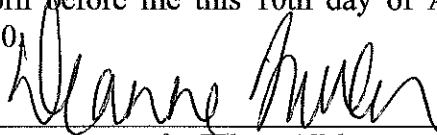


This is Exhibit W referred to in the
Affidavit of Arlene Borenstein (Plante) ,
sworn before me this 10th day of August,
2010.



A Commissioner for Taking Affidavits, etc.

DEANNE E. FOWLER
BARRISTER AND SOLICITOR

17 February 2009

Nortel Networks Corporation

Report on Non-Pension Post Retirement
Benefit Cost and Disclosure for the
Fiscal Year Ending December 31, 2008
Under CICA Section 3461 and
FAS 106/132(R)/158

MERCER



MARSH MERCER KROLL
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Consulting, Outsourcing, Investments.

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Report Highlights

This report has been prepared by Mercer (Canada) Limited at the request of Nortel Networks Corporation ("Nortel"). This report provides information relating to Nortel's Canadian Non-Pension Post Retirement Benefit Plan ("the Plan") intended for use in accounting for the costs of the Plan and preparing Nortel's financial statements under Canadian and US GAAP. The information presented in this report has been prepared in accordance with Section 3461 of the CICA Handbook ("CICA 3461") and Statement of Financial Accounting Standards No. 106 (FAS 106) as modified by the Statement of Financial Accounting Standards No. 132(R) (FAS 132) and the Statement of Financial Accounting Standards No. 158 (FAS 158) of the U.S. Financial Accounting Standard Board (FASB) (collectively referred to as "FAS 106").

The Non-Pension Post Retirement Benefit Plan is a defined benefit plan funded on a cash basis by contributions from Nortel.

We have used CICA 3461 terminology in this report where it differs from FAS 106 terminology. A glossary of the differences between FAS and CICA terminology is included at the end of this report.

Results are presented separately for Nortel Technology and Nortel Networks for the purposes of allocating the non-pension post retirement benefit cost between those entities. These results are intended for internal purposes only.

Nortel's fiscal year-end date is December 31 and the measurement date for the plan obligations as described in this report is December 31. Nortel changed its measurement date from September 30 to December 31 on September 30, 2007. This change required a one-time adjustment of \$6,475,000 to retained earnings to reflect the cost for the three-month gap period from September 30 to December 31, 2007.

All results presented in this report are in Canadian dollars.

Fiscal Year Ending December 31, 2008

The benefit cost (also referred to as expense in this report) for the fiscal year ending December 31, 2008 is a charge of \$32,369,000 (including a one-time adjustment of \$6,475,000 to retained earnings).

The Accrued Benefit Obligation ("ABO") as at December 31, 2008 is \$352,425,000. The corresponding Accrued Benefit Liability is \$352,425,000 for the purposes of FAS 106 and \$504,167,000 for the purposes of CICA 3461.

The employer contributions and employer-paid benefit payments during the fiscal year ending December 31, 2008 were \$24,817,000. Expected employer contributions for the fiscal year ending December 31, 2009 are \$26,578,000.

Other comprehensive income (OCI) for the fiscal year ending December 31, 2008 was a charge of \$149,534,000.

It should be noted that future health care cost trends are especially difficult to predict, and actual experience is likely to differ from expected. The use of a health care cost trend of 1% per year above the assumptions used in this valuation for the fiscal year ending December 31, 2008 would result in an increase to the total ABO of approximately 6%.

Fiscal Year Ending December 31, 2009

The projected benefit cost calculated for the fiscal year ending December 31, 2009, using a discount rate of 7.37% per annum is a charge of \$9,080,000.

The actual benefit cost may differ from the above mentioned projection in order to reflect any benefit plan changes or significant events taking place during the coming fiscal year.

Changes in Plan Provisions

There were no changes in plan provisions since the last disclosure as of December 31, 2007.

Changes in Actuarial Assumptions

There have been changes in actuarial assumptions since the last disclosure as of December 31, 2007. Please refer to the Summary of Actuarial Assumptions in Appendix C of this report for a description of these changes.

Changes in Actuarial Methods

There were no changes in actuarial methods since the last disclosure as of December 31, 2007.

Special Events Accounting Treatment

Restructuring and workforce reduction activities in 2008 were not material enough to warrant curtailment treatment.

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Principal Expense and Disclosure Information

A summary of principal expense and disclosure information, as required for disclosure purposes pursuant to CICA 3461 and FAS 106, for the current and prior fiscal years in respect of the combined Plans follows:

(All amounts in \$000's)

Medical Plan

Components of Benefit Cost under CICA 3461	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Current service cost	\$1,157	\$1,239
Interest cost	20,394	19,644
Actual return on plan assets	0	0
Actuarial loss (gain)	(131,447)	(20,862)
Plan amendments	0	0
Curtailment loss (gain)	0	0
Costs arising in the period	(\$109,896)	\$21
Differences between costs arising in the period and costs recognized in the period in respect of:		
▪ Return on plan assets	\$0	\$0
▪ Actuarial loss (gain)	131,447	20,862
▪ Plan amendments	(2,201)	(2,201)
▪ Transitional obligation (asset)	0	0
Benefit cost recognized	\$19,350	\$18,682

(All amounts in \$000's)

Components of Net Periodic Postretirement Benefit Cost (NPPBC) under FAS 106	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Service cost	\$1,157	\$1,239
Interest cost	20,394	19,644
Expected return on plan assets	0	0
Amortizations		
▪ Transition (asset) obligation	0	0
▪ Prior service (credit) cost	(2,201)	(2,201)
▪ Actuarial (gain) loss	0	0
Sub-total NPPBC	\$19,350	\$18,682
Curtailment (gain) loss	0	0
Settlement (gain) loss	0	0
Special termination benefits	0	0
Total NPPBC	\$19,350	\$18,682

**Estimated Amounts That Will Be Amortized
From Accumulated Other Comprehensive Income
(AOCI) into NPPBC in the Next Fiscal Year under FAS
106**

	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Transition obligation (asset)	\$0	\$0
Prior service costs (credit)	(2,201)	(2,201)
Actuarial loss (gain)	(12,626)	0
Total	(\$14,827)	(\$2,201)

Change in Accrued Benefit Obligation (ABO)	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
ABO at end of prior year	\$373,941	\$391,673
Adjustment for change in measurement date	1,399	N/A
Current service cost	1,157	1,239
Interest cost	20,394	19,644
Employees' contributions	0	0
Plan amendments	0	0
Benefits paid	(18,859)	(17,753)
Actuarial loss (gain)	(131,447)	(20,862)
ABO at end of year	\$246,585	\$373,941

(All amounts in \$000's)

Change in Plan Assets	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Fair value of plan assets at end of prior year	\$0	\$0
Actual return on plan assets	0	0
Employer contributions	18,859	17,753
Employees' contributions	0	0
Benefits paid	(18,859)	(17,753)
Fair value of plan assets at end of year	\$0	\$0

Reconciliation of Funded Status to Accrued Benefit Asset (Liability) under CICA 3461	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Funded status at end of year	(\$246,585)	(\$373,941)
Employer contributions during period from measurement date to fiscal year end	0	3,990
Unamortized transitional obligation (asset)	0	0
Unamortized past service costs	(22,608)	(25,359)
Unamortized net actuarial loss (gain)	(100,415)	17,944
Accrued benefit asset (liability)	(\$369,608)	(\$377,366)

Reconciliation of Funded Status under FAS 158	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
ABPO at end of year	\$246,585	\$373,941
Fair value of plan assets at end of year	0	0
Employer contributions between measurement date and fiscal year end	N/A	3,990
Net asset (liability) amount recognized in statement of financial position – Surplus (Deficit) at end of year	(\$246,585)	(\$373,941)

Amounts Recognized in Statement of Financial Position Pursuant to FAS 106/158 Consist of	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Current (liabilities)	(\$18,860)	(\$21,849)
Non-current (liabilities)	(227,725)	(348,102)
Net asset (liability) amount recognized in statement of financial position	(\$246,585)	(\$369,951)

(All amounts in \$000's)

Amounts Not Yet Reflected in NPPBC and are included in AOCI under FAS 106/158 (Before Tax)	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Transition asset (obligation)	\$0	\$0
Prior service credit (cost)	22,608	25,359
Actuarial gain (loss)	100,415	(17,944)
AOCI	\$123,023	\$7,415
Cumulative employer contributions in excess of NPPBC	(369,608)	(377,366)
Net amount recognized in statement of financial position	(\$246,585)	(\$369,951)

Reconciliation of AOCI under FAS 106/158	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
AOCI at the end of the prior year	\$7,415	(\$11,246)
Adjustment for change in measurement date	(550)	N/A
Adjustment for STB benefit payments	(13,088)	N/A
Other comprehensive income (loss)	129,246	18,661
AOCI at the end of the year	\$123,023	\$7,415

Changes Recognized in Other Comprehensive Income (Loss) during the period under FAS 106/158	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Transition (asset) obligation arising during the period	\$0	\$0
Prior service (credit) cost arising during the period	0	0
Net actuarial (gain) loss arising during the period	(131,447)	(20,862)
Non-routine events (i.e. curtailment, settlements)	0	0
Amortization of transitional asset (obligation)	0	0
Amortization of prior service credit (cost)	2,201	2,201
Amortization of actuarial gain (loss)	0	0
Total changes recognized in other comprehensive (income) loss	(\$129,246)	(\$18,661)

Additional Information for Plans with APBO in Excess of Plan Assets	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
APBO	\$246,585	\$373,941
Fair value of plan assets	\$0	\$0

(All amounts in \$000's)

Life Plan

Components of Benefit Cost under CICA 3461	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Current service cost	\$362	\$422
Interest cost	6,789	6,670
Actual return on plan assets	0	0
Actuarial loss (gain)	(20,895)	(12,758)
Plan amendments	0	0
Curtailment loss (gain)	0	0
Costs arising in the period	(\$13,744)	(\$5,666)
Differences between costs arising in the period and costs recognized in the period in respect of:		
▪ Return on plan assets	0	0
▪ Actuarial loss (gain)	20,895	12,758
▪ Plan amendments	(607)	(607)
▪ Transitional obligation (asset)	0	0
Benefit cost recognized	\$6,544	\$6,485

Components of Net Periodic Postretirement Benefit Cost (NPPBC) under FAS 106	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Service cost	\$362	\$422
Interest cost	6,789	6,670
Expected return on plan assets	0	0
Amortizations		
▪ Transition (asset) obligation	0	0
▪ Prior service (credit) cost	(607)	(607)
▪ Actuarial (gain) loss	0	0
Sub-total NPPBC	\$6,544	\$6,485
Curtailment (gain) loss	0	0
Settlement (gain) loss	0	0
Special termination benefits	0	0
Total NPPBC	\$6,544	\$6,485

(All amounts in \$000's)

**Estimated Amounts That Will Be Amortized
From Accumulated Other Comprehensive Income
(AOCI) into NPPBC in the Next Fiscal Year under
FAS 106**

	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Transition obligation (asset)	\$0	\$0
Prior service costs (credit)	(607)	(607)
Actuarial loss (gain)	(1,133)	0
Total	(\$1,740)	(\$607)

Change in Accrued Benefit Obligation (ABO)	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
ABO at end of prior year	\$124,562	\$133,393
Adjustment for change in measurement date	980	N/A
Current service cost	362	422
Interest cost	6,789	6,670
Employees' contributions	0	0
Plan amendments	0	0
Benefits paid	(5,958)	(3,165)
Actuarial loss (gain)	(20,895)	(12,758)
ABO at end of year	\$105,840	\$124,562

Change in Plan Assets	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Fair value of plan assets at end of prior year	\$0	\$0
Actual return on plan assets	0	0
Employer contributions	5,958	3,165
Employees' contributions	0	0
Benefits paid	(5,958)	(3,165)
Fair value of plan assets at end of year	\$0	\$0

Reconciliation of Funded Status to Accrued Benefit Asset (Liability) under CICA 3461	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Funded status at end of year	(\$105,840)	(\$124,562)
Employer contributions during period from measurement date to fiscal year end	0	808
Unamortized transitional obligation (asset)	0	0
Unamortized past service costs	(3,408)	(4,167)
Unamortized net actuarial loss (gain)	(25,311)	(6,290)
Accrued benefit asset (liability)	(\$134,559)	(\$134,211)

(All amounts in \$000's)

Reconciliation of Funded Status under FAS 158	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
ABPO at end of year	\$105,840	\$124,562
Fair value of plan assets at end of year	0	0
Employer contributions between measurement date and fiscal year end	N/A	808
Net asset (liability) amount recognized in statement of financial position – Surplus (Deficit) at end of year	(\$105,840)	(\$123,754)

Amounts Recognized in Statement of Financial Position Pursuant to FAS 106/158 Consist of	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Current (liabilities)	(\$7,718)	(\$7,379)
Non-current (liabilities)	(98,122)	(116,375)
Net asset (liability) amount recognized in statement of financial position	(\$105,840)	(\$123,754)

Amounts Not Yet Reflected in NPPBC and are included in AOCI under FAS 106/158 (Before Tax)	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Transition asset (obligation)	\$0	\$0
Prior service credit (cost)	3,408	4,167
Actuarial gain (loss)	25,311	6,290
AOCI	\$28,719	\$10,457
Cumulative employer contributions in excess of NPPBC	(134,559)	(134,211)
Net amount recognized in statement of financial position	(\$105,840)	(\$123,754)

Reconciliation of AOCI under FAS 106/158	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
AOCI at the end of the prior year	\$10,457	(\$1,694)
Adjustment for change in measurement date	(152)	N/A
Adjustment for ADB benefit payments	(1,874)	N/A
Other comprehensive income (loss)	20,288	12,151
AOCI at the end of the year	\$28,719	\$10,457

(All amounts in \$000's)

Changes Recognized in Other Comprehensive Income (Loss) during the period under FAS 106/158	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Transition (asset) obligation arising during the period	\$0	\$0
Prior service (credit) cost arising during the period	0	0
Net actuarial (gain) loss arising during the period	(20,895)	(12,758)
Non-routine events (i.e. curtailment, settlements)	0	0
Amortization of transitional asset (obligation)	0	0
Amortization of prior service credit (cost)	607	607
Amortization of actuarial gain (loss)	0	0
Total changes recognized in other comprehensive (income) loss	(\$20,288)	(\$12,151)

Additional Information for Plans with APBO in Excess of Plan Assets	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
APBO	\$105,840	\$124,562
Fair value of plan assets	\$0	\$0

(All amounts in \$000's)

Total Plan

Components of Benefit Cost under CICA 3461	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Current service cost	\$1,519	\$1,661
Interest cost	27,183	26,314
Actual return on plan assets	0	0
Actuarial loss (gain)	(152,342)	(33,620)
Plan amendments	0	0
Curtailment loss (gain)	0	0
Costs arising in the period	(\$123,640)	\$5,645
Differences between costs arising in the period and costs recognized in the period in respect of:		
▪ Return on plan assets	0	0
▪ Actuarial loss (gain)	152,342	33,620
▪ Plan amendments	(2,808)	(2,808)
▪ Transitional obligation (asset)	0	0
Benefit cost recognized	\$25,894	\$25,167

Components of Net Periodic Postretirement Benefit Cost (NPPBC) under FAS 106	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Service cost	\$1,519	\$1,661
Interest cost	27,183	26,314
Expected return on plan assets	0	0
Amortizations		
▪ Transition (asset) obligation	0	0
▪ Prior service (credit) cost	(2,808)	(2,808)
▪ Actuarial (gain) loss	0	0
Sub-total NPPBC	\$25,894	\$25,167
Curtailment (gain) loss	0	0
Settlement (gain) loss	0	0
Special termination benefits	0	0
Total NPPBC	\$25,894	\$25,167

Weighted-Average Assumptions for Expense	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Discount rate	5.60%	5.13%
Rate of compensation increase (excluding merit and promotion)	3.25%	3.50%
Initial weighted average health care trend rate	6.47%	6.62%
Ultimate weighted average health care trend rate	4.70%	4.50%
Year ultimate rate reached	2015	2015

Weighted-Average Assumptions for Disclosure	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Discount rate	7.37%	5.60%
Rate of compensation increase (excluding merit and promotion)	1.25%	3.25%
Initial weighted average health care trend rate	6.14%	6.47%
Ultimate weighted average health care trend rate	4.82%	4.70%
Year ultimate rate reached	2028	2015

(All amounts in \$000's)

Estimated Amounts That Will Be Amortized

From AOCI into NPPBC in the Next Fiscal Year under FAS 106	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Transition obligation (asset)	\$0	\$0
Prior service costs (credit)	(2,808)	(2,808)
Actuarial loss (gain)	(13,759)	0
Total	(\$16,567)	(\$2,808)

Change in Accrued Benefit Obligation (ABO)	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
ABO at end of prior year	\$498,503	\$525,066
Adjustment for change in measurement date	2,379	N/A
Current service cost	1,519	1,661
Interest cost	27,183	26,314
Employees' contributions	0	0
Plan amendments	0	0
Benefits paid	(24,817)	(20,918)
Actuarial loss (gain)	(152,342)	(33,620)
ABO at end of year	\$352,425	\$498,503

Change in Plan Assets	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Fair value of plan assets at end of prior year	\$0	\$0
Actual return on plan assets	0	0
Employer contributions	24,817	20,918
Employees' contributions	0	0
Benefits paid	(24,817)	(20,918)
Fair value of plan assets at end of year	\$0	\$0

Reconciliation of Funded Status to Accrued Benefit Asset (Liability) under CICA 3461	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Funded status at end of year	(\$352,425)	(\$498,503)
Employer contributions during period from measurement date to fiscal year end	0	4,798
Unamortized transitional obligation (asset)	0	0
Unamortized past service costs	(26,016)	(29,526)
Unamortized net actuarial loss (gain)	(125,726)	11,654
Accrued benefit asset (liability)	(\$504,167)	(\$511,577)

(All amounts in \$000's)

Reconciliation of Funded Status under FAS 158	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
ABPO at end of year	\$352,425	\$408,503
Fair value of plan assets at end of year	0	0
Employer contributions during period from measurement date to fiscal year end	N/A	4,798
Net asset (liability) amount recognized in statement of financial position – Surplus (Deficit) at end of year	(\$352,425)	(\$493,705)

Amounts Recognized in Statement of Financial Position Pursuant to FAS 106/158 Consist of	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Current (liabilities)	(\$26,578)	(\$29,228)
Non-current (liabilities)	(325,847)	(464,477)
Net asset (liability) amount recognized in statement of financial position	(\$352,425)	(\$493,705)

Amounts Not Yet Reflected in NPPBC and are included in AOCI under FAS 106/158 (Before Tax)	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Transition asset (obligation)	\$0	\$0
Prior service credit (cost)	26,016	29,526
Actuarial gain (loss)	125,726	(11,654)
AOCI	\$151,742	\$17,872
Cumulative employer contributions in excess of NPPBC	(504,167)	(511,577)
Net amount recognized in statement of financial position	(\$352,425)	(\$493,705)

Reconciliation of AOCI under FAS 106/158	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
AOCI at the end of the prior year	\$17,872	(\$12,940)
Adjustment for change in measurement date	(702)	N/A
Adjustment for STB benefit payments	(13,088)	N/A
Adjustment for ADB benefit payments	(1,874)	N/A
Other comprehensive income (loss)	149,534	30,812
AOCI at the end of the year	\$151,742	\$17,872

(All amounts in \$000's)

Changes Recognized in Other Comprehensive Income (Loss) during the period under FAS 106/158	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Transition (asset) obligation arising during the period	\$0	\$0
Prior service (credit) cost arising during the period	0	0
Net actuarial (gain) loss arising during the period	(152,342)	(33,620)
Non-routine events (i.e. curtailment, settlements)	0	0
Amortization of transitional asset (obligation)	0	0
Amortization of prior service credit (cost)	2,808	2,808
Amortization of actuarial gain (loss)	0	0
Total changes recognized in other comprehensive (Income) loss	(\$149,534)	(\$30,812)

Additional Information for Plans with APBO in Excess of Plan Assets	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
APBO	\$352,425	\$498,503
Fair value of plan assets	\$0	\$0

Effect of Change in Assumed Health Care Cost Trend Rates	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Effect on aggregate of current service cost and interest cost		
▪ One-percentage point increase	\$2,871	\$3,037
▪ One-percentage point decrease	(\$2,363)	(\$2,484)
Effect on ABO at fiscal year end		
▪ One-percentage point increase	\$22,119	\$43,951
▪ One-percentage point decrease	(\$19,026)	(\$36,655)

Effect of Change in Assumed Discount Rate	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Effect on ABO at fiscal year end		
▪ Twenty five basis points increase	(\$8,065)	(\$20,068)
▪ Twenty five basis points decrease	\$8,356	\$14,037

Effect of Change in Assumed Salary Scale	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Effect on ABO at fiscal year end		
▪ Twenty five basis points increase	\$11	\$45
▪ Twenty five basis points decrease	(\$10)	(\$44)

(All amounts in \$000's)

Expected Cash Flows for the Plans	Life	Medical	Total
Expected employer contributions for the next fiscal year	\$7,718	\$18,860	\$26,578
Expected benefit payments for fiscal year ending			
2009	\$7,718	\$18,860	\$26,578
2010	\$7,995	\$19,344	\$27,339
2011	\$8,243	\$19,764	\$28,007
2012	\$8,478	\$20,087	\$28,565
2013	\$8,678	\$20,351	\$29,029
2014-2018	\$45,008	\$104,984	\$149,992

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Certification

We have prepared an actuarial valuation of Nortel's benefit obligations for accounting purposes as at November 30, 2005 and extrapolated those results to September 30, 2007. The purpose of this extrapolation is to determine the cost of Plan, in accordance with the accounting standards, to enable the Company to account for the costs of the plan for the fiscal year beginning January 1, 2008 and ending December 31, 2008.

In addition, we have prepared a second actuarial valuation of Nortel's benefit obligations for accounting purposes as at April 1, 2008 and extrapolated those results to December 31, 2008. In accordance with our mandate, the purpose of this valuation and extrapolation is to determine the obligations of the Plan in accordance with CICA 3461 and FAS 106 to enable the Company to satisfy the disclosure requirements under CICA 3461 and FAS 106.

Plan Provisions

The results of the valuations set forth in this report reflect the provisions of the plan as of December 31, 2008. A summary of the plan provisions and the plan amendments are provided in Appendix D of this report.

There was no substantive commitment as defined under CICA 3461 and FAS 106 reported to us by Management.

Data

The 2008 benefit cost contained in this report is based on data as at November 30, 2005 updated to reflect the third wave of Project Allegro and restructuring activity through June 30, 2006. The 2008 disclosure is based on April 1, 2008 membership data. The membership data is summarized later in this report.

We used and relied upon participant and financial data supplied by Nortel and Sun Life and plan documents provided by Nortel. We have tested the data for internal consistency and reasonableness and have no reason to doubt its substantial accuracy. Audits of the source

records would not normally be performed in connection with this work and we have not done so in this case.

Subsequent Events

After checking with representatives of Nortel, to the best of our knowledge, there are no events subsequent to the valuation date which, in our opinion, would have a material impact on the results of the valuations and extrapolations.

Methods and Assumptions

Our valuation has been prepared on the basis of actuarial methods and assumptions selected by Nortel's management ("Management") for accounting purposes in accordance with CICA 3461 and FAS 106. The actuarial methods and assumptions used for the purposes of this valuation are summarized reporting Appendix C.

We have provided advice on the selection of assumptions used in the development of the benefit cost and the ABO, notably the health care trend rate and variations in claims costs by age. The demographic assumptions are consistent with those used in the valuation of the company's pension plans.

The changes to the actuarial methods and assumptions used to develop disclosure information for the current fiscal period compared to those used to determine the disclosure information as of December 31, 2007, are as follows:

- The discount rate used to measure the obligations at September 30, 2007 was 5.60%. The discount rate used to measure the obligation at December 31, 2008 was 7.37%.
- The mortality assumption has been updated from the RP2000 projected to 2015 to RP2000 projected to 2017.
- The drug trend assumption has been updated to 9% in 2008 grading down to 5% in and after 2028 for the grandfathered plan and 8% in 2008 grading down to 5% in and after 2028 for the non-grandfathered catastrophic plan.
- The claims cost assumptions have been updated to reflect claims experience and Mercer's new aging factors.

Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations. Future health care cost trends are especially difficult to predict, and actual experience is likely to differ from expected.

Actuarial computations under CICA 3461 and FAS 106 are intended for use in enabling the Company to account for the costs of post-retirement benefits under generally accepted accounting principles. Computations intended for other purposes may produce significantly different results. Accordingly, additional computations are needed for other purposes such as purchase price calculations or plan design costings.

Statement of Opinion

The methods used in the valuations of benefit obligations and determination of plan costs were selected by Management in accordance with the requirements of CICA 3461 and FAS 106.

Nortel's Management has selected the assumptions used in the valuations of the plan obligations and determination of plan costs. They are Management's best-estimate assumptions, selected for accounting purposes, in accordance with CICA 3461 and FAS 106. These assumptions are in accordance with accepted actuarial practice.

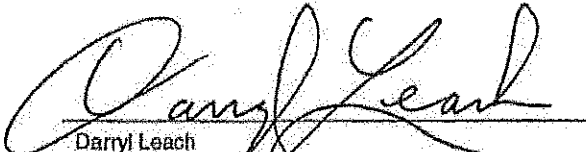
In my opinion,

- The data on which the valuations are based are sufficient and reliable for the purposes of the valuations, and
- The calculations have been made in accordance with the requirements of CICA 3461 and FAS 106.

Professional Qualifications

I am available to answer any questions on the material contained in this report or to provide explanations or further details, as may be appropriate. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. I am not aware of any relationship, including investments or other services that could create a conflict-of-interest that would impair our objectivity.

Respectfully submitted,


Darryl Leach
Fellow of the Canadian Institute of Actuaries
Fellow of the Society of Actuaries

10/03/09
Date

Mercer
161 Bay Street, P.O. Box 501
Toronto, Ontario M5J 2S5

Telephone: 416 868 7275

Appendix A

Development of Costs

This appendix shows the financial position of the plan and the calculation of the various components of plan costs.

(All amounts in \$000's)

Financial Position of the Plan***Medical***

	01.01.08	01.01.07
1. ABO		
a. Retirees and survivors	(\$319,415)	(\$334,730)
b. Active fully eligible members	(22,808)	(23,844)
c. Active not fully eligible members	(31,718)	(33,099)
d. Total (a. + b. + c.)	(\$373,941)	(\$391,673)
2. Fair value of plan assets	0	0
3. Surplus (Deficit) (1(d) + 2.)	(\$373,941)	(\$391,673)
4. Employer contributions during period from measurement date to fiscal year end	3,990	4,312
5. Unamortized transitional obligation (asset)	0	0
6. Unamortized past service cost (gain)	(25,359)	(27,560)
7. Unamortized net actuarial loss (gain)	17,944	38,806
8. Accrued benefit asset (liability) (3. + 4. + 5. + 6. + 7.)	(\$377,366)	(\$376,115)

(All amounts in \$000's)

Reconciliation of Accrued Benefit Asset (Liability) Under CICA 3461	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
1. Accrued benefit asset (liability) at beginning of year	(\$377,366)	(\$376,115)
2. Benefit cost for the year	(19,350)	(18,682)
3. Benefit cost for gap period	(4,839)	N/A
4. Benefit payments	18,859	17,431
5. Adjustment for STB benefit payments	13,088	N/A
6. Accrued benefit asset (liability) at end of year	(\$369,608)	(\$377,366)

Reconciliation of Cumulative Employer Contributions in Excess of NPPBC Under FAS 106	31.12.08
1. Cumulative employer contributions in excess of NPPBC at end of prior fiscal year	(\$377,366)
2. Benefits paid	18,859
3. Adjustment for STB benefit payments	13,088
4. NPPBC for the year	(19,350)
5. NPPBC for gap period	(4,839)
6. Cumulative employer contributions in excess of NPPBC at end of current fiscal year (1. + 2. + 3. + 4. + 5.)	(\$369,608)

Life

	01.01.08	01.01.07
1. ABO		
a. Retirees and survivors	(\$110,030)	(\$117,968)
b. Active fully eligible members	(7,249)	(7,698)
c. Active not fully eligible members	(7,283)	(7,727)
d. Total (a. + b. + c.)	(\$124,562)	(\$133,393)
2. Fair value of plan assets	0	0
3. Surplus (Deficit) (1(d) + 2.)	(\$124,562)	(\$133,393)
4. Employer contributions during period from measurement date to fiscal year end	808	752
5. Unamortized transitional obligation (asset)	0	0
6. Unamortized past service cost (gain)	(4,167)	(4,774)
7. Unamortized net actuarial loss (gain)	(6,290)	6,468
8. Accrued benefit asset (liability) (3. + 4. + 5. + 6. + 7.)	(\$134,211)	(\$130,947)

(All amounts in \$000's)

Reconciliation of Accrued Benefit Asset (Liability) Under CICA 3461	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
1. Accrued benefit asset (liability) at beginning of year	(\$134,211)	(\$130,947)
2. Benefit cost for the year	(6,544)	(6,485)
3. Benefit cost for gap period	(1,636)	N/A
4. Benefit payments	5,958	3,221
5. Adjustment for ADB benefit payments	1,874	N/A
6. Accrued benefit asset (liability) at end of year	(\$134,559)	(\$134,211)

Reconciliation of Cumulative Employer Contributions in Excess of NPPBC under FAS 106	31.12.08
1. Cumulative employer contributions in excess of NPPBC at end of prior fiscal year	(\$134,211)
2. Benefits paid	5,958
3. Adjustment for ADB benefit payments	1,874
4. NPPBC for the year	(6,544)
5. NPPBC for gap period	(1,636)
6. Cumulative employer contributions in excess of NPPBC at end of current fiscal year (1. + 2. + 3. + 4. + 5.)	(\$134,559)

Benefit Cost

	Fiscal Year Ending 31.12.08	Fiscal Year Ending 31.12.07
Medical		
Current service cost	\$1,157	\$1,239
Interest cost	20,394	19,644
Actual return on plan assets	0	0
Actuarial loss (gain)	(131,447)	(20,862)
Plan amendments	0	0
Curtailment loss (gain)	0	0
Settlement loss (gain)	0	0
Costs arising in the period	(\$109,896)	\$21
Difference between costs arising in the period and costs recognized in the period in respect of:		
Return on plan assets	0	0
Actuarial (loss) gain	131,447	20,862
Plan amendments	(2,201)	(2,201)
Transitional obligation (asset)	0	0
Benefit cost recognized	\$19,350	\$18,682

(All amounts in \$000's)

Life	Fiscal Year Ending	
	31.12.08	31.12.07
Current service cost	\$362	\$422
Interest cost	6,789	6,670
Actual return on plan assets	0	0
Actuarial loss (gain)	(20,895)	(12,758)
Plan amendments	0	0
Curtailment loss (gain)	0	0
Settlement loss (gain)	0	0
Costs arising in the period	(\$13,744)	(\$5,666)
Difference between costs arising in the period and costs recognized in the period in respect of:		
Return on plan assets	0	0
Actuarial (loss) gain	20,895	12,758
Plan amendments	(607)	(607)
Transitional obligation (asset)	0	0
Benefit cost recognized	\$6,544	\$6,485

Components of these calculations are developed below.

Interest Cost

Medical	Fiscal Year Ending	
	31.12.08	31.12.07
1. ABO ¹	\$373,941	\$391,673
2. Current service cost	1,157	1,239
3. a. Plan amendment	0	0
b. Weighted for timing	0	0
4. a. Benefit payments	21,849	19,961
b. Weighted for timing	10,925	9,981
5. Average ABO (1. + 2 + 3(b) – 4(b))	\$364,173	\$382,931
6. Discount rate	5.60%	5.13%
7. Interest cost (5. x 6.)	\$20,394	\$19,644

¹ Fiscal 2008 interest cost is calculated based on September 30, 2007 ABO.

(All amounts in \$000's)

Life	Fiscal Year Ending	Fiscal Year Ending
	31.12.08	31.12.07
1. ABO ²	\$124,562	\$133,393
2. Current service cost	362	422
3. a. Plan amendment	0	0
b. Weighted for timing	0	0
4. a. Benefit payments	7,379	7,584
b. Weighted for timing	3,690	3,792
5. Average ABO (1. + 2 + 3(b) - 4(b))	\$121,234	\$130,023
6. Discount rate	5.60%	5.13%
7. Interest cost (5. x 6.)	\$6,789	\$6,670

² Fiscal 2008 Interest cost is calculated based on September 30, 2007 ABO.

(All amounts in \$000's)

Amortization Amounts for 2008 Benefit Cost

Past Service Cost (Medical)	Unamortized Amount at Beginning of Period	Years Remaining	Amortization Amount
1. a. Jan 1, 2008 – Dec 31, 2008	(\$104)	2.81	(\$37)
b. Jan 1, 2008 – Dec 31, 2008	(25,255)	11.67	(2,164)
2. Fiscal year ending Dec 31, 2008	(\$25,359)	N/A	(\$2,201)

Amortizations (Medical)	Amortization Amount
3. Unamortized loss (gain) subject to amortization as of September 30, 2007	
a. Unamortized net actuarial loss (gain)	\$17,944
b. ABO	373,941
c. 10% of ABO b.	37,394
d. Unamortized net actuarial loss (gain) subject to amortization (excess of a. over c)	0
e. Expected average remaining service lifetime	14.00
f. Amortization amount (d. ÷ e.)	\$0

Past Service Cost (Life)	Unamortized Amount at Beginning of Period	Years Remaining	Amortization Amount
1. a. Jan 1, 2008 – Dec 31, 2008	(\$812)	2.55	(\$319)
b. Jan 1, 2008 – Dec 31, 2008	(3,355)	11.67	(288)
2. Fiscal year ending Dec 31, 2008	(\$4,167)	N/A	(\$607)

Amortizations (Life)	Amortization Amount
3. Unamortized loss (gain) subject to amortization as of September 30, 2007	
a. Unamortized net actuarial loss (gain)	(\$6,290)
b. ABO	124,562
c. 10% of ABO b.	12,456
d. Unamortized net actuarial loss (gain) subject to amortization (excess of a. over c)	0
e. Expected average remaining service lifetime	9.00
f. Amortization amount (d. ÷ e.)	\$0

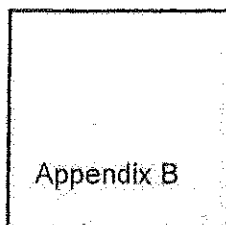
(All amounts in \$000's)

Analysis of Loss (Gain) in Obligation (ABO)**Medical****(Gains) and Losses Due to:****Total**

1. Change in demographics	(\$14,036)
2. Claims cost differing from expected	(32,731)
3. Change in aging factors	(51,580)
4. Change in trend assumption	15,714
5. Change in mortality table	2,013
6. Change in discount rate	(46,365)
7. Difference between actual benefit payments and expected benefit payments	(4,462)
8. Total	(\$131,447)

Life**(Gains) and Losses Due to:****Total**

1. Change in demographics	\$3,912
2. Change in mortality table	(671)
3. Change in salary scale assumption	(119)
4. Change in discount rate	(21,559)
5. Difference between actual benefit payments and expected benefit payments	(2,458)
6. Total	(\$20,895)



Membership Data

The actuarial valuation is based on membership data as at April 1, 2008, provided by Nortel.

We have applied tests for internal consistency, as well as for consistency with the data used for the previous valuation. These tests were applied to membership reconciliation, basic information (date of birth, date of hire, date of membership, gender, etc), earnings and service. The results of these tests were satisfactory.

Plan membership data as at April 1, 2008 and November 30, 2005 (the last valuation) are summarized in the following pages.

Analysis of Membership Data

As at 01.04.08

	Nortel Networks			Nortel Technology
	Non-Union	Union	Total	Non-Union
Active and LTD Members				
Number	2,726	323	3,049	2,131
Average earnings	\$108,350	N/A	96,872	112,620
Average age (years)	45.6	51.8	46.2	44.2
Average service (years)	16.8	25.2	17.7	15.4
Inactive Members				
<i>Retirees</i>				
Number	4,185	5,534	9,719	850
Average age (years)	70.8	72.0	71.5	68.0
<i>Spouses of Retirees</i>				
Number	2,801	3,419	6,220	555
Average age (years)	67.3	69.7	68.6	64.6
<i>Surviving Spouses</i>				
Number	749	637	1,386	73
Average age (years)	76.6	75.8	76.3	72.8

As at 30.11.05

	Nortel Networks			Nortel Technology
	Non-Union	Union	Total	Non-Union
Active and LTD Members				
Number	3,454	1,218	4,672	3,992
Average earnings	\$91,615	\$57,258	\$82,658	\$97,365
Average age (years)	42.1	46.0	43.1	40.1
Average service (years)	12.1	19.8	14.1	10.6
Inactive Members				
<i>Retirees</i>				
Number	3,295	5,464	8,759	660
Average age (years)	70.0	70.3	70.2	66.9
<i>Spouses of Retirees</i>				
Number	2,413	3,763	6,176	419
Average age (years)	66.1	67.7	67.1	63.7
<i>Surviving Spouses</i>				
Number	280	219	499	38
Average age (years)	74.3	71.8	73.2	71.8

The distribution of the active members by age and completed years of service as at April 1, 2008 is summarized as follows:

**Nortel Technology Distribution of Active and Disabled Members
By Age Group and Completed Years of Service as at 01.04.08**

Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
Under20										0
20-24	3									3
25-29	14	14								28
30-34	11	103	66							180
35-39	4	122	212	61						399
40-44	5	93	200	178	90	1				567
45-49	2	58	132	91	190	49	1			523
50-54	1	23	64	35	75	72	14			284
55-59		7	22	15	20	26	13	1		104
60-64		2	4	6	9	7	5	5	2	40
65-69		1				2				3
70-74										0
75+										0
Total	40	423	700	386	384	157	33	6	2	2,131

**Nortel Networks Distribution of Active and Disabled Members
By Age Group and Completed Years of Service as at 01.04.08**

Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
Under 20										0
20-24	12									12
25-29	32	13	1							46
30-34	22	117	67							206
35-39	18	125	199	72	1					415
40-44	14	116	166	230	128	1				655
45-49	4	74	126	128	275	136				743
50-54	3	38	68	68	112	179	62			530
55-59	3	10	35	22	49	91	53	16	3	282
60-64	1	7	8	8	19	34	31	19	26	153
65-69					1	2	2	1	1	7
70-74										0
75+										0
Total	109	500	670	528	585	443	148	36	30	3,049

**Total Distribution of Active and Disabled Members
By Age Group and Completed Years of Service as at 01.04.08**

Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
Under 20										0
20-24	15									15
25-29	46	27	1							74
30-34	33	220	133							386
35-39	22	247	411	133	1					814
40-44	19	209	366	408	218	2				1,222
45-49	6	132	258	219	465	185	1			1,266
50-54	4	61	132	103	187	251	76			814
55-59	3	17	57	37	69	117	66	17	3	386
60-64	1	9	12	14	28	41	36	24	28	193
65-69		1			1	4	2	1	1	10
70-74										0
75+										0
Total	149	923	1,370	914	969	600	181	42	32	5,180

The distribution of the retirees and surviving spouses by age as at April 1, 2008 is summarized as follows:

**Nortel Networks Distribution of Retirees and
Surviving Spouses By Age Group as at 01.04.08**

Age	Retirees	Surviving Spouses	Total
Under 50	7	11	18
50 – 54	122	11	133
55 – 59	693	27	720
60 – 64	1,855	97	1,952
65 – 69	1,738	159	1,897
70 – 74	1,874	249	2,123
75 +	3,430	832	4,262
Total	9,719	1,306	11,105

**Nortel Technology Distribution of Retirees and
Surviving Spouses By Age Group as at 01.04.08**

Age	Retirees	Surviving Spouses	Total
Under 50	3	4	7
50 – 54	14	3	17
55 – 59	101	3	104
60 – 64	223	8	231
65 – 69	201	11	212
70 – 74	145	10	155
75 +	163	34	197
Total	850	73	923

**Nortel Total Distribution of Retirees and Surviving
Spouses By Age Group as at 01.04.08**

Age	Retirees	Surviving Spouses	Total
Under 50	10	15	25
50 – 54	136	14	150
55 – 59	794	30	824
60 – 64	2,078	105	2,183
65 – 69	1,939	170	2,109
70 – 74	2,019	259	2,278
75 +	3,593	866	4,459
Total	10,569	1,459	12,028

Appendix C

Valuation Methods and Assumptions

This appendix describes the methods and assumptions used to value the plan as well as accounting policies used to calculate the benefit cost.

Cost Method

Non-Pension Post Retirement Benefits

Obligations shown in this report are determined using the *projected benefit method pro-rated on service* (as defined in CICA 3461 and FAS 106). The objective under this method is to expense each member's benefits under the plan taking into consideration projections of benefit costs to and during retirement, and allocating an equal portion of the costs to each year of service.

For retirees, spouses of retirees and surviving spouses, the ABO at a point in time is the actuarial present value of all future projected benefit as at that point in time.

For each active member, a "full eligibility" date is determined as the first date the member has or will have met the age and service requirements to qualify for all benefits after retirement.

Full eligibility varies by plan and is defined as follows:

Program	Group	Attribution Period	
		Start Date	End Date (Full Eligibility Date)
Grandfathered Traditional (non-union)	Part I	Entry date in pension plan	Earlier of age 55 and 2 years of pensionable service and the date when the member completes 30 years of pensionable service
	Part II	Hire date	Age 55 and 5 years of continuous service
Non-Grandfathered Traditional (non-union)	Part I	Entry date in pension plan	Earlier of age 55 and 2 years of pensionable service and the date when the member completes 30 years of pensionable service
	Part II	Hire date	Age 55 and 10 years of continuous service
Balanced (non-union)	All	Later of hire age and age 40	Assumed Retirement Age
SARP (union)	All	Later of hire age and age 40	Assumed Retirement Age

For active members who have reached "full eligibility", the ABO at a point in time is the actuarial present value of all future projected benefits as at that point in time. For these members, the current service cost is zero.

For active members who have not yet reached "full eligibility", the ABO at a point in time is the actuarial present value of all future projected benefits, as at that point in time multiplied by the ratio of service at that time to projected service at "full eligibility". For these members, the Current Service Cost (for the year beginning at that time) is the actuarial present value of benefits deemed to accrue in the year beginning at that time, and is determined as the actuarial present value of all future projected benefits divided by the projected service at "full eligibility".

The plan's Current Service Cost is the sum of the individual members' Current Service Cost, and the plan's ABO is the sum of the ABOs for all members under the plan.

Changes Since Prior Valuation

There have been no changes in the cost method since the last valuation.

Funding Policy

The post-retirement benefits are funded on a pay-as-you-go basis. (Nortel funds on a cash basis as benefits are paid.)

Accounting Policies

Management applied the Recommendations of CICA 3461 retroactively as at January 1, 2000.

The Medical and Life plans are treated as two separate plans for the purpose of determining cumulative gains and losses. For each plan, cumulative gains and losses in excess of 10% of the beginning of year ABO are amortized over the expected average remaining service to

retirement of active members expected to receive benefits under the plan. Nortel Networks and Nortel Technology are treated as a single entity for the purposes of determining cumulative gains and losses and the amortization in future periods.

The Company has elected to amortize past service costs resulting from plan amendments on a linear basis over the expected average remaining service (to full eligibility) of active members expected to receive benefits under the plan.

Nortel's fiscal year-end is December 31 and the measurement date is December 31.

The attribution period is the period of an employee's service to which the expected non-pension post-retirement benefit obligation for that employee is assigned. The beginning of the attribution period is the date of hire (or pension plan membership date, depending on the plan), which is the beginning of the credited service period. The end of the attribution period is the full eligibility date for the various Nortel plans, as described in the summary of plan provisions section of this report.

To date, Nortel has adopted a practice of triennial valuations, with extrapolation of results in the interim. Changes to the discount rate and other assumptions will be reflected in this valuation as they occur.

Summary of Assumptions

The following assumptions were used in valuing the benefit obligations under the plan.

<i>Measurement date</i>	December 31 (September 30 for 2007 disclosure)		
<i>Discount rate</i>	7.37% per annum for 2008 disclosure and 2009 benefit cost		
	5.60% per annum for 2007 disclosure and 2008 benefit cost		
<i>CPI</i>	1.25% per annum for 2008 disclosure and 2009 benefit cost		
	2.25% per annum for 2007 disclosure and 2008 benefit cost		
<i>Salary increases</i>	Salary increases used to determine future life insurance benefits for non-union employees are assumed to be the sum of two factors:		
	<ul style="list-style-type: none"> ▪ An inflationary and productivity component; and ▪ Merit and promotional increases. 		
	For 2008 year end disclosure and 2009 benefit cost, the inflation and productivity component was 1.25% per annum. For 2007 year end disclosure and 2008 benefit cost, the inflation and productivity component was 3.25% per annum.		
<i>Merit and promotion</i>	Merit and promotion increases were based on age, Job Code Incentive (JCI) level and Professional / Non-professional code as follows:		
		Prof & JCI above 1 or Non-Prof & JCI above 4	Prof & JCI Level 1 or Non-Prof & JCI below 5
	Age		
	20	0.00%	0.00%
	25	4.00%	1.00%
	30	4.00%	0.50%
	35	3.00%	0.50%
	40	2.25%	0.50%
	45	1.75%	0.00%
	50	1.25%	0.00%
	55	1.25%	0.00%

<i>Health care cost trend rates (2008 disclosure and 2009 benefit cost)</i>	<i>Grandfathered Traditional Program</i>	
	Semi-Private Hospital	4.75% per annum
	Prescription Drugs	9.00% per annum in 2008 grading down to 5.00% per annum in and after 2028
	Other Health Care	4.75% per annum
	Vision Care	0.00% per annum
	Dental Care	4.75% per annum
	Provincial Premium	3.25% per annum
	<i>Non-Grandfathered Traditional Program</i>	
	Catastrophic Plan	8.00% per annum in 2008 grading down to 5.00% per annum in and after 2028
	Healthcare Spending Account Allocation	No Increases
	Provincial Premium	3.25% per annum
	<i>Balanced Program and SARP</i>	
	Healthcare Spending Account Allocation	No Increases
	Provincial Premium	3.25% per annum
<i>Health care cost trend rates (2007 disclosure and 2008 benefit cost)</i>	<i>Grandfathered Traditional Program</i>	
	Semi-Private Hospital	4.75% per annum
	Prescription Drugs	9.00% per annum in 2008 grading down to 5.00% per annum in and after 2015
	Other Health Care	4.75% per annum
	Vision Care	0.00% per annum
	Dental Care	4.75% per annum
	Provincial Premium	3.25% per annum
	<i>Non-Grandfathered Traditional Program</i>	
	Catastrophic Plan	8.00% per annum in 2008 grading down to 4.75% per annum in and after 2015
	Healthcare Spending Account Allocation	No Increases
	Provincial Premium	3.25% per annum
	<i>Balanced Program and SARP</i>	
	Healthcare Spending Account Allocation	No Increases
	Provincial Premium	3.25% per annum

*Mortality (2008
disclosure and 2009
benefit cost)*

RP2000 mortality table projected to 2017.

Rates at sample ages are shown below (per 1,000 members):

Age	Male	Female
20	0.25	0.15
30	0.41	0.22
40	0.94	0.55
50	1.57	1.25
60	5.13	4.64
70	17.18	15.37
80	54.26	40.72
90	171.33	125.13

*Mortality (2007
disclosure and 2008
benefit cost)*

RP2000 mortality table projected to 2015.

Rates at sample ages are shown below (per 1,000 members):

Age	Male	Female
20	0.26	0.15
30	0.41	0.23
40	0.96	0.56
50	1.63	1.30
60	5.30	4.69
70	17.70	15.53
80	55.36	41.29
90	172.71	125.88

Withdrawal

We have made an allowance for future terminations of employment before retirement for reasons other than death or retirement. Sample termination rates, by employee group, are as follows:

Age	Non-Union	Union
20	12.92%	9.18%
25	10.86%	9.18%
30	9.03%	7.49%
35	7.34%	5.16%
40	5.66%	3.70%
45	3.97%	2.55%
50	3.03%	1.47%
55	1.14%	0.43%

The termination scale ends at the full eligibility date.

<i>Retirement rates</i>	Retirement Scale
	Traditional (Grandfathered and Non-Grandfathered) Programs
	<i>Non-Union (Part I)</i>
	<ul style="list-style-type: none"> ▪ 5% per year from Company-Initiated Retirement Age³ to Employee-Initiated Retirement Age⁴ ▪ 40% at Employee-Initiated Retirement Age ▪ 15% per year from Employee-Initiated Retirement Age to Age 65 ▪ 100% at Age 65
	<i>Non-Union (Part II)</i>
	<ul style="list-style-type: none"> ▪ 5% per year from Age 55 to Age 59 ▪ 20% per year from Age 60 to Age 64 ▪ 100% at Age 65
<i>Balanced Program Non-Union Plan Only</i>	<i>Union</i>
	<ul style="list-style-type: none"> ▪ 15% per year from Company-Initiated Retirement Age⁵ to Employee-Initiated Retirement Age⁶ ▪ 40% at Employee-Initiated Retirement Age ▪ 15% per year from Employee-Initiated Retirement Age to Age 65 ▪ 100% at Age 65
<i>SARP Program Union Plan Only</i>	Same as Union Plan for Traditional Programs
<i>Disability rates</i>	We have made no explicit allowance for the possibility that plan members become disabled before retirement. Members currently in receipt of LTD benefits are assumed to retire at age 65.
<i>Marital status</i>	<ul style="list-style-type: none"> ▪ For active employees, 80% are assumed to be married at retirement with males assumed to be 2 years older than their female spouses. ▪ For current retirees, actual spousal information was used

³ Company – Initiated Retirement Age refers to the earlier of: Age 55 with 25 years of pensionable service, and 30 years of pensionable service.

⁴ Employee-Initiated Retirement Age refers to the earlier of: Age 65, age 60 with age plus pensionable service equal to 80 or more, and age 55 with age plus pensionable service equal to 85 or more, or age 55 with 20 years of pensionable service for female members, in service with Nortel Networks on May 31, 1973.

Age 65 2006 per covered person claim costs (before administration and taxes) (2007 disclosure and 2008 benefit cost)	Grandfathered Traditional Program	
	Semi-private Hospital	\$52
	Prescription Drugs ⁵	830
	Other Medical	53
	Vision Care	21
	Dental Care	212
	Total	<hr/> \$1,168
	Non-Grandfathered Traditional Program	
	Catastrophic Medical Program ⁶	\$1,109
	Healthcare Spending Account	\$50 per year of service from age 40 to retirement age
Balanced Program		
Healthcare Spending Account	\$50 per year of service from age 40 to retirement age	
SARP		
Healthcare Spending Account	\$50 per year of service from age 40 to retirement age	

⁵ Drug costs are reduced from age 65 due to coverage from the provincial government drug plans. The assumptions shown here are before the assumed offset amount.

⁶ All drug costs can be claimed under this plan. The costs for drug benefits are reduced from age 65 due to the coverage from the provincial government drug plans. The assumptions shown here are before the assumed offset amount.

Age 65 2008 per covered person claim costs (before administration and taxes) (2008 disclosure and 2009 benefit cost)	Grandfathered Traditional Program	
	Semi-private Hospital	\$41
	Prescription Drugs ⁷	640
	Other Medical	144
	Vision Care	24
	Dental Care	235
	Total	\$1,084
	Non-Grandfathered Traditional Program	
	Catastrophic Medical Program ⁸	\$987
	Healthcare Spending Account	\$50 per year of service from age 40 to retirement age
Balanced Program		
Healthcare Spending Account	\$50 per year of service from age 40 to retirement age	
SARP		
Healthcare Spending Account	\$50 per year of service from age 40 to retirement age	

Post retirement increases in utilization by age (2007 disclosure and 2008 benefit cost)	Cost at Age							
	55	60	65	70	75	80	85	
	Supplementary Hospital	52%	69%	100%	146%	213%	283%	352%
	Prescription Drugs ⁷	69%	84%	100%	115%	126%	134%	134%
	Other Medical	49%	66%	100%	154%	233%	347%	501%
	Vision Care	100%	100%	100%	100%	100%	100%	100%
	Dental Care	105%	103%	100%	98%	95%	93%	90%
	Catastrophic Medical Plan ⁸	69%	84%	100%	115%	126%	134%	134%
	Healthcare Spending Account	100%	100%	100%	100%	100%	100%	100%

⁷ Drug costs are reduced from age 65 due to coverage from the provincial government drug plans. The assumptions shown here are before the assumed offset amount.

⁸ All drug costs can be claimed under this plan. The costs for drug benefits are reduced from age 65 due to the coverage from the provincial government drug plans. The assumptions shown here are before the assumed offset amount.

Post retirement Increases in utilization by age (2008 disclosure and 2009 benefit cost)		Cost at Age						
		55	60	65	70	75	80	85
	Supplementary Hospital	45%	64%	100%	161%	253%	388%	562%
	Prescription Drugs ⁷	75%	88%	100%	109%	113%	114%	113%
	Other Medical	106%	103%	100%	102%	110%	121%	135%
	Vision Care	106%	103%	100%	97%	95%	92%	89%
	Dental Care	107%	104%	100%	95%	90%	83%	74%
	Catastrophic Medical Plan ⁸	75%	88%	100%	109%	113%	114%	113%
	Healthcare Spending Account	100%	100%	100%	100%	100%	100%	100%
Prescription drug offset assumption at age 65 and after (2007 disclosure and 2008 benefit cost)	Alberta: 55% of claims							
	British Columbia: 60% of claims							
	Ontario: 55% of claims							
	Quebec: 50% of claims (assume 95% of Quebec retirees elected RAMQ at age 65)							
	Others: 0%							
Prescription drug offset assumption at age 65 and after (2008 disclosure and 2009 benefit cost)	Alberta: 55% of claims							
	Ontario: 65% of claims							
	Quebec: 100% of claims (assume 100% of Quebec retirees elected RAMQ at age 65)							
	Others: 0%							
Lifetime maximum factors for the Catastrophic Medical Plan	The liabilities and service cost amounts for the catastrophic medical coverage under the Non-Grandfathered Traditional Program were calculated based on the above assumptions, multiplied by the factors in the table below to reflect the expected impact of the plan's lifetime deductible (\$500,000 per family) and lifetime maximum (\$7,500 per family) provisions. It has been assumed that the current flat lifetime deductible and maximum amounts do not increase in the future.							
		Factors for Lifetime Deductible of \$7,500 and Lifetime Maximum of \$500,000 per Family						
	Age Group							
	Less than 30	0.04						
	30 to 34	0.05						
	35 to 39	0.07						
	40 to 44	0.08						
	45 to 49	0.11						
	50 to 54	0.13						
	55 to 59	0.18						
	60+	0.11						

Provincial government plan	As of April 1, 2008 the retiree premium for the government plans are as follows:		
	Province	Single	Family
	British Columbia	\$54	\$96
Administrative expenses	Medical	4.30% of claims	
	Dental	4.30% of claims	
	Life Insurance	1.50% of claims	
	STB	2.30% of claims	
Taxes	Provisions for the following provincial premium and sales taxes have been made:		
	Provincial Sales Taxes:		
	Quebec	9.00% of claims and expenses	
	Ontario	8.00% of claims and expenses	
	Other Provinces	Nil	
	Premium Taxes:		
	Quebec	2.35% of claims and expenses	
	Ontario	2.00% of claims and expenses	
	Other Provinces	2.00% to 4.00% of claims and expenses for Life Insurance and STB, and for Medical/Dental depending on the province as follows:	
		▪ 2.00%: Alberta, British Columbia, Manitoba, New Brunswick, Saskatchewan	
		▪ 3.00%: Nova Scotia	
		▪ 3.50% Prince Edward Island	
		▪ 4.00%: Newfoundland and Labrador	
	Goods and Services Tax:		
	All Provinces	7.00% of expenses	
Attribution period	As described in the Summary of Non-Pension Post Retirement Benefit Plan Provisions.		

Claims Cost Development

Non-Pension Post Retirement Benefits

The 2008 per covered person claim costs at age 65 are based on actual claims experience for Nortel's retired members or surviving spouses for the calendar years, 2005 to 2007. The claims cost assumptions include administration and taxes. Claim costs were trended to the mid-point (October 1, 2008) of the current valuation period. Refer to the schedule for the development of the 2008 claim costs on the following pages.

2008 Claims Cost Development

	2007 Total	2006 Total	2005 Total
Actual Nortel retirees' paid claims (before administration costs and taxes)			
Hospital	\$1,101,260	\$1,253,443	\$1,224,898
Drug	6,646,711	6,458,991	6,539,435
Vision care	293,146	301,508	292,774
Other medical	1,862,758	1,832,332	1,732,219
Dental	3,605,179	3,398,882	3,323,956
Total	\$13,406,054	\$13,245,156	\$13,113,283
Number of Nortel retirees, spouses and surviving spouses			
• Eligible for medical benefits	18,803	17,943	17,083
• Eligible for dental benefits	18,803	17,943	17,083
Per covered member costs			
Hospital	\$58.57	\$69.86	\$71.70
Drug	464.71	478.07	514.19
Vision care	15.43	16.80	17.14
Other medical	99.07	102.12	101.40
Dental	186.42	189.43	194.58
Total	\$824.19	\$856.28	\$899.01
Trend to July 01, 2007			
Hospital	1.00	1.05	1.10
Drug	1.00	1.08	1.17
Vision care	1.00	1.00	1.00
Other medical	1.00	1.05	1.10
Dental	1.00	1.05	1.16
2007 per covered member costs			
Hospital	\$58.57	\$73.18	\$78.68
Drug	464.71	516.32	599.75
Vision care	15.43	16.80	17.14
Other medical	99.07	106.97	111.26
Dental	186.42	198.42	213.50
Total	\$824.18	\$911.69	\$1,020.33
Weighting	50%	33%	17%
Trend to October 01, 2008			
Hospital	1.060		
Drug	1.101		
Vision care	1.000		
Other medical	1.060		
Dental	1.060		
2008 per covered member costs			
Hospital	\$70.78		
Drug	555.44		
Vision care	16.17		
Other medical	109.94		
Dental	206.60		
Total	\$958.94		

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**Adjustment factors to convert 2008 per covered member costs
into age 65 per covered member costs**

Hospital	0.5792
Drug	1.1522
Vision care	1.4840
Other medical	1.3098
Dental	1.1375

Drug offset assumption at age 65 0%

Per covered member age 65 claims costs (2008 per covered member costs x adjustment factors)

Hospital	\$41.00
Drug - incorporating 0% drug offset	640.00
Vision care	24.00
Other medical	144.00
Dental	235.00
Total	\$1,084.00

Administration costs and taxes

• Administration costs for medical	4.30%	of claims
• Premium and sales taxes	10.05%	of claims
Total administration costs and taxes	14.78%	of claims

Administration costs and taxes

• Administration costs for dental	4.30%	of claims
• Premium and sales taxes	10.05%	of claims
Total administration costs and taxes	14.78%	of claims

Per covered member age 65 claims costs with administration costs and taxes

Hospital	\$47.06
Drug - incorporating 0% drug offset	734.61
Vision care	27.55
Other medical	165.29
Dental	269.74
Total	\$1,244.24

Benefit adjustment factors due to differences in plan provisions

Hospital	1.00
Drug	1.00
Vision care	1.00
Other medical	1.00
Dental	1.00

**Nortel 2008 per covered member age 65 claims costs with
administration costs and taxes**

	Total
Hospital	\$47.06
Drug - incorporating 0% drug offset	734.61
Vision care	27.55
Other medical	165.29
Dental	269.74
Total	\$1,244.24

Extrapolation to the Financial Position of the Plan

The extrapolation of the financial position of the plan to September 30, 2007 (for the purposes of determining benefit cost for fiscal 2008) is based on the membership data provided by Nortel as of November 30, 2005 updated to reflect the third wave of project Allegro and the June 30, 2006 restructuring.

The extrapolation of the financial position of the plan to December 31, 2008 is based on the membership data provided by Nortel as of April 1, 2008.

For purposes of these extrapolations, we have used the actuarial assumptions and methods set out in this report.

Appendix D

Summary of Plan Provisions

On June 2, 2006 Nortel announced changes to the post retirement benefits provided to non-union employees. Effective January 1, 2008, non-union employees who were not at least 50 years of age with 5 years of service on July 1, 2006:

- would be provided with medical and dental benefits on an "access-only" basis (100% retiree paid); and
- a flat \$10,000 life benefit.

Please see detailed chart on the following pages.

	Grandfathered Traditional Program	Non-Grandfathered Traditional Program	Non-Grandfathered Traditional, Balanced Program and SARP
Eligibility	<ul style="list-style-type: none"> Age 50 or have at least 28 years of service as at April 30, 2000 Part I: Employee must retire directly from active status or Long Term Disability Part II: Employee must be at least age 55 with 5 years of service at retirement 	<ul style="list-style-type: none"> If employee does not qualify for the Grandfathered Traditional program Part I: Employee must retire directly from active status or Long Term Disability Part II: Employee must be at least age 55 with 10 years of service at retirement 	Healthcare Spending Account <ul style="list-style-type: none"> Part I: Employee must retire directly from active status or Long Term Disability Part II: Balanced Program & SARP; employee must be at least age 55 with 10 years of service at retirement Investor program for Quebec retirees under age 65 who retire from active status
Medical and Dental Coverage			
Deductible	<ul style="list-style-type: none"> \$25/50 (single/family) per calendar year Applies to expenses incurred under either or both health and dental plans 	<ul style="list-style-type: none"> \$7,500 lifetime out-of-pocket deductible per family Applies to certain medical benefits only 	<ul style="list-style-type: none"> N/A
Overall Plan Maximum	<ul style="list-style-type: none"> Unlimited 	<ul style="list-style-type: none"> \$500,000 lifetime maximum per family 	<ul style="list-style-type: none"> N/A
Benefit Amount	<ul style="list-style-type: none"> Out-of-pocket maximum of \$1,000 per calendar year per family 	<ul style="list-style-type: none"> Reimburses 100% (from catastrophic plan) of eligible medical expenses after the lifetime deductible is satisfied 	<ul style="list-style-type: none"> Annual company paid allocation is \$50 per year of service from age 40
Spousal & Dependent Coverage	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Annual company paid allocation reduced by half after the death of the retiree
Cost Sharing	<ul style="list-style-type: none"> 100% Nortel-paid if employee at least age 50 with 5 years service at July 1, 2006, otherwise, 100% retiree-paid 	<ul style="list-style-type: none"> 100% Nortel-paid if employee at least age 50 with 5 years service at July 1, 2006, otherwise, 100% retiree-paid 	<ul style="list-style-type: none"> 100% Nortel-paid if employee at least age 50 with 5 years service at July 1, 2006, otherwise, 100% retiree-paid
Medical			
Drug (Non-Quebec)	<ul style="list-style-type: none"> Prescription drugs covered at 80% 	<ul style="list-style-type: none"> Prescription drugs, generic substitution where possible \$7 dispensing fee maximum 	<ul style="list-style-type: none"> Subject to Income Tax Act Section 118.2

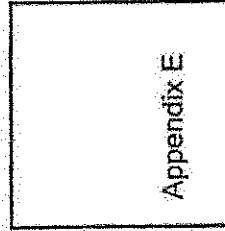
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	Grandfathered Traditional Program	Non-Grandfathered Traditional Program	Non-Grandfathered Traditional, Balanced Program and SARP
Drug (Quebec) – Retirees 65 and over: 2 Choices	<ul style="list-style-type: none"> Provincial RQ Drug Plan Covers 72.6% up to \$822 out of pocket/yr 100% of expenses in excess of \$822 Monthly deductible \$9.13/month Nortel pays premiums (taxable benefit) to a maximum of \$175/yr NN RAMQ Equivalent Drug Plan 80% eligible on RAMQ formulary up to \$822/yr 100% of expenses in excess of \$822 Retiree pays premiums 100% of the first \$50 per day and 50% of the remaining cost Difference between ward and private room coverage 	<ul style="list-style-type: none"> Provincial RQ Drug Plan Covers 71.5% up to \$857 out of pocket/yr 100% of expenses in excess of \$857 Monthly deductible \$11.90/month Nortel pays premiums (taxable benefit) to a maximum of \$175/yr NN RAMQ Equivalent Drug Plan 80% eligible on RAMQ formulary up to \$857/yr 100% of expenses in excess of \$857 Retiree pays premiums Not covered 	<ul style="list-style-type: none"> Healthcare Spending Account Provincial RQ Drug Plan Covers 72.6% up to \$822 out of pocket/yr 100% of expenses in excess of \$822 Monthly deductible \$9.13/month Nortel pays premiums (taxable benefit) to a maximum of \$175/yr NN RAMQ Equivalent Drug Plan 80% eligible on RAMQ formulary up to \$822/yr 100% of expenses in excess of \$822 Retiree pays premiums Subject to Income Tax Act Section 118.2
Hospital			
Private Duty Nursing	<ul style="list-style-type: none"> 80% to a maximum of \$12,500 in period of illness/injury 	<ul style="list-style-type: none"> 100% subject to deductible and overall plan maximum 	<ul style="list-style-type: none"> Subject to Income Tax Act Section 118.2
Vision Care	<ul style="list-style-type: none"> 50% up to a maximum of \$100/2yrs/per person, and \$200/2yrs for severe eye conditions CAW and COEU Maximum of \$100/2yrs/per person, and \$200/2yrs for severe eye conditions 	<ul style="list-style-type: none"> Not covered 	<ul style="list-style-type: none"> Subject to Income Tax Act Section 118.2
Hearing Aid	<ul style="list-style-type: none"> 50% to a maximum of \$200/2yrs/per person 	<ul style="list-style-type: none"> Not covered 	<ul style="list-style-type: none"> Subject to Income Tax Act Section 118.2
Provincial Health Insurance Premium	<ul style="list-style-type: none"> Nortel Networks pays provincial health insurance premiums for retirees in British Columbia. These premiums are a tax benefit to retirees. 	<ul style="list-style-type: none"> Nortel Networks pays provincial health insurance premiums for retirees in British Columbia. These premiums are a tax benefit to retirees. 	<ul style="list-style-type: none"> Nortel Networks pays provincial health insurance premiums for retirees in British Columbia. These premiums are a tax benefit to retirees.

	Grandfathered Traditional Program	Non-Grandfathered Traditional Program	Non-Grandfathered Traditional, Balanced Program and SARP Healthcare Spending Account
<i>Other Medical</i>	<ul style="list-style-type: none"> Includes: <ul style="list-style-type: none"> 80% co-insurance: <ul style="list-style-type: none"> Out of province medical coverage Medical equipment and supplies Ambulance services X-rays Accidental dental Paramedical services (\$250 maximum per person per calendar year) Orthopaedic shoes Physiotherapist (no maximum) Other parameds (\$250 maximum) 50% co-insurance: <ul style="list-style-type: none"> Hearing aids Nursing Homes 	<ul style="list-style-type: none"> Includes: <ul style="list-style-type: none"> Medical equipment and supplies Ambulance services X-rays Selected list of paramedical services (physiotherapist, chiropractor, speech therapist, osteopath) \$250 maximum per practitioner per calendar year 100% subject to deductible and overall plan maximum 	<ul style="list-style-type: none"> Subject to Income Tax Act Section 118.2
<i>Dental</i>	<ul style="list-style-type: none"> Coinsurance of: <ul style="list-style-type: none"> 80% 50% 50% None 	<ul style="list-style-type: none"> Not Covered 	<ul style="list-style-type: none"> Subject to Income Tax Act Section 118.2
<i>Periodontic / Endodontic</i>	<ul style="list-style-type: none"> Periodontic / Endodontic: \$1,000 per person in any 3 years 		
<i>Major Restorative</i>	<ul style="list-style-type: none"> Major: \$1,000 per person per calendar year 		
<i>Orthodontic</i>			
<i>Maximum Benefit</i>			

	Grandfathered Traditional Program	Non-Grandfathered Traditional Program	Non-Grandfathered Traditional, Balanced Program and SARP
		Catastrophic Program	Healthcare Spending Account
Life Insurance			
	<ul style="list-style-type: none"> Equal to pre-retirement basic life coverage Non-union employees receive \$10,000 if not at least age 50 with 5 years service on July 1, 2006 Reducing by 5% on each retirement anniversary 	<ul style="list-style-type: none"> Non-Grandfathered Traditional <ul style="list-style-type: none"> \$35,000 in company paid coverage or \$10,000 death benefit if at least age 50 with 5 years service at July 1, 2006, otherwise, \$10,000 	<ul style="list-style-type: none"> Balanced <ul style="list-style-type: none"> \$35,000 in company paid coverage or \$10,000 death benefit if at least age 50 with 5 years service at July 1, 2006, otherwise, \$10,000
	<p>Non-Union</p> <p>Non-Union Pre '91 retiree</p> <ul style="list-style-type: none"> Reduction stops when coverage is 75% of pre-retirement basic life coverage 		
	<p>Non-Union Post '91 retiree</p> <ul style="list-style-type: none"> Reduction stops when coverage is 25% of pre-retirement basic life coverage Minimum coverage of \$20,000 		
	<p>Exceptions to the Above:</p> <ul style="list-style-type: none"> For retirees on private payroll whose band was 12 and above, and for MEDCO retirees: the initial amount of insurance remains level after retirement 		
	<p>Union</p> <p>Union Pre '91 retiree</p> <ul style="list-style-type: none"> Reduction stops when coverage is 75% of pre-retirement basic life coverage 		<ul style="list-style-type: none"> SARP <ul style="list-style-type: none"> \$30,000 in company paid coverage or \$10,000 death benefit for CAW retirees \$35,000 in company paid coverage or \$10,000 death benefit for COEU retirees
	<p>Union Post '91 retiree</p> <ul style="list-style-type: none"> Reduction stops when coverage is 50% of pre-retirement basic life coverage Minimum coverage of \$10,000 except for CAW who have a minimum coverage of \$25,000 		



Appendix E

Additional Information

Disclosure Information by Entity

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n accumulated post retirement benefit obligation
Accumulated post retirement benefit obligation - end of prior period
Adjustment for change in measurement date

[illegible]

in plan assets

[illegible]

Year	Number of funded status
1990	100
1991	100
1992	100
1993	100
1994	100
1995	100
1996	100
1997	100
1998	100
1999	100
2000	100
2001	100
2002	100
2003	100
2004	100
2005	100
2006	100
2007	100
2008	100
2009	100
2010	100
2011	100
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2028	100
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2032	100
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2042	100
2043	100
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2046	100
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2088	100
2089	100
2090	100
2091	100
2092	100
2093	100
2094	100
2095	100
2096	100
2097	100
2098	100
2099	100
2100	100

83,409	223,125	316,534	12,431	23,460	35,891
0	0	0	0	0	0
(93,409)	(223,125)	(316,534)	(12,431)	(23,460)	(35,891)
0	0	0	0	0	0
(93,409)	(223,125)	(316,534)	(12,431)	(23,460)	(35,891)
0	0	0	0	0	0
(6,997)	(17,597)	(24,584)	(721)	(1,273)	(1,984)
(65,412)	(205,536)	(291,950)	(11,719)	(22,167)	(33,697)
(93,409)	(223,125)	(316,534)	(12,431)	(23,460)	(35,891)

Recognition of amounts not yet recognized in net periodic benefit cost and

	D	Q	Q	Q	Q	Q
1	(1,772)	(12,042)	(13,814)	(1,836)	(10,565)	(12,202)
2	(20,899)	(89,482)	(110,381)	(4,412)	(10,933)	(15,345)
3	(23,571)	(121,524)	(124,193)	(6,046)	(21,489)	(27,547)
4	(116,080)	(324,649)	(440,723)	(18,479)	(44,959)	(55,438)
5	(93,409)	(223,125)	(316,534)	(12,431)	(23,469)	(35,891)

the split of actual benefit payments is based on the SurKite allocation between the

Nortel Networks Corporation

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Components of net periodic post retirement benefit cost

	Nortel Networks Life	Nortel Networks Medical	Nortel Networks Total	Nortel Technology Life	Nortel Technology Medical	Nortel Technology Total
Service cost	213	814	1,027	149	343	492
Interest cost	5,974	18,396	24,370	815	1,996	2,811
Expected return on plan assets	0	0	0	0	0	0
Amortization of transition obligation (asset)	0	0	0	0	0	0
Amortization of prior service cost (credit)	(283)	(1,185)	(1,468)	(324)	(1,016)	(1,340)
Amortization of net actuarial loss (gain)	0	0	0	0	0	0
Curialment loss (gain)	0	0	0	0	0	0
Settlement loss (gain)	0	0	0	0	0	0
Special termination benefits	0	0	0	0	0	0
Net periodic post retirement benefit cost (income)	5,904	18,025	23,929	840	1,325	1,965

Changes in plan assets and benefit obligations recognized in other comprehensive income

Prior service cost (credit) arising in period	0	0	0	0	0	0
Net actuarial loss (gain) arising in period	(17,722)	(115,875)	(133,597)	(3,173)	(15,572)	(18,745)
Total cost (credit) arising in period (a)	(17,722)	(115,875)	(133,597)	(3,173)	(15,572)	(18,745)
Minus:						
Amortization of transition obligation (asset)	0	0	0	0	0	0
Amortization of prior service cost (credit)	(283)	(1,185)	(1,468)	(324)	(1,016)	(1,340)
Amortization of net actuarial loss (gain)	0	0	0	0	0	0
Total amortization reclassified through net periodic benefit cost (b)	(283)	(1,185)	(1,468)	(324)	(1,016)	(1,340)
Equals						
Total cost (credit) recognized in other comprehensive income (a) - (b)	(17,439)	(114,690)	(132,129)	(2,849)	(14,556)	(17,405)

Total recognized in net periodic benefit cost and other comprehensive income

Estimated amounts that will be amortized from accumulated other comprehensive income over the next fiscal year	(11,535)	(99,885)	(108,280)	(2,209)	(13,231)	(15,440)
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Transitional obligation (asset)

Prior service cost (credit)	(283)	(1,185)	(1,468)	(324)	(1,016)	(1,340)
Net actuarial loss (gain)	(936)	(11,251)	(12,187)	(187)	(1,379)	(1,566)
Total	(1,219)	(12,436)	(13,655)	(511)	(2,395)	(2,912)

Assumptions

At beginning of period

Discount rate	5.80%	5.80%	5.80%	5.80%	5.80%	5.80%
Rate of compensation increase (excluding merit + promotion scale)	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
Health care inflation - Select	6.47%	6.47%	6.47%	6.47%	6.47%	6.47%
Health care inflation - Ultimate	4.70%	4.70%	4.70%	4.70%	4.70%	4.70%
At end of year ultimate rate reached	2015	2015	2015	2015	2015	2015

Discount rate

Rate of compensation increase (excluding merit + promotion scale)	7.37%	7.37%	7.37%	7.37%	7.37%	7.37%
Health care inflation - Select	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Health care inflation - Ultimate	6.14%	6.14%	6.14%	6.14%	6.14%	6.14%
Year ultimate rate reached	4.82%	4.82%	4.82%	4.82%	4.82%	4.82%
At end of year ultimate rate reached	2028	2028	2028	2028	2028	2028

Reconciliation of funded status (as per prior accounting rules)

Funded status - surplus (deficit)	(99,409)	(223,125)	(318,534)	(12,431)	(23,460)	(35,891)
Employer contributions after measurement date	0	0	0	0	0	0
Unamortized transitional obligation (asset)	0	0	0	0	0	0
Unamortized post service costs	(1,772)	(12,042)	(13,814)	(1,636)	(10,566)	(12,202)
Unamortized net actuarial loss (gain)	(20,893)	(89,482)	(110,381)	(4,412)	(10,933)	(15,345)
Accrued benefit asset (liability)	(115,080)	(324,649)	(440,729)	(18,479)	(34,959)	(53,435)

Appendix F

Employer Certification

With respect to the actuarial report on the determination of 2008 benefit cost and 2008 year-end disclosure for Nortel's non-pension post retirement benefit plan under CICA 3461 and SFAS 106/132 (as modified by FAS 158), I hereby certify that, to the best of my knowledge and belief:

- The membership data supplied to the actuary for the April 1, 2008 and November 30, 2005 valuations provide a complete and accurate description of all members who were entitled to benefits under the terms of the plans for service up to the date of that valuation;
- A copy of the official plan documents and of all amendments made up to current fiscal year-end were supplied to the actuary; and
- All substantive commitments (as defined under CICA 3461 and SFAS 106) have been communicated to the actuary.

2/27/09
Date
Elizabeth Smith
Signed
Elizabeth Smith
Name
Director Pension + OPEB Accounting
Title

Appendix G

Glossary of CICA 3461 and FAS 106 Terms

This section illustrates the main difference in terminology between CICA 3461 and FAS 106.

CICA 3461	FAS 106	Definition
Accrued benefit asset	Prepaid postretirement benefit cost	Cumulative employer contributions in excess of benefit cost.
Accrued benefit liability	Accrued postretirement benefit cost	The accumulation of benefit costs that have not yet been funded.
Accrued benefit obligation	Accumulated Postretirement Benefit Obligation (APBO)	The actuarial present value of all benefits expected to be received, attributed to employee service rendered before the valuation date.
Current service cost	Service cost	The actuarial present value of benefits attributed to services rendered by employees during a one year period.
Benefit cost	Net periodic postretirement benefit cost	The amount recognized in the employer's financial statements as the cost of a post retirement benefit plan for a period.
Past service cost	Prior service cost	The cost of benefit improvements attributable to plan participants' prior service pursuant to a plan amendment or a plan initiation that provides benefits in exchange for plan participants' prior service.
N/A	Accumulated Other Comprehensive Income (FAS 158)	Balance sheet item reported on company's financial statement. As of the fiscal year-end, it is equal to the sum of the net actuarial gain (loss) plus prior service credit (cost) plus transition asset (obligation) not yet recognized in net income. The amount shown in this report is the before-tax amount and the amount shown on the company's financial statement will be after-tax.
N/A	Other Comprehensive Income (FAS 158)	Except for certain amounts that are amortized, a company's net income does not include actuarial gains and losses during a year nor plan amendments during the year. These amounts are included in other comprehensive income. Other comprehensive income equals the change in accumulated other comprehensive income during the fiscal year. Other comprehensive income is shown on a company's books as an after-tax amount but is shown in this report before taxes.

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**APPENDIX H – UNAUDITED, INTERNAL HWT FINANCIAL STATEMENTS DATED
DECEMBER 31, 2008**