



## **Nortel to settle over retiree benefits**

By Peg Brickley | Wednesday, 2 January 2013

Nortel Networks Corp. reached a deal to pay \$66.9 million to get out from under claims for health-care benefits from retired U.S. employees and their dependents.

The proposed benefits pact with the retired workers marks the second settlement of side-battles with U.S. employees as Nortel prepares for negotiations over the last big question in its case: how to divide \$7.3 billion.

Earlier, Nortel reached an accord with former executives who socked away some of their cash in a special retirement-savings account, called a deferred-compensation plan. In exchange for walking away from a court fight, the deferred compensation savers will get \$31 million to share out, for a recovery of 97% of the funds that were in their savings accounts on the day Nortel filed for bankruptcy.

"We are very pleased with the settlement," said Robert Keach of Bernstein Shur Sawyer & Nelson, attorney for hundreds of the deferred compensation claimants.

Nortel filed for bankruptcy protection in several countries at the start of 2009 and raised billions selling off its businesses and patent portfolio. With creditors around the world claiming the cash, Chief Justice Warren K. Winkler of Ontario is attempting to broker a settlement. He's reviewing confidential settlement proposals in advance of a five-day mediation session starting Jan. 14 in Toronto.

In the meantime, U.S. lawyers have been trying to do what their counterparts in Nortel's Canadian case have already done and tie up loose ends on employee claims.

In addition to retirees anxious not to lose medical benefits and the deferred-compensation claimants, Nortel has been battling U.S. disabled workers who stand to lose their pay as well as their benefits in the company's bankruptcy.

The two settlements reached to date are scheduled for court review Jan. 23. While the worker fights are relatively small-ticket items in the context of a multibillion-dollar bankruptcy, it took years to get to settlements.

The company first tried to lay claim to the money in the deferred compensation funds in December 2010, but encountered resistance. Former Nortel executives banded together into an ad hoc panel and hired Mr. Keach. The settlement calls for Nortel to pick up the tab for the group's lawyers, more than \$3 million, a payment that is separate from the settlement fund.

Nortel's attempt to cut off U.S. retiree benefits dates back to July 2010. An appeals-court ruling in another bankruptcy case stymied Nortel's first effort to shut off health care for retirees and forced the company to the bargaining table.

Nortel argued it was dissolving as a corporation, and simply would not be around to pay claims. Lawyers for retirees pointed out Nortel had amassed so much cash in its bankruptcy

case that it would be unfair for the company to simply walk away from former workers.

Under the proposed settlement, health-care coverage will remain in place until the end of May. After that, retirees can claim their share of the settlement cash through tax-advantaged benefit programs. In exchange for participating in the settlement, U.S. retirees are being asked to sign away their rights to press benefit claims against Nortel in its bankruptcy case.

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