

CNELTD Announces Negotiated Deal with Nortel and the Monitor

Media Release: For release on February 08, 2010

Ottawa: - Following court approval of the final Canadian Funding Agreement, the Legal Steering Committee of the Canadian Nortel Employees on Long Term Disability (CNELTD) announces that the Court-Appointed Representative for Nortel's disabled employees, Susan Kennedy, along with the Court-Appointed Representatives of the pensioners and former employees of Nortel (Don Sproule, Michael Campbell, David Archibald) (the "Representatives"), and their counsel, Koskie Minsky LLP, have negotiated a deal to ensure the continuation of benefits through 2010. The details of the Agreement, which is subject to court approval, will be available on the Monitor's website at www.ey.com/ca/nortel. The Agreement requires the payment by Nortel of an estimated \$57 million through 2010 to ensure:

- continuation of disability income benefits, medical, life and dental benefits for disabled employees until December 31, 2010;
- for all defined benefit pension plan members, including those on long term disability, continuation and current service funding of the pension plans until the end of September, 2010;
- continuation of medical, life and dental benefits to pensioners until December 31, 2010;
- continuation of survivor income and survivor transition income benefits until December 31, 2010;
- a lump sum payment of up to \$3,000 to eligible employees terminated without severance pay as an advance against their claims under CCAA, to a total maximum of \$4.2 million;

With the exception of retiree life benefits, none of these payments will be made from the health and welfare trust assets. The Agreement does not affect the discussions that are already underway to determine the allocation of the assets in the health and welfare trust, and we anticipate a resolution of the allocation of those trust assets prior to December 31, 2010.

The employment of disabled employees will be formally terminated effective December 31, 2010, but that will not diminish their right to make claims against Nortel in the insolvency proceedings.

According to Susan Kennedy, "The disabled employees were very worried about the possibility of losing their income and their health benefits when funding under the Canadian Funding Agreement was to end on March 31, 2010. The continuation of these benefits through 2010 is a welcome relief.

Among the many benefits of the deal, it gives us:

- a priority cash distribution ahead of other Canadian creditors, without giving up our rights to claim preferred creditor status if the BIA is amended, and without depleting the assets of the Health and Welfare Trust to pay our income benefits;

- a significant period of certainty and stability to plan for the future, and an opportunity to continue our work with the NRPC to explore ways to continue a very basic group health plan after December 31, 2010; and
- time for the Ontario Government to implement the Ontario Pension Agency (OPA), which could increase the value of our pensions.

We expect that the allocation of the assets in the Health and Welfare Trust during 2010 will provide disabled employees with a source of income while the rest of the claims process unfolds.

The Agreement also contains an acknowledgment that the claims of disabled, continuing and former employees and pensioners of Nortel are unsecured claims, and rank in equal priority with those of all other unsecured creditors, including the bondholders. If Nortel and its creditors later become subject to the *Bankruptcy and Insolvency Act*, this Agreement will not restrict us from arguing that the provisions of that Act will apply, including any priorities then in place.

Further, there is an agreement by the disabled employees, pensioners and former employees not to pursue claims based on the administration or funding of the pension plan or health and welfare trust against Nortel (in its capacity as administrator), the trustee of the health and welfare trust, and Nortel's directors. Claims for fraud, and misrepresentation against the directors, are expressly preserved. Finally, in recognition of the priority payments from the \$4.2 million pool for terminated employees, the Representatives will abandon their litigation in the Supreme Court of Canada seeking minimum standards severance payments.

A letter describing the settlement will be sent to all disabled employees, pensioners and former employees of Nortel on or before February 16, 2010. A package containing further details of the Agreement will be available from the website of the Monitor at www.ey.com/ca/nortel or the website of Representative Counsel at www.kmlaw.ca by February 11, 2010. The Representatives will hold a webinar with an audio-only option for disabled employees without internet access on February 23 to explain the Agreement and its impact.

A motion before the CCAA judge to approve the Agreement has been scheduled for March 3, 2010. If you intend to appear and oppose the agreement in Court, a Notice of Appearance in the prescribed form, which will be available at www.ey.com/ca/Nortel on or before February 11, must be submitted to the Monitor and the Monitor's counsel as detailed on that document.

If you wish to oppose the Agreement, you must ensure that the Monitor receives your Notice of Appearance by 11:59 p.m. EST on February 24, 2010. If you wish to appear in court to oppose the Agreement, you must do so as an independent party at your own expense.

The CNELTD Legal Steering Committee and the Representative fully support the Agreement as it reduces the uncertainty for the disabled employees about their benefits in 2010 and gives them more time to prepare for their futures after Nortel's insolvency.

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