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PBGC, Canadian Disabled Former Employees Slam Nortel Pact

The U.S. pension safety net and former employees say settlement over how to divide \$7.3 billion raised in Nortel's liquidation misses the mark on fairness



ENLARGE

The former Nortel Network offices in Santa Clara, Calif. in 2009. *PHOTO: PAUL SAKUMA/ASSOCIATED PRESS*

By

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The long-awaited settlement over how to divide \$7.3 billion raised in Nortel Networks Corp.'s bankruptcy liquidation isn't without its critics.

The U.S. pension safety net, Pension Benefit Guaranty Corp., and representatives of a small but vocal group of Canadian disabled former employees weighed in Thursday against the settlement, saying it misses the mark on fairness.

Announced Wednesday, [the pact ends years of pricey litigation](#) over the money and means checks could go out within months to creditors, including former employees still waiting for their severance pay from 2009, when the former telecommunications giant collapsed.

Creditors in Canada are the "clear losers" in a tug of war over the funds, according to a statement issued Thursday by advocates for disabled workers in Canada.

Nortel's businesses were sold off years ago. The fight over the sale proceeds has enriched battalions of advisers as Nortel U.S. and allied bondholders battled the Canadian parent company and British pensioners over the funds. Fees have topped \$2 billion, which is more than any of the competing national units except for the Canadians are receiving as their portion of sale proceeds.

The settlement is supported by Nortel Canada, Nortel U.S., European units of the defunct telecommunications company, bondholders and even British pensioners, the only group to pay for its own lawyers in the prolonged proceeding.

"Our clients are looking forward to having the conditions satisfied and finally seeing a distribution to creditors," said D.J. Miller, a Canadian lawyer who represented the British pensioners.

The PBGC picked up Nortel's underfunded pension plan soon after the Canadian company filed for insolvency protection, taking over the task of sending checks to U.S. pensioners. Thousands of Nortel

retirees in the U.S. won't see a change in their benefit payments as a result of the settlement, the agency said in a statement.

However, the companies that are still paying the premiums that keep PBGC on its feet financially will have to "shoulder a greater burden in the coming years" if the settlement is approved with no provision for the agency's \$780 million underfunding claim, according to the agency. Nortel's bankruptcy deal leaves companies that are still paying their debts to pick up the slack for Nortel's failed business, the PBGC said in a statement.

Besides dividing the cash, the proposed settlement validated some bankruptcy claims, including nearly \$4 billion in claims by bondholders. The settlement, which wasn't signed by PBGC, caps the agency's claim at no more than \$708 million and requires the agency to face a court fight to collect.

Advocates for disabled Canadian former Nortel employees issued a statement Thursday saying that about 500 former workers and dependents were "unjustly and abusively treated" in insolvency proceedings. Diane A. Urquhart, a financial analyst who has been advising the Canadian disabled former employees, said there is still time to fix the alleged defects in the deal.

The settlement timetable calls for the filing of payment plans by the end of the month in the U.S. and Canada, followed by action in January to get the plans approved.

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