

DISABLED EMPLOYEES

1. How does this settlement affect me?

Most importantly the settlement provides for continuation of your income, health, dental and life benefits through December 31, 2010, without depletion of the Health and Welfare Trust for these payments. Without the Settlement Agreement, the timing and amount of payments beyond March 31, 2010 is uncertain and could deplete the Trust.

Your employment will be terminated December 31, 2010. This does not affect your rights in the claims process, and is without prejudice to your ability to make an ordinary unsecured claim in the estate for your disability and employment related benefits.

The allocation of the Health and Welfare Trust (HWT) is not addressed in the Settlement Agreement. There has been no determination made as of yet on how any funds available from the HWT will be allocated. Input on this issue will be solicited in advance of any motion to seek Court approval of the allocation of the HWT. It is premature to accept your views on the allocation of the HWT at this time. We are working towards resolving the allocation of the trust in Q2 of 2010.

You will be bound by terms of the Settlement Agreement if it is approved by the Court on March 3.

2. Why will my LTD payments stop at the end of December?

Twelve months of payments directly by Nortel, equalling close to \$12 million, was the most we were able to negotiate for the group of LTD employees. On December 31, 2010, the payment of your LTD income benefits will stop. It is expected that Nortel will be essentially wound up by that time. However, the HWT will still exist (and it will not have been depleted by payment of LTD income benefits through 2010, because the wage replacement benefits will be paid directly by Nortel). We expect that by then there will be an arrangement for the distribution of its assets, including payments to disabled employees.

Without this Settlement Agreement there is no certainty as to the timing and amount of payments beyond March 31, 2010 and any payments would be from the HWT assets, which would diminish the HWT assets (and consequently, your ultimate distribution from the HWT). Without the Settlement Agreement, there is also no guarantee on the continuation of your health, dental and life insurance benefits beyond March 31, 2010.

In addition to the 12 months of income payments in 2010, there will be future distributions to disabled employees from both the HWT and then from the Nortel estate through the claims process.

3. Is this settlement fair?

Nortel is insolvent and is liquidating its business. In the circumstances, this Settlement Agreement represents a fair and reasonable way to provide benefits to a group of individuals who, for the most part, do not have any other source of income or ready ability to replace those benefits that they received from Nortel. Although the cessation of benefits and transfer of the Pension Plans is ultimately inevitable, the terms of the Settlement will provide this group of people with certainty as to the time frame in which it will happen and advance notice of the transition.

4. Have we given up the right to appeal based on "fairness"?

It is always open to litigants to urge the Court to make a decision based on what is fair. In the end, however, the Judge is bound by the law. There is no such thing as the right to appeal on the basis of fairness under current

bankruptcy laws. The Judge must make fair decisions based on the current laws. We are aware that the LTD group is a vulnerable group and will do our best to ensure that the laws are applied fairly.

5. I have heard that the Settlement Agreement requires us to give up our right to a "fairness hearing". Is this true?

There is no such thing as a "fairness hearing". There will be a "sanction" hearing where the Court considers the fairness of a Plan of Compromise which the creditors have voted for in the majorities required under the CCAA. You have not given up any rights you might have at a sanction hearing.

6. Why are the laws that protect pensioners different than those related to disabled employees?

Pensioners are protected by provincial legislation, which differs from province to province. Pension legislation in Ontario and the other provinces provides specific rights and obligations regarding the administration of workplace pension plans. When disabled employees retire and become pensioners of Nortel, they will benefit from these same rights and entitlements.

There is no federal or provincial government protection for individuals who are in receipt of long-term disability benefits that are self-insured by a company that becomes insolvent. The law permits employers to self-insure LTD benefits.

7. Will I have no income after December?

While the company will stop paying your LTD income benefits as of December 31, 2010, you will continue to receive your CPP Disability payments as long as you qualify up to age 65. Additional future income will be derived from two Nortel sources. First, there are funds in the Health and Welfare Trust to continue payments for a period of time, or to provide you with a cash distribution that would allow you to set up an annuity to provide a periodic income stream, should you wish to do so. As noted above, Representative Counsel is and will continue to work with the Monitor and the Company on the allocation of the HWT before year end. You will later receive a cash payment(s) from the distribution of the Nortel estate through the claims process.

8. Are any alternative options being considered to provide me with ongoing health and dental benefits?

Options are being explored to replace your benefit plans, but we are only at the beginning stages of this process.

The court-appointed Representative and Representative Counsel must take into account the collective interests of many individuals, and must balance these interests as best as is possible. The aim is to design a group health insurance plan that has (a) affordable premiums for as many individuals as possible; (b) the most generous benefits possible, given the amount of funds available; and (c) provides coverage to as many affected individuals and their families as possible.

Before any replacement benefit plan is established, individual needs and concerns will be canvassed and considered. Before any replacement plan is finalized, it will be necessary to seek and obtain court approval. Individuals entitled to participate in the plan will be given ample notice of all important stages in this process.

9. When will I get more information about the HWT?

The Monitor's 32nd Report provided the Trust Agreement and market value of the assets in the HWT. The Settlement Agreement provides for a court motion with respect to the allocation of the HWT during 2010. Additional information about the assets in the HWT will be available closer to the court dates that directly concern the allocation of the HWT.

All court motions are posted on Ernst & Young's website at: www.ey.com/ca/nortel.

10. Does the Settlement Agreement provide that legal fees on issues pertaining to the HWT will be paid directly from the HWT assets? Is there a supervisory board to oversee issues pertaining to the HWT?

There is no supervisory board proposed for dealing with the distribution of assets of the HWT. The Trustee would distribute the assets in accordance with a Court Order. Representative Counsel and the Court-appointed Representatives will be involved in the discussions with the Monitor and other interested parties throughout the process of the determination of the allocation of the assets in the HWT.

We do not anticipate any expenses for the distribution of the assets to be charged to the HWT at this time. Legal fees and other expenses associated with the wind up of the trust are within the scope of the Representation Order and will be paid by the Nortel estate.

The Settlement Agreement does provide that in the event of certain litigation about the HWT allocation, legal costs to defend objections to the proposed allocation will be paid from the HWT assets. This is limited to certain future intra-trust litigation among the beneficiaries concerning the allocation of the assets within the Trust. Our hope is that such litigation will never arise. This provision may act as a disincentive for individuals to pursue litigation that will further deplete the Trust. Please note however, that any charges against the trust must be approved by the Court. No individual has the right to retain counsel and charge these fees against the trust assets.

If you wish to obtain more information about the Trustee or to view the Trust Agreement, please see the 32nd Report of the Monitor which was filed with the Court on November 30, 2009 and is available on the Monitor's website.

11. Are the service/funds we have accrued in the pension plan held separately from the assets in the HWT?

Yes. These are completely separate trusts and different plans. The pension plans are governed by provincial pension legislation. The HWT is a completely separate Trust. Funds in each Trust are protected and not available to each other, or other creditors.

12. Why do pensioners have 'access' to the HWT?

Pensioner life insurance in 2010 continues to be paid out of the HWT, but the agreement between Representative Counsel and the Monitor is that such charges will not affect the share of the LTD and SIB beneficiaries of the HWT. They will be charged back to the pensioner portion for the HWT. However, this is not part of the Settlement Agreement which deals only with the funding for 2010, not the future of the HWT.

13. Who decided that this settlement should be approved?

The Settlement Agreement has the support of the settlement parties, which include the Monitor, the court-appointed Representative for the disabled employees, the court-appointed Representatives for the former employees, Representative Counsel, counsel to the CAW and the Company. It is conditional upon approval by the Court. The notice process is very broad and is designed to advise all stakeholders and to give them an opportunity to oppose and be heard in Court on March 3, 2010. Should they choose to do so, they will not be represented by Representative Counsel at the March 3 motion. Rather, they will be required to represent themselves or engage their own legal counsel.

14. How do the individuals who have made the decision to enter into the Settlement Agreement know what is in my best interests?

The Court-appointed Representatives and Representative Counsel have assessed the significant financial benefits of the Agreement against

- the release of claims,
- the acknowledgement that pension and HWT claims do not have priority status, and
- the agreement not to object to the KEIP/KERP payments

and determined that the Agreement requires you to give up very little of substance in exchange for very substantial financial benefits. They are of the view that \$48 million cash in hand is much more valuable than the chance to bring uncertain, risky and expensive litigation over matters that there is no assurance whatsoever of success.

Furthermore, an efficient and orderly distribution of the Nortel estate is in the interests of all stakeholders. Unresolved issues and unfounded future litigation will only cause delays and create additional costs for all interested parties. This Settlement Agreement will introduce some certainty and efficiency into the process. Most importantly though, many disabled employees have contacted your Representative Counsel and your Representative to urge us to find a way to continue their benefits for as long as possible. The Settlement Agreement does that.

15. I am a unionized LTD member – do I get any different treatment?

No.

16. Are we giving up our rights to sue the directors?

If the Settlement Agreement is approved, disabled employees will still have the right to sue the directors of Nortel for fraud and matters identified in section 5.1(2) of the CCAA, including misrepresentation. However, disabled employees are giving up the right to sue the directors for matters associated with the pension plans or the HWT.

17. Will I still have life insurance coverage?

Your coverage will continue until December 31, 2010. We are currently exploring options to make coverage available to you after December 31, 2010.

18. After December 31, 2010, will we have the option to convert our optional life insurance into an individual /group plan with Sun Life?

We are not certain at this time. However, we are aware of this issue and are working on a solution that meets the needs of the disabled employees. Once a determination has been reached, we will let you know. For now, please contact Sun Life directly for more information.

The Sun Life Customer Care Centre can be reached at 1.866.733.8612.