

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

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	) Chapter 11
In re:	) Case No. 09-10138 (KG)
	)
Nortel Networks, Inc., <u>et al.</u> , <sup>1</sup>	) Jointly Administered
	)
Debtors.	) Objection Deadline: March 20, 2013

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**TWENTIETH INTERIM APPLICATION OF  
ERNST & YOUNG LLP FOR ALLOWANCE OF COMPENSATION  
FOR SERVICES RENDERED AS INDIRECT TAX SERVICE ADVISOR  
TO THE DEBTORS AND DEBTORS-IN-POSSESSION FOR PERIOD  
OF NOVEMBER 1, 2012 THROUGH JANUARY 31, 2013**

Name of Applicant:	<u>Ernst &amp; Young LLP</u>
Authorized to Provide Professional Services to:	<u>The above-captioned debtors and debtors-in-possession</u>
Date of Retention:	<u>February 5, 2009, nunc pro tunc to January 14, 2009</u>
Period for which compensation and reimbursement are sought:	<u>November 1, 2012 to January 31, 2013<sup>2</sup></u>
Amount of Compensation sought as actual, reasonable, and necessary:	<u>\$ 1,492,856</u>
Amount of Expense Reimbursement sought as actual, reasonable, and necessary:	<u>\$ 0</u>
This is a(n): <input checked="" type="checkbox"/> interim <input type="checkbox"/> quarterly <input type="checkbox"/> final application	

<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's tax identification number, are: Nortel Networks Inc. (6332), Nortel Networks Capital Corporation (9620), Nortel Altsystems Inc. (9769), Nortel Altsystems International Inc. (5596), Xros, Inc. (4181), Sonoma Systems (2073), Qtera Corporation (0251), CoreTek, Inc. (5722), Nortel Networks Applications Management Solutions Inc. (2846), Nortel Networks Optical Components Inc. (3545), Nortel Networks HPOCS Inc. (3546), Architel Systems (U.S.) Corporation (3826), Nortel Networks International Inc. (0358), Northern Telecom International Inc. (6286), Nortel Networks Cable Solutions Inc. (0567) and Nortel Networks (CALA) Inc. (4226). Addresses for the Debtors can be found in the Debtors' petitions, which are available at <http://chapter11.epiqsystems.com/nortel>.

<sup>2</sup> This application also requests fees incurred during months prior to the Compensation Period which have not been requested in a previous fee application or otherwise been paid.

## Prior Applications Filed:

<b>Fee Application Filing Date</b>	<b>Period Covered By Application</b>	<b>Total Fees Requested</b>	<b>Total Expenses Requested</b>	<b>Total Approved</b>
6/26/09	1/14/09 – 4/30/09	\$285,000.00	\$0.00	\$285,000.00
9/3/09	5/1/09 – 7/31/09	\$39,739.00	\$0.00	\$39,739.00
10/16/09	8/1/09 – 9/30/09	\$26,301.00	\$0.00	\$26,301.00
11/19/09	10/1/09 – 10/31/09	\$13,607.00	\$0.00	\$13,607.00
2/24/10	11/1/09 – 12/31/09	\$186,040.00	\$670.00	\$186,710.00
2/24/10	1/1/10 – 1/31/10	\$74,330.00	\$375.58	\$74,705.58
6/4/10	2/1/10 – 4/30/10	\$265,434.50	\$858.82	\$266,293.32
9/10/10	5/1/10 – 7/31/10	\$230,428.50	\$674.09	\$231,102.59
11/24/10	8/1/10 – 10/31/10	\$260,941.50	\$954.00	\$261,895.50
3/1/11	11/1/10 – 1/31/11	\$591,660.00	\$0.00	\$591,660.00
5/31/11	2/1/11 – 4/30/11	\$2,456,156.00	\$1,904.00	\$2,458,060.00
8/18/11	5/1/11 – 5/31/11	\$761,845.00	\$0.00	\$761,845.00
8/26/11	6/1/11 – 7/31/11	\$1,320,000.00	\$0.00	\$1,320,000.00
11/22/11	8/1/11 – 10/31/11	\$2,367,641.00	\$0.00	\$2,367,641.00
3/1/12	11/1/11–1/31/12	\$1,158,441.50	\$5,606.00	\$1,164,047.50
5/21/12	2/1/12 – 4/40/12	\$1,772,779.00	\$8,709.00	\$1,781,485.00
7/12/12	5/1/12 – 6/30/12	\$1,389,524.00	\$0.00	\$1,389,524.00
8/21/12	7/1/12 – 7/31/12	\$530,000.00	\$0.00	\$530,000.00
11/20/12	8/1/12 – 10/31/12	\$2,048,384.00	\$0.00	\$2,048,384.00
<b>TOTAL</b>		<b>\$15,778,252.00</b>	<b>\$19,751.49</b>	<b>\$15,798,000.49</b>

**COMPENSATION BY PROFESSIONAL  
NOVEMBER 1, 2012 THROUGH JANUARY 31, 2013**

Professional	Position	Hourly Billing Rate (including changes)	Total Hours Billed	Total Compensation
Fixed Fee	N/A	N/A	~2,364.0	\$1,000,000
Abbott, Douglas J.	PPED	\$640	32.0	\$20,480
Ahluwalia, Siddhartha	Manager	\$430/450	74.0	\$33,180
Barras, James Christopher	PPED	\$545	1.0	\$545
Beakey III, Andrew M.	PPED	\$640	36.0	\$23,040
Bennett, Debra J.	PPED	\$640	4.5	\$2,880
Bradshaw, Ann	PPED	\$640	0.5	\$320
Campbell, Leslie Rudolph	Manager	\$430	1.2	\$516
Carrier, Elizabeth	Senior/Manager	\$300/430	1.1	\$408
Carrington, Glenn	PPED	\$640	9.5	\$6,080
Craig, Sterling Ruffin	Senior	\$300	5.5	\$1,650
Crews, Michael	Senior	\$315	13.0	\$4,095
Davidson, Garrett M.	Senior	\$315	9.8	\$3,087
Dodson, Kathryn Amber	Senior	\$300	3.1	\$930
DuBose, Bratton	Staff	\$185	29.0	\$5,365
Gargus, Vernon Keith	PPED	\$640	15.0	\$9,600
Garlock, David C.	PPED	\$640	1.0	\$640
Garrett, Lawrence M.	PPED	\$640	4.0	\$2,560
Gentile, Matthew Donald	Mgr./Sen. Mgr.	\$430-550	101.4	\$51,199
Giles, Ashley F.	Senior Manager	\$550	2.5	\$1,375
Harrison IV, George Jackson	PPED	\$640	5.4	\$3,456
Heroy, Jessica R.	Manager	\$450	3.9	\$1,755
Hines, Herbert Bell	Senior Manager	\$540	1.5	\$810
Jacks, Sarah Butler	Senior Manager	\$540/550	56.0	\$30,295
Jones, Alison C.	PPED	\$640	1.0	\$640
Jurcic, Kata	Manager	\$450	15.4	\$6,930
Kapilovich, Uri	Staff	\$185	5.1	\$944

Professional	Position	Hourly Billing Rate (including changes)	Total Hours Billed	Total Compensation
Korver, Jared B.	Staff	\$170/185	26.1	\$4,494
Lambert, Karen	PPED	\$545	5.6	\$3,052
Leo, James Santino	Staff	\$170	2.3	\$391
Lowery, Kristie L	PPED	\$640	3.5	\$2,240
Marin, Thomas V.	PPED	\$545	1.0	\$545
McCully, Becky M.	Senior Manager	\$540/550	5.9	\$3,209
Mesler, Mark S.	PPED	\$640	17.0	\$10,880
Nunn, Jacob Randall	Senior	\$300	7.0	\$2,100
Ozerkis, Mark Lee	Senior	\$300	1.2	\$360
Papakonstantinou, Tina	Staff	\$185	33.6	\$6,216
Peters, Christina M.	PPED	\$545	1.3	\$708.50
Poorman, Melissa	Senior	\$300/315	116.8	\$35,978
Puett, Stephen W.	PPED	\$640	0.5	\$320
Rimmke, Bryan Arthur	Manager	\$450	4.0	\$1,800
Rivera, Juan C.	Manager	\$430	1.0	\$430
Saregent, Amy Johannah	PPED	\$640	3.6	\$2,304
Scott, James E.	PPED	\$640	66.8	\$42,752
Sloop, Erin Pamela	Staff	\$170	9.0	\$1,530
Tart, Marta L.	Senior Manager	\$540	7.0	\$3,780
Tufino, Salvatore J.	PPED	\$640	15.0	\$9,600
Vaughan, Deborah	Senior	\$300/315	39.5	\$11,955
Vogedes, Leigh	Staff	\$185	1.0	\$185
Wagner, Darin A.	Senior Manager	\$540	1.0	\$540
Walters, Benjamin	Staff	\$185	1.0	\$185
Werner, Rachel	Staff	\$170	21.0	\$3,570
Whaley III, William C.	Manager	\$450	0.6	\$270
Williams, Charles F.	PPED	\$545/640	23.0	\$14,350
Williams, Edward M.	PPED	\$640	6.5	\$4,160
Wood, Jeffrey T.	PPED	\$545/640	189.5	\$110,080
Young, Suzanne N.	Senior	\$300	7.0	\$2,100
<b>TOTAL</b>			<b>~3,414.7</b>	<b>\$1,492,856</b>

**COMPENSATION BY PROJECT CATEGORY**  
**NOVEMBER 1, 2012 THROUGH JANUARY 31, 2013**

<b>Project Category</b>	<b>Total Hours</b>	<b>Total Fees</b>
Fixed Fees	~2,364	\$450,000
Foreign Jurisdiction Tax Assistance	16.5	\$7,702
FBAR	34.2	\$16,044
Payroll	15.0	\$8,859
North Carolina Alternative Apportionment	51.2	\$28,005
E&P Analysis	156.5	\$62,070
9100 Relief	2.0	\$1,280
Secretary of State Applications	219.1	\$79,199
Pre-Controversy Transfer Pricing	154.0	\$69,029
Assistance with Accounting and Finance Function	29.2	\$7,871
Modeling	373.0	\$212,798
<b>TOTAL</b>	<b>~3,414.7</b>	<b>\$1,492,856</b>

**EXPENSE SUMMARY**  
**NOVEMBER 1, 2012 THROUGH JANUARY 31, 2013**

<b>Expense Category</b>	<b>Total Expenses</b>
<b>TOTAL</b>	<b>\$0</b>

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

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	) Chapter 11
In re:	) Case No. 09-10138 (KG)
	)
Nortel Networks, Inc., <u>et al.</u> , <sup>1</sup>	) Jointly Administered
	)
Debtors.	)

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**TWENTIETH INTERIM APPLICATION OF  
ERNST & YOUNG LLP FOR ALLOWANCE OF  
COMPENSATION FOR SERVICES RENDERED AS INDIRECT  
TAX SERVICE ADVISOR TO THE DEBTORS AND DEBTORS-IN-POSSESSION FOR  
PERIOD OF NOVEMBER 1, 2012 THROUGH JANUARY 31, 2013**

Pursuant to sections 330 and 331 of title 11 of the United States Code (the “Bankruptcy Code”), Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), the Order Authorizing The Debtors to Retain and Employ Professionals Used In the Ordinary Course of Business *Nunc Pro Tunc* to the Petition Date dated February 5, 2009 [Docket No. 236] (the “OCP Order”), and the Administrative Order Pursuant to 11 U.S.C. §§ 105(a) and Fed. R. Bankr. P. 2016-2 and Del. Bankr. L.R. 2016-2 Establishing Procedures for Interim Compensation and Reimbursement of Fees and Expenses for Professionals and Official Committee Members [Docket No. 222] (the “Compensation Order”), Ernst & Young, LLP (“E&Y LLP”) hereby files this Twentieth Interim Application for Allowance of Compensation

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<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s tax identification number, are: Nortel Networks Inc. (6332), Nortel Networks Capital Corporation (9620), Nortel Altsystems Inc. (9769), Nortel Altsystems International Inc. (5596), Xros, Inc. (4181), Sonoma Systems (2073), Qtera Corporation (0251), CoreTek, Inc. (5722), Nortel Networks Applications Management Solutions Inc. (2846), Nortel Networks Optical Components Inc. (3545), Nortel Networks HPOCS Inc. (3546), Architel Systems (U.S.) Corporation (3826), Nortel Networks International Inc. (0358), Northern Telecom International Inc. (6286), Nortel Networks Cable Solutions Inc. (0567) and Nortel Networks (CALA) Inc. (4226). Addresses for the Debtors can be found in the Debtors’ petitions, which are available at <http://chapter11.epiqsystems.com/nortel>.

for Services Rendered as Indirect Tax Service Advisor to the Debtors and Debtors-in-Possession for the Period from November 1, 2012 through January 31, 2013 (the "Application"). By this Application, E&Y LLP seeks allowance pursuant to the Compensation Order of payments from the above-captioned debtors and debtors-in-possession (the "Debtors") of \$1,492,856 in compensation and \$0 in reimbursement for expenses incurred during the period November 1, 2012 through January 31, 2013 (the "Compensation Period"). This application also requests fees incurred during months prior to the Compensation Period which have not been requested in a previous fee application or otherwise been paid. In support of this Application, E&Y LLP respectfully represents as follows:

**Background**

1. On January 14, 2009 (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code.
2. E&Y LLP is employed as an ordinary course professional by the Debtors pursuant to the OCP Order [Docket No. 236]. The OCP Order authorized the Debtors to compensate ordinary course professionals in the ordinary course of business, but stated that fee applications would be required for any "Tier Two" ordinary course professional, like E&Y LLP, charging more than \$50,000 in a given month or \$350,000 in a calendar year.
3. The Debtors have retained E&Y LLP to perform indirect tax services, consisting of sales and use tax compliance, sales and use tax audit assistance, sales and use tax consulting, and refund and credit services (the "OCP Engagement") pursuant to E&Y LLP's engagement agreement with the Debtors (the "Engagement Agreement").
4. E&Y LLP's fees to date have exceeded the annual cap, and therefore, in accordance with the OCP Order, E&Y LLP hereby seeks approval of its fees in compliance with



the Compensation Order.

5. On March 1, 2011, the Debtors retained E&Y LLP to perform tax services, consisting of federal and state tax compliance, US reporting requirement for foreign operations, tax reporting, and federal, state, and international tax advisory pursuant to E&Y LLP's engagement with the Debtors (the "Master Tax Services Agreement"). On March 23, 2011, the Court entered an order [Docket No. 6021] (the "Retention Order").

6. On July 1, 2011, the Debtors filed a Supplemental Application for an Order Expanding the Scope of Employment and Retention of Ernst & Young LLP to Include FBAR Services under the terms and conditions of the FBAR Amendment, *nunc pro tunc* to May 31, 2011 [Docket No. 5862] (the "Expansion Application").

7. On July 22, 2011, the Court granted the Expansion Application and authorized the Debtors to expand the scope of E&Y LLP's employment and retention to include FBAR Services under the terms and conditions of the FBAR Amendment, *nunc pro tunc* to May 31, 2011 [Docket No. 6021].

8. On December 22, 2011, the Debtors filed a Notice of the Third Amendment to the Statement of Work Entered into Pursuant to the Tax Services Agreement with Ernst & Young LLP [Docket No. 7021] (the "Third Amendment").

9. On January 12, 2012, the Court entered an Order Modifying the Engagement of Ernst & Young LLP *nunc pro tunc* to December 5, 2011 authorizing the Third Amendment [Docket No. 7090].

10. On February 29, 2012, the Debtors filed a Notice of the Fourth Amendment to the Statement of Work Entered into Pursuant to the Tax Services Agreement with Ernst & Young LLP [Docket No. 7312] (the "Fourth Amendment"). No objections were filed to

the Fourth Amendment.

11. On July 18, 2012, the Debtors filed a Notice of the Fifth Amendment to the Statement of Work Entered into Pursuant to the Tax Services Agreement with Ernst & Young LLP [Docket No. 8015] (the "Fifth Amendment"). No objections were filed to the Fifth Amendment.

12. On December 17, 2012, the Debtors filed a Notice of the Sixth Amendment to the Statement of Work Entered into Pursuant to the Tax Services Agreement with Ernst & Young LLP [Docket No. 9136] (the "Sixth Amendment"). No objections were filed to the Sixth Amendment.

13. On January 17, 2013, the Court entered an Order Modifying the Engagement of Ernst & Young LLP *nunc pro tunc* to December 12, 2012 authorizing the Sixth Amendment [Docket No. 9288].

#### **Compensation Paid and Its Source**

14. All services for which compensation is requested by E&Y LLP were performed for or on behalf of the Debtors.

15. E&Y LLP has received no payment and no promises for payment from any source for services rendered or to be rendered in any capacity whatsoever in connection with the matters covered by this Application. There is no agreement or understanding between E&Y LLP and any other person other than the directors of E&Y LLP for the sharing of compensation to be received for services rendered in these cases.

#### **Fee Statements**

16. Pursuant to the Master Tax Services Agreement, E&Y LLP provides the Debtors with tax compliance reporting, tax controversy and tax advisory services for a fixed fee.

A copy of the invoices for the fixed fee installment payments for November 2012 and January 2013 are attached hereto as Group Exhibit A. Copies of the billing detail for the hourly work are attached hereto as Group Exhibit B.

17. To the best of E&Y LLP's knowledge, this Application complies with sections 330 and 331 of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Guidelines adopted by the Office of the United States Trustee, Del. Bankr. L.R. 2016-2, and the Compensation Order.

**Actual and Necessary Expenses**

18. E&Y LLP is not seeking reimbursement of expenses with this Application.

**Summary of Services Rendered**

19. E&Y LLP, by and through the above-named persons, has advised the Debtors on a regular basis with respect to various matters in connection with these cases, and has performed all necessary professional services which are described below.

**Summary of Services By Project**

20. The services rendered by E&Y LLP during the Compensation Period can be grouped into the categories set forth below. These categories are generally described below.

**Tax Compliance Reporting**

21. E&Y LLP assisted with tax compliance, tax reporting and tax advisory consulting such as but not limited to the preparation and filing of federal, state and international tax filing positions and compliance requirements, response to tax notices and analysis of bankruptcy related tax matters.

Modeling

22. E&Y LLP provided holdback calculations iterated and updated for model assumptions, factual developments, cash-flow assumptions including updated state apportionment calculation. E&Y LLP also prepared and communicated output, assumptions and strategic options to management and advisors.

Foreign Jurisdiction Tax Assistance

23. E&Y LLP provided an assessment of local country tax advice, assisted with the coordination of data relating to the filing of local country income and indirect tax returns, provided consultation related to the resolution of tax controversies for tax periods open by the statute, and provided assistance with procedural matters related to the wind-up and final withdrawal of the local entity or branch for Puerto Rico, Trinidad and Tobago.

NC Alternative Apportionment

24. E&Y LLP provided revisions to the North Carolina alternative apportionment request for tax periods 2011 through 2013.

E&P Analysis

25. E&Y LLP provided calculations of earnings and profits for Nortel Networks Inc. consolidated group and Nortel Networks Corporation owned United States consolidated groups for the tax year ended December 31, 2011, including cumulative E&P. E&Y LLP also provided a compilation and reconciliation of source return documentation and a review of the Debtors' transaction history, including restatements and IRS examinations.

9100 Relief

26. E&Y LLP provided research and analysis related to 9100 relief, including

the preparation of the ruling request, to secure an extension of time to treat the Debtors' 2008 net operating loss as an "applicable net operating loss" pursuant to I.R.C. § 172(b)(1)(H).

Secretary of State Applications

27. E&Y LLP provided research of state rules regarding withdrawal from the Secretaries of State and closure of the income tax account with the state Departments of Revenue/Taxation, including analysis of Debtors' activities on a state-by-state basis. E&Y LLP also prepared a matrix that summarized the Debtors' activities with open claims, notices received and pending negotiations.

Pre-Controversy Transfer Pricing

28. E&Y LLP provided analysis including compilation and testing, pursuant to controlling provisions of the IRC and existing case law, of contemporaneous transfer pricing documentation to support disposition transactions for years 2009 through 2011.

Assistance with Accounting and Finance Function

29. E&Y LLP provided assistance with the reconciliation and transition of fixed asset records.

Foreign Bank Accounting Reporting (FBAR)

30. E&Y LLP provided assistance with the Report of Foreign Bank and Financial Accounts, Form TD F90-22.1 filings for account ownership and signature authority, related to foreign bank accounts for calendar year 2012.

Payroll

31. E&Y LLP provided payroll tax reporting assistance, related to employment related settlements.

Valuation of Services

32. The professionals and staff members of E&Y LLP have expended approximately 3,414.7 hours<sup>2</sup> in connection with this matter during the Compensation Period. The flat fee identified above is E&Y LLP's normal rate for work of this character. The reasonable value of the services rendered by E&Y LLP during the Compensation Period is \$1,492,856.

33. In accordance with the factors enumerated in section 330 of the Bankruptcy Code, it is respectfully submitted that the amount requested by E&Y LLP is fair and reasonable given (a) the complexity of these cases, (b) the time expended, (c) the nature and extent of the services rendered, (d) the value of such services, and (e) the costs of comparable services other than in a case under this title. Moreover, E&Y LLP has reviewed the requirements of Del. Bankr. L.R. 2016-2 and believes that this Application complies with that Rule.

WHEREFORE, E&Y LLP respectfully requests that the Court authorize that for the period Compensation Period, an allowance be made to E&Y LLP pursuant to the terms of the Compensation Order, with respect to the sum of \$1,194,284.80 as compensation for necessary

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<sup>2</sup> This number represents an estimate of the total hours of services provided during this Compensation Period and is subject to change from month to month.

professional services rendered (80% of \$1,492,856), and that such sum be authorized for payment and for such other and further relief as this Court may deem just and proper.

Dated: February 28, 2013

Respectfully submitted,

/s/ Joanne Lee  
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