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## No end in sight to Nortel fees frenzy

By Theresa Tedesco

*The four-and-a-half-year winding down of Nortel Networks Corp. is the gift that just keeps on giving – to lawyers, accountants, and small armies of...*

The four-and-a-half-year winding down of Nortel Networks Corp. is the gift that just keeps on giving – to lawyers, accountants, and small armies of insolvency practitioners on at least three continents. To date, US\$915-million has been spent on professional fees and disbursements - US\$268-million of that to hired guns in Canada - to clean up the corporate mess ever since the once-mighty Canadian telecommunications equipment maker filed for bankruptcy protection from creditors in January, 2009.

In a ruling last week, the Court of Appeal of Ontario sought to bring the gravy train to an end. On June 20, the appellate court dismissed an attempt by the joint administrators of Nortel in the U.K., on behalf of 23 debtors in Britain and Europe, to appeal a ruling by courts in Ontario and the U.S. to force a joint trial to decide how to distribute US\$7.3-billion in cash held in escrow in the estate of the now-defunct company.

The Ontario Court of Justice and the U.S. Bankruptcy Court for the District of Delaware both ruled that a joint trial would begin on Jan. 6, 2012. However, the administrators of Nortel's U.K. operations wanted arbitration rather than a joint trial. The court of appeal shot that idea down, saying "granting leave to appeal would impose additional costs and threaten further delay in proceedings that have already experienced too much of both."

That is an understatement. According to numbers crunched by Diane Urquhart, a Mississauga, Ont.-based independent financial analyst, an unprecedented 9% of the estimated \$10.1-billion in Nortel's global bankruptcy estate has been pocketed by professional advisors around the world.

Ms. Urquhart, who has been doggedly tracking the numbers for representatives of Nortel's long-term disabled former employees, says that forecasts provided by accounting firm Ernst & Young, which has been Nortel's court-appointed monitor in Canada, reveals that as much as \$1.7-million a week will be paid out to lawyers, accountants, financial advisers and consultants from mid-April, 2013 to mid-October, 2013 alone. That amounts to a cool \$48-million pay day for six months' work.

Worse for Nortel's 357 long-term disabled employees, who have watched their disability insurance slashed, that total doesn't include an additional 10 weeks hired guns will keep the meter on before the joint trial begins in January, 2014 – and that is expected to last another eight weeks. Meanwhile, the tab is running for insolvency practitioners in the U.S. and the U.K.

For Nortel's former disabled employees, this is a bitter pill to swallow. While solvent, Nortel supplied disability insurance covering 50% of their pre-disability income. Many purchased additional disability insurance through payroll deductions to raise their coverage to 70%. Since Nortel filed for bankruptcy in 2009, former disabled employees received just 35% of the insurance owed. And former long-term employees who are not close to retirement, will have to survive on just Canada Pension Plan disability income, which ranges from just over \$10,100 to \$14,555 last year.

In an effort to stop the fees frenzy, Nortel's long-term disabled pensioners have filed official complaints with bankruptcy watchdogs in Canada and the U.S. asking regulator to investigate the professional fees and disbursements.