

**Meeting with Tony Clements
Huntsville Constituency Office
Tuesday, January 5, 2010**

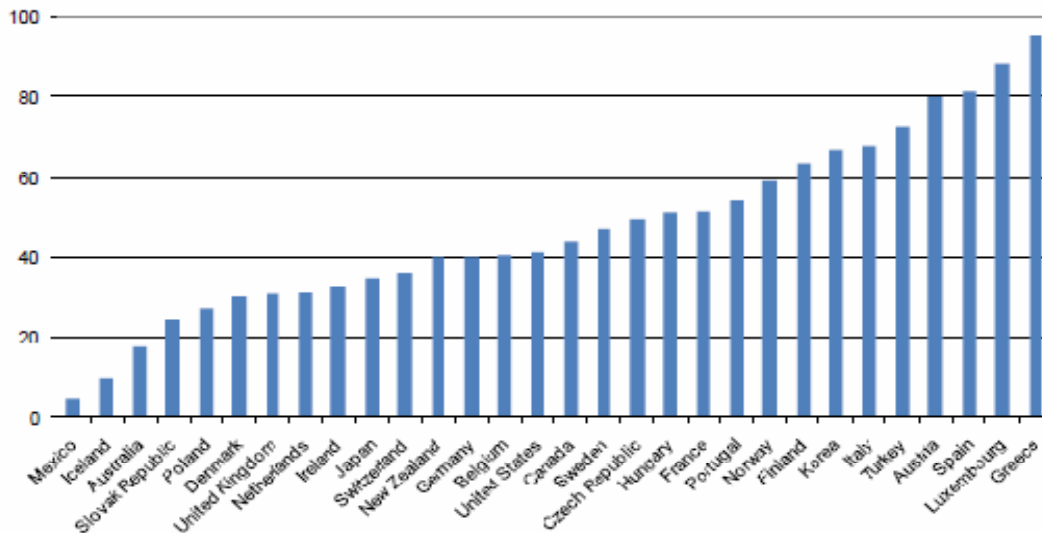
"Consolidated and Updated Report - Bankruptcy and Employee Claims - The Nortel Case"
at the link below.

<http://ismymoneysafe.org/pdf/ConsolidatedandUpdatedReport-BankruptcyandEmployeeClaims-NortelCase.pdf>

The second link is to a *.mht format of this report that has links in the Table of Contents and the Table of Figures, which allow for easy access to my research by topic area.

<http://ismymoneysafe.org/pdf/ConsolidatedandUpdatedReport-BankruptcyandEmployeeClaims-NortelCase.mht>

Figure 1: Gross Replacement Rates for Public Pension Plans Throughout World



Note: Gross replacement rate for an individual entering the system in each country at age 20 with average worker earnings.

Source: OECD (2007), *Pensions at a Glance*.

Figure 2: International Comparison of Priority Status of Employee Claims

EUROPE	
Austria	Preferred status
Belgium	Preferred status
Bulgaria	
Cyprus	
Czech Republic	9% of Estate Limit
Denmark	Super-priority
Estonia	
Finland	
France	Super-priority with certain restrictions
Germany	Buyers legally bound to fund pensions
Greece	
Hungary	Preferred status
Ireland	Preferred status
Italy	Super-priority
Latvia	Pensions not common
Lithuania	
Luxembourg	Super-priority
Malta	Super-priority state pension rights
Netherlands	
Norway	Preferred status
Poland	Preferred status
Portugal	
Romania	Preferred status below fixed secured but above floating secured
Scotland	Preferred status below fixed secured but above floating secured
Slovakia	Preferred status below fixed secured but above floating secured
Slovenia	Super-priority
Spain	Super-priority with certain restrictions
Sweden	Preferred status
Switzerland	Preferred status
England	GBP 800 Limit
NORTH AMERICA	
Canada	
Mexico	Super-priority
United States	
AUSTRALASIA	
Australia	Preferred status
China	Preferred status below fixed secured but above floating secured
Hong Kong	Preferred status below fixed secured but above floating secured
Indonesia	Super-priority
Japan	Preferred status
Korea	Super-priority
Malaysia	
New Zealand	Preferred status
Singapore	SGD 7 500 limit
Thailand	Preferred status
Vietnam	Preferred status
SOUTH AMERICA	
Brazil	Super-priority (Subject to 150 X minimum wage limit 2005)
Chile	Super-priority
Columbia	Super-priority
Venezuela	Preferred status
OTHER	
Egypt	
Israel	Preferred status below fixed secured but above floating secured
Russia	Super-priority with certain restrictions
South Africa	ZAR 4000 (rand) to ZAR 12,000 Limit
Tunisia	
United Arab Emirates	

http://ismymoneysafe.org/pdf/Sources_InternationalComparisonofPreferredStatusandPublicInsurance.pdf

Figure 2B: Countries with Public Pension Benefit Guarantee Insurance Plans

United States*
England*
Germany*
Japan
Scotland
Ireland
Denmark
Finland*
Sweden
Switzerland
Luxembourg
Netherlands*
Bulgaria*

*** 6 countries with public pension benefit guarantee insurance plans but without preferred status.**

Figure 3: Simplified Illustration of Impact of Cost of Credit

(Excluding Credit Default Swap Hedges)

	All Corps	Corps With Pension Funds	% Defaulting (1)	Extra Loss (2)	Per Year Factor	% With Pension Funds	% Pension Funds with Deficit	% Bonds Outstanding
Junk Bonds	0.09%	0.69%	26%	27%	10%	15%	90%	20%
Investment Grade Bonds	0.02%	0.16%	4%	39%	10%	25%	60%	80%
All Bonds	0.04%	0.26%	8%	36%	10%	23%	66%	100%

(1) Moody's Global Corporate Finance - Average Cumulative Issuer-Weighted Global Default Rates 1920-2007 for End of 10 Year Period

(2) Moody's Global Corporate Finance - Average Corporate Debt Recovery Rates 1987-2007 Sr. Unsecured for Investment Grade and Subordinated for Junk Bonds

Source: Diane Urquhart

Figure 4: Recent Experience with Default Risk Premiums in the 2007 to 2009 Financial Crisis

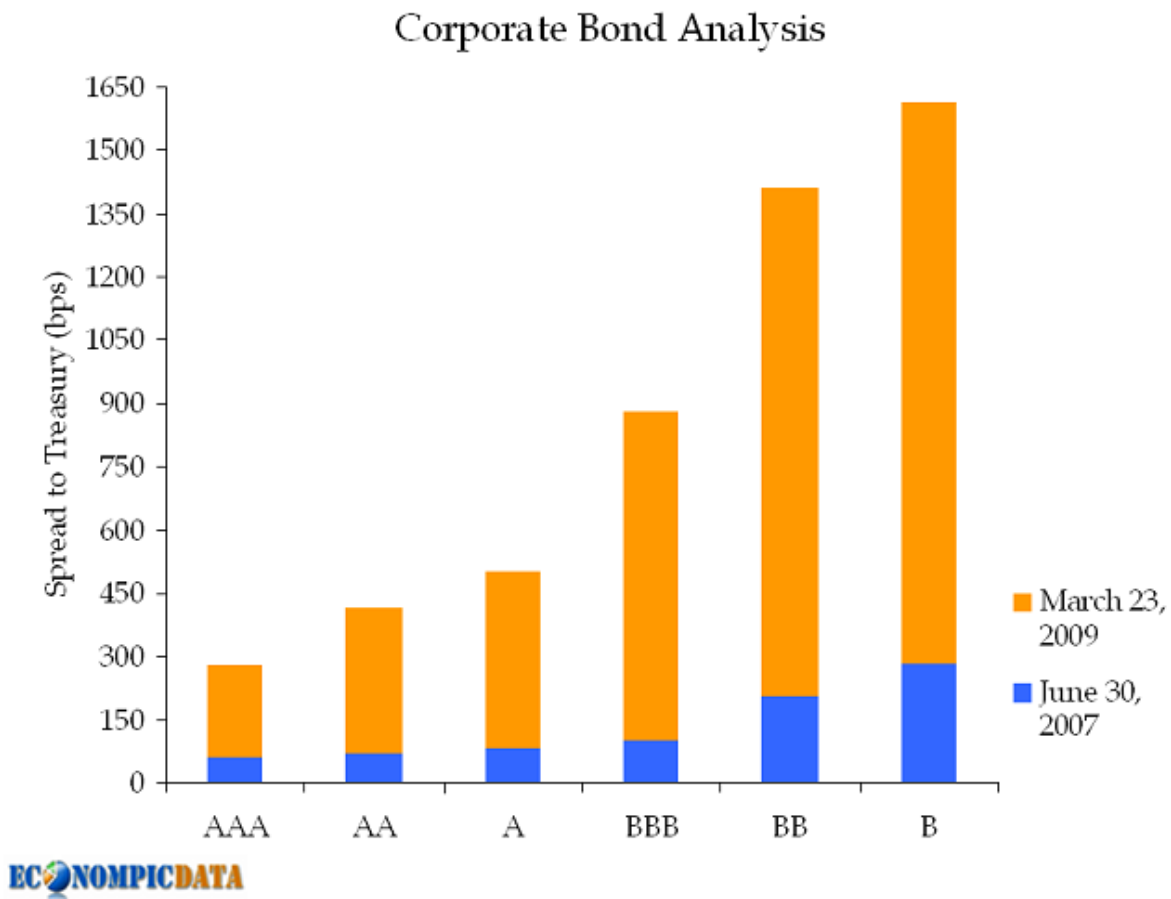


Figure 5: Scenario 1 - Nortel Bonds Bought on February 11, 2008

NO BALANCE OR EQUAL COMPROMISE BETWEEN EMPLOYMENT RELATED CLAIMS & BOND CLAIMS			
SCENARIO ONE: Nortel Bonds Bought on February 11, 2008			Canada Estate Worst Case
		Per \$1.00 Face Amount	
Credit Default Swap Valuations			
CDS Effective Put Price	@ Feb. 11, 2008	0.963	
CDS Auction Cash Settlement	@ Feb. 10, 2009	0.120	
Bond Valuations			
Bond Purchase Price	@ Feb. 11, 2008	0.963	
Bond Bankruptcy Court Cash Settlement Price	@ June 30, 2010	0.500	
Employment Related Claim		1.000	1.000
Bankruptcy Court Cash Settlement Ratio	@ June 30, 2010	0.500	0150
Employment Claim Gain (Loss)	@ June 30, 2010	-0.500	-0.850
Bond Purchase Price	@ Feb. 11, 2008	0.963	
Bankruptcy Court Cash Settlement Ratio	@ June 30, 2010	0.500	
Unhedged Bond Owner's Gain (Loss)	@ Dec. 31, 2009	-0.463	
Bond Purchase Price	@ Feb. 11, 2008	0.963	
Bankruptcy Court Cash Settlement Ratio	@ June 30, 2010	0.500	
Hedged Bond Owner's Gain (Loss)	@ June 30, 2010	-0.463	
CDS Actual Hedge Gain (Loss)	@ Feb. 10, 2009	0.843	= 0.963 - 0.120
Hedged Bond Owner's Gain (Loss)	@ June 30, 2010	0.380	

Figure 6: Financial Institutions on the Nortel Creditor and CDS Ownership Lists

Financial Institutions on the Nortel Creditor List Also on the CDS List (1)

Barclays *
Bank of Montreal
BNP Paribas
Bank of America *
Citigroup/Citibank *
CIBC *
Citadel
Credit Suisse
Deutsche Bank *
Dresdner Bank
Goldman Sachs
JPMorgan
Lehman
Bank of Tokyo
Merrill Lynch *
Morgan Stanley
Oppenheimer
PNC Bank
Royal Bank of Canada *
State Street Bank & Trust Co
TD Bank/TD Ameritrade /TD Waterhouse Canada
UBS *
Wachovia *
Wells Fargo

Financial Institutions on the Ad Hoc Bondholder Group Also on the CDS List (1)

Loomis Sayles & Company
Pacific Investment Management Co. (PIMCO)
Sankaty Advisors

(1) Financial institutions on the Nortel Docket 1796 - Global IP Law Group Conflict of Interest List (containing 75 financial institutions, counting related financial institutions as one), Nortel Docket 61 Creditors' List (bondholders, suppliers and other creditors) and List of Adhering Parties for 2009 Nortel Entities CDS Protocol (participants in the Nortel CDS cash settlement auctions on February 10, 2009).

* Financial institutions that were asset providers in the Canadian Non Bank ABCP trusts, as counterparties in credit default swaps sold by the Non Bank ABCP trusts. These financial institutions effectively bought credit default loss insurance from the Canadian Non Bank ABCP trusts that were financed by Canadian governments, pension funds, corporations and retail investors. The retail investors were not informed that their savings were used to buy assets that were pledged as collateral to cover the amounts owed to the international banks under their credit default swap contracts.

Figure 7: Nortel Bonds Have Had Speculative Grade Credit Rating Since April 4, 2002

Credit Ratings on Nortel Long Term Bonds Issued or Guaranteed by NNC or NNL

Period	Moody's		Standard & Poors		
	Credit Rating	Last Update	Credit Rating	Last Update	
2001	Baa2	Oct. 3, 2001	BBB-	Oct. 3, 2001	Investment Grade
2001	Ba3	April 4, 2002	BB	April 9, 2002	Speculative Grade
2002	B3	Nov. 1, 2002	B	Sept. 18, 2002	Speculative Grade
2003	B3	Nov. 1, 2002	B-	April 28, 2004	Speculative Grade
2004	B3	Nov. 1, 2002	B-	April 28, 2004	Speculative Grade
2005	B3	Feb. 8, 2006	B-	Feb. 8, 2006	Speculative Grade
2006	B3	Sept. 26, 2006	B-	June 16, 2006	Speculative Grade
2007	B3	March 22, 2007	B-	March 22, 2007	Speculative Grade
2008	Caa2	Dec. 15, 2008	D	Jan. 14, 2009	Speculative Grade
2009	Ca - NNC/D-Other	Jan. 15, 2009	D	Jan. 14, 2009	Speculative Grade

Figure 8: Recent Price History of Nortel Bonds Guaranteed By NNI US

Nortel Networks Corporation and Nortel Networks Limited Bonds Guaranteed by Nortel Networks Inc. U.S.

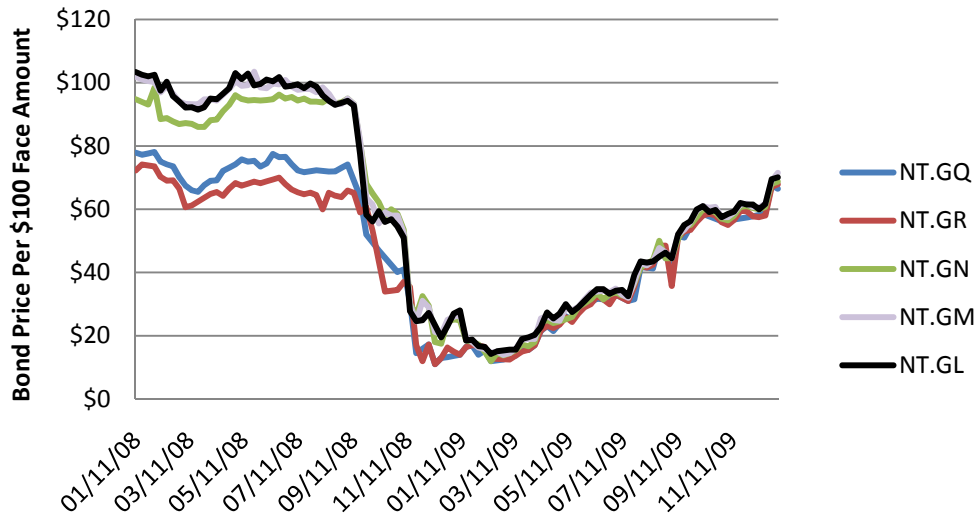


Figure 9: Impact of Nortel Liquidation on Income and Health Benefits

	Nortel Provided		Nortel & Government	
	Worst	Best	Worst	Best
Nortel Liquidation Cash Settlement Ratio	15%	50%	15%	50%
Table 1: Nortel Pension Benefit	-40%	-35%	-25%	-20%
Table 2: Nortel Long Term Disabled Benefit	-85%	-50%	-55%	-30%
Table 3: Nortel Survivor Benefit	-45%	-35%	-20%	-20%
Table 4: Nortel Severance Benefit	-85%	-50%	-60%	-50%

(1) Key Government Programs

Canada Pension Plan

Old Age Security

Guaranteed Income Supplement

Canada Pension Plan Disability

Canada Pension Plan Survivor Pension

Canada Employment Insurance

Figure 10: Impact of Nortel Bankruptcy on Governments and Employees in Aggregate (\$ Millions)

TABLE 6: Impact of Nortel Bankruptcy on Governments and Employees in Aggregate

Worst Case @ 15% Nortel Canada Estate Cash Settlement Ratio	Pension	Survivor Pension Assumed @ 20%	Active & Deferred	Long Term Disabled	Severance	Total
Number of Persons	9,810	3,905	9,049	410	1,500	24,674
\$ Millions in Aggregate	Aggregate Present Value	Aggregate Present Value	Aggregate Present Value	Aggregate Present Value	Aggregate Present Value	Aggregate Present Value
Present Value Factor	10.70	10.70	6.76	14.72	1.00	
Government Program Incremental Costs	\$0	-\$39	\$0	-\$61	-\$14	-\$114
Government Taxes Lost	-\$102	-\$18	-\$84	-\$10	-\$27	-\$241
Government Impact Programs and Taxes Lost	-\$102	-\$57	-\$84	-\$71	-\$41	-\$355
Employee Lost After Tax Income	-\$626	-\$117	-\$412	-\$77	-\$69	-\$1,302
Employee Lost After Tax Health Benefits (Non Taxable Grossed-Up)	-\$204	-\$85	\$0	\$0	-\$1	-\$291
Combined Government & Employee Loss	-\$933	-\$259	-\$496	-\$148	-\$112	-\$1,947

Source: Diane A. Urquhart

Figure 11: COMPASS CEO Poll Give Priority to Pensions in Bankruptcy

Table 2b: (Q2) To what extent do you agree with the following proposals from some Opposition members RANDOMIZE

	Mean	7	6	5	4	3	2	1	DNK
Give priority of pensions in the event of corporate bankruptcy	5.1	24	24	24	11	5	6	6	1
Expand the CPP	4.8	19	23	16	18	11	6	7	0
Provide companies with tax incentives to build pension surpluses	4.8	17	21	28	13	7	3	11	0

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