

November 22, 2013

## Fees for lawyers, consultants in Nortel case top \$1-billion

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*Long-running bankruptcy case is now Canada's most expensive, continues to swell*

The bills for professional fees in the long-running bankruptcy proceedings of Nortel Networks Corp. have now topped \$1-billion (U.S.), and they are expected to climb substantially further as the case heads toward a hearing next May.

An analysis of fee payments by independent consultant Diane Urquhart, who is working with a group of Nortel employees on long-term disability, shows professional fees paid to date total \$323-million in Canada, \$435-million in the United States and \$250-million in Britain and the rest of Europe for a total of \$1-billion. Her group argues the fee payments have reduced Nortel's global estate from \$10.5-billion in 2011 to \$9.5-billion today.

The fees have grown from \$755-million since last January alone, as lawyers and consultants continue to prepare for a joint international hearing April 28 to determine the distribution of \$7.3-billion that was raised from Nortel's sale of assets in recent years. Nortel's bondholders, pensioners and other creditors have been fighting an expensive cross-border battle since 2009 over how the company's remaining assets should be divided among different groups and among various international divisions of the global company.

The Canadian portion of the battle has involved many of the country's largest law firms acting for various parties and creditor groups, including Goodmans LLP, Norton Rose Fulbright LLP, Gowling Lafleur Henderson LLP, Torys LLP and Fraser Milner Casgrain LLP.

The soaring costs have made the case Canada's most expensive bankruptcy, and are infuriating to former Nortel employees who lost part of their long-term disability coverage when the company collapsed. The disabled employees have argued the fees paid to lawyers far exceed the \$85-million in recoveries their group has sought in Canada.

"I am outraged that these lawyers paid themselves over \$1-billion when they told the court in 2010 there was no money in the Canadian estate to honour my disability insurance," disabled employee Greg McAvoy said in a statement Friday.

Costs have soared in part because there were three failed attempts at a mediated settlement since 2009, leading to a court battle over how the case should be handled. In March, the Canadian and U.S. judges overseeing the bankruptcy cases jointly ruled they would hold a joint cross-border trial to decide on distribution of assets. That hearing was originally expected to be held late in 2013, but has been delayed several times and is now expected to start April 28.

Ernst & Young, which is acting as the monitor for Nortel's Canadian bankruptcy filing, has projected another \$46.5-million in professional fees will be claimed by February, 2014, but there are no projections for fees in the U.S. or Europe. In its latest monitor's report to the court, Ernst & Young said it "remains concerned about the significant costs" being incurred by lawyers in the discovery process to prepare for trial, and said it is trying to streamline the preparation process as much as possible.