

FREQUENTLY ASKED QUESTIONS

1. What is the Settlement Agreement?

The Settlement Agreement is an agreement reached between:

- Nortel Networks Limited and its Canadian subsidiaries;
- Former Nortel employees, pensioners and LTD beneficiaries and their court-appointed legal counsel, Koskie Minsky LLP;
- the CAW-Canada; and
- the court-appointed Monitor.

The Settlement Agreement addresses certain issues pertaining to the funding of Nortel's pension plans and certain post retirement and LTD benefit plans during 2010, as well as other matters. It was subject to the approval of the Ontario Superior Court of Justice, and was approved on March 31, 2010. Certain beneficiaries of the Settlement Agreement opposed court approval of the Settlement Agreement and are now seeking leave to appeal to the Court of Appeal. We will oppose the appeal, and your benefits will continue in the meantime.

2. What happens when Nortel ceases to administer the Nortel pension plans?

Your pension benefit entitlement will continue to be held in the plan. The Settlement Agreement provides that following September 30, 2010, the administration of the Nortel pension plans will be transitioned to a new administrator appointed by the Superintendent of Financial Services Ontario in accordance with the Pension Benefits Act. The new administrator will be responsible for the future payment of benefits and prudent investment of the pension funds. At some point in the future, your pension or deferred pension may be adjusted to reflect the funded status of the plan.

3. Who do I call for information after September 30, 2010?

Until further notice, all plan members, former members and pensioners should continue to call Mercer at 1.866.667.8358 to obtain information about pension benefits and to advise of any changes in their contact information. For address updates, you must also contact Nortel Shared Services at 1.800.676.4636. For more information, you may contact Koskie Minsky at 1.866.777.6344, CAW at 1.800.268.5763 ext. 3776 or the Monitor under the CCAA process by telephone at 1.866.942.7177 or 416.943.4439, or by fax at 416.943.2808. You will be advised if any of these contact numbers are changed. Please be sure to update us with any changes to your contact information.

4. Are the Nortel Canadian pension plans being wound up?

Yes, it is anticipated the plans will be wound up in the future. Further information regarding timing and the wind-up process will be provided as it becomes available.

5. If the pension plans are wound up, how will I receive my pension?

If the pension plans are wound up, the new plan administrator will be responsible for settling all plan benefits and determining how your pension benefit will be paid in accordance with regulatory requirements. When a plan is wound up, members who have not yet commenced their pensions (depending upon their age and service) will have an option to either receive a monthly pension at retirement age or to transfer out the value of that pension. All pensions will be purchased from an insurance company. For members who elect a lump sum transfer, they will be provided with the available transfer options. All benefits, whether paid as a pension or transferred out, will ultimately be subject to reduction if there are insufficient assets in the respective plan.

6. Are the Nortel pension assets safe from Nortel's Creditors?

Yes, the pension assets are safe from Nortel's creditors. The DB components of Nortel's pension plans are held by Northern Trust, a third party trustee in trust for the members of the plans. The DC components are held by Sun Life, a third-party insurance company. The trust assets and DC assets are not owned by Nortel. Assets held in the fund of a registered pension plans (DB and DC) are exempt from execution, seizure or attachment. At no time, including during any insolvency and restructuring proceeding, can creditors of Nortel access the pension plan assets.

7. How are the assets of the DB plans invested?

Currently, the Canadian pension plans' DB assets are invested 30% in equities and 70% in bonds. The assets are professionally managed in accordance with Nortel's approved statement of investment policy (as revised from time to time) and the Settlement Agreement.

8. How well funded are the DB plans?

The most recent review of the DB plans estimated that the Transfer Ratio is 69%. Since June 1, 2009, the Court has directed that any commuted value payments from the plans be paid out at the 69% level.

9. Will the DB plan's funded status change?

The 69% funded level is an estimate that was determined as at December 31, 2008. The value of pension assets and benefits will continue to fluctuate with market forces until the plans are wound up. As a result, the funded status of the pension plans could go up or down between now and the date pensions are settled following plan wind up.

10. Will Nortel continue to contribute to its pension plans?

Nortel has made current service contributions and special payments for past service deficits to its Ontario registered pension plans until March 31, 2010. Thereafter, it will only make current service contributions until September 30, 2010. This funding is in accordance with the Settlement Agreement. Any remaining deficits in the Nortel pension plans will become an unsecured claim against the Nortel estate in the CCAA process and any subsequent insolvency proceedings. These claims will be dealt with in accordance with applicable law.

11. What is the significance of the DB pension plans having an unsecured claim against Nortel?

When a claim is unsecured, it means that it does not receive special treatment in priority over other claims. As a result, the claims of the pension plans against Nortel will receive the same level of distribution as other unsecured claims against Nortel under the CCAA process. All payments of claims are subject to court approval.

12. Who should I contact if I have more questions that need answers?

Until further notice, all plan members, former members and pensioners should continue to obtain information about pension benefits from:

Defined Benefit Plan Members

Mercer – 1.866.667.8358

Defined Contribution Plan Members

Sun Life – 1-877-893-9893

All address updates should be provided to Mercer and/or Sun Life, however, it is also important to advise Nortel Shared Services of any changes to your contact information. They can be reached at 1.800.676.4636. You may also contact the following:

- Koskie Minsky LLP (representative counsel for former and disabled employees) 1.866.777.6344;
- Nelligan O'Brien Payne, LLP (representative counsel for current employees) at 613.231.8280 or 1.888.565.9912; or
- Ernst & Young Inc., the Monitor under the CCAA process, by telephone at 1.866.942.7177, or 416.943.4439 or by fax at 416.943.2808.

You will be advised if any of these contact numbers are changed.

NOTE: Please be sure to update us with any changes to your contact information.