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PBGC reaches settlement with Nortel over 2009 bankruptcy claim

BY **HAZEL BRADFORD** | DECEMBER 22, 2016 4:00 PM | UPDATED 4:59 PM

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Nortel Networks Corp., Mississauga, Ontario, has reached a settlement agreement with the Pension Benefit Guaranty Corp. to pay up to \$565 million to the agency that took over its U.S. defined benefit plan in 2009 following the company’s bankruptcy liquidation.



The PBGC, which had been opposing a proposed bankruptcy plan that favored other creditors, agreed to support the new agreement, which is scheduled to be approved Jan. 9 in Delaware bankruptcy court in Wilmington. The PBGC would be paid once a final bankruptcy agreement is approved by other creditors.

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The PBGC originally sought \$750 million but amended its claim to \$624.5 million in unfunded liabilities and \$83.4 million in unpaid premiums. The proposed settlement caps the payment at \$565 million.

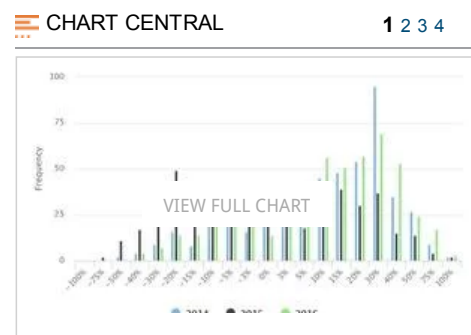
In court documents filed Wednesday, Nortel said the agreement with PBGC overseen by a court-appointed mediator “provides substantial benefits to the debtors, their estates and their creditors. First and foremost, the settlement agreement represents a material compromise by the PBGC” by reducing the amount of the claim and by granting a general unsecured claim instead of the priority claim that the agency had sought. “These compromises, which were vigorously negotiated ... also clears a path for bringing the debtors’ bankruptcy cases to a close,” Nortel said.

A PBGC statement said the agreement “provides fair treatment” and helps achieve “an expeditious resolution of this bankruptcy that has lasted for more than seven years.”

— **Contact Hazel Bradford at hbradford@pionline.com | [@Bradford_PI](https://twitter.com/Bradford_PI)**

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