

Nortel Networks Corporation Plan Number 90002

Appendix
for

Long Term Disability benefit
in effect July 1, 1994

Nortel Networks Corporation
Non-bargaining Employees and ANTES Employees who are enrolled
in the Flexible Benefits Plan under
Section Nos. 1111, 1122, 1133, 1199, 2211, 2222, 2233, 2299, 3311,
3322, 3333, 3399, 4444, 4455, 4466, 4499, 5544, 5555, 5566, 5599,
6644, 6655, 6666, 6699

LTD payments will be made under
Sections **90002-Main** and **90002-B**

Long Term Disability

Definitions

Administrator	means Clarica Life Insurance Company.
Benefit year	means July 1, 1994 to December 31, 1994 then each January 1 to December 31.
Calendar year	means January 1 to December 31.
Company	means Nortel Networks Corporation and participating affiliates.
Due date	means 31 days following the employee's first day of eligibility or the last day of the open enrollment period.
Eligible employee	means a Full-Time or Part-Time employee of the Company.
Family status change	means <ul style="list-style-type: none">• a member acquires a spouse or dependent child,• a member's spouse acquires a dependent child• a member is legally separated or divorced from his spouse,• a member's spouse is no longer eligible for coverage under another employer's benefit plan,• a member's dependent child is no longer eligible for coverage under this benefit plan, or• a member's dependant dies.
Flex credits	<p>for Medical and Dental, Vision and Hearing Care, means \$150 for the period of July 1, 1994 to December 31, 1994 and then \$300 for the next benefit year for full-time employees and \$90 for the period of July 1, 1994 to December 31, 1994 and then \$180 for the next benefit year for part-time employees.</p> <p>Flex credits will be determined and frozen at the start of the benefit period and will be reassessed following each benefit year.</p>
Flex earnings	<p>means base salary excluding bonuses and sporadic overtime, that would have been paid to the member by the Company if he had not been prevented from working by reason of total disability. If a member earns commission, flex earnings will be based on target compensation as defined by the Company.</p> <p>The formula for determining monthly flex earnings for Part-Time employees who are employed between 18 and 34 hours per week is 25 hours times the member's hourly rate, as defined by the Company, times 4.33.</p>

Full-Time employee	means an employee who <ol style="list-style-type: none"> 1. is not represented by a bargaining agent, except for an employee who is represented by ANTES, and 2. regularly works at least 35 hours per week.
He, his or him	refers to both genders.
Other sources	means benefits or payments resulting from the member's disability, if on or after the date the member became totally disabled he qualifies to receive such benefits or payments, or would be entitled to receive them had he made satisfactory application. These include, but are not limited to <ol style="list-style-type: none"> 1. another group insurance plan (including a policy under which the member is covered because he belongs to an association), 2. an automobile insurance policy, 3. any government plan providing income, excluding benefits for dependent children, that becomes payable only after the member became disabled. <p>Income from the following sources will not reduce the monthly disability benefit</p> <ol style="list-style-type: none"> 1. a policy which is solely an individual disability income policy, 2. a disability attachment to an individual life insurance policy, 3. such Acts or plans for or on behalf of children, 4. increases in C/QPP benefits after entitlement under this Plan has been established, 5. benefits that arise from military service.
Part-Time employee	means an employee who regularly works an average of at least 18, but not more than 34 hours per week on a regular basis and who has no end date to his term of employment.
Physician	means a doctor of medicine (M.D.) legally licensed to practice medicine.
Rehabilitation	means any program for the purpose of returning a totally disabled member to remunerative employment that would provide an income equal to or greater than the disability benefit for which the member was covered when disability began, adjusted annually by the Consumer Price Index, and which: <ol style="list-style-type: none"> 1. is approved by us, 2. is medically approved by a physician involved in treating the member, and 3. may involve, but is not necessarily limited to , one or more of <ol style="list-style-type: none"> a. assessment, b. counselling, c. medical or psychological treatment, d. a vocational retraining or education program, e. trial work, part-time work or modified work.
Us	refers to Nortel Networks Corporation and participating affiliates.
Work stoppage	includes, but is not limited to strikes.

Eligibility to be a Member

An eligible employee is eligible, and continues to be eligible, to be a member while he is actively working, receiving short term disability benefits or on approved, paid maternity, parental or adoption leave.

Eligible employees on the Canadian payroll, who are working outside Canada, will be eligible for Flex Benefits as if working in Canada.

Co-op students and Interns are not eligible for Flex Benefits.

Enrolment for Coverage

An eligible employee enrolls for coverage by submitting a completed enrolment form.

If an eligible employee does not enrol by the due date, he will be enrolled for Core Long Term Disability Benefits and flex credits will be forfeited.

Effective Date of Coverage

An Eligible Employee becomes a member for Core Long Term Disability Benefits on the date that he commences employment with the Company and for Core Long Term Disability plus the Optional Benefits on the first day of the month following enrollment.

Changes in Coverage

A member may increase or decrease his level of coverage by submitting a completed enrolment form by the due date of the new benefit year.

Changes will be effective on the first day of the next benefit year unless a member applies to change within 31 days of a change in family status. The change in the level of coverage will be effective the first day of the month following the date of family status change.

An increase or decrease in the provision of benefits due to a plan change becomes effective on the date of the plan amendment.

An increase or decrease in Flex Earnings caused by the member's salary changes becomes effective on the date of such change.

Termination of Coverage of a Member

Unless otherwise specified in this plan, the coverage of a member terminates on the last day of the month in which he no longer meets all of the conditions for Eligibility to be a Member.

The coverage of a member terminates on the date a work stoppage begins unless special arrangements to continue the benefits have been made with us before that date.

If a member fails to tell us every fact material to his coverage or misrepresents those facts, the coverage is voidable.

Benefit Summary

	Employees Enrolled in Core Long Term Disability Benefit	Employees Enrolled in Core Long Term Disability plus the Optional Benefits
Benefit Formula	50% of flex earnings	70% of flex earnings
Benefit Reductions	see "Benefit Details"	see "Benefit Details"
Cost of Living Adjustment	not available	60% of CPI to a maximum of 6%
Qualifying Period for Benefit Payments	26 weeks (of entitlement to Short Term Disability Benefit)	26 weeks (of entitlement to Short Term Disability Benefit)
Termination of Benefit Payments	Age 65 (where permitted by law) see "Benefit Payments"	Age 65 (where permitted by law) see "Benefit Payments"
Termination of Eligibility for Benefit Payments	Age 65 less 26 weeks	Age 65 less 26 weeks

Benefit Details

Totally disabled	<p>means that, during the qualifying period and the 12 month period immediately following it, the member has a medical impairment due to injury or disease which prevents him from performing in any setting, the essential duties of the occupation in which he participated just before the disability started.</p> <p>After the 12 month period, totally disabled means that the member is unable, because of the medical impairment, to perform, in any setting, the essential duties of any occupation for which he has at least the minimum qualifications.</p> <p>The medical impairment must be supported by objective medical evidence.</p> <p>The availability of work for the member does not affect the determination of totally disabled or total disability.</p>
Amount of Benefit	The monthly disability benefit is calculated by applying the benefit formula using the member's flex earnings in force on the date he became totally-disabled.

<p>Benefit Reductions</p>	<p>The monthly disability benefit will be reduced by the following:</p> <ol style="list-style-type: none"> 1. disability income which the disabled member is entitled under a government plan (including benefits under the Canada/Quebec Pension Plan, excluding benefits for dependent children), 2. the amount payable to the disabled member as a disability benefit under the Workers' Compensation Act, Workplace Safety and Insurance Act or similar legislation, 3. disability or retirement income from other sources. <p>Income to which the member is entitled under a government plan will reduce the amount of monthly disability benefit unless the Administrator receives proof that the initial application and an appeal, or a later re-application required by the Administrator, have been declined.</p> <p>Increases in the disability income payable under a government plan may occur because of an automatic adjustment in the cost of living. These increases will not further reduce the amount of the monthly disability benefit.</p> <p>Amount of Benefit while in Rehabilitation</p> <p>If a member is receiving income under an approved rehabilitation program, his amount of monthly disability benefits is reduced by 50% of that income. The amount of monthly disability benefit is further reduced so that the total income from all sources does not exceed 85% of the member's monthly flex earnings in force on the date he qualified for monthly disability benefits. The 85% will be applied to his gross monthly flex earnings.</p> <p>If a member is participating in an approved rehabilitation program, the qualifying period will continue to be satisfied while the member is working.</p>
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Benefit Payments	<p>Benefit payments start at the end of the qualifying period providing</p> <ol style="list-style-type: none"> 1. the member is "totally disabled" ,and 2. a claim is received within 3 months of the end of the qualifying period. <p>Benefit payments stop on the earliest date that</p> <ol style="list-style-type: none"> 1. the member ceases to be totally disabled, 2. the member fails to submit proof of the continuance of total disability as required by us and/or the Administrator, 3. the member fails to submit, upon request by us and/or the Administrator, to a medical examination by a medical examiner appointed by us and/or the Administrator 4. the member refuses to participate in a rehabilitation program approved by the attending physician, us and/or the Administrator, 5. the member engages in any occupation which normally involves remuneration or profit, either accruing to the member or to a member's family or acquaintances, or any educational program other than in a rehabilitation program approved by the attending physician, us and/or the Administrator, 6. the member retires or commencement of a special leave of absence prior to retiring, whichever occurs first, 7. the end of the month in which the member reaches age 65, or 8. the member dies. <p>A cost of living adjustment will be applied annually to the monthly disability benefit payable to the member. Beginning with the "January" payment the amount of the monthly disability benefit payable will be increased by the lesser of:</p> <ol style="list-style-type: none"> 1. 60% of the increase in the Consumer Price Index for the 12 month period ending on the preceding October 31, or 2. 6%. <p>Benefit payments will be in Canadian dollars.</p>
Consecutive Periods of Disability	<p>means that if a member, after receiving Long Term Disability Benefits, ceases to be totally disabled, but within 60 days is again totally disabled by reason of the same or related causes, such disability will be considered to be a continuation of the original disability.</p>

Claims

A claim must be received by the Administrator within 3 months after the end of the qualifying period.

The Administrator may require

1. proof the member continues to be totally disabled,
2. a medical examination by an independent physician appointed by the Administrator,
3. proof of the member's age, and
4. other information considered necessary for the assessment of a claim.

Proof of claim is at the member's expense.

There is a time limit for proceedings against us for the payment of a claim. A proceeding must be started within 1 year of receipt of the claim.

Exclusions and Limitations

No benefit is payable for

1. intentionally self-inflicted injuries or illness, whether the member was sane or insane,
2. committing or attempting to commit a criminal offense,
3. insurrection, strike, riot, civil disorder or war, if the employee is actually participating therein, and whether or not war is declared,
4. military service in any country.

A member is not considered totally disabled unless he is under the active, continuous and medically appropriate care of a physician and is following the treatment prescribed by the physician for that disability.

A member is not considered totally disabled due to the use of drugs or alcohol unless he is being actively supervised by and is receiving continuous treatment for that disability from a rehabilitation centre or an institution designated for that treatment.