

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 15, 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 9, 2009
Court Appearances**

Update on Motion for Representative Counsel for Active Employees

KM attended at Court to declare its conflict of interest in representing active employees. Specifically, active employees are interested in preserving their jobs and conditions of employment, whereas the Former Employees and Pensioners are interested in a sale of Nortel assets at the highest price possible.

The motion brought by prospective counsel to represent active employees was opposed by Nortel. Nortel argued that active employees are not creditors and therefore do not need a representation order. Nortel argued that in any case, it should not have to pay the legal fees for active employees. The Monitor agreed that any additional fees imposed on Nortel should be avoided, as money is tight. KM took no position on this point. The judge reserved his decision.

Update on Motion by Nortel for Recognition of US Bidding Procedures and US Interim Funding Order

On July 9, Justice Morawetz heard the motion regarding the U.S. Interim Funding Order and the U.S. Bidding Procedures Order. The judge recognized both Orders, which will be implemented and effective in Canada. KM attended at court and raised concerns about what may happen in Canada should the interim funding be inadequate. The judge reminded KM that despite these same concerns being raised at the joint hearing on June 29, the Canadian and U.S. courts still approved the Orders. KM also objected that the Canadian Order was not identical to the U.S. Order. KM was successful in having all parties and the Court agree that the term in the interim agreement stating that approval of the interim agreement is not determinative of future allocation of the proceeds of future asset sales, should be equally applicable to the sale of Canadian assets. The Court will note this when it endorses the June 29 motion.

July 9, 2009

Update on Meeting between KM / NRPC and Financial Services Commission of Ontario (FSCO)

KM, NRPC and David Gordon, Deputy Superintendent of Pensions for FSCO, met on July 9. Counsel for FSCO was also present. The parties discussed the issues facing Nortel's pension plans. The parties will continue their dialogue and engage the Government of Ontario with respect to the application of the Pension Benefits Guarantee Fund.

July 10, 2009

Hardship Cases

KM received the Monitor's counter-proposal regarding the process for dealing with hardship cases. KM and the NRPC are working together to ensure that the hardship claims process is flexible, efficient and cost-effective.

KM will engage in discussions with the Monitor to finalize the proposal, hopefully by the end of July. Once a final proposal has been agreed upon, KM will provide Former Employees with instructions concerning the application process and the NRPC will spread the word about the program.

July 15, 2009

Update on KM's Motion to Expedite

KM has filed a motion for directions to expedite the appeal of Justice Morawetz's decision disallowing the payment of minimums under the *Employment Standards Act*. The motion is scheduled for July 21. At this motion, the Judge will hear submissions as to whether the leave to appeal motion and the appeal motion should be heard orally and on an expedited basis.

July 18, 2009

Advertising of Representation Order

KM has submitted to the NRPC a draft advertisement concerning the Representation Order. The advertisement will inform the public about KM's representation of Pensioners and Former Employees and provide KM's and NRPC's contact information in order for potential members of this group to get in contact. The ad is scheduled to be printed in the Globe & Mail newspaper on Saturday, July 18, 2009.

ADDITIONAL INFORMATION

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 will be conducting discussions about the 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>

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