

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

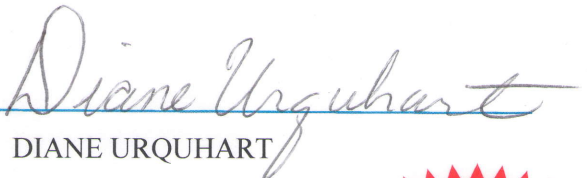
APPLICATION UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED

Affidavit of DIANE A. URQUHART

I, DIANE A. URQUHART, an independent financial analyst, of the City of Mississauga, in the Province of Ontario, **SOLEMNLY AFFIRM AS FOLLOWS:**

1. I prepared TABLES 1 to 8 in this affidavit at the request of Greg McAvoy and Jennifer Holley, two Nortel long term disabled former employees.
2. TABLES 1 to 8 contain my calculations for the absolute and relative impact on the LTD of the Nortel CCAA Plan of Arrangement and Compromise. The sources of disclosure are listed at the bottom of each table.
3. I have served before as a financial expert before the Ontario Superior Court of Justice in the Non Bank Asset Backed Commercial Paper CCAA proceeding, the CIBC Misrepresentation Class Action proceeding, and this Nortel CCAA proceeding.
4. I swear this affidavit for the purpose of Greg McAvoy and Jennifer Holley making reference to it in their Submission for the Anticipated January 24, 2017 Fairness Hearing to Sanction the Nortel CCAA Plan.

AFFIRMED BEFORE ME at the
City of Mississauga, Province of Ontario,
this 12th day of January, 2017


DIANE URQUHART

A COMMISSIONER FOR TAKING
OATHS IN ONTARIO

Robert Aubin
Barrister & Solicitor
Notary Public & Commissioner of Oaths
in and for the Province of Ontario
My commission is of unlimited duration.
No legal advice given.

1
Red Seal Notary Inc.
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TABLE 1: NORTEL CREDITORS' RECOVERY %'S

Nortel Bankruptcy Recovery %'s = Cents on the Dollar of Claim	Recovery %	
	Low	High
Canada ⁽¹⁾	45	49
US Bond Holders	98	100
US Pensioners		100
US Pension Benefit Guaranty Corporation		81
US Other Unsecured Creditors	55	61
UK Pensioners		100
UK Pension Protection Fund (DU Estimate)		54
UK /EMEA Other Unsecured Creditors (DU Estimate)		46
Global	70	

Sources:

[Nortel CCAA Information Circular Nov. 30, 2016](#)

[Nortel Chapter 11 Disclosure Docket 17502 Dec. 1, 2016](#)

[Pensions & Investments - PBGC reaches settlement with Nortel ..., Dec. 22, 2016](#)

[UK High Court of Justice Approved Judgement Nov. 3, 2016](#)

[Nortel UK Pension Plan Accounts March 31, 2009](#)

Note (1)

* Canada Canadian dollar denominated claims

Canada US dollar denominated claims	42	45
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Prepared by Diane Urquhart

TABLE 2: NORTEL CANADIAN LONG TERM DISABLED COMBINED HWT AND CCAA SETTLEMENTS

Nortel Canadian Long Term Disabled Canadian Dollars Millions	Aggregate Act. Liab.	In Aggregate			Loss	Loss %	Settlement %
		HWT Settlement	CCAA Settlement (1)				
		38%	45%				
Income Actuarial Liability	79.9	30.4	22.3	27.2	34%	66%	
Medical Expenses Actuarial Liability	29.7	0.0	13.4	16.3	55%	45%	
Combined	109.6	30.4	35.7	43.6	40%	60%	

Nortel Canadian Long Term Disabled Canadian Dollars	# Persons (2)	Per Person			Loss	Loss %	Settlement %
		Act. Liab.	HWT Settlement	CCAA Settlement			
			38%	45%			
Income Actuarial Liability	357	223,810	85,048	62,443	76,319	34%	66%
Medical Expenses Actuarial Liability	360	82,500	0	37,125	45,375	55%	45%
Combined		306,310	85,048	99,568	121,694	40%	60%

Sources:

[Nortel HWT Illustrative Allocation Scenarios - Revised](#)

[Nortel CCAA Information Circular Nov. 30, 2016](#)

[Monitor's Report 99th Nov. 13, 2013](#)

[Appendix C- Mercers Actuarial Report for LTD and Other Plans 2010](#)

Note

(1):

At the upper end of CCAA recovery %

				49%			
Income Actuarial Liability	79.9		30.4	24.3	25.3	32%	68%
Medical Expenses Actuarial Liability	29.7		0.0	14.6	15.1	51%	49%
Combined	109.6		30.4	39.3	40.4	37%	63%

(2) There are also 158 spouses and 160 children covered for benefits (85 members with children)

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TABLE 3: NORTEL CANADIAN LONG TERM DISABLED CAPITAL AND INCOME OVER TIME

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
KEY ASSUMPTIONS																					
CPI - Mercers	2.4%	2.3%	0.8%	1.2%	1.5%	1.4%	1.5%	1.8%	1.8%	1.8%	1.8%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Medical Inflation - Mercers		8.4%	8.2%	8.0%	7.8%	7.6%	7.4%	7.2%	7.0%	6.8%	6.6%	6.4%	6.2%	6.0%	5.8%	5.6%	5.4%	5.2%	5.0%	5.0%	5.0%
Dental Inflation - Mercers		4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
Investment Return		1.01%	0.95%	0.78%	1.13%	0.82%	0.82%	1.3%	1.8%	2.3%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Age	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65
Pre- Disability Income	60,000																				
Disability Income																					
Coverage	70%																				
HWT + CCAA SETTLEMENTS WITH 6 YEAR DELAY ON CCAA SETTLEMENT																					
Settlement Capital	85,048							99,568													
Capital Beginning of																					
Year	85,048	58,033	29,919	868	-29,404	-60,750	6,227	-26,948	-61,904	-99,052	-138,844	-181,241	-226,361	-274,324	-325,253	-379,271	-436,506	-497,083	-561,133	-628,823	
Capital Income	859	551	233	10	-241	-498	82	-490	-1,436	-2,793	-3,915	-5,111	-6,383	-7,736	-9,172	-10,695	-12,309	-14,018	-15,824	-17,733	
Nortel Disability Income	28,328	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
CPP Disability Income	13,672	13,986	14,098	14,555	14,773	15,175	15,490	15,763	16,041	16,323	16,611	17,025	17,448	17,883	18,328	18,785	19,252	19,732	20,223	20,727	21,243
Combined Income	42,000	14,845	14,650	14,788	14,783	14,934	14,992	15,845	15,550	14,887	13,818	13,109	12,337	11,500	10,592	9,612	8,557	7,422	6,205	4,903	3,510
Medical Expenses	6,186	6,705	7,255	7,836	8,447	9,089	9,761	10,464	11,197	11,958	12,747	13,563	14,404	15,268	16,154	17,059	17,980	18,915	19,860	20,853	21,896
Dental Expenses	1,750	1,833	1,920	2,011	2,106	2,206	2,311	2,421	2,536	2,657	2,783	2,915	3,053	3,198	3,350	3,509	3,676	3,851	4,034	4,225	4,426
Medical & Dental Exp.	7,935	8,538	9,175	9,847	10,553	11,295	12,073	12,885	13,733	14,615	15,530	16,478	17,458	18,467	19,504	20,568	21,656	22,766	23,894	25,079	26,322
Other Expenses	32,573	33,322	33,589	33,992	34,502	34,985	35,510	36,135	36,772	37,420	38,080	39,028	40,000	40,996	42,017	43,063	44,135	45,234	46,360	47,515	48,698
Net Loss	1,491	-27,015	-28,114	-29,050	-30,272	-31,346	-32,591	-33,176	-34,955	-37,148	-39,792	-42,397	-45,120	-47,963	-50,929	-54,019	-57,234	-60,577	-64,049	-67,691	-71,510
WITHOUT BANKRUPTCY																					
Settlement Capital	0							0													
Capital Beginning of																					
Year	0	9,383	18,839	28,613	38,534	48,612	58,830	69,388	80,392	91,955	104,200	116,721	129,519	142,595	155,950	169,586	183,502	197,700	212,178	226,938	
Capital Income	0	89	147	323	316	399	777	1,263	1,865	2,593	2,938	3,292	3,652	4,021	4,398	4,782	5,175	5,575	5,983	6,400	
Nortel Disability Income	28,328	28,719	28,857	29,065	29,326	29,572	29,839	30,154	30,473	30,795	31,121	31,586	32,058	32,537	33,023	33,516	34,017	34,525	35,041	35,564	36,096
CPP Disability Income	13,672	13,986	14,098	14,555	14,773	15,175	15,490	15,763	16,041	16,323	16,611	17,025	17,448	17,883	18,328	18,785	19,252	19,732	20,223	20,727	21,243
Combined Income	42,000	42,705	43,044	43,766	44,423	45,064	45,727	46,693	47,776	48,984	50,325	51,549	52,798	54,072	55,372	56,698	58,051	59,432	60,839	62,274	63,738
Medical Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dental Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Medical & Dental Exp.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Expenses	32,573	33,322	33,589	33,992	34,502	34,985	35,510	36,135	36,772	37,420	38,080	39,028	40,000	40,996	42,017	43,063	44,135	45,234	46,360	47,515	48,698
Net Loss	9,427	9,383	9,455	9,774	9,921	10,079	10,217	10,558	11,004	11,563	12,245	12,521	12,798	13,076	13,355	13,636	13,916	14,197	14,479	14,760	15,040

Sources:
[Bank of Canada Consumer Price Index](#)
[Bank of Canada Guaranteed Investment Certificate 1-Year V122524](#)
[Nortel HWT Illustrative Allocation Scenarios - Revised](#)
[Nortel CCAA Information Circular Nov. 30, 2016](#)
[Monitor's Report 99th Nov. 13, 2013](#)
[Appendix C- Mercers Actuarial Report for LTD and Other Plans 2010](#)
Prepared by Diane Urquhart

TABLE 4: NORTEL CANADIAN LONG TERM DISABLED REASONABLE EXPENSES EXCLUDING MEDICAL AND DENTAL EXPENSES

Average Household Expenditure (Canada)		Ex Health Care Per Person	
	Year	2014	2014
Number of Persons Per Household 2011		2.5	
Food expenditures	8,109	3,244	Not prorated Not prorated
Shelter	17,160	17,160	
Household operation	4,393	4,393	
Household furnishings and equipment	2,067	827	
Clothing and accessories	3,503	1,401	Not prorated Not prorated
Transportation	11,891	4,756	
Health care	2,251	0	
Personal care	1,207	483	
Recreation	3,843	1,537	Not prorated Not prorated
Education	1,502	0	
Reading materials and other printed matter	144	58	
Tobacco products and alcoholic beverages	1,222	0	
Games of chance	156	0	Not prorated Not prorated
Miscellaneous expenditures	1,608	643	
Income taxes	14,867	0	
Personal insurance payments and pension contributions	4,871	0	
Gifts of money, alimony and contributions to charity	1,934	0	Not prorated Not prorated
Sum	80,728	34,502	

Source:

Statistics Canada, CANSIM, table [203-0021](#) and Catalogue no. [62F0026M](#).

Last modified: 2016-04-06.

Prepared by Diane Urquhart

TABLE 5: IMPACT ON OTHER CREDITORS OF BOND HOLDERS AND LTD RECONSIDERATIONS

IMPACT OF RECONSIDERATION FOR BOND OWNERS

US \$ Millions

	Bonds	US Ratio	US Claims	Bond Payments			US Limit	Tot.	Recovery
			Tot.	US	Canada	SUM		Limit	
@ 100% of Bond Claim	3,936	61%	5,459	2,409	1,771	4,180	2,165	3,936	100%
@ 55% of Bond Claim	2,165	91%	3,688	1,961	1,771	3,732	1,961	3,732	95%
Impact of Reconsideration				448		448	204	204	

IMPACT OF RECONSIDERATION FOR LTD COMPARED TO BOND OWNERS

%	US	Canada	Cost of Reconsideration	
	Estate	Estate	Bonds	Disabled
US \$	3,341	4,244	204	
Cdn\$	4,450	5,653		44
% of Local Estate			6.1%	0.8%

Notes:

Cdn\$/US\$ 1.332

Prepared by Diane Urquhart

TABLE 6: NORTEL CANADIAN LONG TERM DISABLED COMPARED TO PENSIONERS

	HWT %	CCAA %	Combined %	Max. CPP/OAS Income
LTD Plan		45%		
HWT Income	38%	28%	66%	\$15,763
Medical and Dental Expenses	0%	45%	45%	\$7,291

LTD M & D

Pension Plans	Pension Plan %	CCAA %	Combined %	Max. CPP + OAS
		45%		
Ontario Nortel Pension <= \$12,000	100%	0%	100%	\$20,312
Ontario Nortel Pension Portion > \$12,000	78%	10%	88%	\$20,312
Nova Scotia	67%	15%	82%	\$20,312
Other	57%	19%	77%	\$20,312
Medical and Dental Expenses	0%	45%	45%	\$1,961

Pensioners M & D

Sources:

[CPP and OAS Maximum Benefits 2016](#)

[Nortel HWT Illustrative Allocation Scenarios - Revised](#)

[Appendix C- Mercers Actuarial Report for LTD and Other Plans 2010](#)

[Nortel Negotiated Pension Plan Webinar Nov. 26, 2015](#)

Nortel Managerial Pension Plan Webinar Nov. 24, 2016

Notes:

Comparison of HWT & Pension Plan Funding Canadian \$ Millions	# of Members Receiving Income	Pre OPGF Assets	Liabilities	Pre OPBG Deficit	Pre OPGG Funding %	OPBG Payment	Ontario Funding %	Nova Scotia Funding %
Managerial Pension Plan	6,500	1,762	3,110	-1,348	56.64%	287	77.12%	66.00%
Negotiated Pension Plan	6,000	760	1,280	-520	59.38%	97	79.59%	69.00%
Two Pension Plans	12,500	2,522	4,390	-1,868	57.44%	384	77.84%	66.87%

August 2011 – Managerial Plan Pensions cut back to est. funded ratio of 70% for Ontario service, and 59% for other provinces (later adjusted to 66% for Nova Scotia service).

August 2011 – Negotiated Plan Pensions cut back to est. funded ratio of 75% for Ontario service, and 57% for other provinces (later adjusted to 69% for Nova Scotia service).

Jan. 1, 2010 - LTD disability Income reduced to zero, upon 38% HWT settlement.

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LTD Life
Pensioners
Life

TABLE 7: BANKRUPTCY PROFESSIONAL FEES AND DISBURSEMENTS

Nortel Bankruptcy Professional Fees		US \$ Millions	Cdn \$ Millions	
Canada	Jan. 14, 2009 to Sept. 10, 2016	524	698	27%
U.S.	Jan. 14, 2009 to Aug. 30, 2016	685	912	35%
U.K. (Inc. 18 EMEA Entities)	Jan. 14, 2009 to July 13, 2016	729	970	38%
Total Professional Fees		1937	2580	100%
Sources:				
U.S. Debtor-In-Possession Monthly Operating Reports for Feb. 2009 to August 2016				
Ernst & Young Canada Court Monitor Report Numbers 8, 15,16, 25, 33, 35, 43, 50, 55, 59, 70, 78, 84, 87, 89, 91, 94, 98, 103, 104, 108, 114, 121, 127, 129 (to Sept. 10, 2016)				
U.K. Joint Administrators Progress Reports Aug. 8, 2016 (to July 13, 2016)				
Bankruptcy Fees & Disbursement %'s		Global Estate US \$ M.	Canada Estate Cdn \$ M.	
Percentage of Peak Assets	18%	10,500	11%	6,351
Percentage of Current Assets	23%	8,464	12%	5,653
Canadian \$ Per US \$			Jan. 4, 2017	1.3320

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TABLE 8: EXECUTIVE RETENTION BONUSES

Court Document	Date Approved		Period	US \$ M
US Debtors' Motion Feb. 27, 2009	March 11, 2009	KEIP	2009	23.0
Monitor's Report 4th, March 2, 2009	March 11, 2009	KERP	2009	22.0
CBC Investigation Undisclosed Bonuses	Nov. 28, 2009		2009	7.5
US Debtors' Motion Feb. 11, 2010	March 4, 2010	Special Incentive Plan	2010&2011	92.4
Monitor's Report 37th Feb. 11, 2010	March 4, 2010	Reserve Plan	2010&2011	7.0
	March 4, 2010	Discretionary Plan	2010&2011	20.0
	March 4, 2010	Special Employee Agreements	2010&2011	4.5
Monitor's Report 78th Dec. 7, 2011	Dec. 14, 2011	Retention Plan	2012	3.9
Debtors' Motion Oct. 25, 2011	Nov. 14, 2011	Incentive Plan	2012	3.5
		Special Employee Agreements	2012	1.0
Monitor's Report 89th Oct. 24, 2012	Oct. 30, 2012	Retention Plan	2013	1.4
Debtors' Motion Dec. 19, 2012		Incentive Plan	2013	1.1
		Special Employee Agreements	2013	0.8
Monitor's Report 98th Oct. 22, 2013	Oct. 29, 2013	Retention Plan	2014	0.9
Monitor's Report 108th Sept. 24, 2014	Oct. 2, 2014	Retention Plan	2015	0.5
Monitor's Report 121st Sept. 22, 2015	Oct. 1, 2015	Retention Plan	2016	0.5
Monitor's Report 129th Sept. 23, 2016	Sept. 29, 2016	Retention Plan	2017	0.5
TOTAL US \$ MILLIONS				190.0
CDN\$/US\$				1.3320
CDN \$ MILLIONS				253.1

Prepared by Diane Urquhart