

Courts okays bonuses for Nortel chiefs

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Toronto — Bankruptcy court judges in Canada and the United States have approved orders allowing eight senior executives at Nortel Networks Corp. to receive retention bonuses to keep them from leaving the telecommunications giant while it restructures under bankruptcy protection.

The approval came despite objections from a Toronto lawyer representing about 60 of the 1,100 Canadian workers who have been laid off from Nortel and were denied their severance payments after the company filed for bankruptcy protection in January.

Lawyer Eli Karp said the employees are dismayed to see large bonuses being paid at the same time the company is refusing to honour their promised severance costs. He argued it has left the workers forced to turn to government employment insurance for income.

“In the context of the global financial climate the way it is today, our clients object to millions of dollars of bonus payments being made,” Mr. Karp said.



Nortel is operating under court protection from creditors.

Nortel Networks Corp.



“Our clients are now on the government employment insurance payroll and at the same time, the company seeks to pay millions of dollars to its executives while leaving employees not receiving their severance payments.”

Nortel lawyer Derrick Tay said Friday the company will not reveal the names of the eight executives receiving the payments nor how much they will be paid in total. He said their payments are part of Nortel's key executive retention program, which totals \$23-million (U.S.) and covers 92 employees.

Three of the eight executives are in Canada and five are in the United States. Nortel has previously said chief executive officer Mike Zafirovski will not participate in the retention bonus plan.

The retention plan received court approval on March 6, but the approvals did not include the payments for the top eight executives. Nortel's unsecured creditors in the United States asked that the payments to U.S. executives be delayed until the company had provided

its 2009 budget plan.

Mr. Tay told the Ontario court Friday the budget plan has been provided, and the company now can seek approval to pay the retention bonuses to the final eight executives in Canada and the United States.

He said Nortel's top executives receive much of their compensation from programs such as a stock incentive plan, all of which have been cancelled since the company filed for bankruptcy protection.

"Those programs have all been terminated and, therefore, employees of Nortel were in fact below market in terms of their compensation," he said. "Therefore, it was necessary to put in some type of incentive program to ensure we keep the people we need to keep in order to have a successful restructuring."

Lyndon Barnes, a lawyer representing Nortel's board of directors, also urged Mr. Justice Geoffrey Morawetz of the Ontario Superior Court to approve the bonuses, saying the board cannot function without the advice of its experienced leadership team.

He said Nortel's best hope of preserving its value and saving employees' jobs is to complete its restructuring.

"The loss of senior management at this time may well dash the hopes of getting this done," Mr. Barnes said.

Mr. Tay also told the court Mr. Karp should not "whip up a frenzy" by suggesting the company's top executives are getting millions of dollars when there is "no evidence" that has been revealed publicly to support this. He said 29 executives in Canada will receive \$6.8-million in total.

"I think we should all be responsible about what we say, especially in these times of heightened concerns about these matters," he said.

But during a break in Friday's hearing, Mr. Karp said he felt his comments were fair because he believes the 29 people are indeed Nortel's top workers and they are getting millions in total.

"I don't know how many employees Nortel has, but it is safe to say there are thousands. The top 20-some to me are pretty senior."

Justice Morawetz said he would approve the bonuses because he had previously approved the executive incentive plan for all other employees except the eight top executives.

"Although the amounts involved are not insignificant, it is necessary in my view to consider the plan in the context of the overall restructuring," he said.

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