



NRPC Announces Negotiated Deal for its Constituency

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OTTAWA: - As part of the negotiations following court approval of the final Canadian Funding Agreement, the NRPC (Nortel Retirees and former employees Protection Canada) announces that the Court-Appointed Representatives (Don Sproule, Michael Campbell, David Archibald- the Representatives) for the Former Employees, along with Susan Kennedy, the Court-Appointed Representative for the employees of Nortel on long term disability, and their counsel Koskie Minsky LLP, have reached a deal to ensure the continuation of benefits through 2010. The details of the Agreement, which is subject to court approval on March 3, 2010, 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. This means:

- for pensioners and their survivors, the continuation of medical, dental and life insurance benefits through 2010;
- for all defined benefit pension plan members, Nortel's continuation and current service funding of the pension plans until the end of September 2010;
- for eligible employees terminated without severance pay, a lump sum payment of up to \$3000 as an advance against their claims under CCAA;
- for employees on long term disability, the continuation of disability income benefits and the continuation of medical, dental and life insurance benefits through to the end of 2010; and
- for those receiving survivor income and survivor transition benefits, the continuation of those payments through 2010.

With the exception of retiree life benefits, none of these payments will be made from the health and welfare trust assets.

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 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 for terminated employees, the Representatives will abandon their litigation in the Supreme Court of

Canada seeking minimum standards severance payments. These priority payments will not eliminate severance claims against Nortel, but will reduce the amount an individual can claim.

Said Don Sproule: “Given that the Canadian Funding Agreement provided for payment of benefits only until March 31, 2010, and could have meant an immediate wind up of the pension plan, we believe we’ve negotiated a good deal, without giving up any of our strategic aims”. The deal gives us:

- a priority cash distribution ahead of other Canadian creditors while at the same time not giving up our rights to claim preferred status under an amended BIA.
- time for the Ontario Government to implement the Ontario Pension Agency (OPA), which was a key recommendation (No.5-2) of the Ontario Expert Commission on Pensions. As opposed to the current wind-up process, the OPA could result in significantly higher pensioner payouts and at the same time a significantly lower PBGF expenditure.
- time for pensioners and others to start planning for the loss of health benefits at the end of 2010. To that end the NPRC along with the CNELTD has formed a joint committee to explore if there are feasible options for continuation of a very basic group health plan.

Based on dialogue with the Ontario Government, we expect that payments to pensioners will continue at 100% until September 30, 2010 at which time there will likely be a reduction in payments. How much they will be cut depends on the actions of the Ontario government on implementing the Ontario Pension Agency.

A letter describing the settlement will be sent to all pensioners, former employees and disabled 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 11th. The Representatives will hold a webinar, with an audio-only option for pensioners without internet access, on February 23, 2010 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, 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 NRPC legal committee and the Representatives fully support the Agreement as it reduces the uncertainty for our members regarding their pensions and benefits in 2010 and provides some advance compensation for terminated employees.

For further information, please contact:

Don Sproule, NRPC National Chair
613-266-9336 sroule.nrpc@gmail.com

Bernard Neuschwander, NRPC Chair Québec Region
514-769-7593 bnmk@sympatico.ca

Francois Meunier, NRPC Chair Ottawa Region
613-825-5662 fmeunier@sympatico.ca

Tony Marsh, NRPC Media Relations
613-832-4817 tonymarsh@sympatico.ca

Anne Clark-Stewart, NRPC Media Relations
613-270-8022 leisurelodge@sympatico.ca