

New

Nortel bankruptcy fees hit \$1B US

Lawyers and other professionals paid huge sums while former disabled employees struggle

By By Karina Roman, [CBC News](#) Posted: Nov 22, 2013 3:31 PM ET Last Updated: Nov 22, 2013 3:31 PM ET

Fees paid to lawyers and other professionals working on the ongoing bankruptcy proceedings of Nortel Networks Corp. have passed the \$1 billion US mark, with tens of millions more likely to come. Nathan Denett/Canadian Press

Fees paid to lawyers and other professionals working on the ongoing bankruptcy proceedings of Nortel Networks Corp. have passed the \$1 billion US mark. That's outraged former Nortel employees who saw their long-term disability benefits cut after the company went under.

Ernst & Young, the firm hired by the Ontario Superior Court to be the Canadian Companies' Creditors Arrangement Act (CCAA) monitor is already projecting another \$47 million US of professional fees from this past October until February 1, 2014.

"I'm really outraged how we are left behind, while we see lawyers making windfall profits," said Greg McAvoy, a former Nortel employee, disabled by multiple sclerosis.

McAvoy is one of 357 long-term disabled employees who paid into a disability plan while working at Nortel, which was to cover 50 per cent of their pre-disability income. Many of those employees purchased additional disability insurance to push that payment up to 70 per cent. Post-bankruptcy, they were paid a settlement of 35 per cent of the insurance owed.

McAvoy now lives on a Canada Pension Plan disability income of \$1,100 a month.

"We were told by Nortel lawyers there's no money for us, but here we see the spending of huge sums," he told CBC News. "What we're seeing is the gravy train of Nortel bankruptcy and it's totally unjust."

McAvoy has filed an official complaint the office of the Superintendent of Bankruptcy Canada, the country's bankruptcy watchdog.

Diane Urquhart, an independent financial analyst who has been helping some of the disabled Nortel former employees, said that the still climbing bill of \$1 billion US is the largest in any bankruptcy proceeding in Canadian history.

At its peak, the Nortel global bankruptcy estate was worth \$10.5 billion US. It is now worth \$9.5 billion US. That means 10 per cent of Nortel's total estate has gone to professional fees. In comparison, the ongoing Lehman Brothers bankruptcy process south of the border has so far racked up \$2.2 billion US in fees, or 2.75 percent of the approximately \$80 billion US that will eventually go to creditors.

According to court documents, the biggest Canadian bills in the Nortel proceedings have come from Ernst & Young and the law firms it has hired. They are the very firms appointed to be the court monitors.

"My recommendation would be that there would be an absolute cap and that no money be spent thereafter," said Urquhart, who is also calling for an independent review of what has been spent so far.

That cap could be set by Justice Geoffrey Morawetz of the Ontario Superior Court of Justice.

At a hearing on Tuesday, Morawetz reportedly expressed concern over the mounting bills. "The court here is in the dark, and I do not want to be in the dark any longer," the Dow Jones Daily Bankruptcy Review quoted him as saying. "The time has come, please, to let me know how much this is costing."

While he did not set a cap on spending, Morawetz ordered the firms involved to give an accounting of their spending since May, 2013. That is when the firms began preparing for a joint Canadian-U.S. court hearing that will determine how \$7.3 billion US of the Nortel global estate fund will be allocated to remaining creditors.

That hearing is set for May 1, 2014.