

19 September 2011

**Valuation of the Obligations of the
Non-Pension Benefits for Claim Purposes
as at the Determination Date**

Nortel Networks Limited, Nortel Networks Corporation,
Nortel Networks Technology Corporation, Nortel Networks
International Corporation, Networks Global Corporation
(collectively, "Nortel Canada" or the "Company")

MERCER

Consulting. Outsourcing. Investments.

Contents

1. Introduction.....	1
2. Valuation Results	6
3. Membership Data	8
▪ Member Headcount.....	9
▪ Summary of Data	10
4. Methods and Assumptions	13
▪ Valuation Methods.....	13
▪ Actuarial Assumptions.....	15

**Appendix A: Summary of Plan Provisions for Post Retirement Benefits (including PRB
for actives and LTD claimants)**

Appendix B: Summary of Plan Provisions for Benefits Provided to LTD Claimants

Appendix C: Summary of Plan Provisions for Survivor Benefits

Appendix D: Employer Certification

1

Introduction

To Nortel Canada and Ernst & Young Inc. (the "Monitor").

In accordance with your request, we have performed a valuation of the Non-Pension Benefits (defined below) sponsored by Nortel Canada for purposes of determining the claim against the estate of Nortel Canada by the employees, former employees and their survivors for lost benefit entitlements. This report contains preliminary estimated liabilities for the identified Non-Pension Plans (defined below) and Plan members based on assumptions and methodologies as discussed with Nortel Canada and the Monitor. We understand that the liability figures provided in this report are expected to be used to determine an initial estimate of the per claimant liabilities for the specific benefits provided in this report. These liabilities, after potential adjustments for updates, will be used to determine the claim against the estate for the specified benefit, to the individual claimants.

This is subject to the approval of the Court in Nortel Canada's insolvency proceedings.

The following plans (collectively the "Non-Pension Plans" or the "Plans") and benefits (collectively the "Non-Pension Benefits") are covered in this report:

1. Post retirement medical and dental benefits¹ (PRB – M&D²)
2. Survivor transition medical and dental benefits for eligible beneficiaries of existing pensioners (STB – accrual - M&D)
3. Post retirement life insurance (PRB – Life)
4. Post retirement additional death benefit (PRB – ADB)
5. Long term disability income benefits (LTD – Income)

¹ Includes M&D benefits for surviving spouses in receipt of STB, SIB and others.

² Note that any references for the dental plan for the LTD members, includes vision care and hearing costs (DVH plan), whereas for the PRB plans these costs are measured separately but included in PRB - M&D.

6. Medical and dental benefits for LTD³ claimants (LTD – M&D⁴)
7. Basic Life insurance benefits for LTD⁵ claimants (LTD – Life)
8. Optional life insurance benefits for LTD claimants (LTD – Optional Life)
9. Accidental death and dismemberment benefits for LTD claimants (LTD – AD&D)
10. Dependent life insurance benefits for LTD claimants (LTD – Dep Life)
11. Survivor transition benefits for members on LTD (LTD – STB – accrual)
12. Survivor income benefit plan (SIB)
13. Survivor transition (income) benefit plan (STB – in receipt)
14. Survivor transition (income) benefit plan for eligible beneficiaries of existing pensioners (STB – accrual)

Nortel Canada ceased all benefit payments under the Plans as at December 31, 2010. The liabilities represent the present value as at December 31, 2010, of expected benefits to be received/claimed after December 31, 2010, or for expected benefits to be received/claimed after the end of the notice or severance period for terminated or transferred employees to be Court approved, if later than December 31, 2010.⁶ Therefore, for purposes of the Non-Pension Plans outlined in this report, December 31, 2010 is the Determination Date.

For greater clarity, the aggregate claims presented in this report represent the sum of the individual claimant liabilities calculated as at the Determination Date without any interest adjustment to the date of the report or the date of settlement.

All amounts provided in this report are in Canadian dollars, unless specified otherwise.

The list of the Plans was prepared based on information provided by the Company. Although we have included the above Plans, we understand that there has been no Court decision on the proposed compensation claims methodology. Further, we make no comment on the applicability of the assumptions used herein, including the Determination Date, for any purpose other than the valuation of the liabilities with respect to the termination of the Plans. The assumptions and methodologies used in this valuation are described in Section 4 of this report.

³ LTD claimants with full benefit offsets (i.e. WSIB income benefit is greater than the LTD income benefit) that are still eligible for medical and dental benefits have been included in the information provided.

⁴ Note that any references for the dental plan for the LTD members, includes vision care and hearing costs (DVH plan), whereas for the PRB plans these costs are measured separately but included in PRB - M&D.

⁵ LTD claimants with full benefit offsets (i.e. WSIB income benefit is greater than the LTD income benefit) that are still eligible for life insurance benefits have been included in the information provided.

⁶ For the purpose of this report, terminated or transferred employees are (i) members who were involuntarily terminated prior to January 14, 2009 that had a Notice Period extending past January 14, 2009, (ii) members who were involuntarily terminated on or after January 14, 2009 and on or before December 31, 2010, and (iii) members who were transferred to another employer as part of a transaction in 2009 or 2010. For LTD claimants the notice period is not relevant for these benefits.

This valuation is based on membership data as at December 31, 2010. Additional information related to the membership data is provided in Section 3 of this report.

This valuation reflects the Plan provisions and the administrative practices related to the application of the Plan provisions as communicated to us by the Company or the insurer. A summary of the Plan provisions is provided in the Appendices.

Please also note the following:

- Notice Period and Periods of special leave of absence prior to pension ("SPLA"), severance and salary continuance for terminated and transferred employees (collectively to be Court approved and referred to as "Notice Period" in this report)
As instructed by Nortel Canada and the Monitor, the claim for the post retirement benefits (PRB) includes amounts for members who meet the PRB plan eligibility requirements by the end of the Notice period, assuming the member terminated at the end of the Notice Period.
- Income Tax Gross Up
As instructed by Nortel Canada and the Monitor, life insurance and survivor income benefits covered in this report, have been increased or grossed up by an effective 10% for income tax⁷. That is, the liability amounts determined for PRB – Life, PRB – ADB, LTD – Life, LTD – Optional Life, LTD – AD&D, LTD – Dependent Life, LTD – STB – Accrual, SIB and STB benefits have been grossed up. The gross up amount is shown separately. There has been no increase determined for the LTD – income benefits.
- Administration Costs Gross Up
As instructed by Nortel Canada and the Monitor, a calculation has been made to increase the medical and dental liabilities by 10%⁸. That is, the liability amounts determined for PRB – M&D and LTD – M&D benefits have been grossed-up. The gross up amount is shown separately.
- Out of Country Addresses
According to the terms of the Non-Pension medical and dental plans, members who reside outside of Canada are not eligible to have their claims reimbursed under the Plan. As instructed by Nortel Canada and the Monitor, pensioners or LTD claimants with addresses outside of Canada were not provided with a liability estimate for medical and dental benefits. They may still be eligible for other benefits.

⁷ Claims with income tax gross-up = Claim amount before income tax gross-up / (1-10%) For example, if the claim before income tax gross-up is \$100, then the claim with income tax gross-up is \$111.11 (i.e. $\$100 / (1-10\%)$).

⁸ Claims with administrative costs gross-up = Claim amounts before administration costs gross-up x (1+10%). For example, if the claim before administrative tax gross-up is \$100, then the claim with administrative tax gross-up is \$110.00 (i.e. $\$100 \times (1+10\%)$).

▪ Changes in Assumptions and Methods

The assumptions and methods used in this report are still subject to Court approval. As such, the valuation of the claim provided in this report should be considered as preliminary.

▪ Active Members

As instructed by Nortel Canada and the Monitor, the claim for Active Members who met the PRB plan eligibility as at December 31, 2010 is provided in this Report. It is based on the determination date of December 31, 2010 and assumptions in accordance with the CIA standard for pension commuted values as at December 31, 2010. In addition, no consideration is given in this Report for members who might have met the PRB plan eligibility during any Notice Period to which these members might be entitled if they were terminated as at December 31, 2010.

However, the final claim for PRB benefits for these members will be recalculated upon their actual termination using the same methods and assumptions as described in this report, but based on a determination date at the member's date of termination and assumptions with respect to interest rates and mortality as determined by the CIA standard at that time. As such, the final claim for these members may be higher or lower than the claim provided in this Report. Furthermore, there may be additional claimants not covered by this Report since they were not eligible for PRB benefits as at December 31, 2010 but became eligible at their actual date of termination.

▪ Deaths in January 2011

The PRB – Life liability for pensioners who died in January 2011 and have already had their benefit paid out have been removed from this report.

After checking with representatives of the Company, on the date of preparation of this report, to the best of our knowledge, there have been no other subsequent events which, in our opinion, would have a material impact on the results of the valuation.

In our opinion:

- The individual membership data on which the valuation is based are sufficient and reliable for the purposes of preparing a preliminary estimate of the aggregate liabilities. However, individual members will be provided with a statement for the purpose of correcting their own data. Therefore, at this time, individual liability amounts should be considered as preliminary estimates only, subject to revision and correction when accepted pursuant to the compensation claims resolution process, to be Court approved.
- The assumptions are in accordance with the instructions received from the Company and the Monitor and in aggregate are appropriate for the purposes of this report. The assumptions may not be appropriate for other purposes.
- The methods employed are in accordance with the instructions received from the Company and the Monitor for the valuation and are appropriate for the purposes of the valuation.

This report has been prepared and our opinions given, in accordance with accepted actuarial practice in Canada. However, we are not aware of any actuarial standards or practice requirements specifically designed for valuation of Non-Pension Plans as outlined in this report. With respect to the selection of the discount rate and the assumed mortality, we have used the assumptions described in Section 3800 – *Pension Commuted Values* of the Canadian Institute of Actuaries Standards of Practice.

The information contained in this report was prepared exclusively for Nortel Canada and the Monitor, in connection with the court application with respect to the claim for the benefits payable under the Plans. This report is only intended for the purposes outlined above. Mercer assumes no liability for the use, or reliance upon, this report for purposes other than those specifically identified in this report.

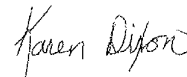
Respectfully submitted,



Ellen Whelan
Fellow of the Canadian Institute of Actuaries
Fellow of the Society of Actuaries

September 19, 2011

Date

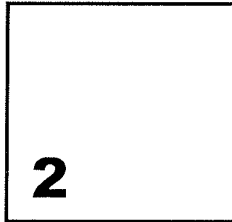


Karen Dixon
Fellow of the Canadian Institute of Actuaries
Fellow of the Society of Actuaries

September 19, 2011

Date

Mercer (Canada) Limited; 161 Bay Street, P.O. Box 501; Toronto, Ontario M5J 2S5



Valuation Results

Please see the following page.

**Valuation of the Obligations of the Non-Pension Benefits
for Claim Purposes as at the Determination Date**

Nortel Canada

The following table presents a summary of the estimated liabilities from our valuation as at December 31, 2010 (in millions Canadian dollars).

Plans	Actives	Terminated			Transferred			LTD	Pensioners/ Beneficiaries	Subtotal	Income Tax Administration		Total
		Before Notice Period Adjustment ⁹	Notice Period Adjustment ¹⁰	Before Notice Period Adjustment ⁹	Notice Period Adjustment ¹⁰	Gross Up	Cost Gross Up						
PRB – M&D	\$2.3	\$2.4	\$2.8	\$7.7	\$3.6	\$12.8	\$270.9	\$302.5	\$0.0	\$30.3	\$332.8		
STB – Accrual - M&D	0.0	0.0	0.0	0.0	0.0	0.0	1.4	1.4	0.0	0.1	1.5		
PRB – Life	0.7	0.7	0.6	2.1	0.8	2.5	102.9	110.3	12.3	0.0	122.6		
PRB – ADB	0.0	0.0	0.0	0.0	0.0	0.0	2.2	2.2	0.2	0.0	2.4		
PRB/STB – Total	\$3.0	\$3.1	\$3.4	\$9.8	\$4.4	\$15.3	\$377.4	\$416.4	\$12.5	\$30.4	\$459.3		
LTD – Income ¹¹	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$76.2	\$0.0	\$76.2	\$0.0	\$0.0	\$76.2		
LTD – M&D	0.0	0.0	0.0	0.0	0.0	24.0	0.0	24.0	0.0	2.4	26.4		
LTD – Basic Life	0.0	0.0	0.0	0.0	0.0	2.5	0.0	2.5	0.3	0.0	2.8		
LTD – Optional Life	0.0	0.0	0.0	0.0	0.0	5.0	0.0	5.0	0.6	0.0	5.6		
LTD – AD&D	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.8	0.1	0.0	0.9		
LTD – Dependent Life	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.3	+	0.0	0.3		
LTD – STB – accrual	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.3	+	0.0	0.3		
LTD – Total	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$109.1	\$0.0	\$109.1	\$1.0	\$2.4	\$112.5		
SIB	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$16.2	\$16.2	\$1.8	\$0.0	\$18.0		
STB – in receipt	0.0	0.0	0.0	0.0	0.0	0.0	5.4	5.4	0.6	0.0	6.0		
STB – accrual	0.0	0.0	0.0	0.0	0.0	0.0	29.9	29.9	3.3	0.0	33.2		
SIB/STB – Total	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$51.5	\$51.5	\$5.7	\$0.0	\$57.2		
Grand Total	\$3.0	\$3.1	\$3.4	\$9.8	\$4.4	\$124.4	\$428.9	\$577.0	\$19.2	\$32.8	\$629.0		

+ Amounts round to less than \$50,000.

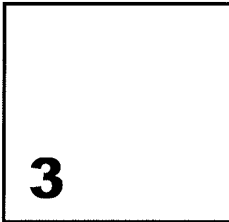
± Amounts round to less than \$50,000.

⁹ Represents the value of the benefit to those that were eligible as at the date of termination/transfer.

¹⁰ Represents the value of the benefit to those that become eligible by the end of the Notice Period.

¹¹ The liability included in this report is for LTD claimants who were in receipt of an income benefit as at December 31, 2010. No liability is included for members whose LTD status was unresolved as at December 31, 2010.

Mercer (Canada) Limited



Membership Data

This valuation is based on membership data as at December 31, 2010. This data has been provided by Nortel Canada and Sun Life.

We have not independently verified the accuracy or completeness of the data except to the extent required by generally accepted professional standards and practices. Mercer will not be held responsible for any liability arising from the use of incomplete, inaccurate or not up-to-date data or documentation. We have applied tests for internal consistency, as well as for consistency with the data used for the previous valuation. These tests were applied to membership reconciliation, basic information (date of birth, date of hire, date of membership, gender, etc.), earnings, and service. The results of these tests were satisfactory. Individual claim statements will be sent to all members to communicate the claim amount and confirm their data and should there be changes to the data, their claim will be adjusted in accordance with the Court approved resolution process.

**Valuation of the Obligations of the Non-Pension Benefits
for Claim Purposes as at the Determination Date**

Nortel Canada

Member Headcount

Plans	Remaining Active ¹²	Terminated Before Notice Period		Terminated Notice Period Adjustment	Transferred Before Notice Period Adjustment ¹⁴		Transferred Notice Period Adjustment	LTD	Pensioners/ Beneficiaries	Total
		Adjustment ¹³			Adjustment					
PRB – M&D	51	54		54		156	72	321	9,311 ¹⁵	10,019
STB – Accrual – M&D	0	0		0		0	0	0	686	686
PRB – Life	51	54		55		156	76	330	8,195	8,917
PRB – ADB	0	0		0		0	0	0	150	150
LTD – Income	0	0		0		0	0	344	0	344
LTD – M&D	0	0		0		0	0	349	0	349
LTD – Life	0	0		0		0	0	351	0	351
LTD – Optional Life	0	0		0		0	0	268	0	268
LTD – AD&D	0	0		0		0	0	204	0	204
LTD – Dependent Life	0	0		0		0	0	183	0	183
LTD – STB – accrual	0	0		0		0	0	96	0	96
SIB	0	0		0		0	0	0	80	80
STB – in receipt	0	0		0		0	0	0	347	347
STB – accrual	0	0		0		0	0	0	2,846	2,846

¹² As at December 31, 2010 there were 395 active members, of which 51 met the PRB eligibility at December 31, 2010.

¹³ As at December 31, 2010 there were 1,525 terminated members of which 109 met the PRB eligibility at the date of termination or by the end of their Notice period.

¹⁴ As at December 31, 2010 there were 3,490 transferred members of which 232 met the PRB eligibility at the date of transfer or by the end of their Notice period.

¹⁵ There are also 6,346 spouses of pensioners covered for benefits. The beneficiaries on STB – in receipt and the beneficiaries on SIB who also are eligible for M&D benefits are included in the PRB- M&D figures for their M&D benefits.

Summary of Data

	Non-Union	Union	Total
PRB – Pensioner/Beneficiary Members			
<i>Pensioners</i>			
Total Number	3,763	4,656	8,419
▪ Average age (years)	72.5	74.1	73.3
Number with Medical/Dental	3,725	4,641	8,366
▪ Average age (years)	72.5	74.0	73.3
Number with Life Insurance	3,605	4,590	8,195
▪ Average age (years)	72.5	74.0	73.3
▪ Average life insurance	\$41,106	\$15,758	\$26,909
Number with ADB	150	0	150
▪ Average age (years)	87.9	N/A	87.9
▪ Average ADB benefit	\$24,579	N/A	\$24,579
<i>Spouses of Pensioners</i>			
Number with Medical/Dental	3,119	3,227	6,346
▪ Average age (years)	69.9	72.1	71.0
<i>Surviving Spouses</i>			
Number with Medical/Dental	607	338	945
▪ Average age (years)	77.7	75.3	76.9
PRB - Active Members			
Number	49	2	51
▪ Average age (years)	58.7	57.1	58.6
▪ Average service (years)	28.3	21.2	28.0
▪ Average life insurance	\$50,408	\$35,000	\$49,804
PRB – Terminated			
Number	99	10	109
▪ Average age (years)	57.6	57.0	57.5
▪ Average service (years)	22.1	29.8	22.8
▪ Average life insurance	\$40,646	\$36,750	\$40,289
PRB –Transferred			
Number	212	18	230
▪ Average age (years)	57.5	54.1	57.2
▪ Average service (years)	23.5	29.7	24.0
▪ Average life insurance	\$43,208	\$40,500	\$42,996

**Valuation of the Obligations of the Non-Pension Benefits
for Claim Purposes as at the Determination Date**

Nortel Canada

00202

	Non-Union	Union	Total
PRB - LTD Members			
Number¹⁶	204	128	332
▪ Average age (years)	54.4	56.6	55.3
▪ Average service (years)	24.3	30.4	26.7
▪ Average life insurance	\$37,294	\$39,639	\$38,198
LTD Members			
LTD - Income¹⁷			
Number with Income Benefits	217	127	344
▪ Average age (years)	53.8	56.6	54.8
▪ Average duration on claim	12.1	17.1	13.9
▪ Average monthly benefit	\$3,003	\$1,614	\$2,490
LTD - M&D¹⁸			
Number with Medical/Dental	222	127	349
▪ Average age (years)	53.8	56.5	54.8
▪ Average duration on claim	12.1	17.0	13.9
LTD - Life			
Number with Basic Life Insurance	224	127	351
▪ Average age (years)	53.7	56.5	54.7
▪ Average duration on claim	12.1	17.0	13.9
▪ Average life insurance benefit	\$64,865	\$33,354	\$53,464
LTD - Optional Life			
Number with Optional Life Insurance	167	101	268
▪ Average age (years)	54.3	57.0	55.3
▪ Average duration on claim	12.8	17.5	14.6
▪ Average optional life insurance benefit	\$187,117	\$63,960	\$140,703
LTD - AD&D			
Number with AD&D Insurance	81	123	204
▪ Average age (years)	51.5	56.7	54.6
▪ Average duration on claim	7.6	17.1	13.3
▪ Average AD&D insurance benefit	\$262,877	\$34,821	\$125,373

¹⁶ One member did not elect to join the Nortel Canada pension plan and was therefore not eligible for PRB benefits. Not all LTD Claimants are projected to receive PRB - M&D based on plan eligibility and location of residence.

¹⁷ As at December 31, 2010, there were 353 LTD claimants in total. Six non-union and 2 union members from the data provided have \$0 net benefit as the Workers' Compensation benefits or other offsets have reduced the net benefit to \$0. One non-union member is from previous divestitures and Nortel Canada is only responsible for their medical/dental and life insurance benefits. All 9 of these records have been excluded from the LTD income benefit information.

¹⁸ Five union members are receiving non-union medical/dental benefits but are included in the union statistics. One non-union member is receiving union medical/dental benefits but is included in the non-union statistics. Four members were excluded since they reside outside of Canada.

**Valuation of the Obligations of the Non-Pension Benefits
for Claim Purposes as at the Determination Date**

Nortel Canada
00203

	Non-Union	Union	Total
LTD Members (Cont'd)			
LTD – Dependent Life			
Number with Dependent Life Insurance	114	69	183
▪ Average age (years)	53.2	57.6	54.9
▪ Average duration on claim	11.3	16.9	13.4
▪ Average dependent life insurance benefit	\$69,386	\$16,993	\$49,631
LTD – STB - Accrual			
Number with STB accrual	0	96	96
▪ Average age (years)	N/A	57.1	57.1
▪ Average duration on claim	N/A	17.8	17.8
▪ Average monthly STB benefit	N/A	\$555	\$555
SIB/STB – Beneficiaries in receipt of SIB/STB			
Number of STB	0	347	347
▪ Average Age (years)	N/A	76.9	76.9
▪ Average monthly STB benefit	N/A	\$535	\$535
Number of SIB	80	0	80
▪ Average Age (years)	70.4	N/A	70.4
▪ Average monthly SIB benefit	\$1,398	N/A	\$1,398
STB – Accruals for Future Beneficiaries			
Number¹⁹	0	2,846	2,846
▪ Average Age (years)	N/A	74.2	74.2
▪ Average monthly STB benefit	N/A	\$574	\$574
▪ Average lump sum benefit	N/A	\$13,417	\$13,417

¹⁹ Eighty-nine of these members have elected to take their STB benefit as a lump sum payment rather than as a monthly payment over 5 years.

4

Methods and Assumptions

Valuation Methods

The claim represents the actuarial present value of the benefits payable under the Plans as at the Determination Date of December 31, 2010.

The following table describes the basis for establishing the claim under each Plan for each member group:

Member Group	Claim Basis
PRB - Pensioners/ Beneficiaries	The liability represents the actuarial present value of the benefits payable under the Plans as of December 31, 2010 based on members who were retired or survivors of retirees as at December 31, 2010.
PRB – Active Members	The liability represents the actuarial present value of the benefits payable under the Plans assuming the member terminated employment on December 31, 2010 and benefits commence immediately if the member met the eligibility requirements for the Plans at December 31, 2010, based on members who were active as at December 31, 2010. If the member does not meet the eligibility requirements for the Plans at December 31, 2010, no liability has been included.

Member Group	Claim Basis
PRB – Terminated/Transferred	<p>Due to the insolvency proceedings, there were a number of employees who were terminated by Nortel Canada before and after the CCAA filing date, whose termination and severance pay claims including benefits, were not fully paid or who were transferred to new employers. Employees were tested for inclusion in the valuation as outlined below.</p> <p>The liability represents the actuarial present value of the benefits payable under the Plans assuming the member terminated employment at the end of their Notice Period. If the member met the eligibility requirements for the Plan as at the end of their Notice Period, it was assumed that benefits commence at the later of December 31, 2010 or the end of the Notice Period. If the Notice Period ends after December 31, 2010, the liability amount is discounted back to December 31, 2010. If the member does not meet the eligibility requirements for the Plans by the end of their Notice Period, no liability has been calculated. If the member met the eligibility requirements for the Plan at the date of termination or transfer, no liability has been calculated if a Traditional Part 1 pension plan members did not elect an immediate pension.</p>
PRB – LTD Claimants	<p>The liability represents the actuarial present value of the benefits payable under the Plans assuming the members remain on LTD until age 65 and commence these benefits at age 65 if they meet the eligibility requirements at that date. The actuarial present value is discounted by the cumulative ultimate recovery rates for the period between the projected age of the disabled member at December 31, 2010 and the earliest eligibility age for these benefits.</p>
LTD Claimants	<p>The liability represents the actuarial present value of the benefits (i.e. LTD - Income, LTD – M&D, LTD – Life, LTD – Optional Life, LTD – STB – accrual, LTD – AD&D, LTD – Dependent Life) payable after December 31, 2010 and until the earliest of age 65, recovery, or death according to the disabled recovery and mortality assumptions.</p>
SIB/STB – Pensioners/ Beneficiaries	<p>The liability for the “accruals” represents the actuarial present value of the benefits payable under the Plans after December 31, 2010 based on members who were retired as at December 31, 2010, and the liability for the SIB and STB “in receipt benefits” is based on beneficiaries who were in receipt of the benefits as at December 31, 2010, that were to continue after December 31, 2010</p>

This valuation is based on the plan provisions as provided by Nortel Canada and the provisions of government healthcare programs as they existed at the time of the valuation. Except as otherwise noted, it has been assumed that the Nortel Canada and government plan provisions described and valued in this report continue unchanged.

00206

Actuarial Assumptions

Post Retirement Medical, Dental and Life Insurance Benefits

(PRB – M&D, STB – Accrual – M&D, PRB – Life and PRB – ADB)

The liability for PRBs is determined for each eligible individual, including LTD claimants. The liability is equal to the present value of expected future benefits after December 31, 2010 or on and after the Notice Period if later than December 31, 2010 then discounted back to December 31, 2010. LTD claimants who were disabled as at December 31, 2007 and never returned to active status by December 31, 2010, were not affected by the CARP changes. Anticipated benefits are discounted for payment eligibility, for increases in medical and dental costs and the time value of money.

<i>Determination date</i>	December 31, 2010	
<i>Discount rate</i>	CIA rates for December 2010 without the 2-month lag (i.e. based on the month end CANSIM rates for December 2010):	
	<ul style="list-style-type: none"> ▪ 3.6% per year for 10 years, 4.9% per year thereafter 	
<i>Health care cost trend rates</i>	Grandfathered Traditional Program	
	Semi-Private Hospital	4.75% per annum
	Prescription Drugs	8.40% per annum in 2011 grading down to 5.00% per annum in and after 2028
	Other Health Care	4.75% per annum
	Vision Care	0.00% per annum
	Dental Care	4.75% per annum
	Provincial Premium (non-BC)	0.00% per annum
	BC Provincial Premium	6.0% per annum for 1 year, then 4.5% per annum thereafter
	Non-Grandfathered Traditional Program	
	Catastrophic Plan	7.55% per annum in 2011 grading down to 5.00% per annum in and after 2028
	Healthcare Spending Account Allocation	No increases
	Provincial Premium (non-BC)	0.00% per annum
	BC Provincial Premium	6.0% per annum for 1 year, then 4.5% per annum thereafter

00207

Health care cost trend rates (Cont'd)	Balanced Program and SARP		
	Healthcare Spending Account Allocation	No increases	
	Provincial Premium (non-BC)	0.00% per annum	
	BC Provincial Premium	6.0% per annum for 1 year, then 4.5% per annum thereafter	
Mortality	UP 94 mortality table with generational improvements projected to 2020 using AA scale (sex distinct)		
Retirement rates	Members currently in receipt of LTD benefits are assumed to retire at age 65 regardless if they reach 65 before the end of their Notice period. Active members who meet the eligibility requirements for benefits are assumed to retire at December 31, 2010.		
Marital status	For members not in receipt of PRB benefits as at December 31, 2010, there is a 90% probability of having a covered spouse at retirement. The covered spouse is assumed to be the opposite gender with male spouses assumed to be 3 years older than their female spouses. For members currently in receipt of PRB benefits as at December 31, 2010 and enrolled for dependent coverage, actual spousal date of birth information was used where available and the covered spouse is assumed to be the opposite gender. Otherwise, where these members are enrolled for dependent coverage and actual spousal information was not provided, the covered spouse is assumed to be the opposite gender and male spouses are assumed to be 3 years older than their female spouses.		
2011 per capita claim cost at age 65	Grandfathered Traditional Program		
		Retiree	Dependent
	Semi-private Hospital	\$33	\$18
	Prescription Drugs ²⁰	477	318
	Vision Care	20	16
	Other Medical	140	124
	Dental Care	320	211
	Total	\$990	\$687
	Non-Grandfathered Traditional Program		
	Catastrophic Medical Program ²⁰	Retiree	\$698
		Dependent	\$622
	Healthcare Spending Account	\$50 ²¹ per year of service from age 40 to retirement age	

²⁰ Drug costs are reduced from age 65 due to coverage from the provincial government drug plans. The assumptions shown here are after the assumed offset.

²¹ Amount decreases to 50% upon members' death and continues for surviving spouses.

00208

2011 per capita claim
cost at age 65 (Cont'd)

Balanced Program

Healthcare Spending Account \$50²² per year of service from age 40 to retirement age

SARP Program

Healthcare Spending Account \$50²² per year of service from age 40 to retirement age

Increases in cost by age

	Cost at Age						
	55	60	65	70	75	80	85
Supplementary Hospital	45%	64%	100%	161%	253%	388%	562%
Prescription Drugs	75%	88%	100%	109%	113%	114%	113%
Other Medical	106%	103%	100%	102%	110%	121%	135%
Vision Care	106%	103%	100%	97%	95%	92%	89%
Dental Care	107%	104%	100%	95%	90%	83%	74%
Catastrophic Medical Plan	75%	88%	100%	109%	113%	114%	113%
Healthcare Spending Account	100%	100%	100%	100%	100%	100%	100%

*Prescription drug offset
assumption at age 65 and
after*

Average: 55% of prescription drug claims

*Adjustment factors for the
Catastrophic Medical
Plan deductible and
lifetime maximum*

The liabilities for the catastrophic medical coverage under the Non-Grandfathered Traditional Program were initially calculated based on the above claims cost, aging, trend and drug offset assumptions. The resulting obligations were then reduced by multiplying by the following factors by age at the valuation date to reflect the expected impact of the plan's lifetime deductible (\$7,500 per family) and lifetime maximum (\$500,000 per family) provisions. It has been assumed that the current flat lifetime deductible and maximum amounts do not increase in the future.

Age Group	Adjustment Factors
Less than 30	0.96
30 to 34	0.95
35 to 39	0.93
40 to 44	0.92
45 to 49	0.89
50 to 54	0.87
55 to 59	0.82
60+	0.89

²² Amount decreases to 50% upon members' death and continues for surviving spouses.

<i>Provincial government plans – annual premiums</i>	As of January 1, 2011 the pensioner premium for the government plans are as follows:		
	Province	Single	Couple
	RAMQ Premium (Nortel Canada reimbursement)	\$175	\$350
	British Columbia MSP	\$726	\$1,308

Claims Cost Development

Grandfathered Traditional Plan

The 2011 per covered person claim costs at age 65 are based on actual paid claims experience for Nortel Canada's retired members or surviving spouses for the calendar years, 2007 to 2009, applying equal weight to all experience years. Claim costs were trended to the mid-point (July 1, 2011) of the current valuation period. Refer to the schedule for the development of the 2011 claim costs on the following pages for the retired members and the members' spouses.

Catastrophic Plan

As no credible actual paid claim information is available, to determine the per capita costs at age 65 for the catastrophic plan, actual eligible claims data for the Grandfathered Traditional Plan was relied on and certain relative value adjustments for the differences in plan designs was applied, to develop estimated per capita costs for the catastrophic plan.

**Valuation of the Obligations of the Non-Pension Benefits
for Claim Purposes as at the Determination Date**

Nortel Canada

00210

Grandfathered Traditional Plan – Retired Members

	2009 Total	2008 Total	2007 Total
Actual Nortel retirees' paid claims (before administration costs and taxes)			
Hospital	\$668,346	\$733,075	\$806,179
Drug	4,458,996	4,342,462	4,131,161
Vision care	194,020	169,843	168,882
Other medical	1,436,701	1,274,631	1,130,459
Dental	2,564,563	2,230,421	2,198,337
Total	\$9,322,626	\$8,750,432	\$8,435,018
Number of Nortel retirees			
• Eligible for medical and dental benefits	9,387	9,473	9,126
• Eligible for drug benefits	9,392	9,478	9,130
Per covered member costs			
Hospital	\$71.20	\$77.39	\$88.34
Drug	474.79	458.18	452.46
Vision care	20.67	17.93	18.51
Other medical	153.05	134.55	123.87
Dental	273.20	235.45	240.89
Total	\$992.91	\$923.50	\$924.06
Trend to July 01, 2009			
Hospital	1.00	1.05	1.10
Drug	1.00	1.09	1.19
Vision care	1.00	1.00	1.00
Other medical	1.00	1.05	1.10
Dental	1.00	1.05	1.10
2009 per covered member costs			
Hospital	\$71.20	\$81.06	\$86.93
Drug	474.79	499.42	537.57
Vision care	20.67	17.93	18.51
Other medical	153.05	140.95	135.92
Dental	273.20	246.63	264.31
Total	\$992.91	\$985.99	\$1,053.24
Weighting	33%	33%	33%
Trend to July 01, 2011			
Hospital	1.097		
Drug	1.182		
Vision care	1.000		
Other medical	1.097		
Dental	1.097		
2011 per covered member costs			
Hospital	\$91.14		
Drug	595.42		
Vision care	19.03		
Other medical	157.24		
Dental	286.81		
Total	\$1,149.65		
Adjustment factors to convert 2011 per covered member costs into age 65 per covered member costs			
Hospital	0.3621		
Drug	1.7803		
Vision care	1.0507		
Other medical	0.8903		
Dental	1.1157		
Drug offset assumption at age 65	55%		
Per covered member age 65 claims costs (2011 per covered member costs x adjustment factors)			
Hospital	\$33.00		
Drug - incorporating 55% drug offset	477.00		
Vision care	20.00		
Other medical	140.00		
Dental	320.00		
Total	\$990.00		

**Valuation of the Obligations of the Non-Pension Benefits
for Claim Purposes as at the Determination Date**

Nortel Canada

00211

Grandfathered Traditional Plan – Covered Dependents

	2009 Total	2008 Total	2007 Total
Actual Nortel dependents paid claims (before administration costs and taxes)			
Hospital	\$237,911	\$341,950	\$296,720
Drug	2,361,121	2,485,445	2,366,840
Vision care	129,602	110,158	111,230
Other medical	796,565	1,212,410	694,152
Dental	1,386,061	1,206,572	1,182,386
Total	\$4,911,260	\$5,356,536	\$4,651,327
Number of Nortel spouses and surviving spouses			
• Eligible for medical and dental benefits	7,528	7,517	7,385
• Eligible for drug benefits	7,531	7,520	7,388
Per covered member costs			
Hospital	\$31.60	\$45.49	\$40.18
Drug	313.51	330.50	320.36
Vision care	17.22	14.65	15.06
Other medical	105.81	161.29	93.99
Dental	184.12	160.51	160.11
Total	\$652.27	\$712.45	\$629.70
Trend to July 01, 2009			
Hospital	1.00	1.05	1.10
Drug	1.00	1.09	1.19
Vision care	1.00	1.00	1.00
Other medical	1.00	1.05	1.10
Dental	1.00	1.05	1.10
2009 per covered member costs			
Hospital	\$31.60	\$47.65	\$44.09
Drug	313.51	360.25	380.62
Vision care	17.22	14.65	15.06
Other medical	105.81	168.95	103.14
Dental	184.12	168.14	175.68
Total	\$652.27	\$759.64	\$718.58
Weighting	33%	33%	33%
Trend to July 01, 2011			
Hospital	1.097		
Drug	1.182		
Vision care	1.000		
Other medical	1.097		
Dental	1.097		
2011 per covered member costs			
Hospital	\$45.11		
Drug	415.27		
Vision care	15.64		
Other medical	138.22		
Dental	193.09		
Total	\$807.34		
Adjustment factors to convert 2011 per covered member costs into age 65 per covered member costs			
Hospital	0.3990		
Drug	1.7001		
Vision care	1.0228		
Other medical	0.8971		
Dental	1.0927		
Drug offset assumption at age 65	55%		
Per covered member age 65 claims costs (2011 per covered member costs x adjustment factors)			
Hospital	\$18.00		
Drug - incorporating 55% drug offset	318.00		
Vision care	16.00		
Other medical	124.00		
Dental	211.00		
Total	\$687.00		

Benefits Provided to LTD Claimants – LTD Income, Medical, Dental, Life Insurance, Optional Life Insurance, AD&D, Dependent Life Insurance and STB Benefits (LTD – Income, LTD – M&D, LTD – Life, LTD – Optional Life, LTD – AD&D, LTD – Dep Life, LTD – STB – Accruals)

In general, LTD claimants are provided the same benefits as active members.²³ Benefits are paid to the earlier of recovery, death or attainment of age 65. The benefits provided are pursuant to the applicable benefit plan at the time the member became disabled. The liability associated with this obligation is the present value of income payments, health care claim reimbursements and life insurance benefits provided to disabled members while they are disabled or upon their death during disability. Income and/or benefits are discounted for the likelihood of continuing disability and the time value of money. Anticipated payments are increased to reflect increases in the cost of living for members with indexed LTD income benefits or trend rate increases in the cost of medical and dental benefits.

<i>Determination date</i>	December 31, 2010
<i>Discount rate</i>	CIA rates for December 2010 without the 2-month lag (i.e. based on the month end CANSIM rates for December 2010): <ul style="list-style-type: none"> ▪ 3.6% per year for 10 years, 4.9% per year thereafter
<i>COLA increase for members with indexed benefits</i>	60% of (1.77% per annum for 10 years, then 2.64% per annum thereafter)
<i>Medical trend rate</i>	8.4% per annum in 2011 grading down linearly to 5.0% per annum in and after 2028.
<i>BC Provincial Premium</i>	6.0% per annum for 1 year, then 4.5% per annum thereafter
<i>Dental (DVH) trend rate</i>	4.75% per annum
<i>CPP offset</i>	If the LTD claimant has an approved CPP/QPP disability pension at the date of the valuation, the valuation assumes that benefit level will continue. If the LTD claimant does not have an approved CPP/QPP disability pension at the date of the valuation, the valuation assumes no disability pension will be awarded in the future.
<i>Termination rate (due to mortality, termination and recovery) assumption</i>	Canadian Group Long Term Disability Termination Experience 1988-1997 as at December 31, 2009 assuming a 6 month elimination period for non-union members and a 12 month elimination period for union members, no modifications applied; 15% Quebec assumed; 12 month own occupation period
<i>Covered dependents</i>	Actual covered dependent information was used to determine the medical and dental liabilities for the non-union members. Coverage level (EE only (EE), Employee and Spouse (EE+SP), Employee, Spouse and child (EE+SP+CH) or Employee and child (EE+CH) was used to determine the medical and dental liabilities for the union members and for their STB accrual liabilities.

²³ Where the benefit program has changed since the member became disabled, the member may be provided benefits under the earlier benefit program or may have been changed to the newer benefit plan. As an example, certain union LTD claimants are provided with STB coverage.

**Valuation of the Obligations of the Non-Pension Benefits
for Claim Purposes as at the Determination Date**

Nortel Canada

00213

<i>Provincial government plans – annual premiums</i>	As of January 1, 2011 the premium for the government plans are as follows:			
	Province	Single	Couple	Family
	British Columbia MSP	\$726	\$1,308	\$1,452
<i>2011 per capita claim cost (contributions not subtracted)</i>	Non-Union²⁴	Employee	Employee + Spouse	Employee + Spouse + Child
	Medical			
	▪ Comprehensive	\$3,883	\$4,549	\$4,382
	▪ Plus	\$4,357	\$5,223	\$4,821
	▪ Select	\$9,085	\$15,439	\$9,445
	Dental (DVH)²⁵			
	▪ Comprehensive	\$462	\$823	\$1,085
	▪ Plus	\$671	\$1,150	\$1,480
	Union	Employee	Employee + Spouse	Employee + Spouse + Child
	Medical	\$4,464	N/A	N/A
	Dental²⁵	\$433	N/A	N/A
<i>2011 annual employee contributions</i>	Non-Union	Employee	Employee + Spouse	Employee + Spouse + Child
	Medical			
	▪ Comprehensive	\$0	\$72	\$56
	▪ Plus	\$150	\$461	\$356
	▪ Select	\$277	\$831	\$468 ²⁶
	Dental (DVH)²⁵			
	▪ Comprehensive	\$0	\$41	\$26
	▪ Plus	\$97	\$345	\$233
<i>Assumed Adjustment for Accidental Deaths</i>	AD&D liability is determined using the same termination and recovery tables as Basic Life insurance benefits as outlined above, then the results are adjusted by a ratio of the AD&D premium rate over the Basic Life premium rate to reflect accidental mortality (approximately 20.8%)			

²⁴ There are 5 union members who are identified as receiving the Non-Union plan and paying appropriate contributions, so have been valued with the Non-Union plan assumptions. Similarly, 1 non-union member was identified as receiving the Union plan, so has been valued with the Union plan assumptions.

²⁵ Dental costs for disabled members also include Vision Care and Hearing benefit costs.

²⁶ There are 2 members with this level of coverage and each are paying different contributions rates than the other. The average has been shown here.

<i>Assumed Cost for Dependent Life Insurance</i>	Dependent Life insurance liability is determined as the present value of dependent life insurance premiums during the disabled employee's expected disabled lifetime. Spousal dependent life premiums are flat for union members, but vary by age and smoker status for non-union members. Child dependent premiums are flat for both groups. The average dependent life premium between the assumed dependent's (+/- 3 years from disabled members) current age and the maximum age based rate was assumed to apply during the entire disabled period for the non-union spousal dependent life benefits.
--	---

Claims Cost Development

The 2011 per covered person claim costs are based on actual claims experience for Nortel Canada's disabled members and their covered dependents for the calendar years, 2008 to 2009, applying equal weight to all experience years. Claims totalling \$292,800 for 2008 and \$106,800 for 2009 were provided but not identified as being from union or non-union members. These claims were allocated to the union and non-union groups on a pro-rata basis. Claim costs were then trended to the mid-point (July 1, 2011) of the current valuation period. Refer to the schedules for the development of the 2011 claim costs on the following pages.

**Valuation of the Obligations of the Non-Pension Benefits
for Claim Purposes as at the Determination Date**

Nortel Canada

2008 Data

Employee	Records	Med	DVH	Total	Records	Per Capita Claim Costs		DVH	Trend to 2011		Trended Claim Costs	
						Med	DVH		Med	DVH	Med	DVH
Union	150	\$694,225	\$62,620	\$756,846	\$	179.76	\$	348.36	1,287,909	1,149,376	\$	4,973.89
Non-Union	223	\$977,166	\$117,345	\$1,094,511	\$	267.24	\$	439.10	1,287,909	1,149,376	\$	4,709.23
Medical	154	\$602,489	N/A	\$602,489	\$	184.55	\$	N/A	1,287,909	1,149,376	\$	4,204.51
COMP-Comprehensive Medical	55	\$246,843	N/A	\$246,843	\$	65.91	\$	N/A	1,287,909	1,149,376	\$	4,823.31
PLUS-Plus Medical	14	\$127,834	N/A	\$127,834	\$	16.78	\$	N/A	1,287,909	1,149,376	\$	9,813.06
SMED-Select Medical	0	\$0	N/A	\$0	\$	-	\$	N/A	1,287,909	1,149,376	\$	-
WAIV-Waived Medical	0	\$0	N/A	\$0	\$	-	\$	N/A	1,287,909	1,149,376	\$	-
DVH	164	\$77,876	\$77,876	\$77,876	\$	196.54	N/A	396.24	1,287,909	1,149,376	\$	455.43
COMP-Comprehensive DVH	59	\$39,469	\$39,469	\$39,469	\$	70.71	N/A	558.22	1,287,909	1,149,376	\$	641.60
PLUS-Plus DVH	0	\$0	\$0	\$0	\$	-	N/A	-	1,287,909	1,149,376	\$	-
WAIV-Waived DVH	447	\$1,671,392	\$179,965	\$1,851,357	\$	447.00	\$	402.61	1,287,909	1,149,376	\$	4,815.66
Total											\$	462.75
Spouse	Records	Med	DVH	Total	Records	Med	DVH		Med	DVH		
Union	82	\$133,938	\$30,174	\$164,111	\$	97.20	\$	310.43	1,287,909	1,149,376	\$	1,774.69
Non-Union	123	\$148,422	\$47,796	\$196,218	\$	145.60	\$	327.82	1,287,909	1,149,376	\$	1,311.07
Medical	81	\$47,767	N/A	\$47,767	\$	96.01	\$	N/A	1,287,909	1,149,376	\$	640.73
COMP-Comprehensive Medical	31	\$26,300	N/A	\$26,300	\$	38.75	\$	N/A	1,287,909	1,149,376	\$	921.77
PLUS-Plus Medical	11	\$74,355	N/A	\$74,355	\$	13.04	\$	N/A	1,287,909	1,149,376	\$	7,344.32
SMED-Select Medical	0	\$0	N/A	\$0	\$	-	\$	N/A	1,287,909	1,149,376	\$	-
WAIV-Waived Medical	0	\$0	N/A	\$0	\$	-	\$	N/A	1,287,909	1,149,376	\$	-
DVH	86	\$30,729	\$30,729	\$30,729	\$	101.94	N/A	301.43	1,287,909	1,149,376	\$	346.46
COMP-Comprehensive DVH	37	\$17,067	\$17,067	\$17,067	\$	43.86	N/A	389.14	1,287,909	1,149,376	\$	447.27
PLUS-Plus DVH	0	\$0	\$0	\$0	\$	-	N/A	-	1,287,909	1,149,376	\$	-
WAIV-Waived DVH	243	\$282,360	\$77,969	\$360,329	\$	243.00	\$	320.86	1,287,909	1,149,376	\$	1,496.52
Total											\$	368.79
Child	Records	Med	DVH	Total	Records	Med	DVH		Med	DVH		
Union	33	\$27,667	\$20,608	\$48,275	\$	36.76	\$	560.57	1,287,909	1,149,376	\$	969.25
Non-Union	81	\$32,202	\$50,810	\$83,012	\$	90.24	\$	563.08	1,287,909	1,149,376	\$	459.60
Medical	50	\$20,682	N/A	\$20,682	\$	55.70	\$	N/A	1,287,909	1,149,376	\$	478.20
COMP-Comprehensive Medical	24	\$9,640	N/A	\$9,640	\$	26.74	\$	N/A	1,287,909	1,149,376	\$	464.35
PLUS-Plus Medical	7	\$1,880	N/A	\$1,880	\$	7.80	\$	N/A	1,287,909	1,149,376	\$	310.48
SMED-Select Medical	0	\$0	N/A	\$0	\$	-	\$	N/A	1,287,909	1,149,376	\$	-
WAIV-Waived Medical	0	\$0	N/A	\$0	\$	-	\$	N/A	1,287,909	1,149,376	\$	-
DVH	58	\$31,264	\$31,264	\$31,264	\$	64.61	N/A	483.85	1,287,909	1,149,376	\$	556.13
COMP-Comprehensive DVH	23	\$19,547	\$19,547	\$19,547	\$	25.62	N/A	762.86	1,287,909	1,149,376	\$	876.81
PLUS-Plus DVH	0	\$0	\$0	\$0	\$	-	N/A	-	1,287,909	1,149,376	\$	-
WAIV-Waived DVH	127	\$59,869	\$71,419	\$131,287	\$	127.00	\$	562.35	1,287,909	1,149,376	\$	607.13
Total											\$	646.35

Mercer (Canada) Limited

**Valuation of the Obligations of the Non-Pension Benefits
for Claim Purposes as at the Determination Date**

Nortel Canada

2009 Data

Employee Union Non-Union	Records	Med	DVH	Total	Per Capita Claim Costs		Trend to 2011		Trended Claim Costs		Averaged Claim Costs	
					Records	Med	DVH	Med	Dent	Med	DVH	
Medical	150	\$605,556	\$76,873	\$682,429	181	\$ 3,345.71	\$ 426.72	1,181,568	1,097,256	\$ 3,953.18	\$ 466.03	
	252	\$1,003,342	\$142,145	\$1,145,488	292	\$ 3,436.04	\$ 486.79	1,181,568	1,097,256	\$ 4,059.92	\$ 534.13	
	161	\$385,698	N/A	\$385,698	194	\$ 3,014.90	N/A	1,181,568	1,097,256	\$ 3,562.31	\$ 3,693.41	
	60	\$236,405	N/A	\$236,405	72	\$ 3,292.88	N/A	1,181,568	1,097,256	\$ 3,860.88	\$ 4,357.10	
	21	\$176,239	N/A	\$176,239	25	\$ 7,073.58	N/A	1,181,568	1,097,256	\$ 8,357.91	\$ 9,085.48	
	0	\$0	\$0	\$0	-	-	1,181,568	1,097,256	-	-	\$	
DVH	173	N/A	\$88,954	\$88,954	209	N/A	\$ 426.13	1,181,568	1,097,256	\$ 467.57	\$ 461.50	
	69	N/A	\$53,192	\$53,192	83	N/A	\$ 638.88	1,181,568	1,097,256	\$ 701.02	\$ 671.31	
	0	N/A	\$0	\$0	-	N/A	\$ -	1,181,568	1,097,256	\$ -	\$ -	
	473	\$1,606,899	\$219,018	\$1,827,917	473	\$ 3,401.48	\$ 483.04	1,181,568	1,097,256	\$ 4,019.08	\$ 508.07	
											\$ 4,417.37	\$ 485.41
Medical	83	\$112,809	\$31,222	\$144,030	92	\$ 1,258.04	\$ 348.19	1,181,568	1,097,256	\$ 1,486.46	\$ 382.05	
	141	\$162,745	\$56,285	\$229,031	152	\$ 1,088.07	\$ 382.62	1,181,568	1,097,256	\$ 1,285.62	\$ 419.84	
	36	\$55,691	N/A	\$55,691	95	\$ 585.67	N/A	1,181,568	1,097,256	\$ 692.01	\$ 666.37	
	36	\$28,695	N/A	\$28,695	39	\$ 686.36	N/A	1,181,568	1,097,256	\$ 810.98	\$ 806.38	
	17	\$83,370	N/A	\$83,370	18	\$ 4,539.36	N/A	1,181,568	1,097,256	\$ 5,363.56	\$ 6,553.94	
	0	\$0	\$0	\$0	-	-	1,181,568	1,097,256	-	-	\$	
DVH	94	N/A	\$34,674	\$34,674	102	N/A	\$ 341.43	1,181,568	1,097,256	\$ 374.84	\$ 360.55	
	47	N/A	\$23,612	\$23,612	51	N/A	\$ 465.01	1,181,568	1,097,256	\$ 510.23	\$ 478.75	
	0	N/A	\$0	\$0	-	N/A	\$ -	1,181,568	1,097,256	\$ -	\$ -	
	242	\$275,553	\$89,507	\$365,060	242	\$ 1,151.05	\$ 369.87	1,181,568	1,097,256	\$ 1,360.04	\$ 405.84	
											\$ 1,428.28	\$ 387.31
Child Union Non-Union	31	\$39,619	\$14,825	\$54,443	33	\$ 864.57	\$ 427.85	1,181,568	1,097,256	\$ 1,021.55	\$ 481.41	
	87	\$38,481	\$59,887	\$98,368	93	\$ 414.23	\$ 644.65	1,181,568	1,097,256	\$ 489.44	\$ 707.34	
	50	\$23,516	N/A	\$23,516	53	\$ 440.45	N/A	1,181,568	1,097,256	\$ 520.43	\$ 499.31	
	26	\$10,898	N/A	\$10,898	30	\$ 362.33	N/A	1,181,568	1,097,256	\$ 463.61	\$ 464.08	
	11	\$4,067	N/A	\$4,067	12	\$ -	N/A	1,181,568	1,097,256	\$ 403.17	\$ 359.83	
	0	\$0	\$0	\$0	-	-	1,181,568	1,097,256	-	-	\$	
DVH	58	N/A	\$38,946	\$38,946	62	N/A	\$ 628.85	1,181,568	1,097,256	\$ 650.01	\$ 623.07	
	29	N/A	\$20,941	\$20,941	31	N/A	\$ 676.24	1,181,568	1,097,256	\$ 742.01	\$ 699.41	
	0	N/A	\$0	\$0	-	N/A	\$ -	1,181,568	1,097,256	\$ -	\$ -	
	126	\$67,100	\$74,711	\$141,811	126	\$ 532.54	\$ 592.95	1,181,568	1,097,256	\$ 629.23	\$ 650.61	
											\$ 618.18	\$ 648.48

Mercer (Canada) Limited

Survivor Benefits (SIB, STB – in receipt, STB – accrual)

The liability for the survivor benefits is determined for each eligible pensioner or beneficiary in receipt. The liability is equal to the present value of expected future benefits after December 31, 2010 for those currently in receipt of a benefit (SIB or STB – in receipt). For certain pensioners, their beneficiaries are eligible for an STB benefit upon their death. The present value of these expected payments, which would start upon the member's death, has been included in the STB – accrual figures. For medical and dental benefits for eligible beneficiaries, refer to the section on PRB-M&D. Anticipated benefits are discounted for payment eligibility and the time value of money.

<i>Determination date</i>	December 31, 2010
<i>Discount rate</i>	CIA rates for December 2010 without the 2-month lag (i.e. based on the month end CANSIM rates for December 2010): <ul style="list-style-type: none">▪ 3.6% per year for 10 years, 4.9% per year thereafter
<i>Mortality</i>	UP 94 mortality table with generational improvements projected to 2020 using AA scale (sex distinct)

Appendix A

Summary of Plan Provisions for Post Retirement Benefits (including PRB for actives and LTD claimants)

Please see the following pages.

Please note the following comments regarding the eligibility and plan information for the PRB benefits for LTD claimants.

Non-Union:

With respect to LTD claimants as of January 1, 2008 who were participants in the CARP as of December 31, 2007 and who never returned to active employment and remained on LTD as at December 31, 2010, the Grandfathering and CARP Criteria in the following table is ignored in determining for which PRB plan the member is eligible. The registered pension plan and PRB plan eligibility requirements are used only, assuming that periods on LTD also qualify as service.

LTD claimants on or after January 1, 2008 are participants in the CARP and therefore the Grandfathering and CARP Criteria in the following table is followed in determining for which PRB plan the member is eligible, assuming that periods on LTD also qualify as service.

Union:

The PRB plan is determined based on which registered pension plan the LTD claimants are in, assuming periods on LTD also qualify as service.

Some union groups had life insurance benefit improvements effective in 2005 and onwards which did not apply to members who were on LTD at the time and who never returned to active employment and remained on LTD as at December 31, 2010. The (PRB) life insurance for these members is determined based on the pre-2005 levels (which may not be captured in the summary below).

**Valuation of the Obligations of the Non-Pension Benefits
for Claim Purposes as at the Determination Date**

Nortel Canada

PRB – Eligibility and Plan Coverage for Non-Union Members

Registered Pension Plan	Grandfathering and CARP Criteria	PRB Eligibility Requirements at retirement	Retirement Health Care Plan (PRB-M&D)	Benefits	
				Basic Life Insurance Benefits (PRB- Life)	Provincial Premiums (PRB - M&D)
Managerial and Non-Negotiated Pension (Traditional Part I and Traditional Part II) hired before January 1, 2008	Minimum age 50 or 28 years of service as of April 30, 2000	Part I - retire directly from active status or LTD with 55+2 or 30 years of pensionable service; Part II - Minimum age 55 with 5 years of service at retirement	Traditional Grandfathered Plan – Traditional Medical and Dental Benefits (see PRB – M&D Plan Details page for more information)	Basic life insurance amount is equal to pre-retirement basic life coverage (equal to final flex) at retirement. If the member retired before January 1, 1991, the basic life amount will reduce after retirement by 5% per year until the ultimate level of 75% of the original amount. If the member retired on or after January 1, 1991, the basic life amount will reduce after retirement by 5% per year until the ultimate level of 25% of the original amount, subject to a minimum of \$20,000. Prism System Division members have basic life insurance coverage based on years of service and best consecutive years earnings with no reduction after retirement. Directors have \$75,000 basic life insurance. Additional Death Benefit (ADB) – certain retired Northern Electric Company members have an additional death benefit	British Columbia and Quebec RAMQ premiums are fully or partially company paid
	Not age 50 or 28 years of service on April 30, 2000 BUT age 50 or older with 5 years of service as of July 1, 2006	Part I - retire directly from active status or LTD with 55+2 or 30 years of pensionable service; Part II - Minimum age 55 with 10 years of service at retirement	Traditional Plan – Catastrophic Medical Plan Plus Health Care Spending Account (\$50/ year of service from age 40) (see PRB – M&D Plan Details page for more information)	\$25,000 life insurance plus \$10,000 death benefit or just \$10,000 death benefit	British Columbia and Quebec RAMQ premiums are fully or partially company paid
	Not age 50 or 28 years of service on April 30, 2000 and NOT age 50 or older with 5 years of service as of July 1, 2006	If retirement age is at least 55 with 10 years of service	No company sponsored M&D plan as a result of the CARP amendments	\$10,000 death benefit	N/A
Balanced Program (DC plan; Managerial and Non-negotiated Pension Plan Part III) hired before January 1, 2008	Age 50 or older with 5 years of service as of July 1, 2006	If retirement age is at least 55 with 10 years of service	Balanced Plan - Health Care Spending Account (\$50/ year of service from age 40), and prescription drug coverage (matching Traditional Grandfathered plan) for Quebec residents (see PRB – M&D Plan Details page for more information)	\$25,000 life insurance plus \$10,000 death benefit or just \$10,000 death benefit	British Columbia and Quebec RAMQ premiums are fully or partially company paid
	NOT age 50 or older with 5 years of service as of July 1, 2006	If retirement age is at least 55 with 10 years of service	No company sponsored M&D plan as a result of the CARP amendments	\$10,000 death benefit	N/A

**Valuation of the Obligations of the Non-Pension Benefits
for Claim Purposes as at the Determination Date**

Nortel Canada

Registered Pension Plan	Grandfathering and CARP Criteria	PRB Eligibility Requirements at retirement	Benefits		
			Retirement Health Care Plan (PRB-M&D)	Basic Life Insurance Benefits (PRB- Life)	Provincial Premiums (PRB - M&D)
Investor and Other Pension DC plan members hired before January 1, 2008	If age 50 or older with 5 years of service as of July 1, 2006	If retirement age is at least 55 with 10 years of service	No company sponsored M&D plan except for prescription drug coverage (matching Traditional Grandfathered plan) for Quebec residents	N/A	N/A
	If NOT age 50 or older with 5 years of service as of July 1, 2006	If retirement age is at least 55 with 10 years of service	No company sponsored M&D plan	N/A	N/A
All employees hired on or after January 1, 2008	N/A	N/A	N/A	N/A	N/A
Nedco	Closed group of covered retirees	Closed group of covered retirees	Company sponsored M&D plan similar to Traditional Grandfathered Plan – Traditional Medical and Dental Benefits	Level benefit: closed group of covered retirees	Quebec RAMQ premiums are fully or partially company paid

Mercer (Canada) Limited

**Valuation of the Obligations of the Non-Pension Benefits
for Claim Purposes as at the Determination Date**

Nortel Canada

PRB – Eligibility and Plan Coverage for Union Members

Registered Pension Plan	Grandfathering criteria	PRB Eligibility at retirement	Retirement Health Care Plan (PRB-M&D)	Benefits		
				Basic Life Insurance Benefits (PRB- Life)	Survivor Transition Benefit (STB – Accrual)	Provincial Premiums (PRB – M&D)
Negotiated Pension Program I	All employees except CAW and COEU Union Group Program II with Pension plan admin code 55	If retire directly from active status or LTD with 55+2 or 30 years of pensionable service	Traditional Grandfathered Plan – Traditional Medical and Dental Benefits (see PRB – M&D Plan Details page for more information)	Various flat or decreasing amounts based on union group and year of retirement. Refer to Union Life Insurance page.	Closed group of covered retirees enrolled with dependent M&D coverage – their surviving beneficiaries are provided with sixty (60) months of income replacement benefits and potentially M&D (see details on Survivor Benefits page) upon the members' death	British Columbia and Quebec RAMQ premiums are fully or partially company paid
Negotiated Pension Program II	CAW and COEU Union Group Program II with Pension plan admin code 55	If retirement age is at least 55 with 10 years of service	SARP - Health Care Spending Account (\$50/ year of service from age 40), and prescription drug coverage (matching Traditional Grandfathered plan) for Quebec residents (see PRB – M&D Plan Details page for more information)	Various flat or decreasing amounts based on union group and year of retirement. Refer to Union Life Insurance page.	Closed group of covered retirees enrolled with dependent M&D coverage – their surviving beneficiaries are provided with sixty (60) months of income replacement benefits and potentially M&D (see details on Survivor Benefits page) upon the members' death	British Columbia and Quebec RAMQ premiums are fully or partially company paid

**Valuation of the Obligations of the Non-Pension Benefits
for Claim Purposes as at the Determination Date**

Nortel Canada

Survivor Benefits (SIB, STB – in receipt)

Employee Group	Benefits		
	Income Benefits	Retirement Health Care Plan (PRB – M&D or STB – Accrual – M&D)	Provincial Premiums (PRB – M&D or STB – Accrual – M&D)
Non-union	Survivor Income Benefit (SIB) - Surviving spouses of certain non-union deceased retirees are provided with monthly income benefits for life upon the members' death.	Traditional Grandfathered or Traditional or Balanced Plan –Eligible surviving spouse receive the same coverage for their lifetime, as when the member was alive, if retiree elected a joint & survivor pension or entitled to the SIB benefit, except for any health care spending account balance which would decrease to 50% of the amount prior to the member's death.	British Columbia and Quebec RAMQ premiums are fully or partially company paid
Union	Survivor Transition Benefit (STB) - Surviving spouses of certain union deceased retirees are provided with sixty (60) months of income replacement benefits upon the member's death. They make take the payment as a lump sum or monthly annuity.	Traditional or SARP Plan – Eligible surviving spouses receive the same coverage for their lifetime, as when the member was alive, if retiree elected a joint & survivor pension, except for any health care spending account balance which would decrease to 50% of the amount prior to the member's death. If retiree retired from Nortel prior to January 1, 1994 and did not elect a joint & survivor pension and surviving spouse entitled to STB benefit or retiree was a former Nedco employee then survivor coverage provided access for sixty (60) months to this coverage paid 100% by surviving spouse. If retiree retired from Nortel after January 1, 1994 and did not elect a joint & survivor pension and surviving spouse entitled to STB benefit, then survivor coverage provided for sixty (60) months at no cost to survivor. If retiree did not elect a joint & survivor pension and surviving spouse not entitled to STB benefit, then no survivor coverage provided.	British Columbia and Quebec RAMQ premiums are fully or partially company paid

**Valuation of the Obligations of the Non-Pension Benefits
for Claim Purposes as at the Determination Date**

Nortel Canada

PRB – M&D Plan Details

	Traditional Medical and Dental Plan	Catastrophic Plan	Healthcare Spending Account
Deductible	\$25/50 (single/family) per calendar year Applies to expenses incurred under either or both health and dental plans	\$7,500 lifetime out-of-pocket deductible per family Applies to certain medical benefits only	N/A
Overall Plan Maximum Benefit Amount	Unlimited Out-of-pocket maximum of \$1,000 per calendar year per family	\$500,000 lifetime maximum per family Reimburses 100% (from catastrophic plan) of eligible medical expenses after the lifetime deductible is satisfied	N/A Annual company paid allocation is \$50 per year of service from age 40
Spousal & Dependent Coverage	Yes, depending on pension joint and survivor elections Prescription drugs covered at 80%	Yes, depending on pension joint and survivor elections Prescription drugs, generic substitution where possible, covered at 100%	Annual company paid allocation reduced by half after the death of the pensioner Not covered
Drug (Non-Quebec)	Provincial RQ Drug Plan <ul style="list-style-type: none"> Reimburses a portion of the eligible expenses up to an out of pocket maximum determined by RAMQ and 100% in excess of the out of pocket maximum Nortel Canada pays premiums (taxable benefit) to a maximum of \$175/yr Nortel Canada RAMQ Equivalent Drug Plan <ul style="list-style-type: none"> 80% eligible on RAMQ formulary up to an annual out of pocket maximum determined by RAMQ and 100% of expenses in excess of the allowable out of pocket maximum Pensioner pays premiums 	Provincial RQ Drug Plan <ul style="list-style-type: none"> Reimburses a portion of the eligible expenses up to an out of pocket maximum determined by RAMQ and 100% in excess of the out of pocket maximum Nortel Canada pays premiums (taxable benefit) to a maximum of \$175/yr Nortel Canada RAMQ Equivalent Drug Plan <ul style="list-style-type: none"> 80% eligible on RAMQ formulary up to an annual out of pocket maximum determined by RAMQ and 100% of expenses in excess of the allowable out of pocket maximum Pensioner pays premiums 	Provincial RQ Drug Plan <ul style="list-style-type: none"> Reimburses a portion of the eligible expenses up to an out of pocket maximum determined by RAMQ and 100% in excess of the out of pocket maximum Nortel Canada pays premiums (taxable benefit) to a maximum of \$175/yr Nortel Canada RAMQ Equivalent Drug Plan <ul style="list-style-type: none"> 80% eligible on RAMQ formulary up to an annual out of pocket maximum determined by RAMQ and 100% of expenses in excess of the allowable out of pocket maximum Pensioner pays premiums
Hospital	100% of the first \$50 per day and 50% of the remaining cost Difference between ward and private room coverage	Not covered	Not covered
Private Duty Nursing	80% to a maximum of \$12,500 in period of illness/injury	100% to a maximum of \$12,500 in period of illness/injury, subject to deductible and overall plan maximum	Not covered
Vision Care	50% up to a maximum of \$100/ 2yrs /per person, and \$200/2yrs for severe eye conditions	Not covered	Not covered
Hearing Aid	50% to a maximum of \$200 /2yrs/ per person	Not covered	Not covered
Provincial Health Insurance Premium	Nortel Canada Networks pays 100% of the provincial health insurance premiums for pensioners in British Columbia.	Nortel Canada Networks pays 100% of the provincial health insurance premiums for pensioners in British Columbia.	Nortel Canada Networks pays 100% of the provincial health insurance premiums for pensioners in British Columbia.

Mercer (Canada) Limited

**Valuation of the Obligations of the Non-Pension Benefits
for Claim Purposes as at the Determination Date**

Nortel Canada

	Traditional Medical and Dental Plan	Catastrophic Plan	Healthcare Spending Account
Other Medical	<p>Includes:</p> <ul style="list-style-type: none"> 80% co-insurance: Out of province medical coverage Medical equipment and supplies Ambulance services X-rays Accidental dental Paramedical services (\$250 maximum per person per calendar year) Orthopaedic shoes Physiotherapist (no maximum) Other parameds (\$250 maximum) <p>50% co-insurance:</p> <ul style="list-style-type: none"> Nursing Homes (\$10 per day for lifetime total of 365 days) 	<p>Includes:</p> <ul style="list-style-type: none"> Medical equipment and supplies Ambulance services X-rays Selected list of paramedical services (physiotherapist, chiropractor, speech therapist, osteopath) \$250 maximum per practitioner per calendar year 100% subject to deductible and overall plan maximum 	Not covered
<p>Dental</p> <ul style="list-style-type: none"> Basic Periodontic / Endodontic Major Restorative Orthodontic Maximum Benefit 	<p>Coinsurance of:</p> <ul style="list-style-type: none"> 80% 50% 50% None <p>Periodontic / Endodontic: \$1,000 per person in any 3 years</p> <p>Major: \$1,000 per person per calendar year</p>	Not covered	Not covered

Mercer (Canada) Limited

**Valuation of the Obligations of the Non-Pension Benefits
for Claim Purposes as at the Determination Date**

Nortel Canada

PRB – Union Life Insurance

	Original Basic Life Insurance Amount		Reduction Schedule²⁷
	Benefit Group	Amount of Coverage	
CAW Program I	1	\$76,000	Retired before January 1, 1991, basic life insurance coverage will reduce at retirement by 5% per year until it reduces to 75% of original amount. Retired on or after January 1, 1991, but before April 1, 2003, basic life insurance coverage will reduce at retirement by 5% per year until it reduces to 50% of original amount, subject to a minimum amount of \$10,000. Retired on or after April 1, 2003, basic life insurance coverage will reduce by 50% immediately at age 65 or at retirement, whichever is earlier, and will continue to reduce 5% per year thereafter until it reduces to a minimum amount of \$25,000.
	2	\$77,500	
	3	\$80,000	
	4	\$83,500	
	5	\$87,000	
CAW Program II	1	\$76,000	Option 1 Retired on or after April 1, 2003, the basic life insurance coverage will be based on 50% reduction immediately at age 65 or at retirement, whichever is earlier, and will continue to reduce and 5% per year thereafter until it reduces to a minimum amount of \$30,000. Option 2: In order to avoid taxable benefits, employee can choose a \$10,000 death benefit instead of the Option 1 coverage.
	2	\$77,500	
	3	\$80,000	
	4	\$83,500	
	5	\$87,000	
CEP Local 4 and CUCW Local 2	Benefit Group	Amount of Coverage	Retired before January 1, 1991, basic life insurance coverage will reduce at retirement by 5% per year until it reduces to 75% of original amount. Retired on or after January 1, 1991, the original basic life insurance amount will reduce by 5% over the next 10 years until it reaches a minimum of \$10,000.
	4	\$40,000	
CEP Local 9	Benefit Group	Amount of Coverage	Retired before January 1, 1991, basic life insurance coverage will reduce at retirement by 5% per year until it reduces to 75% of original amount. Retired on or after January 1, 1991, the original basic life insurance amount will reduce upon retirement by 5% over the next 10 years until it reaches a minimum of \$10,000
	1	\$32,500	
	2	\$34,000	
	3	\$36,500	
	4	\$40,000	
COEU	\$43,500		The original basic life insurance amount will reduce by 5% on each anniversary of your retirement date over the next 10 years until it is reduced by 50% minimum coverage is \$10,000.
	\$87,000		
CUCW Local 1			Retired before January 1, 1991, basic life insurance coverage will reduce at retirement by 5% per year until it reduces to 75% of original amount. Retired on or after January 1, 1991, but before May 1, 2004, life insurance coverage will reduce by 5% per year until it reduces to 50% of original amount, subject to a minimum amount of \$10,000. Retired on or after May 1, 2004, life insurance coverage will reduce by 50% immediately at age 65 or at retirement, whichever is earlier, and will continue to reduce 5% per year thereafter until it reduces to a minimum amount of \$21,750; rounded down to the thousands
CUOE and GW Local 100	Benefit Group	Amount of Coverage	N/A
	2 3	\$31,000 33,500	

²⁷ All mention of reductions are based on the original amount, and therefore on a straight-line basis.

**Valuation of the Obligations of the Non-Pension Benefits
for Claim Purposes as at the Determination Date**

Nortel Canada

	Original Basic Life Insurance Amount		Reduction Schedule ²⁷
	Benefit Group	Amount of Coverage	
IUOE 796	2	\$77,500	Retired before January 1, 1991, basic life insurance coverage will reduce at retirement by 5% per year until it reduces to 75% of original amount. Retired on or after January 1, 1991, but before October 1, 2003, life insurance coverage will reduce by 5% per year until it reduces to 50% of original amount, subject to a minimum amount of \$10,000. Retired on or after October 1, 2003, life insurance coverage will reduce by 50% immediately at age 65 or at retirement, whichever is earlier, and will continue to reduce 5% per year thereafter until it reduces to a minimum amount of \$25,000; rounded down to the thousands
	3	80,000	
SIPQ	Benefit Group	Amount of Coverage	Retired before January 1, 1991, basic life insurance coverage will reduce at retirement by 5% per year until it reduces to 75% of original amount. Retired on or after January 1, 1991, life insurance coverage will reduce by 5% per year until it reduces to 50% of original amount, subject to a minimum amount of \$10,000.
	2	\$31,000	
UNI	\$22,000		N/A
	1 x annual base rate of earned income to maximum of \$65,000		
United Steelworkers of America, Barrie ON			Life insurance coverage will reduce by 50% at age 65

Appendix B

Summary of Plan Provisions for Benefits Provided to LTD Claimants

LTD – Income Benefits

For most union members, the income benefit is a flat amount based on their benefit group. There is a 12 month elimination period to be satisfied before LTD starts. There is a 12 month own occupation period. There is a 75% all source maximum and no provision for Cost of Living Adjustment (COLA) on the benefit.

For the non-union members, the income benefit is based on their Flexible Benefit plan election, with the option of 50% or 66 2/3% of salary (reduced from 70%, effective January 1, 2006), with or without Cost of Living Adjustment (COLA) benefit. Beginning after two years of receiving LTD benefit payments, each January, the full amount of disability payment will be increased by the lesser of 60% of the Consumer Price Index or 6%. There is a 6 month elimination period to be satisfied before LTD starts and a 12 month own occupation period. This COLA feature does not apply if the member is covered under the core LTD option only.

LTD – Medical and Dental Benefits

For both union and non-union LTD claimants, continuation of medical and dental benefits and life insurance is provided up to the earlier of recovery, death or age 65. If the non-union member has waived coverage or is in the Basic or Comprehensive plan, he or she will be put into the Comprehensive plan at no cost to the member. If the member is in the Plus or Select plan, he or she can continue in that plan provided the member pays the member contributions.

In general, LTD claimants are provided the same benefits as active members.²⁸ The benefits provided are pursuant to the applicable benefit plan at the time the member is disabled.

Union LTD claimants continue to receive the same benefits as provided under their respective union group. Non-union LTD claimants continue to receive benefits as provided on the next pages under the Nortel Canada Flex Plan.

²⁸ Where the benefit program has changed since the member became disabled, the member may be provided benefits under the earlier benefit program or may have been changed to the newer benefit plan. As an example, certain disabled union members are provided with STB coverage.

LTD – Medical and Dental (Non-Union Flex Plan)

Benefit	Basic	Comprehensive	Plus	Select
Percentage paid for covered services	80%	90%	95%	100%
Prescription drugs				
▪ Generic drugs	Covered under all four options			
▪ Brand name drugs	Covered only if there is no generic equivalent on the market			
▪ Drug formulary	Basic, Comprehensive, and Plus options: New drugs are not covered under the plan unless approved by at least one provincial plan first			New drugs covered automatically, subject to plan provisions
▪ Prior authorization	Required for five categories of drugs, plus the drug Wellbutrin™			Required for two categories of drugs
Annual deductible for all eligible medical expenses (except drugs)				
▪ Individual	None	\$40	None	None
▪ Family	None	\$80	None	None
Per prescription copayment	\$8	\$8	\$8	\$8
Dispensing fee maximum per prescribed drug	\$7	\$7	\$7	\$7
Annual out-of-pocket maximum (once you've paid this maximum per year, the balance of prescription drug expenses will be paid at 100%)	\$954 per person ²⁹	\$954 per person ²⁹	\$954 per person ²⁹	\$954 per person ²⁹
Hospital coverage				
▪ Acute and convalescent care	None	Semi-private room rate, up to \$225 per day for acute and convalescent care, and up to 90 days per calendar year for convalescent care	Semi-private room rate for acute and convalescent care, and up to 90 days per calendar year for convalescent care	Semi-private room rate for acute and convalescent care, and up to 90 days per calendar year for convalescent care
Ambulance	Ground transportation and emergency air ambulance			
Professional services		Maximums per individual year		
▪ Chiropractor ³⁰	One combined maximum of \$300 for these professionals	\$300	\$500	\$500
▪ Osteopath ³¹		\$300	\$500	\$500
▪ Chiropodist		\$300	\$500	\$500
▪ Speech therapy		\$300	\$500	\$500
▪ Naturopath		\$300	\$500	\$500
▪ Massage therapy ³²		\$300	\$500	\$500
▪ Podiatrist		\$300	\$500	\$500

²⁹ All plan options covering eligible prescription drugs are designed to meet the current requirements of Bill 33 for Quebec residents.

³⁰ Under the Basic and Comprehensive options, chiropractic expenses are covered only after provincial health insurance plan coverage, where applicable, has been exhausted. Under the Plus and Select options, chiropractic coverage begins on the first visit, whether or not the provincial health insurance provides coverage.

³¹ Services must be performed by a licensed physician (MD) or a licensed acupuncturist approved by the provincial regulating body in the province. Currently, only British Columbia, Alberta and Quebec have provincially regulated acupuncturists. This may be extended to other provinces in the future. In Ontario, osteopathic treatments must be performed by practitioners who are regulated and certified by the College of Physicians and Surgeons of Ontario.

³² Requires a referral from a physician.

**Valuation of the Obligations of the Non-Pension Benefits
for Claim Purposes as at the Determination Date**

Nortel Canada

00230

Benefit	Basic	Comprehensive	Plus	Select
▪ Acupuncture ³³		\$300	\$500	\$500
▪ Dietician ³⁴ Contract shows dietician covered under Basic Psychologist		\$300	\$500	\$500
Psychologist	\$300	\$300	\$500	\$500
Physiotherapy	\$300	\$300	\$500	\$500
Private Duty Nursing ³⁴				
▪ Maximum per calendar year	\$10,000	\$12,500	\$15,000	\$15,000
Out-of-province (within Canada) emergency medical expenses and travel assistance while travelling for personal reasons	21 days maximum	31 days maximum	90 days maximum	90 days maximum
Overall maximum per person	\$1,000,000 lifetime ³⁵			

³³ Services must be performed by a licensed physician (MD) or a licensed acupuncturist approved by the provincial regulating body in your province. Currently, only British Columbia, Alberta and Quebec have provincially regulated acupuncturists. This may be extended to other provinces in the future. In Ontario, osteopathic treatments must be performed by practitioners who are regulated and certified by the College of Physicians and Surgeons of Ontario.

³⁴ Requires a referral from a physician.

³⁵ Quebec residents, please note that all plan options covering eligible prescription drugs are designed to meet the current requirements of Bill 33.

LTD – Basic Life Insurance and Optional Life Insurance

Premium for the employer paid basic life insurance and employee paid optional insurance are paid by Nortel Canada or waived while the employee is disabled.

Subject to the following, the basic life insurance coverage amount is equal to the original basic life amount (before reduction) as summarized earlier in the post retirement section. For members of certain unions, the basic life insurance coverage amount is equal to the coverage the individual had at the time he or she became an LTD claimant.

For non-union employees, optional employee life insurance coverage are available in multiplies of 1 to 5 times benefit earnings.

For union employees, optional employee life insurance coverage ranges from \$10,000 to \$110,000.

For both groups, the definition of disability is the same as the LTD definition.

LTD – AD&D Insurance

Premiums for the AD&D insurance are paid by Nortel Canada or waived while the employee is disabled.

Union employees are entitled to AD&D insurance with coverage equal to their basic life insurance.

Non-union employees are entitled to optional employee and dependent AD&D coverage through the Flex Plan. Premium for the basic life insurance is continued and paid by Nortel Canada while the employee is disabled. Non-union employee AD&D coverage is available in multiples of 1 to 5 times benefit earnings, to a maximum of \$1,500,000. AD&D coverage is also available for the employee's spouse and eligible children based on a percentage of the employee's AD&D coverage.

LTD – Dependent Life Insurance

Premiums for the employee paid optional dependent insurance are paid by Nortel Canada or waived while the employee is disabled.

For non-union employees, the optional dependent spousal life coverage ranges from \$10,000 to \$500,000. The optional dependent child life coverage ranges from \$5,000 to \$25,000.

For union employees, the optional dependent spousal life coverage ranges from \$5,000 to \$45,000. The optional dependent child life coverage ranges from \$2,500 to \$10,000.

For both groups, the definition of disability is the same as the LTD definition.

LTD – STB – Accrual

If the union member went on disability before April 1, 2003 and has a covered dependent, such dependent is eligible to receive the STB income benefit if the member dies while on LTD.

Appendix C

Summary of Plan Provisions for Survivor Benefits

Survivor Income Benefits (SIB) and Survivor Transition Benefits (STB)

Survivor Income Benefit (SIB) is a monthly income benefit provided upon the death of non-union members. This benefit coverage is no longer provided with the exception of a closed group of surviving spouses. The payment of benefits is provided for the lifetime of the surviving spouse.

Survivor Transition Benefit (STB) is a monthly income benefit provided upon the death of certain union members or certain retired union members. The monthly benefit is provided to the surviving spouse for 60 months following the death of the member.

Coverage for two of the union groups is as follows:

- CAW – Effective April 1, 2003, there is no STB for active members or future pensioners. Members on LTD at the time of this benefit change will maintain STB coverage while on LTD, but will no longer have STB coverage if they retire or return to active status.
- COEU – Effective January 1, 2004, active members were covered under the non union Flex plan, and STB benefits for current or future pensioners were eliminated.

Current pensioners retain eligibility for the STB coverage if they retired before the dates outlined above and they have an eligible dependent upon their death.

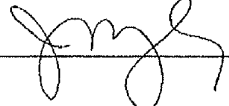
Appendix D

Employer Certification

With respect to the Report on the Valuation of the Obligations of the Non-Pension Benefits for Claim Purposes as at the Determination Date for Nortel's Benefit Plans, I hereby certify that, to the best of my knowledge and belief:

- The membership data supplied to the actuary provides a complete and accurate description of all persons who are entitled to benefits under the terms of the Plans for service up to the date of the data provided and supplemented by those persons who became entitled to benefits during the Notice Period, all as outlined in Section 3.
- A copy of the plan documents and of all amendments made up to the date of the valuation were supplied to the actuary.
- All events subsequent to the valuation that may have an impact on the results of the valuation have been communicated to the actuary.

September 19, 2011
Date


Signed

John Shaughnessy
Name

HR Leader, Canada
Title

00235

MERCER

Mercer (Canada) Limited
161 Bay Street
P.O. Box 501
Toronto, Ontario M5J 2S5
+1 416 868 2000

Consulting. Outsourcing. Investments.

Mercer (Canada) Limited