

## **DISABLED EMPLOYEES PROGRESS REPORT**

### **THIS REPORT HAS BEEN PREPARED BY KOSKIE MINSKY LLP IN THEIR CAPACITY AS REPRESENTATIVE COUNSEL TO THE NON-CAW DISABLED EMPLOYEES OF NORTEL**

December 21, 2010

*A French translation of this document is in progress and will be sent when available.  
Une traduction de document est en train d'être préparée, et sera transmise dès que possible.*

This report will provide you with information updates that are important to you as a disabled employee of Nortel.

#### **Termination of Your Employment With Nortel**

In accordance with the Settlement Agreement that was approved by the Court on March 31, 2010, your employment with Nortel will be terminated effective December 31, 2010. You will experience a number of important changes as a result of your termination of employment, which are outlined in the Termination Package that Nortel recently mailed to you. Take note that you will experience changes to your benefits if you are currently enrolled in one or more of the following programs:

- Medical and Dental/Vision/Hearing Care Coverage
- Health Care Reimbursement Account (HRCA)
- Employee and/or Dependent Life Insurance
- Accidental Death & Dismemberment Insurance
- Short-Term Disability (Core & Optional)
- Long-Term Disability (Core & Optional)
- Business Travel Accident Insurance
- Nortel Networks Investment Plan

The above-mentioned plans will be eliminated, as Nortel will no longer pay for these benefits after December 31, 2010. In addition to outlining the upcoming changes to your health, dental and life insurance coverage, the Termination Package also outlines issues pertaining to Nortel's defined contribution and defined benefit pension plans. Please be sure to review the Termination Package carefully to determine how you will be affected, whether you are required to take any action and whether there are specific timelines that you must comply with. You may contact Representative Counsel or the Monitor with your questions or concerns.

#### **Upcoming Changes to Existing Sun Life Health, Dental and Life Insurance Coverage**

As a disabled employee of Nortel, you currently receive health, dental and life insurance coverage through Sun Life. It is important to note that your current coverage with Sun Life ends effective December 31, 2010. All claims under the current coverage must be incurred by December 31, 2010 and must be submitted to Sun Life prior to February 28, 2011. Please be sure to submit all claims to Sun Life by the February 28, 2011 deadline, as no claims will be accepted for processing after that date.

Your life insurance coverage with Sun Life can be converted into an individual policy if you elect to pay the premiums. This is explained in your Termination Package. Please note that there is a deadline and that you must contact Sun Life within 31 days from the date your group coverage terminates.

#### **Alternative Manulife Health, Dental and Life Insurance Coverage**

Nortel Retiree and Former Employee Protection Canada (the "NRPC"), in conjunction with the CAW-Canada and the court-appointed representative for Nortel's disabled employees, has worked with advisors to establish alternative health, dental and life insurance coverage that will be available after your current Sun Life coverage ends. Manulife Financial has offered to make available certain coverage to all former Nortel employees (including disabled employees) without evidence of insurability as of January 1, 2011.

The Manulife coverage is an optional program and if you choose to participate, you will be required to cover the premiums and other associated costs. If you decide to purchase coverage from Manulife, all of your transactions will be directly with Manulife. To determine whether the Manulife coverage is the best option for you, you may wish to discuss your needs and preferences with family members or other individuals that you

trust. If you have very high health and/or drug expenses, you may qualify for a provincial program, and you should therefore be sure to investigate this option. We cannot advise you as to what plan will suit your needs best. During your investigation about what option is best for you, please read all plan information carefully to determine whether the plans require evidence of insurability. You may not qualify for some plans generally available in the marketplace because of your pre-existing health conditions. For example, please review the Manulife FollowMe Life brochure that you received in the mail. We understand that this program has a pre-existing condition limitation, meaning that benefits will not be paid for death, in the first 24 months, that is related to a condition you have at a time of your application.

To discuss any questions you may have about the Manulife coverage, please contact Manulife directly on the toll-free line that has been established specifically for Nortel's disabled employees and former employees. The toll-free hotline, 1.800.370.7057, is now operational.

### **December Mailing: Manulife Health Coverage**

Packages outlining the details of the Manulife Financial coverage and enrolment information were mailed to all retirees, former employees and disabled employees of Nortel on or before December 1, 2010. If you have not received a package yet, please contact Manulife directly at 1.800.370.7057 to request that they send you a package. This number is now active and was established specifically for disabled Nortel employees and former Nortel employees who wish to contact Manulife to get additional information or to apply for coverage. The number can be used to call Manulife from anywhere in Canada and the continental US.

### **Availability of EAP Provider Services**

We understand that you are concerned with many of the upcoming changes to your benefits. During this time, speaking with your family, friends and other individuals that you trust is very important. If you require additional assistance in dealing with these changes, there is another option that is available to you until December 31, 2010 as an employee of Nortel. As an employee of Nortel, you or your eligible dependents are entitled to Employee Assistance Program (EAP) counselling. The EAP service can help you to deal with issues such as personal stress, depression, grief and loss, anxiety, life transitions, managing anger, mental health and well-being, crisis situations and trauma, among other things. It is important to note that in order to participate in the EAP counselling service that is offered to you as a Nortel employee, the counselling must be commenced before December 31, 2010 and completed within 3 months of the date of your termination of employment.

For more information about EAP service or to find information about how to access these counselling services, please contact Shepell-fgi directly by visiting their website at [www.shepellfgi.com](http://www.shepellfgi.com) or by calling 1.888.859.5263. **If you wish to take advantage of this service, please be sure to contact, register and start your counselling sessions with an assigned counsellor at Shepell-fgi before your employment with Nortel is terminated on December 31, 2010.**

### **Court's Release of Health & Welfare Trust Decision**

On November 9, 2010, the Ontario Superior Court of Justice released a decision granting the Monitor's motion concerning the proposed methodology for the allocation of the corpus of Nortel's Health and Welfare Trust (HWT). To view a copy of that decision, please visit the KM website at [www.kmlaw.ca](http://www.kmlaw.ca) or the Monitor's website at [www.ey.com/ca/nortel](http://www.ey.com/ca/nortel).

The decision is not yet final, as a small group of individuals, the Dissenting LTD Beneficiaries, have sought leave to appeal the decision to the Court of Appeal for Ontario. The motion for leave to appeal will be heard in writing on January 7, 2011, meaning that there will be no oral or public hearing. In the event the Court of Appeal grants leave to appeal, an appeal hearing will be scheduled at some point in the future. In the event there is an appeal and is it successful, it will be necessary to go back before the CCAA judge to determine how the HWT should be allocated. As all parties have reserved their rights to advance alternative interpretations of the Trust Agreement if the Monitor's proposed methodology is not ultimately adopted, this could be a lengthy hearing. In addition, it is highly likely that the legal and other costs for any such litigation will come out of the HWT. More information will be reported as this issue continues to develop.

For the purpose of the leave to appeal hearing and if granted, the appeal, the disabled employees will be represented by Sack Goldblatt Mitchell LLP.

### **Interim Distribution of Funds Held in Nortel HWT**

In part as a result of the application for leave to appeal the Court's recent HWT decision, there can be no full and final distribution of the funds in Nortel's HWT before the end of 2010, as was originally hoped. In order to provide interim financial relief for those individuals who are about to experience a cessation of monthly income benefits, your court-appointed Representative, Susan Kennedy, the Former Employees' Representatives and the CAW asked the Monitor to bring a motion for an interim distribution to HWT income beneficiaries who are currently in receipt of income benefits. As a disabled employee in receipt of LTD income benefits, you are an income beneficiary and included in this process.

The Monitor's motion for an interim distribution was approved by the Court on December 15, 2010. A lump sum distribution of 10% of the present value of your total income benefit claim (which is the amount identified at the top left-hand column of the Beneficiary Estimated Allocation Statement you received in September) to a maximum of 3 months of benefits, will be made to each income beneficiary. The Monitor is of the opinion that this level of interim distribution is prudent, reasonable and will not prejudice other HWT beneficiaries or benefits.

**It is expected that income beneficiaries will receive the interim cash distribution from funds held in the HWT on or around January 31, 2011.** The interim distribution will be treated as an advance on your ultimate claim to be paid from the funds held in the HWT. A request for an advance ruling on the taxability of distributions made in respect to certain benefits funded through the HWT has been submitted with the Canada Revenue Agency (CRA) and to other authorities as necessary. In the event the CRA's ruling is released prior to December 31, 2010 and rules that the LTD income benefits distributions are not taxable, the interim distribution will be made in accordance with that ruling. In the event the ruling has not been released in time or if an unfavourable ruling is received prior to the distribution, tax may be withheld from your distribution. If tax is withheld from your distribution as a result of the ruling not being received prior to the distribution, and the CRA subsequently releases a favourable ruling, you will be able to request a tax adjustment with the CRA in the future.

To review the Fifty-Seventh Report of the Monitor dated December 3, 2010, which outlines the basis for the interim distribution of funds held in the HWT, please visit the Monitor's website at [www.ey.com/ca/nortel](http://www.ey.com/ca/nortel).

### **Upcoming Defined Benefit Top-Ups for Eligible Disabled Employees**

Disabled employees who are members of Nortel's pension plans under the defined benefit ("DB") provisions received a letter from Nortel in mid-September, which outlined changes to your pensions. The letter informed eligible individuals about a one-time "top-up" deposit that will be made to compensate you for the value of the DB benefit that you would have accrued under the DB plan during the October 1 – December 31 period. We expect the one-time "top-up" deposit to take place in late December 2010. For eligible Canadian residents, the deposit will be made directly into your existing investment account with Sun Life. For eligible individuals who reside outside of Canada, the one-time deposit will be made into your after-tax savings vehicle (ATSV) account.

### **The Establishment of a CNELTD Website**

The CNELTD Steering Committee is in the process of establishing a website in order to facilitate communication between the Steering Committee and the disabled employees and to ensure that you receive up-to-date and accurate information on issues that are important to you. We expect the new CNELTD website to be active and operational soon. More information about the website and how to access it will be provided as soon as it becomes available.

Access to the site will be restricted to persons registered with the CNELTD Steering Committee. If you have not registered yet please send an email to [SteeringCommittee@cneltd.info](mailto:SteeringCommittee@cneltd.info).

### **Compensation Claims Procedure & Other Estate-Related Issues**

We expect parties to move forward on the Compensation Claims Procedure early in the New Year and we anticipate being before the Court for approval of the process in February or March 2011. As outlined in our last update to you, the legal, actuarial and procedural details remain the current focus of the discussions

surrounding the Compensation Claims Procedure. Once the process has been approved by the Court, we will move into the individual claim calculation and review stage. You will receive a package that will allow you to confirm data that is relevant to the calculation of your claim against the Nortel estate, and you will receive further instructions and communications at that time.

Although we anticipate that you will review your claim in 2011, there will be a number of issues to resolve before the distribution stage is reached. A distribution from the Nortel estate will be impacted by various issues, including the allocation of proceeds among estates, which could be a lengthy process. It may take months or even years before a distribution occurs.

### **Government's Announcement about Nortel's Pension Plans**

As we have outlined to you in the past, the NRPC in conjunction with your court-appointed Representative, Susan Kennedy, have been involved in ongoing discussions with various levels of Government on issues that pertain to Nortel's registered pension plans. On December 17, 2010 the Minister of Finance for Ontario made a positive announcement and expressed its intention to support the NRPC's request to allow pensioners a greater level of choice as to the future of their pension. The Minister announced that the Government intends to move forward to introduce legislative changes that will allow pensioners the choice to opt out of the conventional wind-up process and to transfer their pension commuted values into a life income fund account. For those who were employed in Ontario and who are eligible for Ontario's Pension Benefits Guarantee Fund (PBGF), PBGF will be applied to eligible amounts regardless of which option is chosen. This announcement is very encouraging and will allow Nortel's pensioners more choice about the future of their pension. You will hear about these developments and will be provided with much more information as these issues progress.

### **Contact Information**

If you have an inquiry, or wish to speak to your Representative Counsel, please contact KM by email at [nortel@kmlaw.ca](mailto:nortel@kmlaw.ca) or by calling our toll free hotline at 1.866.777.6344. For more information, please visit our website at <http://www.koskieminsky.com/Case-Central>.

Pension-related questions should be directed to the new plan administrator, Morneau Sobeco, rather than to the Steering Committee. Morneau Sobeco's website is at [www.morneausobeco.com](http://www.morneausobeco.com), and they also can be reached through the following contacts:

Managerial Plan - 1-877-392-2074  
Non-Negotiated Plan - 1-877-392-2073  
Email – [nortelwindup@morneausobeco.com](mailto:nortelwindup@morneausobeco.com)

If you have questions about whether you are retirement eligible or when you will become retirement eligible, please contact Morneau Sobeco. We encourage you to address pension-related questions by email. The emails are very useful if you want to follow up on details with the Steering Committee. For access to a variety of information pertaining to Nortel's CCAA proceedings, including public Court documents and all Monitor's Reports, please visit the Monitor's website at [www.ey.com/ca/nortel](http://www.ey.com/ca/nortel).

This Update has been sent to all Nortel LTD recipients, including those represented by the CAW-Canada, which has reviewed this report. If you are a CAW member, you should direct any questions regarding this report to the legal representative for the CAW – Barry Wadsworth, Associate Counsel, at (416) 495-3776 or by e-mail to [michelle.bondy@caw.ca](mailto:michelle.bondy@caw.ca).