

Nortel executives win approval for \$7.3-million in bonuses

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Toronto — Eight top executives of **Nortel Networks Corp.** will be eligible for up to \$7.3-million (U.S.) in bonus payments under a retention plan approved Friday by court judges at parallel hearings in Canada and the United States.

The approvals came despite objections from a Toronto lawyer representing about 60 of the 1,100 Canadian workers laid off last year from Nortel and denied their severances after the telecommunications giant filed for bankruptcy protection in January.

Lawyer Eli Karp said the employees are dismayed to see large bonuses being paid while the company is refusing to make promised severance and benefits payments. Mr. Karp argued that it has forced the workers to turn to government employment insurance.

“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,” he said.



Nortel is operating under court protection from creditors.

Nortel Networks Corp.



The controversy comes amid blistering criticism of executive bonus payouts after American International Group Inc. revealed it is paying \$165-million in bonuses to its executives while taking \$170-billion in U.S. government bailouts.

Robert Kenas, a Nortel worker in New Jersey who accepted a severance offer in December, urged the U.S. court to turn down the bonus plan. Mr. Kenas said he has been denied seven months of promised severance pay as well as his lump-sum pension payments, and has been told he cannot collect his monthly pension annuity until July when his severance period ends – even though he is now not receiving any payments.

Mr. Kenas sent a letter to U.S. Bankruptcy Judge Kevin Gross asking him to deny the executive bonuses because they are an “outrageous” reward for leaders who have been an “abysmal failure” in their jobs.

“They would reward dreadful results,” Mr. Kenas said. “These people will stay put because their records make them unattractive, even if the job market were good. They are not and will not be highly sought-after people.”

Nortel filed a sealed document with the courts Friday outlining the proposed payments, but would not publicly reveal the names of the eight executives, citing confidentiality. The company has previously said chief executive officer Mike Zafirovski will not receive the retention bonus.

Nortel lawyer Derrick Tay Friday confirmed that the eight could receive up to \$7.3-million if they achieve goals, including completing a reorganization plan. He said five executives in the United States would share about \$5-million and the rest would go to three executives in Canada.

The payments are part of Nortel's key executive retention program, which totals \$23-million and covers 92 employees. The company has also adopted another retention program for 880 key professional employees with a maximum payout of \$22-million.

Both retention plans 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 said the budget plan has been provided, so the company could seek approval to pay the executives. He said Nortel's top leaders get much of their compensation from stock incentive programs that were cancelled when it 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 for Nortel's board of directors, also urged Mr. Justice Geoffrey Morawetz of the Ontario Superior Court to approve the bonuses, saying Nortel's best hope of preserving its value and saving 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.

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