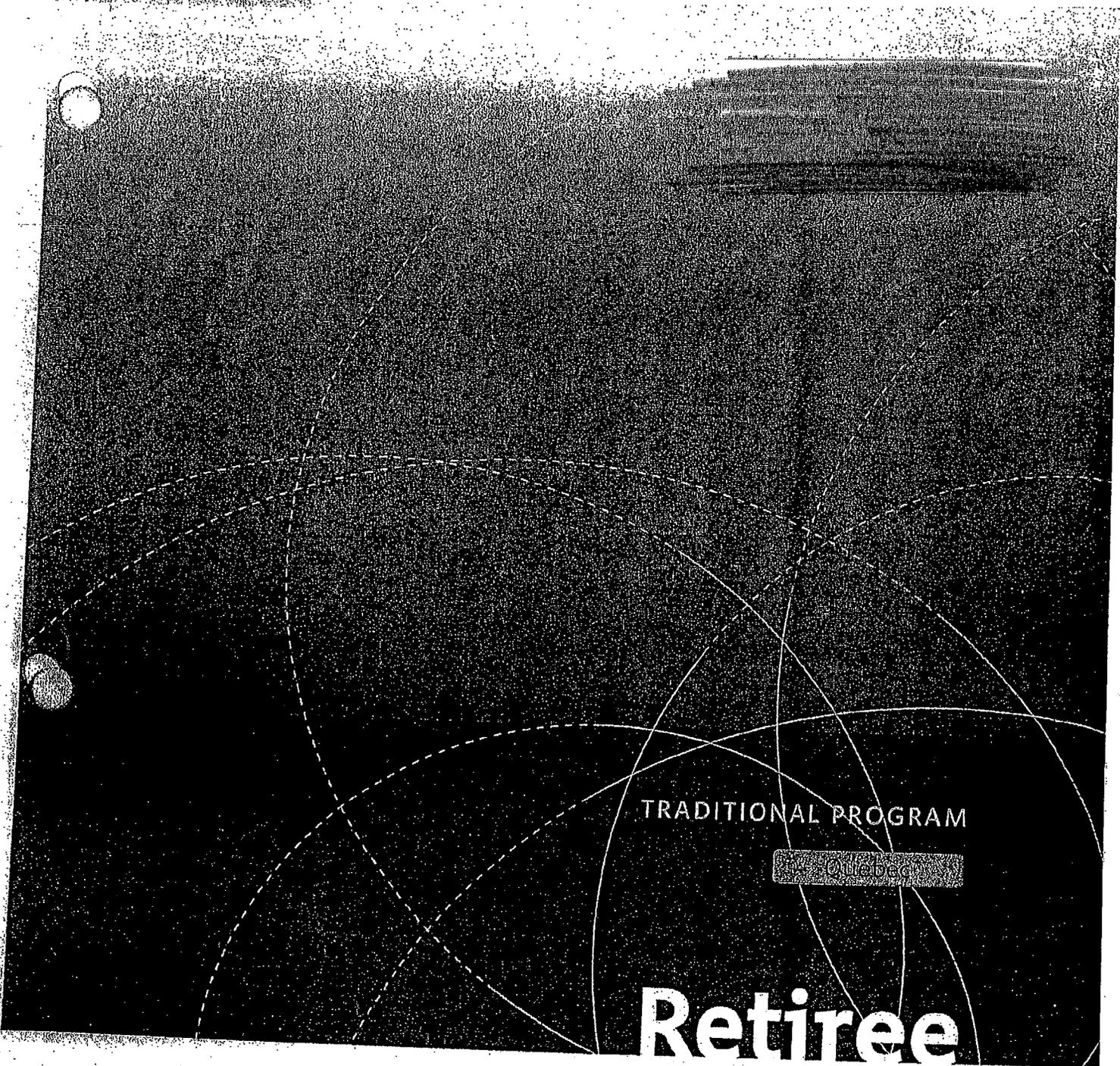


Benefit Plan Handbooks

11



TRADITIONAL PROGRAM

Member

Retiree

Healthcare and Life Benefits

NORTEL
NETWORKS™



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Please Note

This booklet describes coverage in effect as of January 1, 2006. Since Nortel Networks reserves the right to amend any of the plans described here at any time without notice to participants, we suggest that you contact Sun Life Financial or Nortel Networks Employee Services from time to time to validate that your coverage remains unchanged.

introduction

Managing healthcare expenses after your retirement from Nortel Networks is likely an important priority. Your provincial health plan is your first line of defense. It currently covers basic medical expenses such as doctors' visits, surgeons' fees, ward hospitalization and in-hospital services and supplies. Your Nortel Networks retiree healthcare and life benefits are intended to supplement your provincial coverage.

Healthcare Benefits

Nortel Networks retiree healthcare benefits include retiree drug plans (plan varies based on your age and choice at age 65), the catastrophic plan — which covers extraordinary expenses, and the healthcare spending account — which provides an annual allocation for day-to-day medical, vision, hearing and dental expenses. You can also use your healthcare spending account allocation to buy individual medical and dental coverage through the Health Coverage Choice (HCC) plan, insured by Sun Life Financial.

COMPANY-PROVIDED GROUP COVERAGE

RETIREE DRUG PLANS

CATASTROPHIC PLAN

HEALTHCARE SPENDING ACCOUNT

INDIVIDUAL COVERAGE

HEALTH COVERAGE CHOICE

UNDER AGE 65

- Nortel Networks Quebec retiree drug plan
- Reimburses 100% of prescription drug expenses
- Subject to a deductible equal to the Maximum Annual Contribution allowed by RAMQ

- Reimburses 100% of eligible medical expenses
- Subject to \$7,500 lifetime family deductible
- Lifetime maximum benefit of \$500,000

Pays for medical, vision, hearing and dental expenses not covered elsewhere

AND/OR

- Pays individual HCC plan premiums

- Optional retiree-paid medical and dental coverage insured by Sun Life Financial

AGE 65 AND OVER

- Choice between two plans
- Provincial RAMQ drug plan or Nortel Networks RAMQ-equivalent drug plan

About this Booklet

This booklet provides important information about your retiree health-care and life benefits, including benefit levels, eligible expenses and claims procedures. Be sure to review it carefully to familiarize yourself with the coverage available to you. If you have any questions about your benefits, we encourage you to take advantage of the resources outlined below.

Life Benefits

Nortel Networks also offers two company-paid life benefit options. You must choose Option 1 or Option 2 prior to your retirement.

OPTION 1	OR	OPTION 2
• \$10,000 death benefit		• \$10,000 death benefit PLUS • \$25,000 life insurance

Please note that if you select Option 2, the \$25,000 life insurance benefit will have certain tax implications for you. See *Retiree Life Benefits* on page 19 for details.

If You Have Questions

The following resources are available to you if you have questions about your retiree healthcare and life benefits:

QUESTIONS ABOUT	CONTACT	TELEPHONE	HOURS	WEB SITE
Catastrophic plan eligible expenses; healthcare claims or HCC claims	Sun Life Financial	1-800-229-7089	Monday to Friday 7:00 am to 8:00 pm EST	www.sunlife.com
HCC applications	Sun Life Financial	1-800-786-5433	Monday to Friday 7:00 am to 8:00 pm EST	www.sunlife.com
Healthcare spending account eligible expenses	Canada Customs and Revenue Agency	See Blue Pages of your telephone book for your local taxation or customs office		www.ccr-a-adrc.gc.ca Click Forms and Publications, then Frequently Requested Publications, and use the search tool to search for publication IT519R2.
Provincial RAMQ drug plan	Regie de l'assurance-maladie du Quebec	1-888-435-7999 (418-528-5921 in Quebec City)	Monday, Tuesday, Thursday & Friday 8:30 am to 6:00 pm EST Wednesday 10:00 am to 6:00 pm EST	www.ramq.gouv.qc.ca
Other	Nortel Networks Employee Services	1-800-676-4636	Monday to Friday 8:30 am to 5:30 pm EST	Not applicable* (you may e-mail questions to gesna@nortel.com)

* While you are still an active employee, you may visit the Nortel Networks Services@Work web site at <http://services-canada.ca.nortel.com/> if you prefer to read this document on the web, or if you want to download and/or print any of the documents on the site.

who is ELIGIBLE

Check Your Dependent Information

The Quebec retiree drug plan, the Nortel Networks RAMQ-equivalent drug plan (if selected at age 65), and the catastrophic plan cover your eligible dependents on record. Make sure your dependent information is up to date when you retire, and report any changes to Employee Services after you retire.

You are eligible for the retiree healthcare and life benefits described in this booklet if:

- You are participating in the Traditional Program Part I and you retire directly from active status or Long Term Disability (in accordance with plan provisions), or
- You are participating in the Traditional Program Part II and you are at least age 55 with 10 years of service at retirement.

Your eligible dependents also qualify for coverage under Nortel Networks healthcare plans. Your eligible dependents include:

- Your legal spouse, civil partner or common-law partner of the opposite or same sex who is covered under a provincial health insurance plan, and
- Your dependent children¹ who are:
 - under 21 years of age
 - under 25¹ years of age if in full-time attendance at an accredited school, college or university
 - physically or mentally handicapped, regardless of age (as long as the disability began before they turned age 21, or before age 25¹ if they were full-time students at the time).

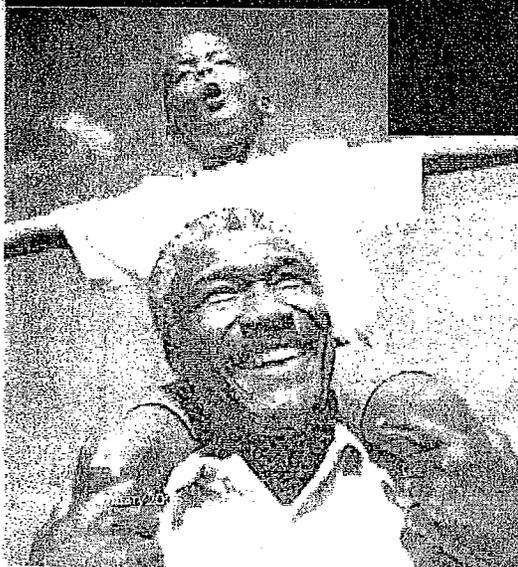
- Your dependent children include:
 - natural children,
 - legally adopted children or children who have been placed with you for adoption
 - stepchildren
 - legal foster children.
 - children for whom you are the legal guardian
 - children of your spouse

Children must be unmarried, financially dependent on you for support, and covered under a provincial health plan.

For the healthcare spending account, your eligible dependents also include:

- Any member of your household with whom you are connected by blood relationship, marriage or adoption and for whom you may claim a medical expense tax credit on your income tax return (as defined by the Income Tax Act).

¹ Bill 33 requires that eligible dependent children be covered for prescription drugs listed with RAMQ until they reach age 26.



HEALTHCARE BENEFITS

prescription drug PLANS

When you retire from Nortel Networks, your coverage for prescription drugs will depend on your age.

If You Are Under Age 65

Until you reach age 65, you and your eligible dependents will be covered under the Nortel Networks Quebec retiree drug plan, a company-provided group prescription drug plan.

QUÉBEC RETIREE DRUG PLAN

- Covers prescription drugs listed in the RAMQ drug formulary
- Reimburses 100% of eligible expenses
- Subject to a deductible equivalent to the Maximum Annual Contribution allowed by RAMQ for an adult, if you have single coverage. The maximum family deductible is double the amount of the single adult deductible.
- Eligible dependent children's expenses applied to your deductible

Out-of-Pocket Expenses

Your out-of-pocket expenses (i.e., deductibles and amounts above maximum reimbursement levels) under any of the drug plans described here are eligible expenses under your Nortel Networks catastrophic plan and healthcare spending account. In addition, if you choose to join the Nortel Networks Affinity Select or Affinity Select Plus plan, your requested premium are an eligible expense under your healthcare spending account.

Weighing Your Options

The Régie de l'assurance-maladie du Québec (RAMQ) introduced a universal drug plan for Québec residents in January 1997 (known as Bill 33). Since the introduction of Bill 33, Québec employers have been required to offer a RAMQ-equivalent drug plan for retirees age 65 or older. (Prior to that, employers typically only covered drugs not covered under the provincial drug plan). As a result, the required premiums for the RAMQ-equivalent drug plan are at the discretion of individual employers.

The premiums for the Nortel Networks RAMQ-equivalent drug plan are based on actual claims experience under the plan and are currently about two times the premiums for the provincial RAMQ drug plan. It is important to note that premiums for both the provincial RAMQ drug plan and the Nortel Networks RAMQ-equivalent drug plan are subject to change at any time.

When You Reach Age 65

Your coverage under the Québec retiree drug plan ceases at age 65, when you become eligible for coverage under the provincial RAMQ drug plan. You may either remain in the provincial RAMQ drug plan or join the Nortel Networks RAMQ-equivalent drug plan.

PROVINCIAL RAMQ DRUG PLAN	OR	NORTEL NETWORKS RAMQ EQUIVALENT DRUG PLAN
<ul style="list-style-type: none"> • Covers prescription drugs listed on RAMQ drug formula • Reimburses a portion of the eligible expenses up to an out-of-pocket maximum determined by RAMQ and 100% in excess of the out-of-pocket maximum • RAMQ updates the deductible and reimbursement percentage periodically • Nortel Networks contributes toward premium for you and your spouse (taxable benefit to you) 		<ul style="list-style-type: none"> • Covers prescription drugs listed on RAMQ drug formula • Reimburses 80% of eligible expenses up to an annual out-of-pocket maximum determined by RAMQ and 100% of expenses in excess of that allowable out-of-pocket maximum • You pay the full cost of the premium for you and your spouse

Prior to your 65th birthday, you will receive specific information about the required premiums for both plans, and the portion of the provincial RAMQ drug plan premium that Nortel Networks reimburses. At this time, you will be asked to select your preferred prescription drug plan.

It is important to note that if you select the provincial RAMQ drug plan, you may not switch to the Nortel Networks RAMQ-equivalent drug plan after that. However, you may switch from the Nortel Networks RAMQ-equivalent drug plan to the provincial RAMQ drug plan at any time.

HEALTHCARE BENEFITS

catastrophic PLAN

The catastrophic plan is a group health insurance plan, currently administered for Nortel Networks by Sun Life Financial. This plan currently reimburses 100% of eligible medical expenses for you and your eligible dependents — after you have satisfied the lifetime deductible.

The current lifetime deductible is \$7,500 for you and your eligible dependents combined. The catastrophic plan does not pay any benefits until you and/or your eligible dependents have satisfied the \$7,500 lifetime deductible.

Only *eligible* expenses may be applied against the lifetime deductible. This includes eligible expenses reimbursed through your healthcare spending account, through a spouse's healthcare plan, or through the HCC plan. To ensure that all of your eligible expenses are counted toward your lifetime deductible, you should follow the correct procedures when submitting claims.

The catastrophic plan pays a lifetime maximum benefit of \$500,000 for you and your eligible dependents combined.

Eligible Expenses

Once you satisfy the \$7,500 lifetime deductible, the catastrophic plan covers eligible expenses, up to the overall lifetime maximum of \$500,000. In all cases, the expenses must be medically necessary, based on reasonable and customary charges, and prescribed and dispensed by a physician or registered practitioner or agency. Eligible expenses include:

- Drugs that have a registered Drug Identification Number, require a written prescription from a physician or dentist, and are dispensed by a registered pharmacist, physician or dentist. Reimbursement is limited to the generic equivalent of the prescribed drug, unless there is no generic equivalent on the market or substitution is not permitted by the physician.
- Charges for medically necessary professional private duty nursing services that can only be performed by a registered nurse or registered nursing assistant, when rendered in the home of the member, to a maximum of \$12,500 per period of illness or injury. Pre-approval from Sun Life Financial is required.

A Word About Drugs

Prescription drug coverage under the catastrophic plan is based on generic drugs. This means that if you purchase a brand-name drug for which there is a generic equivalent, the catastrophic plan will cover the cost of the generic equivalent only, unless the physician or dentist has indicated **no substitution allowed** on the prescription. If there is no generic equivalent for a prescribed brand-name drug, the catastrophic plan will cover the cost of the brand-name drug.

Please Note

The catastrophic plan does not reimburse eligible expenses until any benefits available under your provincial health plan for those expenses have been exhausted. In addition, if your provincial health plan reduces or de-lists any eligible expenses in the future, the catastrophic plan will not automatically pick up coverage for those expenses.

- Diagnostic procedures, x-ray examinations, radiology, blood transfusions and oxygen, including use of equipment for the administration of the procedures.
- Rental or purchase of wheelchair, walker, hospital bed, casts, crutches, braces and other medically necessary devices and appliances. Pre-approval from Sun Life Financial is required and expenses are only payable after any Assistive Devices Program in your province has paid their portion.
- Charges for emergency transport of a member or eligible dependent by a licensed ambulance, or by any other vehicle normally used for public transportation, to the nearest hospital equipped to provide the required treatment.
- Services of a chiropractor, osteopath or speech therapist, to a maximum of \$250 per practitioner per person per calendar year. Sun Life Financial requires a physician's referral for speech therapy.
- Services of a physiotherapist.

Exclusions

Certain expenses are not eligible under the catastrophic plan and will not be applied to the lifetime deductible. Please note that, as with any other aspect of the plan, Nortel Networks may amend the exclusions at any time.

Current exclusions are:

- Drugs that do not legally require a written prescription
- Experimental drugs, anti-obesity drugs, drugs for erectile dysfunction, fertility drugs
- Food and food supplements, including dietary supplements,
- Vitamins and minerals except those which can only be purchased with a written prescription
- Cosmetic or hygienic products
- Hospitalization in a public or private hospital or nursing home
- Eye examinations, eye glasses or contact lenses
- Hearing care or equipment
- Out-of-province/country emergency or referral services
- Orthopedic shoes
- Dental services, including treatment for accidental injuries to the mouth
- Services of a psychologist, naturopath, massage therapist, chiropodist or podiatrist
- Expenses that are reimbursed under your provincial health plan or senior's drug plan

HEALTHCARE BENEFITS

healthcare spending

The healthcare spending account is a personal account to which Nortel Networks provides an annual allocation on your behalf. You may use your annual allocation to pay for medical, vision, hearing and dental expenses not reimbursed under any other plan and/or to reimburse the premiums you paid for individual medical and dental insurance for your HCC plan.

Annual Allocation

To qualify for an annual healthcare spending account allocation, you must either:

- Retire directly under the Traditional Program Part I, or
- Retire under the Traditional Program Part II at age 55 or older with a minimum of 10 years of service counted from age 40.

If you meet either of these qualifications, the company's annual allocation to your healthcare spending account is equal to \$50 per year of service (including partial years of service) counted from age 40.

For example, let's assume that you retire at age 55 with 15 years of service counted from age 40. Your annual healthcare spending account allocation will be:

$$\$50 \times 15 \text{ years} = \$750$$

The following table shows examples of annual healthcare spending account allocations at different lengths of service counted from age 40:

If you retire part way through the calendar year, the company's allocation for the remainder of that year will be pro-rated. For example, if you retire on April 1 and you

YEARS OF SERVICE AFTER 40 TH BIRTHDAY	CALENDAR YEAR ALLOCATION
10	\$500
15	\$750
20	\$1,000
25	\$1,250

Tax Note

Under current tax legislation, annual allocations to your healthcare spending account are not subject to federal income tax. This means that the allocation in your account will go further than your after-tax income. Please note that amounts reimbursed from your account are currently subject to provincial income tax.

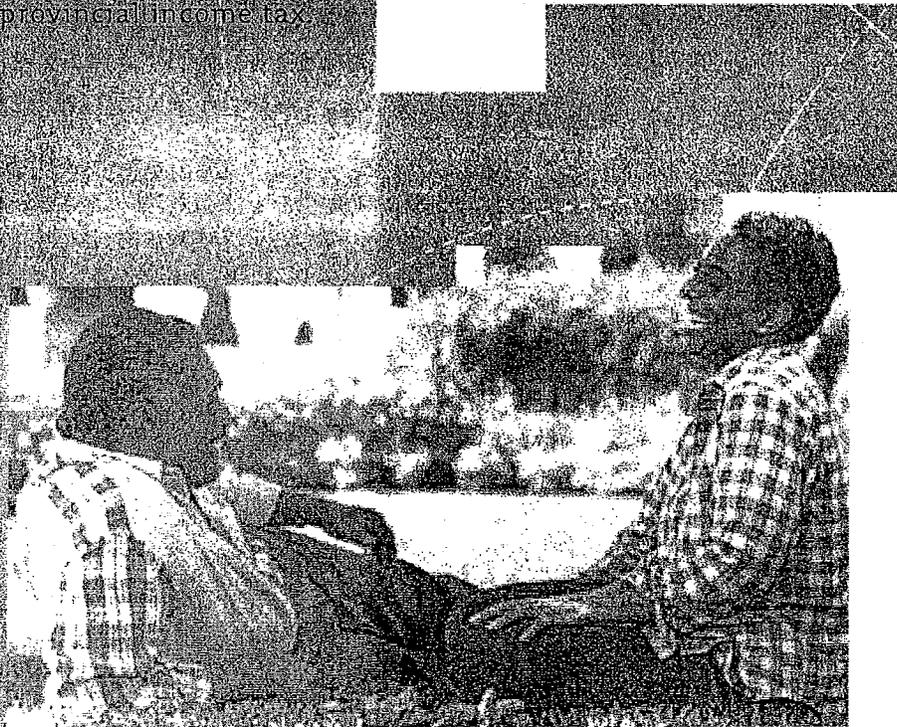
have 20 years of service after your 40th birthday, you will receive three-quarters of your \$1,000 allocation, or \$750, for the remainder of that year. In subsequent calendar years, the company will allocate the full \$1,000 to your account each January 1.

In the event of your death, your eligible surviving spouse and any eligible dependents will continue to receive half of your annual allocation.

Eligible Expenses

You may use your healthcare spending account to pay for eligible medical, vision, hearing and dental expenses that are not covered, or only partially covered, by a provincial health plan, employer-sponsored group health plan, or private health plan (including deductibles and other out-of-pocket expenses).

Generally, you may claim any expenses that are eligible for the medical tax credit under Section 118.2 of the Income Tax Act. On the following page is a partial list of eligible expenses:



ELIGIBLE EXPENSES

MEDICAL PRACTITIONERS

- Chiropracist or podiatrist
- Chiropractor
- Christian Science practitioner
- Dentist
- Dietician
- Medical doctor
- Naturopath
- Registered Nurse
- Optometrist, oculist or ophthalmologist
- Osteopath
- Physiotherapist
- Psychologist
- Registered massage therapist
- Speech therapist or audiologist

CARE AND FACILITIES

- Public or licensed private hospital (inside or outside Canada)
- Full-time attendant or full-time care in a nursing home for a person who has a severe and prolonged mental illness
- Full-time attendant in a self-contained domestic establishment for a person who is dependent on others for personal needs and care because of a mental or physical disability

SUPPLIES, DEVICES AND EQUIPMENT

- Drugs, medicines and preparations or substances prescribed by a physician or dentist and dispensed by a pharmacist
- Artificial eye
- Artificial limbs
- Crutches
- Eye glasses or contact lenses
- Iron lung/portable chest respirator
- Rocking bed for poliomyelitis victims
- Wheelchair
- Spinal brace/support
- Brace for a limb
- Ileostomy or colostomy pad
- Truss for hernia
- Laryngeal speaking aid
- Hearing aid
- Artificial kidney machine
- Cloth diapers, disposable briefs, catheters, catheter trays
- Oxygen tent or other equipment necessary to administer oxygen
- Custom-made wig for a person who has suffered abnormal hair loss due to a disease, medical treatment or accident
- Needles and syringes for injections
- Pacemaker
- Orthopedic shoes or boots
- External breast prosthesis required because of a mastectomy

DENTAL

- Preventive, diagnostic, restorative, orthodontic and therapeutic care
- Making or repairing of dentures, including impressions, bite registrations and insertions for the dentures

For More Information

To see a current and complete list of expenses eligible for reimbursement under the healthcare spending account, visit the Canada Customs and Revenue Agency's web site at www.ccr-a-adrc.gc.ca. Click **Publications and Forms**. Then, click **Frequently Requested Publications** and use the search tool to search for the publication IT519R2 Medical Expense and Disability Tax Credits. If you do not have access to the web you can call your nearest taxation or customs office and request a copy of IT519R2.

Tax Notes

Your out-of-pocket healthcare expenses (i.e., lifetime deductible and amounts in excess of maximum reimbursement levels) currently may be used as a deduction from taxable income, as explained in the tax guide provided with your income tax return. However, if you claim medical expenses through your healthcare spending account, you cannot claim a deduction for the same expenses when you file your income tax return.

Legislation governing the taxability of benefits is subject to change at any time. Nortel Networks does not assume any responsibility for legislation changes that result in changes to the taxability of any benefits described in this booklet.

Limitations

In accordance with current Canada Customs and Revenue Agency rules, you will forfeit any amount remaining in your healthcare spending account after the calendar year ends. You have until March 31 of the following year to submit expenses from the prior year for reimbursement from your account.

Although you cannot carry forward any unused company allocation from one year to the next, **expenses not claimed in the current calendar year can be carried forward for reimbursement in the following calendar year.** Only a one-year carry forward of eligible expenses is permitted.

For example, let's assume that you are eligible for an annual healthcare spending account allocation of \$750. If you have eligible expenses of \$800 in Year 1, you may claim \$750 under your healthcare spending account and carry forward the remaining \$50 to be reimbursed from your Year 2 allocation. If you only have eligible expenses of \$650 in Year 2, the total reimbursement from your account in Year 2 will be \$700, and you will forfeit the remaining \$50.

YEAR 1
Year 1 allocation
\$750
MINUS
Year 1 expenses
\$800
=
\$50
Unreimbursed expenses to be carried forward to Year 2

YEAR 2
Year 2 allocation
\$750
MINUS
Year 1 Unreimbursed expenses
\$50
MINUS
Year 2 expenses
\$650
=
Allocation forfeited
\$50



HEALTHCARE BENEFITS

health coverage CHOICE

This individual medical and dental coverage is available to supplement benefits provided by Nortel.

Your required premiums for the HCC plan will depend on the coverage you select. You must pay the premiums with your own money. If you have healthcare spending account allocations available, you can submit your HCC premiums to your health spending account for reimbursement.

You may apply for HCC coverage at any time after you retire. **However, if you apply and pay the premiums within 60 days of your retirement date, you will not have to supply medical evidence of insurability.** For details, refer to your HCC brochure and application form or call 1-800-786-5433. Detailed information is also available on the internet at www.sunlife.com.



**Important —
Read
Your Policy**

The HCC plan is an individual insurance plan. If you decide to purchase HCC coverage, the contract of insurance will be between you and Sun Life Financial (i.e., you are the policyholder). You will have 10 days to examine the policy before you make a final decision, so make sure you read the terms and conditions carefully. For example, you should be aware that:

- After you make the initial premium payment, each subsequent payment must be received within 31 days in advance of the due date or your coverage will be terminated.
- You may terminate your coverage under the medical or medical and dental plans at any time.
- If you terminate coverage, you may reinstate your coverage at any time (subject to satisfactory evidence of insurability).
- You must submit claims for eligible expenses to Sun Life Financial within 12 months following the date expenses are incurred.

HEALTHCARE BENEFITS

CLAIMS PROCEDURES

To make the most of your healthcare benefits, it is important that you follow the correct procedures when submitting claims. These procedures vary depending on whose expense you are claiming, whether or not you have coverage under a spousal plan, whether or not you have coverage under the Health Coverage Choice plan, and whether you are under or over age 65 (for prescription drugs).



Important - Reaching your \$7,500 Deductible

To ensure that all of your eligible expenses are counted toward the catastrophic plan lifetime deductible, submit claims for all healthcare expenses incurred by you and/or your eligible dependents to the catastrophic plan, using the appropriate coordination of benefits procedures. This way, you will be sure to satisfy the lifetime deductible as quickly as possible.

Coordination of Benefits

If you have coverage under more than one healthcare plan, coordination of benefits provides a consistent way for you to claim under each plan and optimize your benefits. In any case, you should never receive more than 100% reimbursement for any eligible expense. Here is how coordination of benefits works:

If you have coverage under the HCC plan

- Submit claims for eligible expenses to your HCC plan first.
- Each time you submit a claim, you will receive an Explanation of Benefits (EOB) from Sun Life Financial with your reimbursement.
- If your HCC plan does not fully reimburse your expenses, you may submit another claim, with your Sun Life Financial EOB, to your Nortel Networks plan and/or your spouse's plan, as described below.

If you have coverage under a spousal plan

If the expenses are for you:

- Submit a claim to your Nortel Networks catastrophic plan first.
- If that plan does not fully reimburse your expense, submit another claim, with your Sun Life Financial EOB, to your spouse's plan.
- If you still have unreimbursed expenses, submit another claim, with the EOB from your spouse's plan, to Sun Life Financial and indicate that you would like the expenses to be reimbursed from your healthcare spending account.

If the expenses are for your spouse:

- Submit a claim to your spouse's plan first.
- If your spouse's plan does not fully reimburse the expenses, submit another claim, with the EOB from that plan, to your Nortel Networks catastrophic plan.
- If you wish, you may indicate on your claim that you would like any expenses not reimbursed by the Nortel Networks catastrophic plan to be paid from your healthcare spending account.

If the expenses are for your dependent children:

- If your birthday is earlier in the year than your spouse's birthday, follow the same procedures as for your expenses.
- If your spouse's birthday is earlier in the year, follow the same procedures as for your spouse's expenses.

An Example

Let's assume that:

- You incur physiotherapy expenses of \$500
- You are **not** covered under the HCC plan
- You are covered as a dependent under your spouse's healthcare plan and
- Your spouse's plan reimburses 80% of physiotherapy expense

Here are the step-by-step claims procedures you should follow:

STEP 1

Submit claim to Nortel Networks catastrophic plan

No reimbursement —
\$500 applied to lifetime deductible

Submit claim, with Sun Life Financial EOB, to spouse's plan.

Reimburses 80% (\$400)

By submitting a claim to your spouse's plan *before* your healthcare spending account, you avoid *using up* your healthcare spending account allocation unnecessarily.

STEP 3

Submit claim, with EOB from spouse's plan, to Nortel Networks healthcare spending account

Reimburses \$100

Need a Claim Form

To obtain a claim form for your Nortel Networks healthcare benefits, call Sun Life Financial directly at 1-800-229-7089 or visit the Sun Life Financial web site at www.sunlife.com.

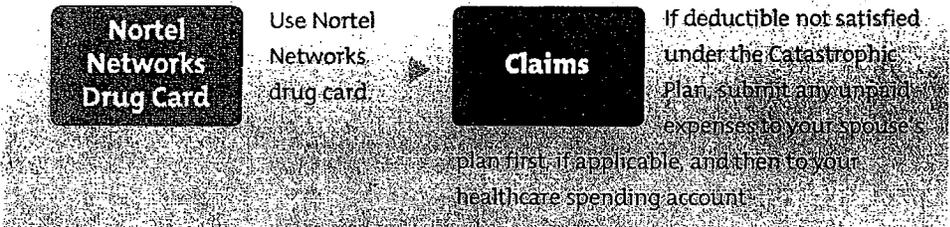
To obtain HCO plan claim forms, call Sun Life Financial at 1-800-229-7089 or go to the Sun Life Financial web site at www.sunlife.com and download the appropriate form.

Whenever you submit a claim, you will be sent a new claim form with your Explanation of Benefits.

Using Your Drug Card

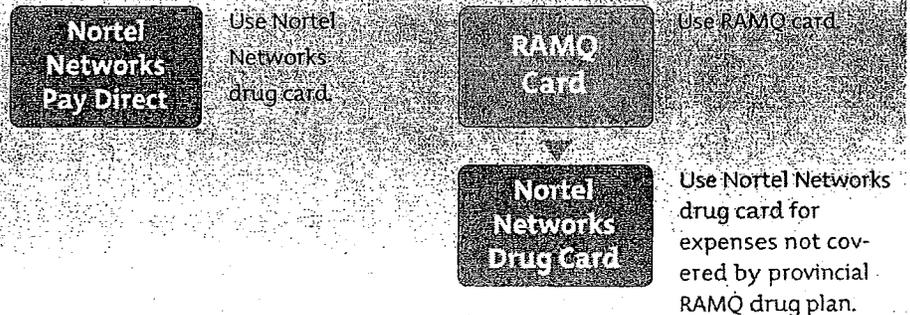
If you are under age 65

When you retire, you may continue to use the Nortel Networks drug card you received under the Nortel Networks FLEX program as an active employee. To ensure that all of your eligible expenses are captured toward your \$7,500 lifetime catastrophic plan deductible, you should use your Nortel Networks drug card whenever you fill a prescription. If you have not yet met your catastrophic plan deductible, you may submit a claim for any unpaid expenses to your spouse's healthcare plan, if applicable, and then to your Nortel Networks healthcare spending account.



When You Reach Age 65

- If you choose to participate in the Nortel Networks RAMQ-equivalent drug plan at age 65, you should continue to use your Nortel Networks drug card, as described above.
- If you choose to participate in the provincial RAMQ drug plan when you reach age 65, you must present your RAMQ card when you fill a prescription. If the RAMQ drug plan does not cover the cost of your prescription, you should use your Nortel Networks drug card, which will automatically coordinate with your provincial RAMQ drug plan.
- In either case, if you have not yet met your \$7,500 lifetime deductible under the catastrophic plan, you may submit a claim for any unpaid expenses to your spouse's healthcare plan, if applicable, to your Nortel Networks healthcare spending account.



retiree life BENEFITS

Nortel Networks offers two company-paid life options for individuals who retire under the Traditional Program. You will be asked to select one of the following options when you retire from Nortel Networks.

OPTION 1

- \$10,000 death benefit

OR

- \$10,000 death benefit

PLUS

- \$25,000 life insurance

Claims Procedures

In the event of your death, your beneficiary or the executor of your estate should notify Nortel Networks Employee Services immediately. Employee Services will send your beneficiary or executor the required claim forms, which should be completed and returned to Employee Services along with a certificate of death. Employee Services will forward the completed forms to Sun Life Financial for processing of the claim and payment of your life benefits.

If you select Option 1, there are currently no tax implications for you. However, if you select Option 2, current tax legislation requires that you pay income tax each year on the company-paid premiums for the \$25,000 life insurance benefit. The company-paid premiums, and your corresponding taxable benefit, may increase or decrease in the future based on the number of claims under the retiree life insurance plan.

The coverage option you select will remain in effect throughout your retirement and the benefit will be paid to your designated beneficiary (or your estate if applicable) in the event of your death. Under current tax legislation, the benefit proceeds are non-taxable to your designated beneficiary, regardless of the option you select.

Please note that Nortel Networks does not provide post-retirement life benefits for your spouse or eligible dependent children.

Glossary

OF TERMS

Beneficiary – the person (or people) you choose to receive your retiree life benefits when you die. You can name more than one person as a beneficiary if you specify how the benefit should be divided among them.

If you are a man residing in Quebec and you have designated your legal spouse or your children as beneficiaries before October 20, 1976, you must obtain their written consent to change the beneficiary. The same applies to all Quebec residents of either gender who have identified their legal spouse as beneficiary since that date, unless they specified that the designation was revocable.

Brand-name drug – a prescription drug sold under a trademarked name. Brand-name drugs are typically sold at a higher cost than generic drugs.

Canada Customs and Revenue Agency (CCRA) – the federal government department formally known as Revenue Canada. The CCRA administers federal tax laws that apply to benefits plans and sets rules regarding healthcare spending accounts such as Nortel Networks healthcare spending account. For more information, visit the web site at www.ccra-adrc.gc.ca.

Catastrophic plan – a company-provided group benefit plan that reimburses 100% of certain eligible expenses, up to a lifetime maximum of \$500,000 for you and your eligible dependents combined, after you and your eligible dependents satisfy a combined lifetime deductible of \$7,500.

Coordination of benefits – a group insurance provision that specifies which insurer pays a claim when two or more insurers cover the same expense. Coordination of benefits enables a plan member to optimize the benefits available from each plan, but total payment can be no more than 100% of the expenses incurred.

Deductible – the amount an individual must pay out of their own pocket for eligible expenses before the plan pays for any expenses.

Eligible expenses – charges for healthcare services and supplies for which the plan pays benefits.

Evidence of insurability – proof of an individual's good health required by the insurance company before the requested coverage is approved. Evidence of Insurability is typically provided by completing a health questionnaire.

Explanation of benefits (EOB) – the document you receive from the insurance company with every claim reimbursement, explaining how the claim was processed.

Health Coverage Choice (HCC) – individual medical and dental insurance, insured by Sun Life Financial, and available to Nortel Networks retirees at their own expense.

Generic drug – a drug with the same active ingredients, strength, and effectiveness as the original brand-name drug.

Healthcare spending account – an annual allocation by Nortel Networks that you may use to pay for eligible healthcare expenses not covered under another private or provincial health insurance plan.

Medical emergency – a sudden, serious and unexpected medical condition that requires (or you have good reason to believe requires) immediate attention to prevent death or functional loss. Apparent heart attacks, loss of consciousness, excessive bleeding, severe or multiple injuries, or serious burns are all examples of a medical emergency.

Nortel Networks drug card – the drug card you received as an active employee under the Nortel Networks FLEX program.

Out-of-pocket expenses – payments by an individual that are not reimbursable under a group insurance plan, an individual health insurance plan, or a provincial health insurance plan.

Premium – the cost of coverage under an individual, employer-sponsored or government-sponsored benefit plan. Premiums are typically paid monthly.

Quebec retiree drug plan – a prescription drug plan that Nortel Networks provides to retirees who are under age 65 and their eligible dependents who live in Quebec.

RAMQ – Regie de l'assurance-maladie du Quebec, the provincial health insurance plan for Quebec residents.

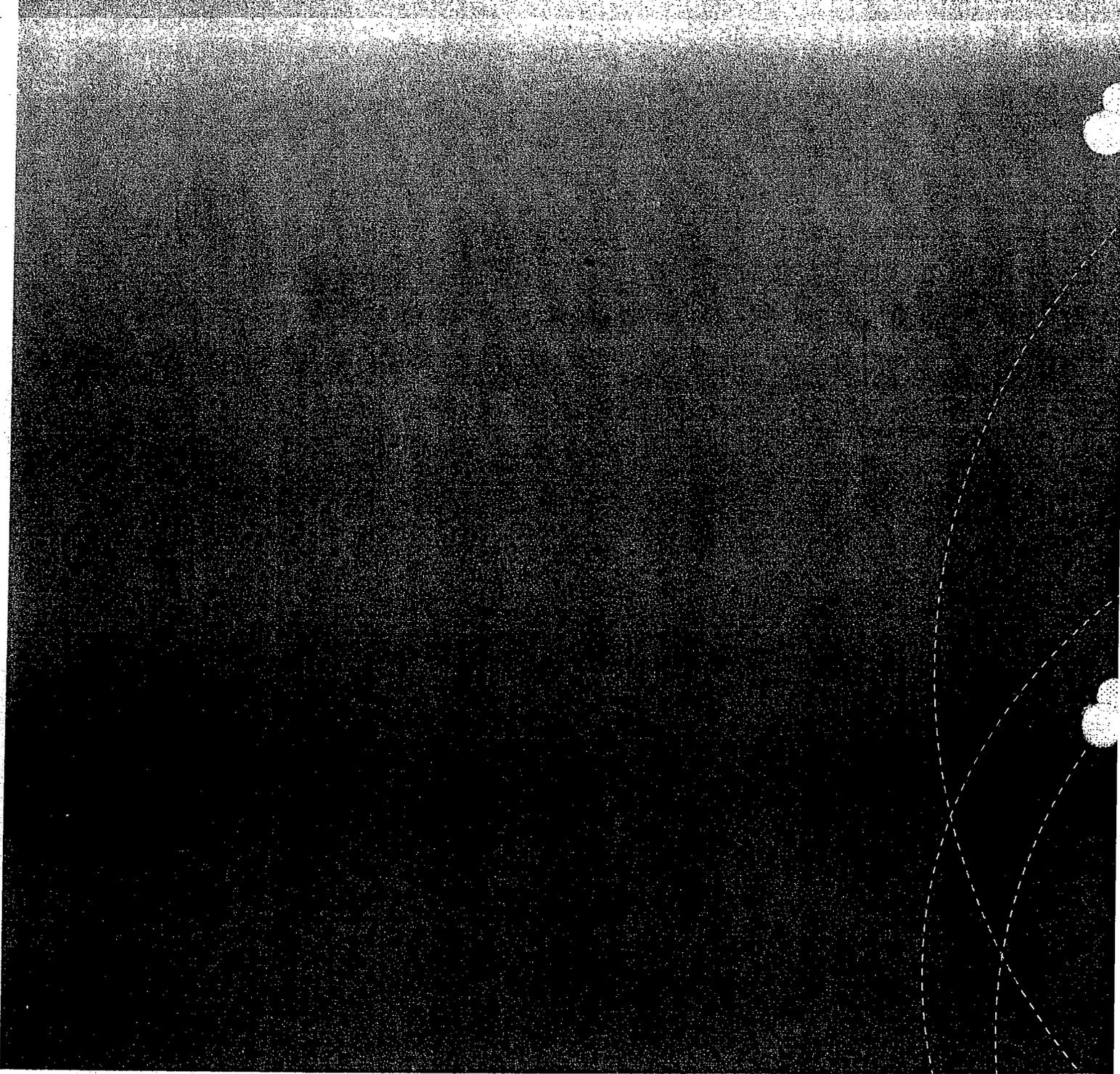
RAMQ card – the identification card provided to individuals with RAMQ coverage. If you choose to participate in the provincial RAMQ drug plan when you reach age 65, you will use this card to fill prescriptions.

RAMQ drug plan – the provincial drug plan provided to Quebec residents who are age 65 or older.

RAMQ-equivalent drug plan – a prescription drug plan that Nortel Networks offers to Quebec retirees who are age 65 or older as an alternative to the provincial RAMQ drug plan.

Reasonable and customary expense – a fee charged by a licensed medical practitioner that is consistent with the normal charge by most providers in the geographic area where the service is provided.

This document summarizes retiree healthcare and life benefits currently provided to Nortel Networks retirees who retire under the Traditional Program. It does not contain information on other plans or on the details of the various insurance policies. For more information, please contact your HR representative. The plan documents will be made available to you upon request. Nortel Networks, in its sole discretion, reserves the right to amend or discontinue any of the plans described here or to modify the benefits provided at any time without notice to participants.



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