

Canadian CCAA Proceedings Only

December 5, 2016

Dear Compensation Creditor,

Re: Meeting of Affected Unsecured Creditors of Nortel Networks Corporation, Nortel Networks Limited, Nortel Networks Global Corporation, Nortel Networks International Corporation, Nortel Networks Technology Corporation, Nortel Communications Inc., Architel Systems Corporation and Northern Telecom Canada Limited (the “**Canadian Debtors**”) to vote on the Plan of Compromise and Arrangement pursuant to the *Companies’ Creditors Arrangement Act* (the “**Plan**”)

We enclose in this package the Publication Notice for your review and consideration, in the language of your choice as indicated on file with the Monitor.

Please take note that the other Meeting Materials are available at www.ey.com/ca/nortel (the “**Monitor’s Website**”) in both English and French under the section entitled “Plan and Other Creditor Meeting Documents”.

The purpose of these materials is to provide you with information relating to the Plan and the Meeting of Affected Unsecured Creditors of the Canadian Debtors (the “**Meeting**”). **YOU ARE NOT REQUIRED TO ATTEND THE MEETING OR CAST A VOTE. AS EXPLAINED BELOW, YOUR REPRESENTATIVES OR UNION WILL VOTE ON YOUR BEHALF.**

Expected Recovery Range

Pursuant to the Plan, holders of Compensation Creditor Claims will receive distributions in U.S. dollars, unless such claim is predominantly denominated in Canadian dollars (i.e. more than 50% of a claim is in Canadian dollars), in which case creditors will be paid in Canadian dollars. The current estimated recovery range per U.S. dollar of claim is approximately 41.5 cents to 45 cents. The estimated range of recovery per Canadian dollar of claim is CA 45 cents to 49 cents, assuming an exchange rate of approximately US \$1.00 = CA \$1.337650. The initial distribution is currently anticipated to be made during April 2017.

Certain Issues Affecting Amount and Timing of Distributions

Further to previous court orders issued in the CCAA Proceedings,

- Compensation Creditor Claims will be reduced by the amount of any payments received by creditors from the Health and Welfare Trust (HWT).
- Compensation Creditor distributions will be reduced by the amount of any payments received by creditors through the employee hardship process.

Compensation Creditors with reductions for HWT payments or payments received through the employee hardship process will be provided these amounts on their distribution statement.

Distributions to Compensation Creditors will not be made until the Monitor receives a confirmation regarding employment insurance (“**EI Confirmation**”) from Employment and Social Development Canada (ESDC), pursuant to the *Employment Insurance Act*. These Compensation Creditors may therefore receive their initial distributions after the target date of April 2017 and such distributions will be subject to standard source deductions and deductions on account of any employment insurance overpayment received. The amount of any employment insurance overpayment deduction will be determined by ESDC and, in any event, all deductions will be shown on a distribution statement.

If your address on file with the Monitor on the Distribution Record Date is not a Canadian address, you will be treated as a non-resident of Canada for purposes of any applicable non-resident withholding tax. You will not receive an additional gross-up for any amounts deducted or withheld.

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Voting

Pursuant to certain Representation Orders made in these CCAA Proceedings, Kent Felske, Dany Sylvain, Donald Sproule, David Archibald, Michael Campbell and Sue Kennedy (the “**Representatives**”) were appointed as representatives of all current and former non Union represented employees of the Canadian Debtors with the authority to represent you in these CCAA Proceedings. Copies of the Representation Orders can be found on the Monitor’s Website under the section entitled “Employees, Former Employee and Disabled Employee Representative Orders”.

If you are a member of Unifor (formerly CAW, the “**Union**”) or retained the Union to represent you in the CCAA Proceedings, your Union representative will be voting on your behalf at the meeting.

Your Representatives or Union representative continue to represent you in the CCAA Proceedings and will be voting on your behalf at the Meeting. **As such, you are not required to vote or submit a proxy to the Monitor or to your Representatives.**

The Representatives and Unifor are parties to the Settlement and Support Agreement dated as of October 12, 2016 and **will be voting in favour of the Plan.**

The Meeting is to be held at **1 p.m. on Tuesday, January 17, 2017** (or such other date and time as may be set and announced in accordance with the Meeting Order) at **The International Centre Conference Centre (6900 Airport Road, Mississauga, Ontario)**. Although you are welcome to attend the Meeting to observe, your Representatives will vote on your behalf in favour of the Plan.

Plan Approval

The Plan must be approved by a majority of creditors voting and representing at least two thirds in value of the votes cast by proven affected unsecured creditors, voting as a single class and present in person or represented by proxy at the Meeting. Effectiveness of the Plan is subject to the approval of the Ontario Superior Court of Justice (Commercial List), expiration or final resolution of any appeals taken and confirmation of U.S. Plans by the U.S. Bankruptcy Court.

Additional Information

For additional information with respect to the Plan, see the section in the Information Circular (available on the Monitor’s Website under “Plan and Other Creditor Meeting Documents”) entitled “*Summary Information*” (pages 5 - 10). These pages contain important information relating to distributions under the Plan.

Please give this material your careful consideration and, if you require assistance, consult your Court-appointed Representative Counsel or other financial or tax advisors.

Si vous avez besoin d’une copie du plan ou de l’un des documents relatifs à l’assemblée des créanciers en français, veuillez consulter le site Web du contrôleur ou communiquer avec le contrôleur à l’adresse figurant ci-dessus.

Sincerely,

ERNST & YOUNG INC., solely in its capacity as Monitor in the CCAA Proceedings of the Canadian Debtors and not in its personal capacity