

This is Exhibit F referred to in the
Affidavit of Arlene Borenstein (Plante) ,
sworn before me this 10th day of August,
2010.



A Commissioner for Taking Affidavits, etc.

DEANNE E. FOWLER
BARRISTER AND SOLICITOR

Court File No. 09-CL-7950

**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**

**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AFFIDAVIT OF JOHN DOOLITTLE
(sworn January 14, 2009)**

I, John Doolittle, of the City of Oakville, in the Province of Ontario, MAKE OATH AND SAY:

1. I am the Treasurer of Nortel Networks Corporation ("NNC") and Nortel Networks Limited ("NNL") and have held those positions since June 23, 2008. From October 14, 2002 to June 12, 2006, I was the Vice-President, Tax for NNL and NNC. As such, I have personal knowledge of the matters to which I hereinafter depose in this Affidavit. Where I do not possess personal knowledge, I have stated the source of my information and, in all such cases, believe it to be true.
2. NNC is a Canadian corporation and is the direct or indirect parent of 143 subsidiaries including the other Applicants, NNL, Nortel Networks International Corporation ("NNIC"), Nortel Networks Global Corporation ("NNGC") and Nortel Networks Technology Corporation ("NNTC"). NNC, NNL, NNIC, NNGC and NNTC are referred to herein as the "Applicants". In addition, NNC is a party to eight (8) joint ventures operating worldwide. References to "Nortel" or the "Nortel Companies" are references to the global enterprise as a whole. References to a "Nortel Company" are references to a

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alignment of individual quota targets determined on an annual basis in the ordinary course of business.

37. The success of Nortel is directly dependent on the highly skilled and educated people who work for it, developing products and selling innovative ideas. Nortel's employees are a key component to achieving success through a restructuring process. As such, the Applicants intend to develop and seek Court approval of certain incentive programs appropriate for maintaining this valuable asset of the enterprise.

Pension and Benefit Plans

38. The Nortel Companies' employee benefits plans for eligible employees and retirees include health and dental benefits, life insurance and disability benefits, defined benefit and other retirement savings, and other ancillary benefits. The benefit plans differ by country in line with local market practices and legal requirements. These plans are sponsored on a regional basis by specific operating subsidiaries in the particular region.
39. The Applicants' primary current retirement program in Canada is its 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 Nortel employees and retirees participate in some combination of the various vehicles and plans that exist under CARP.
40. The Applicants also administer two defined benefit registered pension plans in Canada, namely the Nortel Networks Limited Managerial and Non-Negotiated Pension Plan and the Nortel Networks Negotiated Pension Plan (the "Cdn DB Plans") by way of which they provide pension benefits to more than 11,000 current pensioners. A small number of Canadian unionized employees and certain grandfathered non-union employees continue to accrue service under each of the plans.
41. The non-pension CARP benefits are administered by Sun Life Assurance Company of Canada through the Northern Telecom Health & Welfare Trust (the "HWT"). The HWT was originally settled in 1980 with the Montreal Trust Company. The HWT is used to

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fund certain long term disability, life and other insurance and medical benefits for current and former employees.

42. Upon filing, it is anticipated that the Applicants will:

- (a) continue to make current service payments to the Cdn DB Plans; and
- (b) continue to make their current service payments under the other retirement savings programs included in CARP for active employees.

43. It is anticipated that benefits will continue to be provided for active employees going forward.

c. Boards of Directors

44. Each of the Boards of Directors of NNC and NNL is comprised of the same 10 directors and has the same non-executive chair. Meetings of the Boards of Directors of NNC and NNL are generally held together as joint meetings with limited exceptions. The following individuals sit on the Boards of Directors of NNC and NNL: Jalynn H. Bennett; Dr. Manfred Bischoff; The Honorable James Baxter Hunt, Jr.; Dr. Kristina M. Johnson; John A. MacNaughton; The Honourable John P. Manley; Richard D. McCormick; Claude Mongeau; Harry J. Pearce (Chair); and Mike S. Zafirovski. Mr. Zafirovski is also the President and Chief Executive Officer of NNC and NNL.

45. The Boards of Directors of the other Applicants are run separately from the Boards of Directors of NNL and NNC. The Boards of Directors of each of NNTC, NNGC and NNIC consist of Gordon Davies, Paul W. Karr and Paviter Binning, all of whom are members of management of NNC and NNL.

46. The members of all of the Applicants' Boards of Directors are collectively referred to as the "Directors".



- (d) NN France acts as the purchaser for Global System for Mobile Communication products (CN) worldwide.

V. CASH MANAGEMENT AND INTER-COMPANY PAYMENTS

- 89. As a result of the interconnectivity of the Nortel Companies, Nortel employs a complex arrangement to deal with cash management and inter-company payments and the allocation of revenues, and costs among the Nortel Companies.

Account Structure

- 90. In Canada, the Applicants have a total of 39 Canadian dollar ("CAD") and U.S. dollar ("USD") bank accounts with Citibank and Royal Bank of Canada ("RBC"), which are maintained on an entity by entity basis. These accounts are subdivided into the following four account categories:

- (a) *Treasury* -- Each of NNC, NNL and NNTC maintains USD and CAD treasury accounts. Funds are transferred to the treasury accounts from their receipt accounts. Funds in the treasury account are then used to make inter-company payments, foreign exchange transactions, and certain specific payments such as pension funding.
- (b) *Receipts* - NNL maintains dedicated bank accounts used exclusively for accounts receivable collections. Funds are then periodically transferred from the receipt accounts to NNL's treasury account.
- (c) *Disbursements* - Dedicated bank accounts maintained for cash disbursements can generally be broken down into the following categories:
 - (i) *Trade Disbursements* - Trade disbursements are generally paid via electronic fund transfers on the 1st and 15th days of every month (excepting Flextronics, which as described earlier is paid every Wednesday).

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- (ii) *Payroll* - Canadian payroll accounts are all with RBC. Funds are physically transferred into these accounts from the treasury accounts to the payroll accounts.
- (iii) *Benefit Trusts* - As discussed above, employee benefits are funded into accounts administered by a third party and are trust accounts. The Applicants do not have any access to funds that are transferred into these accounts.
- (d) *Other* - The Applicants also maintain a number of "specific purpose" accounts that are accessible to them for financing and tax matters.

Transfer Pricing

91. As described above, the Nortel business is highly integrated with several key Nortel Companies acting as purchasing hubs for Nortel Companies around the world. This results in high levels of inter-company receivables and payables, which necessitate the complex transfer pricing and inter-company settling methods employed by Nortel.
92. Nortel's transfer pricing model (the "Transfer Pricing Model") in most instances can be broken down into two main components:
 - (a) *Inventory mark up* - when a TCC purchases inventory on behalf of a distributor Nortel Company, it invoices (the "Internal Invoice") that Nortel Company for the product with a mark up (the "Initial Mark Up") on cost from the supplier invoice. The mark up is the first component of Nortel's Transfer Pricing Model;
 - (b) *Residual Profit Sharing* - the second component of the Transfer Pricing Model is derived from Nortel's profit sharing adjustment model which is premised on the profit projections that Nortel forecasts for its global entities and its designated residual profit sharing entities - NNL, NNI, NN UK, NN France and Nortel Networks (Ireland) Limited (collectively the "RPS Entities"). On a quarterly, potentially moving to monthly, basis, operating profit is assessed and re-allocated based on the projections for these Nortel Companies. To the extent that any Nortel Company has enjoyed a profit that exceeds its profit entitlement (after

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PROCEEDING COMMENCED AT
TORONTO

MOTION RECORD
(The Opposing LTD Beneficiaries' Motion For
Representation)
VOLUME I

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