

APPENDIX "GGG"

06 February 2006

Valuation of the Obligations of the Health & Welfare Trust as at September 30, 2005

Nortel Networks Corporation

MERCER
Human Resource Consulting

Employer Contributions Withdrawn from HWT

Employer Contributions	(\$20,900)
Employee Contributions	<u>\$ 2,700</u>
Net Contributions	(\$18,100)

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

	Retiree Life	LTD	SIB	Optional 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
Unrealized gains/(losses)	4,662	(2,302)	1,633	1,639	5,632
Balance at September 30, 2005	61,500	46,100	19,874	20,096	147,569

¹⁹ Figures are in thousands of Canadian dollars.

NORTEL HEALTH AND WELFARE TRUST FINANCIAL STATEMENTS 2005 TO 2009

2005 ADJUSTED TO REMOVE PAY AS YOU GO MEDICAL AND LIFE CLAIMS

Adjusted HWT Financial Statements	2005 (1)	2006 (1) & (2)	2007 (2)	2008	2009	2010
Employer Contributions Cash (1)	-20,866	-11,237	2,098	3,752	35,801	
Change in Due from Sponsoring Companies	10,831	11,397	-1,875	-3,579	-35,706	
Employer Contributions Total	-10,035	160	223	173	95	
Employee Contributions Cash	2,726	4,785	1,750	2,066	1,583	
Investment Income & Realized Gains/Losses Cash	11,492	7,136	6,071	7,548	5,654	
Additions	4,183	12,081	8,044	9,787	7,332	
Claims & Administration Cash (1)	25,155	23,968	18,881	20,732	52,954	
Change in Claims Payable	-392	49	1,401	233	-1,774	
Deductions	24,763	24,017	20,282	20,965	51,180	
Net Change	-20,580	-11,936	-12,238	-11,178	-43,848	
Unrealized Gains/Losses	0	21,778	-1,762	-1,302	-3,043	
Change in Net Assets	-20,580	9,842	-14,000	-12,480	-46,891	
Change in Net Assets Before Due from Sponsor/Claims Payable	-31,803	-1,506	-10,724	-8,668	-12,959	

NOTES:

(1) Medical and Dental Claims for Pensioners, Actives and Disabled	2005	2006
	34,984	38,128

Est. \$16 M of \$32 M spent on the medical claims of pensioners ,
Est. \$5 M on the medical claims and life insurance of the LTD and
Est. \$11 M on the medical claims and life insurance of the active
employees

(2) Change from Cost to Marked to Market for the HWT Assets 24,513