

Guide to Initial Distribution

Nortel Canadian Estate - Initial Distribution- \$CDN

RETAIN FOR YOUR RECORDS

This Guide provides an explanation of the items on the Statement of Initial Distribution (“Statement”) and should be read in conjunction with it.

The Statement will either: (i) include your cheque or (ii) indicate that your distribution is pending.

Your Statement will indicate your distribution is pending if either: (i) your distribution requires a review by Employment and Social Development Canada (“ESDC”); and/or (ii) you previously elected to have a direct RRSP contribution made. In these cases, your distribution will be delayed and you will have been sent a letter referencing the ESDC process and/or an Input Form. The Input Form is to be completed as the next step in the direct RRSP contribution process.

The Statement was mailed separately from this Guide. If you have not received your Statement within one week of receiving this Guide, please contact the Monitor.

Your Statement is personalized. You should retain the Statement for your records. This Guide is not personalized.

Key Personal Documents referred to in this Guide are listed at the end of this Guide.

For distributions made in Canadian dollars in accordance with the Nortel Plan, the rate for the Initial Distribution is **45.492706%**. Further distribution(s), if any, will increase your cumulative distribution and will be made in accordance with the Nortel Plan.

This Guide is general in nature and may contain items which do not appear on your Statement. Where an amount is yet to be determined, such as, an EI repayment deduction (in the case of those subject to ESDC review) and/or Direct RRSP contribution (in the case of those who previously elected a direct RRSP contribution), the Statement will indicate “pending” as the amount for that line item.

The amounts noted on your Statement will be reported, as applicable, on your 2017 tax slip(s), by the applicable 2018 deadlines, for inclusion in your 2017 income tax return. However, if you elected to have a direct RRSP contribution your deductions and withholdings will be revised.

Certain distribution amounts may qualify as Eligible Retiring Allowance. Your Statement indicates if Nortel’s records show that part of your distribution may be considered an Eligible Retiring Allowance. If your Statement provides such indication, you will be sent separate correspondence related to this in 2017. Refer to the **Eligible Retiring Allowance (“H”)** section in the Guide for more details.

This distribution is not related to either the Nortel Networks Negotiated Pension Plan or the Nortel Networks Limited Managerial and Non-Negotiated Pension Plan. These Nortel Pension Plans received a distribution in conjunction with the Nortel Plan. For further information refer to www.pensionwindups.morneaushepell.com.

Webinars and information sessions will be conducted to assist you with understanding your Initial Distribution. Contact information for the Monitor and details regarding these sessions and webinars is included with this Guide and available at www.ey.com/ca/Nortel.

Guide to Initial Distribution

Nortel Canadian Estate - Initial Distribution- \$CDN

RETAIN FOR YOUR RECORDS

STATEMENT REFERENCE	DESCRIPTION
A	Claim
A – Aggregate Compensation Claim Amount	<p>This is the Aggregate Compensation Claim Amount on your document entitled Your Information Statement Package. The page entitled “Your Compensation Claim Amount” on Form A of Your Information Statement Package is where you will find this amount.¹</p> <p>Additional details can be found in the Key Personal Documents listing on the last page of this Guide.</p> <p>The Aggregate Compensation Claim Amount has already been reduced for the Termination Fund payment, if any, you were entitled to. If you were entitled to a Termination Fund payment it will be shown as a deduction on Form A of Your Information Statement Package.</p>
A1 – HWT payments, gross	<p>This is the <u>gross</u> amount of Health and Welfare Trust (HWT) payments received by you from January 2011 onward.</p> <p>If there is no amount on line (“A1”) you were not entitled to any payments from the Health and Welfare Trust.</p> <p>You will have a Statement of Earnings and Deductions for each HWT payment you received subsequent to January 2011. January 2011 payments were made by SunLife and deposited directly to your bank account.</p>
B	Compensation Claim for Initial Distribution
B – Compensation Claim for Initial Distribution	<p>This is the amount of your Compensation Claim for the Initial Distribution.</p> <p>Subsequent events may result in a change to your Compensation Claim for further distribution(s), if any. These changes may arise from further HWT distributions, if any, and/or revisions to your Aggregate Compensation Claim Amount as a result of a decision of the Tax Court of Canada.</p> <p>Your Compensation Claim for Initial Distribution is equal to your Aggregate Compensation Claim Amount less HWT payments (gross), if any.</p> <p>This is calculated as B=A-A1</p>

¹ If some portion of your claim is denominated in a currency other than CAD the exchange rate used to convert that amount can be found at www.ey.com/ca/Nortel.

Guide to Initial Distribution

Nortel Canadian Estate - Initial Distribution- \$CDN

RETAIN FOR YOUR RECORDS

STATEMENT REFERENCE	DESCRIPTION
C	Distribution Rate
C – Distribution Rate	<p>The distribution rate for the Initial Distribution has been established to be 45.492706%.</p> <p>The distribution rate is posted on the Monitor’s web-site.</p>
D	Distribution
D – Distribution, gross (before advances)	<p>This is the gross amount of distribution you are entitled to before advances, if any, you may have received.</p> <p>This is calculated as D=B*C</p>
D1 – Advance(s) - Hardship Process, gross	<p>This is the sum of the advance(s) you received since the commencement of the hardship process in July 2009 through to May 2017.</p> <p>You may not have received any advance(s) in which case this amount will be \$0.</p> <p>If you have amounts included here you will have previously completed an Application For Hardship Payments form and will have received an ADP Statement of Earnings and Deductions for each payment you received.</p>
D2 – Advance - SIB/STB In-Pay process, gross	<p>This is the amount of advance you received as a result of the <u>April 2011</u> Court approved process for payment to beneficiaries in-pay for Survivor Income Benefit or Survivor Transition Benefit who met certain criteria.</p> <p>You may not have received any advance in which case this amount will be \$0.</p> <p>You will have received an ADP Statement of Earnings and Deductions for this payment.</p>
E	Distribution, gross (after advances)
E – Distribution, gross (after advances)	<p>This is the amount of your Distribution, gross, less any amounts you received as advances, gross.</p> <p>If you did not receive any advances your Distribution, gross (after advances) will be the same as your Distribution, gross (before advances).</p> <p>This is calculated as E=D-D1-D2</p> <p>The components of your Distribution, gross (after advances) subject to tax withholdings and not subject to tax</p>

Guide to Initial Distribution

Nortel Canadian Estate - Initial Distribution- \$CDN

RETAIN FOR YOUR RECORDS

STATEMENT REFERENCE	DESCRIPTION
	withholdings are shown in the out-lined box at the bottom of your Statement. Withholdings are discussed in “F” below.
F	Withholdings and Deductions, on account of
F1 – Canadian Federal tax, excluding non-resident withholdings	<p>These are withholding amounts <u>on account of</u> Canadian Federal taxes on the applicable components of your Distribution, gross (after advances) (“E”). Some components of the Distribution are not subject to tax withholdings. This amount relates only to the Initial Distribution. It does not include tax withholdings on HWT payments or advances.</p> <p>The tax withholdings are those required by the Income Tax Act.</p> <p>You may not be subject to the withholdings outlined in (“F1”), in which case, this amount will be \$0.</p> <p>NOTE – YOU MAY HAVE AN ADDITIONAL AMOUNT OF TAX OWING OR A TAX REFUND WHEN YOU FILE YOUR 2017 TAX RETURN DEPENDING ON YOUR PERSONAL CIRCUMSTANCES. YOU SHOULD CONSULT YOUR TAX ADVISOR.</p>
F2 – Canadian Federal tax, non-resident withholdings	<p>These are withholding amounts <u>on account of</u> Canadian Federal non-resident taxes on the applicable components of your Distribution, gross (after advances) (“E”). Some components of the Distribution are not subject to tax withholdings. This amount relates only to the Initial Distribution. It does not include tax withholdings on HWT payments or advances.</p> <p>The tax withholdings are those required by the Income Tax Act.</p> <p>If you had an address outside of Canada, as at the date of the Initial Distribution, then the non-resident tax withholding rates are applied to the applicable components of your Distribution, gross (after advances) (“E”).</p> <p>You may not be subject to the withholdings outlined in (“F2”), in which case, this amount will be \$0.</p> <p>NOTE – YOU MAY HAVE AN ADDITIONAL AMOUNT OF TAX OWING OR A TAX REFUND WHEN YOU FILE YOUR 2017 TAX RETURN DEPENDING ON YOUR PERSONAL</p>

Guide to Initial Distribution

Nortel Canadian Estate - Initial Distribution- \$CDN

RETAIN FOR YOUR RECORDS

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<p>F3 – Quebec tax withholdings</p>	<p>CIRCUMSTANCES. YOU SHOULD CONSULT YOUR TAX ADVISOR.</p> <p>These are withholding amounts <u>on account of</u> Quebec provincial taxes on the applicable components of your Distribution, gross (after advances) (“E”). Some components of the Distribution are not subject to tax withholdings. This amount relates only to the Initial Distribution. It does not include tax withholdings on HWT distributions or advances.</p> <p>The withholdings are those required by the Quebec Taxation Act, as applicable.</p> <p>If you had a Quebec address, as at the date of the Initial Distribution, then the Quebec lump-sum rates are applied to the applicable components of your Distribution, gross (after advances) (“E”).</p> <p>You may not be subject to the withholdings outlined in (“F3”) in which case this amount will be \$0.</p> <p>NOTE – YOU MAY HAVE AN ADDITIONAL AMOUNT OF TAX OWING OR A TAX REFUND WHEN YOU FILE YOUR 2017 TAX RETURN DEPENDING ON YOUR PERSONAL CIRCUMSTANCES. YOU SHOULD CONSULT YOUR TAX ADVISOR.</p>
<p>F4 – CPP premium withholdings</p>	<p>These are the amounts of the Canada Pension Plan (“CPP”) premium withholdings on the components of your Distribution, gross (after advances) (“E”), treated as <i>employment income</i>.</p> <p>A CPP premium, if applicable, is withheld even if your address is in Quebec or outside of Canada.</p> <p>The withholdings are those required by the Canada Pension Plan Act.</p> <p>The applicability of CPP premium withholdings is based on your age. There is no CPP premium withholding if you are alive and over the age of 70 on the first of the month of the date of the Initial Distribution is made or are over the age of 70 at death. CPP premium withholdings are limited to an annual maximum of \$2,564.10 in 2017.</p>

Guide to Initial Distribution

Nortel Canadian Estate - Initial Distribution- \$CDN

RETAIN FOR YOUR RECORDS

STATEMENT REFERENCE	DESCRIPTION
	<p>NOTE – YOU MAY HAVE AN ADDITIONAL AMOUNT OF CPP PREMIUM OWING OR A CPP PREMIUM REFUND WHEN YOU FILE YOUR 2017 TAX RETURN DEPENDING ON YOUR PERSONAL CIRCUMSTANCES. YOU SHOULD CONSULT YOUR TAX ADVISOR</p>
<p>F5 – EI premium withholdings</p>	<p>These are the amounts of Employment Insurance (“EI”) premium withholdings on the components of your Distribution, gross (after advances) (“E”), treated as <i>employment income</i>.</p> <p>The withholdings are those required by the Employment Insurance Act.</p> <p>There is no EI premium withholding if you are deceased as at the date of the Initial Distribution. EI premium withholdings are limited to an annual maximum of \$836.19 in 2017.</p> <p>NOTE – YOU MAY HAVE AN ADDITIONAL AMOUNT OF EI PREMIUM OWING OR AN EI PREMIUM REFUND WHEN YOU FILE YOUR 2017 TAX RETURN DEPENDING ON YOUR PERSONAL CIRCUMSTANCES. YOU SHOULD CONSULT YOUR TAX ADVISOR</p>
<p>F6 – EI repayment deduction</p>	<p>These are the amounts of EI Repayment that ESDC instructed be withheld from your payment and remitted to them. ESDC performs its calculation based on your EI history and your Distribution, gross (after advances).</p> <p>If you do not have an EI Repayment the amount of this line item will be \$0.</p> <p>If ESDC is reviewing your file, this line item will say “pending” and it means your distribution is currently being held until ESDC advises of the amount, if any, to be repaid. Once ESDC has completed its review and communicated its findings to Nortel, the distribution on account of the individual’s claim, less any required repayments to ESDC, will be released and reflected on a Statement.</p> <p>You will receive a T4E slip from the Government of Canada reflecting the EI Repayment amount; however, you may not have a specific document you can reference this amount to. ESDC may send you a letter regarding this amount.</p>

Guide to Initial Distribution

Nortel Canadian Estate - Initial Distribution- \$CDN

RETAIN FOR YOUR RECORDS

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	<p>You can report the EI Repayment amount from the T4E slip (deduction) when you complete your 2017 tax return, or the tax return of a subsequent year if your T4E slip pertains to a later year.</p>
<p>F7 – Former employee advisors’ fee deduction</p>	<p>In 2012, the Court Representatives for pensioners and former employees entered into a funding agreement with their advisors to advance a number of their efforts to mitigate the impact of pension cuts due to the underfunded status of the Nortel Pension Plans. These efforts included the development of alternatives to a traditional pension plan wind-up (i.e., Group Life Income Fund or GLIF), options with respect to the availability of lump-sum transfers and the conversion of indexed pensions into non-indexed annuities. Since the work undertaken and the resulting fees were not covered by the Representative Order, the funding agreement stated that, subject to Court Order, the fees would be recovered on a pro-rata basis from the Post-Retirement Medical & Dental claims of approximately 8,800 individuals, represented by the Court Representatives. The Court Order for payment of the fees was approved on May 17, 2017. Your share of the approved fees of \$1,072,469.46 represented approximately 0.4% of your Post-Retirement Medical & Dental claim (excluding gross-up) which is shown on Form A of Your Information Statement Package.</p> <p>For greater certainty, the former employees to which this fee does not apply to are any former employees in receipt of LTD benefits, any individual represented by Unifor, and any transferred employees represented by Shibley Righton LLP and Nelligan O'Brien Payne LLP. Accordingly, the amount on this line item for those individuals is \$0.</p>
<p>F8 - Direct RRSP contribution</p>	<p>This only applies to those who elected by June 8, 2017 to have a minimum of \$26,010 of their distribution transferred directly into their RRSP.</p> <p>If you have made this election, this line item will say “pending” and you will have received an Input Form with your Statement. Further, if you have made this election, your distribution will be delayed. The withholdings noted on your Statement will be revised based on the actual amount of the direct RRSP contribution.</p>

Guide to Initial Distribution

Nortel Canadian Estate - Initial Distribution- \$CDN

RETAIN FOR YOUR RECORDS

STATEMENT REFERENCE	DESCRIPTION
	Please refer to the Input Form (included with your Statement) for additional details.
F9 – Other deduction(s)	<p>Other deduction(s) are related to items such as garnishments or an amount owing.</p> <p>In the case of garnishments you will have received notice of the garnishment from your creditor or their collection agent. The amount that is garnished is the amount the garnishment notice instructed be withheld from your payment and remitted to your creditor or their collection agent.</p> <p>An amount owing may arise as a result of your having received an HWT distribution in excess of your HWT entitlement as per the Court approved distribution. The amount owing is calculated as total HWT distributions, gross LESS your HWT distribution entitlement, gross. The recoupment of such excess distributions has been approved by the Court.</p> <p>If you do not have any Other deduction(s) the amount on this line will be \$0.</p>
F - Total Withholdings and Deductions	<p>This is a calculated amount</p> <p>The Total Withholdings and Deductions calculation is: F=Σ (F1..F9) also = F1+F2+F3+F4+F5+F6+F7+F8+F9</p>
G	Net Amount of Initial Distribution Cheque
Net Amount of Initial Distribution	<p>This is a calculated amount.</p> <p>The calculation is: G = E-F</p> <p>This is the net amount you are receiving from the Initial Distribution. In addition to this amount you may have previously received amounts including: (“A1”) HWT payments, (“D1”) Hardship Process payments, (“D2”) SIB/STB in-Pay payment or payment from the Termination Fund (see “A”).</p> <p>This amount does not include certain other Nortel related amounts including, but not limited to; amounts paid to you from the registered pension plans, any amount you may have received from a Nortel investment plan or DPSP amount you transferred to a locked-in plan, or any amount</p>

Guide to Initial Distribution

Nortel Canadian Estate - Initial Distribution- \$CDN

RETAIN FOR YOUR RECORDS

STATEMENT REFERENCE	DESCRIPTION
	you may have received as a result of your continued employment at Nortel beyond January 14, 2009.
H	Eligible Retiring Allowance
Eligible Retiring Allowance	<p>An Eligible Retiring Allowance is an amount that increases your deduction limit for making RRSP contributions for the taxation year in which the payment is made.</p> <p>Your Statement may indicate that part of your distribution may be considered an Eligible Retiring Allowance. The following criteria was used:</p> <ol style="list-style-type: none"> 1. Either: <ul style="list-style-type: none"> • your accepted claim includes TRA or RAP and/or • your accepted claim includes Base Severance or you have information on line 83 of Form B of Your Information Statement Package*; 2. you are 71 years of age or younger as at December 31, 2017; 3. you are alive; and 4. Nortel records indicate you have pre 1996 eligible years of service. <p>If your Statement indicates “Eligible Retiring Allowance: Not Applicable” and you have satisfied the above criteria, please contact the Monitor.</p> <p>Additional detail on the components of your compensation claim that are considered <i>retiring allowance</i> and your maximum allowable contribution will be mailed to you at a later date in 2017. It is your responsibility to ensure that any amount you contribute to an RRSP is within the limits under the Income Tax Act.</p> <p>*Relevant components are: Base Severance, Lost Pension Accrual, Pension Equivalent, LTD Loss in Pension, TRA, RAP, SIB/STB, Pensioner Life, and LTD Life.</p>

The information in this Guide is intended to be general in nature only and should not be relied upon as legal or tax advice. The information in this Guide may not apply to your particular situation.

Key Personal Documents

These are key personal documents you may wish to reference with respect to your Initial Distribution:

Your Information Statement Package

This document was sent to you on or around November 2011. It is a multi-page document outlining the components of your compensation claim including the gross-ups, where applicable. If you were terminated after 2010 you may have received this document at a later date. The original document sent to you may have been revised as a result of information you provided or information that became available to the Monitor. In such cases your relevant document may be entitled **Revised Personal Information Statement** or **Monitor Corrected Information Statement**. In all cases, **Form A** is the relevant form for obtaining your Aggregate Compensation Claim Amount and **Form B** for personal information.

Statement of Earnings and Deductions

This document was sent with payments made to you from the payment service ADP. Only certain compensation claimants have received such payments. The Statement of Earnings and Deductions ("**ADP Statement**") referenced in this Guide are all dated after July 4, 2010. If you continued to work after January 14, 2009, you will have also received an ADP Statement for your pay; however, those statements are not relevant to this process. The relevant types of payments are listed below.

Health and Welfare Trust (HWT) payments were accompanied by an ADP Statement which shows the gross amount of each payment made. HWT distributions on account of income (including LTD, SIB and STB), LTD Life or Pensioner Life to LTD beneficiaries were made on the relevant dates on or about January 2011, May 2011, June 2011, August 2011 (LTD Life only), March 2012 and December 2013. HWT payments made in January 2011 were made by SunLife and most were deposited directly to the account in which your monthly income payment went to and those payments don't have a related ADP Statement. HWT distributions on account of Pensioner Life were made on or about November 2011 and March 2014.

Termination Fund payments were accompanied by an ADP Statement. These payments were made to those terminated employees who qualified. Payments were generally made on or about October 2010 or April 2011, although in certain instances they may have been made later. The related ADP Statement shows the gross amount of the Termination Fund payment made and the related payment will have the notation RA ELIG and/or RA NE.

Hardship payments were accompanied by an ADP Statement. Payments were made to those who applied and whose applications were accepted. Payments were made for the period July 2009 to May 2017.

SIB/STB in-Pay payments were accompanied by an ADP Statement. Payments were made on or about April 2011 to SIB/STB in-Pay beneficiaries who met the criteria for the Court approved payment.