on this. Here, it does say here now known as Media  
16 West as a result of a name change that occurred on  
17 October 2006, and the judgment is against Media Sales.

18 MR. GERBER: Mr. McElreath, just so the record's  
19 clear, the plaintiff in that lawsuit is listed in Schedule F  
20 of our schedules property list. I think we did note the  
21 amount of the judgment.

22 So it might be blank. It's obviously disputed,  
23 but we did list them in the schedule, last book of schedules.

24 MR. MCELREATH: Are there any other questions?

25 EXAMINATION

1 BY MR. WEBER:

2 Q. Yes. Mr. Jones, my name is Nathan Ian Weber. I'm a  
3 solvency adviser with the Internal Revenue Service. I just  
4 have a couple questions regarding the operations of the  
5 companies. Can you tell me which companies have payroll  
6 taxes, 941 obligations?

7 A. Actually, I'm gonna have to get that information. I  
8 can't off the top of my head. There's several of the entities  
9 that do employ folks and each of those would have obligations.

10 Q. Okay. It's my understanding that not every --

11 A. That's true.

12 Q. -- company has payroll. That is run through certain  
13 companies.

14 A. That's correct, not every individual entity has  
15 employees, but there are multiple ones within the grouping  
16 that do.

17 Q. Do you have any idea of how many of the I believe  
18 it's 10 involved have payroll?

19 A. There's at least three or four of them that do. But  
20 I'd have to research it for you.

21 Q. Do you have any knowledge if these entities with  
22 payroll tax obligations are current on their post-petition  
23 payroll tax deposits?

24 A. Post-petition payroll taxes?

25 Q. Yes.



1 A. I have no knowledge that they're not.

2 Q. Okay. So you would say they're -- to your knowledge,  
3 they are current?

4 A. Yes. To my knowledge, they are current.

5 Q. Who is the person responsible for doing the payroll  
6 deposits, running payroll checks and so forth?

7 A. We outsource our payroll processing activity to  
8 Ceridian. And then within our organization, that contractual  
9 relationship is maintained by our director of comp and  
10 benefits, Steve Garberick (phonetic).

11 Q. Pardon me. What was his last name?

12 A. Garberick.

13 Q. Do you have any idea how many employees are in each  
14 company that's running a payroll?

15 A. In total, we have over 6,000 employees. I cannot  
16 tell you off the top of my head the break down amongst the  
17 various legal entities.

18 Q. Do you know if there are any unfiled 941 employment  
19 taxes or unmade deposits prior to the bankruptcy on any of  
20 these entities?

21 A. To my knowledge, all of that was paid. All of those  
22 were paid. I do know there was some disputes because some of  
23 them were paid through Verizon with regard to that.

24 But as far as payments being made, it's, to my  
25 knowledge, all the payments had been made. Whether or not

1           they were all properly credited with the services, I'm not  
2           sure of that as of yet.

3           Q.    And if we have any questions regarding employment tax  
4           issues, is there a contact person we would use or would you  
5           prefer we go through Mr. Gerber?

6           A.    You probably at this point should go through  
7           Mr. Gerber.

8                         MR. GERBER:  If you will, please.  I'll get you  
9           a card afterwards so we can exchange that information.

10          Q.    (BY MR. WEBER) Now, Mr. Jones, did you, yourself,  
11          ever -- do you ever review payroll tax returns?  Do you sign  
12          them?

13          A.    No.  The signatories on the payroll tax return has  
14          not been part of my responsibility.

15          Q.    Who would have signature authority as far as  
16          reviewing and signing the return and having it sent off?

17          A.    That goes through my human resources organization, so  
18          Steve Garberick would have knowledge of that.

19          Q.    Is it like a centralized payroll to the various  
20          entities?  Is all the payroll run through a central office?

21          A.    Yes.  Like I say, it's all run through the -- all the  
22          payroll is run by Ceridian, an outside entity who does payroll  
23          services.

24          Q.    And this Steve Garberick is your in-house person?

25          A.    Yes.  He manages the relationship with Ceridian.

1 Q. As far as signature authority for payroll checks, how  
2 is that handled?

3 A. I mean, we have a -- we have a basic signature --  
4 they have a signature at Ceridian that they use. It's a  
5 mechanized process. We don't have someone signing 6,000  
6 checks.

7 Q. Right. And that would be Mr. Garberick? Is he the  
8 authority on that?

9 A. On the signature of the payroll checks, I'm not sure  
10 who is.

11 Q. All right. Thank you. I have nothing else right  
12 now.

13 MR. MCELREATH: Anybody else? If there are no  
14 further -- okay. Last chance to ask questions. If there are  
15 no further questions, that will conclude this afternoons  
16 meeting.

17 (Conclusion of meeting.)

18

19

20

21

22

23

24

25

## 1 REPORTER'S CERTIFICATE

2  
3 I, Sandy A. Trefth, the undersigned Certified Shorthand  
4 Reporter in and for the State of Texas, certify that the  
5 foregoing is a correct transcription from the proceedings in  
6 the above-entitled matter.

7 I further certify that I am neither attorney or counsel  
8 for, related to, nor employed by any parties to the action in  
9 which this proceeding was taken and, further, that I am not a  
10 relative or employee of any counsel, employed by the parties  
11 hereto or financially interested in the action.

12 SUBSCRIBED AND SWORN TO under my hand and seal of office  
13 on this the 1<sup>st</sup> day of May, 2009.



14 Sandy A. Trefth

15 Sandy A. Trefth, CSR  
16 Texas CSR 4777  
17 Expiration: 12/31/09  
18 Firm No. 69  
19 HG LITIGATION SERVICES  
20 2501 Oak Lawn Avenue  
21 Suite 600  
22 Dallas, Texas 75219  
23 1-888-656-DEPO  
24  
25