

Appendix GGG - Valuation of the Obligations of the Health and Welfare Trust as at September 30, 2005

06 February 2006

**Valuation of the Obligations
of the Health & Welfare Trust
as at September 30, 2005**
Nortel Networks Corporation

MERCER
Human Resource Consulting

The following table presents a reconciliation of Trust assets by benefit.¹⁹

	Retiree			Optional	
	Life	LTD	SIB	Life	Total
Balance at September 30, 2004	61,079	74,524	18,755	18,938	173,296
Contributions	-	(18,098)	-	2,183	(15,915)
Benefit payments	7,374	11,846	1,487	3,641	24,348
Investment income	3,133	3,822	972	977	8,904

¹⁹ Figures are in thousands of Canadian dollars.

Mercer Human Resource Consulting

28

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Nortel management removed contributions from the Health and Welfare Trust LTD Asset Reserve during May 2005 to April 2006. The contributions were removed contrary to the 1980 HWT trustee agreement, accepted actuarial practice and the rules in CRA IT-428 for wage loss replacement plans. The withdrawn contributions from the LTD Asset Reserve were used to pay pensioners medical expenses and the actives and LTD medical expenses and life insurance premiums, which were Nortel obligations on a pay-as-you-go basis, and which were not the intended purpose of the LTD Asset Reserve.

Affidavit of Diane Urquhart Sworn September 26, 2010 - ALL

Fifty-First Report of the Monitor, dated August 27, 2010

27. While the Fifty-First Report acknowledges the withdrawal of monies from the HWT at paragraph 81 it did not specify the significant amount of monies involved and ignores the prejudicial nature caused by the removal of these amounts from the trust funds.

"Nortel's general funding practices are described in the HWT financial statements and the 2005 Mercer Valuation. Though certain benefit plans were funded on a pay-as-you-go basis, an exception to this funding practice occurred from May 2005 until April 2006 when Nortel was contemplating the termination of the HWT. The pay-as-you-go amounts were paid from the HWT and no corresponding contributions were made by Nortel. Once Nortel decided to keep the HWT in place, it made catch up payments through extra contributions in subsequent years in the amount of one month each year."

