

Guide to Third Distribution  
Nortel Canadian Estate - Third Distribution  
RETAIN FOR YOUR RECORDS

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

Your personalized Statement will either: (i) include your cheque or indicate that you are not receiving any funds as part of this distribution or (ii) indicate that your distribution is pending.

Your Statement will indicate your distribution is pending if your distribution requires a review by Employment and Social Development Canada ("ESDC"). In this case, your distribution will be delayed, and your Statement will include a letter referencing the ESDC process.



Keep your contact information current at [www.ey.com/ca/Nortel](http://www.ey.com/ca/Nortel)

Contact Information Change Documents

The Third Distribution rate is posted on the Monitor's web-site at [www.ey.com/ca/Nortel](http://www.ey.com/ca/Nortel) - see Notice of Third Distribution Rate. Your Statement shows the cumulative distribution rate. Further distribution(s), if any, will be made in accordance with the Nortel Plan.

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 Registered Pension Plans received a distribution from the Nortel estate. You should also advise Morneau Shepell Ltd. if your address changes. For further information on the Nortel Pension Plans please refer to [www.pensionwindups.morneaushepell.com](http://www.pensionwindups.morneaushepell.com).

This Guide is not personalized. This Guide is general in nature and may contain or refer to items which do not appear on your personalized Statement. Where an amount is yet to be determined, such as an EI repayment deduction (in the case of those subject to ESDC review), the Statement will indicate "pending" as the amount for that line item.

The lettered references on your Statement are unchanged from the Initial Distribution and Second Distribution except as detailed herein. Only the new or updated references from the Guide to the Initial Distribution and Guide to the Second Distribution are detailed in this Guide. You should refer to the Guide to Initial Distribution which was mailed at the time of the Initial Distribution, or you can refer to the Guide to Initial Distribution and Guide to Second Distribution available at [www.ey.com/ca/Nortel](http://www.ey.com/ca/Nortel).

A & B – Compensation Claim for Third Distribution - This reference is updated

This is the amount of your claim used for determining the cumulative distribution amount you are entitled to.

This amount is arrived at by reducing your Aggregate Compensation Claim Amount ("ACCA"; line reference A in previous Guides) by HWT payments, if applicable, and the ACCA reduction, if applicable.

- The HWT payments (line reference A1 in previous Guides) are cumulative and have been increased to include the 2019 HWT Distribution.
- The ACCA reduction relates to the Life portion of the Income Tax Gross Up from the Aggregate Compensation Claim Amounts ("ACCA reduction"). The ACCA reduction (line reference A2 in the Guide to Second Distribution) is further explained in that Guide.

If your Compensation Claim for Third Distribution is lower than your Compensation Claim for Second Distribution (line reference B in Guide to Second Distribution) as a result of cumulative HWT payments, your Third Distribution amount has been adjusted to account for an overpayment made to you as part of your Second Distribution. As a result of an

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increase in your HWT payment reduction your Statement may indicate you are not receiving any funds as part of this distribution.<sup>1</sup>

The update to these line references is required as the unique amounts for the prior line items are not detailed in the Statement of Third Distribution.

Please note that your Third Distribution, when combined with your Initial and Second Distributions, provides a cumulative distribution based on your ACCA (reduced if applicable) at the cumulative distribution rate.

D1 and D2 included in D3 (see D3 below)

D3 – Previous Cumulative Distribution, gross - This reference is updated.

This is the amount of cumulative distributions up to and including the Second Distribution. These cumulative distributions take account certain advances (from Hardship and SIB/STB In-Pay Processes, line references D1 and D2 on the Statement of Second Distribution) and as a result previous line references D1 and D2 are included in the cumulative distribution amount.

This reference is updated because the cumulative distributions increase with each distribution and because the historical advances are no longer reported.

All amounts on the remainder of the Statement pertain only to the Third Distribution.

F7a –Former employee advisors' fee deduction - This reference is new

This deduction relates to professional fees of legal and financial advisors incurred by the Representatives in conjunction with the implementation of the Plan.

A Court Order dated November 27, 2019 (available at [www.ey.com/ca/Nortel](http://www.ey.com/ca/Nortel)) provided for payment of these fees from estate distributions. The amount of \$163,929.28 has been deducted on a pro-rata basis based on the gross Third Distribution Amount (line reference E) of all Compensation Creditors represented by the Representatives

This reference is new. The fees incurred were approved after the Second Distribution.

F7b – FST (Financial Services Tribunal) Matter - fee deduction – This reference is new

This deduction relates to professional fees of legal, actuarial and financial advisors incurred by the Representatives from August 18, 2018 to November 30, 2019, in an Ontario Financial Services Tribunal matter.

A Court Order dated November 27, 2019 (available at [www.ey.com/ca/Nortel](http://www.ey.com/ca/Nortel)) provided for payment of these fees from estate distributions. The amount of CA \$266,462.25 has been deducted on a pro-rata basis based on pension entitlements of all Compensation Creditors represented by the Representatives who are eligible members (members with service in Ontario and indexation entitlements).

This reference is new. Additional fees for the matter were incurred and approved after the Second Distribution.

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<sup>1</sup> This will be the case if your Cumulative Distribution, gross (before advances) is less than your Second Distribution, gross (before advances ( $D < (D1 + D2 + D3)$ )).

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Tax Matters

The amounts noted on your Statement will be reported, as applicable, on your 2020 tax slip(s), by the applicable 2021 deadlines, for inclusion in your 2020 income tax return. If your Third Distribution is not mailed or released until 2021, the tax slips will be provided for inclusion in your 2021 income tax return by the applicable 2022 deadlines.

The portion of your Third Distribution calculated to be Reportable Eligible Retiring Allowance, if any, is reported on your Statement and will be reported on your T4. Refer to the Eligible Retiring Allowance ("H") section in the Guide to the Initial Distribution for more details.

No direct RRSP contribution is available for the Third Distribution thus line F8 is now used for Other. The Other deductions line F9 has also been combined with line F8.

No Qualifying Retroactive Lump Sum Payment forms will be issued with respect to the Third Distribution.