

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT OF
NORTEL NETWORKS CORPORATION, NORTEL NETWORKS LIMITED,
NORTEL NETWORKS GLOBAL CORPORATION, NORTEL NETWORKS
INTERNATIONAL CORPORATION AND NORTEL NETWORKS
TECHNOLOGY CORPORATION**

**THIRTY-SECOND REPORT OF THE MONITOR
DATED NOVEMBER 30, 2009**

INTRODUCTION

1. On January 14, 2009 (the "Filing Date") Nortel Networks Corporation ("NNC" and collectively with all its subsidiaries, "Nortel" or the "Company"), Nortel Networks Limited ("NNL"), Nortel Networks Technology Corporation, Nortel Networks International Corporation and Nortel Networks Global Corporation (collectively the "Applicants") filed for and obtained protection under the *Companies' Creditors Arrangement Act* ("CCAA"). Pursuant to the Order of this Honourable Court dated January 14, 2009, as amended and restated (the "Initial Order"). Ernst & Young Inc. ("EYI") was appointed as the Monitor of the Applicants (the "Monitor") in the CCAA proceedings. The stay of proceedings was extended to December 18, 2009, by this Honourable Court in its Order dated October 28, 2009.
2. Nortel Networks Inc. ("NNI") and certain of its U.S. subsidiaries concurrently filed voluntary petitions under Chapter 11 of Title 11 of the U.S. Bankruptcy Code (the "Code") in the United States Bankruptcy Court for the District of Delaware (the

“U.S. Court”) on January 14, 2009 (the “Chapter 11 Proceedings”). As required by U.S. law, an official unsecured creditors committee (the “Committee”) was established in January, 2009.

3. An ad hoc group of holders of bonds issued by NNL and NNC has been organized and is participating in these proceedings as well as the Chapter 11 Proceedings (the “Bondholder Group”). In addition, pursuant to Orders of this Honourable Court dated May 27, 2009, and July 22, 2009 respectively, representative counsel was appointed on behalf of the former employees of the Applicants and on behalf of the continuing employees of the Applicants and each of these groups is participating in the CCAA proceedings.
4. Nortel Networks (CALA) Inc. (together with NNI and those of its subsidiaries that filed on January 14, 2009, the “U.S. Debtors”) filed a voluntary petition under Chapter 11 of Title 11 of the Code in the U.S. Court on July 14, 2009.
5. Nortel Networks UK Limited (“NNUK”) and certain of its subsidiaries located in EMEA (together the “EMEA Debtors”) were granted Administration orders (the “U.K. Administration Orders”) by the English High Court on January 14, 2009. The U.K. Administration Orders appointed Alan Bloom, Stephen Harris, Alan Hudson and Chris Hill of Ernst & Young LLP as Administrators of the various EMEA Debtors, except for Ireland, to which David Hughes (Ernst & Young LLP Ireland) and Alan Bloom were appointed (collectively the “UK Administrators”). On June 8, 2009, the UK Administrators appointed in respect of NNUK filed a petition with the U.S. Court for the recognition of the Administration Proceedings as they relate to NNUK (the “English Proceedings”) under Chapter 15 of the Code. On June 26, 2009, the U.S. Court entered an Order recognizing the English Proceedings as foreign main proceedings under Chapter 15 of the Code.
6. On January 20, 2009, Nortel Networks Israel (Sales and Marketing) Limited and Nortel Communications Holdings (1997) Limited (together “NN Israel”) were

granted Administration orders by the court in Israel (the “Israeli Administration Orders”). The Israeli Administration Orders appointed representatives of Ernst & Young LLP in the U.K. and Israel as Administrators of NN Israel and provided a stay of NN Israel’s creditors which, subject to further orders of the Israeli Court, remains in effect during the Administration.

7. Subsequent to the Filing Date, Nortel Networks SA commenced secondary insolvency proceedings within the meaning of Article 27 of the European Union’s Council Regulation (EC) No 1346/2000 on Insolvency Proceedings in the Republic of France pursuant to which a liquidator and an administrator have been appointed by the Versailles Commercial Court.

PURPOSE

8. The purpose of this Thirty-Second report of the Monitor (the “Thirty-Second Report”) is to report on the following matters:
 - a) Northern Telecom Health & Welfare Trust (the “HWT”); and
 - b) employee hardship application process.

TERMS OF REFERENCE

9. In preparing this Thirty-Second Report, EYI has relied upon unaudited financial information, the Company’s books and records, financial information prepared by the Company and discussions with management of Nortel. EYI has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, EYI expresses no opinion or other form of assurance on the information contained in this Thirty-Second Report.
10. Unless otherwise stated, all monetary amounts contained herein are expressed in CDN dollars.

11. Capitalized terms not defined in this Thirty-Second Report are as defined in the Affidavit of John Doolittle sworn on January 14, 2009 (the “Doolittle Affidavit”), the Pre-Filing Report or previous Reports of the Monitor.

GENERAL BACKGROUND

12. Since September 30, 2009, Nortel has conducted its global business through four reportable business unit segments, Wireline and Wireless Networks (“WN”), Metro Ethernet Networks (“MEN”), Carrier Voice Application Solutions (“CVAS”) and LG Nortel Co. Ltd. (“LGN”). The revenue and assets of each of the business units, except for LGN, is distributed among the multiple Nortel legal entities and joint ventures around the world.
13. The Monitor has made various materials relating to the CCAA proceedings available on its website at www.ey.com/ca/nortel. The Monitor’s website also contains a dynamic link to Epiq Bankruptcy LLC’s website where materials relating to the Chapter 11 Proceedings are posted.

HEALTH AND WELFARE TRUST

Background

14. Since the Filing Date, the Applicants and the HWT have continued to provide long term disability, life and other insurance and medical benefits for eligible current employees and retirees. The Doolittle Affidavit provided background on the provision of these benefits.
15. As stated in the Doolittle Affidavit:
 - a) The Applicants’ primary current retirement program in Canada is the Capital Accumulation and Retirement Program (“CARP”), which consists of a combination of separate pension and other retirement savings plans, a Transitional Retirement Allowance Plan, retiree healthcare, life insurance and

other ancillary benefits. All eligible employees and retirees of the Applicants participate in some combination of the various vehicles and plans that exist under CARP; and

- b) The non-pension CARP benefits are administered by Sun Life Assurance Company of Canada through the HWT. The HWT was originally settled in 1980 with the Montreal Trust Company. The HWT is used to fund certain long term disability, life and other insurance and medical benefits for eligible employees and retirees.

16. Certain of the beneficiaries of the HWT have requested detailed information, including copies of HWT documents.
17. Accordingly, this Thirty-Second Report provides copies of certain documents and other financial information relating to the HWT; however, it does not provide a detailed disclosure of the various benefit programs, legal or financial analysis, or any recommendations with respect to the HWT. The Monitor continues to analyze and have discussions with various stakeholder groups, including court-appointed representative counsel, regarding the issues arising from the HWT and the insolvency of the Canadian Applicants. The Monitor will report to this Honourable Court with respect to any future material developments concerning the HWT.
18. Attached to this Thirty-Second Report are certain documents relevant to the HWT:
 - a) Appendix A – An agreement dated as of January 1, 1980 between Northern Telecom Limited (predecessor to Nortel Networks Limited) and the Montreal Trust Company by which the HWT was established (the “Trust Agreement”);
 - b) Appendix B – An agreement dated as of September 24, 1984 which resulted in Montreal Trust Company of Canada being appointed as the Trustee;

- c) Appendix C – An amendment to the Trust Agreement dated as of June 1, 1994;
 - d) Appendix D – An agreement dated as of December 1, 2005 which resulted in The Northern Trust Company, Canada being appointed as the Trustee.
19. The majority of assets held in the HWT are of a long-term nature and their market value as at September 30, 2009 was approximately \$84 million.

EMPLOYEE HARDSHIP APPLICATION PROCESS

20. On July 30, 2009 an order was issued by this Honourable Court (the “Employee Hardship Order”) approving an employee hardship application process described in the Monitor’s Sixteenth Report and the Affidavit of John Doolittle dated July 24, 2009, which, among other things:
- a) established an amount of \$750,000 (maximum of \$12,100 per claimant) to be available to satisfy claims of former employees meeting certain hardship criteria;
 - b) set out the eligibility requirements procedure with respect to the hardship payment application process, including providing for an application period from July 30, 2009 to November 30, 2009 (the “Application Period”) and
 - c) confirmed that any hardship payments made are to be treated as advances against future distributions.
21. In accordance with the terms of the Employee Hardship Order, the Monitor posted a copy of the Employee Hardship Order (including a French translation), the Eligibility Requirements and the Procedure With Respect To Hardship Payment Applications and Application For Hardship Payments (collectively, the Eligibility and Procedure Form) on its website. In addition, the Nortel Retirees and Former Employees Protection Committee (the “NRPC”) have also posted a link to the

Koskie Minsky LLP website which provides copies of the Eligibility and Procedure Form in both English and French. A copy of the Eligibility and Procedure Form is attached as Appendix E.

22. The Employee Hardship Order required the Monitor to report to this Honourable Court by November 30, 2009 on the process with respect to the processing and administration of hardship applications. The Twenty-Second Report of the Monitor provided an update regarding the process including an overview of all applications received up to September 25, 2009 with respect to this matter.

Processing of Applications

23. As of the date of this Thirty-Second Report, the Monitor has received twenty-eight applications (nineteen applications as of September 25, 2009) for hardship payments. The initial determination of approval or rejection of applications has been made in a timely manner.
24. Eleven claims totalling \$80,818 (six hardship claims totalling \$37,630 as of September 25, 2009) have been accepted to date. The payments range from \$1,080 to \$12,100, with certain payments being made in instalments. As of the date of this Thirty-Second Report, a total of \$55,418 (\$23,831 as of September 2009) has been paid to hardship claimants.
25. Sixteen hardship claim applications (thirteen hardship claim applications as of September 25, 2009) have not been approved to date for one or more of the following reasons:
 - a) The applicant was not resident in Canada;
 - b) Existence of family income (including but not limited to spousal income, receipt of pension income, receipt of employment income and receipt of employment insurance payments); and

- c) Medical costs which did not meet the criteria outlined in the eligibility requirements (in light of available income) or day-to-day expenses which were not, in and of themselves, considered significant financial hardship.
26. One recently received application, remains in the initial determination stage.
 27. Those applicants whose hardship claims are rejected in whole or in part have been advised they may contact the Monitor either to appeal or to advise the Monitor of any changes in their circumstances.
 28. The informal review committee (the "Review Committee") contemplated in the Employee Hardship Order was established and has met by telephone on several occasions to review the process, preliminary results and to formally address appeals.
 29. As of the date of this Thirty-Second Report, four appeals (two appeals as of September 2009) have been received to date by the Monitor. The appeals received subsequent to September 25, 2009 were of previously appealed awards. A further \$2,500 was awarded in these appeals.
 30. The Monitor is continuing to administer the hardship payment application process and report thereon to the relevant representative counsel. There remains \$669,182 of the \$750,000 provided for under the Employee Hardship Order. Applications continue to be received from former employees of the Applicants who are asserting financial hardship as a result of illness, healthcare costs, or ineligibility for pension or employment insurance benefits.
 31. Those individuals awarded hardship payments should also have claims against the Applicants in the CCAA proceedings. However, any distributions under a plan of compromise or arrangement are not anticipated to occur in the near term. Accordingly, the Monitor supports the Applicants' request that the Application Period be extended until and including January 31, 2010 and that Eligibility

Requirements and the Procedure With Respect To Hardship Payment Applications be amended accordingly.

MONITOR'S RECOMMENDATIONS

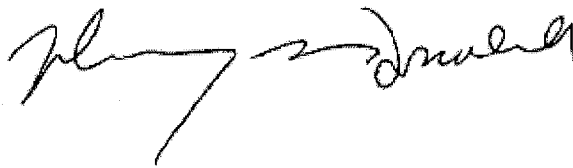
32. Since the Filing Date, the Applicants and the HWT have continued to provide long term disability, life and other insurance and medical benefits for eligible current employees and retirees. The HWT, although not subject to these proceedings, is integral to the provision of these benefits. Accordingly, the Monitor will continue to report to this Honourable Court with respect to any future material developments and related analysis regarding the HWT.
33. The Monitor supports the Applicants' request that the period for receipt of hardship applications be extended until and including January 31, 2010 by this Honourable Court.

All of which is respectfully submitted this 30th day of November, 2009.

ERNST & YOUNG INC.

In its capacity as Monitor of the Applicants

Per:

A handwritten signature in black ink, appearing to read 'Murray A. McDonald', written over a horizontal line.

Murray A. McDonald
President

Appendix A

THIS AGREEMENT made as of the 1st day of January, 1980.

B E T W E E N:

NORTHERN TELECOM LIMITED,
a corporation incorporated under
the laws of Canada, and having
its Registered Office in the
City of Montreal, Province of
Quebec,

(hereinafter referred to as the
"Corporation")

A N D:

MONTREAL TRUST COMPANY,
a company incorporated pursuant
to the laws of Quebec and having
its Head Office at the City of
Montreal, therein,

(hereinafter referred to as the
"Trustee")

WHEREAS:

1. The Corporation has established for the benefit of certain of its employees and the employees of such affiliated or subsidiary Corporations as the Corporation may designate, certain Health and Welfare plans, and such other similar plan or plans as the Corporation may from time to time place in effect, as follows:

- a) a Health Care Plan;
- b) a Management Long Term Disability Plan;
- c) a Union Long Term Disability Plan;
- d) a Management Survivor Income Benefit Plan;
- e) a Management Short Term Disability Plan;

(1) a Group Life Insurance Plan;

all of which are hereinafter collectively referred to as the "Health and Welfare Plan".

2. To give effect to the Health and Welfare Plan it is necessary to establish a trust fund to be known as the "Health and Welfare Trust".

Now therefore in consideration of the premises and the mutual covenants herein contained the Corporation and the Trustee, hereby covenant and agree as follows:

ARTICLE I - DEFINITIONS

1. The term "Trustee" shall mean the Trustee herein named its successors and assigns and shall include the person, legal entity or corporation to whom the Trustee may delegate such powers as are necessary for the sound and efficient administration of the Trust Fund.
2. The term "Benefits" as used herein shall mean payment benefits as determined under the Health and Welfare Plan.
3. The term "Eligibility Requirements" as used herein shall mean the rules, regulations and procedures established from time to time by the Corporation for determining the eligibility of Employees for Benefits.
4. The term "Employees" shall mean those active and retired employees of the Corporation and

designated affiliated or subsidiary corporations which have adopted the Health and Welfare Plan, including dependents as defined in Schedule A, on whose behalf contributions are or have been made to the Trust Fund and who are eligible for benefits under the Health and Welfare Plan.

5. The term "Employer's Contribution" as used herein shall mean payments required to be made by the Corporation and by designated affiliated or subsidiary corporations to the Trust Fund to enable the Trustee to discharge the obligations arising under the Health and Welfare Plan.
6. The term "Trust Fund" as used herein shall mean all of the assets of the "Health and Welfare Trust" including all funds received by way of contributions from the Corporation and those of its designated affiliated or subsidiary corporations in accordance with the provisions of the Health and Welfare Plan and of this Trust Agreement, and all employees' contributions together with all profits, increments, and earnings thereon.

ARTICLE II - TRUST FUND

1. The Trust Fund is created for the purpose of providing the Health and Welfare Plan benefits for the benefit of the Employees.
2. All payments made to the Trustee from time to time by the Corporation and designated affiliated or subsidiary corporations and by the employees, together with all profits, increments and

earnings thereon, shall be irrevocable and constitute upon receipt by the Trustee, the Trust Fund to be administered by the Trustee in accordance with the terms of this Trust Agreement, the Health and Welfare Benefit Plan and the Eligibility Requirements.

3. The Trustee shall from time to time on the written directions of an officer of the Corporation so designated by its Board of Directors, or failing such designation, by the Secretary, of the Employees' Benefit Committee of the Corporation, or a Plan Administrator appointed by the Corporation, make payments out of the Fund to such persons, in such manner and in such amounts as may be specified in such directions to the Trustee. In each instance, the written directions shall be deemed to include a certification to the Trustee that such directions and the payments to be made pursuant thereto are in accordance with the terms of the Health and Welfare Plan, which certification shall constitute full and complete protection to the Trustee in complying with such directions.

ARTICLE III - TRUSTEE

1. The Trustee, who shall also be known as the "Trustee of the Health and Welfare Trust", hereby accepts the trust created by the Trust Agreement and agrees to hold, invest, distribute and administer the Trust Fund in accordance with the

terms and conditions of the Health and Welfare Plan and this Trust Agreement.

2. The Trustee is authorized and empowered:

- a) To sell or otherwise dispose of any property held by it;
- b) To exercise all voting and other rights in respect of any stocks, bonds, properties or other investments held in the Trust Fund;
- c) To execute all documents of transfer and conveyance that may be necessary or appropriate to carry out the powers herein granted;
- d) To make payments out of the Trust Fund and to reimburse itself for disbursements incurred pursuant to the exercise of the authorities and powers herein set forth, unless paid by the Corporation;
- e) All monies, securities for money and other assets from time to time held by the Trustee may be in negotiable form or recorded or registered in the name of the Trustee or in the name of its nominee;
- f) When instructed to do so by the Corporation, to commence, maintain, defend, adjust and settle suits and legal proceedings and to represent the Trust Fund at any such suits or proceedings at law or otherwise for the enforcement or realization of any investment;

provided that the Trustee shall not be obliged or required to do so unless it has been first indemnified to its satisfaction against all expenses and liabilities sustained or anticipated by it, and the Corporation hereby agrees so to indemnify the Trustee.

g) In general, in the carrying out of its duties and responsibilities under the Trust Agreement to exercise the general powers accorded by law to trustees.

h) The Trustee shall hold, invest and reinvest the principal and income. The Trustee may keep the investments of the Trust fund wholly or partly, in its principal office or in any one or more of its branches in any Province of Canada. Unless otherwise directed by the Corporation, the Trustee shall make only such investments as comply with the limitations and restrictions imposed by applicable Federal and Provincial laws and regulations respecting the investments of trust funds.

Notwithstanding the foregoing, the Corporation may, at any time, or from time to time, direct the Trustee as to specific or general investment of the Trust Fund, and the Trustee shall comply with such directions.

Whenever the Trustee is required or authorized to take any action pursuant to the provisions of this paragraph upon the request, direction or authorization of the

Corporation, such request, direction or authorization shall be a sufficient protection to the Trustee if contained in a writing signed by any person authorized by resolution of the Corporation's Board of Directors to sign such a writing. The Corporation will indemnify and hold harmless the Trustee of and from any liability or expense incurred by it arising out of any payment out of or disposition of the Trust Fund made by the Trustee pursuant to any such request, direction or authorization of the Corporation.

- i) The Trustee may hold such part of the Trust Fund uninvested as the Trustee may deem advisable in the best interests of the Trust Fund for the proper administration thereof.
- j) The Trustee may keep such portion of the Trust Fund, as may from time to time be deemed by it to be in the best interests of the Trust Fund, on deposit in a chartered bank or Government Savings Bank in Canada at such rate of interest, if any, as may be allowed thereon, or on demand deposit at an agreed interest rate with any Trust Company (including the Trustee) then licensed under the laws of Canada or of any Province thereof to carry on business as such.
- k) Notwithstanding any other provision of this Agreement and subject to clause 2 (h) hereof, the Trustee will invest and reinvest all or such portion of the Trust Fund as the

Corporation may from time to time direct in writing in the Northern Telecom Group Trust Fund established by the Company and the Trustee pursuant to an Agreement made and entered into as of the 1st day of January, 1980.

- 1) (i) the Trustee shall, in accordance with the written direction of the Corporation from time to time invest all or any part of the Trust Fund jointly with assets belonging to any other trust funds maintained under a pension plan maintained with the Trustee by the Corporation or by any Corporation associated, subsidiary to or affiliated with the Corporation, and may jointly invest and reinvest on behalf of the Trust Fund and such other trust or trusts, allocating undivided shares or interests in such investments or reinvestments to the two or more trusts in accordance with their respective interests. To facilitate the administration of such joint investments or reinvestments, the Trustee shall identify the undivided shares or interests by way of "units" which shall represent the undivided ownership interest of each participating trust fund in the jointly owned investments;
- (ii) the Trustee shall invest and reinvest all or any portion of the Trust Fund in accordance with the written direction of

the Company in any "Pooled Fund" which phrase shall mean in this Agreement any pooled trust fund maintained by the the Trustee or one of its associated or affiliated Corporations licensed to do business in Canada as a Trustee. Such written direction shall specify that such portion of the Trust Fund to be invested in such Pooled Fund shall be invested as part of one particular section of the Pooled Fund or as parts of two or more sections of the Pooled Fund in such proportions as is set out in such direction, failing which specification the same shall be invested as part of one particular section of the Pooled Fund in such proportion as the Trustee deems advisable.

- m) The Trustee may, with the consent of the Corporation, borrow money in such amounts and upon such terms and conditions as it shall deem advisable and pledge any securities or other property for the repayment of any such loan.
- n) The expenses incurred by the Trustee in the performance of its duties, and such compensation to the Trustee as may be agreed upon in writing from time to time between the Corporation and the Trustee, shall be paid by the Corporation. All taxes of any and all kinds whatsoever that may be levied upon or in respect of the Trust Fund shall be paid

from or be the responsibility of the Trust Fund.

- o) The Trustee shall not be liable for the making, retention, or sale, in good faith, of any investment or reinvestment made by it as herein provided, nor for any loss to or diminution of the Trust Fund, except due to the negligence, willful misconduct or lack of good faith of the Trustee, its servants, agents or employees.
- p) The Trustee shall keep accurate and detailed accounts of all investments and transactions made by it pursuant to this Agreement and shall keep separate records for each of the separate Plans. The accounts and records relating thereto shall be open to inspection at all reasonable times by any person designated by the Corporation. Within ninety (90) days following the close of each fiscal year of the Trust Fund, or within ninety (90) days after the removal or resignation of the Trustee as provided for in paragraph (q) hereof, the Trustee shall file with the Corporation a statement setting forth all investments and cash transactions effected by it during such fiscal year or during the period from the close of the last fiscal year to the date of such removal or resignation. Upon the expiration of ninety (90) days after the date of filing such annual or other statement, but subject to the provisions of paragraph (o) hereof, the Trustee shall be released and discharged from all liability

and accountability to anyone with respect to its acts and transactions during the period covered by the statement. The Trustee shall from time to time make such reports and furnish such information concerning the trust to the Corporation as the Corporation may in writing request.

q) The Trustee may be removed by the Corporation at any time upon ninety (90) days notice in writing to the Trustee. The Trustee may resign at any time upon ninety (90) days notice in writing to the Corporation. Upon such removal or resignation of the Trustee, the Corporation shall, within said ninety (90) day period, appoint a successor trustee or trustees who shall have the same powers and duties as those conferred upon the Trustee hereunder and, upon acceptance of such appointment by the successor trustee or trustees, the Trustee shall assign, transfer and pay over to such successor trustee or trustees the funds and properties and accounts then constituting the Trust Fund. The Trustee is authorized however, to reserve such sum of money, as may at such time be reasonably owing to it for payment of its fees and expenses and any balance of such reserve remaining after the payment of such fees and expenses shall be paid over to the successor trustee or trustees within thirty (30) days after the date of such removal or resignation.

r) The Trustee shall not be bound to act in

accordance with any direction or request of the Corporation or of its Board of Directors until a duly authenticated copy of the instrument or resolution containing such direction or request shall have been delivered to the Trustee, and the Trustee shall be empowered to act upon and shall be fully protected by the Corporation in acting in accordance with any direction or request of the Corporation upon receipt of any such copy purporting to be authenticated and believed by the Trustee to be genuine. Any direction, request, certificate or other instrument to be made or given by the Corporation under any of the provisions hereof shall, unless otherwise provided herein, be deemed sufficiently authenticated if certified by the Secretary or an Assistant Secretary of the Corporation.

- s) The Trustee may appoint a qualified person, firm or corporation to act as administrator of the Trust Fund to determine on a sound actuarial basis the amounts of Employer's contributions required in order to fund adequately the Health and Welfare Plan and to advise and carry out administrative procedures in accordance with the Health and Welfare Plan and the Eligibility Requirements.

ARTICLE IV - EMPLOYER'S CONTRIBUTIONS

1. The Corporation and its designated affiliated or subsidiary corporations agree to make Employer's

contributions to the Trust Fund in amounts sufficient to pay any claims which may be asserted against the Trust Fund as a result of the administration of the Health and Welfare Plan, and as may otherwise be required from time to time by the Trust for the purposes of the Health and Welfare Plan, as determined by the Trustee on a sound actuarial basis.

2. The Trustee shall determine or cause to be determined, on a sound actuarial basis from time to time, and in any event, once every calendar year, the level of contributions to the Trust Fund necessary to fund adequately the Health and Welfare Plan.
3. Subject to paragraphs (1) and (2) hereof, the Corporation and its designated affiliated or subsidiary corporations shall be responsible for the adequacy of the Trust Fund to meet and discharge any and all payments and liabilities under the Health and Welfare Plan.

ARTICLE V - NOTICES

1. Any notice provided for herein to be given by one party to another shall be in writing and shall be effectively given if delivered personally or by telegram or prepaid registered mail addressed to the Trustee at:

Montreal Trust Company
Pension Trust Administration
Place Ville Marie
Montreal, Quebec H3B 3L6

and if to the Corporation at:

Northern Telecom Limited
Box 458, Station A
Mississauga, Ontario L5A 3A2

Attention: Director, Corporate Compensations

Any notice so given shall be deemed to have been given if delivered personally or given by prepaid registered mail on the third business day immediately following the date of mailing of such notice.

ARTICLE VI - AMENDMENT AND TERMINATION

1. This Trust Agreement may be amended in any respect from time to time by mutual agreement of the Corporation and the Trustee except that no amendment shall divert the Trust Fund or any part thereof as constituted immediately prior to such amendment to a purpose other than the provision of Benefits as herein defined.
2. Upon sixty (60) days prior written notice to the Trustee, the Corporation may terminate its obligation to make Employer's contributions in respect of benefits after the date of written notice to the Trustee (hereinafter called the "Notice of Termination"). Upon receipt of the Notice of Termination the Trustee shall within one hundred twenty (120) days determine and satisfy all expenses, claims and obligations arising under the terms of the Trust Agreement and Health and Welfare Plan up to the date of the Notice of Termination. The Trustee shall also

determine upon a sound actuarial basis, the amount of money necessary to pay and satisfy all future benefits and claims to be made under the Plan in respect to benefits and claims up to the date of the Notice of Termination. The Corporation and the designated affiliated or subsidiary corporations shall be responsible to pay to the Trustee sufficient funds to satisfy all such expenses, claims and obligations, and such future benefits and claims. The final accounts of the Trustee shall be examined and the correctness thereof ascertained and certified by the auditors appointed by the Trustee. Any funds remaining in the Trust Fund after the satisfaction of all expenses, claims and obligations and future benefits and claims, arising under the terms of the Trust Agreement and the Health and Welfare Plan shall revert to the Corporation.

ARTICLE VII - GOVERNING LAW AND SEVERABILITY

1. This Trust Agreement and all amendments thereto shall be administered, construed and enforced in accordance with the laws of the Province of Ontario.
2. If any provision of this Trust Agreement, the Health and Welfare Plan, the Eligibility Requirements or the rules and regulations made pursuant thereto, or any action taken in the administration of the funds of the Trust Fund or the Health and Welfare Plan are held to be illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining portions of this Trust Agreement, the

Health and Welfare Plan, the Eligibility Requirements, or the rules and regulations made pursuant thereto unless such illegality or invalidity prevents accomplishment of the purposes of the trust hereby created. In the event of any such holding, the parties will immediately commence negotiations to remedy any such defect.

ARTICLE VIII - CLAIMS BY BENEFICIARIES

1. No person entitled to benefits under the Plan shall have any claim against the Trustee or the Trust fund except by or through the Corporation, and the Corporation shall indemnify and save the Trustee harmless from any such claim including the costs of defense.

ARTICLE IX - MISCELLANEOUS

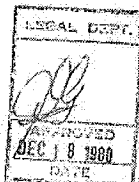
1. Wherever in this Agreement the word "Corporation" is used, it shall be deemed to mean and shall include the Corporation's successor and any other Corporation with which the Corporation may have amalgamated, whether under its present name or any other name.

To the extent required by any Federal or Provincial law or regulation that are or might be promulgated from time to time, the Corporation shall be the administrator of the Plan and the duties of the Corporation as such administrator hereby are delegated to the Trustee to the extent provided in this Agreement.

A copy of the Health and Welfare Plan initialled by the Parties may be annexed to this Agreement and may be amended from time to time and when so annexed shall form part hereof, but no terms or provisions of this Agreement shall be construed or interpreted as imposing upon the Trustee any obligation to see to the administration of or the carrying out of any of the terms or provisions of the Plan.

Any corporation resulting from any merger or consolidation to which the Trustee may be a party or succeeding to the trust business of the Trustee, or to which substantially all the trust assets of the Trustee may be transferred while the Trustee continues to act as Trustee hereunder shall be the successor to the Trustee hereunder without any further act or formality with like effect as if such successor trustee had originally been named trustee herein.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereto duly authorized and their corporate seals to be hereunto affixed and attested as of this 1st day of January, 1980.



NORTHERN TELECOM LIMITED

Per: [Signature]
Vice President

Per: [Signature]
Secretary

MONTREAL TRUST COMPANY

Per: [Signature]
W. H. WHITELOCK, SENIOR CONSULTANT, HEAD OFFICE PENSION SERVICES

Per: [Signature]

Appendix B

THIS AGREEMENT made as of the 24th day of September, 1984.

A M O N G

NORTHERN TELECOM LIMITED, a body corporate, duly incorporated under the laws of Canada, and having its registered office in the City of Montreal, Province of Quebec, Canada

(hereinafter called the "Corporation")

PARTY OF THE FIRST PART,

- and -

MONTREAL TRUST COMPANY, a body corporate, duly incorporated under the laws of the Province of Quebec, and having its head office in the City of Montreal, Province of Quebec, Canada

(hereinafter called the "MTC")

PARTY OF THE SECOND PART,

- and -

MONTREAL TRUST COMPANY OF CANADA, a body corporate, duly incorporated under the laws of Canada, and having its principal office in the City of Toronto, Province of Ontario, Canada

(hereinafter called the "Montreal Trust")

PARTY OF THE THIRD PART.

WHEREAS the Corporation has established and is maintaining certain Health and Welfare Plans, as amended from time to time (collectively the "Health and Welfare Plan");

AND WHEREAS the Corporation and MTC entered into an agreement dated as of and with effect from the 1st day of January, 1980, (the "Trust Agreement"), respecting trust arrangements pertaining to the Health and Welfare Plan;

AND WHEREAS the parties hereto wish to evidence the transfer and assignment of the rights and obligations of MTC under the Trust Agreement to Montreal Trust and certain other amendments, all as specified herein;

NOW THEREFORE this Agreement witnesseth as follows:

1. MTC hereby assigns, transfers and sets over unto Montreal Trust, with effect from and after the date hereof, all of its right, title and interest, as trustee, in the Trust Agreement and the trust fund established thereunder (the "Trust Fund").

2. The Corporation hereby consents to the assignment to Montreal Trust from MTC of the trusteeship of the Trust Fund under the Trust Agreement and hereby confirms the appointment of Montreal Trust as the trustee under the Health and Welfare Plan.

3. Montreal Trust hereby accepts all right, title and interest in and to the trust herein and contributed under the Trust Agreement, assumes all duties and obligations thereunder, and agrees to act as trustee to hold all property now or hereafter constituting the Trust Fund in accordance with the provisions thereof.

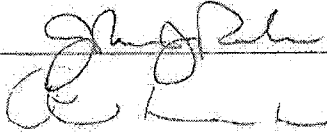
4. MTC covenants and agrees that it shall execute all such further assurances as may be necessary or desirable from time to time to give full effect to the transfer of the trusteeship provided for herein.


5. The Trust Agreement governing the said trust shall be amended by deleting the Trustee's address referred to in ARTICLE V and substituting the following address therefor:

Montreal Trust Company of Canada
Pension Trust Administration
15 King Street West
Toronto, Ontario
M5H 1B4

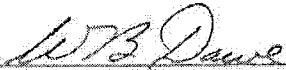
IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed by their authorized officers and their respective corporate seals to be affixed and attested as of the day and year first above written.


NORTHERN TELECOM LIMITED



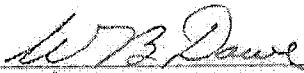

_____ C/S

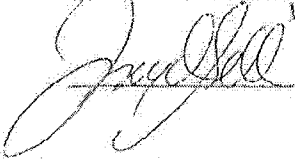
MONTREAL TRUST COMPANY




_____ C/S
W. B. DAWE, Asst. Manager
PENSION SYSTEMS

MONTREAL TRUST COMPANY OF CANADA




_____ C/S
W. B. DAWE, Asst. Manager
PENSION SYSTEMS

Appendix C

AMENDING AGREEMENT made as of the 1st day of June, 1994.

BETWEEN

NORTHERN TELECOM LIMITED, a body corporate
duly incorporated under the laws of Canada and
having offices at 3 Robert Speck Parkway,
Mississauga, Ontario, L4Z 3C8

(hereinafter called the "Corporation")

PARTY OF THE FIRST PART,

-and-

MONTREAL TRUST COMPANY OF CANADA, a
body corporate duly incorporated under the laws of
Canada and having its registered office at 15 King
Street West, Toronto, Ontario, M5H 1B4

(hereinafter called the "Trustee")

PARTY OF THE SECOND PART.

WHEREAS the Corporation and the Trustee are parties to a certain Trust Agreement dated and with effect as of and from the 1st day of January 1980, as amended, (the "Trust Agreement") respecting trust arrangements relating to the Corporation's Health and Welfare plans; and

WHEREAS the parties hereto wish to amend the Trust Agreement to authorize and permit the Trustee to lend, from time to time, to approved brokers or banks, subject to the terms and conditions hereinafter set forth, securities that it holds as part of the trust fund established pursuant to the Trust Agreement.

NOW, THEREFORE, this Amending Agreement witnesseth as follows:

1. Article III of the Trust Agreement is hereby amended by adding a new clause 2 t) as follows:

"2 t) The Trustee may engage from time to time, subject to the prior written consent of the Corporation, in a program of lending to brokers or banks approved by the Corporation, securities that it holds as part of the Trust Fund, subject to complying with applicable laws and regulations, and subject to such other terms and

conditions, in addition to the terms and conditions of this Trust Agreement, as the Corporation and the Trustee may agree upon in writing from time to time."

2. The amendments to the Trust Agreement set forth herein shall be effective June 1, 1994.
3. Except as amended herein, the Trust Agreement remains in full force and effect.

IN WITNESS WHEREOF the parties hereto have caused this Amending Agreement to be executed by their proper officers and their respective corporate seals to be affixed hereto as attested by their proper officers, duly authorized on that behalf, as of the day and year first written above.

NORTHERN TELECOM LIMITED

Per: A.T. Puy
Vice-President and Treasurer

Per: [Signature]
Vice-President and
Associate General Counsel

MONTREAL TRUST COMPANY OF CANADA

Per: [Signature]

Per: [Signature]

Appendix D

**THIS APPOINTMENT OF SUCCESSOR TRUSTEE AND ACCEPTANCE
OF APPOINTMENT OF SUCCESSOR TRUSTEE** made as of the 1st day of Dec., 2005.

BETWEEN:

NORTEL NETWORKS LIMITED, a company duly
incorporated under the laws of Canada (hereinafter
referred to as the "Plan Sponsor")

OF THE FIRST PART,

and

THE NORTHERN TRUST COMPANY, CANADA, a
trust company incorporated under the laws of Canada
(hereinafter referred to as the "Trustee")

OF THE SECOND PART.

WHEREAS the Plan Sponsor has heretofore adopted certain health and welfare plans (collectively the "Plan") for the benefit of certain of its employees and their beneficiaries and the eligible employees and beneficiaries of any other corporation which may participate in the Plan;

AND WHEREAS the Plan Sponsor established a trust fund to give effect to the Plan effective as of January 1, 1980, as amended to the date hereof (the "Health and Welfare Trust") under which the current trustee is The Royal Trust Company of Canada (the "Prior Trustee");

AND WHEREAS the Plan Sponsor has removed the Prior Trustee and the Trustee is to be appointed as successor trustee by the Plan Sponsor pursuant to paragraph 2(q) of Article III of the Health and Welfare Trust;

NOW THEREFORE THIS DEED WITNESSES as follows:

- 1.01 The Plan Sponsor has removed the Prior Trustee and hereby appoints the Trustee as the successor trustee under the Health and Welfare Trust to assume all of the powers, rights, duties and responsibilities of the Prior Trustee under the Health and Welfare Trust effective as of the date hereof.
- 1.02 The Trustee hereby accepts the appointment by this deed as trustee under the Health and Welfare Trust in place of and as successor to the Prior Trustee effective as of the date hereof.

- 1.03 The Plan Sponsor and the Trustee hereby declare that every right, title or interest in any property subject to the Health and Welfare Trust shall vest in the Trustee subject to the terms of the Health and Welfare Trust with the intent and effect that the declaration hereby made shall, without any conveyance or assignment, operate to vest in the Trustee for the purposes of the said trust all such right, title and interest.
- 1.04 The Plan Sponsor and the Trustee shall use their best efforts to amend and restate the Health and Welfare Trust as soon as practicable in a manner that does not adversely affect the Plan or the Health and Welfare Trust for tax purposes and the Plan Sponsor further agrees to provide such further assurances, execute such instruments or take any such further steps as the Trustee may reasonably require in order to effect the succession contemplated herein.

IN WITNESS WHEREOF the parties hereto have caused this Appointment to be executed by their respective officers thereunto fully authorized and their corporate seals to be hereunto affixed and attested as of the day and year first above written.

NORTEL NETWORKS LIMITED

Per: <u>William J. Lasalle</u>	Per: <u>K.B. Stevenson</u>
Signature	Signature
<u>WILLIAM J. LASALLE</u>	<u>K.B. Stevenson</u>
<u>GENERAL COUNSEL - OPERATIONS</u>	<u>Treasurer</u>
Name and Title	Name and Title

THE NORTHERN TRUST COMPANY, CANADA

Per: <u>[Signature]</u>	Per: <u>[Signature]</u>
Signature	Signature
<u>JEFFREY W. CONOVER</u>	<u>VEDA NANCOO</u>
<u>PRESIDENT & CEO</u>	<u>VICE PRESIDENT</u>
Name and Title	Name and Title

Appendix E

Eligibility Requirements and Procedure with Respect to Hardship Payment Applications

1. **Eligibility** – A former employee would be eligible for hardship payments if he or she is resident in Canada and has no available source of income, being all monies receivable by the former employee including, without limitation, employment income such as wages, salary or bonuses, consulting income, or pension or disability payments or income replacement payments (“Income”), or Income of a spouse, as of the date of the application and has no reasonable expectation of being in receipt of Income during the Application Period (referred to below) and:
 - a. The former employee is unable to work due to illness or is incurring costs in excess of 25% of his or her EI payments as a result of treatment for illness or healthcare costs, or as a result of the illness of a family member who is dependent on the former employee for support; or
 - b. During the Application Period the former employee is not receiving a Nortel pension or employment insurance (EI) as a result of ineligibility for EI or exhaustion of EI benefits, and demonstrates some other significant hardship in dealing with financial obligations.
2. **Application Process** – Notice of the application process will be posted on the Monitor’s website and the website of the Nortel Retiree Protection Committee (NRPC) in a form approved by the Court. An applicant would be required to complete an application form (to be approved by the Court) to be submitted to a person designated by the Monitor. The person so designated would be expected to deal with completed applications within 14 to 21 days and to make an initial determination to approve or reject the application. The first payment will proceed within seven business days subject to the payment parameters set out below. If not approved, the application is to be reviewed by an informal committee and the applicant will be given the right to be heard by the committee. The committee will be composed of one company appointee, one appointee of the Monitor and one appointee chosen by the NRPC, who will be compensated for his time on an hourly basis. A further appeal may be brought to the Court or an officer of the Court designated by the presiding judge, costs to be determined by the Court on the application.
3. **Payment Parameters** – Any successful applicant may be approved for a maximum payment of up to 8 weeks salary based on a maximum weekly salary of up to \$1,200 per week payable in monthly instalments. The hardship committee will also have discretion to approve additional amounts in cases of medical and other emergencies in an amount up to \$2,500.
4. **Application Period** – From the date of court approval to November 30, 2009.
5. **Miscellaneous**
 - a. Hardship Payments are advances against distributions on claims, and will be deducted from any payments on claims that may be allowed in the ultimate claims process in these proceedings.
 - b. The Monitor shall report to the Court on or before November 30, 2009 with respect to the processing and administration of hardship payment applications.
 - c. The aggregate maximum amount available for hardship payments on applications approved during the Application Period is \$750,000.

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c.
C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NORTEL
NETWORKS CORPORATION *et al.*

Court File No: 09-CL-7950

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

THIRTY-SECOND REPORT
OF THE MONITOR
DATED NOVEMBER 30, 2009

GOODMANS LLP
Barristers & Solicitors
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Toronto, Canada M5B 2M6

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Lawyers for the Monitor, Ernst & Young Inc.