

PENSIONERS AND FORMER EMPLOYEES NEWS BULLETIN

**THIS BULLETIN PROVIDES A WEEKLY SUMMARY OF
NORTEL'S CCAA PROCEEDINGS**

**THIS NEWS UPDATE IS PREPARED BY KOSKIE MINSKY LLP (KM) IN
THEIR CAPACITY AS REPRESENTATIVE COUNSEL
TO ALL PENSIONERS AND FORMER EMPLOYEES OF NORTEL**

JULY 22, 2009

OVERVIEW

On January 14, 2009, Nortel Networks Corporation and several of its affiliated companies ("Nortel") were granted protection from their creditors under the *Companies' Creditors Arrangement Act* (the "CCAA") pursuant to an Order of the Honourable Justice Morawetz. Ernst & Young was appointed as Monitor of Nortel's CCAA proceedings.

On May 21, 2009, the Ontario Superior Court of Justice (Commercial List) appointed KM as Representative Counsel to all pensioners and former employees of Nortel, unless an individual is specifically excepted or chooses to opt out of representation by KM. The Court also appointed three representatives, Donald Sproule, David Archibald and Michael Campbell (the "Representatives"), to act as representatives for all Pensioners and Former Employees of Nortel.

RECENT UPDATES

July 2009 Hardship Cases

KM has negotiated a proposal for terminated employees receiving no Employment Insurance (EI) or pension to make an application to obtain some relief from the Nortel estate. Qualifying applicants will be eligible for an advance of up to \$10,000 on any future distribution. Details of the proposal are subject to Court approval and will be made public next week.

July 2009 Canadian Pension Plans

NRPC representatives are pursuing meetings with key Ontario government officials regarding the Nortel Canadian Pension Plans to try and ensure coverage and obtain protection from the Ontario Pension Benefits Guarantee Fund. Meetings have also taken place between Quebec government officials and representatives of the NRPC. They are working toward a process where Nortel pension matters can be dealt with in an orderly manner that avoids liquidation of the pension plan in the current economic climate.

July 2009 Disabled Employees

KM anticipates receiving a Court order on July 30 appointing KM as representative counsel to this group.

July 17, 2009
U.S. Pensions Plans

On July 17, 2009, the Pension Benefit Guaranty Corporation (PBGC), a United States government agency, made an announcement concerning Nortel's U.S. pension plan. The PBGC's announcement states that the Nortel Networks Retirement Income Plan will be terminated and that the PBGC will seek to take over the plan assets and assume responsibility for paying benefits.

If you are a member of Nortel's Canadian unionized and/or salaried pension plan, your plan is not affected by the PBGC's announcement. The PBGC's announcement applies only to former U.S. employees of Nortel who belong to the company's pension plan administered in the United States.

There have been no announcements made with respect to Nortel's Canadian pension plans, the Nortel Networks Limited Managerial and Non-Negotiated Pension Plan and the Nortel Networks Negotiated Pension Plan. Pensions in Canada continue to be paid until further notice. To keep updated on the status of your pension plan in Canada, please visit www.nortelpensioners.ca.

July 18, 2009
Update on Advertising of Representation Order

The advertisement informing the public about KM's representation of Pensioners and Former Employees was not run in the Globe & Mail newspaper on Saturday, July 18, 2009. KM anticipates that the notice will be posted within the next 7-10 days.

July 20, 2009
Pensioners' Insert

An insert was mailed out in the Pensioners' July statement informing them that KM is the court-ordered representative of the Pensioners and Former Employees and providing KM's contact information. There has been an increase in calls and emails to KM since this mailing. KM anticipates sending out a more detailed letter in the August statement.

July 20, 2009
Terminated Employees

KM received a list of all former employees whose employment was terminated by Nortel since the commencement of the CCAA proceedings. This is vital to KM and the NRPC in order to make contact with recently terminated employees.

July 21, 2009
Outcome of KM's Motion to Expedite Employment Standards Payments

KM appeared before Justice MacFarland of the Ontario Court of Appeal to argue the motion for directions to expedite the appeal of Justice Morawetz's decision disallowing the payment of minimums under the *Employment Standards Act*. The Court did not order a consolidated hearing of the leave to appeal and appeal motions. The Court did however order that the leave to appeal motion be heard in writing on an expedited basis, with materials being delivered in accordance with the proposed timelines. The leave to appeal application will be dealt with by the end of August. If leave to appeal is granted, the appeal also will be expedited.

July 21, 2009
Bid for Enterprise Solutions

This week, Avaya made a bid for Nortel's Enterprise Solutions business. RIM also issued a press release stating that it is interested in purchasing certain Nortel assets. The bidding process is not yet complete and there is still time for other bids. NRPC's business advisor, Richter, and KM are monitoring the documentation with a view to maximizing returns for Canadian creditors.

July 22, 2009
Update on Active Employee Representation

Justice Morawetz at the Ontario Superior Court of Justice released his decision to appoint Nelligan O'Brien Payne and Shibley Righton as Representative Counsel to the Nortel Continuing Canadian Employees (NCCE) and to appoint representatives of the NCCE. While the decision requires Nortel to pay the fees for legal representation, it does not require them to pay fees for actuarial and other financial expert services provided to the NCCE.

July 30, 2009 Upcoming
Court Dates

A Court date has been set for July 30, 2009. A number of issues will be dealt with on this date concerning recent sale announcements, approval of the hardship proposal, approval of the Representative Order for the Disabled Employee group, matters arising from the sale of the COMA assets and bidding for the Enterprise assets.

ADDITIONAL INFORMATION

Future Meeting and Webinar

The NRPC is attempting to schedule a public meeting in Ottawa for former Nortel employees as well as a Webinar across the country for sometime in August to bring you up to date on developments and to take some questions.

The Future Process for KM and for Pensioners and Former Employees

While it is an uncertain and frustrating time, right now there is no positive action that is required to be taken by individual Pensioners and Former Employees. You need not provide KM with any personal documentation, as this will be obtained directly from Nortel and the Monitor. If you have a specific concern to be addressed, please do not hesitate to contact KM.

KM is working hard to advance the interests of the Pensioners and Former Employees. RSM Richter will be providing KM and the Representatives with their analysis of each proposed transaction announced by Nortel, and KM will attend at all scheduled motions to object and/or support the motions accordingly. We will also work with the Monitor and other Canadian creditors to ensure a fair allocation of assets from these sales to the Canadian estate. KM and the Representatives are working with Segal Company to generate the best possible outcome for Pensioners and Former Employees' pension and health benefit funding issues. When the time is appropriate, KM will work with Segal Company and others to file your Proof of Claim in any Claims Process that may be established by Nortel. We will be in contact with you when this time arrives.

If you would like to join the NRPC's efforts to influence the Government's level of involvement in Nortel's pension solutions, or in their efforts to achieve legislative reform in favour of employees, former employees and pensioners, please contact the NRPC.

The Claims Process

A U.S. claims process has been released. A Canadian process for creditors who are not employees or former employees should be released very shortly. Representative Counsel, the NRPC, the Company and the Monitor are conducting discussions about the separate employee and former employee claims process which must then be approved by the Court. However, you need not take any steps in this process for now. Once finalized, we will notify everyone about the claims process and how it will take place.

CONTACT INFORMATION

For more information, please contact KM by email at nortel@kmlaw.ca or by calling our toll free hotline at 1.866.777.6344. Please contact the NRPC by visiting their website at www.nortelpensioners.ca.

For access to all public Court documents, please visit the Monitor's website at:
<http://documentcentre.eycan.com/Pages/Main.aspx?SID=89&Redirect=1>