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January 18, 2013, 1:04 PM

Nortel \$7.3 Billion Cash Settlement: To Be Continued

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By Peg Brickley

Efforts to broker a deal to divide up [Nortel](#)'s \$7.3 billion cash hoard will be continued until noon Tuesday, the Canadian judge presiding over the talks announced late Thursday.



Associated Press

Chief Justice Warren Winkler of Ontario, sitting as a mediator, was supposed to wrap things

up Friday in the effort to reach a settlement that will head off marathon international litigation over the money, raised in the sale of the former telecommunications company's businesses. However, the 100 or so attorneys and advisers who have been trading arguments and settlement proposals for months will continue to meet until Tuesday, a representative of Justice Winkler said in a late-night email.

The contenders include Canadian and European pensioners and other former workers, who are vying with hedge funds, most of them U.S.-based, that gambled on a big payoff from the bonds of the fading telecommunications company.

Trading prices for Nortel's debt ticked up a few points in advance of the mediation effort as bondholders hoped for a deal while vowing to fight to the end if necessary. As the mediation that began Monday continued through the week, however, bond prices leveled off or began slipping back, a sign that settlement hopes were fading.

Nortel, based in Canada, took cover from creditors in courts around the world a little more than four years ago and auctioned off its businesses. A record-breaking \$4.5 billion sale of Nortel's patent portfolio capped the effort, a result that sent bond prices soaring. Technically, Nortel was solvent, able to cover its debts, and bondholders figured that entitled them to payment in full with lots of interest.

Retired workers left with sharply reduced pensions, disabled employees thrown onto the welfare rolls and other non-U.S. creditors, however, protested that it would be grossly unfair to leave the people who built Nortel in need while hedge funds

celebrated a windfall. Former workers in Canada and Europe say they have nothing to lose from saying “no” to a cheap deal with Nortel’s bondholders.

Failure to come to terms in Justice Winkler’s mediation means litigation for Nortel in courts around the world, a prospect that judges involved in the case say is all but unthinkable. Years of litigation will eat into the \$10 billion in cash that Nortel has stacked up in banks, as an army of lawyers and advisers continues to rack up fees. Cleary Gottlieb Steen & Hamilton, Nortel’s main U.S. bankruptcy firm, cost more than \$187 million as of the end of November 2012, court records show. That’s an average cost of some \$4 million per month, before the real fighting begins and Cleary’s top litigators go into action at \$1,095 per hour.

Write to Peg Brickley at peg.brickley@dowjones.com.

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