

Nortel Retirees' Protection Committee

Newsletter # One, Jan 29, 2009

Introduction

As most of you are aware, Nortel Networks has initiated financial restructuring under the Companies' Creditors Arrangement Act (CCAA) in Canada. This is a legal process to give the company time to review and revise its financial situation in an effort to avoid bankruptcy. As Nortel salaried pensioners we have a great interest in this process as it could have a significant effect on our pensions and benefits. On January 14th a small group of Ottawa retirees (now the Steering Committee) formed the Nortel Retirees' Protection Committee (NRPC) to defend our Canadian pensions and benefits. The group now has over 400 members.

This is the first newsletter of the NRPC. It reviews the background of our organization, present status of the restructuring process and provides links for you to obtain more detailed information.

Steering Committee Background

We are a group of volunteers, all long time employees, now retired. Our mission is to protect the basic pension and benefit rights of Nortel pensioners and deferred pensioners. We are concerned about Nortel's financial health, the state of funding of our pension plan and the likely impact on pension and benefits. We welcome similar groups of retirees from Toronto, Montreal, Calgary, Belleville, and London to join us in the formation of a strong Nortel retirees committee. A Toronto meeting is planned for this Friday, January 30th. For details see the Koskie Minsky website at www.kmlaw.ca. Other local meetings are being organized.

The CCAA Process

The CCAA process is a court supervised restructuring. It encourages all parties to work together for a successful conclusion. Our pension plan is underfunded. If the pension plan is wound up in this process, and remains underfunded, the impact on our pensions could be very significant. The money owed to the plan to fund the deficit is categorized as an unsecured claim and as such has no preferential status in the process. We will be attempting to defend our pension and benefits while banks, bondholders, suppliers and others defend their claims. To accomplish this, we have retained the Toronto legal firm of Koskie Minsky LLP, who are considered among the best in the field of pensions and employee benefits law, to represent us. Their performance to date has been very impressive.

Pension Plan Underfunding

Funds currently in the pension fund are protected. They are held in trust and are not part of Nortel's assets. The problem is that assets in the fund are insufficient to cover pension plan liabilities. The plan was 86% funded in December 31, 2006. Although we have not been able to obtain more recent data, the recent meltdown of global equity markets has almost certainly resulted in further degradation of pension plan funding levels.

Need for Legal Representation

The CCAA process is essentially a legal process. It is supervised by the Court, and all of the major stakeholders (Nortel, the court-appointed Monitor, Ernst and Young, bondholders, the union, trade creditors and the banks) have their own counsel. If we have counsel, we will be represented in any negotiations or discussions that take place regarding the restructuring and its impact on Nortel's pension and benefit plans. Moreover, if we have counsel, they will be our one reliable source for information about the process because they can speak on our behalf to the Company and other stakeholders, and report back to us through our website or the Koskie Minsky website. Finally, in the event there are any changes to the current situation, or if there is a need to fight in Court for our interests, our lawyers will do that for us. When our pension battle has lost the interest of the "news hungry" media and all of the important stuff is going on behind the scenes, we will all sleep a lot better knowing that our interests are being protected by one of the best legal firms in the country.

Funding for Legal Representation

Koskie Minsky intends to petition on our behalf to have Nortel pay our legal costs. This is often approved, but if this does not happen your initial contribution will be the limit of your commitment when you sign the Retainer form.

By signing the Retainer and providing a \$150.00 cheque, you do not obligate yourself to pay for more legal services than what your \$150.00 covers. Koskie Minsky has agreed to hold the \$150.00 that it receives from all members (not cash the cheques) for at least thirty (30) days. Koskie Minsky will only cash the cheques in the event that it is necessary to use the money to fund the expenses of the Committee or the legal costs necessary to fight to obtain a representation order in the insolvency proceedings. The retainers and the \$150.00 cheques will be counted and presented to the Court as a sign of commitment among the member group. We expect that our groups' chances of becoming court-appointed representatives and obtaining court-sanctioned funding will be enhanced if a large number of us show commitment by providing a retainer fee. We recommend that you consider signing a retainer and submitting a cheque for \$150.

Our belief is that the legal fees for representing this group will be ultimately funded by the Company in the insolvency process. If that happens, your cheque will be returned. Koskie Minsky will not seek further funds from individual members of the group unless the Court has denied representative status, the Company has refused to pay and the NRPC wishes to continue. In that case, the NRPC will fundraise directly with the members in the group.

Scope of the NRPC

The aims of the NRPC are to protect the interests of those individuals who are legally called "inactive" members of the "Nortel Networks Limited Managerial and Non-Negotiated Pension Plan", or those who are no longer working for the Company. Note that this plan covers managers and non-managers. The "inactive" membership includes: Pensioners, Deferred Pensioners and Survivors and is estimated to comprise over 9000 individuals. It explicitly excludes "active" pension members, i.e., people who were still employees of Nortel as of Jan 14, 2009. With that focus, we have asked counsel to start collecting documentation on Pension and Pension Plan issues, and other payments to pensioners and deferred pensioners such as TRAs, non-pension benefits (including health and life insurance) and pension income that comes from general company revenues.

Pension Benefits Guarantee Fund (PBGF)

For pension earned in Ontario, the Ontario Government will guarantee the first \$1000 of your pension in the event of a wind-up of the plan. For example if your pension is \$2000 per month and the reduction due to an underfunded pension plan was 20%, or \$400, the fund would cover the 20% loss on the first \$1000 or \$200; the other \$200 is not covered resulting in a pension of \$1800. Ontario is the only province with such a program.

What's next?

We expect it could take up to 18 months until Nortel finalizes and seeks to file a restructuring plan (Plan of Arrangement) with the court. Through our lawyers we will negotiate to preserve our position as much as possible. We will communicate any developments to you through our web site and newsletters. We will hold general meetings as required to ensure you are fully informed and have an opportunity to participate in any agreements proposed. Our website www.nortelpensioners.ca is under construction and will soon be up & running.

What Can I Do?

- If you have not already done so, fill out the retainer form (available at www.kmlaw.ca) and return it with your \$150 cheque. At the same time, please send an email to nrpc.admin@gmail.com so we can track the growth of the group.
- Pensioners in areas outside the Ottawa area (Toronto, Montreal, Calgary...) should form a local group and contact us; together we will have a louder voice!
- Pensioners outside Canada (US, Hong Kong, ...) should send their retainer forms directly to Koskie Minsky and email nrpc.admin@gmail.com. Koskie Minsky's address is:
20 Queen Street West
Suite 900
Toronto, ON
M5H 3R3
- Keep up-to-date; watch our website or have someone watch it for you.
- Contact your Provincial and Federal member of Parliament. Tell them you are concerned and want their support; a personal letter has the most impact.

Core Team/Steering Committee

- Eric Dodman - retired 2001
- Dave Agnew - retired 2005
- Wayne Getchell -retired 2001
- Ed Carew - retired 1999
- Don Treen - retired 2004
- David Jeanes - retired 2003
- Don Sproule - retired 2005
- John Chatterley - retired 2003
- Peter Benedek - retired 2002
- Frank Mills - retired 1994