

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

**IN THE MATTER FO 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**

AFFIDAVIT OF MICHAEL McCORKLE

**I, Michael McCorkle, of the City of Mississauga, in the Province of Ontario, SOLEMNLY
SWEAR AS FOLLOWS:**

INTRODUCTION

1. I submit this affidavit on behalf of certain Nortel employees on long-term disability ("LTD Beneficiaries") who have retained Rochon Genova LLP in response to a motion brought by the Monitor for an Order, among other things, approving the proposed

methodology for allocation of the corpus of the Applicants' Health and Welfare Trust (the "Nortel HWT") (the "HWT Allocation Motion").

2. I am the former Treasurer and Assistant Treasurer of Nortel Networks Corporation. I was a member of Nortel's Pension Investment Committee, which comprised a team of senior executives within Nortel that oversaw the funding and investment management of the Canadian pension funds and the HWT. I worked for Nortel for 12 years in various capacities in the United States, England and, for the last 5 years, in Toronto up to December 2009. Prior to this I worked as a Vice President in Corporate Finance at the First National Bank of Chicago. I have an undergraduate degree in from Northwestern University, Chicago, Illinois and an M.B.A. from DePaul University - Charles H. Kellstadt Graduate School of Business.
3. The HWT was set up as a tax efficient vehicle by Nortel many years ago to promote the health and welfare of Nortel employees, and at the same time, to administer payments for Nortel pensioners' medical costs and life insurance coverage. The medical costs and life insurance premiums of the pensioners, and of the active and long term disabled employees were paid on a pay-as-you-go basis. Nortel made employer contributions into the HWT annually to reimburse the HWT for the employees' and pensioners' medical claims and the life insurance premiums paid to Sun Life.
4. At some point before my time at the Toronto office, the Pensioners' life insurance premiums stopped being paid for by employer contributions on a pay-as-you-go basis and

began to be paid out of the HWT assets as Nortel had determined earlier in the decade that it was not obliged to pre-fund pensioners' future life insurance premiums.

5. The income benefits for the long term disabled were treated differently, as these specifically involved the need to make employer contributions into the HWT to accumulate assets and produce investment income to pay for the future income of the employees that had become long term disabled.
6. Up until 2005, the HWT was more or less funded to the level of its actuarial liabilities for the income benefit plans.
7. In about May 2005, however, Nortel decided to take a moratorium on employer contributions paid into the trust for about 12 months, and instead chose to allow the balance in the HWT to decrease. All of the employees' and pensioners' life insurance premiums were also paid out of the HWT assets during the moratorium. Given the monthly flows of around \$3.6 million, I recollect that about \$30 million of HWT assets were used up by the time we resumed making employer contributions into the trust at some point in 2006.
8. Nortel considered winding up the trust in 2006, but Mercer's and the Law Department's advice was that such an act would trigger an obligation to top up the income plan deficits immediately. Although we did not have a formally approved timeline in place to

eliminate the HWT deficit, we did recognize that it was a firm obligation and we planned to return the \$30 million plus taken out of the HWT during 2005 to 2006.

9. In retrospect, the decision to both stop making employer contributions into the HWT in 2005 to 2006 and to use the HWT assets to pay for medical costs and life insurance premiums was not advisable, since these actions had the effect of making the disabled's income benefits less secure in the event that Nortel had to wind-up its operations later.
10. Had we known then that our actions would **directly and permanently** reduce the future income of the Nortel disabled, and enrich the creditors of Nortel, I am sure we would have acted differently.
11. In terms of the HWT allocation question currently before the courts, I understand that an issue has arisen as to whether some of the remaining assets of the HWT should be used to make a settlement for the future premiums on the term life insurance policies of the pensioners. In a wind-up scenario, paying for pensioners life insurance premiums well into the future will further reduce the incomes of the long term disabled and survivors now, when these people have already suffered the greatest harm from the depletion of the HWT assets in 2005 and 2006 when the HWT was used to pay for the pensioners' and active employees' medical costs and life insurance premiums. This result was never the intention of the Nortel Pension Investment committee.

12. The Nortel disabled are in a dire situation of impending impoverishment and distress. In my opinion, no more money should be taken from the HWT assets in this wind-up to make settlement for future life insurance premiums at the expense of Nortel meeting its obligations via the HWT to provide for the income of the disabled. It is my opinion that Bond holders and other unsecured creditors, whom I deal with regularly in my profession, if made aware of the distressful situation imposed on the disabled by past Nortel decisions, would likely agree with me that it is reasonable to reach a settlement with the long term disabled employees in light of the depletion of the HWT assets in recent years since the money was intended for their income benefit and does not rightfully belong to the creditors. I am such an unsecured creditor, and I fully support such a settlement.

AFFIRMED BEFORE ME at
 City of Mississauga, Province of Ontario
 this 26th day of September, 2010.

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*A COMMISSIONER FOR TAKING
 OATHS IN ONTARIO*

) *[Handwritten signature]*
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) MIKE MCCORKLE
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APPLICATION UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

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PROCEEDING COMMENCED AT
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