

DISABLED EMPLOYEES PROGRESS REPORT

THIS REPORT HAS BEEN PREPARED BY KOSKIE MINSKY LLP IN ITS CAPACITY AS REPRESENTATIVE COUNSEL TO THE NON-CAW (NOW UNIFOR) DISABLED EMPLOYEES OF NORTEL

November 17, 2016

This report is to provide you with an update on Nortel's insolvency proceedings.

If you are a CAW (now known as Unifor) member, we have their permission 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 Unifor at 1-800-268-5763, extension 3750 or e-mail linda.cantin@unifor.org.

If you are not a Unifor member, you may contact us, your Representative Counsel, by email at nortel@kmlaw.ca or through our toll-free hotline at 1-866-777-6344.

Settlement Agreement

We are very pleased to report that a settlement was reached on October 12, 2016, which divides the \$7.3 billion, in U.S. dollars (USD), collected from the sale of Nortel's businesses and assets across the globe among the three Nortel estates. Those funds have been held in escrow (the "**lockbox**"), untouched, since the sales took place a number of years ago. The \$7.3 billion could not be released until the courts in Canada and the US had issued final determinations requiring it, or there was an agreement. The October 12 'Global Settlement and Support Agreement' (the "**Settlement Agreement**") was reached among all of the key stakeholders and apportions the funds in the lockbox among the Nortel Estates in Canada, the US, and Europe, the Middle East, and Africa ("**EMEA**"), to be paid out to creditors in proportion to their claims. Finally, former Nortel employees are a giant step closer to collecting a portion of what they are owed from Nortel.

Under the Settlement Agreement, the Canadian Estate will receive \$4.143 billion USD. The US will receive \$1.77 billion USD and EMEA will receive \$1.35 billion USD. A portion of the \$4.143 billion USD Canadian estate allocation has already been converted to Canadian dollars and once the steps described below are complete, the Canadian Monitor will be able to pay 'dividends' or 'distributions' to creditors in partial satisfaction of their claims against Nortel Canada.

The Settlement Agreement is subject to certain conditions, including CCAA and Chapter 11 plans to be voted on by creditors in the Canadian and US Estates, and court approval in Canada, the US and Europe. Steps to achieve those milestones are already underway. No steps will need to be taken by you as the court-appointed Representatives or union will be voting on your behalf pursuant to the orders appointing them.

While still speculative, Canadian creditors, including LTD Beneficiaries, are projected to collect a return of approximately 46 to 48% of their claims based on claim estimates. The distribution will be made through at least two payments, the first expected to occur in mid-2017 and the balance to occur once claims pools and expenses are known and more final. The mid-2017 timing estimate is based on the timetable in the Settlement Agreement but may be affected by objections or appeals which would cause a delay in payment. The large majority of all claims, including those of LTD Beneficiaries, will be paid out on the first distribution.

There are two categories of claims of main interest to former Nortel Canada employees:

1. **Employee Claims (also known as "Compensation Claims"):** LTD Beneficiaries have entitlements against Nortel Canada for the loss of their LTD income, life insurance, and employment benefits primarily. A portion of your LTD income and life insurance claims have already been paid (in 100-cent-dollars) from the Nortel Health and Welfare Trust (in 2011 and 2012). Your claim against the Nortel estate will be reduced by the amount already paid from the Trust.

Distributions on claims will also be net of (i) statutory withholding tax (where applicable) and (ii) the amount of any advances you received from the Hardship Fund. These distributions will be conducted by the Monitor, Ernst & Young.

Your claims have already been determined through the compensation claims process, discussed further below, which commenced in the fall of 2011. At the time you received a "Form A- Your Compensation Claim Amount" document from the Monitor, which listed the claims that you were entitled to and the amounts of each claim. Please see below for further information regarding the Compensation Claims.

2. **Registered pension plan deficit claims:** Morneau Shepell is the wind-up administrator for the registered pension plans and is the entity which filed the claim for the funding deficit in the two Nortel plans (union and non-union). The payment on this claim will be made directly into the pension plan and will increase the fund of assets available to pay pensions.

Morneau is still reviewing the impact of the Settlement Agreement on pensions as certain factors including the cost of annuities and amounts owing to the Ontario Pension Benefits Guarantee Fund will have to be determined.

Please visit our 'Allocation Litigation' tab on our website for regular updates as they become available, or call the toll-free hotline at 1-866-777-6344 for further information.

Compensation Claims

LTD Omnibus (Group) Claim for lost EAP benefits settled: Representative Counsel filed a group (omnibus) claim for all LTD Beneficiaries on January 6, 2012 for loss of the Employee Assistance Program (EAP). That claim has been resolved.

The EAP was a program available to all employees. It provided access to 10.5 hours a year of WorkLife Services – counseling services - provided through Sheppel-fgi. If Nortel had continued, disabled employees on LTD would have continued to enjoy access to that program until they turned 65.

The EAP Omnibus Claim has been accepted by the Monitor. Every LTD Beneficiary will be awarded a claim for the present value of the lost EAP program, calculated as follows: 10.5 hours per year x (65 – your age at December 31, 2010) – minus 3.5% per year. The date of December 31,

2010 is used as this was the termination of LTD benefits; and 3.5% is an actuarially acceptable rate at which to discount the value back to December 31, 2010.

The Monitor will send out revised Compensation Claims packages before the end of 2016, which will include your claim for the EAP.

Claims process is nearing completion: Some of you have filed other claims or have objected to your original compensation claims package and are still awaiting a response to these claims. The Monitor is currently finalizing their review of these and will provide a response in connection with delivering your claim revised to include the EAP.

If you have any questions regarding the status of your claim or would like a copy of your claim please call us at 1-866-777-6344 or e-mail us at nortel@kmlaw.ca.

As discussed above, we expect the first distribution on your claim to be made sometime in mid-2017.

Windup of Nortel's Registered Pension Plans

Managerial and Non-Negotiated Plan (Reg. 0342048)

The windup of Nortel's non-union plan, the 'Managerial and Non-Negotiated Pension Plan' was approved by Ontario's pension regulator FSCO at the end of June 2016.

Option Forms

The mailing of Option Forms began in early September 2016. Morneau Shepell Ltd. (“**Morneau**”), the administrator of Nortel's registered pension plans, has advised that forms are still being mailed out as the production of the Options Forms has proven more complicated than anticipated with more than 13,000 plan members and over 200 different types of personalized Option Forms being required. Morneau expects to be finished mailing the Option Forms at the end of November and has extended the deadline to return forms to January 31, 2017.

If you have not yet received your Option Form but did receive a letter from Morneau advising you of member meetings, you are in the queue and your form is in process.

If you have received nothing from Morneau since September, neither an Option Form nor the schedule of member meetings, please contact them as soon as possible. Morneau may not have your current address on file. Morneau Shepell can be reached at 1-877-392-2074.

In-person Information Sessions and Webinars

The town-hall sessions for the Managerial and Non-Negotiated Plan began the week of October 3, 2016. The slides for the presentations made at the information sessions are now available on the Koskie Minsky website at www.kmlaw.ca/nortelnetworkscorporation under the “Windup of the Nortel Pensions Plans” tab.

Segal Co., the actuaries retained to advise your court-appointed representatives and Koskie Minsky through the CCAA proceedings, have prepared a “Guide to making your Pension Payment Choice: Important Issues to consider”, which is available on Koskie Minsky's website in the Wind Up section.

For those unable to attend a roadshow or wishing to hear the presentation again, there will be webinars on the following dates:

- November 24, 2016 (10 am EST) Non-Québec Members in English:
Accessible online at: <http://bell.media-server.com/m/p/77mpcaa2>
- November 25, 2016 (10 am EST) Québec Members in French
Accessible online at: <http://bell.media-server.com/m/p/4t736eqt>
- November 25, 2016 (1 pm EST) Québec Members in English
Accessible online at: <http://bell.media-server.com/m/p/csotu6m2>

The above links can also be accessed from Koskie Minsky's website.

A recording of each webinar will also be posted on the Koskie Minsky website within two business days after the date on which it aired live.

Negotiated Plan (Reg. 0587766)

Implementation of the selected options for the unionized “Negotiated Plan” has been underway for some months now and is largely complete. If you have issues associated with implementation of your options, please contact Morneau at:

Managerial Plan Members: 1-877-392-2074

Negotiated Plan Members: 1-877-392-2073

If you have any questions please call Koskie Minsky at 1-866-777-6344.

Health and Welfare Trust (HWT) Tax Appeal

The Tax Appeal concerning the taxation of certain payments from the Nortel Health and Welfare Trust ("HWT") was heard at the Tax Court of Canada in Ottawa on August 25 and October 5, 2016 through a series of test cases. Although oral submissions were completed on those dates, the Court will permit the Crown to make written submissions on an issue that it did not address during the hearing. The submissions process should conclude by November 24, 2016, after which the judge will deliberate and provide written reasons. The Tax Court Judge advised the parties that he expects that it will take him some months to review the documents, reach a decision, and release written reasons, given the complexity of the case.

The Tax Appeal relates to the taxation of the amounts paid to you from the HWT for loss of life insurance benefits. If the test case appeals are successful and you have objected, you can expect to

be reassessed in respect of your applicable taxation year to exclude from income the taxable amount of the lump sum payments that you received out of the HWT. If the Test Case Appeals are not successful, you will not be reassessed as your original Notices of Assessment would be correct.

If you have any questions regarding the Tax Appeal, or would like to confirm that Koskie Minsky received your objection, please call us at 1-866-777-6344.

Hardship Fund

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 complete this form. This is 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 Representative Counsel.

LTD Beneficiaries are eligible to apply for a maximum payment of up to 16 weeks of salary based on a maximum weekly salary of up to \$1,200 per week. A further \$5,000 may be awarded at the discretion of the hardship committee in the case of medical or other emergency (for a total maximum of \$24,200).

With the announcement of the Settlement Agreement, the Hardship Fund will be available only until the Plan of Compromise is implemented, which is expected to be mid-February.

Please note that 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.

If you have any questions regarding the eligibility criteria or would like to apply for a payment from the Hardship Fund, please visit our website or call our toll-free hotline at 1-866-777-6344 to request an Application for Hardship Payments.

Address Changes

Please ensure you keep your address updated with either Koskie Minsky or the Monitor, Ernst & Young. The Monitor can be reached at: 1-866-942-7177 or nortel.monitor@ca.ey.com

Koskie Minsky and the Monitor share address change information with each other so you need only provide it to one of us. We have a Change of Address Form that must be completed and supporting documentation of the new address must be provided. Examples of supporting documentation include a driver's license or a recent utility bill showing the member's name and new address.

In order to receive a copy of the Change of Address Form, please visit the Koskie Minsky website or call the toll-free hotline at 1-866-777-6344.

You must also separately advise Morneau Shepell of your address change, even if you are not receiving your pension yet. We cannot share your address changes with Morneau Shepell. Morneau Shepell can be reached directly at:

Managerial Plan Members: 1-877-392-2074

Negotiated Plan Members: 1-877-392-2073

Questions?

Please keep yourself informed by continuing to check the Koskie Minsky website at www.kmlaw.ca/nortelnetworkscorporation. 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.

Alternatively, you can reach your Court-Appointed Representative by e-mailing the Canadian Nortel Employees of Long Term Disability (CNELTD) at SteeringCommittee@cneltd.info.

If you are a CAW (Unifor) member, please contact Barry Wadsworth at the Unifor at 1-800-268-5763, extension 3750 or e-mail linda.cantin@unifor.org