

DISABLED EMPLOYEES PROGRESS REPORT

THIS REPORT HAS BEEN PREPARED BY KOSKIE MINSKY LLP IN THEIR CAPACITY AS REPRESENTATIVE COUNSEL TO THE NON-CAW DISABLED EMPLOYEES OF NORTEL

August 28, 2012

As Representative Counsel for many of Nortel's former employees (including LTD Beneficiaries), we are writing to provide you with an update on Nortel's insolvency proceedings.

If you are a CAW member, we have received permission of the CAW to send you this letter. If you have any questions or would like to speak with your legal counsel, you may contact Barry Wadsworth at the CAW at 1.800.268.5763, extension 3776.

If you are not a CAW member, you may contact your Representative Counsel by email at nortel@kmlaw.ca or through our toll-free hotline at 1.866.777.6344.

Stay of Proceedings & Expected Distributions

Nortel recently received an extension of its CCAA stay of proceedings until October 31, 2012. The company continues to work through the many issues that must be resolved prior to the completion of the Nortel wind-down. It is uncertain how long this will take.

We have started to receive questions about when to expect the next cash distribution from Nortel. Unfortunately there is no scheduled distribution and we do not expect one in the near future. There will not be a final distribution from Nortel's Health and Welfare Trust (HWT) or from the Nortel estate in respect of your Compensation Claim at least for the rest of this calendar year and quite likely longer. It is particularly difficult to estimate when there will be a distribution from the Nortel estate, because the ultimate wind-up of the Canadian estate is dependent on complex estate allocation issues which are the subject of an international mediation that started in April of 2012. It could be a significant period of time before these complicated issues are resolved.

Updated Hardship Fund Eligibility Criteria

Although there are no distributions expected in the near future, there may be an option that can provide you with some interim relief if you are in a position of immediate financial hardship.

On July 27, 2012 the Court approved the expansion of the scope of Nortel's Hardship Fund to include Nortel LTD Beneficiaries, as well as pensioners and survivors, allowing them to apply for a payment from the Hardship Fund for circumstances which satisfy the requirements. Payments from the Hardship Fund are treated as an advance on future distributions from the Nortel estate, so any amount awarded will be deducted from the recipient's ultimate Compensation Claim recovery from the Nortel estate.

The Hardship Fund has been in place since July 30, 2009. It was originally established in response to urgent financial need experienced by former Nortel employees who had no income because they lost their job with Nortel. Nortel's LTD Beneficiaries, pensioners and survivors were ineligible under the original version of the Hardship Fund Eligibility Criteria. However, circumstances have changed since the last distribution from Nortel's HWT in March 2012 and

the pension cutbacks last summer. Therefore, the Court-appointed Representatives requested an expansion of the Hardship Fund Eligibility Criteria, which the Court has now approved.

If you are in a position of immediate financial hardship, you may request a payment from the Fund by completing a Hardship Payment Application. Koskie Minsky can help you to complete this form. This will be a private and confidential process, and you will not be required to share your personal information with anyone other than the Monitor, who is responsible for assessing your application, and your Representative Counsel.

Eligibility: In order to be eligible for a Hardship Payment, there are certain criteria you must satisfy, including:

1. You must be a former employee who prior to December 31, 2010 was in receipt of long term disability payments from Nortel; OR
2. You must be a member (or survivor of a member) of one of Nortel's defined benefit pension plans and you had your pension reduced effective August 2011.

In addition, you must have a Compensation Claim against Nortel (i.e. you received an Information Statement through the Compensation Claims process), and you must demonstrate that you are in a situation of urgent or immediate financial hardship. Typical examples of financial hardship include the inability to cover your required drug costs, to pay your rent or to buy groceries. If you are experiencing hardship but you are unsure whether your situation qualifies under the expanded criteria, please contact Koskie Minsky at 1.866.777.6344 to discuss your situation.

Note: *The maximum amount that will be payable to a former employee (including LTD Beneficiaries) under the expanded criteria is a payment of up to 8 weeks' salary based on a maximum salary of up to \$1,200 per week. It is not guaranteed that you will be approved for a payment, and if you receive a payment it may not be for the maximum amount. The hardship committee will also have discretion to approve additional amounts in cases of medical and other emergencies in an amount up to \$2,500. Any amount that you do receive will be subject to applicable taxes, and the payment will be a lump sum advance on your distribution from the Nortel estate. To be clear, your ultimate distribution from the Nortel estate will be reduced by any amount that you are awarded from the Hardship Fund.*

The updated Eligibility Requirements and the Hardship Payment Application Form are available on Koskie Minsky's website at www.kmlaw.ca. If you cannot access the forms through the internet, please contact us at 1.866.777.6344 and we will send you a copy of the forms by mail.

Future Updates

Please keep yourself informed by continuing to check the Koskie Minsky website at www.kmlaw.ca/case-central/overview/?rid=107. We will continue to post important updates on our website.

If you have a specific question or wish to speak to your Representative Counsel, please contact us by email at nortel@kmlaw.ca or through our toll-free hotline at 1.866.777.6344. If you are a CAW member, please contact Barry Wadsworth at the CAW at 1.800.268.5763, extension 3776.