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Courts agree to include senior Nortel executives in incentive program

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TORONTO — Nortel Networks Corp. (TSX:NT) received court approval Friday to include eight senior executives in a program for rewarding about 84 strategic employees if the struggling company achieves certain goals.

The incentive plan had already received court approval, except that eight unidentified individuals who report directly to Nortel chief executive Mike Zafirovski were excluded until Friday because of objections raised by creditors.

Zafirovski himself is not a candidate for the incentives.

Nortel, which has shrunk dramatically and lost its leading role in the telecom equipment industry since it peaked in 2000, has been operating under court protection from creditors since mid-January.

As a result, the Toronto-based company needs court approvals in Canada, the United States and several other jurisdictions for many of the decisions it must make while restructuring its business.

The Ontario Superior Court in Toronto had jurisdiction over three of the eight individuals and a U.S. court in Delaware had jurisdiction over the other five. Both courts gave their approvals Friday.

The latest court decisions are part of two related initiatives, totalling US\$45 million, to keep and reward certain employees who the company says are the most critical to its future success.

One of the programs, totalling \$22 million, is to ensure about 900 key engineers and other professionals stay with the company.

The other program, totalling \$23 million, provides goals-oriented incentives for 84 people, including the eight members of the senior management team.

All told, the two programs involve a relatively small percentage of Nortel's current workforce and its overall budget.

But given Nortel's prominence in Canada and general attention being paid to executive compensation in light of government bailouts for failed financial and automotive firms, there has been considerable media attention focused on the company's efforts in court.

Mohammed Nakhouda, Nortel's chief spokesman, said Friday in a statement that "it's important to note that the vast majority of employees at all levels are already on a quarterly incentive plan aligned to the short-term goals of company.

"Of those employees, we have identified a few hundred additional individuals to be part of a separate incentive program (including some executives) to ensure that key employees with specific skills and experience remain in place as we deliver on the restructuring. These additional programs are largely goals-based programs which will ensure that employees, management, and our creditors are all aligned behind a common set of goals"

Former Nortel employee Russell Schooley, who filed an objection with the U.S. court as an unsecured creditor, said he did so as a matter of fairness.

"I mean, these are the folks who were at the helm when we resulted in bankruptcy and now they want an incentive to get us - to get the company, it's not 'us' any more since I'm not an employee any more - but get the company out of bankruptcy."

Instead, Schooley said in an interview with The Canadian Press after the Friday court decisions, "they should be making up for getting us there in the first place."

The company revealed on March 2 that it had a 2008 net loss of US\$5.8 billion, including more than US\$2 billion in the fourth quarter ended Dec. 31, 2008. Full-year revenue of \$10.42 billion was down five per cent from 2007, while fourth-quarter revenue fell to \$2.72 billion, down from \$3.2 billion in the final three months of 2007.

The company, which at its peak employed more than 90,000 people around the world, has been shedding thousands of jobs after several announcements over the past year.

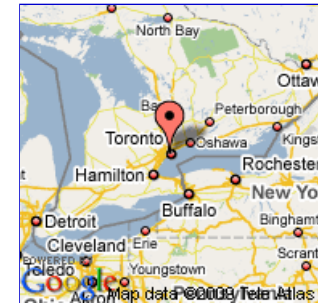
Schooley, now in his 40s, joined Nortel in 1988 right out of school, was involved with research and development at the company's U.S. headquarters in Richardson, Texas, before he was let go in December.

Things went from bad to worse once Nortel filed under Chapter 11 of the U.S. bankruptcy code in mid-January and severance payments to recently dismissed employees, including Schooley, were cut off.

"It's not that I hold ill will against any individuals or against Nortel, it's just that I want things to be

THE CANADIAN PRESS 

Map



fair. And what's being proposed does not seem fair and equitable."

The company's shares, which will likely become worthless once the restructuring process is completed, closed at 9.5 cents Cdn on Friday.

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