

Beneficiary Estimated Allocation Statement

[Benefit Recipient's name and address; merge]

[Benefit Recipient's identification # merge]

PRIVATE AND CONFIDENTIAL

Nortel's Health and Welfare Trust (the "HWT")

As you know, Nortel Networks Corporation and certain of its Canadian subsidiaries (collectively, "Nortel") filed for protection from its creditors pursuant to provisions of the Companies' Creditors Arrangement Act ("CCAA") on January 14, 2009. Ernst & Young Inc. was appointed by the Ontario Superior Court of Justice (the "Court") as Monitor.

Nortel is in the process of realizing on its remaining assets and winding down operations. As part of this process and as per the settlement agreement approved by the Court on March 31, 2010, all non-pension income still being paid by Nortel to long term disability employees and surviving spouses and health care and life insurance benefits currently being paid by Nortel to long term disability employees, former employees and their survivors will terminate on December 31, 2010.

Since 1980, Nortel has administered various benefit programs through the HWT. The assets are insufficient to cover the full value of the benefits.

The Settlement Agreement requires the parties to work towards a court-approved distribution of the HWT assets in 2010. The Monitor has filed with the Court a motion for approval of a proposed allocation method for the distribution of the assets held within the HWT. This motion is to be heard on September 29, 2010 in Toronto, Ontario and may be supported or opposed by other interested parties. Further information and copies of the relevant motion materials filed with the Court, including the Monitor's [●] report, can be obtained from the Monitor's website www.ey.com/ca.nortel or by contacting the Monitor at ●.

The Monitor has analyzed the terms and provisions of the HWT agreement as well as other applicable documentation and has developed a proposed allocation method which is illustrated in the materials filed on the Monitor’s website.

You are receiving this notice as you are a recipient of long term disability benefits (“LTD-Income”), survivor income benefits (“SIB”) or survivor transition benefits (“STB”). Your court-appointed representatives have asked that each recipient of LTD-Income, SIB or STB be provided with an estimate of the lump sum distribution he or she will receive from the HWT based on the Monitor’s proposal.

Estimate of your distribution from the HWT:

The following is a preliminary estimate of your distribution from the HWT. This preliminary estimate is based upon membership data as at June 30, 2010 and assumes the Monitor’s proposal is approved by the Court. Your actual distribution will be based on information updated to December 31, 2010. Your estimated distribution from the HWT relating to income <and basic life insurance> **[NTD: include bracketed words for long term disability recipients only]** has been calculated by multiplying the estimated benefit value times the proposed distribution percentage. <The estimates for the benefit value of optional life or pensioner life benefits to which you may be entitled are yet to be determined as data to calculate these amounts for each individual is not currently available.> **[NTD: include bracketed words for long term disability recipients only]** No estimated distribution has been included with respect to medical benefits as medical benefits are not eligible for a distribution from the HWT under the Monitor’s proposal.

	Your estimated benefit value	x	Proposed distribution percentage per Monitor proposal	=	Your estimated distribution lump sum payout
Income benefit	<IBCLAIM>		<34.5%>		<IBLSUM>
[These next 3 rows for LTD recipients only] Life insurance benefit	<LICCLAIM>		<34.5%>		<LILSUM>
Optional life insurance benefit	TBD		<34.5%>		TBD
Pensioner life insurance benefit	TBD		<34.5%>		TBD

Important: The amounts in the chart above are conditional upon court approval and could change depending on several factors which include, among others, the Court's determination as to the appropriate allocation methodology, the HWT assets available for distribution as at December 31, 2010, changes in status (e.g. death, recovery from LTD) and refinement of data with respect to actual eligible participants as at December 31, 2010.

You should be aware a tax ruling has been sought from the Canada Revenue Agency as to whether these HWT payments can be made on a tax free basis.

In addition to your share of the distribution of assets from the HWT, you may also have a claim against the Nortel estates for any remaining unrecovered benefits, (including other benefits that are not part of the HWT distribution). The amount of such claims and timing of any recovery on such claims is uncertain at this time and will be the subject of a further Court motion. If you have other claims of this nature, you will receive additional future correspondence from the Monitor.

At the present time, you are not required to take any action. You will be provided with further information regarding the distribution of HWT assets in due course.