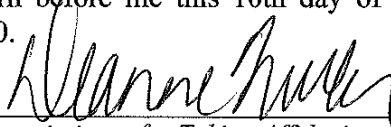


This is Exhibit X referred to in the  
Affidavit of Arlene Borenstein (Plante) ,  
sworn before me this 10th day of August,  
2010.

  
A Commissioner for Taking Affidavits, etc.

DEANNE E. FOWLER  
BARRISTER AND SOLICITOR

A New Era of Networking



✓ [www.nortelnetworks.com](http://www.nortelnetworks.com)  
annual.report.98

**NORTEL**  
**NETWORKS™**

*How the world shares ideas.*

## Notes to Consolidated Financial Statements

NORTHERN TELECOM LIMITED (MILLIONS OF U.S. DOLLARS EXCEPT PER SHARE FIGURES AND UNLESS OTHERWISE STATED)

### **(m) Allowance for credit losses**

Nortel Networks maintains an allowance to absorb credit-related losses in its portfolio of on-balance sheet and off-balance sheet financing assets and liabilities (the Financing Portfolio). The Financing Portfolio is primarily composed of medium-term and long-term customer-financed receivables and guarantees. This allowance is part of the provision for uncollectibles. The allowance is reviewed quarterly for adequacy of impairment coverage and, in management's opinion, is considered adequate to absorb any credit-related losses in the Financing Portfolio.

### **(n) Postemployment benefits**

Pension expense, based on management's assumptions, consists of the actuarially computed costs of the pension benefits in respect of the current year's service; imputed interest on plan assets and pension obligations; and straight-line amortization of experience gains and losses, assumption changes, and plan amendments over the expected average remaining service life of the employee group. The costs of postemployment health care and life insurance benefits are expensed as incurred.

## **2. Information on operating segments**

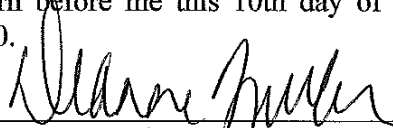
### **General description**

Nortel Networks' operations include two reportable operating segments: carrier and enterprise. The carrier segment includes: products which are used by telecommunications operating companies to interconnect access lines and transmission facilities to provide local or long-distance services, products to address wireless communications, and products which transport voice, data, image, and video communications between locations within a city or between cities, countries, or continents. The enterprise segment products are primarily private digital switching systems, usually located on the customer's premises, which permit voice, data, or multimedia terminals to communicate with each other, with or without the use of wide-area public telephone networks.

The Corporation's reportable segments also represent those product classes that provide unified networking solutions to two specific customer groups. These segments provide network solutions that integrate data, voice, and video on a single network using a combination of packet frame and cell technologies. The network solutions involve the convergence of traditionally disparate networks for seamless end-user connectivity, reduced costs, and flexible bandwidth management. The solutions address corporate intranet (enterprise) and Internet access, as well as high-speed network transport (carrier).

The accounting policies of the segments are the same as those described in note 1. The Corporation evaluates financial performance based on measures of profit or loss from operations before income taxes, excluding the impact of the amortization of the Bay Networks, Inc. (Bay Networks) intangible assets and purchased in-process R&D from other acquisitions, and one-time gains and charges (see notes 4, 7, 8, and 9). Inter-segment revenues were immaterial for the years ended December 31, 1998, 1997, and 1996.

This is Exhibit Y 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

A fa07v

Nortel Networks Limited

90002

## Agreement for Administrative Services Only

Plan Sponsor

Nortel Networks Limited

Plan Number

90002

Effective Date

January 1, 1999

You, Nortel Networks Limited, have agreed to provide a group health and welfare plan for certain employees and have assumed liability for the payment of certain disability, hospital, medical and dental benefits to these employees, according to the provisions of the Nortel Networks Limited Employee Benefit Plan and Spending Account.

We, Clarica Life Insurance Company, agree with you, Nortel Networks Limited, to provide administrative services for the Nortel Networks Limited Employee Benefit Plan and Spending Account according to the provisions of this agreement.

This agreement, the Nortel Networks Limited Employee Benefit Plan, Spending Account and Clarica's Guidelines on Privacy form the entire contract between Clarica Life Insurance Company and Nortel Networks Limited. The agreement supersedes all prior written or oral agreements on the subject matter. This agreement is not protected by the Canadian Life and Health Insurance Compensation Corporation.

We will maintain the insurance coverage set out in Appendix IV, attached to this agreement.

### Definitions

<b>Bank account</b>	means the bank account issued to you, upon which we are authorized to draw cheques for payment of claims under the Plan and Spending Account.
<b>Calendar year</b>	means January 1 to December 31.
<b>Plan</b>	means the Nortel Networks Limited Employee Benefit Plan.
<b>Spending Account</b>	means the Nortel Networks Limited Health Care Spending Account.
<b>We, us and our</b>	refer to Clarica Life Insurance Company.
<b>You and your</b>	refer to Nortel Networks Limited.

### General Provisions

1. You agree that we, in providing services under this agreement, are acting on your behalf as administrator only of the Plan and Spending Account. You are solely liable for payment of claims submitted under the terms of the Plan and Spending Account.
2. We have the power to interpret the provisions and terms of this agreement, the Plan and Spending Account in performing our obligations under this agreement. Any interpretation adopted by us in good faith and in a reasonable manner and without negligence is binding upon you.
3. Regardless of any other provision in this agreement, you may determine the amount of payment to be made for any specific benefit claim submission, provided you instruct us in writing to make the payment.

4. You agree to indemnify and hold us harmless from any and all claims, damages, lawsuits, losses, costs and charges incurred by us as a result of our performance of this agreement, unless caused by a willful act, negligence or a breach of contract by us.
5. This agreement may be amended at any time, provided such amendment is in writing and approved by you and us.
6. We may change the Administration Charges on the effective date of an amendment by giving you written notice of any changes.
7. We may change the Administration Charges one year after the effective date, or any time after that, by giving you 30 days' prior written notice of any changes.
8. All financial transactions will be in Canadian currency.
9. All questions relating to the validity, interpretation or administration of this agreement will be determined according to the laws of the Province of Ontario.
10. With the exception of our indemnification of you under the *Our obligations* section below, or breach of the Privacy Guidelines outlined in *Appendix III*, neither party will be liable for any unforeseeable, incidental or consequential damages or for any loss of revenues, loss of profits, loss of goodwill or other forms of economic loss, even if the party or its authorized representative has been advised of the possibility of the type of damages and notwithstanding any failure of the essential purpose of any limited remedy.
11. Notices will be given in writing by fax, courier service, electronic mail (e-mail), or Canada Post. Courier service notice is effective on the earlier of 5 days from being deposited for delivery or the date on the mail or courier receipt. Fax and e-mail notice are effective when the sender receives confirmation that the fax was sent or the e-mail was received. Each party will provide the other with the contact information required for each type of notice. The information will be first provided on the effective date and promptly updated during the term as it changes.
12. If any provision of this agreement is determined to be legally unenforceable or invalid, the remaining provisions will continue in effect. The parties will substitute a provision that most closely approximates the economic effect and intent of the invalid provision.
13. Unless waived and agreed in writing by both parties, no action or inaction by a party under this agreement will constitute a waiver of a party's rights or obligations under this agreement, or breach of this agreement.
14. Neither party will assign or transfer this agreement, or its rights or obligations, without the prior written consent of the other. Neither party will unreasonably withhold or delay consent. However, we may assign this agreement to an entity that directly or indirectly owns at least 50% of the voting securities or may exercise 50% of the voting power of us or to a person or entity to which we have succeeded all or substantially all of its business and assets to which this agreement relates.
15. All written communication concerning this agreement or amendments or restatements of this agreement will be in the English language.
16. This agreement may be executed by the parties in multiple counterparts, each of which will be deemed an original and all of which will be one and the same document.

## **Our Obligations**

1. We will prepare and maintain documents for the Plan and Spending Account.
2. We will provide claim forms and assess and pay claims according to the terms of the Plan and Spending Account. We will pay claims by issuing cheques on the bank account according to the terms of this agreement.
3. We will advise you of any contested claims within a reasonable time after the claims are made.

4. We will report fraudulent claims to you within 10 days of discovering the fraud by Investigative Services.
5. We will provide you with a monthly invoice which includes a monthly claims report, a monthly expense report and a monthly cheque reconciliation report.
6. We will make available to you all records relating to the contracted administrative services. This manner will incorporate methods designed to protect the confidentiality of the individual's personal information according to our Guidelines on Privacy.
7. We will retain claim records, internal records for the preparation of bank reconciliations and any other files or records pertaining to this Plan and Spending Account for a maximum of 6 years, at which time they will be destroyed.
8. We warrant that the services have been performed in a good and workmanlike manner in accordance with generally accepted industry standards and will conform to the agreement.
9. We are an independent contractor in relation to you for the services provided under this agreement. This agreement does not create a joint venture, partnership, principal-agent or employment relationship between you and us.
10. We will indemnify and hold you and your subsidiaries and affiliates (including your employees, officers and directors) harmless from fines, penalties, losses, costs, damages, injuries, claims, expenses or liabilities resulting from injury or death of a third party or of any of our employees or of any employees of our subcontractors, or damage or loss of property to the extent caused by our employees' or employees of our subcontractors', contractors', or consultants' performance of this agreement.

The fines, penalties, losses, costs, damages, injuries, claims or liabilities resulting from the above will be known collectively as liabilities.

At our expense we will:

- defend against or settle liabilities, and
- pay related costs and attorneys' fees.

We will have sole control of the settlement or defense of liabilities, but you or the indemnified subsidiary or affiliate may participate in the defense or settlement at your own expense.

The obligations under this indemnities section will survive the termination of this agreement.

11. We will indemnify you and hold you harmless for any intellectual property claims of a third party solely resulting from us representing ourselves as agents of a third party under our performance of this agreement.

## **Audit**

We will allow you or your authorized representatives to audit records in our possession in regards to payment of claims under the terms and conditions of the plan.

This audit may be carried out at your request, provided however, that such audit will take place in our offices and during our regular office hours. You will give us at least two weeks notice in advance and provide a detailed description of how you will conduct the audit and what records you will need.

You or your authorized representatives must provide us with a copy of the audit report and we may submit comments in writing to you on the audit report.

## **Your Obligations**

1. You are responsible for all aspects of the administration of the Plan and Spending Account except those specifically assumed by us under the terms of this agreement.
2. You will provide us with a full monthly enrollment for verification of Health and Dental claims and a separate enrollment file showing employees enrolled in the Spending Account and their benefit credits.
3. You will deposit in the bank account sufficient funds to pay all claims and administration charges approved according to the terms of this agreement.
4. You will give us 30 days' prior written notice of any amendments to the Plan and Spending Account.
5. You will provide us with records and other information as we may reasonably require for the administration of this agreement, subject to your right to refuse disclosure for reasons of confidentiality.
6. If we incur any tax liability on contributions to the Plan and Spending Account or on monies paid out of the Plan and Spending Account, or as a result of this agreement, you will reimburse us to the extent of that liability as an additional administration charge.

## **Stop Loss Provision**

**(80004-OOP)**

Your liability for emergency out-of-province claims is limited to \$50,000 of paid claims per injury or disease for each member and each covered dependent in a calendar year.

The Stop Loss Insurance under Policy # 80004 - OOP, provides coverage for emergency out-of-province claims in excess of \$50,000 of paid claims per injury or disease for each member and each insured dependent in a calendar year.



## Administration Charges

Within 30 days of the end of a calendar month, we will provide an invoice for charges for the previous month's services provided under the terms of the Agreement according to the following Schedule.

### Base Fees

#### Health and Dental Benefits

General Administration	30% of Extended Health and Dental Claims
Profit	35% of Extended Health and Dental Claims
Claims Administration	
Extended Health	\$5.70 per cheque plus postage
Pay Direct Drug	\$1.00 per prescription plus GST
Drug Utilization Review	\$2.20 per prescription that is reviewed
Dental	\$4.58 per cheque plus postage
Health Care Reimbursement Account	\$4.80 per certificate in force on January 1, plus \$1.00 per cheque issued

#### Survivor Income, Survivor Transition and Long Term Disability Benefits

General Administration	40% of Survivor Income, Survivor Transition and Long Term Disability claims
Profit	35% of Survivor Income, Survivor Transition and Long Term Disability claims
Claims Administration	
Survivor Income Benefit	\$125 per death claim unless a Group Insurance claim has been made plus \$7.25 per cheque issued
Survivor Transition Benefit	\$125 per death claim unless a Group Insurance claim has been made plus \$7.25 per cheque issued
Long Term Disability	\$103 per claim in force plus \$6.56 per cheque issued and \$4.49 per deduction per cheque issued (The average number of deductions will be used for the purposes of tracking costs.)

**Base Fees include the following services:**

- assessment and payment of claims
- individual case assessment of Long Term Disability claims, including rehabilitation referrals and recommendations for independent medical assessments
- services of the claims information centre for claim inquiries
- providing pay direct drug cards to members under the plan to be delivered to the member's business location
- maintenance of member data for verification of claims
- quarterly report confirming members enrolled on Clarica's system
- assistance with plan design and review
- accumulation of claims statistical data
- annual reports outlined in Appendix I
- annual estimates of incurred but not reported claims
- annual estimate of disability and survivor reserves
- monthly claim reports to be included with the invoice
- monthly cheque reconciliation with supporting reports
- maintenance of enrollment data and benefit credits for the payment of Spending Account
- quarterly payments for the Health Care Reimbursement Account
- annual forfeiture report for Health Care Reimbursement Accounts
- maintenance of a plan document and ASO Agreement
- services of a Group National Accounts Officer, Client Service Representative, assigned underwriter, new business coordinator, senior call centre representative and ASO administrative assistant whose roles are identified in Appendix II
- quarterly reports on block of business audits
- annual renewal report, including per capita cost projections
- recoveries of fraudulent claims using Investigative Services

**Additional Services not Included in Base Fees**

Ad hoc claim reports	\$250/for a generic report or Programming costs and computer time, billed as incurred for creation of new and specialized reports.
Customized printing, redistribution of cards	as incurred
Special Mailing	as incurred

Subrogation assistance	\$150/hour for legal staff and \$100 for paralegal
Benefit Statements	\$ .50/statement plus postage
Spending Account Forfeiture Letters	\$.35/member plus postage
Spending Account Balance Letters	\$.35/member plus postage
Member Enrollment	\$2/member
Dependent Enrollment	\$2/member with dependents
Reassessment of claims as a result of late enrollment	as incurred
Rehabilitation Services including:	\$110/hour
<ul style="list-style-type: none"> <li>• preparation of business case for selection of rehabilitation candidates</li> <li>• rehabilitation consulting directly with members for return to work</li> <li>• disability plan management services <ul style="list-style-type: none"> <li>* identify early intervention opportunities</li> <li>* annual report on cost savings</li> <li>* claims management report</li> <li>* meetings at client sites for case management or pre-arbitration</li> </ul> </li> </ul>	
Disability Consulting Services	negotiated fee for service
<ul style="list-style-type: none"> <li>• development of early intervention programs</li> <li>• training of client staff on short term disability management</li> <li>• ergonomic consulting</li> <li>• occupational therapist consulting</li> <li>• assistance with management of WCB claims</li> </ul>	
Rehabilitation Consultant Travel Costs	as incurred
Cost of Rehabilitation programs and special medical assessments	as incurred
Amendment Costs (for amendments in excess of 1 per year for the Flex plan and one every 3 years for the union plans)	hourly fee or negotiated flat rate for updates to existing benefits: <ul style="list-style-type: none"> <li>• \$675 for modification to existing plans with one division (e.g. union amendment)</li> <li>• \$1,375 for more complex amendments (e.g. flex changes)</li> </ul>
Investigative Services, Client Specific Projects	scope and nature of project to be negotiated

Actuarial Services	as incurred
Translation service	as incurred
Legal services for supporting defenses of disputed claims	as incurred
Preparation of tailored audits	as incurred
Hourly Fees for Additional Services	\$60/hour for clerical \$110/hour for management \$150/hour for senior officer and professionals
SAS Programming for reports	\$125/hour

We reserve the right to modify the above administration charges to reflect any Good and Services Tax, Value Added Tax or similar tax that may be instituted.

### Termination of Agreement

1. You may terminate this agreement by giving us 30 days' prior written notice of termination. We may terminate this agreement one year after the effective date, or any time after that, by giving you 90 days' prior written notice of termination.
2. We may terminate this agreement immediately by giving you written notice if you fail to satisfy any of the terms of this agreement.
3. We may terminate this agreement immediately by giving you written notice if legislation, regulation or judicial decision, in our opinion, prohibits the continuation of this agreement.
4. Upon termination of this agreement,
  - a. All obligations on our part for the payment of claims will stop.
  - b. You will reimburse us for all charges incurred for services rendered and for all claims paid prior to the termination date of this agreement.
  - c. All claim records and files maintained by us in carrying out our administrative services for this agreement will be turned over to you.
  - d. A termination accounting will be made within 1 calendar year after the termination date. After the termination accounting is completed, the bank account will be closed.
5. Obligations and liabilities intended to survive the termination of this agreement will be effective after termination.

Please sign both copies of this agreement and return one to us.

Signed at our Head Office, Waterloo, Ontario.



Secretary



President

This agreement is approved at \_\_\_\_\_, dated \_\_\_\_\_

by \_\_\_\_\_  
Nortel Networks Limited

# **APPENDIX**

## **Appendix I**

**Annual Reports**

## **Appendix II**

**Roles and Responsibilities of National Accounts Officers**

## **Appendix III**

**Privacy Guidelines**

## **Appendix IV**

**Insurance Requirements**

## APPENDIX I

### Annual Reports

#### EXTENDED HEALTH

- Paid Claims by Benefit
- Submitted and Paid Claims Summary
- Unit Cost by Service Category
- Utilization Based on Paid Claims
- Utilization Based on Number of Services
- Claims and Premium (3 year comparison of claims)

#### DENTAL

- Paid Claims by Benefit
- Claims and Premium (3 year comparison of claims)
- Submitted and Paid Claims
- Utilization based on Paid Claims
- Unit Cost by Service Category

*The above reports are provided for Management, Pensioners and Union Employees*

## APPENDIX II

### Roles and Responsibilities

The **National Accounts Officer, Joanne Hulley** is responsible for overall plan management which includes and is not limited to coordinating the reporting of performance standards, ensuring changes are implemented according to an agreed upon schedule, negotiating and implementing a fee structure, reporting on annual financial results, recommending plan changes and investigating potential changes. She communicates market trends, new product initiatives and changes in legislation.

The **National Accounts Service Representative, Carol Johrendt** investigates and resolves, transaction level issues such as complex claims issues, member records, card production, responses to claim statements, document production and other administration issues. The Service Representative also provides back up in the absence of the National Accounts Officer.

Supporting the National Account Officer and the Service Representative is a National Accounts team which is responsible for the direct servicing of approximately 20 national accounts. **Karen Martin, National Accounts, Vice President** is responsible for facilitating access to resources within the company. An **Underwriter, Darryl Davis**, calculates rates and annual financial results and prepares renewal reports and ASO fees. A **New Business Coordinator, Rosemary Noronha** prepares documents and updates system records for plan changes. An **Administration Associate, Iringard Logemann** prepares monthly ASO invoices.

**Cathy Scott** is the team leader of the National Account claims team which is responsible for assessing and paying Health and Dental claims. She is responsible for accurate claim payment and meeting service standards.



## APPENDIX III

### Guidelines on Privacy

In order to carry on its business as an insurer, financial intermediary, investor and employer, Clarica Life Insurance Company must obtain and use certain personal information.

To ensure the privacy of its clients, employees and agents, the company will conduct its business in accordance with the following principles:

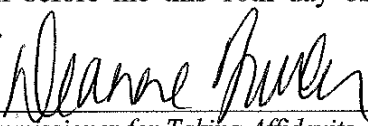
<b>Relevance and Retention</b>	The company will collect only that personal information which is relevant to the conduct of its business, and will retain such information only as long as it remains relevant or required by law.
<b>Sources of Information</b>	The main source of information about an individual will be that person. The collection of information from other sources will be subject to the consent of the person concerned or as permitted by law. On request, the company will advise the person and these other sources of the relevance and intended use of information being collected.
<b>Confidentiality of Information</b>	The company will maintain, utilize and dispose of all personal information to protect its confidentiality in a manner commensurate with the sensitivity of the information. It will appropriately control access by its employees and agents to such information, granting access only to those with legitimate business needs.
<b>External Disclosure</b>	The company will not disclose personal information to others outside the company without the consent of the person concerned, except as required by statutory authority, legal process, contractual obligation, or widely accepted and ethical business practice.
<b>Personal Access</b>	The company will make available to a person on request, the information maintained in the files on that person, with due concern for the protection of the privacy of its source, and subject to any applicable legal or ethical prohibition or privilege. Personal health information will only be made available through an appropriate health professional. In the case of employees and agents, personal access to business planning information is not available.
<b>Opportunity to Correct</b>	The person concerned will have the opportunity to request the company to correct or clarify personal information. The company will amend the person's file to the extent it agrees that the original information was incorrect, biased or irrelevant. In the case of disagreement, the person will be allowed to file his or her opinion. The company will undertake to inform other organizations which have been provided with such information of amendments which are made.
<b>Communication</b>	The company will communicate these principles to its employees, agents and to other persons and organizations acting on its behalf and will inform its employees and agents of their responsibilities with respect to these principles, both generally and with reference to their specific duties and responsibilities.
<b>Compliance</b>	The company expects all employees to conform to these principles. The company will undertake appropriate procedures to monitor such compliance. Any willful violation of these principles by an employee will be cause for disciplinary action which could result in termination of employment.

## APPENDIX IV

### Insurance requirements

1. **Coverage and Limits** - During the term we will carry the following types of insurance coverage and liability limits:
  - (a) *Comprehensive automobile insurance* for all non-owned vehicles, covering at minimum, bodily injury and property damage, with a minimum liability limit of \$1,000,000.00 for each occurrence;
  - (b) *Comprehensive general liability insurance* covering at minimum, bodily injury, broad form property damage, and blanket contractual liability, with a minimum liability limit of \$5,000,000.00 for each occurrence;
  - (c) *Employer's liability insurance* with a minimum liability limit of \$1,000,000.00; and,
  - (d) *Workers' compensation*, with the statutory requirement for coverage. (When performing services in the United States, we must carry statutory workers' compensation coverage whether or not state law allows us to elect not to carry coverage)
- 1.1 **Additional Insured** - We will name you as an additional insured on the Comprehensive general liability insurance policy.
- 1.2 **Certification** - On your request we will provide you with certificates confirming all insurance coverage.

This is Exhibit 2 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**

January 6, 2010

Susan Philpott  
Direct Dial: 416.595.2104  
Direct Fax: 416.204.2882  
sphilpott@kmlaw.ca

**Via E-mail**

Jay Carfagnini  
Goodmans LLP  
Suite 2400, 250 Yonge St.  
Toronto, ON M5B 2M6

Murray McDonald  
Ernst & Young Inc.  
222 Bay Street  
Toronto, ON M5K 1J7

Derrick Tay  
Ogilvy Renault LLP  
RBC Plaza, South Tower  
200 Bay Street, P.O. Box 84  
Toronto, ON M5J 2Z4

Dear Sirs:

**Re: Nortel CCAA Proceedings**  
**Re: Funding Agreement**  
**Our File No. 09/0479**

We write on behalf of both of our client groups, the Court appointed representatives for the Former Employees and the Disabled Employees of the Canadian Nortel companies. We understand that an agreement has been reached with the U.S. company and other stakeholders regarding the transfer of funding to the Canadian estate to permit its operations for the duration of the insolvency proceedings (the "Funding Agreement"). We were not privy to the negotiations which resulted in that agreement, and have not been provided a copy of the applicable documentation setting out the Funding Agreement, nor any draft of it. Our clients have grave concerns about the contents and terms of the Agreement that have been disclosed thus far, and the impact on them and their constituents. We require a copy of the latest draft of the Agreement and an opportunity to comment on its contents before it is finalized, and raise the following for your immediate consideration and action.

To date, our clients have supported the continuation of the CCAA stay of proceedings, and the interim funding agreement ("IFA") that was reached in June, because funding for the pension plans and benefit plans was provided for, and has continued during the CCAA process. Our clients did not oppose the expenditure of estate funds on employee bonuses under the KEIP, KERP and AIP programs because they were told that their benefits coverage would continue, and funding for that coverage was included under the IFA. However we have been advised that the current Funding Agreement, which is scheduled to be brought to court for approval on January 21, 2010, provides funding for these costs only through Q1 of 2010. There is no provision for these costs through the balance of 2010 and 2011, leaving our clients without health benefits and pension funding during the CCAA proceedings. This, along with the fact that Nortel has been depleting the health and welfare trust by failing to fund the ongoing LTD and SIB costs, is wholly unacceptable.

Accordingly, our clients will object to the Funding Agreement and any further extension of the CCAA stay of proceedings unless provision is made for:

**KOSKIE  
MINSKY<sub>LLP</sub>**  
BARRISTERS & SOLICITORS

- 1) the continuation of our clients' medical and health benefits thro
- 2) pension funding to at least the end of September of 2010, whe  
be filed with the Regulator,
- 3) payment of LTD and SIB income benefits directly by the com  
revenues as an employee cost through 2010, and
- 4) provision of some minimum standards pay for severed empl  
current hardship program.

We understand that funds are available in 2010 for the Canadian estat  
expect binding confirmation that they will be paid

As has become clear through this most recent set of negotiations rega  
Canadian estate, the established process remains very unsatisfactory to  
seat at the table and were thereby unable to press for the minimum gue  
constituents for health benefits. And yet, the bondholder group succ  
mandatory audit for 2009, at an exorbitant cost of over \$20 million, the  
unnecessary and benefits only the bondholders (and KPMG). It would  
more than \$20 million in audit fees, and millions more in employee bon  
2010 while Nortel retirees and disabled people go without health ben  
process is used as a mechanism to bind the Canadian estate to future tra  
to object is hamstrung because of the terms of the IFA that our clients ha

We look forward to speaking with you immediately to discuss our c  
absence of an agreement as set out above, we have no choice but to ob  
the Funding Agreement on January 21, 2010

Yours truly,

**KOSKIE MINSKY LLP**



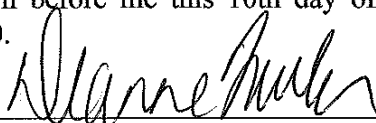
Susan Philpott

SP mp

c      NRPC Committee, Sue Kennedy  
Tom Levy and Ron Olsen Segal  
Gus Tertigas, RSM Richter LLP  
Gale Rubenstein, Goodmans LLP  
Ken Rosenberg, Palare Roland LLP  
Mark Zigler/Andrea McKinnon, Koskie Minsky LLP

K:\0009\000477\Correspondence - Scott\Carlygnus McDonald Taylor Jan 6 10.doc

This is Exhibit PA 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**

# **NORTEL DISABLED EMPLOYEE NEWS BULLETIN**

**THIS NEWS UPDATE IS PREPARED BY KOSKIE MINSKY LLP (KM)  
IN THEIR CAPACITY AS REPRESENTATIVE COUNSEL**

*Nous enverrons une traduction de cette lettre dès qu'elle sera disponible.*

**July 29, 2010**

Nortel entered court proceedings under the *Companies' Creditors Arrangement Act* ("CCAA") on January 14, 2009. As a result of the company's insolvency proceedings, there will be changes to your disability income, health, dental & life insurance benefits on December 31, 2010, and to Nortel's pension plans on September 30, 2010 and thereafter. It is therefore important that you remain up to date on these issues by reading the newsletters prepared by your Representative Counsel, by visiting the KM website and by keeping in contact with your court-appointed Representative, Susan Kennedy, and the Canadian Nortel Employees on Long-Term Disability Committee ("CNELTD") Legal Steering Committee.

Please review the sections below for latest developments on issues that are of importance to you as a disabled employee.

## **ALLOCATION AND DISTRIBUTION OF THE HEALTH AND WELFARE TRUST ASSETS**

### **Background**

Nortel established a Health and Welfare Trust ("HWT") through which its benefits programs for both active employees and retirees have been provided since approximately 1980. The treatment and funding of those benefits programs varied over the years, with funds being contributed and reserves established for some kinds of benefits, and for others, costs being covered on a "pay-as-you-go" basis. In the past, retiree life insurance premiums, survivor income benefits and long-term disability income benefits were normally paid from trust assets, while Nortel made "pay-as-you-go" contributions each year for health & dental benefits for its employees (including disabled employees) and pensioners as well as for active employee life insurance premiums. In addition, Nortel paid survivor transition benefits as they fell due.

### **Allocation & Distribution of the HWT Assets**

As provided for in the Settlement Agreement, the parties are working towards a court approved distribution of the HWT in 2010. We expect that the Monitor will make a proposal for the allocation of these assets, and that interested beneficiaries will have an opportunity to make submissions to the Court on that proposal and on the distribution of the assets. Because there is a potential that those positions may conflict due to the uncertainty of the wording in the trust documents, each of the two groups represented by Koskie Minsky have sought independent legal advice with respect to the allocation of



the HWT assets. For more information about the independent legal advice being sought by your court-appointed Representative on these issues, please contact Susan Kennedy or other members of the CNELTD Legal Steering Committee.

On December 31, 2009, the assets in the trust were estimated at roughly \$80 million, while the liabilities were considerably higher. More current estimates of the liabilities are not yet available. As the liabilities in the HWT exceed the trust's assets, the distribution will replace only a portion of the lost future benefits that were historically paid from the HWT. Our actuary put evidence before the Court last March that an aggregate distribution based on the HWT financial statement then available would produce a result in the 30% range when considering the benefits which were funded out of the HWT and not on a "pay as you go" basis. We cannot provide any further or more accurate estimates concerning the percentage of recovery that you will receive from the trust assets, as this percentage is dependent on the allocation of trust assets among trust beneficiaries, which is not yet determined and is ultimately subject to Court approval. You will receive notice of such process, and the Court-appointed Representative has demanded that each disabled employee receive an estimate of the amount they will receive through a distribution of HWT assets under the Monitor's proposal.

You will recall that your claim for lost future benefits will be calculated by an actuary, and your claim will be based on the present value of your lost future benefits. The balance of the present value that is not paid through a HWT distribution will form part of your claim against the Nortel estate in the Compensation Claims Procedure.

It continues to be the goal of all parties to achieve the allocation and distribution of the HWT assets before the end of 2010.

## **STATUS OF HEALTH, DENTAL & LIFE INSURANCE COVERAGE**

### **Health & Dental Benefits Going Forward**

As you know, Nortel will cease to pay your health and dental benefits on December 31, 2010. **You must submit your claims by February 28, 2011.** Your court-appointed Representative, the CNELTD steering committee, your Representative Counsel, their advisors and members of the Nortel Retiree and Former Employee Protection Canada ("NRPC") have been looking into options to provide some form of ongoing medical coverage post-December 31, 2010. One option originally being considered was the possibility of establishing a Replacement Health Plan using a portion of your future cash recoveries from Nortel. It has been determined that this option is not viable and it will no longer be considered. Two of the major downsides that influenced this decision were (1) the requirement of cash up front to fund the benefits (which would have been difficult and/or not possible to obtain); and (2) the requirement of mandatory participation for all disabled employees (and also for all retirees). As a result of this decision, it is now clear that each individual who is entitled to health & dental benefits from Nortel will have a claim for that loss made against the Nortel estate as part of their claim in the Compensation Claims Procedure.

Although a Replacement Health Plan funded through future cash recoveries is no longer being considered, the CNETD and their advisors continue to look into available options for medical coverage after December 31. The CNETD is working alongside the NRPC on this issue in order to capitalize on economies of scale, among other things. Options being considered include the possibility of locating an insurance provider that will agree to insure your medical benefits without the requirement of a medical assessment and/or the possibility of conversion from the current group coverage to individual coverage with a provider. We are contacting different providers to determine what options and medical coverage plans may be available. If this type of plan is established, you would be given the option as to whether to participate in this plan and also would be responsible to pay the premiums (premium costs and options for benefit coverage are not yet known).

**In light of this new information, you should explore all medical benefit options that are available to you after December 31, which may include your spouse's benefit plan and/or any provincial drug plans for which you may be eligible. Please be sure to submit all claims before February 28, 2011.**

## **COMPENSATION CLAIMS PROCEDURE**

Since our last update to you, discussions to finalize the Compensation Claims Procedure have continued and the legal, actuarial and procedural details remain the current focus. Your actuaries (Segal Company) and lawyers (Koskie Minsky) are advising the Court-appointed Representative. All calculations, assumptions and notice forms are being discussed with your actuaries and Koskie Minsky, and are subject to ultimate approval by the Court.

**The anticipated process:** Before claims are finalized you will receive written notice of your individual claim amounts and will have an opportunity to review the data relevant to your claim, and to correct any existing errors. The package that you receive will explain the process, how your claim was calculated, and will detail each of your claims. You will not have to file your own claim - Koskie Minsky will do that for you. As a disabled employee, you will make a claim for all benefits you are entitled to receive from Nortel now or in the future. Your Representative Counsel is working with your actuaries and the Monitor to ensure that your individual claim includes all entitlements you have lost in the insolvency, including lost disability income benefits, future pension accruals, life insurance (basic and optional to age 65 and retiree life, as applicable), severance and termination pay, transition retirement allowances, any post-retirement benefits you are entitled to receive, and anything else that arises in our review of the documentation. You will receive a letter that will categorize your entitlements, so that you can be certain that none of your entitlements have been overlooked. The contents of the notice, the calculation assumptions and methodologies, and the process will be subject to the court's approval before you receive your claims package.

We anticipate being before the Court for approval of this process in September 2010. Once the process of the Compensation Claims Procedure has been approved, we will move into the individual claim calculation and review stage. You will receive a communication and further instructions at that time. Although we anticipate that you will

receive and review your claim in 2010, there will be a number of issues to resolve before the distribution stage is reached. You should not expect a distribution from the Nortel estate before 2011.

## **UPDATE ON PENSION PLAN ISSUES**

Both Nortel's Defined Benefit and Defined Contribution plans will change as of September 30, 2010.

### **A. THE DEFINED BENEFIT PENSION PLANS**

For disabled employees who have an entitlement in one of Nortel's two Defined Benefit registered pension plans, the future is complicated and to date uncertain. In accordance with the Settlement Agreement, Nortel will cease to administer its pension plans as of September 30, 2010. In the normal course, a wind up administrator would be appointed by the Ontario Superintendent of Financial Services effective on or about September 30, would become responsible for the administration of the Plans, and would determine and conduct the wind-up of the Plans.

An appointed wind-up administrator will reduce pensions to the wind-up or solvency ratio, typically within a few months of the appointment. Pensioners who worked in Ontario, however, may have up to the first \$1,000 of their monthly pensions guaranteed by the province's Pension Benefit Guarantee Fund so for those members only their monthly pensions over \$1,000 would be reduced. However, you should be aware that the Representatives of the NRPC and their advisors are exploring alternatives to a conventional pension plan wind-up and are seeking support from the Government. The future of Nortel's Defined Benefit pension plans, and the timing of plan wind-ups could be affected. Based on a recent estimate, both Defined Benefit pension plans are estimated to have a wind-up funded ratio of approximately 64% (with no indexing). Recent estimates provide that on a solvency basis, the Negotiated Plan is estimated to be funded at 76% while the Managerial Plan is estimated to be funded at 72%. Because of this deficiency, you should plan for the possibility of a reduction in your pension before the end of 2010. As soon as we know more we will advise you.

### **B. THE DEFINED CONTRIBUTION PLANS**

Disabled employees who have an entitlement in Nortel's Defined Contribution plan will receive the funds that have accumulated in their individual account, to be transferred to a locked-in retirement vehicle. You will experience no loss as a result of Nortel's insolvency. You will have no claim against Nortel for your entitlement in Nortel's Defined Contribution plan. In fact, if you still have an account in a Nortel Defined Contribution plan you can transfer it out of the Plan to your personal locked-in retirement vehicle at any time until a notice of wind up is issued.

### **C. QUESTIONS?**

If you have questions about your individual pension and/or retirement please contact the following:

**Defined Benefit Plan Members**  
Mercer -1.866.667.8358

**Defined Contribution Plan Members**  
Sun Life - 1.866.733.8612

## **STATUS UPDATES**

### **Health and Welfare Trust CRA Advance Ruling Submissions**

Tax counsel for all interested stakeholders has been involved in the preparation of written submissions concerning an advance ruling as to the taxability of funds to be distributed from the Health and Welfare Trust. The request for an advance tax ruling has now been submitted to the CRA. The ruling requests that lump sum payments anticipated to be made from the HWT be made without negative tax consequences to the recipients of the payments. The CRA ruling request relates specifically to certain possible future lump sum distributions from the HWT, being:

- Lump sum payments in connection with termination of rights under the long term disability plan;
- Lump sum payments in connection with the termination of rights under the pensioner group life insurance plan; and
- Lump sum payments in connection with the termination of rights under the survivor income benefit plan or survivor transition benefit plan.

We are uncertain how long it will take the CRA to make its decision on the taxability of the various amounts to be distributed, however, we will advise on the KM website and through written correspondence as developments occur. Information about the ruling, once it has been issued, will be made available on our website. Please note that this ruling will be applicable only to lump sum distributions made from the HWT and not to future distributions from the estate, which will be dealt with separately once we have obtained the first ruling.

### **Court-Appointed Representative**

Since May 27, 2009, Susan Kennedy has been the sole Court-appointed Representative for Nortel's disabled employees, with the exception of those individuals who are represented by the CAW-Canada. The system of a single Court-appointed representative who consults with a steering committee and with members as whole within the time and confidentiality constraints created by the CCAA process is a typical structure in matters of this magnitude, where a number of individuals with the same or similar interests are most effectively represented together. This structure has worked well in other cases. This decision-making structure is also working well in the Nortel CCAA proceeding, where the Court-appointed Representative has been working with a committee to communicate to the constituency and to ensure that important decisions

are made on an informed and responsible basis. In his April 8, 2010 endorsement, Justice Morawetz commented positively on the dignified manner in which Ms. Kennedy, among others, has been discharging her functions in difficult circumstances.

Koskie Minsky recently received a request to add two additional Court-appointed representatives for the disabled employee group. This request has been examined, and it has been determined that it is not necessary or advisable to seek a Court appointment of two additional representatives. We are at a critical stage in Nortel's CCAA proceedings in that the allocation of the HWT assets and resulting payments in a tax-effective manner must be dealt with before year end, the compensation claims procedure must be finalized and parties must focus on recovering assets for the Canadian estate in order to maximize the future distribution. Given the overwhelming importance of these issues to the disabled employees, it is far more useful to focus on these issues rather than to expend resources and incur delays engaging in unnecessary procedural steps.

The Court-appointed Representative is grateful to the many disabled employees who have indicated support for her and the Legal Steering Committee that advises her, and thanks them for their continued support of the current system of representation.

#### **Extension of Stay of Proceedings and Employee Hardship Process**

On July 16, 2010, the Court granted an extension of Nortel's stay of proceedings in Canada until October 29, 2010. The Court also granted an extension of the Employee Hardship Process until October 29, 2010. Disabled employees are not eligible for the Employee Hardship Process that is currently in place. We have inquired about the possibility of establishing a hardship fund that would apply to disabled employees who experience severe financial hardship after changes to benefits occur on December 31, 2010. We do not yet know whether this is possible but in any event, any such fund would be subject to Court approval. We will advise you of developments as they occur. If you think that in the future you may be in a position of hardship due to high medical costs, you may wish to investigate provincial drug plans in advance of December 31.

#### **Ongoing Asset Sales / Resolution of Intellectual Property Issues**

While many of the major asset sale transactions have now been completed, Nortel continues to explore the strategic alternatives to best optimize the value of its residual businesses and assets, including its remaining intellectual property. This is a lengthy process, and there has been no determination as to the form such a recovery would take. KM and financial advisors, Richter, continue to represent the disabled employee, former employee and pensioner constituencies on these issues. The Monitor is aware of our interests and is negotiating, in consultation with our groups, to protect and promote the interests of all Canadian stakeholders. You will be advised of developments.

## **CONTACT INFORMATION AND UPDATES**

If you have an inquiry, or wish to speak to your Representative Counsel, please contact KM by email at [nortel@kmlaw.ca](mailto:nortel@kmlaw.ca) or by calling our toll free hotline at 1.866.777.6344. Please continue to visit the KM website's "Latest Development" section for important developments and for announcements concerning the scheduling of webcasts and information sessions.

Disabled employees who have questions or wish to join the CNElTD should send an email to [SteeringCommittee@cneltd.info](mailto:SteeringCommittee@cneltd.info).

For access to a variety of information pertaining to Nortel's CCAA proceedings, including public Court documents and all Monitor's Reports, please visit the Monitor's website at [www.ey.com/ca/nortel](http://www.ey.com/ca/nortel).

This update has been sent to all Nortel disabled employees, including those who are members of the CAW-Canada, which has reviewed this update. If you are a CAW member, you should direct any questions regarding this update to the legal representative for the CAW – Barry Wadsworth, Associate Counsel, at (416) 495-3776 or by e-mail to [michelle.bondy@caw.ca](mailto:michelle.bondy@caw.ca).

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

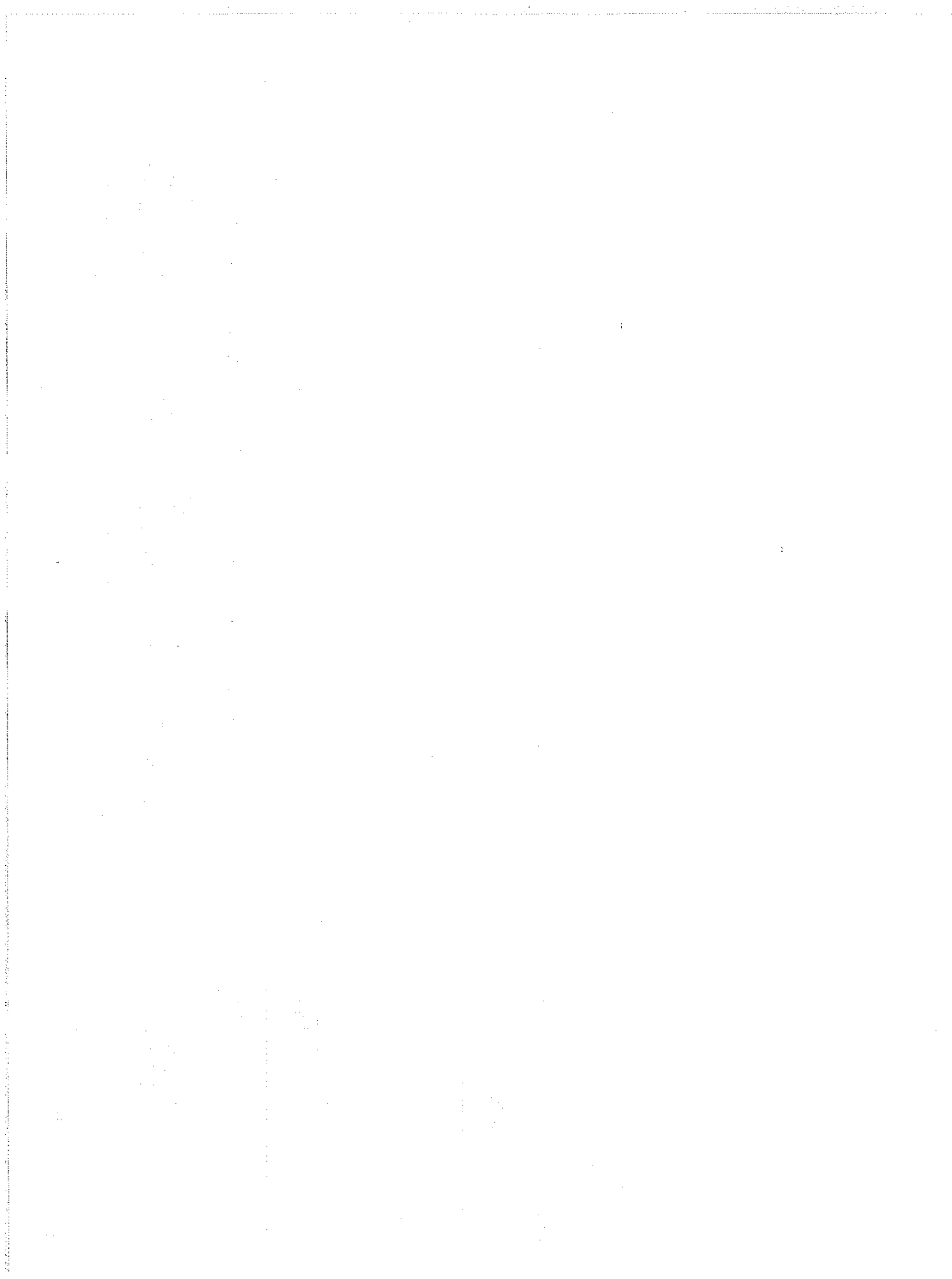
ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)  
  
PROCEEDING COMMENCED AT  
TORONTO

AFFIDAVIT OF ARLENE BORENSTEIN  
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Court File No.: 09-CL-7950

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MOTION RECORD  
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