

Settlement Agreement

Funding of Pension & Benefits during 2010



Janice Payne
janice.payne@nelligan.ca

Steven Levitt
steven.levitt@nelligan.ca



Nelligan O'Brien Payne

Lawyers/Patent and Trade-Mark Agents
Avocats/Agents de brevets et de marques de commerce

Settlement Agreement



- Nortel, the Monitor and representatives of the former employees, including pensioners and the LTD Beneficiaries have entered into a settlement agreement involving the funding of pension and benefits during 2010.
- Employees are not a party to the Settlement but are impacted.

Settlement Details

The Key Terms of the Settlement:

- payment by Nortel of medical, life and dental benefits to pensioners and LTD Beneficiaries is to continue unchanged until December 31, 2010
- payment by Nortel of income benefits to LTD Beneficiaries, and of survivor income and survivor transition benefits on a "pay as you go basis" until December 31, 2010

Settlement Details (cont'd)

- LTD Beneficiaries will maintain status as active employees until December 31, 2010, with termination of employment to occur on that date
- Payment to a maximum of \$3,000 to eligible terminated employees, for a total maximum pool of \$4.2 million

Settlement Details (cont'd)

- The funding of the pension plan, including current and special payment contributions by Nortel to its pension plans will continue to March, 2010.
- Thereafter the continued administration and current service funding by Nortel of its pension plans will continue until September 30, 2010.

Settlement Details (cont'd)

- After September 30, 2010, the administration of the Pension Plans will be transferred in to a new Administrator.
- As a consequence, Nortel will cease making payments to the pension as at Sept 30, 2010 and will no longer administer the pension thereafter.
- At this point, it is not known whether or how soon the pension plan will then be wound up.

Settlement Details (cont'd)

- In exchange for the settlement, the Former employees **will not** oppose a new employee retention program.
- The claims of continuing and former employees of Nortel, including pensioners and LTD Beneficiaries, will rank as unsecured claims along with the claims of the ordinary unsecured creditors of Nortel.
- In other words there will be no argument that employee can claim priority over other unsecured creditors.
- This confirms the current state of the law regarding employee claims in bankruptcy proceedings.

Settlement Details (cont'd)

- The Release of certain potential claims by specified pension, HWT and benefit parties as against Nortel, Nortel's directors and officers and the Monitor, relating to the administration of Nortel's pension plans and the HWT.
- However the release **does not** affect claims against Nortel itself for any losses later to be advanced in the claims process, be it for pension, benefits or any other employment-related claims.
- Nor does it affect a potential claim with respect to the monies currently standing to the credit of the optional life account in the HWT.

Settlement Details (cont'd)

- The release does confirm that employment-related claims by continuing employees and former employees are **UNSECURED** claims against Nortel, which was already the case before this settlement.
- The leave to appeal application to the Supreme Court of Canada with respect to the payment of termination and severance claims by the former employees of Nortel will be withdrawn.
- All employee claims will be in the same creditor class as other unsecured creditors of Nortel in any plan of arrangement.

Process to Approve the Settlement

- The motion to approve this settlement will be on March 3, 2010.
- Court has approved a Notice Procedure Nortel for the settlement.
- A notice letter will be sent to all former employees, LTD beneficiaries, unionized employees and continuing employees within 7 days of February 9, 2010.
- The letter will also be published in various newspapers across Canada.

Process to Approve the Settlement (cont'd)

- Affected individuals who want to appear and oppose the settlement will have to deliver a notice of appearance by 10:30 am on March 1, 2010.
- They would then have to appear in person or through their own counsel at their own expense.
- If individuals do not file a notice of appearance, they cannot appear at the Settlement approval motion and they will be bound by the settlement should it be approved by the Court on March 3, 2010.

Continuing Employees and the Settlement - Recommendation

- Continuing employees are not a party to the settlement agreement
- As counsel for the NCCE we have reviewed the settlement and had input into the language of the Agreement and in particular the provisions regarding its scope.
- It is our view that the Settlement reached is fair and does not impact our ability to pursue claims against Nortel itself in any future claims process
- As such the Settlement ought not be opposed by continuing employees of Nortel.



Nelligan O'Brien Payne

Lawyers/Patent and Trade-Mark Agents
Avocats/Agents de brevets et de marques de commerce

Questions Related to Settlement Agreement



Nelligan O'Brien Payne

Lawyers/Patent and Trade-Mark Agents
Avocats/Agents de brevets et de marques de commerce

Other Questions Related to Nortel



For more information, please visit our web site

www.nelligan.ca

OTTAWA KINGSTON VANKLEEK HILL ALEXANDRIA



NelliganO'BrienPayne

Lawyers/Patent and Trade-Mark Agents
Avocats/Agents de brevets et de marques de commerce