

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 8, 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

Concerns of Recently Terminated Employees

KM is aware of the particular concerns of Former Employees who have not received the termination and severance pay they are owed by Nortel. It is understood that this is a very frustrating position to be in. The unfortunate reality is that Nortel appears to be liquidating its assets and there will not be enough money to satisfy all claims at a level of 100%. The Court views termination and severance pay as an unsecured claim, which ranks equal in priority to the claims of many other unsecured creditors. Current legislation offers little protection for employees who are terminated during a CCAA proceeding.

KM and the NRPC are working to achieve the best possible outcome for recently terminated employees. The Ontario Superior Court of Justice denied the motion KM brought claiming that termination and severance payment must be paid immediately. We are appealing that decision (see below). We will fight hard on this issue, but the law is not in our favour. We have also sought immediate payment of severance and termination pay from Nortel despite the CCAA Court ruling, but this request was denied.

For now, our financial advisors will continue to review each transaction brought forward by Nortel, and KM will oppose transactions that are not reasonable. The NRPC will continue to lobby for changes to current legislation that are favourable to Pensioners and Former Employees. KM will continue to pursue its appeal to the Court of Appeal for Ontario.

If you have specific concerns, we ask that you please follow the protocol that has been established for communicating with KM and the NRPC. Terminated employees can contact Paula Klein at

p.d.klein@rogers.com or Mike Campbell at campbell@nortelpensioners.ca for more information or, they can join the LinkedIn group (www.Linkedin.com) called "Recently Severed Canadian Nortel Employees".

KM's Leave to Appeal is Filed with the Court of Appeal for Ontario

On June 26, KM served a Notice of Motion for Leave to Appeal to the Court of Appeal for Ontario. The Notice of Motion was filed with the Court of Appeal for Ontario on July 3, 2009. KM is seeking leave to appeal Justice Morawetz's decision dated June 18, 2009, which provides that Nortel is not required to make payment of its obligations under the ESA. The decision also provides that Nortel is not required to reinstate other payments owing to Pensioners and Former Employees. KM's next step will be to file a motion with the Court of Appeal for Ontario seeking to have the Leave to Appeal and the Appeal motions heard on an expedited basis. KM anticipates that this second motion will be filed within the next week.

July 6, 2009

KM Meets with Nortel and the Monitor on July 6, 2009

KM met with representatives from Nortel and the Monitor on July 6 to discuss a number of issues surrounding the funding of Pensioner, Former Employee and LTD Employee benefits. At this meeting, KM was provided with information surrounding:

- The structure and funding level of Nortel's Health and Welfare Trust;
- The types of benefits that are paid through Nortel's Health and Welfare Trust;
- The method by which Nortel funds its LTD benefit payments; and
- The structure and funding of other annuities and benefits that have been promised to Pensioners and Former Employees.

A detailed review of the Health and Welfare Trust will be performed based on the information obtained by KM at this meeting. NRPC Representatives and members of KM are also meeting with pension regulators to discuss the future of Nortel's pension plans (see below).

July 7, 2009

Member Information Received by KM

As part of KM's Representation Order, Nortel was required to provide KM with contact information for all Pensioners and Former Employees who are represented by KM. KM has now received this information, which will be used only for the purposes of Nortel's CCAA proceedings. The Plan Member information will allow KM and the NRPC to reach out to Pensioners and Former Employees on a broader basis and in electronic form.

July 8, 2009

Hardship cases: Justice Morawetz's decision of June 18 suggests the establishment of a system that will allow retirees and terminated employees who have been severely impacted by Nortel's CCAA proceedings to receive a partial early distribution of the amounts they will be entitled to claim against Nortel.

KM has submitted to the Monitor a proposed protocol for determining hardship cases for severed employees. Discussions are taking place with the Monitor to ensure that severed employees experiencing serious financial hardship can obtain some interim level of payment. Once the procedure has been finalized and approved by the Court, KM will provide Pensioners and Former Employees with instructions for the application process.

Coming Soon – Repayment of NRPC Individual Contributions: Prior to obtaining a Representation Order for Pensioners and Former Employees, KM and the NRPC requested an amount of \$150 from each individual NRPC member (and \$10 from Survivors) in order to cover the fees and expenses related to organizing the NRPC and bringing a motion for representation rights. As the Representation Order provides that the fees and expenses of KM and the Representatives are to be paid by Nortel, NRPC members will be refunded for their individual contribution once KM and the Representatives receive payment from Nortel. We expect this will occur in the near future. KM has not cashed any cheques received since the date the Representation Order was granted. Uncashed cheques will be returned to individuals at the same time as refunds are provided to all NRPC members who have made individual contributions.

July 9, 2009 Court Appearances

Motion for Representative Counsel for Active Employees: On July 9, Kent Felske and Dany Sylvain will bring a motion on behalf of the Nortel Continuing Canadian Employees ("NCCE") seeking to permit the NCCE to represent all current Canadian non-unionized employees. Representatives for Pensioners and Former Employees and KM are of the view that they have a conflict of interest in representing the current workforce. This motion also seeks the appointment of Nelligan O'Brien Payne LLP and Shibley Righton LLP as Representative Counsel for the NCCE. 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>.

Motion by Nortel for Recognition of US Bidding Procedures and US Interim Funding Order: On July 9, a number of U.S. subsidiaries of the Canadian parent Nortel Networks Limited, including Nortel Networks Inc. ("NNI") will make a motion in the Canadian Court to recognize and implement in Canada two Orders granted by Justice Gross of the United States Bankruptcy Court in Delaware. The two Orders made by Justice Gross relate to the Joint Hearing heard between the Canadian and the U.S. Courts on June 29.

On June 29, Justice Gross approved the U.S. Interim Funding Agreement ("IFA") Order. On the same day, Justice Morawetz of the Canadian Court granted an Order approving the Interim Funding Agreement in the CCAA proceedings. This IFA allows NNI to pay NNL an amount of US \$157 million in funding.

On June 30, 2009, Justice Gross granted an Order which:

- a) Approved the Applicants' entry into the Asset Sale Agreement with Nokia Siemens Networks;
- b) Approved the Bidding Procedures and deemed Nokia Siemens Networks as a Qualified Bidder;
- c) Approved the conduct of the sale of the Assets by auction pursuant to the Bidding Procedures; and
- d) Approved the terms and conditions for payment of the Break-Up Fee and Expense Reimbursement.

The motion in the CCAA Court on July 9, 2009 seeks the recognition and implementation in Canada of these two U.S. Orders. The Monitor, as foreign representative of the CCAA Applicants, will be in Court in the U.S. to seek parallel relief – i.e. for the recognition of the Canadian Bidding Procedures Order and the Canadian Interim Funding Agreement Order in the U.S. Chapter 15 Proceedings. Such approval is necessary due to cross-border nature of Nortel's CCAA proceedings. NRPC Representatives and KM have concerns about the level of funding and any "binding" nature of this Interim Funding Agreement on the Court or on non-parties to the agreement. We will express these concerns to the Court.

July 9, 2009

Representing Nortel Employees on Long-Term Disability

A group of Nortel employees have formed a committee to protect the interests of Nortel employees who currently receive long-term disability benefit payments from Nortel. For more information, please contact Sue Kennedy, Group Leader of the Canadian Nortel Employees on Long-Term Disability (CNELTD), by email at kennedy.robinson@rogers.com.

Representative Counsel has not yet been appointed for Nortel employees on LTD. KM and Nortel are working with the Monitor on a Representation Order to go forward on a consent basis. KM anticipates that this Representation Order will be unopposed. KM will be contacting all LTD employees as soon as possible.

July 9, 2009

KM / NRPC to Meet with Financial Services Commission of Ontario (FSCO)

David Gordon, Deputy Superintendent of Pensions for FSCO, has agreed to hold a meeting with the NRPC to discuss the issues that are facing Nortel's pension plans. At this meeting, the NRPC will commence a dialogue with FSCO and other regulators as to how to best approach the issues that exist with Nortel's pension plans. The NRPC also seeks to work with FSCO, the Régie des Rentes in Quebec and other provincial governments to create a solution for Nortel's pension plan issues. That meeting is scheduled for July 9, 2009.

July 25, 2009

Broad Communication to Pensioners Anticipated in the Near Future

Notice to All Pensioners: KM and the NRPC will be reaching out to Nortel Pensioners on a broader basis by including a message in all Pensioners' monthly statements to be released July 25, 2009. KM and the NRPC hope that this notice will raise awareness of a potential reduction in pension for those pensioners who do not have access to email or the internet.

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

It is still too early for creditors to file a claim against Nortel. Claims will only be accepted once a Claims Process has been established by Nortel. KM will notify Pensioners and Former Employees when this occurs.

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>