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Nortel U.K. Retirees Lose Bid for Arbitration

By Steven Church - Mar 8, 2013

[Nortel Networks Corp. \(NRTLQ\)](#) retirees in the U.K. lost a bid to force the defunct telecommunications company into private arbitration over how to split \$7 billion.

Today's ruling means retirees and creditors of Nortel's European units must fight for a bigger chunk of the cash in U.S. and Canadian courts, where Nortel's main units have been in bankruptcy since 2009.

U.S. Bankruptcy Judge Kevin Gross in Wilmington, [Delaware](#), and Ontario Superior Court Justice Geoffrey Morawetz in Toronto issued the ruling during a telephone conference. The judges, who have joint control over the liquidation of Nortel's most valuable assets, should be able to decide how best to split up the \$7 billion raised by those sales, Gross said.

"We will develop a practical solution," Gross said. "We will plan for trial in the fall."

Nortel, based in Mississauga, Ontario, filed for bankruptcy in [Canada](#), the U.S., the U.K. and [France](#), with various units under the control of separate teams of lawyers and under the jurisdiction of different courts.

U.K. bankruptcy officials claim Nortel's U.S. and Canadian units siphoned money from the European units for years, leaving them unable to pay pensioners and other creditors. The U.K. administrators are demanding \$2.67 billion from Nortel's main U.S. unit to pay retirees, according to court papers.

Canadian Claims

The groups have been fighting over a shrinking pile of cash that won't cover all of the debts owed by Nortel and its units. Creditors have presented more than \$36 billion in claims in Canada, according to a status report filed in October.

Nortel's U.S. and Canadian units have \$9 billion in cash to distribute to creditors, with about \$7 billion held in escrow accounts until courts decide how it should be divided, James L. Bromley, the lead attorney for Nortel's U.S. bankruptcy, said in court yesterday.

Bankruptcy administrators for Nortel's European units had asked Gross and Morawetz to require the money to be divided in a private, binding arbitration process.

Nortel bonds that matured in 2011 jumped about 1 percent to 106 cents on the dollar after today's ruling, according to Trace, the bond-price reporting system of the Financial Industry Regulatory Authority.

The case is Nortel Networks Inc., 09-10138, [U.S. Bankruptcy Court](#), District of Delaware (Wilmington).

To contact the reporter on this story: Steven Church in Wilmington, Delaware at schurch3@bloomberg.net

To contact the editor responsible for this story: [John Pickering](#) at jpickering@bloomberg.net

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