Valuation of Non-Registered Pension Benefits and Loss of Registered Pension Benefit Accruals for Claim Purposes as at the Determination Date

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

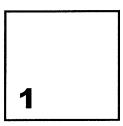
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Introduction

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

In accordance with your request, we have performed a valuation of the accrued benefits under the non-registered pension and retiring allowance plans and certain accruals under the registered pension plans sponsored by Nortel Canada for purpose 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 Plans (as 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 Nortel Canada's estate for the specified benefit, to the individual claimants.

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

As instructed by the Monitor and the Company, the following plans and accrued benefits (collectively referred to as the "Plans") are covered by this report:

- The Nortel Networks Limited Managerial and Non-Negotiated Excess Plan ("Excess Plan");
- The Supplementary Executive Retirement Plan ("SERP") Canadian benefits only;
- The Nortel International Pension Plan ("IPP");
- The Nortel Networks Limited Transitional Retiring Allowance Plan ("TRA");
- The Nortel Networks Limited Retirement Allowance Plan ("RAP");

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- Loss of defined benefit ("RPP DB") or defined contribution ("RPP DC") accruals under the Nortel registered pension plans¹ after December 31, 2010 for members on long term disability ("LTD Claimants") ("LTD Lost Pension Accrual"); and
- Loss of defined benefit or defined contribution accruals under the Nortel registered pension plans² during the Notice Period (as defined below) for Terminated Members³ ("Terminated Lost Pension Accrual").
- Loss of pension equivalent for qualifying union members who were terminated after January 14, 2009 ("Lost Pension Equivalent").

The LTD Lost Pension Accrual, the Terminated Lost Pension Accrual and the Lost Pension Equivalent are collectively referred as "Lost Pension Accrual" in this report.

Nortel Canada ceased all benefit payments under the Plans as at January 14, 2009, the date Nortel Canada filed and obtained court protection under the Companies' Creditors Arrangement Act (the "CCAA proceedings"). The liabilities in this report represent the actuarial present value of the benefits as at the applicable "Determination Date" in accordance with the following:

The Nortel Networks Limited Managerial and Non-Negotiated Pension Plan ("Managerial Plan") and the Nortel Networks Negotiated Pension Plan ("Negotiated Plan").

² The Managerial Plan and the Negotiated Plan.

^{3 &}quot;Terminated Members" include (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 that were transferred to another employer as part of a transaction in 2009 or 2010.

Member Group	Determination Date
Active and LTD Claimants	December 31, 2010
Active Canadian Service Members ⁴	December 31, 2010
Pensioners in receipt of monthly benefits on January 14, 2009	January 14, 2009
Pensioners and deceased members who died between January 14, 2009 and December 31, 2010 and were in receipt as at January 14, 2009, and their survivors if eligible for any survivor benefits	Date of death
Deferred vested members with a benefit entitlement as at January 14, 2009 who received a pension package prior to December 31, 2008 and:	
 did not receive a further package after December 31, 2008 	January 14, 2009
 received a further package after December 31, 2008 	Date of which the package was prepared
Members on special leaves of absence prior to pension ("SPLA") and salary continuance and members with an outstanding lump sum severance	Date of termination under the registered pension plans
Members affected by the 2009/2010 transactions, as follows:	Date of transaction
Avaya	December 18, 2009
■ Ericsson	December 31, 2009
■ Ciena	March 19, 2010
Ericsson / Kapsch	March 31, 2010
Genband	May 28, 2010
Terminated Canadian Service Members ⁵	Date of termination or date of retirement under the registered pension plans
Other members who became Terminated Members or retired on or after January 14, 2009	Date of termination or date of retirement under the registered pension plans.

For greater clarity, the aggregate claim presented in this report represents the sum of the individual claimant liabilities calculated as at the corresponding Determination Dates without any interest adjustment to the date of the report or Court approval of the compensation claims methodology.

⁴ "Active Canadian Service Members" are members who were employed by a Nortel entity outside of Canada and eligible for a benefit under the Plans with respect to their Canadian service.

^{5 &}quot;Terminated Canadian Service Members" are members who were employed by a Nortel entity outside of Canada at the date of termination and eligible for a benefit under the Plans with respect to their Canadian service.

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 decision on the proposed compensation claims methodology. Further, we make no comment on the applicability of the assumptions used herein, including the valuation 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 3 of this report.

This valuation is based on membership data as at December 31, 2010. Additional information related to the membership data is provided in Section 4 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. A summary of the Plan provisions is provided in the Appendices. Summaries of the plan provisions for the registered pension plans can be found in the respective *Report on the Actuarial Valuation for Funding Purposes as at December 31, 2009* filed with the Financial Services Commission of Ontario in September 2010.

Please also note the following:

Notice Period and periods of SPLA, severance and salary continuance (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 non-registered plan benefits includes service between the member's date of termination under the registered pension plans and the Notice Period end date, as provided by Nortel Canada and the Monitor, assuming the member terminated at the end of the Notice Period. The claim also includes the value of any loss of defined benefit or defined contribution benefit accruals during the Notice Period under the registered pension plans.

The claim is not less than the claim based on the member's original date of termination without consideration of the Notice Period⁶.

As instructed by Nortel Canada and the Monitor, for the purpose of this report, a claim for Terminated Lost Pension Accrual for the Notice Period is included for all members⁷, regardless of their benefit payment elections.

The claim including the Notice Period may be less than the claim without consideration of the Notice Period under the non-registered plans and the DB registered plans. This is because the value of any additional benefit accrual during the Notice Period can be offset entirely by the value of the missed benefit payments between the optimal retirement age and the end of the severance / notice period.

A RPP DC Terminated Lost Pension Accrual claim is not valued for members with RPP DC benefits who transferred to Avaya, Ericsson and Ericsson / Kapsch where these buyers provide a DC plan that is at least as generous as the Nortel plans.

Income Tax Gross Up

As instructed by Nortel Canada and the Monitor, all benefit claims included in this report are grossed up by an effective 10% for income tax⁸.

Eligibility for TRA / RAP Claim

In accordance with the plan provisions, a member who is eligible to retire and entitled to a TRA / RAP benefit can receive the TRA / RAP benefit if the member elects to commence the DB monthly pension immediately under the registered pension plans. If the member elects to receive a commuted value transfer under the DB registered pension plans or defer the commencement of his/her DB pension, the TRA / RAP benefit is forfeited.

In addition, under the TRA plan, if a member is terminated under the work force reduction provisions with 20 years or more of service, but the member is not eligible to retire at the date of termination, the member is entitled to a reduced TRA benefit regardless of the member's benefit payment election under the registered pension plan.

For the purpose of this report, we have not valued a claim for TRA and RAP if the member was eligible to retire at the date of termination and elected to receive the commuted value transfer option under the registered pension plan. A TRA / RAP claim is included for the following members

- Members eligible to retire at the date of termination who elected to commence the DB monthly pension immediately;
- Members eligible to retire at their date of termination but have not returned their election forms;
- Members who were not eligible to retire at the date of termination with at least 20 years of service.
- Members who became eligible to retire during their Notice Period regardless of their benefit payment elections in transferring their DB or DC entitlements out of the registered pension plans.
- Members who were not eligible to retire at the end of their Notice Period with at least 20 years of service.

Precision

This valuation includes the former employees for whom Precision had notified Nortel Canada of their retirements and therefore the commencement of their RAP benefits. For greater clarity, this valuation does not include any former employees who are still active with Precision.

Claim with income tax gross-up = Claim 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%)).

- Allocation of Claim under SERP and IPP to Other Foreign Nortel Canada Entities
 Both the SERP and the IPP recognize members' service accrued in other countries.
 As instructed by Nortel Canada and the Monitor, we have calculated the SERP claim for the benefits payable in Canadian dollars only as representing SERP claims against Nortel Canada. The SERP claim for the benefits payable in US dollars is excluded in this report. Also as instructed by Nortel Canada and the Monitor, we have included an IPP claim for the full amount against Nortel Networks Limited ("NNL") and excluded any possible reduction in the claim resulting from cross claims against foreign affiliates of Nortel Canada.
- Claim for Active Claimants and Active Canadian Service Members
 As instructed by Nortel Canada and the Monitor, the claim for Active Claimants and
 Active Canadian Service Members provided in this Report is based on the
 Determination Date of December 31, 2010 and assumptions in accordance with the
 CIA standard for pension commuted values payable from a registered pension plan
 as at December 31, 2010⁹. In addition, no consideration is given in this Report for the
 Lost Pension Accrual Claim with respect to the Notice Period to which these
 members might be entitled if they were terminated as at December 31, 2010.

However, the final claim, including any Lost Pension Accrual Claim if applicable, 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, inflation 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 to receive benefits under the Plans as at December 31, 2010 but became eligible at their actual date of termination.

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.

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.

⁹ For the purpose of this valuation, the economic assumptions (i.e. interest rates, inflation) used for Active Claimants and Active Canadian Service Members are based on the month-end CANSIM rates for December 2010 instead of the usual rates with a 2-month lag.

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 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 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 settlement of non-registered benefits as outlined in this report.

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,

Paul Forestell

Fellow of the Canadian Institute of Actuaries

Fellow of the Society of Actuaries

Joseph Tang

Fellow of the Canadian Institute of Actuaries

Fellow of the Society of Actuaries

September 19, 2011

Date

September 19, 2011

Date

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

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Valuation Results

The following table summarizes the value of the accrued benefits under the Plans as at the Determination Date:

Estimated Liabilities of Accrued Benefits as at the Determination Date (in millions)

			С	laim in \$	CDN			
			Excess	SERP	RPP DB	RPP DC	Total	IPP
	TRA	RAP	Plan	10	Accrual	Accrual	(\$CDN)	(\$US)
Estimated Liabilities	Before No	otice Perio	od and Incol	me Tax G	ross-Up Ad	<u>iustments</u>		
Active Members ¹¹	4.5	0.1	0.4	**	-	-	\$5.0	-
LTD Claimants	4.3	4.4	0.3	0.4	2.8	1.4	\$13.6	-
Pensioners and Survivors ¹²	13.3	7.6 ¹³	96.4	56.2 ¹⁴	-	-	\$173.5	-
Deferred Vested Members	‡	-	5.2	0.4	-	-	\$5.6	0.2
SPLA / Salary Continuance / Outstanding Severance	1.2	0.1	0.1	-	-	-	\$1.4	-

¹⁰ For benefits payable in Canadian dollars only.

¹¹ Including Active Canadian Service Members.

¹² Including deceased pensioners and deceased members and their survivors.

 $^{^{13}}$ \$2.0 million of the \$7.6 million is for Precision members.

¹⁴ Including \$3.2 million for pensions paid to the two survivors of deceased former Bell executives (Nortel portion only and paid in Canadian dollars).

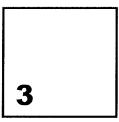
2000 300 2000	Claim in \$CDN					20 000 01 12	3	
		2 0 2000	Excess	SERP	RPP DB	RPP DC	Total	IPP
	TRA	RAP	Plan	10	Accrual	Accrual	(\$CDN)	(\$US)
2009/10 Transaction Members	11.2	0.7	0.2	*	-	-	\$12.1	-
Other Terminated Members ¹⁵	10.1	2.9	5.8	-		Ξ.	\$18.8	0.1
Adjustments for Not	ice Period	16						
Increase in claim for	r members	who alre	ady have a	claim:				
 SPLA / Salary Continuance / Outstanding Severance 	0.1	0.1	:-	-	-	J	\$0.2	^ _
 2009/10 Transaction Members 	3.0	0.3	‡		=	*	\$3.3	-
 Other Terminated Members 	0.9	‡	‡	u	ਜ਼ੋ	E	\$0.9	÷
New claim for mem	bers who b	ecame e	ligible to rec	eive bene	fits due to t	he Notice P	eriod:	
 SPLA / Salary Continuance / Outstanding Severance 	0.1	Ξ	-	×	0.1	0.2	\$0.4	, m.
 2009/10 Transaction Members 	0.3	-		-	1.8	1.7	\$3.8	-
 Other Terminated Members 	0.1	8	i e	-	0.7	2.1	\$2.9	-
Lost Pension Equivalent	-	¥	14	-	0.2	-	\$0.2	÷
Adjustments for Inc	ome Tax C	Gross-Up ¹	7					
All Members	5.5	1.8	12.0	6.3	0.6	0.6	\$26.8	‡
Grand Total	\$54.6	\$18.0	\$120.4	\$63.3	\$6.2	\$6.0	\$268.5	\$0.3

[‡] Less than \$50,000

¹⁵ Including Terminated Canadian Service Members.

The Adjustments for Notice Period represent the increase in the liabilities after reflecting the additional benefit and/or eligibility accrual during the Notice Period. For members whose liabilities decrease after reflecting the Notice Period under the particular plan, their Adjustments for Notice Period are \$0.

¹⁷ This is 11.11% of the claim (or effective 10%).



Methods and Assumptions

Valuation Methods

The claim represents the actuarial present value of the benefits payable under the Plans as at the Determination Date, as follows:

Member Group	Determination Date		
Active and LTD Claimants	December 31, 2010		
Active Canadian Service Members ¹⁸	December 31, 2010		
Pensioners in receipt of monthly benefits on January 14, 2009	January 14, 2009		
Pensioners and deceased members who died between January 14, 2009 and December 31, 2010 and were in receipt as at January 14, 2009, and their survivors if eligible for any survivor benefits	Date of death		
Deferred vested members with a benefit entitlement as at January 14, 2009 who received a pension package prior to December 31, 2008 and:			
 did not receive a further package after December 31, 2008 	January 14, 2009		
 received a further package after December 31, 2008 	Date of which the package was prepared		
Members on SPLA and salary continuance and members with an outstanding lump sum severance	Date of termination under the registered pension plans		

¹⁸ "Active Canadian Service Members" are members who were employed by a Nortel entity outside of Canada and eligible for a benefit under the Plans with respect to their Canadian service.

Members affected by the 2009/2010 transactions, as follows:	Date of transaction		
■ Avaya	December 18, 2009		
Ericsson	December 31, 2009		
■ Ciena	March 19, 2010		
Ericsson / Kapsch	March 31, 2010		
Genband	May 28, 2010		
Terminated Canadian Service Members ¹⁹	Date of termination or date of retirement under the registered pension plans		
Other members who became Terminated Members or retired on or after January 14, 2009	Date of termination or date of retirement under the registered pension plans.		

As instructed by Nortel Canada and the Monitor, the claim for Active Claimants and Active Canadian Service Members provided in this Report is based on the Determination Date of December 31, 2010 and assumptions in accordance with the CIA standard for pension commuted values payable from a registered pension plan as at December 31, 2010²⁰. In addition, no consideration is given in this Report for the Lost Pension Accrual Claim with respect to the Notice Period to which these members might be entitled if they were terminated as at December 31, 2010.

However, the final claim, including any Lost Pension Accrual Claim if applicable, for these members will be recalculated upon their actual termination date 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, inflation 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 to receive benefits under the Plans as at December 31, 2010 but became eligible at their actual date of termination.

[&]quot;Terminated Canadian Service Members" are members who were employed by a Nortel entity outside of Canada at the date of termination and eligible for a benefit under the Plans with respect to their Canadian service

For the purpose of this valuation, the economic assumptions (i.e. interest rates, inflation) used for Active Claimants and Active Canadian Service Members are based on the month-end CANSIM rates for December 2011 instead of the usual rates with a 2-month lag.

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

Plan and Member Group	Claim Basis
All Plans	The claim equals the lump sum shown on the pension package.
All members who received a pension package after December 31, 2008	Such lump sum was calculated as at the members' date of termination or retirement under the registered pension plans for members who terminated or retired after 2008 based on the CIA assumptions at that date. For deferred vested members who terminated prior to January 14, 2009 and received a package after January 14, 2009, the date of calculation is the date on which the package was prepared.
	Where applicable, the claim is based on service including the member's Notice Period assuming the member terminated plan membership at the end of the Notice Period, if such an amount is greater than the lump sum shown on the member's package.
	There is no claim for TRA and RAP for members who were eligible to retire at the date of termination and elected a commuted value transfer of their benefits under the registered pension plans, despite the fact that a TRA or RAP lump sum was included on their pension packages. An eligible-to-retire member must elect to receive an immediate pension in order to receive the TRA and RAP benefits in accordance with the plan provisions.
	A claim was included for members who have not selected any payment option yet or elected to commence a monthly pension under the registered pension plans.
	A claim was also included for Managerial Plan members who were not eligible to retire at the date of termination but eligible for a reduced TRA benefit as a result of the work force reduction provisions with 20 years of service, regardless of the payment options elected under the registered pension plan
TRA and RAP Active members, including Active Canadian Service	The claim represents the actuarial present value of the benefits payable assuming the member terminated employment on December 31, 2010, calculated as at December 31, 2010 based on assumptions at December 31, 2010.
Members	We have also considered that any members whose age plus years of service equal at least 55 at December 31, 2010 under the work force reduction provisions would be entitled to enhanced early retirement benefits.
	An active member who would not meet the benefit eligibility requirements on December 31, 2010 if they terminated employment on December 31, 2010 is assumed to have no claim for these benefits at this time.
TRA and RAP LTD Claimants	The claim represents the actuarial present value of the projected benefits that the members will receive at age 65 assuming they will remain on disability and continue to accrue benefits until age 65 and commence these benefits at age 65. The actuarial present value is calculated as at December 31, 2010 based on assumptions at December 31, 2010. The

Plan and Member Group	Claim Basis
	actuarial present value is discounted by interest and mortality for the period between December 31, 2010 and age 65 for TRA or the earliest retirement age for RAP as there is no pre-retirement death benefit payable before those ages. The actuarial present value is also discounted by the cumulative ultimate recovery rates for the period between December 31, 2010 and the earliest benefit eligibility age ²¹ as it is assumed that members will be terminated immediately upon recovery and no benefits would be payable if such termination occurs before the earliest benefit eligibility age.
TRA and RAP Pensioners and survivors as at December 31, 2010 ²² where the member retired prior to January 14, 2009	The claim represents the actuarial present value of the monthly benefits payable between January 14, 2009 and the benefit end date, calculated as at January 14, 2009 based on assumptions at January 14, 2009.
TRA and RAP Deceased pensioners and members as at	For deceased pensioners, the claim equals the total monthly benefits that should have been made between January 14, 2009 and the date of death (or the benefit end date if earlier). No interest is assumed in this calculation.
December 31, 2010	For other deceased members, the claim equals the lump sum, if any, communicated on the pension package to the survivor. Such lump sum was calculated as at the members' date of death based on the CIA assumptions at that date.
TRA and RAP Deferred vested as at December 31, 2010 who terminated prior to	A TRA claim is included for Managerial Plan members who were not eligible to retire at the date of termination but terminated under work force reduction provisions with 20 years of service and therefore eligible for a reduced TRA benefit in accordance with the plan provisions. The claim equals the amount shown on their pension packages.
January 14, 2009	Otherwise, no claim is included since they are not entitled to the TRA or RAP benefits.
TRA and RAP Terminated Members or	For members who received a pension package after December 31, 2008, the claim equals the lump sum shown on the pension package, if any, subject to the applicable situations described below.
members retired on or after January 14,	For members who did not receive a pension package ²³ , the claim equals the lump sum that would have been included on the package if a package

For TRA, the earliest benefit eligibility age is the earlier of age 55 and the age at which the member attains 20 years of service. For RAP, the earliest benefit eligibility age is the earlier of age 55 and the age at which the member attains 30 years of service.

²² Effective date of data.

Since the transfer of the administration responsibility of the registered pension plans from Nortel to Momeau Shepell Ltd. effective September 30, 2010, issuance of termination and retirement packages were suspended under the registered plans as instructed by Morneau Shepell Ltd. Therefore, members who terminated or retired before October 1, 2010 had received a pension package whereas members who terminated or retired after September 30, 2010 had not received any package.

Plan and Member Group	Claim Basis
	was provided to them, subject to the applicable situations described below. We have also considered that any members whose age plus years of service equal at least 55 at the date of termination under the work force reduction provisions would be entitled to enhanced early retirement benefits. Where applicable, the claim is based on service including the member's Notice Period assuming the member terminated plan membership at the end of the Notice Period, if such an amount is greater than the lump sum shown on the member's package or the lump sum that would have been shown on the package had the member received a package. There is no claim for TRA and RAP for members who were eligible to retire at the date of termination and elected a commuted value transfer of their benefits under the registered pension plans, despite the fact that a TRA or RAP lump sum was included on their pension packages. An eligible-to-retire member must elect to receive an immediate pension in order to receive the TRA and RAP benefits in accordance with the plan provisions. A claim was included for members who have not selected any payment option yet or elected to commence a monthly pension under the registered
	pension plans. A claim was also included for Managerial Plan members who were not eligible to retire at the date of termination but eligible for a reduced TRA benefit as a result of the work force reduction provisions with 20 years of service, regardless of the payment options elected under the registered pension plans. A member who did not meet the benefit eligibility requirements at the date of termination or did not become eligible by the end of the applicable Notice Period would have no claim for TRA and RAP.

Plan and Member Group	Claim Basis
TRA and RAP Terminated Members affected by the 2009/2010 transactions	Due to legislative requirements for the registered pension plans, not all members affected by the 2009/2010 transactions received a pension package at the date of transfer. Specifically, only members in British Columbia, Alberta, and Quebec received a pension package at the date of transfer. Subject to the below, the claim for such members is the lump sum shown on the member's pension package. Members in other jurisdictions will receive a pension package when they terminate employment with the purchasers.
	For members who have not received a pension package, the claim represents the lump sum that the member would have seen on the pension package had a pension package been issued to the member at the date of transfer, subject to the applicable situations described below. For greater clarity, the lump sum was calculated at the date of transfer based on service, earnings, and assumptions at the date of transfer.
	We have also considered that any members whose age plus years of service equal at least 55 at the date of transfer under the work force reduction provisions would be entitled to enhanced early retirement benefits.
	Where applicable, the claim is based on service including the member's Notice Period assuming the member terminated plan membership at the end of the Notice Period, if such an amount is greater than the lump sum shown on the member's package or the lump sum that would have been shown on the package had the member received a package.
	There is no claim for TRA and RAP for members who were eligible to retire at the date of transfer and elected a commuted value transfer of their benefits under the registered pension plans. An eligible-to-retire member must elect to receive an immediate pension in order to receive the TRA and RAP benefits in accordance with the plan provisions.
	A claim was also included for Managerial Plan members who were not eligible to retire at the date of termination but eligible for a reduced TRA benefit as a result of the work force reduction provisions with at least 20 years of service, regardless of the payment options elected under the registered pension plans.
	A member who did not meet the benefit eligibility requirements at date of transfer or did not become eligible by the end of the Notice Period where applicable would have no claim for TRA and RAP.
RAP Only Members affected by Precision	A claim is calculated for former Nortel Canada employees for whom Precision had notified Nortel Canada of their retirements and therefore the commencement of their RAP benefits. For greater clarity, this valuation does not include former Nortel Canada employees who are still active with Precision.
	For members who were in receipt of a monthly RAP benefit from Nortel Canada at January 14, 2009, the claim represents the actuarial present value of the monthly benefits payable from Nortel Canada between January 14, 2009 and the benefit end date, calculated as at January 14,

Plan and Member Group	Claim Basis
	2009 based on assumptions at January 14, 2009.
	For members who retired after January 14, 2009, the claim equals the Nortel Canada portion of the RAP lump sum as calculated by Precision at the date of the retirement.
TRA and RAP	No claim is included for members transferred to these companies.
Members affected by Flextronics, Expertech, and Nordx/CDT	
Excess Plan	The claim represents the actuarial present value of the benefits payable
Active members, including Active Canadian Service	assuming the member terminated employment on December 31, 2010, calculated as at December 31, 2010 based on assumptions at December 31, 2010.
Members	We have also considered that any members whose age plus years of service equal at least 55 at December 31, 2010 under the work force reduction provisions would be entitled to enhanced early retirement benefits.
	An active member who would not meet the benefit eligibility requirements on December 31, 2010 if they terminated employment on December 31, 2010 is assumed to have no claim for these benefits at this time.
Excess Plan LTD Claimants	The claim represents the actuarial present value of the projected benefits that the members will receive at age 65, assuming they will remain on LTD and continue to accrue benefits until age 65, and commence these benefits at age 65. The actuarial present value is calculated as at December 31, 2010 based on assumptions at December 31, 2010. For greater clarity, the actuarial present value is discounted by interest but not by mortality nor recovery for the period between December 31, 2010 and age 65 (i.e. assuming members will still be entitled to an Excess Plan benefit if they recover before age 65 or a death benefit if they die before age 65).
Excess Plan	The claim represents the actuarial present value as at January 14, 2009 of
Pensioners and survivors as at December 31, 2010 who retired prior to January 14, 2009	the future monthly benefits payable based on assumptions at January 14, 2009.
Excess Plan	For deceased pensioners, the claim equals the total monthly benefits that
Deceased pensioners and	should have been made between January 14, 2009 and the date of death. No interest is assumed in this calculation.
deceased members as at December 31, 2010	For other deceased members, the claim equals the lump sum, if any, communicated on the pension package to the survivor. Such lump sum was calculated as at the members' date of death based on the CIA assumptions at that date.
Excess Plan Deferred vested as at December 31,	The claim represents the actuarial present value as at January 14, 2009 of the future benefits payable based on assumptions at January 14, 2009.

Plan and Member Group	Claim Basis
2010 who terminated prior to January 14, 2009	
Excess Plan Terminated Members or members retired on or after January 14, 2009 including members on SPLA, salary continuance, and members with an outstanding lump sum severance, and Terminated Canadian Service Members (excluding members	For members who received a pension package after December 31, 2008, the claim equals the lump sum shown on the pension package, if any, subject to the applicable situations described below. For members who did not receive a pension package ²⁴ , the claim equals the lump sum that would have been included on the package if a package was provided to them, subject to the applicable situations described below. We have also considered that any members whose age plus years of service equal at least 55 at the date of termination under the work force reduction provisions would be entitled to enhanced early retirement benefits. Where applicable, the claim is based on service including the member's Notice Period assuming the member terminated plan membership at the end of the Notice Period, if such an amount is greater than the lump sum
affected by transactions)	shown on the member's package or the lump sum that would have been shown on the package had the member received a package.
Excess Plan Terminated Members affected by the 2009/2010 transactions	Due to legislative requirements for the registered pension plans, not all members affected by the 2009/2010 transactions received a pension package at the date of transfer. Specifically, only members in British Columbia, Alberta, and Quebec received a pension package at the date of transfer. Subject to the below, the claim for such members is the lump sum shown on the member's package. Members in other jurisdictions will receive a pension package when they terminate employment with the purchasers.
	For members who have not received a pension package, the claim represents the lump sum that the member would have seen on the pension package had a pension package been issued to the member at the date of transfer. For greater clarity, the lump sum was calculated at the date of transfer based on service, earnings, and assumptions at the date of transfer.
	We have also considered that any members whose age plus years of service equal at least 55 at the date of transfer under the work force reduction provisions would be entitled to enhanced early retirement benefits.
	Where applicable, the claim is based on service including the member's Notice Period assuming the member terminated plan membership at the end of the Notice Period, if such an amount is greater than the lump sum shown on the member's package or the lump sum that would have been shown on the package had the member received a package.

²⁴ Since the transfer of the administration responsibility of the registered pension plans from Nortel to Momeau Shepell Ltd. effective September 30, 2010, issuance of termination and retirement packages were suspended under the registered plans as instructed by Momeau Shepell Ltd. Therefore, members who terminated or retired before October 1, 2010 had received a pension package whereas members who terminated or retired after September 30, 2010 had not received any package.

Plan and Member Group	Claim Basis		
SERP	There is no member in this category.		
Active members, including Active Canadian Service Members			
SERP LTD Claimants	The claim represents the actuarial present value of the projected benefits that the members will receive at age 65 assuming they will remain on LTD and continue to accrue benefits until age 65 and commence these benefits at age 65. The actuarial present value is calculated as at December 31, 2010 based on assumptions at December 31, 2010. For greater clarity, the actuarial present value is discounted by interest and mortality for the period between the age at December 31, 2010 and age 65 as there is no pre-retirement death benefit payable.		
SERP Pensioners and survivors as at December 31, 2010, excluding executive pensioners and survivors whose pension should be split between Nortel Canada and Bell	The claim represents the actuarial present value as at January 14, 2009 of the future monthly benefits payable based on assumptions at January 14, 2009.		
SERP	Pensioners and survivors who were receiving their pension from Nortel		
Executive pensioners and survivors whose pension should be	Canada The claim represents the actuarial present value as at January 14, 2009 of the Nortel Canada portion of the future monthly benefits payable based on assumptions at January 14, 2009.		
split between Nortel Canada and Bell	Pensioners and survivors who were receiving their pension from Bell		
Canada and Ben	Based on past payment practice, Bell would have the primary responsibility to pay these pensioners and survivors. As such, no claim has been valued for these pensioners and survivors.		
SERP Deceased pensioners and	For deceased pensioners, the claim equals the total monthly benefits that should have been made between January 14, 2009 and the date of death. No interest is included in the calculation.		
members as at December 31, 2010	No member died from active or disabled status after January 14, 2009 according to our data at the time this report is prepared.		
<u>SERP</u>	There is no member in this category.		
Deferred vested members as at December 31, 2010 terminated prior to January 14, 2009			
SERP Terminated	The claim represents the commuted value of the Canadian SERP entitlements as at the date of termination based on the CIA assumptions		

Plan and Member Group	Claim Basis	
Members or members retired on or after January 14, 2009 including members on SPLA, salary continuance, and members with an outstanding lump sum severance, and Terminated Canadian Service Members (excluding members	at the date of termination. Where applicable, the claim is based on service including the member's Notice Period assuming the member terminated plan membership at the end of the Notice Period, if such an amount is greater than the commuted value as at the date of termination without the Notice Period.	
affected by transactions) SERP	There is no member in this category.	
Members affected by the 2009/2010 transactions	There is no member in this category.	
IPP Active members	The claim represents the actuarial present value of the benefits payable assuming the member terminated employment on December 31, 2010, calculated as at December 31, 2010 based on assumptions at December 31, 2010.	
<u>IPP</u>	Members who have received an IPP package before January 14, 2008	
Deferred Vested members and Terminated	Since it cannot be confirmed if the IPP benefits have been paid already, the IPP benefits are assumed to have been paid and therefore there is no claim to be made for the purpose of this valuation.	
Members	Members who have not received an IPP package	
	The claim represents the termination lump sum the member would have received had a pension package been provided at the date of termination. The termination lump sum would have been calculated based on service and earnings at the date of termination, and the assumptions used in the last formal valuation for IPP as at December 31, 2007 ²⁵ .	

lt has been Nortel's practice to determine the IPP lump sum for a terminated member based on the assumptions used in the last formal valuation. The last formal valuation was performed as at December 31, 2007. The assumptions used in the December 31, 2007 valuation were consistent with the assumptions used for Nortel Canada's 2007 yearend financial disclosure.

Plan and Member Group	Claim Basis	
Lost Pension	The claim equals A minus B, where A and B are defined as follows:	
Accrual for LTD Claimants under the RPP DB	A = the actuarial present value of the projected RPP DB benefits that the members will receive at age 65 assuming they will remain on LTD and continue to accrue RPP DB benefits until age 65 and commence these benefits at age 65. The actuarial present value is calculated as at December 31, 2010 based on assumptions at December 31, 2010. For greater clarity, the actuarial present value is discounted by interest but not by mortality nor recovery for the period between the age at December 31, 2010 and age 65; and	
	B = the actuarial present value of the benefits payable assuming the member terminated employment on December 31, 2010, calculated as at December 31, 2010 based on assumptions at December 31, 2010.	
	If A is less than B (i.e. the value of the missed benefit payments between the optimal retirement age and age 65 is higher than the value of continued benefit accruals to age 65), the claim equals \$0.	
	We have also considered that any members whose age plus years of service equal at least 55 at December 31, 2010 under the work force reduction provisions would be entitled to enhanced early retirement benefits.	
Lost Pension Accrual for LTD Claimants under the RPP DC	The claim equals the actuarial present value of the projected DC allocations at 2% of salary for Managerial Plan members and 4% of salary for Negotiated Plan members between December 31, 2010 and age 65, calculated as at December 31, 2010 based on assumptions at December 31, 2010.	
Lost Pension	The claim equals C minus D, where C and D are defined as follows:	
Accrual during Notice Period for Terminated Members and members on SPLA and salary continuance under	C = the actuarial present value of the projected RPP DB benefits that the members would receive based on service accrued up to the end of the Notice Period and the member terminated plan membership at the end of the Notice Period. The actuarial present value is calculated as at the member's date of termination under the registered pension plans based on assumptions on that date; and	
RPP DB	D = the actuarial present value of the benefits payable at the member's date of termination under the registered pension plans based on service accrued up to the date of termination without Notice Period.	
	If C is less than D (i.e. the value of the missed benefit payments between the optimal retirement age and the end of the Notice Period is higher than the value of continued benefit accruals to the end of the Notice Period), the claim equals \$0.	
	We have considered that any members whose age plus years of service equal at least 55 at the date of termination under the work force reduction provisions would be entitled to enhanced early retirement benefits.	

Plan and Member Group	Claim Basis
Lost Pension Accrual during Notice Period for Terminated Members and members on SPLA and salary	For members not affected by the 2009/2010 transactions with a vested DC balance at the member's date of termination, the claim equals the actuarial present value of the projected DC allocations at 2% of salary for Managerial Plan members and 4% of salary for Negotiated Plan members between the member's date of termination under the registered pension plans and the end of the Notice Period, calculated as at the member's date of termination based on assumptions at the same date.
continuance under RPP DC	For members not vested at the member's date of termination, the claim is based on total service up to the end of the Notice Period instead of the service between the member's date of termination and the end of the Notice Period only.
	As instructed by Nortel Canada and the Monitor, for Managerial Plan members affected by Ciena and Genband, the claim is based on the projected DC allocations at 1% of salary for Managerial Plan members and 0% of salary for Negotiated Plan members.
	For Managerial Plan members affected by the other 2009/10 transactions and Negotiated Plan members affected by the other 2009/10 transactions, no DC accrual claim is included, as the new companies offer a DC plan which provides for a company contribution of at least 2% of salary for Managerial Plan members and 4% of salary for Negotiated Plan members, which is equal to Nortel Canada's contribution and therefore no DC loss has been incurred by these members.
Union Members Eligible for Pension Equivalent Bridging	The Lost Pension Equivalent claim equals the total monthly pension equivalent amount the member would have received during the bridging period. The monthly pension equivalent amount represents the DB monthly pension payable from the Negotiated Plan assuming the member retired at the end of the bridging period with service accrued up to the end of the bridging period.

Actuarial Assumptions

For Active, Active Canadian Service Members and LTD Claimants

Determination Date	December 31, 2010	
Interest Rates	CIA rates for December 2010 without the 2-month lag (i.e. based on the month end CANSIM rates for December 2010):	
	Non-indexed: 3.6% per year for 10 years, 4.9% per year thereafter	
	Fully indexed: 1.8% per year for 10 years, 2.2% per year thereafter	
Inflation	1.77% per year for 10 years, 2.64% per year thereafter	
ITA Limit	Actual amounts for years up to 2011, and projected at inflation + 1% from the 2011 level	
Mortality	UP94 projected to 2020 using AA scale (sex distinct)	
Retirement age	For LTD claimants, the assumed retirement age is 65.	
	For active members, the optimal age is determined for each Plan separately as follows:	
	Excess – age that would maximize the total benefit from the registered pension plan, the Excess Plan and SERP	
	TRA / RAP – immediate age	
	IPP – immediate age	
	SERP – not applicable as there is only one LTD member remaining in the Plan	
Family composition	90% probability of having a spouse at retirement with males assumed to be 3 years older than their female spouses.	
LTD Recovery Assumption	Based on Canadian Group Long Term Disability Termination Experience 1988-1997	
Income Tax Gross Up	An effective 10% ²⁶ .	

Claim with income tax gross-up = Claim 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%)).

For pensioners and survivors in receipt of monthly benefits at January 14, 2009 and deferred vested members with a benefit entitlement as at January 14, 2009 who received a pension package prior to December 31, 2008 (excluding members with IPP benefits)

Determination Date	January 14, 2009
Interest Rates	CIA rates for January 2009 without the 2-month lag (i.e. based on the month end CANSIM rates for January 2009)
	Non-indexed: 3.0% per year for 10 years, 5.0% per year thereafter
	Fully indexed: 2.0% per year for 10 years, 3.25% per year thereafter
Inflation	0.94% per year for 10 years, 1.69% per year thereafter
ITA Limit	For deferred vested members only:
	Actual amounts for years up to 2011, and projected at inflation + 1% from the 2011 level
Mortality	UP94 projected to 2015 using AA scale (sex distinct)
Retirement age	Age 65 for deferred vested members.
	Not applicable for pensioners.
Family	For deferred vested members:
composition	90% probability of having a spouse at retirement with males assumed to be 3 years older than their female spouses.
	For pensioners and survivors:
	Pensioners are assumed married and their eligible spouses are still alive if the pension is payable in a joint and survivor form. For current pensioners the actual spousal date of birth information was used where available. Where actual spousal dates of birth were not provided, males are assumed to be 3 years older than their female spouses.
Income Tax Gross Up	An effective 10%.

Members with IPP benefits who did not receive a pension package

The claim equals the lump sum that would have been calculated had the member received a pension package at the date of termination. Specifically, it has been Nortel Canada's practice to determine the IPP lump sum for a terminated member based on the assumptions used in the last formal valuation. The last formal valuation was performed as at December 31, 2007. The assumptions used in the December 31, 2007 valuation were consistent with the assumptions used for Nortel Canada Canada's 2007 yearend financial disclosure. A summary of the assumptions is provided below:

Interest Rates	5.5% per annum
Inflation	2.0% per annum
Mortality	RP2000 (no collar) with projected improvements to 2016 (sex distinct)
Retirement age	Age 65 for members under age 55, immediate age for members at least age 55
Family composition	100% married, males are assumed to be 3 years older than their female spouses where spousal date of birth information is not available.
Income Tax Gross Up	An effective 10%.

For Terminated Members and members who retired on or after January 14, 2009 or members who received a pension package after December 31, 2008

The claim is based on the assumptions described in *Section 3500 – Pension Commuted Values of the Canadian Institute of Actuaries' Standards of Practice* applicable for the date of calculation of the package. For most members, the date of calculation is the date of termination or date of retirement. For deferred vested members who have terminated for more than 6 months, the date of calculation is the date when the pension package was prepared.

As instructed by Nortel Canada and the Monitor, the claim is grossed-up by an effective 10% for income tax.

For members affected by the 2009/10 transactions

For members who received a pension package, the claim is based on the assumptions described in Section 3500 – Pension Commuted Values of the Canadian Institute of Actuaries' Standards of Practice applicable for the date of calculation of the package.

For members who did not receive a pension package, the claim is based on the assumptions described in *Section 3500 – Pension Commuted Values of the Canadian Institute of Actuaries' Standards of Practice* applicable for the date of transfer.

As instructed by Nortel Canada and the Monitor, the claim is grossed-up by an effective 10% for income tax.

For deceased pensioners and deceased members

The claim equals the total monthly benefits that should have been paid to the deceased pensioners between January 14, 2009 and date of death. No interest is assumed in this calculation.

As instructed by Nortel Canada and the Monitor, the claim is grossed-up by an effective 10% for income tax.



Membership Data

This valuation is based on the membership data as at December 31, 2010 provided by Nortel Canada, supplemented by the Notice Period data as calculated per the proposed compensation claims methodology.

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 according to the claims resolution process to be approved by the Court.

Membership Statistics

Active Members

	Non-Union	Union
Number with TRA or RAP benefits	73	2
■ Average age at 12.31.2010	55.9	57.1
 Average best average earnings at 12.31.2010 	\$117,925	N/A
 Average pensionable service at 12.31.2010 (in years) 	24.7	21.2
Number with Excess Plan benefits	2 ²⁷	N/A
 Average age at 12.31.2010 	60.7	-
 Average best average earnings / final average earnings at 12.31.2010 	\$235,230	-
 Average pensionable service at 12.31.2010 (in years) 	18.4	-

²⁷ Both active members with Excess Plan benefits are in Part I of the Managerial Plan.

LTD Claimants

	Non-Union	Union
Number with Canadian SERP and Excess Plan benefits	1 ²⁸	N/A
 Average age at 12.31.2010 	*	-
 Average final average earnings at 12.31.2010 	*	-
 Average pensionable service at 12.31.2010 (in years) 	*	<u>-</u>
Number with TRA or RAP benefits	124	124
Average age at 12.31.2010	56.6	56.7
 Average best average earnings / final average earnings at 12.31.2010 	\$55,797	N/A
 Average pensionable service at 12.31.2010 (in years) 	26.8	30.6
Number with Lost Pension Accrual (DB) claim – Part I Managerial Plan or Program I Negotiated Plan	25	9
Average age at 12.31.2010	49.0	50.2
 Average best average earnings at 12.31.2010 	\$48,123	N/A
 Average pensionable service at 12.31.2010 (in years) 	17.2	16.0
Number with Lost Pension Accrual (DB) claim – Part II Managerial Plan	34	N/A
Average age at 12.31.2010	52.0	-
 Average final average earnings at 12.31.2010 	\$76,667	-
 Average pensionable service at 12.31.2010 (in years) 	16.8	-
Number with Lost Pension Accrual (DC) Claim –		
Part III of Managerial Plan and Part II of Negotiated Plan	56	3
Average age at 12.31.2010	48.4	52.0
Average earnings	\$80,593	\$59,016
 Average annual Company DC contributions 	\$2,254	\$2,361

²⁸ This member is in Part I of the Managerial Plan. The data is not shown for privacy reason.

Pensioners and Survivors²⁹

	Non-Union	Union
Number with TRA or RAP benefits	449	306 ³⁰
 Average age 	61.8	61.3
 Average monthly benefit at 1.14.2009 	\$960	\$867
 Average years of remaining payments 	2.9	2.6
Number with Excess Plan benefits	260	N/A
Average age	65.7	-
 Average monthly benefit at 1.14.2009 	\$2,285	-
Number with Canadian SERP benefits	102	N/A
Average age	70.7	-
 Average monthly benefit at 1.14.2009 	\$3,583	-

Deferred Vested Members

	Non-Union	Union
Number with Excess Plan benefits		N/A
 Received a pension package after December 31, 2008 	8	
 Did not receive a pension package after December 31, 2008 	14	
Number with Canadian SERP benefits	1 ³¹	N/A
Number with IPP benefits	22	N/A

Headcounts include deceased pensioners, deceased members and survivors, but the average ages exclude such members whose date of birth is not available

Including 47 Precision members (37 retired prior to January 14, 2009 and 10 retired after January 14, 2009). Statistics on average age, monthly benefit and years of remaining payments provided here exclude the 10 Precision members retired after January 14, 2009 whose claim is based on the RAP lump sum calculated by Precision.

³¹ Data is not shown for privacy reason.

Terminated Members, Terminated Canadian Service Members and Members Retired on or after January 14, 2009 (Before Adjustment for Notice Period)

•		
	Non-Union	Union
Number with TRA or RAP benefits		
 SPLA / Salary Continuance / Outstanding Severance 	34	3
Other Nortel Canada members	318	44
Number with Excess benefits		
 SPLA / Salary Continuance / Outstanding Severance 	3	-
Other Nortel Canada members	49	-
Number with IPP benefits	2	-

Members Affected by 2009/10 Transactions (Before Adjustment for Notice Period)

` *	,	
	Non-Union	Union
Number with TRA or RAP benefits		
■ Avaya	61	3
Ericsson	62	-
■ Ciena	111	2
■ Ericsson / Kapsch	-	-
■ Genband	52	2
Number with Excess Plan benefits ³²		N/A
■ Avaya	-	~
■ Ericsson	1	-
■ Ciena	4	-
■ Ericsson / Kapsch	-	-
■ Genband	-	-

 $^{^{\}rm 32}$ All 2009/10 Sales Members with Excess Plan benefits are in Part I of the Managerial Plan.

Terminated Members with a Notice Period

		N	umber of Me	mbers with ue to Notic		sed Claim ³³	3
	Number of Members with a Notice Period	TRA / RAP (already has a claim without Notice Period)	TRA / RAP (new claim)	Excess Plan	SERP	RPP DB Accrual	RPP DC Accrual
SPLA / Salary Continuance / Outstanding Severance	304	12	2	-	_	8	201
2009/10 Transa	ction Members	***************************************					
Avaya	814	49	12	-	_	10	-
Ericsson	895	51	4	_	-	15	-
Ciena	1,298	98	6	2	-	28	1,247
Ericsson / Kapsch	7	-	-	-	-	~	-
Genband	476	38	8	-	-	9	463
Other Terminated Members	1,221	67	5	1	-	22	1,154

Union Members Eligible for Lost Pension Equivalent Claim

Maria	Non-Union	Union
Number with Pension Equivalent Claim	N/A	13

A claim may increase, compared to the claim at the member's date of termination without the Notice Period, due to additional benefit accrual during the Notice Period, or the inclusion of the Notice Period would allow the member to meet the eligibility requirements for a better benefit (e.g. Rule of 55). However, a claim may decrease since the member is assumed to terminate at the end of the Notice Period and miss the benefit payments that he would have received before the Notice Period end date. The above chart only includes members whose claim has been increased due to the Notice Period.



Summary of Benefit Eligibility Requirements

The following table summarizes the eligibility requirements for a member to receive a benefit by plans

Nortel Networks Limited

Preliminary Valuation of Non-Registered Pension Benefits for Claim Purposes as at the Determination Date

		Eligibility to Receive Benefit	enefit	
	TRA (Non-Union) and RAP (Union)	Excess Plan	SERP	RPP DB and RPP DC
Managerial and No Traditional Grandfathered Part I and II	Traditional Grandfathered Part I: Grandfathered Part I and II LTD status (i.e. attained age 55 or 30 years of service under work force reduction) with 4 years of service and commence the monthly pension immediately at retirement OR Terminate before age 55 under work force reduction provisions with at least 20 years of service Part II: Not eligible to receive any benefit	Terminate or retire with a DB pension benefit that is capped by the maximum pension limits under the <i>Income Tax Act.</i>	Designated executives who terminate or retire after the earliest of: age 65; age 60 with 20 years of service; age 58 with 85 points (age + service); or for Current Revised SERP and New SERP only, age 60 with 5 years of service, provided hired directly onto the Executive Leadership Team after December 31, 1998	Continue to accrue RPP DB pensionable and eligible service until termination or retirement date Not eligible to receive RPP DC contributions
Traditional Non- Grandfathered Part I and II	Same as Traditional Grandfathered Part I and II members	Same as Traditional Grandfathered Part I and II members	Same as Traditional Grandfathered Part I and II members	Continue to accrue RPP DB eligible service but not pensionable service since December 31, 2007 In addition, the members also receive RPP DC contributions until termination or retirement

Nortel Networks Limited

Preliminary Valuation of Non-Registered Pension Benefits for Claim Purposes as at the Determination Date

		Eligibility to Receive Benefit	enefit	
	TRA (Non-Union) and RAP (Union)	Excess Plan	SERP	RPP DB and RPP DC
Managerial and Non-Negotiated (N	on-Negotiated (Non-Union)			
Balanced	Not eligible to receive any benefit	Same as Traditional Grandfathered Part I and II members for members with a suspended RPP DB	Same as Traditional Grandfathered Part I and II members for members with a suspended RPP DB	Eligible to receive RPP DC contributions until termination or retirement If addition, for members with
		pension benefit	pension benefit	a suspended RPP DB pension, they also accrue RPP DB eligible service but not pensionable service
Investor	Not eligible to receive any benefit	Same as Traditional Grandfathered Part I and II	Same as Traditional Grandfathered Part I and II	Eligible to receive RPP DC contributions since December
		members for members with a suspended RPP DB	members for members with a suspended RPP DB	31, 2007 until termination or retirement
		pension benefit	pension benefit	If addition, for members with
				pension, they also accrue
				RPP DB eligible service but not pensionable service
All employees	Not eligible to receive any	Not eligible to receive any	Not eligible to receive any	Eligible to receive RPP DC
hired on or after January 1, 2008	benefit	benefit	benefit	contributions if vested at the date of termination

Nortel Networks Limited

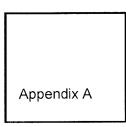
Preliminary Valuation of Non-Registered Pension Benefits for Claim Purposes as at the Determination Date

		Eligibility to Receive Benefit	enefit	
	TRA (Non-Union) and RAP (Union)	Excess Plan	SERP	RPP DB and RPP DC
Negotiated (Union) Program I	Retire directly from active or LTD status (i.e. attained age 55 or 30 years of service under work force reduction) with 10 years of service and commence the monthly pension immediately at retirement	Not eligible to receive any benefit	Not eligible to receive any benefit	Continue to accrue RPP DB pensionable and eligible service until termination or retirement date Not eligible to receive RPP DC contributions
Program II	Not eligible to receive any benefit	Not eligible to receive any benefit	Not eligible to receive any benefit	Eligible to receive RPP DC contributions until termination or retirement If addition, for members with a suspended RPP DB pension, they also accrue RPP DB eligible service but not pensionable service

Nortel Networks Limited

Preliminary Valuation of Non-Registered Pension Benefits for Claim Purposes as at the Determination Date

The state of the s		Eligibility to Receive Benefit	enefit	
	TRA (Non-Union) and RAP (Union)	Excess Plan	SERP	RPP DB and RPP DC
Surviving Spouses and Beneficiaries	and Beneficiaries Present value of any	In accordance with the	In accordance with the	In accordance with the RPP
and beneficiaries	remaining monthly	pension form elected by the	pension form elected by the	DB pension form elected by
pensioners	deceased pensioners	retirement, if any	retirement, if any	retirement, if any
Surviving spouses	Not eligible for any benefit	A pre-retirement death	Not eligible for any benefit	A pre-retirement death benefit
and beneficiaries		benefit is payable to the		is payable to the surviving
of deceased		surviving spouse or the		spouse or the beneficiary if
members who		beneficiary if there is no		there is no spouse or the
have not		spouse or the spouse has		spouse has waived the pre-
commenced a		waived the pre-retirement		retirement death benefit
monthly pension		death benefit if the		
		deceased member's DB		
		pension is capped by the		
		maximum pension limits		
		under the Income Tax Act at		
		the date of death		



Summary of Plan Provisions for the Nortel Networks Limited Transitional Retiring Allowance (TRA)

Introduction

This Plan provides benefits to employees of Nortel Networks Limited, Nortel Networks Technology Corp. and Prism who retire under the Part I provision of the Nortel Networks Managerial Pension Plan after completion of 4 years of service. Members of the Part II, Balanced and Investor programs are not entitled to TRA, except for those Non-Grandfathered Part I Members who joined the Balanced Program on January 1, 2008.

The plan was amended effective January 1, 2008 to reflect the plan changes announced in June 2006 ("CARP changes"). For members who were not grandfathered in the plan provisions at December 31, 2007:

- their pensionable service for TRA accrual purposes ceases accruing effective December 31, 2007 (but not pensionable service for early retirement eligibility purposes); and
- their Best Average Earnings are determined as at December 31, 2007.

Effective September 30, 2010, the Managerial Plan was amended such that all DB service accruals and DC contributions ceased on that date. As the benefit accruals under the TRA Plan are tied with the DB service accruals under the Managerial Plan, members ceased to accrue further TRA benefits effective September 30, 2010 as well.

The following is a more detailed summary of the plan's main provisions in effect on December 31, 2007, including the CARP changes. It is not intended as a complete description of the plan.

Grandfathered Members

Grandfathered Members are members who, as at December 31, 2007:

- are at least age 60;
- have at least 30 years of pensionable service;
- are at least age 55 with at least 70 points (age plus years of pensionable service); or
- are on long term disability as at December 31, 2007 and remain on long term disability
- are recovered from long term disability and meet the above age and/or service requirements at the date of recovery

Otherwise, the member is a Non-Grandfathered Member.

Contributions

No employee contributions are required. The Company pays benefits out of operating income.

Retirement Dates

The normal, early and postponed retirement dates are the same as in the Nortel Networks Managerial Pension Plan.

Retirement Benefits

The TRA benefit is a lump sum amount based on earnings, TRA benefit rate, years of employment and age at retirement. The TRA benefit rate is based on the following schedule:

TRA Benefit Rate

11111 00110111 110110		
Benefit Group	Benefit Rate	
1	\$19	
2	\$20	
3	\$22	
4	\$25	
5	\$27	

With respect to Prism employees transferred from Microtel in accordance with the Purchase and Sale Agreement, service prior to January 1, 1990 is not covered under the TRA Plan.

For Non-Grandfathered Members, the service for benefit accrual purposes ceased accruing as at December 31, 2007 and the best 3 years' average annual salary is

determined as at December 31, 2007, but the completed years of service for the determination of the months of TRA continue to accrue after December 31, 2007.

Effective September 30, 2010, the Managerial Plan was amended such that all DB service accruals and DC contributions ceased on that date. As the benefit accruals under the TRA Plan are tied with the DB service accruals under the Managerial Plan, members ceased to accrue further TRA benefits effective September 30, 2010 as well. For the purpose of the claim calculation, members are assumed to continue to accrue service after September 30, 2010 until the date of termination or the end of the Notice Period.

Normal Retirement

If a member retires at normal retirement date, the TRA benefit in a lump sum equals the sum of (a) plus (b) as follows:

(a) the TRA benefit rate, multiplied by the number of years of employment service, multiplied by the months of TRA, where the months of TRA are equal to:

Months of TRA

1110111	
Completed years of service	Number of months
Less than 4	0
4-10	6
11-16	Completed years of service less 5
17-22	Completed years of service less 4
23, 24	Completed years of service less 3
25, 26	Completed years of service less 2
27, 28	Completed years of service less 1
29, 30	Completed years of service
31, 32	Completed years of service plus 1
33, 34	Completed years of service plus 2
35, 36	Completed years of service plus 3
37, 38	Completed years of service plus 4
39 and over	44

⁽b) 3% of the employee's best 3 years' average annual salary in excess of \$32,000, multiplied by the employee's completed years of service, in excess of 10.

Early retirement pension

If a member retires early under company initiated or employee initiated retirement with an unreduced or subsidized pension (Class A, B or C), the TRA benefit in a lump sum equals the sum of (a) plus (b) plus (c) as follows:

- (a) the TRA benefit rate, multiplied by the number of completed years of service, multiplied by the value of an annuity payable for the number months of TRA, under normal retirement, determined at 10.25%;
- (b) \$11.00 multiplied by the number of completed years of service, multiplied by the value of a temporary annuity until age 65, determined at 10.25%;
- (c) 3% of the employee's best 3 years' average annual salary in excess of \$32,000, multiplied by the employee's completed years of service, in excess of 10 years.

If the member is entitled to an actuarially reduced pension, the TRA will be the actuarial equivalent of the TRA that would be payable at the first age when a Class A, B or C pension would become available to the member, given his pensionable service at retirement.

Early retirement supplement (ERS)

Any early retirement supplement payable under the Nortel Networks Managerial Pension Plan is subtracted from the TRA benefit.

Survivor Benefits

Member's Death before retirement

No benefits are payable.

Member's Death after retirement

The remaining TRA payments continue to be paid to the surviving beneficiary in equal monthly instalments. All monthly benefits payable are guaranteed.

Termination Benefits

No benefits are payable upon termination except under workforce reduction conditions. An employee is considered terminated if he or she takes a commuted value under the Managerial Plan.

Special Termination Benefits

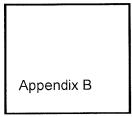
At the discretion of the company, the following special TRA benefits are provided under workforce reduction conditions:

Under the SPLA policy, up to 2 years of service is provided for Traditional Part I members who would be eligible to retire under Class A, B or C within 2 years. The TRA benefit is determined based on Best Average Earnings at the start of the SPLA but using age and service (including bridged service) at the time of retirement, i.e. at the end of the

SPLA.

For Traditional Part I members with at least 20 years of continuous service but neither eligible to retire nor eligible to be bridged, such member is eligible to receive 50% of the TRA amount payable at the TRA eligibility age³⁴ based on pensionable service at date of termination. The TRA lump sum payable would be discounted from the TRA eligibility age to the termination age.

³⁴ Earliest of age 65, age 60 with age plus pensionable service equals at least 80, or age 55 with age plus pensionable service equals at least 85.



Summary of Plan Provisions for the Nortel Networks Limited Retirement Allowance Plan (RAP)

Introduction

This Plan provides benefits to employees of Nortel Networks who retire under the Program I provision of the Negotiated Plan after completion of 10 years of service. Program II members are not entitled to RAP.

Notwithstanding the above, Program I members who transferred to a non-union position after April 30, 2000 and who have elected to retain their Program I benefits will be entitled to a portion of the RAP based on their service accrued under Program I to date of transfer over the member's total service.

Effective September 30, 2010, the Negotiated Plan was amended such that all DB service accruals and DC contributions ceased on that date. As the benefit accruals under the RAP Plan are tied with the DB service accruals under the Negotiated Plan, members ceased to accrue further RAP benefits effective September 30, 2010 as well.

Contributions

No employee contributions are required. The Company pays benefits out of operating income.

Retirement Dates

The normal, early and postponed retirement dates are the same as in the Nortel Canada Negotiated Pension Plan.

Retirement Benefits

The basic RAP benefit is a monthly amount based on the basic RAP benefit rate, years of employment and age at retirement. Additional RAP is a temporary monthly supplement for retirement before age 65 in addition to the basic RAP benefit. The basic and additional RAP benefit rates are based on the following schedules:

RAP Benefit Rates before and after 2006 CLA CAW Unions

	Before 2006 CLA		After 2006 CLA	
Benefit Group	January 1, 2005	January 1, 2006	January 1, 2007	January 1, 2008
Basic RAP				
1	\$28.11	\$28.67	\$29.23	\$29.79
2	\$29.59	\$30.18	\$30.77	\$31.36
3	\$32.55	\$33.20	\$33.85	\$34.50
4	\$36.98	\$37.72	\$38.46	\$39.20
5	\$39.94	\$40.74	\$41.54	\$42.34
Additional RAP				
1 to 5	\$15.97	\$16.28	\$16.60	\$16.92

RAP Benefit Rates before and after 2007 CLA CUCW#1 Unions

	Before 2007 CLA		After 2007 CLA	
Benefit group	Jan. 1, 2006	Jan. 1, 2007	Jan. 1, 2010	Jan. 1, 2011
Basic Rap				
1	\$27.01	\$27.55	\$27.82	\$28.09
2	\$28.44	\$29.00	\$29.29	\$29.57
3	\$31.28	\$31.90	\$32.22	\$32.53
4	\$35.54	\$36.25	\$36.61	\$36.96
5	\$38.39	\$39.15	\$39.54	\$39.92
Additional RAP				
1 to 5	\$15.34	\$15.65	\$15.80	\$15.96

RAP Benefit Rates before and after 2007 CLA CUCWO (formerly COEU) Union

	Before 2007 CLA		After 2007 CLA	
Benefit group	June 19, 2003	Jan. 1, 2007	Jan. 1, 2008	Jan. 1, 2009
Basic Rap				
1	\$27.55	\$28.10	\$28.38	\$28.65
2	\$29.00	\$29.58	\$29.89	\$30.16
3	\$31.90	\$32.54	\$32.86	\$33.18
4	\$36.25	\$36.98	\$37.34	\$37.70
5	\$39.15	\$39.94	\$40.33	\$40.72
Additional RAP				
1 to 5	\$15.65	\$15.96	\$16.12	\$16.27

RAP Benefit Rates for Divested Unions (e.g. CEP, CUCW#2)

	
Benefit Group	January 1, 1998
Basic RAP	
1	\$24.31
2	\$25.60
3	\$28.16
4	\$32.00
5	\$34.56
Additional RAP	
1 to 5	\$13.81

Normal retirement

If a member retires at normal retirement date, the RAP will be a lump sum equal to the basic RAP benefit rate, multiplied by the number of years of service, multiplied by the months of RAP, where the months of RAP are:

Months of RAP

Completed years of service	Number of months
Less than 10	0
10	5
11-16	Completed years of service less 5
17-22	Completed years of service less 4
23, 24	Completed years of service less 3
25, 26	Completed years of service less 2
27, 28	Completed years of service less 1
29, 30	Completed years of service
31, 3 <u>2</u>	Completed years of service plus 1
33, 34	Completed years of service plus 2
35, 36	Completed years of service plus 3
37, 38	Completed years of service plus 4
39 and over	44

Early retirement benefit

If a member retires early with an unreduced pension (Class A, B or C) under company-initiated or employee-initiated retirement, the RAP benefits equal a monthly amount which is the sum of (a) and (b) as follows, payable until age 65:

- (a) the basic RAP benefit rate, multiplied by the number of completed years and months of service, multiplied by the value of an annuity certain payable for the number of months of RAP determined at 10.25%, and divided by the value of a temporary annuity until age 65 determined at 10.25%, plus
- (b) the additional RAP benefit rate, multiplied by the number of completed years and months of service.

If the member is entitled to an actuarially reduced pension (Class E), the RAP will be the actuarial equivalent of the RAP that would otherwise be payable at the first age when a Class A, B or C pension would become available to the member, given his pensionable service at retirement.

Early retirement supplement (ERS)

All members who were entitled to an unreduced pension based on their age and service as at December 31, 1987 are entitled to an ERS under the Nortel Networks Negotiated pension plan. The monthly ERS benefit is \$10.00 per year of service to December 31, 1987, payable until age 65.

Any early retirement supplement payable under the Nortel Networks Negotiated pension plan is subtracted from the RAP benefit.

Survivor Benefits

Member's Death before retirement

With the exception of CEP* & CUCW#2* members, eligible dependants of a member who dies in service after having met the conditions for a Class A, B, C or E pension will receive RAP payments that would have otherwise been made to the member had the member retired immediately prior to his death. The effective dates for this change are one day after ratification of the 2000 collective labour agreements.

Prior to this change, no benefits were payable upon death prior to retirement.

* New 2000 contracts have not been negotiated for CEP and CUCW#2 members due to sale of businesses in 2000.

Member's Death after retirement

The remaining RAP payments may be paid to the surviving beneficiary in equal monthly instalments, or converted to a lump sum. All monthly benefits are payable are guaranteed.

Termination Benefits

No benefits are payable upon termination. An employee is considered terminated if he or she takes a commuted value under the Negotiated Plan.

Special Termination Benefits

At the discretion of the company, special RAP benefits are provided under workforce reduction conditions.

Under the Special Leave of Absence prior to pension (SPLA) policy, up to 2 years of service is provided for Program I members who would be eligible to retire under Class A, B or C within 2 years. RAP benefit is determined based on RAP rates at the start of the SPLA but using age and service (including bridged service) at the time of retirement, i.e. at the end of the SPLA.

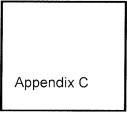
Special RAP Benefits for Precision Members

Subject to conditions as stipulated in the Purchase and Sale Agreements, certain divested employees who were Program I members of the Negotiated plan at the time the business units were divested and continued employment with the purchaser, shall be entitled to a portion of the RAP benefits based on accrued Nortel Canada service and RAP benefit rates in effect as at the date of divestiture.

The following bullets summarise the special conditions for payment of RAP to divested Program I members

■ The divested employee is entitled to a monthly or lump sum RAP, provided that the divested employee retires from the purchaser and elects to receive an immediate pension³⁵ from the Negotiated Plan and that the divested employee has not commuted his Nortel Canada pension or previously received a RAP benefit from Nortel Canada as at the sale date. The RAP benefits are pro-rated on the employee's total service with Nortel Canada and with the purchaser, where the portion payable by Nortel Canada is with respect to service accrued with Nortel Canada.

Provided that the divested employee has met conditions for an immediate pension from the Negotiated plan and has satisfied the requirement for RAP benefits, i.e. 10 years of combined service from Nortel and the purchaser.



Summary of Plan Provisions for the Supplementary Executive Retirement Plan (SERP)

Introduction

The SERP is comprised of three components, an Original SERP, a Current Revised SERP and a New SERP. A qualifying executive may be eligible to receive benefits from one or more of these components. If an executive is eligible for benefits from more than one component, the benefit is based on the SERP provisions which produce the highest benefit.

The SERP was amended effective January 1, 2008 to reflect the plan changes announced in June 2006 ("CARP changes"). For members who are not grandfathered in the current plan provisions at December 31, 2007:

- their Credited Service (under the Original SERP and the Current Revised SERP) and Percentage Credits (under the New SERP) cease accruing effective December 31, 2007 (but not pensionable service for early retirement eligibility purposes); and
- their Final Average Earnings are determined as at December 31, 2007.

The SERP was wound up as at December 31, 2010.

Grandfathered Members

Grandfathered Members are members who, as at December 31, 2007:

- are at least age 60;
- have at least 30 years of pensionable service; or
- are at least age 55 with at least 70 points (age plus years of pensionable service).

Otherwise, the member is a Non-Grandfathered Member.

Original SERP

Introduction

This Plan provides benefits to all North American executives of Nortel Networks in Band 11 and above at retirement. Effective January 1, 1999, there will not be any new entrants into the Original SERP.

Eligibility

A member of the Original SERP will become eligible for benefits at the earliest of:

- 65th birthday;
- 60th birthday with at least 20 years of retirement eligibility service; or
- 58th birthday and the sum of age and actual years of service total 85 or more.

Normal Retirement Pension

On retirement, a member is entitled to an annual pension equal to 1.3% of Final Average Earnings for each year of Credited Service. Final Average Earnings includes base salary, a portion of the bonus and commissions. The portion of the bonus that is included for this purpose is based on the member's Band level.

For Non-Grandfathered Members, Credited Service ceases accruing effective December 31, 2007 and Final Average Earnings are determined as at December 31, 2007.

Early Retirement Pension

If a SERP member retires early, the member's pension will be determined based on Final Average Earnings with bonus inclusion reduced by 1/3 of the bonus each year below age 60. This benefit is not payable if a member terminates prior to age 58.

For Non-Grandfathered Members, Credited Service ceases accruing effective December 31, 2007 and Final Average Earnings are determined as at December 31, 2007.

Retirement Benefit Cap

The total annual pension payable from the plan cannot exceed 70% of the final 12 months base salary.

Survivor Benefit

On death after retirement, an eligible surviving spouse will receive a benefit for life, of 60% of the retirement benefit calculated under this plan, including the portion applicable to the special pension credits.

Current Revised SERP

Introduction

This plan provides benefits to Canadian executives who elected Part I and did not switch to Part II.

Effective January 1, 2000, there were no new entrants into the Current Revised SERP.

Qualification for SERP

Effective January 1, 1999 through to December 31, 1999, only senior executives with an annual base salary of \$200,000 or more qualified for the SERP program. However, senior executives who qualified under the prior eligibility rules (prior Band 11+) by December 31, 1998, continue to participate in the SERP program beyond 1998.

Eligibility

A member of the Current Revised SERP become eligible for benefits at the earliest of:

- 65th birthday;
- 60th birthday with at least 20 years of retirement eligibility service;
- 58th birthday and the sum of age and actual years of service total 85 or more; or
- age 60 with at least 5 years of continuous service, provided the member was hired directly onto the Executive Leadership Team after December 31, 1998.

Retirement Pension

On retirement, a member is entitled to an annual pension equal to 1.3% of Final Average Earnings for each year of Credited Service. Final Average Earnings are the average of eligible earnings over a consecutive three-year period. Eligible earnings include base salary, bonuses and commissions. However, bonuses and commissions are included only up to 60% of base salary.

For Non-Grandfathered Members, Credited Service ceases accruing effective December 31, 2007 and Final Average Earnings are determined as at December 31, 2007.

Early Retirement Pension

If a SERP member retires early, the member's pension equals the normal retirement pension reduced by 7% per year for each year prior to age 60 (reduction pro-rated for partial years).

Retirement Benefit Cap

The total annual pension payable from the plan cannot exceed 60% of final average earnings.

Survivor Benefit

If a member dies after retirement an eligible surviving spouse will receive a benefit for life, of 60% of the retirement benefit calculated under this plan, including the portion applicable to the special pension credits.

New SERP

Introduction

This plan provides benefits to Canadian executives who elected to stay in Part I or Part II effective May 1, 2000 (rather than switching to either the Balanced program or the Investor program.

Effective January 1, 2000, there were no new entrants into the New SERP.

Qualification for SERP

Effective January 1, 1999 through to December 31, 1999, only senior executives with an annual base salary of \$200,000 or more qualified for the SERP program. However, senior executives who qualified under the prior eligibility rules (prior Band 11+) by December 31, 1998, continue to participate in the SERP program beyond 1998.

Eligibility

A member of the New SERP will become eligible for benefits at the earliest of:

- 65th birthday:
- 60th birthday with at least 20 years of retirement eligibility service;
- 58th birthday and the sum of age and actual years of service total 85 or more; or
- age 60 with at least 5 years of continuous service, provided hired directly onto the Executive Leadership Team post December 31, 1998.

Normal Retirement Benefit

On retirement, a member is entitled to a lump sum value equal to an accumulated percentage of their Final Average Earnings. The accumulated percentages are calculated according to the following table:

Percentage Credit
2%
5%
20%
22%
24%

Final Average Earnings are the average of eligible earnings over a consecutive three-year period. Eligible Earnings include base salary, bonuses and commissions. However, bonuses and commissions are included only up to 60% of base salary. The lump sum value can be converted on an actuarial equivalent basis to a pension. It is payable as a 60% joint and survivor if the member is married and has elected a joint and survivor pension, and payable as a lifetime pension otherwise.

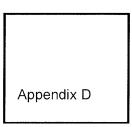
For Non-Grandfathered Members, Percentage Credits cease accruing effective December 31, 2007 and Final Average Earnings will be determined as at December 31, 2007.

Early Retirement Pension

There is no reduction if a SERP member retires early.

Retirement Benefit Cap

The total lump sum value payable from the plan cannot exceed 550% of final average earnings.



Summary of Plan Provisions for the Nortel Networks Limited Managerial and Non-Negotiated Excess Plan (Excess Plan)

The Excess Plan is a non-funded arrangement which provides benefits which, in the absence of the maximum pension limits imposed under the *Income Tax Act* and in the absence of any funding shortfall, would be payable under the Managerial Plan.

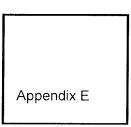
For greater clarity, under Part II of the plan, if a member elects an immediate or deferred pension option, post-retirement indexing of the total pension payable under both the Excess Plan and the Managerial Plan is limited to 4.0% per annum and pre-retirement increases are limited such that the cumulative increase for any given member shall not exceed the cumulative increase in the Industrial Aggregate Wage from the member's date of termination to the date of pension commencement.

In contrast, if a Part II member elects a commuted value in settlement of benefit entitlement, the Excess Plan pays any excess of the member's Cash Value over the commuted value of the pension payable under the Managerial Plan. This excess commuted value is paid in the form of a 15-year term certain annuity if this value exceeds 50% of the Final Average Earnings (as defined under Part II of the Managerial Plan) of the member. A lump sum cash payment may be made if this value is less than 50% of the Final Average Earnings of the member.

The Excess Plan was amended effective January 1, 2008 to reflect the plan changes announced in June 2006 ("CARP changes"). In addition, for Quebec Non-Grandfathered Members, the total pension payable under both the Excess Plan and the Managerial Plan will be the greater of:

- the pension calculated based on Best Average Earnings (under Part I) or Final Average Earnings (under Part II) determined as at December 31, 2007, or
- the pension payable under the Managerial Plan.

The Excess Plan was wound up as at December 31, 2010.



Summary of Plan Provisions for the Nortel International Pension Plan (IPP Plan)

Eligibility

The Nortel International Pension Plan became effective January 1, 1996. The Plan provides benefits to those employees who have transferred permanently from employment in one country to another where the new employer does not sponsor a pension plan or where social security benefits will not be payable.

Effective March 1, 2005 membership in the Plan was frozen. No new entrants were eligible to join the Plan on or after March 1, 2005; however current active members will continue to accrue benefits.

Pensionable service includes only the period of Nortel Canada service when the above eligibility requirements were satisfied. Pensionable service is limited to 35 years.

Normal Retirement Pension

If a member retires on his normal retirement date, he will be entitled to a monthly pension equals 1.67% of his Best Average Earnings multiplied by Pensionable Service reduced by:

- a) benefits payable under the local pension plan; and
- b) benefits payable from social security.

Best Average Earnings equals average Pensionable Earnings in the best 36 consecutive months out of the last 60 months of employment.

Pensionable Earnings equal base earnings, plus target compensation for employees on a sales incentive basis.

Early Retirement Pension

If a member retires following the attainment of age 60, he will receive a pension without reduction for early commencement. The pension will be calculated at age 65 based on pensionable service and pensionable earnings to the pension commencement date. If he retires after age 55, but prior to age 60, his pension, calculated at age 65 based on pensionable service and earnings to the pension commencement date, will be reduced by 4% per year that the pension commencement date precedes age 60.

A member who terminates employment prior to age 55 may elect to commence his pension as early as age 55. In that event, his pension, calculated at age 65, will be reduced by 6% per year that the pension commencement date precedes age 65.

Death Benefit

Upon retirement, the pension is payable for the lifetime of the member, with a guarantee of at least 60 payments in the event of death. If the member has a spouse at retirement, the spouse will receive the balance of the 60 payments at 100% of the pension and then receive a pension equals 60% of the pension payable prior to death. In lieu of a pension, the member has the option of receiving a lump sum payment equals the commuted value of the pension.

Nortel Networks Limited

Appendix F

Employer Certification

With respect to the Report on the Valuation of Non-Registered Pension Benefits and Loss of Registered Pension Benefit Accruals for Claim Purposes as at the Determination Date, 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 4.
- 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

John Shauchness

HR Leader, Canada Company and Title

MERCER

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