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The Insolvency Service
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**Request for Investigation by the U.K. Insolvency Service of the Nortel UK Estate
Professional Fees Paid to Insolvency Professionals**

The U.K. Insolvency Service is shown on its website to have the power to authorize and regulate the insolvency profession.

<http://www.bis.gov.uk/insolvency/About-us>

We are four Nortel Canadian long term disabled former employees who are forced to live on CDN \$10,000 per year of Canada Pension Plan disability income going forward due to the Nortel bankruptcy. This income is not enough to pay for our essential living expenses.

We request an independent audit and investigation of the Nortel UK Estate's professional fees paid to insolvency professionals, as there have been disclosed payments of US \$208 Million of professional fees, restructuring costs, and Administrator's fees & disbursements between Jan. 14, 2009 and Jan. 13, 2012, as shown in Table 1 below. The disclosure for the payment of professional fees from the Nortel UK Estate is not timely and the amount of professional fees is ongoing as the mediation amongst the Nortel global creditors conducted by Justice Warren Winkler in Ontario, Canada was terminated on January 24, 2013.

These professional fees paid from the Nortel UK Estate must be examined in the context of the Nortel Global Estate paying an excessive \$837 Million of total professional fees, restructuring costs and UK joint administrators' fees and disbursements as shown in Table 1 below.

Table 1

Nortel Bankruptcy Proceedings Professional Fees		
\$ Millions		
Canada	Jan. 14, 2009 to Oct. 13, 2012	244
U.S.	Jan. 14, 2009 to Nov. 30, 2012	386
U.K. (17 EMEA Countries)	Jan. 14, 2009 to Jan. 13, 2012	126
Total Professional Fees		755
UK Joint Administrators' Fees and Disbursements		
	Jan. 14, 2009 to Jan. 13, 2012	82
Total Professional Fees, Including UK Joint Administrators' F & D		837

Sources: U.S. Debtor-In-Possession Monthly Operating Reports for Feb. 2009 to Nov. 2012.

Ernst & Young Canada Court Monitor Report Numbers 8, 15,16, 25, 33, 35, 43, 50, 55, 59, 70, 78, 84, 87, 89

U.K. Joint Administrators Report Feb. 9, 2012

Compiled by Diane Urquhart, Independent Financial Analyst

The source documents for the Nortel professional fees, restructuring costs and UK administrator fees and disbursements, are found on the official websites for the provision of Nortel CCAA, US Chapter 11 and UK Administration legal and financial documents, which are at the following links.

Ernst & Young U.K. Joint Administrators Reports Feb. 9, 2012

[U.K. Joint Administrators Reports Feb. 9, 2012](#)

Ernst & Young Canada Court Monitor Report Numbers 8, 15,16, 25, 33, 35, 43, 50, 55, 59, 70, 78, 84, 87, 89

[Ernst & Young Canada Court Monitor Reports With Disclosure of Restructuring Costs Monitor's Report 43rd April 9, 2010](#)

US DIP Monthly Operating Reports Jan. 14, 2009 to Nov. 30, 2012

[US DIP Monthly Operating Reports Jan. 14, 2009 to Nov. 30, 2012](#)

Canadian Nortel Long Term Disabled Insureds and Both the Ontario and UK Governments Are Impacted By Excessive Professional Fees

From the Ernst & Young Canada Court Monitor's 65th Report, we are aware that the Nortel UK Pension Plan has a deficit of GBP £2.1 Billion or CAD \$3.7 Billion. We understand that the UK Pension Protection Fund (UK PPF) guarantees a substantial portion of the Nortel UK Pension Plan deficits and that this guarantee is one of the largest payments every made from the UK PPF.

We see that the UK PPF has had success in the UK courts to date in having its guarantee amount considered as an administrative expense in the Nortel UK Estate, however this priority creditor claim has less funds available for its payment due to the large amount of professional fees paid from the Nortel UK Estate.

Furthermore, there are two creditor claims of GBP £450 Million and GBP £150 Million out of the total UK Pension Plan deficit of GBP£2.1 Billion that are inter-country creditor claims against the Nortel Canada Estate in favour of the Nortel UK Estate. These relate to Canada's Nortel Networks guarantee agreements with the UK Pension Trustee in 2006 and an internal Nortel corporate reorganization called Project Swift in 2007. Therefore the professional fees paid from the Nortel Canada Estate are also reducing the UK PPF recoveries from the Nortel CCAA Final Settlement.

The Ontario Government taxpayers put \$350 Million into the Ontario Pension Benefit Guarantee Fund (Ontario PBGF) for the benefit of the Nortel Canadian pensioners and so the Ontario Government is also adversely impacted by the \$244 million of professional fees paid from the Nortel Canada Estate.

We, as the Nortel Canadian long term disabled insureds whose Health and Welfare settlement to date paid for just 35% of the actuarial liability for our disability income until age 65, are not covered by any government guarantee programs for private sector pensions. So, we personally bear the devastating consequences of Nortel's bankruptcy and the professional fees from the Nortel Canada Estate being close to 10% of the total CDN \$2,510 million of creditor claims for Canadian pensioners, severed employees and long term disabled insureds.

The Nortel UK Estate's professional fees affect us indirectly depending upon the ultimate distribution of Nortel's US \$7.3 billion of business sales' proceeds in the so-called lock-box to the Nortel Canada, US and UK Estates.

Public Trust and Confidence in the Administration of Bankruptcies is at Stake

How can we have public trust and confidence in the administration of bankruptcies in Canada and the U.K., when Ernst & Young is condoning such high professional fees being paid from the Nortel bankruptcy estate of just \$10 billion assets globally, and less for each of the Canada and the UK portions?

Ernst & Young is the Nortel CCAA Court Monitor and is also the Nortel UK Administrator, where the disclosed fees and disbursements for Ernst & Young UK is \$82 Million. There is no disclosure in the CCAA proceedings of what Ernst & Young is being paid for its services as the Nortel CCAA Court Monitor.

Why is Ernst & Young condoning \$452 million of professional fees, restructuring costs and administration fees and disbursements being paid from the Nortel Canada and the UK Estates, including its own Monitor's and Administrator's fees?

The Ontario Securities Commission (OSC) has filed securities offence allegations against Ernst & Young on December 3, 2012 for failing to undertake their audit work on the Sino-Forest engagement in accordance with industry standards and with a sufficient level of skepticism.

[OSC Statement of Allegations against Ernst & Young LLP - Auditors of Sino-Forest Dec. 3, 2012](#)

Why should we trust that Ernst & Young is providing adequate financial controls in the Nortel CCAA and UK Administration proceedings in the face of these OSC charges in respect to their audit work at Sino-Forest?

Complaints to the Canada Federal Superintendent of Bankruptcy and the US Trustee Also

We have filed official complaints and requests for investigation on the insolvency professional fees in the Nortel CCAA and Chapter 11 court proceedings.

[Letter to Superintendent of Bankruptcy Bill James January 24, 2013](#)

[Letter to US Trustee Roberta Deangelis January 17, 2013](#)

[Letter to US Trustee Roberta Deangelis Jan. 23, 2013](#)

[Letter to US Trustee Roberta Deangelis January 25, 2013](#)

The Canadian and international media community sees the merit of our complaints about excessive professional fees paid to insolvency professionals as witnessed by the long list of media coverage given to our case in recent weeks.

[Financial Post Street - Corporate salvage operations need rescuing, Jan. 29, 2013](#)
[Law Times - Nortel workers decry fees paid to lawyers Jan. 28, 2013](#) [Canadian Press - Former Nortel workers ask bankruptcy czars to investigate fees paid by estate Jan. 28, 2013](#)
[Toronto Star - Ex-Nortel staff complain about bankruptcies fees Jan. 27, 2013](#)
[Toronto Star - Phone calls lift cost of Nortel fight to \\$838M Jan. 26, 2013](#)
[Wall Street Journal - Nortel mediation efforts fail Jan 25, 2013](#)
[CBC - Nortel pensioners fear they'll never see a settlement Jan. 25, 2013](#)
[Globe and Mail - The ever-rising Nortel tab - Legal bills pile up as mediation fails Jan. 25, 2013](#)
[Globe and Mail - As Nortel pensioners struggle, the lawyers are doing just fine Jan. 15, 2013](#)
[National Post - Verdict recasts sordid history of Nortel Networks Jan. 15, 2013](#)
[Wall Street Journal - Big winners in Nortel's demise lawyers Jan. 15, 2013](#)
[CBC Radio News - Nortel Disabled Jan. 15, 2013](#)
[Dow Jones - Bankruptcy watchdog questions Nortel's \\$1.7 M bonus proposal Jan. 8, 2013](#)
[Dow Jones - Disabled US workers accuse Nortel of intimidation on benefits Nov. 21, 2012](#)
[Dow Jones - Disabled US workers say Nortel can't cut off benefits, October 26, 2012](#)

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<http://www.bis.gov.uk/insolvency/insolvency-profession/review-of-ip-fees>

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