

FREQUENTLY ASKED QUESTIONS REGARDING SALE OF NORTEL'S MSS BUSINESS TO ERICSSON

October 1, 2010

- Legal Representation
- Implications of Sale for MSS Business employees
- Nortel Pension Issues
- NCCE Claims and Potential Claims in CCAA Process

Note: On September 30, 2010, the Court approved the sale of Nortel's MSS business to Ericsson. The following information reflects the terms and conditions contained in the Asset Purchase Agreement between Nortel and Ericsson.

LEGAL REPRESENTATION

Q. What is the scope of Nelligan O'Brien Payne's role as representative counsel for continuing Nortel employees?

As Representative Counsel, we are authorized to provide advice and representation concerning employment-related CCAA claims and potential claims, at Nortel's expense, to continuing employees and employees who accept employment with any company that acquires Nortel assets.

Q. Can representative counsel assist me in negotiating the terms of any offer of employment I may receive from Ericcson?

No. This is beyond the scope of our mandate as representative counsel. The Court has advised us that we are not able, at Nortel expense, to advise on matters between a purchaser of Nortel assets and the employees it proposes to hire.

Q. May I retain an employer lawyer at your firm for personal advice beyond the scope of the representation order?

Yes. Individuals may retain us directly and pay personally for this assistance if they wish. For further information about receiving individual advice with respect to your situation, please contact Leigh Norton at 613-231-8216.

Q. Can representative counsel assist me in understanding the legal significance of an offer of employment from Ericsson in the context of the CCAA proceedings?

Yes. We can review your offer with a view to advising on the nature and extent of claims and potential claims you could make in the Nortel CCAA proceedings if you accept or reject

the offer. This is within the scope of our mandate and the related fees will be paid by Nortel. To date, we have been doing this through inquiries to our web address NCCE@nelligan.ca and these FAQ.

Q. If I accept an offer of employment with Ericsson, will I still be considered to be a Continuing Nortel Employee and be represented by Nelligan O'Brien Payne in the CCAA claims process?

Yes. Employees who accept employment with Ericsson are still Continuing Employees for purposes of legal representation in the CCAA proceedings.

IMPLICATIONS OF SALE FOR MSS BUSINESS EMPLOYEES

Q. Can I expect to receive an offer of employment from the successful bidder?

Ericsson has agreed to extend employment offers to at least 95% of the employees working in Nortel's MSS business.

Q. When will the offers be made?

The sale agreement provides that written offers of employment will be extended "promptly" following Court approval of the sale. Approval was given on September 30, 2010.

Q. How much time will I have to review Ericsson's offer of employment?

Employees will have at least one week to consider any offer.

Q. If I receive an offer from Ericsson, do I have to accept it?

No, you cannot be forced to accept employment with a new employer.

Q. What are the consequences if I decline an offer of employment from Ericsson?

If the terms and conditions you are offered are substantially the same as your Nortel terms and conditions of employment and you decline the offer, Nortel would normally be required to provide you with the notice and severance pay to which you were entitled under provincial employment standards legislation.

However, Nortel is not honouring its statutory obligations with respect to termination and severance pay while it is under CCAA protection. You would have to claim your statutory entitlements through the CCAA claims process once it is established.

Your claim may be limited to statutory termination pay (8 weeks maximum in Ontario) and severance pay (26 weeks maximum in Ontario). You might not be entitled to claim pay in

lieu of notice at common law, because by declining the purchaser's offer of comparable employment, you may have failed to take reasonable steps to mitigate any damages arising out of the termination of your employment with Nortel.

Q. Will Ericsson change the terms and conditions of my employment?

Under the terms of the sale agreement, Ericsson must offer employment with an annual base salary and annual target incentive opportunity at least equal to your current salary and target incentive opportunity. Ericsson is free to determine the "form and performance metrics" of the incentive opportunity and the "opportunity" is available only until the earlier of 12 months following the Closing Date of the transaction and December 31, 2011.

The offer will be for employment in a "reasonably comparable position" to your current Nortel position. For at least the nine-month period following the Closing Date, you will continue to work in a location "reasonably contiguous" to your current location.

Q. What if the terms and conditions offered by Ericsson are not comparable to my Nortel terms and conditions of employment?

To the extent the terms are different and that results in a loss to you, you would have a claim against Nortel for the difference.

Q. If I accept the offer and Ericsson changes a fundamental term of my employment, would I have a claim against Nortel for any monetary losses I could demonstrate?

If the change took place during what would be the reasonable notice period for the termination of your employment with Nortel and before the deadline (not yet established) for filing your proof of claim in the CCAA claims process, you would be able to claim against Nortel for the actual monetary losses you suffered during the reasonable notice period only.

If Ericsson changed a fundamental term of your employment after the end of the reasonable notice period, you might have a remedy against Ericsson but you would have no claim against Nortel.

Q. Will Ericsson recognize all of my service with Nortel?

Yes, it is legally obliged to do so. Ericsson will recognize your Nortel service date for all purposes other than benefit accrual or the determination of the amount or duration of any benefits under a defined benefit pension plan or an equity incentive plan.

Q. What will happen to my accrued vacation?

Ericsson will assume liability for any accrued vacation as of your Effective Hire Date.

After your Effective Hire Date, the rate at which you accrue vacation and your maximum accrual will be determined in accordance with Ericsson's vacation policy. However, Ericsson

has undertaken to not decrease your current vacation accrual rate and maximum permitted accrual during the 12-month period following the Closing Date.

Q. Will my group benefits coverage remain in place?

Ericsson is required to offer benefits that are substantially comparable in the aggregate to your benefits at Nortel, but the following benefits are expressly excluded: benefits under (i) the Key Executive Incentive Plan, (ii) the Key Employee Retention Plan or (iii) the Nortel Special Incentive Plan, retiree medical benefits, equity based compensation or defined benefit pension benefits.

Ericsson has agreed to use “reasonable best efforts” to waive any eligibility periods, evidence of insurability or pre-existing condition limitations. This is significant for employees who are ill or who have pre-existing medical conditions. The company will also make efforts to ensure that its benefit plans honour any deductibles, co-payments, co-insurance or out-of-pocket expenses paid or incurred by Transferred Employees under comparable Nortel benefit plans during the year in which the employee moves to Ericsson. The company may require appropriate documentation to avoid duplication of benefits.

Q. Will Ericsson offer a pension plan?

Ericsson has undertaken to “provide a registered pension plan” and maintain the plan for a period of at least five years. No details of the plan have been provided yet.

Q. Can I stay at Nortel or go back to Nortel if I find another position within the company?

Under the terms of the sale agreement, there is a 12-month non-solicitation period following the Closing Date of the sale during which Nortel is prevented from soliciting the employment of or hiring Transferred Employees (unless Ericsson has terminated the employee’s employment). Nortel is not prohibited from hiring a Transferred Employee who responds to a generalized employment search, but given the company’s current circumstances, it is unlikely that new positions will be advertised.

Q. What happens if Ericsson terminates my employment after the transfer?

Most Nortel employees are entitled at common law to reasonable notice of termination or pay in lieu of notice if their employment is terminated without cause, though Nortel has not been providing notice or pay in lieu of notice since January 2009.

The sale agreement states that transferred Employees who are terminated without cause during the nine-month period following the Closing Date, will be paid “the severance payments which [they] would have been entitled to under the applicable [Nortel] Employee Plan . . . in effect immediately prior to the Effective Hire Date” at Ericsson. It is impossible to determine from this language what Ericsson’s severance packages will look like since, as far as we are aware, Nortel does not have a formal “Employee Plan” with respect to severance payments.

Ericsson's offers may or may not contain a termination provision limiting entitlements to notice and severance pay. The employment offers the company extended in its earlier acquisition of Nortel assets were silent with respect to termination. If the company follows that pattern with this acquisition, employees would be entitled to reasonable notice or pay in lieu of such notice in the event of termination without cause.

Q. How can I determine the reasonable notice period?

Reasonable notice is determined on a case-by-case basis, taking into consideration factors such as age, length of service and the character and level of your position. We can assist when the time is appropriate to quantify what your reasonable notice period likely is.

LONG-TERM DISABILITY

Q. I am in receipt of LTD benefits from Nortel. Will those benefits continue?

Nortel will stop paying LTD benefits on December 31, 2010. Koskie Minsky has been appointed to represent Nortel employees in receipt of LTD benefits. Inquiries about claims arising out of the loss of LTD benefits should be directed to that firm.

INACTIVE EMPLOYEES

Q. I will be on parental leave from Nortel until after the Closing Date. If I am in scope, which company will be responsible for my top-up?

As an "Inactive Employee", you will remain employed by Nortel until the first day you are ready to return to active employment with Ericsson in accordance with Nortel's leave policies. Nortel will be responsible for the payment of any associated benefits under the applicable leave policy.

NORTEL PENSION ISSUES

Note: Effective October 1, 2010, the Superintendent of Financial Services appointed Morneau Sobeco Limited Partnership as the new plan administrator for the purpose of winding up the Nortel pension plans. The new administrator will ensure continuity in the administration of the Nortel pension plans (including payment of pension benefits), commence the wind up of the Nortel pension plans, and represent the pension plans as decisions are made regarding allocation of the proceeds from the sale of Nortel's assets.

Pension plan members with questions about their entitlements and benefits should contact the plan administrator, as follows:

**Morneau Sobeco Limited Partnership
One Morneau Sobeco Centre**

895 Don Mills Road, Suite 700
Toronto, ON M3C 1W3

Tel. 1-877-392-2073 (Negotiated Pension Plan)

Tel. 1-877-392-2074 (Managerial and Non-Negotiated Pension Plan)

E-mail: nortelwindup@morneausobeco.com

Website: www.pensionwindups.morneausobeco.com

Q. If I become an employee of Ericsson do I have to wait until my employment with Ericsson ends to take my Nortel pension?

The law is inconsistent from province to province with respect to the treatment of a private pension plan following the sale or partial sale of an employer's business. The answer to this question will, therefore, depend on the province in which you work or, if you work from home, the province in which is located the Nortel office from which you are paid.

Pursuant to Section 80 of the Ontario *Pension Benefits Act*, and comparable provisions in the pension benefits legislation of Saskatchewan, Manitoba, New Brunswick, Nova Scotia and Newfoundland and Labrador, the employment of employees affected by an asset sale is deemed not to be terminated, for pension purposes, by reason of the transaction. If the successor employer has a pension plan and you become a member of the plan, your employment with Nortel will be deemed to continue for pension purposes, and you will not be able to start receiving pension benefits from Nortel without terminating or retiring from employment with the purchaser.

There is no equivalent prohibition in the pension benefits legislation of British Columbia, Alberta and Quebec. If you work for Nortel in one of those provinces, your rights under the Nortel pension plan will be governed by the rights of plan members on termination of their pension plan, in accordance with the terms of the plan.

Q. I live in one province but work in another. How do I know which province's pension legislation applies to my circumstances?

Your place of employment under all provincial pension benefits legislation is determined, firstly, by the province in which you report for work. If you are not required to report for work for any reason (i.e. you work from home) then you are considered to be employed in the province in which is located the Nortel office from which you receive your remuneration.

Q. Under what circumstances can I withdraw the commuted value of my pension?

Your right to withdraw the commuted value of your pension will also depend on the province in which you are working or, if you work from home, the province in which is located the Nortel office from which you are paid.

The Nortel pension plan states that a Part I employee who is terminated and who is not eligible for retirement under the Pension Plan has the right to elect to withdraw the commuted value, rather than waiting to take a deferred pension.

A Part II employee who is terminated can withdraw the commuted value, whether or not the employee is pension eligible.

However, because the purchaser will have a pension plan, s. 80 of the *Pension Benefits Act* and comparable provisions in the pension benefits legislation of Saskatchewan, Manitoba, New Brunswick, Nova Scotia and Newfoundland and Labrador would deem your employment with Nortel not to have been terminated, so you would not be eligible to choose the commuted value option until your employment with the purchaser had ended.

The pension benefits legislation in British Columbia, Alberta and Quebec do not contain similar restrictions. If you accept employment with a successor of Nortel in one of those provinces, you will be able to transfer the commuted value of your Nortel pension, in accordance with the terms of the plan.

Q. I understand that when the Defined Benefit Pension Plans are wound up, the value of the Plans to retirees will be much less than it currently is. Would it be financially prudent to opt for early retirement now and take the commuted value of my pension benefits while some funds are still available, rather than accept employment with Ericsson?

We recommend that you consult with a financial advisor to assess your own particular situation.

Q. Will retiree healthcare benefits and life insurance under the Traditional Part I plan be available to me if I defer my pension or are they available only if I retire directly from Nortel?

Under the terms of the plan, these benefits were available only if an employee retired directly from Nortel. However, Nortel will cease paying retiree health, dental and life insurance benefits on December 31, 2010.

CCAA CLAIMS PROCESS AND POTENTIAL CLAIMS

Q. When will employees be able to file claims?

The claims process for employee claims has still not been established. Once the process has been approved, employees will be able to submit a proof of claim seeking compensation for any employment-related losses they have suffered. Nelligan O'Brien Payne and Shibley Righton will be working with Nortel and the Monitor to negotiate a separate streamlined claims process for Continuing Employee claims. Once the claims process is established, we will send out an email to all continuing Nortel employees who are on our confidential email communications list advising them of the process and provide updates via our website.

Q. What kinds of claims can I make in the CCAA proceedings if I either accept or refuse an offer from Ericsson?

We will assist you in identifying and valuing your claims. We expect that they may include:

- loss of bonus income
- loss of future TRA
- pension loss
- retiree benefits
- future loss of patent awards
- possible reduction in salary and benefits with the purchaser during the reasonable notice period (to the extent the terms and conditions offered by Ericsson are not comparable to your Nortel terms and conditions of employment and that results in a loss, you would have a claim against Nortel for the difference)
- entitlement under the *Employment Standards Act* to termination and severance pay should you turn down an offer of comparable employment with Ericsson
- other claims to be identified

Q. When will you need more information from me?

If you have a question about your potential CCAA claim you may contact us now at NCCE@nelligan.ca. We do not need any documentation from you at this time.