

## RIGHTS FOR NORTEL DISABLED EMPLOYEES

[www.protectourtomorrow.com](http://www.protectourtomorrow.com)

[rfnde@hotmail.com](mailto:rfnde@hotmail.com)

**TRUST ACCOUNT DRAINED - THE NORTEL DISABLED ARE TROUNCED**

**ONTARIO SUPERIOR COURT OF JUSTICE HEARING ON THE NORTEL HEALTH AND WELFARE  
TRUST DISTRIBUTION  
361 UNIVERSITY AVENUE  
Wednesday to Friday, September 29<sup>th</sup>, September 30<sup>th</sup> and October 1<sup>st</sup> - 10 A.M. TO 4 P.M.**

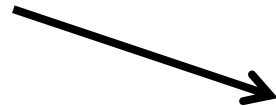
**For further information:**

<b><i>Arlene Borenstein (Plante)</i></b>	<a href="mailto:arleneplante@hotmail.com">arleneplante@hotmail.com</a>	613 692-5461
<b><i>Peter Burns</i></b>	<a href="mailto:snrub.retep@rogers.com">snrub.retep@rogers.com</a>	613 808-8800
<b><i>Greg McAvoy</i></b>	<a href="mailto:jgmcavoy@shaw.ca">jgmcavoy@shaw.ca</a>	403 288-5568
<b><i>Carol Sampson</i></b>	<a href="mailto:sammygirl1@rogers.com">sammygirl1@rogers.com</a>	613 224-2791
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<b><i>Jennifer Holley</i></b>	<a href="mailto:jholley@xplornet.com">jholley@xplornet.com</a>	613 479-2653

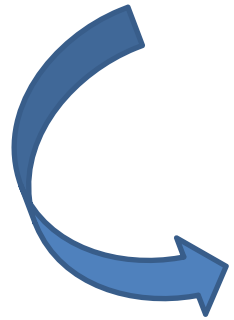
Nortel HWT Distribution Proposal (\$ Millions)		Court Monitor's Proposal Scenario 2		
	Description of Benefit	Actuarial Liabilities	Settlement	% of Act. Liab.
Long Term Disabled Income Benefit	Self-Insured Funded Employer Core/Employee Optional	\$79.9	\$27.6	34.5%
Long Term Disabled Life Insurance	Pay-As-You-Go Premiums Employer Core/Waived Employee Optional	\$4.5	\$1.6	34.4%
<b>Long Term Disability Plan</b>		<b>\$ 84.4</b>	<b>\$29.2</b>	
Survivors Income Benefit	Self-Insured Funded Employer/Employee Co-Paid Optional	\$16.2	\$5.6	34.6%
Survivors Transitional In Pay	Self-Insured Funded Employer/Employee Co-Paid Optional	\$4.1	\$1.4	34.6%
<b>Survivors</b>		<b>\$20.3</b>	<b>\$7.0</b>	
Pensioners Group Life Insurance	Would Be Pay-As-You-Go Premiums But for Historic Employer Contributions	\$126.9	\$43.8	34.5%
<b>Pensioners</b>		<b>\$126.9</b>	<b>\$43.8</b>	
<b>Total</b>	<b>NEW INFORMATION</b>	<b>\$231.6</b>	<b>\$80.0</b>	<b>34.5%</b>

- PROFESSIONAL PACK IN THE BANKRUPTCY COURTROOM ATTEMPTING TO FURTHER DRAIN \$44 M FROM THE TRUST FUND FOR DISABLED AND SURVIVORS TO GIVE PENSIONERS SETTLEMENT FOR EXPIRED TERM LIFE INSURANCE POLICIES.**

**COURT MONITOR'S PROPOSAL**



**Nortel Health and Welfare Trust  
\$29 M HWT LTD SETTLEMENT**



**ACTUARIAL LIABILITIES**

Income *	\$103 M
Life Insurance	
Core	\$5 M
Optional Waived	\$5 M
Life Insurance Total	\$10 M
Medical and Dental	\$30 M
Pension Accruals	\$26 M
Defined Contribution PP Contributions	?
Future Pensioners' Health Care	\$ 27 M
<hr/>	
<b>Total LTD Actuarial Liabilities Ex. Life Insurance</b>	<b>\$186 M</b>

\* Mercers says just \$80 M Actuarial Liabilities

- **HOW ARE THE DISABLED SUPPOSED TO GO ON WITHOUT MOST OF THEIR INCOME?**
- **MAXIMUM CPP DISABILITY \$13, 500 AND AVERAGE CPP \$9,700 PER YEAR**

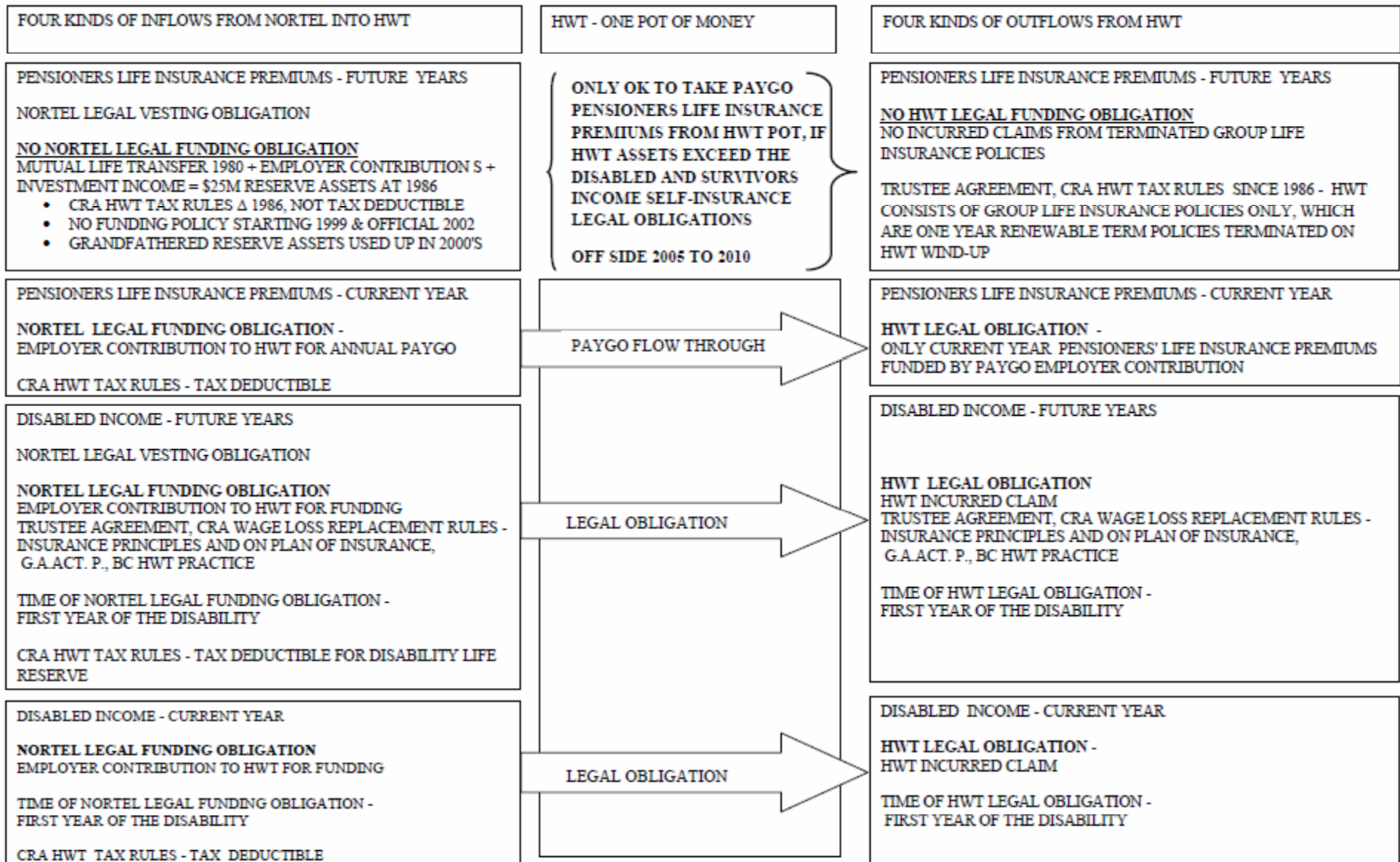
Comparison of Court Monitor's and Rochon Genova's Proposals (\$ Millions)		Court Monitor- Scenario 2			Rochon Genova - Scenario 3		
	Description of Benefit	Actuarial Liabilities	Settlement	% of Act. Liab.	Actuarial Liabilities	Settlement	% of Act. Liab.
Long Term Disabled Income Benefit	Self-Insured Funded Employer Core/Employee Optional	\$79.9	\$27.6	34.5%	\$79.9	\$57.6	72.1%
Long Term Disabled Life Insurance	Pay-As-You-Go Premiums Employer Core/Waived Employee Optional	\$4.5	\$1.6	34.4%	\$4.5	\$0.00	
<b>Long Term Disability Plan</b>		<b>\$84.4</b>	<b>\$29.2</b>		<b>\$84.4</b>	<b>\$57.6</b>	
Survivors Income Benefit	Self-Insured Funded Employer/Employee Co-Paid Optional	\$16.2	\$5.6	34.6%	\$16.2	\$11.7	72.1%
Survivors Transitional In Pay	Self-Insured Funded Employer/Employee Co-Paid Optional	\$4.1	\$1.4	34.6%	\$4.1	\$3.0	72.1%
<b>Survivors</b>		<b>\$20.3</b>	<b>\$7.0</b>		<b>\$20.3</b>	<b>\$14.6</b>	
Pensioners Group Life Insurance	Would Be Pay-As-You-Go Premiums But for Historic Employer Contributions	\$126.9	\$43.8	34.5%	\$126.9	\$7.8	6.1%
<b>Pensioners</b>		<b>\$126.9</b>	<b>\$43.8</b>		<b>\$126.9</b>	<b>\$7.8</b>	
<b>Total</b>		<b>\$231.6</b>	<b>\$80.0</b>		<b>\$231.6</b>	<b>\$80.0</b>	

- **JOEL ROCHON OF ROCHON GENOVA LLP ASSEMBLED TEAM OF LEGAL, FINANCIAL AND ACTUARIAL EXPERTS TO SEEK AN AT LEAST \$58 MILLION HWT SETTLEMENT FOR THE DISABLED AND SURVIVORS BASED ON LEGAL ARGUMENTS.**

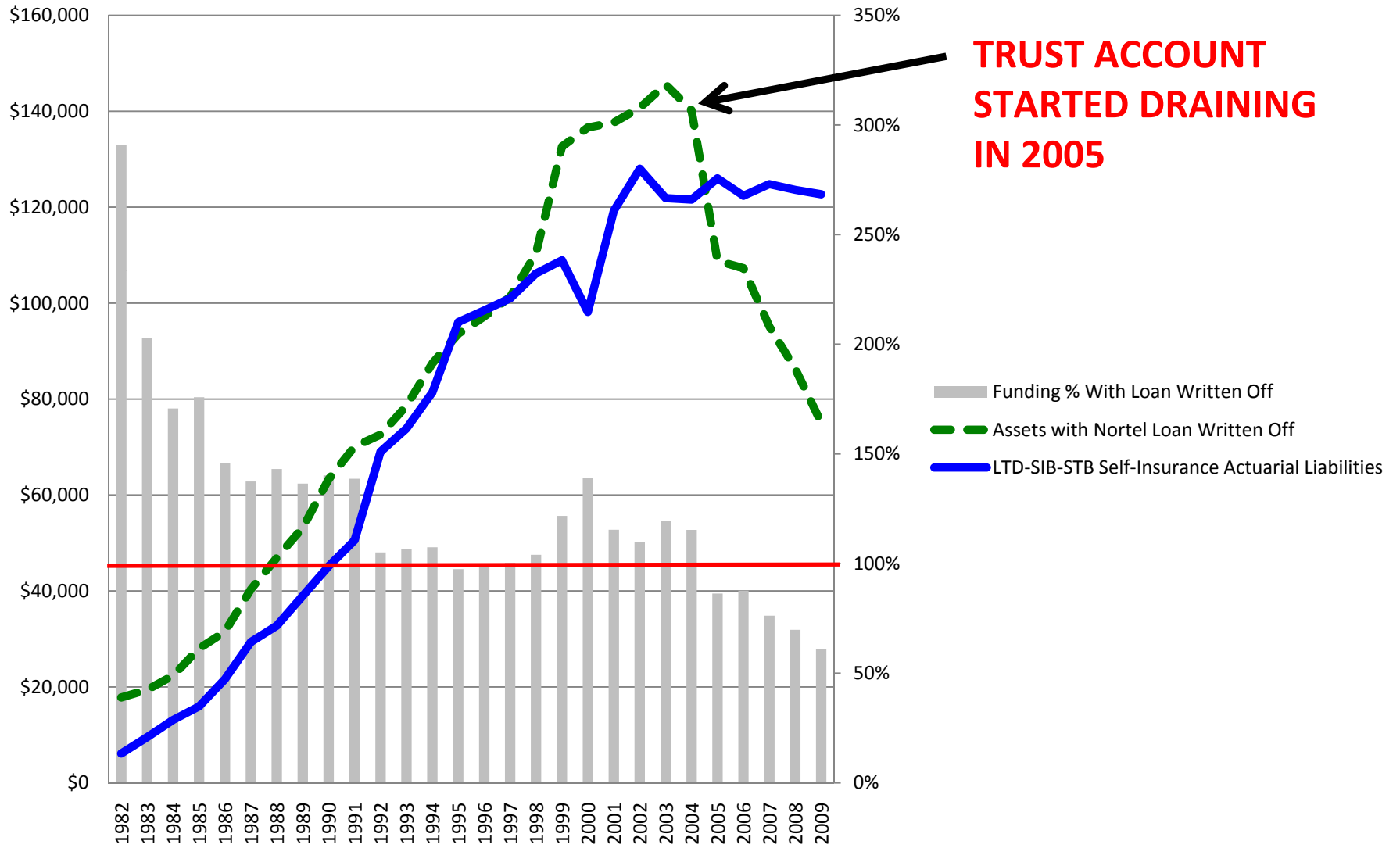
Canada Health and Welfare Trust Benefit Plans	Number of Persons	HWT Settlement Scenario 2 (Per Person)	Reallocated Pensioners Life Insurance (Per Person)	Difference (Per Person)
Long Term Disability Plan Income Benefit	399	\$69,173	\$144,292	
Long Term Disability Plan Life	399	\$3,885	\$0	
<b>Long Term Disability Plan Sub-total</b>	399	<b>\$73,058</b>	<b>\$144,292</b>	\$71,235
Survivors Income Benefit Plan	99	\$70,909	\$147,751	\$76,842
Pensioners Future Life Insurance Premiums	10,363	\$4,229	\$753	-\$3,477
<b>Total</b>	10,861			



- **PENSIONERS SEEKING A \$4,200 PER PERSON HWT SETTLEMENT FOR FUTURE LIFE INSURANCE PREMIUMS TO BENEFIT THEIR CHILDREN OR OTHER NAMED BENEFICIARIES AFTER THEIR DEATH.**
- **THE DISABLED ARE PUSHED ONTO THE STREET BY DECEMBER 31, 2010.**
- **ROCHON'S TEAM IS STANDING UP FOR THE SERIOUSLY INJURED AND SICK, WHO WERE TOLD THAT NORTEL WAS PLAYING THE ROLE OF AN INSURANCE COMPANY.**



## Nortel Health and Welfare Trust Assets With Loan Written Off Relative to LTD-SIB-STB Self-Insurance Actuarial Liabilities



\$ Millions	HWT Total	Court Monitor - Scenario 2		
		LTD	Survivors	Pensioners
HWT Assets Less 2010 Pensioners Life Insurance Premiums	\$72.2	\$29.2	\$7.0	\$36.0
Pensioners Group Life Insurance Premiums Paid Out of HWT for 2010	\$7.8	\$0.0	\$0.0	\$7.8
HWT Assets for Distribution	\$80.0	\$29.2	\$7.0	\$43.8
<b>Scenario One for Restoring Misappropriated Assets</b>				
Employer Contributions Withdrawn for Medical and Life Insurance 2005 & 2006 (Includes \$11.0 M for Actives Medical Claims and Life Insurance Premiums)	\$32.1	\$5.0	\$0.0	\$16.0
Pensioners Group Life Insurance Premiums Paid Out of HWT for 2005 to 2009 (Misappropriated Because of Loan Impairment and HWT in Deficit )	\$16.7	\$0.0	\$0.0	\$16.7
HWT Assets With Misappropriated Assets Restored Less \$7.8 M for PLIP in 2010	\$128.8	\$34.2	\$7.0	\$76.5
		29%	6%	65%
LTD and Survivors Income HWT Legal Obligation (Inc. \$7.8 M for PLIP in 2010)	\$131.2			

	Retiree Life	LTD
Balance at September 30, 2004	61,079	74,524
Contributions	-	(18,098)
Benefit payments	7,374	11,846
Investment income	3,133	3,822
Unrealized gains/(losses)	4,662	(2,302)
Balance at September 30, 2005	61,500	46,100

06 February 2006

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

Nortel Networks Corporation

**MERCER**  
Human Resource Consulting



# 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	\$ 2,700
Net Contributions	(\$18,100)

**NEWS**

The following table presents a reconciliation of Trust assets by benefit.<sup>19</sup>

	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

<sup>19</sup> Figures are in thousands of Canadian dollars.


UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K/A  
Amendment No. 1

- ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2005

**DISABLED NOT TOLD THEIR  
TRUST ACCOUNT WAS  
BEING DRAINED**



*Health and Welfare Trust*

In prior periods, we had incorrectly netted employee benefit plan assets against the post-employment and post-retirement liabilities and incorrectly recognized gains and losses through the consolidated statement of operations related to certain assets held in an employee benefit trust in Canada, or Health and Welfare Trust. Historically, we had accounted for the assets of the Health and Welfare Trust in accordance with SFAS No. 106 "Employers' Accounting for Post Retirement Benefit Plans" ("SFAS 106") and SFAS No. 112, "Employers' Accounting for Post-Employment Benefit Plans" ("SFAS 112") which, among other things, permitted the netting of these plan assets against the post-employment and post-retirement liabilities if the assets are appropriately segregated and restricted. Upon further review, we determined that these assets should not have been netted against the liabilities because the Health and Welfare Trust was not legally structured so as to segregate and restrict its assets to meet the definition of plan assets under SFAS 106 and SFAS 112.

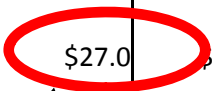
As a result, we corrected prior periods to present plan assets and liabilities on a gross basis, and to recognize gains and losses in OCI.

We further determined that Nortel was the primary beneficiary of the Health and Welfare Trust, which met the definition of a variable interest entity under FIN 46R "Consolidation of Variable Interest Entities". As a result, we corrected prior periods to consolidate the Health and Welfare Trust into our results as of July 1, 2003, the effective date of FIN 46R. The combined impact of these adjustments in the Third Restatement was an increase in cost of revenues of \$2 and \$10, an increase in selling, general and administrative expense of \$3 and \$12, an increase in R&D expense of \$4 and \$6 and an increase in other income of \$8 and \$9 for the years ended December 31, 2004 and 2003, respectively. As of December 31, 2004, total assets increased by \$138 and liabilities increased by \$144, including the related foreign exchange impact, as a result of these adjustments.

Impact of Misappropriated Assets from the HWT \$ Millions	HWT Total	Scenario 2 - Monitor			Scenario 3 - RG		
		LTD	Survivors	Pensioners	LTD	Survivors	Pensioners
HWT Assets in Scenario 2 Less 2010 Pensioners Life Insurance Premiums	\$72.2	\$29.2	\$7.0	\$36.0	\$57.6	\$14.6	\$0.0
Pensioners Group Life Insurance Premiums Paid Out of HWT for 2010	\$7.8	\$0.0	\$0.0	\$7.8	\$0.0	\$0.0	\$7.8
HWT Assets for Distribution	\$80.0	\$29.2	\$7.0	\$43.8	\$57.6	\$14.6	\$7.8
<b>Scenario Two for Restoring Misappropriated Assets</b>		<b>FOR FUTURE SETTLEMENT</b>					
Employer Contributions Withdrawn for Medical and Life Insurance 2005 & 2006 (Includes \$11.0 M for Actives Medical Claims and Life Insurance Premiums)	\$32.1	\$5.0	\$0.0	\$16.0	\$31.8	\$5.3	\$16.0
Loan to Nortel Written Off	\$27.0	\$0.0	\$0.0	\$0.0	\$22.5	\$4.4	\$0.0
Less Surplus (Pensioners Group Life Insurance Premiums Not Misappropriated If Loan Paid)	-\$7.9	\$0.0	\$0.0	\$16.7	-\$3.8	-\$4.0	\$16.7
HWT Assets With Misappropriated Assets Restored Less \$7.8 M for PLIP in 2010	\$131.2	\$34.2	\$7.0	\$76.5	\$108.1	\$20.3	\$40.5
		29%	6%	65%	64%	12%	24%
LTD and Survivors Income HWT Legal Obligation (Inc. \$7.8 M for PLIP in 2010)	\$131.2				\$103.1	\$20.3	\$7.8

**IN THIS COURT HEARING**

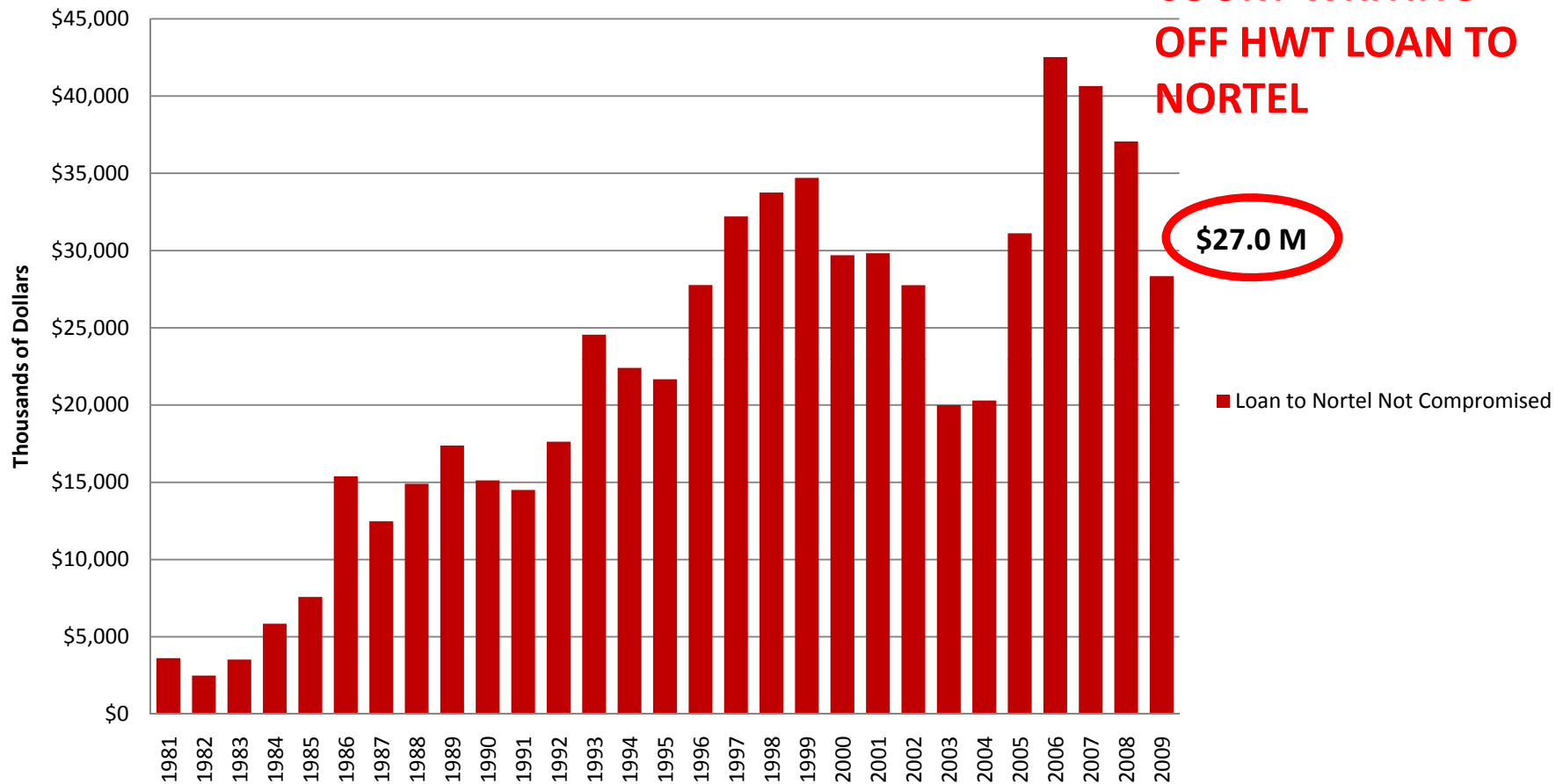
**FOR FUTURE SETTLEMENT**



- **IF THE \$27 M LOAN IS PAID BACK, THE PENSIONERS LIFE INSURANCE PREMIUMS DURING 2005 TO 2009 WOULD NOT BE A MISAPPROPRIATION OF THE TRUST FUND FOR THE DISABLED AND SURVIVORS, BECAUSE THE FUND WOULD NOT HAVE BEEN IN DEFICIT WITH THE LOAN PAID.**
- **MONEY PUT INTO THE TRUST MORE THAN TWO DECADES AGO FOR FUTURE PENSIONERS LIFE INSURANCE PREMIUMS DOES NOT MAKE PENSIONERS TRUST BENEFICIARIES TODAY.**

## Nortel Health and Welfare Trust Writing Off the HWT Loan to Nortel

**BANKRUPTCY  
COURT WRITING  
OFF HWT LOAN TO  
NORTEL**



- **CORPORATIONS IN THE BACKROOM CAN BORROW \$27 M FROM A TRUST FUND FOR DISABLED AND SURVIVORS AND NOT PAY IT BACK.**
- **NORTEL LOAN FROM HWT ACKNOWLEDGES IT KNEW ITS OBLIGATION TO PAY EMPLOYER CONTRIBUTIONS INTO THE TRUST FUND FOR THE DISABLED.**

SETTLEMENTS INSIDE AND OUTSIDE OF THE COURT	HWT Total	Court Monitor - Scenario 2			Rochon Genova Scenario 3		
		LTD	Survivors	Pensioners	LTD	Survivors	Pensioners
\$ Millions							
HWT Assets in Scenario 2 Less 2010 Pensioners Life Insurance Premiums	\$72.2	\$29.2	\$7.0	<b>\$36.0</b>	\$57.6	\$14.6	\$0.0
				<b>IN THIS COURT HEARING</b>			
Pensioners Group Life Insurance Premiums Paid Out of HWT for 2010	\$7.8	\$0.0	\$0.0	\$7.8	\$0.0	\$0.0	\$7.8
HWT Assets for Distribution	\$80.0	\$29.2	\$7.0	\$43.8	\$57.6	\$14.6	\$7.8
<b>Scenario One for Restoring Misappropriated Assets</b>							
Employer Contributions Withdrawn for Medical and Life Insurance 2005 & 2006 (Includes \$11.0 M for Actives Medical Claims and Life Insurance Premiums)	\$32.1	<b>\$5.0</b>	\$0.0	<b>\$16.0</b>	\$33.7	\$3.5	\$16.0
				<b>FOR FUTURE SETTLEMENT</b>			
Pensioners Group Life Insurance Premiums Paid Out of HWT for 2005 to 2009 (Misappropriated If Loan Written Off and HWT Deficit )	\$16.7	\$0.0	\$0.0	<b>\$16.7</b>	\$14.9	\$1.8	\$16.7
HWT Assets With Misappropriated Assets Restored Less \$7.8 M for PLIP in 2010	\$128.8	\$34.2	\$7.0	\$76.5	\$106.2	\$19.9	\$40.5
		29%	6%	65%	64%	12%	24%

- **HAD HWT ASSETS NOT BEEN MISAPPROPRIATED DURING 2005 TO 2009, THE DISABLED AND SURVIVORS WOULD NOT BE PUT INTO POVERTY NOW**
- **PUT THE MISAPPROPRIATED ASSETS BACK INTO THE TRUST FOR THE DISABLED AND SURVIVORS. THIS MONEY DOES NOT BELONG TO THE CREDITORS.**

Comparison of Different Employee Groups Where Working Income Pre Disability or Retirement Was \$50,000	Long Term Disabled Employee	
	Employer Paid to 50%	Employee Paid Optional Added to 70%
Working Income Before	\$50,000	\$50,000
% Benefit Relative to Working Income	50%	70%
Health & Welfare Trust / Pension Fund Funding % on Income	26%	26%
Medical and Dental Benefits Funding %	5%	5%
Income and Medical and Dental Funding %	20%	22%
Bankruptcy Cash Settlement Ratio %	15%	15%
H & WT / Pension Fund and Bankruptcy Cash Settlement %	32%	34%
Income All Sources and M & D Benefits Before	\$29,500	\$39,500
Medical and Dental Costs Before	\$4,500	\$4,500
Effective Income Net of Medical and Dental Costs Before	\$25,000	\$35,000
Medical and Dental Benefits Nortel Before	\$4,500	\$4,500
Income All Sources Before	\$25,000	\$35,000
Guaranteed Income Supplement	\$0	\$0
Old Age Security	\$0	\$0
CPP First Payer	\$13,521	\$13,521
Income Nortel Before	\$11,479	\$21,479
Income All Sources and M & D Benefits After	\$18,646	\$22,356
Medical and Dental Costs After	\$4,500	\$4,500
Effective Income Net of Medical and Dental Costs After	\$14,146	\$17,856
Medical and Dental Benefits Nortel After	\$866	\$866
Income All Sources After	\$17,780	\$21,490
Guaranteed Income Supplement	\$0	\$0
Old Age Security	\$0	\$0
CPP First Payer	\$13,521	\$13,521
Income Nortel After	\$4,259	\$7,969
% Reduction Nortel Income and M & D Benefits	-68%	-66%
% Reduction Effective Income Net of M & D Costs	-43%	-49%

\* Assign Proposed Retiree & LTD Life HWT Settlement to Medical and Dental Benefits Funding

- **LONG TERM DISABLED BEING PUSHED INTO POVERTY, WHILE THE PROFESSIONAL PACK IGNORES CANADIAN LAWS TO PROTECT THE MONEY IN TRUST ACCOUNTS FOR THE DISABLED**

## WHO IS IN THE PROFESSIONAL PACK TROUNCING THE DISABLED?

Professional Organizations in CCAA Proceedings	Head Person	Second Person	Other
Nortel Directors	David Richardson	John MacNaughton	Jalynn Bennet
Nortel Management	John Doolittle	Gordon Davies	George Riedel
Oslers LLP – Directors	Lyndon Barnes	Rupert Chartrand	Edward Sellers
Ogilvie Renault LLP – Nortel Canada	Derrick Tay	Mario Forte	Jennifer Stam
Fraser Milner Casgrain LLP – Unsecured Creditor Committee	Alex Macfarlane	Shayne Kukulowicz	Michael Wunder
Bennett Jones LLP - Ad Hoc Bond Holders Group	Richard Swan	Kevin Zych	Richard Orzy
Ernst & Young Court Monitor	Murray MacDonald	Brent Beekenkamp	
Goodmans LLP – Court Monitor	Jay Carfagnini	Gail Rubenstein	Joseph Pasquariello
Koskie Minsky LLP – Pensioners, Severed and LTD	Mark Zigler	Susan Philpott	Andrea McKinnon
Segal Actuaries	Ron Olsen	Tom Levy	
RSM Richter	Gus Tertigas		
Sacks Goldblatt Mitchell LLP - LTD Employees	Fiona Campbell	Peter Englemann	
Lerners LLP- Pensioners and Severed	William Peppal		
CAW Canada	Barry Wadsworth	Lewis Gottheil	Ken Lewensa
Shibley Righton LLP – Recently Severed Employees	Arthur Jacques	Tom McRae	
Federal Superintendent of Bankruptcy	James Caron	Jack Steinman	
Cleary Gottlieb Steen & Hamilton - Nortel US	James Bromley		
Akin Gump Strauss Hauer & Feld LLP - Unsecured Creditor Committee	Fred Hodara	David Botter	
Milbank, Tweed, Hadley McCloy LLP - Ad Hoc Bond Holders Group	Dennis Dunne	Andrew Leblanc	Albert Pisa
Herbert Smith LLP - Nortel UK	Stephen Gale		

**WHAT BOND MANAGERS AND MAJOR CREDITORS ARE IN THE PROFESSIONAL PACK  
TRUNCING THE DISABLED?**

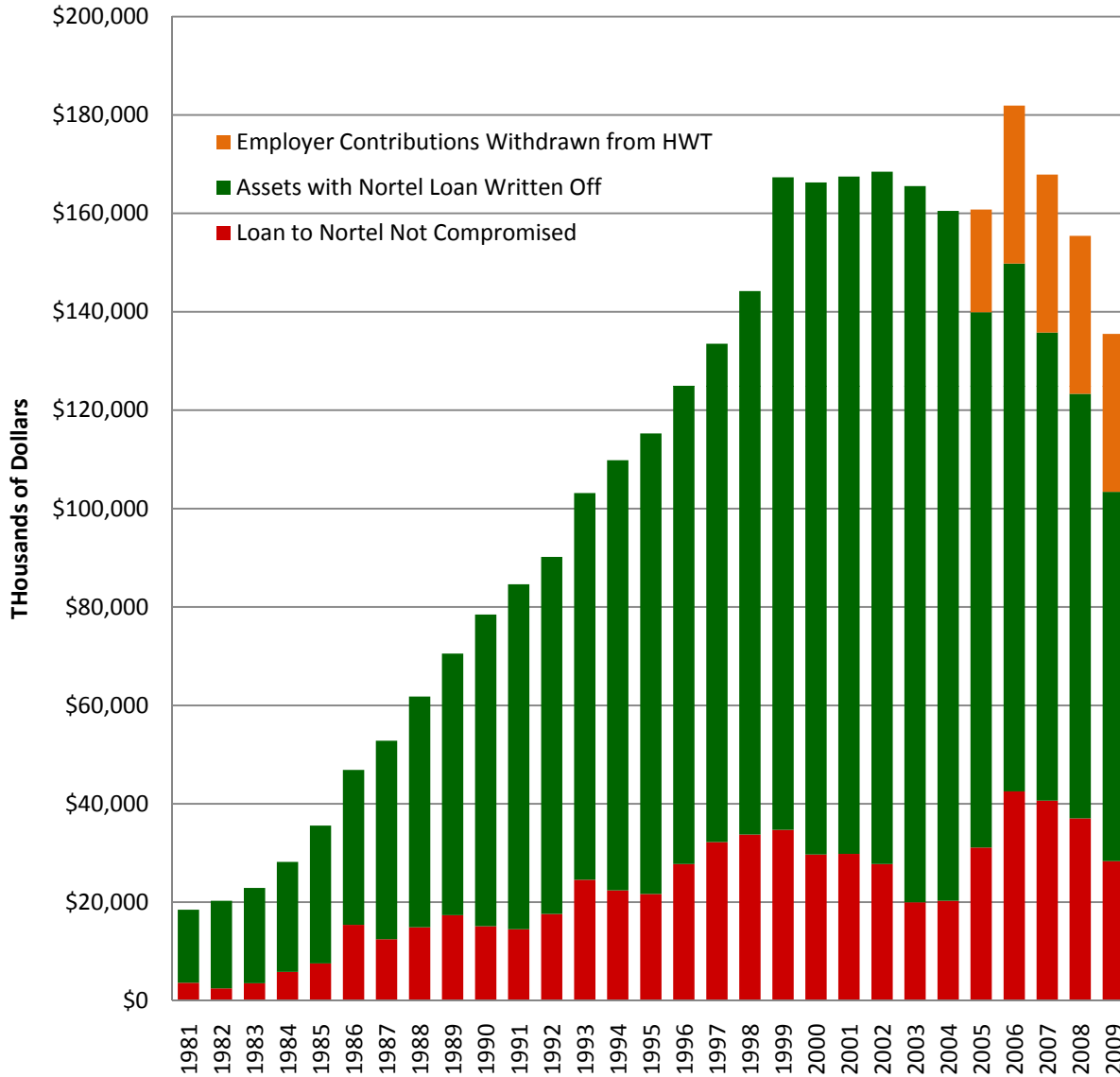
Major Creditors	Head Person	Second Person
PIMCO LLC	Bill Gross	Mohamed El-Erian
Sankaty Advisors LLC	Johnathan Lavine	Jeffrey Hawkins
Fidelity Management & Research Co.	Edward Johnson	Ronald O'Hanley
Loomis Sayles & Company LP	Robert Blanding	
Mackay Shields LLC	Lucille Protas	
Matlin Patterson Global Advisors	David Matlin	
US Pension Benefit Guaranty Corporation		



**ARE THE REPRESENTATIVE LEGAL STEERING COMMITTEES PAWNS FOR THE LAW FIRMS  
OR  
ARE THEY IN THE PROFESSIONAL PACK TROUNCING THE DISABLED TOO?**

Other Organizations in CCAA Proceedings	Head Person	Second Person	Other
Canadian Nortel Employees on Long Term Disability	Sue Kennedy		
Nortel Retirees and Former Employees Corporation	David Archibald	Don Sproule	Michael Campbell

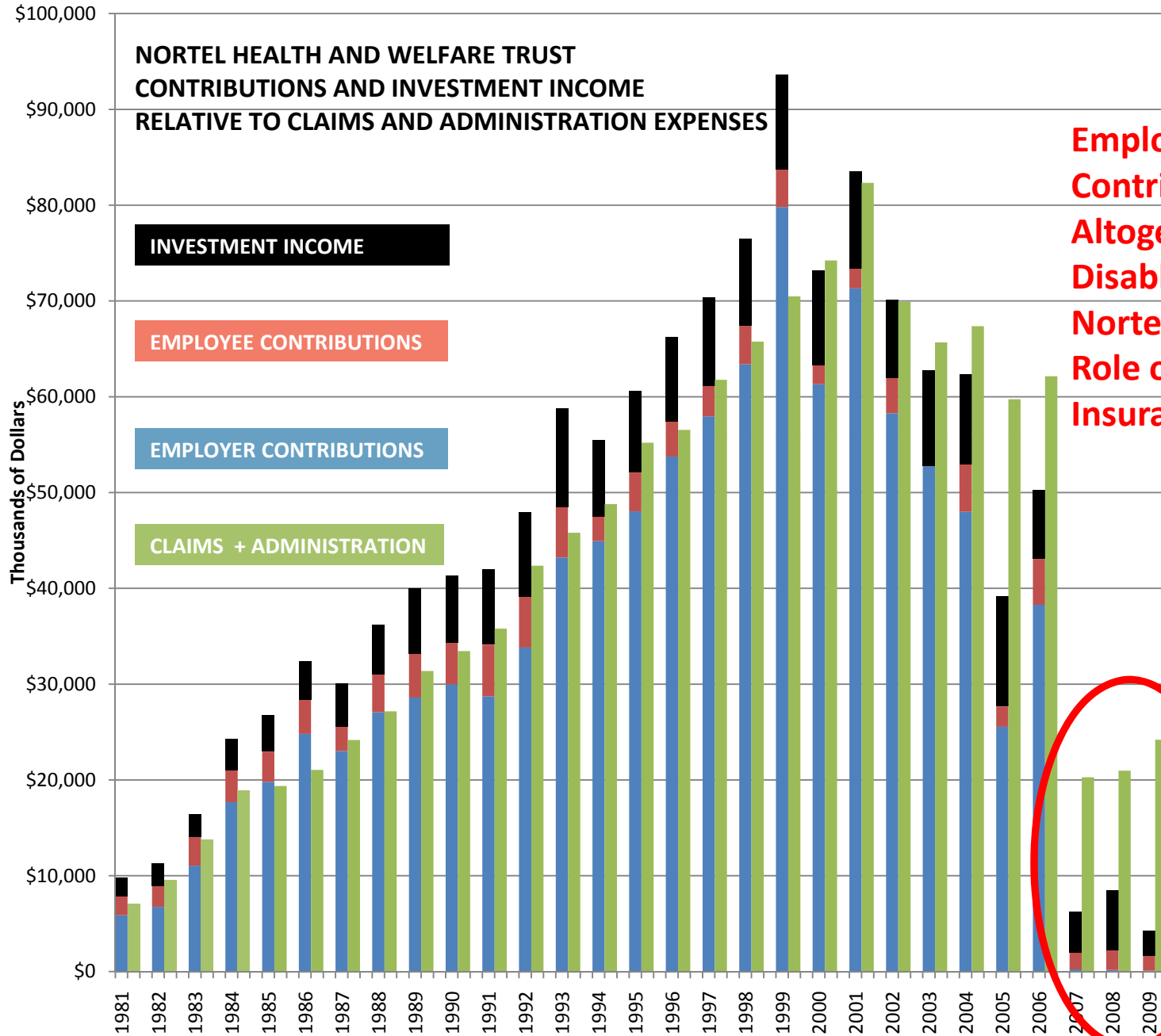
## Nortel Health and Welfare Trust Assets and Loan to Nortel



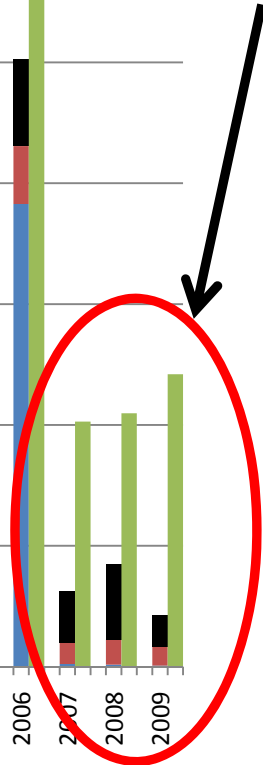
### TRUST ACCOUNT DRAINED IN MANY WAYS

- **EMPLOYER CONTRIBUTIONS WITHDRAWN**
- **LOANS TO NORTEL REPORTED AS EMPLOYER CONTRIBUTIONS**
- **EMPLOYER CASH CONTRIBUTIONS STOPPED**
- **EMPLOYEE CONTRIBUTIONS USED TO FUND CORE EMPLOYER PAY BENEFITS**

**NORTEL HEALTH AND WELFARE TRUST  
CONTRIBUTIONS AND INVESTMENT INCOME  
RELATIVE TO CLAIMS AND ADMINISTRATION EXPENSES**



**Employer  
Contributions Stop  
Altogether But  
Disabled Told  
Nortel Is Playing the  
Role of an  
Insurance Company**



## 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 \$ Thousands	2005 (1)	2006 (1) & (2)	2007 (2)	2008	2009
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

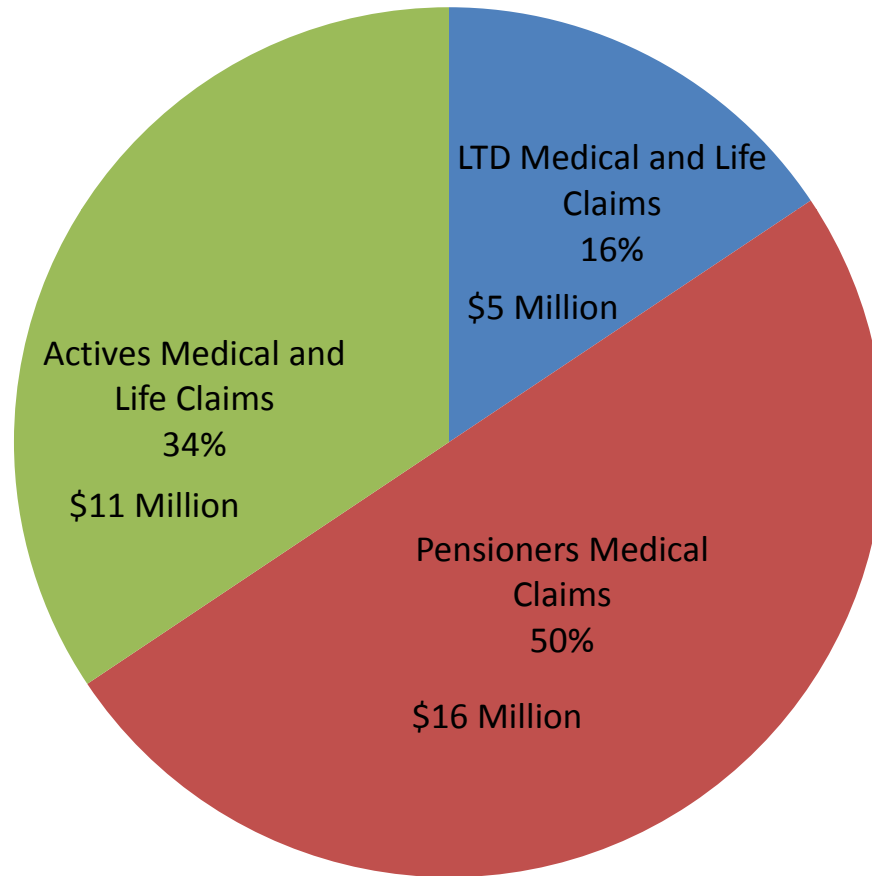
NOTES:

(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
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**Nortel Health and Welfare Trust  
2005 and 2006 Employer Contributions Withdrawal  
for Medical and Life Claims  
Normally Funded By Nortel on a Flow Through Basis**



**NORTEL NETWORKS  
HEALTH AND WELFARE TRUST FUND  
Notes to the Financial Statements**

December 31, 2007

(all amounts in thousands of dollars)

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**4. COMPARATIVE AMOUNTS**

In addition, the comparative figures in the statement of changes in net assets has been changed to exclude from sponsor company contributions and from benefits paid the amount relating to medical, dental and company paid group life, as these are not benefits for which the Fund has assets. In 2007, the Fund changed its policy to billing the sponsor company directly for the benefits paid on its behalf rather than recording benefits paid and a matching contribution. Accordingly 2006 contributions and benefits paid were reduced by \$38,128.

- **NORTEL CHANGES HWT ACCOUNTING FOR 2007 INCLUDING RESTATEMENT OF 2006 MEDICAL, DENTAL AND GROUP LIFE INSURANCE BILLS PAID DIRECTLY BY NORTEL AND NO LONGER FLOWED THROUGH THE HWT**
- **PENSIONER LIFE INSURANCE PREMIUMS AN EXCEPTION - PAID FROM THE HWT DRAINING MORE OF THE TRUST ACCOUNT ASSETS NEEDED TO PAY THE INCOME OF THE DISABLED AND SURVIVORS**

## Nortel Health and Welfare Trust Invested Conservatively But for the Loan to Nortel

