

## **Bankruptcy watchdog questions Nortel's \$1.7 million bonus proposal**

By Peg Brickley, Dow Jones Newswires

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### **10 executives remain at bankrupt telecoms equipment maker.**

Federal bankruptcy watchdogs have lodged a protest against Nortel Networks Corp.'s latest request for bonuses for U.S. executives still on the job years after the company went out of business.

At \$1.7 million, the 2013 bonus plan is much smaller than earlier rounds of extra-pay requests for the defunct telecommunications-equipment maker, which won approval for more than \$150 million of bonuses across the four-year span starting with Nortel's January 2009 Chapter 11 filing.

In spite of the company's years of experience in pushing its bonus plans through bankruptcy court, U.S. Trustee Roberta A. DeAngelis contends the company is still skimping on the details of what, exactly, Nortel will be getting in exchange for extra pay for a group of 10 remaining company leaders.

Nortel "must produce more information to enable the U.S. Trustee, as well as the Court, to determine whether the individual employees' responsibilities and performance goals are virtually risk-free 'lay-ups,'" lawyers for the U.S. trustee wrote in papers filed Friday.

Out of business for years, Nortel is moving toward mediation of a dispute over how to divide \$7.3 billion raised in bankruptcy among creditors around the world. Creditors are hoping for a fast resolution of the dispute over the funds. There is a Chapter 11 plan on file for Nortel in the U.S., but until it is known how much of the money the U.S. arm of the Canadian company will have to hand out, the plan cannot go forward.

Creditors of the U.S. company won't be paid until the plan is in effect.

Trading prices in Nortel's debt remain strong, at above-par prices that reflect an expectation that debt issues purchased at a discount will pay off in full, with interest.

Nortel says the skeleton crew remaining as its bankruptcy enters the final phase have taken on

broader responsibilities and need additional compensation this year. There are still tax, financial and regulatory tasks to complete, the company said in papers filed in December in the U.S. Bankruptcy Court in Wilmington, Del.

Besides the cleanup crew, Nortel has had outside restructuring executive John Ray, serving as principal U.S. officer, on the payroll for the bankruptcy. Mr. Ray billed the company more than \$3 million between December 2009 and October 2012, according to court records.

Nortel's 2013 bonus proposal will be reviewed at a court session Jan. 23. It contains the potential for as much as \$1 million in bonuses, in the aggregate, for seven noninsider employees, and as much as \$774,750, in the aggregate, for three insiders, court papers say.



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