



HUMAN RESOURCE CONSULTING AND ADMINISTRATIVE SOLUTIONS

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895 Don Mills Road, Suite 700
One Morneau Sobeco Centre
Toronto ON M3C 1W3

November 15, 2010

NORTEL.0001/NORTEL.0002 (DB)

Dear Member/Former Member:

**Re: Nortel Networks Limited Managerial and Non-Negotiated Pension Plan
Registration No. 0342048, and
Nortel Networks Negotiated Pension Plan, Registration No. 0587766 (the "Plans")**

Morneau Sobeco Limited Partnership ("Morneau Sobeco") was appointed as the Administrator of the above Plans by Ontario's Superintendent of Financial Services ("the Superintendent") effective October 1, 2010, to administer the wind up of the Plans. The Superintendent made this appointment in accordance with the provisions of subsection 71(1) of the *Pension Benefits Act*, R.S.O. 1990, c.P.8 (the "Act").

Role of Administrator

The appointment of Morneau Sobeco as Administrator places the operation of all aspects of the Plans under the control of Morneau Sobeco. The Administrator is responsible to process the wind up of the Plans, as ordered by the Superintendent, and to ensure that all Plan members are treated fairly in accordance with the Plan documents, applicable pension legislation and regulations.

The Wind Up Process

We are in the early stages of our administration, which includes gathering documentation and records, informing members and interested parties of our appointment, and assuming responsibilities for the administration of the Plans.

Due to legislative requirements, the wind up of a pension plan and the distribution of benefits to plan members can be a lengthy process. In our capacity as the Administrator, we will correspond with you from time to time and provide you with updates on the wind up process.

We will be collecting some personal information about you to determine your benefit entitlement, and for the purposes of administering the winding up of the Plans. We request that you **please keep us informed of any changes** in your mailing address or marital status, by contacting us as shown near the end of this letter.

One of the responsibilities in our administration will be the preparation of a preliminary actuarial valuation of the Plans. We will be requesting a Notice of Proposal from the Superintendent to formally wind up the Plans, as contributions to the Plans have ceased. Based on the information that we are able to obtain, we will estimate the wind up funded ratio of the Plans at the wind up date.

Pension Benefits Guarantee Fund (applicable only to members under Ontario jurisdiction)

As part of the wind up process, we will review Plan and membership documentation and file an application requesting that the Superintendent declare the Plans are eligible for coverage under the Pension Benefits Guarantee Fund (the "PBGF").

The PBGF is an insurance-type compensation fund that provides limited protection for pension benefits of Ontario members in under-funded pension plans in circumstances set out in the Act and the Regulations made thereunder.

Immediate Retirement – Non-Québec Members

We will be requesting approval from the Superintendent to commence interim monthly pension payments at a reduced funded level, based on conservative assumptions, to members and former members who are eligible and who elect to receive an immediate pension. For non-Québec members, if you are eligible for an early or normal retirement pension and are interested in commencing your pension, please contact us or complete and send us the "Request for Retirement Quote Form" that is available on our website. We will process your request after we have received the necessary

approval from the Superintendent and determined a level of benefits that can be supported by the Plan's assets. You can apply at a later date to commence your monthly pension, but you will only be allowed to elect a pension commencing after the date of your written request.

Please note: if you elect to start receiving a monthly retirement pension at this time, you will not be offered the option to transfer your entitlement into a locked-in retirement account upon approval of the Wind Up Report.

Immediate Retirement – Québec Members

Québec legislation does not allow a non-retired member to commence monthly pension payments from a pension plan that is being wound up. However, once we obtain the consent of the Superintendent we will offer to Québec members who are eligible for retirement the option of receiving temporary monthly payments from the Plans during the wind up process. Québec rules provide that any such advance payments, plus interest on advance payments, would be deducted from any remaining lump sum payment at the end of the wind up process. Québec members, who are retirement eligible and are interested in receiving temporary monthly payments, may apply to receive payments from the Plan once the Superintendent's consent is obtained.

Rules for Retirees in Québec – Possible application of Québec's Bill 1

Québec's Bill 1, adopted in January 2009, includes provisions that allow Québec retirees whose benefits have been reduced following the termination of their pension plan due to their employer's bankruptcy to request that their pension be administered by the Régie des rentes du Québec for a maximum period of five years.

These provisions may apply to current retirees but also to plan members who would have been eligible to begin receiving an immediate pension at the date of the plan windup.

As Nortel is under the protection of the *Companies' Creditors Arrangement Act* and has not declared bankruptcy, and the regulations of Bill 1 have not yet been published, we cannot confirm that the provisions of Québec's Bill 1 will apply to the Nortel situation. However, the Québec Minister responsible for the Régie des rentes did make a commitment that Nortel retirees would be covered by the provisions of Bill 1. We will keep you informed of the situation.

Payments to Retirees

Upon completion of the preliminary valuation and a determination of the Plan's estimated wind up funded ratio, we will review records for all retired members who were put into pay prior to our appointment. Monthly pension payments will then be reduced, where necessary, to reflect the Plan's estimated wind up funded ratio. Once the wind up is complete, annuities are to be purchased, in accordance with applicable legislation, based on the final funded status of the Plans. We will notify pensioners in writing, prior to any necessary cut-backs to their monthly pensions.

For more information

If you have any questions regarding the administration of your Plan, please call us at **1-877-392-2073** (Negotiated Plan) or **1-877-392-2074** (Managerial, Non-Negotiated Plan), from Monday to Friday, between 8:30 a.m. and 5:00 p.m. (Eastern time). You can also email us at nortelwindup@morneausobeco.com. For more information regarding the wind up process, please visit our website at www.pensionwindups.morneausobeco.com.

Yours truly,

The Nortel Wind Up Administration Team

Morneau Sobeco Limited Partnership

in its capacity as Administrator for the

Nortel Networks Limited Managerial and Non-Negotiated Pension Plan, and

the Nortel Networks Negotiated Pension Plan

and not in its personal capacity.