
NOTICE LETTER
CONCERNING NORTEL NETWORKS CORPORATION, NORTEL NETWORKS LIMITED,
NORTEL NETWORKS GLOBAL CORPORATION, NORTEL NETWORKS
INTERNATIONAL CORPORATION AND NORTEL NETWORKS TECHNOLOGY
CORPORATION
(hereinafter collectively referred to as "Nortel")

RE: NOTICE OF SETTLEMENT OF MATTERS INVOLVING NORTEL, ITS FORMER EMPLOYEES, EMPLOYEES ON LONG TERM DISABILITY ("LTD BENEFICIARIES"), ITS PENSIONERS AND ITS CONTINUING EMPLOYEES AND NOTICE OF BAR DATE AND RELEASE RELATING TO THE PROPOSED SETTLEMENT AND ORDER IMPLEMENTING THE SETTLEMENT

The Court appointed representatives of former employees of Nortel, including pensioners, the Court appointed representative of the LTD Beneficiaries, the Court appointed representative counsel to such parties ("**Representative Counsel**"), CAW, Nortel and the Monitor have entered into a settlement agreement in respect of which a Court order will be sought involving, among other things:

- (i) payment by Nortel of medical, dental and life insurance benefits to pensioners and LTD Beneficiaries is to continue unchanged until December 31, 2010;
- (ii) payment by Nortel of income benefits to LTD Beneficiaries, and of survivor income and survivor transition benefits is to be made from Nortel funds on a "pay as you go basis" until December 31, 2010;
- (iii) LTD Beneficiaries will maintain status as active employees until December 31, 2010, with termination of employment to occur on that date;
- (iv) payment to a maximum of \$3,000 to eligible terminated employees who, among other things, were terminated on or prior to June 30, 2010, as an advance against their claims under the *Companies' Creditors Arrangement Act*, for a total maximum pool of \$4.2 million;
- (v) the termination of special payment contributions by Nortel to its pension plans at the end of March, 2010, and the continued administration and current service funding by Nortel of its pension plans until September 30, 2010, after which the administration will be transferred in accordance with the Pension Benefits Act and no creditor preference will apply to the pension deficit;
- (vi) a diminishing charge on Nortel assets initially in the amount of \$57 million to secure the payments contemplated by (i), (ii), (iv) and (v) above;
- (vii) to the extent that claims in respect of, among other things, any pension plan deficit, by, among others, a pension plan administrator, or any other claims of the continuing and former employees of Nortel, including pensioners and LTD Beneficiaries, are allowed pursuant to any claims adjudication process established with respect to Nortel, such claims will rank as ordinary unsecured claims on a *pari passu* (equal priority) basis with the claims of all ordinary unsecured creditors of Nortel;
- (viii) in the event of a bankruptcy of Nortel, if there is an amendment to any provision of the *Bankruptcy and Insolvency Act* that changes the current, relative priorities of the claims against Nortel, no party is precluded by the settlement agreement from arguing the applicability or non-applicability of any such amendment in relation to any such claim;

(ix) the release of certain potential claims by all persons including all pension plan beneficiaries and health and welfare trust beneficiaries as against certain specified persons and entities including Nortel's directors, officers and pension plan committee members and the Monitor, relating to the administration of Nortel's pension plans and health and welfare trust, except for potential claims for fraud and certain potential claims against directors for, among others, misrepresentation (the release does not bar unsecured claims employees and former employees may have against Nortel itself, including claims related to pensions plans, health and welfare benefits or claims to the funds held in the Health and Welfare Trust); and

(x) the withdrawal, on a with prejudice basis, of the pending leave to appeal application to the Supreme Court of Canada with respect to the payment of termination and severance claims by the former employees of Nortel.

(collectively, the "**Settlement**").

Questions can be directed to the Monitor by telephone (1-416-943-4439 or 1-866-942-7177) or by fax (1-416-943-2808). Representative Counsel can be contacted at 1-866-777-6344 or www.kmlaw.ca/case-central or nortel@kmlaw.ca. You may also contact the Court appointed representatives directly through www.nortelpensioners.ca or CNELTD-owner@yahoogroups.com. If you are a member or former member of the CAW with respect to Nortel represented by counsel to the CAW, you may contact Barry Wadsworth at 1-800-268-5763 ext. 3776. Representative Counsel will hold a webinar, with an audio-only option for individuals without internet access, on February 23, 2010 to explain the Settlement and its impact.

The Settlement, including the Settlement Approval Order sought as part of the Settlement, contains terms and provisions that may compromise, limit or release certain of your rights. Please consult the Settlement Document package for more details at the Monitor's website "www.ey.com/ca/nortel".

This notice is being published pursuant to an Order of the Superior Court of Justice of Ontario (the "**Court**") made February 9, 2010 (the "**Notice Procedure Order**"). Pursuant to the Notice Procedure Order, this Notice Letter has been approved by the Court. A copy of this Notice Letter will be sent to former employees, pensioners, LTD Beneficiaries and continuing employees of Nortel and certain regulatory authorities (the "**Settlement Notice Parties**") on or before February 16, 2010, if those parties are known to Nortel, and if Nortel has a current address. Settlement Notice Parties may obtain a Settlement document package, including the form of Settlement Approval Order, further details of the Settlement and a form of notice of appearance (the "**Notice of Appearance**"), from the website of Ernst & Young Inc., Court-appointed monitor of Nortel, at "www.ey.com/ca/nortel".

A motion for approval and implementing of the Settlement including for the barring and release of certain claims (the "**Settlement Approval Motion**") has been scheduled with the Court in Toronto for March 3, 2010. If you wish to attend and be heard at the Settlement Approval Motion on March 3, 2010 to oppose such motion, a Notice of Appearance must be submitted by courier, registered mail, email or fax to the Monitor and the Monitor's counsel, Goodmans LLP, at the following addresses:

ERNST & YOUNG INC.
Court-appointed Monitor of Nortel Networks Corporation & others
222 Bay Street, Suite 1600
Toronto, Ontario
Canada M5K 1J7

Attention: Nortel Settlement
Telephone: 1-416-943-4439 or 1-866-942-7177
E-mail: nortel.monitor@ca.ey.com
Fax: 1-416-943-2808

With a copy to:

GOODMANS LLP
Lawyers for the Court-appointed Monitor of Nortel Networks Corporation & others
The Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Ontario
Canada M5B 2S7

Attention: Christopher Armstrong
Email: carmstrong@goodmans.ca
Fax: 1-416-979-1234

Notices of Appearance must be received by the Monitor and Goodmans LLP by 10:30 a.m. (prevailing Eastern Time) on March 1, 2010 (the "Notice of Appearance Bar Date"). It is your responsibility to ensure that the Monitor and Goodmans LLP receive your Notice of Appearance by the Notice of Appearance Bar Date if you wish to appear and be heard to oppose the Settlement Approval Motion. If you file a Notice of Appearance by the Notice of Appearance Bar Date you must be represented in person or through legal counsel as an independent individual party at your own expense with respect to the Settlement Approval Motion and any other proceedings regarding the Settlement and the Settlement Agreement in which you wish to participate.

PLEASE NOTE: Several of the Nortel affiliates are subject to creditor protection proceedings in other jurisdictions, including in the United States. None of the Settlement, the Settlement Approval Motion nor these procedures apply to former employees, employees on long-term disability, pensioners and continuing employees of the Nortel affiliates.

SETTLEMENT NOTICE PARTIES WILL BE BOUND BY ALL TERMS OF THE SETTLEMENT, THE SETTLEMENT AGREEMENT AND THE SETTLEMENT APPROVAL ORDER AND WILL BE BARRED AND ENJOINED FROM OBJECTING TO, DISPUTING IN ANY MANNER WHATSOEVER, APPEALING OR MOVING TO SET-ASIDE OR VARY THE SETTLEMENT, THE SETTLEMENT AGREEMENT, OR THE SETTLEMENT APPROVAL ORDER IF A NOTICE OF APPEARANCE IS NOT RECEIVED BY THE MONITOR AND GOODMANS LLP ON OR BEFORE THE NOTICE OF APPEARANCE BAR DATE AND SUCH SETTLEMENT NOTICE PARTY DOES NOT ATTEND IN PERSON OR BY LEGAL COUNSEL AT THE SETTLEMENT APPROVAL MOTION TO BE HEARD ON MARCH 3, 2010 AT THE COURT HOUSE, 8TH FLOOR, 393 UNIVERSITY AVENUE, TORONTO, ONTARIO.

DATED at Toronto this 10th day of February, 2010.