

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. c-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT  
OF NORTEL NETWORKS CORPORATION, NORTEL NETWORKS LIMITED,  
NORTEL NETWORKS GLOBAL CORPORATION, NORTEL NETWORKS  
INTERNATIONAL CORPORATION AND NORTEL NETWORKS  
TECHNOLOGY CORPORATION**

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

**AFFIDAVIT OF JEREMY BELL**

**I, JEREMY BELL**, of the City of Vancouver, in the Province of British Columbia, **SOLEMNLY SWEAR AS FOLLOWS:**

1. I submit this supplementary affidavit to provide my opinion on the distribution of the Nortel Health and Welfare Trust proposed in the Fifty-First Report of the Monitor dated August 27, 2010 (the "Fifty-First Report").

2. As stated in my affidavit sworn September 3, 2010, I am the Chief Actuary and Chief Investment Officer of the Healthcare Benefit Trust, which provides benefits to employers in the health and community social service sectors. The Healthcare Benefit Trust covers over 80,000 active members and over 6,000 disabled members and is one of the largest health and welfare trusts in Canada with current assets of approximately

\$750,000,000. A summary of my qualifications and experience is provided in my earlier affidavit. As a result of my education, experience and position, I have knowledge of the matters to which I hereinafter depose to, except where stated to be based upon information and belief.

3. As stated in paragraphs 50 through 52 of my previous affidavit, when employers terminate from the Healthcare Benefit Trust, the Trust ceases all payments in respect of any claims – life, accidental death and dismemberment, extended health, dental or long-term disability – that had not occurred prior to the date that the employer ceased membership. However, the Trust continues to pay for claims that had already occurred – including claims where payments associated with those incurred claims are expected to continue for some time in the future.

4. I have read, understand and agree with the affidavit sworn by Joann Williams on August 9, 2010.

5. Some taxable employers take part in the Healthcare Benefit Trust. I understand that they take their full contributions to the Healthcare Benefit Trust as tax deductions. If we were to begin holding funds in respect of claims that have not yet occurred, absent changes in deductions by our clients, I would assume that the Healthcare Benefit Trust's clients or the Trust itself may be subject to tax consequences. In the event of a wind-up of the Trust, I would assume that paying claims that have not occurred may subject us or our clients to similar tax consequences.

**Monitor Proposed Allocation Methodology**

6. In paragraph 101 of the Fifty-First Report, a Proposed Allocation Methodology is provided. The Proposed Allocation Methodology is illustrated in Appendix D-1, column 2.

7. The Proposed Allocation Methodology differs from the Healthcare Benefit Trust's treatment of claims when employers exit the Trust. In my opinion, it also disagrees with the fundamental concept underlying Ms. William's affidavit. However, the allocation methodology illustrated in Appendix D-1, column 3 is consistent with both Ms. Williams' affidavit and the Healthcare Benefit Trust's treatment of exiting employers.

8. Given one of the primary benefits of establishing a Health and Welfare Trust is the tax deductions associated with certain contributions, without evidence to the contrary available, it is reasonable to assume that Nortel was taking tax deductions equal to its contributions. With this assumption, one would infer that its contributions were in respect of claims that had occurred or were currently occurring, but not in respect of claims which might occur in the future, for benefits such as the payment of premiums for retiree life insurance. On wind-up, I believe that the benefits that should participate in a distribution are those for which employer contributions would have been properly deductible.

9. As such, I believe that the most reasonable allocation of assets of the Nortel Health and Welfare Trust (the "Nortel HWT") is the methodology illustrated in Appendix

D-1, column 3 of the Fifty-First Report. Certainly, such an allocation would be consistent with the principles discussed in Ms. Williams' affidavit, which in my opinion ought to apply to the wind-up of the Nortel HWT.

10. I further believe that Ms. Williams' analysis as to the wind-up obligation of the Nortel HWT, as well as the methodology illustrated in Appendix D-1, column 3 of the Fifty-First Report, are consistent with the terms of the termination provision in the Nortel HWT Trustee Agreement which provides only for the payment of "expenses, claims and obligations" incurred "up to the date of the Notice of Termination" and for future benefits and claims "up to the date of the Notice of Termination".

**AFFIRMED BEFORE ME** at the )  
City of Vancouver, Province of British )  
Columbia, this 23<sup>rd</sup> day of September, 2010. )

  
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*A COMMISSIONER FOR TAKING  
OATHS IN BRITISH COLUMBIA*

  
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JEREMY BELL

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