

FINANCIAL REWARDS

WORK LIFE

DEVELOPMENT OPPORTUNITIES

2000

Canadian Guide

FLEX Benefits

Enrollment Guide

... explore **your** possibilities

NORTEL
NETWORKSTM

How the world shares ideas.

What's Inside?

For Annual Enrollment, your package contains:

- Enrollment Guide
- Special Insert
- Glossary of Terms
- Medical Coverage Waiver
- Personalized Enrollment Worksheet

If you are a New Hire, your package contains:

- Enrollment Guide
- Glossary of Terms
- Medical Coverage Waiver
- Personalized Enrollment Worksheet

Something Missing?

If your package is missing any of the items listed at left:

1. Call the InfoCenter at ESN 333-4636 or toll-free 1-800-684-4636. Hearing impaired employees may call ESN 333-3161 or (905) 863-3161.
2. Visit the Services@Work website at <http://services-canada.ca.nortel.com/> and download and/or print the Benefits documents that you need.

This guide provides a summary of some of Nortel Networks Corporation (Nortel Networks) benefit plans. It does not supersede the actual plan documents, which in the event of a conflict, will always govern the details of benefits coverage in all cases. While the company hopes to continue the benefit plans described in the guide, it reserves the right to change, amend, reduce or even terminate any of the plans described in this guide at any time without prior notice to, or consent by, employees.

Dear Nortel Networks Employee,

Nortel Networks offers employees a wide variety of benefits — among them, substantial assistance with accumulating capital for retirement; a generous paid-time-off package; and programs aimed at improving the quality of work life, such as the Travel Well service and fitness/wellness programs.

One aspect of the package that we know employees value highly is health coverage: medical and dental/vision/hearing care. We bundle these elements together with related benefits (such as life insurance and coverage for short-term and long-term disability) into a package called “FLEX Benefits.” It’s called FLEX because our goal is to provide employees with as much flexibility and choice as we can, while still maintaining a financially viable program.

While Nortel Networks has had FLEX Benefits in Canada and the U.S. since 1994, 2000 is an unusual year for the program. You know by now that all financial elements of Nortel Networks’ Total Rewards package are being revamped, as part of our transformation to a new kind of company working “@ the heart of the Internet Revolution.” We’re comparing ourselves to a new set of competitors for talent, and working to get the right mix of rewards to attract the diverse people we need to drive business success.

In addition, we’re enrolling a significant population of employees who have joined the company through recent acquisitions, and who are used to benefits packages that may be structured differently from the new Nortel Networks package. We’ve learned from their approach, and we’ve conducted new research into what current and potential employees value.

So you’ll see some differences in the package this year. Exactly what is different for you will vary depending on what choices you’ve made in the past, whether you live in the U.S. or Canada, and whether you’ve joined the company through an acquisition (see the special insert in this package for more information). We’ve worked hard to target funding to benefits employees value most. Although we may not lead the market on every individual benefit taken in isolation, in aggregate we’re confident that we’re offering a competitive and attractive benefits package that will meet the diverse needs of our population.

In response to feedback from prior years, we believe we’ve improved the clarity of our descriptions of what’s in the package, what choice is offered, what the company pays for or subsidizes, and what employees can choose to purchase through payroll deductions. If as you read through this guide and make your choices you find you have questions that aren’t answered here, please visit the **Services@Work** Website, or call the InfoCenter at ESN 333-4636, toll-free: 1-800-684-4636.

Bill Donovan
Global Compensation and Benefits

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If you prefer to read this document on the Web, go to the **Services@Work** Website at <http://services-canada.ca.nortel.com>.

*Words in italics are defined
in the Glossary of Terms.*

The Story in Brief

For 2000, Nortel Networks looked at what our competitors in the talent market are currently offering in the way of benefits, analyzed what we know from internal studies and external experts about what employees value, and created a benefits package that is both competitive and flexible.

FLEX Benefits

...explore **YOUR** possibilities

It Features:

- A *core* set of benefits automatically provided and paid for by the company (you do not have to enroll).
- A choice among three levels of medical coverage and three levels of dental/vision/hearing care coverage. The company automatically funds each employee to the middle level of coverage — Comprehensive for you and your *spouse*, or you and your *children*. Read on to learn about how to enroll in the *health* options you want, and the rebates you get if you don't need the company-funded level of coverage.
- A menu of optional benefits, and *FLEX Credits* to use to purchase these benefits. If you want more options than your *FLEX Credits* will cover, you can pay for these out of your salary.

- A *Health Care Reimbursement Account* that allows you to pay for a wide range of *health* care expenses with *before-tax* dollars (if you have unused *FLEX Credits*).

This guide outlines the possibilities open to you under the Nortel Networks Corporation FLEX Benefits Program. Our goal has been to provide you with enough explanation all in one place to make an informed choice. To help you on the journey, we've included a separate glossary, in which you can find definitions of any word printed in italics. If you have unanswered questions, or are simply interested in understanding more about how FLEX works, visit the **Services@Work** Website, or call the InfoCenter at ESN 333-4636, toll-free: 1-800-684-4636.

If you're thinking you don't need to read further because you made all your choices last year, please read this note!

Your options have changed somewhat this year, and your decisions could be different. You must enroll again to be sure you're getting the coverage you need. If you don't enroll, you will have the default coverage described on page 33.

You must enroll in **FLEX** for 2000 ... your enrollment itinerary

- **This Enrollment Guide is your road map — study it carefully.** It tells you what is provided automatically, and what choices you have. Each option listed in the Personalized Enrollment Worksheet has a corresponding section in this guide.
- **Check the enrollment schedule.** This year, the *annual enrollment periods* vary by geographic area. Your Personalized Enrollment Worksheet will give you the dates of the two-week period during which you must enroll. If you are going to be on vacation during this period, contact the InfoCenter **before you leave**. They will give you an alternate enrollment date.
- **Check the Personalized Enrollment Worksheet for costs, and make your choices.** You may want to look at the bottom-line cost to you of different combinations of options before you make your final choice.
- **Enroll on-line or by phone.** You'll find the phone number and Web address on your Personalized Enrollment Worksheet.
- **Record your confirmation number.** If you don't receive a confirmation number, your selections have not been recorded.
- **Watch the mail at home for your Confirmation Statement.** Review it to make sure you have the coverage you selected. If there are errors, please call the InfoCenter.
- **Keep this Enrollment Guide and your Confirmation Statement for future reference.**

Who Can Enroll

- Current employees of Nortel Networks Corporation, Nortel Networks Technology Limited, and related companies may enroll under the FLEX Benefits program in Canada.

Remember

- *The coverage you choose during the annual enrollment period will be effective from January 1, 2000 through December 31, 2000. You can't make changes to your coverage during the year unless you have what's known as a qualified life event — such as a marriage or birth of a child. The glossary has a more detailed list of life events that qualify.*
- *If you have a qualified life event and submit your completed enrollment selections within 31 days* of the event, the coverage is effective from the date of the event unless evidence of insurability is required. Any life insurance coverage requiring evidence of insurability will be effective on the date of approval.*
*Nortel Networks employees who have participated in FLEX in previous years should note that this is a change. In the past, you have had up to 60 days to notify the InfoCenter of a qualified life event and submit the required documentation; you now have 31 days.

This Enrollment Guide Is Your Road Map

As you read through this *Enrollment Guide*, look for:

- **Your Options.** This section lists the choices you have for each type of benefit.
- **Defined Terms.** When a word or phrase appears in italics, it's a term defined in the glossary. Your copy is enclosed with this guide.
- **Things to Consider.** In each section, this box presents some issues, questions and facts that might affect your benefits decisions.
- **Actions to Take.** Here you'll find a list of the steps you need to take to get ready for enrollment.

Planning Your FLEXpedition

The journey may look complicated at first, so here's an overview to get you on your way.

Nortel Networks' FLEX Benefits package combines *core* company-paid benefits, *FLEX Credits*, company-subsidized *health* benefits, and additional options which employees can choose to purchase.

The cost-sharing strategy and the practice of having employees choose their optional benefits annually allow the company to provide a wide variety of benefits at a manageable cost. It encourages employees to be wise consumers and help keep benefit costs down. It recognizes that people will value some benefits more than others, depending on their lifestyle and family situation — and that what they value may change from year to year. It's also in line with what's being offered by the companies we compete with for key talent.

Here's the bottom line on what's available and who pays:

- **The company pays the full cost of some benefits (you cannot opt out). This is what's referred to as your *core coverage*:**

- Provincial health insurance plan,
- Employee life insurance equal to your *FLEX Earnings* (a term used throughout FLEX that generally equates to your base salary. See the glossary for more on what is or isn't included in this amount),

- Short-term disability (STD) coverage equal to 100% of your pre-disability *FLEX Earnings* for 13 weeks, then 70% of your pre-disability *FLEX Earnings* for an additional 13 weeks,
- Long-term disability (LTD) coverage equal to 50% of your pre-disability *FLEX Earnings* after you have been disabled for 26 consecutive weeks,
- Business Travel Accident insurance that pays benefits equal to five times your *FLEX Earnings* (maximum \$1,000,000 U.S.) if you die while you are traveling on company business, or suffer a disabling injury on a business trip,
- Employee Assistance Program (EAP) that offers up to 10 sessions of individual or family counseling as well as information services and
- The Travel Well service that provides you with pre-trip medical and security preparation for business travel, as well as *emergency* assistance during the trip.

- **The company provides you with several heavily subsidized medical and dental/vision/hearing care options. You choose what level of coverage you need.** The company automatically funds each employee to the middle level of coverage — Comprehensive for you and your *spouse*, or you and your *children* — which is why you'll see a \$0 cost for these options on your Personalized Enrollment Worksheet. If you don't have a *spouse* or *children*, or don't

need this level of coverage, you can opt for a lower level of coverage and receive a rebate in the form of *FLEX Credits* to spend on other options. You can choose coverage for:

- You only,
- You and your *child(ren)* and/or your *domestic partner's child(ren)*,
- You and your *spouse* or *domestic partner* or
- You and your family (*spouse* or *domestic partner*, *children* and/or *domestic partner's children*).

Or you can choose to opt out of medical coverage (if you — you and your family in Quebec — have coverage elsewhere) or of dental/vision/hearing care coverage if that isn't important to you. Because dental/vision/hearing are bundled together as a package, it's all or nothing — you can't choose dental coverage alone, vision coverage alone, or hearing coverage alone.

When you see negative numbers — shown with a minus sign — on your Personalized Enrollment Worksheet, these are the rebates you get if you choose that option. If you need more coverage than the company funds, you can purchase it out of your allocation of company-funded *FLEX Credits*, or with *after-tax* payroll deductions if you run out of *FLEX Credits* (see Tax Tips on page 6).

The way Nortel Networks' medical and dental/vision/hearing care plans are structured, you may pay a portion of the cost. How much will depend

on which option you choose. On average, Nortel Networks employees pay 10% of the cost of *health* benefits. In addition, you may pay some *deductibles* or *copayments* depending on the option you choose.

- **The company provides you with *FLEX Credits* to use toward the purchase of optional coverage.** For 2000, each Canadian employee gets the equivalent of 0.39% of *FLEX Earnings*, over and above any rebates you get from your *health* care selections. You can use these *FLEX Credits* to purchase any of these optional benefits:
 - Enhanced **short-term disability** coverage that increases your benefit to 90% of your pre-disability *FLEX Earnings* for weeks 14 through 26 of your disability,
 - Enhanced **long-term disability** coverage that increases your benefit to 70% of your pre-disability *FLEX Earnings* when you have been disabled for 26 consecutive weeks and
 - Optional accidental death and dismemberment (AD&D) insurance for yourself only or you and your family.

If You Are Hired On or After January 1, 2000

Most of the information in this Enrollment Guide applies to you as a newly hired employee. However, there are a few key differences:

- You have 31 days from your date of hire to enroll in FLEX. If you don't enroll within 31 days, you have core coverage as described on page 4.
- When you enroll on or before your hire date or within 31 days of your hire date, any coverage you choose will be effective on your date of hire, except for any life insurance coverage requiring evidence of insurability.
- Regardless of when you enroll, any life insurance coverage requiring evidence of insurability will be effective on the date of approval.

How Your FLEX Earnings Are Determined

If you are enrolling:

- For 2000 annual enrollment
- As a new hire
- Because you moved from part-time to full-time or vice versa

Your FLEX Earnings are as of:

- September 30, 1999
- Your hire date
- Effective date of employment status change

Your Coverage Level Choices

Under the medical and dental/vision/hearing care plans, your coverage level options are:

- You only,
- You and your child(ren) and/or your domestic partner's child(ren),
- You and your spouse or domestic partner or
- You and your family (spouse or domestic partner, child(ren) and/or domestic partner's child(ren)).

If you wish, you can choose one coverage level for your medical plan and a different coverage level for your dental/vision/hearing care coverage. However, because dental/vision/hearing care coverage is a packaged option, the coverage level you choose for that package applies to all three types of coverage.

Special Notes on Eligibility

For life insurance, if both you and your spouse (or domestic partner) work for Nortel Networks, you can enroll as an employee or as a dependent, but not both. In addition, only one of you can enroll your eligible children as dependents. Under the medical care and dental/vision/hearing care coverage, if you and your spouse (or domestic partner) work at Nortel Networks, you both may be enrolled as employees or one may be enrolled as an employee with the other enrolled as a dependent.

If your children are eligible for the Nortel Networks FLEX Benefits Program, they must enroll as employees. They are not eligible for coverage as your dependents.

Or you can use these *FLEX Credits* to purchase medical and dental/vision/hearing care coverage above the company-funded level. If you run out of *FLEX Credits*, you can purchase any of these benefits with *after-tax* dollars through payroll deductions (see Tax Tips on the next page).

• **You have the option of contributing any remaining *FLEX Credits* to a Health Care Reimbursement Account (HCRA), instead of taking them in taxable pay and paying the full federal and provincial income tax on this amount.** You can then use these *before-tax* dollars (except in Quebec) to pay for eligible expenses that are not covered by your *provincial health insurance plan* or Nortel Networks' health care plans, such as plan deductibles, over-the-counter drugs, guide dogs. Any *FLEX Credits* remaining in the account at the end of the year will be forfeited, so in your planning you must consider how many of such expenses you expect to have.

• **You have the option of purchasing these benefits with *after-tax* dollars through payroll deductions:**

- Additional life insurance for yourself, and
- *Dependent* life insurance for your spouse and/or children.

It all adds up to a flexible program designed to meet the needs of a diverse workforce, and to work together with the other elements of Nortel Networks' Total Rewards package to attract and retain our talented employees.

Along for the FLEX Journey: Eligibility Rules

The benefits described in this guide are available to all regular Nortel Networks employees who are regularly scheduled to work 18 hours or more a week.

If you are eligible as an employee, your *dependents* are also eligible. Eligible *dependents* include:

- Your *spouse* or *domestic partner* (qualified under plan rules),
- Your unmarried *child(ren)* under age 21,
- Your unmarried *child(ren)* under age 25 who are full-time students and
- Your unmarried *child(ren)* of any age who:
 - are mentally or physically incapable of self-care,
 - depend on you for support and maintenance and
 - have become disabled and *dependent* before age 21 or before age 25 if a full-time student.

Note: For Quebec residents, Bill 33 requires that eligible *dependent* children be covered for prescription drugs listed with the Régie de l'assurance-maladie du Québec (RAMQ), until they reach age 26.

Tax Tips

Coverage	Tax status of FLEX Credits used to purchase coverage	Tax status of benefits paid
Short-Term Disability (STD) Coverage	Employer-provided <i>FLEX Credits</i> used to buy optional STD coverage are not taxable to you.	Benefits are taxed as regular earned income.
Long-Term Disability (LTD) Coverage	Employer-provided <i>FLEX Credits</i> used to buy optional LTD coverage are not taxable to you.	Benefits are taxed as regular earned income.
Accidental Death & Dismemberment (AD&D) Coverage	Any <i>FLEX Credits</i> you apply to pay for optional AD&D coverage are not taxable to you.	Benefits paid to you or your eligible <i>dependents</i> from the AD&D plan are not taxable.
Medical Coverage	Any <i>FLEX Credits</i> you use to pay for medical coverage are not taxable to you.	Benefits are not taxable, except in Quebec where you are taxed at the provincial level on the average amount of claims paid, including expenses and provincial sales tax.
Dental/Vision/Hearing Care Coverage	Any <i>FLEX Credits</i> you use to pay for dental/vision/hearing care coverage are not taxable to you.	Benefits are not taxable, except in Quebec where you are taxed at the provincial level on the average amount of claims paid, including expenses and provincial sales tax.
Health Care Reimbursement Account (HCRA)	Any <i>FLEX Credits</i> allocated to the HCRA are not taxable to you.	Benefits are not taxable, except in Quebec where you are taxed at the provincial level on amounts received, plus provincial sales tax.
Optional Life Insurance	You cannot directly use employer-provided <i>FLEX Credits</i> to purchase this benefit. If you apply company-provided <i>FLEX Credits</i> toward this benefit, the <i>FLEX Credits</i> will be first converted to your pay and taxed as regular income.	Benefits paid from the life insurance coverage are not taxable to the <i>beneficiary</i> .
Dependent Life Insurance	You cannot directly use employer-provided <i>FLEX Credits</i> to purchase this benefit. If you apply company-provided <i>FLEX Credits</i> toward this benefit, the <i>FLEX Credits</i> will be first converted to your pay and taxed as regular income.	Benefits paid from the <i>dependent</i> life insurance coverage are not taxable to you, the <i>beneficiary</i> .

Any *health* expenses not reimbursed through *health* care coverage or the *HCRA* may be eligible for *health* expense income tax credits when you file your federal income tax return.

Tax

Tips

Currently, the tax rules in Canada (except in Quebec) stipulate that company money used to purchase coverage for medical care, dental/vision/hearing care, STD and LTD, and AD&D insurance is not taxable to the employee. Employees must use after-tax dollars to purchase any benefits with their own money. For Quebec residents, provincial income tax is payable on company money used to purchase medical care, dental/vision/hearing care, AD&D, and on any company money reimbursed from a Health Care Reimbursement Account. For all employees in Canada, only company money (FLEX Credits) can be contributed to an HCRA.

The FLEX Benefits program has been structured to be as tax-effective as possible. Company-provided FLEX Credits are allocated first to those items which can be purchased with before-tax dollars. If there are FLEX Credits left over after the cost to you of these choices has been calculated, the tax-effective choice is to put these into a Health Care Reimbursement Account to pay for health expenses not covered under the plan (assuming you expect to have sufficient off-setting health expenses throughout the year to use up the FLEX Credits you put in the account). Since only after-tax dollars can be used to purchase optional life insurance, any FLEX Credits you wish to apply to this option will be treated as taxable pay.

This section and all references to tax implications in this guide and other enrollment materials are offered as helpful hints based on current tax legislation. You may want to consult a tax advisor regarding the tax implications of your decisions.

Things to Consider

For STD

- What expenses would you and your family have to pay if you couldn't work for more than 13 weeks? What other sources of income does your family have? Your answers can help you determine how much STD coverage you need.
- Do you have STD coverage available from any other source? Which coverage provides the highest level of coverage for the best cost?

Please Note:

- Only an illness or injury certified by your doctor as a disability under the plan's rules qualifies you for STD benefits.

For LTD

- What expenses would you and your family have to pay if you couldn't work for more than 26 consecutive weeks? Your answer can help you determine how much coverage you need.
- Do you have other sources of disability coverage? If so, remember that your benefits will be offset by any benefits you receive from another source.

Please Note:

- To continue receiving LTD benefits after you have been disabled for 18 months following the initial date of disability, you must be unable to perform the duties of any occupation (not just your own) for which you are reasonably qualified (or could become qualified) through education, training or experience.

Exploring your disability coverage options

...short-term disability (STD)

The STD plan replaces a portion of your income if you are disabled due to an illness or injury. Any STD benefits you receive will be taxable.

Your Options

- You are automatically enrolled in company-paid *core* STD coverage.
- You can choose to purchase optional STD coverage.

Core Coverage

Nortel Networks pays the full cost of your *core* STD coverage. When you are absent from work for five consecutive days (or the equivalent of your standard work week) due to a non-work-related injury* or illness, and you provide supporting medical documentation, you qualify for STD benefits.

*Compensable work-related injuries are covered under applicable workers' compensation legislation.

The *core* STD coverage provides:

- 100% of your pre-disability *FLEX Earnings*, for up to 13 weeks from your first day of absence, then
- 70% of your pre-disability *FLEX Earnings*, for up to 13 additional weeks.

After 26 consecutive weeks, you may become eligible for long-term disability coverage.

Optional STD Coverage

If you want to enhance your STD coverage, you can choose optional STD coverage. This coverage provides:

- 100% of your pre-disability *FLEX Earnings*, for up to 13 weeks from your first day of absence, then
- 90% of your pre-disability *FLEX Earnings*, for up to 13 additional weeks.

...long-term disability (LTD)

The LTD plan replaces a portion of your income if your disability prevents you from working for more than 26 consecutive weeks. Any LTD benefits you receive will be taxable.

Your Options

- You are automatically enrolled in company-paid *core* LTD coverage.
- You can choose to purchase optional LTD coverage.

Core Coverage

Nortel Networks pays the full cost of your *core* LTD coverage. If you are still disabled (according to the LTD plan definitions) after 26 consecutive weeks, LTD coverage begins paying benefits. *Core* LTD coverage provides 50% of your pre-disability *FLEX Earnings*. Note that the benefit

amount will be reduced by any benefit you receive from certain other sources.

Optional LTD Coverage

If you want to enhance your LTD coverage, you can choose the optional LTD coverage. Optional LTD coverage provides 70% of your pre-disability *FLEX Earnings*. Note that the benefit amount will be reduced by any benefit you receive from certain other sources.

In addition, after two years of benefit payments, your benefits will increase each January based on a cost-of-living formula. At this time, your LTD benefit payment will be increased by either 60% of the increase in the Consumer Price Index, or 6%, whichever is less.

Actions to Take

Once you've made your coverage choice(s):

- Check the cost of coverage. Use your Personalized Enrollment Worksheet.
- Check for additional information on the *Services@Work* Website at <http://services-canada.ca.nortel.com>
- Enter your choice(s) on your Personalized Enrollment Worksheet in preparation for enrollment.

Things to

Consider

- What expenses would your family have to pay if you died suddenly or suffered a serious injury? How would your finances be affected if this happened to one of your eligible dependents? Your answers can help you determine the need for AD&D coverage and the amount.
- Compare the cost of this coverage to other AD&D insurance available to you and your eligible dependents. Which option provides the best value for your family?

Please Note:

- No evidence of insurability is required for AD&D coverage.
- AD&D coverage is not the same as:
 - Life insurance. AD&D pays a benefit only if your death is accidental. If you choose AD&D coverage and die as the result of an accident, AD&D benefits will be paid to your beneficiary in addition to your life insurance.
 - Disability coverage. If an accidental injury keeps you from working, the AD&D plan pays a one-time benefit only. Short and long-term disability plans replace part or all of your income for an extended period.

Exploring your accidental death & dismemberment (AD&D) coverage options

AD&D coverage pays benefits if you suffer a dismembering injury or you die as the result of an accident, whether or not it's related to business. **AD&D is not part of your core coverage.**

Your Options

You can choose:

- AD&D for yourself only,
- AD&D for yourself and your family or
- No AD&D coverage.

Your cost for AD&D coverage is based on:

- Whether you choose individual or family AD&D coverage and
- The amount of coverage you choose.

AD&D Coverage for You

AD&D coverage is available in multiples of your *FLEX Earnings*. You can buy coverage for yourself equal to:

- One times *FLEX Earnings*,
- Two times *FLEX Earnings*,
- Three times *FLEX Earnings*,
- Four times *FLEX Earnings* or
- Five times *FLEX Earnings*.

Your coverage amount will be rounded up to the next higher \$1,000, up to a maximum of \$1,500,000. The coverage amount you choose for yourself will affect the amount of coverage you can buy for your eligible *dependents*.

Under this plan, if you die as a result of an accident, your *beneficiary* receives the benefit amount you chose. In addition, you receive a portion of your full benefit if you lose a limb or your sight due to an accidental injury.

AD&D Coverage for Your Eligible Dependents

You can also buy AD&D coverage for your family, including your *spouse* and your eligible *dependent children*. The coverage amount you choose for yourself will affect the amount of coverage you can buy for your eligible *dependents*.

Family coverage provides the following:

For this eligible dependent	AD&D coverage in this amount
Your spouse only	60% of your AD&D coverage amount
Your child (or children) only	For each child, 20% of your AD&D coverage amount
Your spouse and your child (or children)	Spouse: 50% of your AD&D coverage amount Each child: 15% of your AD&D coverage amount

Business Travel Accident (BTA) Insurance and Travel Well Service

You have Business Travel Accident insurance and Travel Well service paid by Nortel Networks.

BTA pays benefits to you or your beneficiary if you die or suffer a disabling injury in an accident while you are traveling on company business. Your BTA death benefit is five times your FLEX Earnings (maximum \$1,000,000 U.S.).

Travel Well service provides advice on immunizations, health and security precautions and covers you for medical emergencies while you are traveling on Nortel Networks business. This coverage does not apply to any other type of travel.

Actions to Take

Once you've made your AD&D coverage choices:

- Check the cost of the AD&D coverage you have chosen. Use your Personalized Enrollment Worksheet to determine your total cost.
- Check for additional information on the Services@Work Website at <http://services-canada.ca.nortel.com>
- Enter your AD&D coverage choices on your Personalized Enrollment Worksheet in preparation for enrollment.

Exploring your medical coverage options

The medical coverage offered through FLEX helps pay for certain medical expenses that are not covered by your *provincial health insurance plan*. Examples of covered expenses include prescription drugs, professional services such as those provided by chiropractors and physiotherapists, and miscellaneous medical supplies such as crutches or braces.

In addition to subsidizing the program as a whole, Nortel Networks funds you as an individual to a market-competitive level of medical coverage: the Comprehensive option for you and your *spouse*, or you and your *children*. See below for more on rebates available if you don't need this level of coverage.

Your Options

You can choose:

- The Basic option,
- The Comprehensive option,
- The Plus option, or

- No medical care coverage — if you (you and your family in Quebec) have coverage through another source. You must complete a Medical Coverage Waiver form to opt out.

The cost of the Comprehensive coverage for you and your *spouse* or *domestic partner*, or you and your *children*, is shown as \$0 on your Personalized Enrollment Worksheet, since the company funds you to this market-competitive level. If you don't have a *spouse*, *domestic partner* or *children*, or don't need this level of coverage, you can opt for a lower level of coverage and receive a rebate in the form of *FLEX Credits* to spend on other options. If you need more coverage than the company funds, you can purchase it.

For medical care coverage, you can choose a different coverage level than the one you choose for dental/vision/hearing care coverage. For a list of the *dependents* you can cover, see page 6.

How the Medical Care Options Compare

Benefit	Basic	Comprehensive	Plus
Percentage paid for covered services	80%	90%	100%
Prescription drugs • Generic drugs • Brand-name drugs	Covered under all three options Covered under all three options, only if there is no generic equivalent on the market or substitution is not permitted by the physician		
Annual deductible • Individual • Family	None None	\$25 \$50	None None
Per prescription copayment	\$5	None	None
Dispensing fee maximum per prescribed drug	\$7	\$7	\$7
Out-of-pocket maximum (once you have paid this maximum per year, the balance of prescription drug expenses will be paid at 100%)	\$750 per person*	\$750 per person*	None
Hospital coverage • Acute and convalescent care	N/A	Semi-private room rate, up to \$100 per day for acute and convalescent care, and 90 days per disability for convalescent care	Semi-private room rate for acute and convalescent care, and up to 90 days per disability for convalescent care
Ambulance	Ground transportation and emergency air ambulance		
Professional services	Maximums per individual per year		
• Chiropractor**	One combined maximum of \$300 for these services	\$300	\$500
• Osteopath		\$300	\$500
• Chiropodist		\$300	\$500
• Speech Therapy		\$300	\$500
• Psychologist		\$300	\$500
• Naturopath		\$300	\$500
• Massage Therapy		\$300	\$500
• Podiatrist	\$350	\$300	\$500
• Physiotherapy and Acupuncture Combined		\$750	\$1,000
Private-duty nursing • Maximum per disability	\$10,000	\$12,500	\$15,000
Out-of-country medical emergency***	Personal emergency travel assistance included		
	21 days maximum	31 days maximum	90 days maximum
Overall maximum per person	\$1,000,000 lifetime*		

*For Quebec residents, please note that all plan options covering drugs are designed to meet the current requirements of Bill 33. For more details on this, please see the **Services@Work** Website.

**Chiropractic expenses covered only after provincial health insurance plan maximums have been reached, except for the Plus option where coverage begins at the first visit where permitted by law.

***On any given trip, you are covered only for the time period specified for each option — that is, the Basic option pays benefits if an emergency occurs during your first 21 days out of country; the first 31 days for Comprehensive; the first 90 days for Plus.

Reasonable and customary limits apply to all coverage amounts.

Things to Consider

- Do you expect your medical expenses in 2000 to decrease, increase, or stay the same as this year? You may want to refer to the benefit statement you received from Clarica (formerly Mutual Life) to review what was reimbursed for medical coverage for you and your eligible dependents in the past.
- Do you plan to participate in the Health Care Reimbursement Account? If so, you can use it to pay your deductibles, copayments, and many other predictable out-of-pocket expenses. You may also want to see if your spouse's plan covers some of these expenses.
- How does the medical care coverage available through FLEX compare to other medical care plans available to you from other sources? Determine which plan best meets your needs. If you are also covered under another plan (such as your spouse's plan), your eligible expenses not reimbursed under the Nortel Networks plan could be reimbursed under your spouse's plan, up to 100% of eligible expenses.

How the Medical Care Options Compare

Benefit	Basic	Comprehensive	Plus
Percentage paid for covered services	80%	90%	100%
Prescription drugs • Generic drugs • Brand-name drugs	Covered under all three options Covered under all three options, only if there is no generic equivalent on the market or substitution is not permitted by the physician		
Annual deductible • Individual • Family	None None	\$25 \$50	None None
Per prescription copayment	\$5	None	None
Dispensing fee maximum per prescribed drug	\$7	\$7	\$7
Out-of-pocket maximum (once you have paid this maximum per year, the balance of prescription drug expenses will be paid at 100%)	\$750 per person*	\$750 per person*	None
Hospital coverage • Acute and convalescent care	N/A	Semi-private room rate, up to \$100 per day for acute and convalescent care, and 90 days per disability for convalescent care	Semi-private room rate for acute and convalescent care, and up to 90 days per disability for convalescent care
Ambulance	Ground transportation and emergency air ambulance		
Professional services	Maximums per individual per year		
• Chiropractor**	One combined maximum of \$300 for these services	\$300	\$500
• Osteopath		\$300	\$500
• Chiropodist		\$300	\$500
• Speech Therapy		\$300	\$500
• Psychologist		\$300	\$500
• Naturopath ✗		\$300 275	\$500
• Massage Therapy		\$300	\$500
• Podiatrist	\$350	\$300	\$500
• Physiotherapy and Acupuncture Combined		\$750	\$1,000
Private-duty nursing • Maximum per disability	\$10,000	\$12,500	\$15,000
Out-of-country medical emergency***	Personal emergency travel assistance included		
	21 days maximum	31 days maximum	90 days maximum
Overall maximum per person	\$1,000,000 lifetime*		

*For Quebec residents, please note that all plan options covering drugs are designed to meet the current requirements of Bill 33. For more details on this, please see the **Services@Work** Website.

**Chiropractic expenses covered only after provincial health insurance plan maximums have been reached, except for the Plus option where coverage begins at the first visit where permitted by law.

***On any given trip, you are covered only for the time period specified for each option — that is, the Basic option pays benefits if an emergency occurs during your first 21 days out of country; the first 31 days for Comprehensive; the first 90 days for Plus.

Reasonable and customary limits apply to all coverage amounts.

Things to Consider

- Do you expect your medical expenses in 2000 to decrease, increase, or stay the same as this year? You may want to refer to the benefit statement you received from Clarica (formerly Mutual Life) to review what was reimbursed for medical coverage for you and your eligible dependents in the past.
- Do you plan to participate in the Health Care Reimbursement Account? If so, you can use it to pay your deductibles, copayments, and many other predictable out-of-pocket expenses. You may also want to see if your spouse's plan covers some of these expenses.
- How does the medical care coverage available through FLEX compare to other medical care plans available to you from other sources? Determine which plan best meets your needs. If you are also covered under another plan (such as your spouse's plan), your eligible expenses not reimbursed under the Nortel Networks plan could be reimbursed under your spouse's plan, up to 100% of eligible expenses.

Basic Option

Under this option:

- You pay no annual *deductible*.
- For prescription drug expenses:
 - You pay a per-prescription *copayment* of \$5.
 - Dispensing fees are covered up to a maximum of \$7 per prescribed drug.
 - The option features an *out-of-pocket maximum* that is intended to protect you and your eligible *dependents* in the event that you incur significant drug expenses in a given year. The most you will pay out of your own pocket for *reasonable and customary* covered prescription drug expenses in a year is \$750. Once you reach this maximum, the plan pays 100% of further *reasonable and customary* covered prescription drug expenses for the rest of the year. The maximum includes your per-prescription *copayment*, and the 20% that you pay for *covered expenses*, up to certain maximums for *Tier 2 drugs*. If you are a Quebec resident, you and your covered *dependent children* have a combined \$750 *out-of-pocket maximum*.
 - If you present to your pharmacist the drug card that you will be given once you enroll, the company portion of the *covered expense* will be paid directly to the pharmacy. You pay only your per-

prescription *copayment* and your 20% share of *covered expenses*. Certain maximums apply to *Tier 2 drugs*.

- The plan pays 80% of *reasonable and customary covered expenses*. Certain maximums apply. See the **Services@Work** Website and the summary chart on page 13 of this guide for the maximums.
- The Basic option, for yourself only (yourself and your eligible *dependents* if you are a Quebec resident), is the mandatory minimum coverage. However, you may opt out of the Basic option if you (and your eligible *dependents* if you are a Quebec resident) have coverage elsewhere.
- If you select this option, you will receive *FLEX Credit* rebates to apply to other benefits. The amount of the rebate will vary depending on whether you're covering just yourself, or yourself and other members of your family.

Comprehensive Option

Under this option:

- For prescription drug expenses:
 - You pay a \$25 individual (\$50 family) *deductible* per year for prescription drugs only. You do not pay a per prescription *copayment*.
 - Dispensing fees are covered up to a maximum of \$7 per prescribed drug.

- The option features an *out-of-pocket maximum* that is intended to protect you and your eligible dependents in the event that you incur significant drug expenses in a given year. The most you will pay out of your own pocket for *reasonable and customary* covered prescription drug expenses in a year is \$750. Once you reach this maximum, the plan pays 100% of further *reasonable and customary* covered prescription drug expenses for the rest of the year. The maximum includes your per-prescription *copayment*, and the 10% that you pay for *covered expenses*, up to certain maximums for *Tier 2 drugs*. If you are a Quebec resident, you and your covered dependent children have a combined \$750 *out-of-pocket maximum*.

- If you present to your pharmacist the drug card that you will be given once you enroll, the company portion of the *covered expense* will be paid directly to the pharmacy. You pay only your *deductible* and your 10% share of *covered expenses*. Certain maximums apply to *Tier 2 drugs*.

- The plan pays 90% of *reasonable and customary covered expenses*. Certain maximums apply. See the **Services@Work** Website and the summary chart on page 13 of this guide for the maximums.

- If you select this option for yourself only, you will receive *FLEX Credit* rebates to apply to other benefits.

Plus Option

Under this option:

- You pay no annual *deductible*.
- For prescription drug expenses:
 - You do not pay a per prescription *copayment*.
 - Dispensing fees are covered up to a maximum of \$7 per prescribed drug.
 - If you present to your pharmacist the drug card that you will be given once you enroll, the company portion of the *covered expense* will be paid directly to the pharmacy. Certain maximums apply to *Tier 2 drugs*.

- The plan pays 100% of *reasonable and customary covered expenses*. Certain maximums apply. See the **Services@Work** Website and the summary chart on page 13 for the maximums.

No Coverage

If you (and your eligible dependents if you are a Quebec resident) have medical coverage from some other source (such as your spouse's employer), you can choose to waive medical care coverage. However, you need to complete a Medical Coverage Waiver form. If you do not complete this waiver, you will automatically be covered under the basic medical care coverage for you only (and your eligible dependents if you are a Quebec resident).

If you opt out of medical care coverage, you will receive rebates in the form of FLEX Credits.

Types of Covered Drugs

Regardless of the option you choose (Basic, Comprehensive or Plus), you and your eligible *dependents* are covered for two types of drugs:

- **Tier 1 drugs:** These are *medically necessary*, life-sustaining drugs that require a prescription and that relate to illness or injury. Generally, there are no maximums connected to these classes of drugs, other than a lifetime maximum for medical care coverage overall, including prescription drugs (except in Quebec).

- **Tier 2 drugs:** These are certain therapeutic drugs that require a prescription and do not relate to illness or injury. Generally, they are considered *medically necessary* in improving the quality of life. Below is a list of the classes of Tier 2 drugs that are covered and the annual or lifetime maximums. Please note that pre-authorization is required for certain classes of drugs to demonstrate that they are *medically necessary*.

Actions to Take

Once you've made your medical care coverage choice:

- Check the cost or any rebates available for the medical care coverage you have chosen. Use your Personalized Enrollment Worksheet to determine your total cost.
- Compare the options carefully and check for additional information on the Services@Work Website at <http://services-canada.ca.nortel.com>
- Determine the best option for you and your family.
- Enter your choice on your Personalized Enrollment Worksheet in preparation for enrollment.

Tier 2 drugs	Maximum amounts payable
Fertility drugs	\$3,000 lifetime maximum
Oral contraceptives	\$300 per calendar year/13 cycles per year
Drugs for erectile dysfunction	\$1,200 per calendar year (pre-authorization required)
Smoking-cessation drugs	\$500 lifetime maximum
Anti-obesity drugs	\$1,000 per calendar year (pre-authorization required)
Preventive vaccines	\$500 per calendar year

The company, at its sole discretion, may add or delete drugs from this list.

Over-the-counter drugs, experimental drugs, and drugs that are cosmetic in nature are not covered under any medical coverage options.

Exploring your dental/ vision/ hearing care coverage options

With FLEX, you choose your dental/vision/hearing care coverage bundled together as a package. Look for the package of benefits that best meets your needs. In addition to subsidizing the program as a whole, Nortel Networks funds you as an individual to a market-competitive level of dental/vision/hearing care coverage: the Comprehensive option for you and your *spouse*, or you and your *children*. See below for more on rebates available if you don't need this level of coverage.

Your Options

You can choose:

- The Basic option,
- The Comprehensive option,
- The Plus option or

- No dental/vision/hearing care coverage.

The cost of Comprehensive coverage for you and your *spouse* or *domestic partner*, or you and your *children* is shown as \$0 on your Personalized Enrollment Worksheet, since the company funds you to this market-competitive level. If you don't have a *spouse*, *domestic partner* or *children*, or don't need this level of coverage, you can opt for a lower level of coverage and receive a rebate in the form of *FLEX Credits* to spend on other options. If you need more coverage than the company funds, you can purchase it.

For dental/vision/hearing care coverage, you can choose a different coverage level than the one you choose for medical. For a list of the *dependents* you can cover, see page 6.

Reasonable and customary limits apply to all coverage amounts.

Things to Consider

- What kinds of dental/vision/hearing care expenses do you expect your family to have in the coming year? Your answer can help you determine which package will best serve your needs.
- Check last year's expenses to see how much you spent on dental/vision/hearing care. Will you spend the same amount in 2000? You may want to refer to the benefit statement you received from Clarica (formerly Mutual Life) to review what was reimbursed for dental/vision/hearing care coverage for you and your eligible dependents in the past.
- If your dental/vision/hearing care expenses are minimal and predictable, you may want to pay for them through the Health Care Reimbursement Account rather than enroll in one of the dental/vision/hearing care options.

How the Dental/Vision/Hearing Care Options Compare

Benefit	Basic	Comprehensive	Plus
Dental Care Coverage			
Deductible	None	None	None
Coverage for preventive services (such as exams, cleanings, and fluoride treatments)	100%	100%	100%
Coverage for restorative services (such as fillings)	80%	90%	100%
Coverage for oral surgery	80%	80%	100%
Coverage for endodontics (treatment of roots) and periodontics (treatment of gums)	80%	80%	100%
Coverage for major services (such as crowns, dentures, bridges)	N/A	50%	50%
Coverage for orthodontia (treatment to correct tooth or bite alignment)	N/A	50%	50%
Annual benefit maximum per person per year	\$1,000	\$2,000	\$2,500
Lifetime maximum per person for orthodontia	N/A	\$2,000	\$3,000
Dental Fee Guide	Current	Current	Current
Vision Care Coverage			
Coverage for eligible expenses	N/A	90%	100%
Maximum benefit every 12 months for each dependent child under age 19 and every 24 months for each adult	N/A	\$200	\$300
Hearing Care Coverage			
Coverage for eligible expenses	80%	90%	100%
Maximum benefit per person every two years	\$250	\$300	\$500

Basic Option

Under this option:

- You pay no *deductible* for dental services. *Preventive services* are covered at 100%. *Restorative*, oral surgery, periodontic and endodontic services are covered at 80%. *Major services* (such as crowns and bridges) and orthodontia are not covered.
- There is no coverage for vision expenses.
- The plan pays 80% of *covered* hearing care *expenses* (for example, hearing aids) up to certain limits, for a total maximum of \$250 per person every two years.
- If you select this option, you will receive *FLEX Credit* rebates to apply to other benefits. The amount of the rebate will vary depending on whether you're covering just yourself or yourself and other members of your family.

Comprehensive Option

Under this option:

- You pay no *deductible* for dental services. *Preventive services* are covered at 100%. *Restorative services* are covered at 90%. Oral surgery, periodontic services and endodontic services are covered at 80%. *Major services* and orthodontia are covered at 50% to certain maximums.
- The plan pays 90% of *covered* vision *expenses* (for example, prescription eyeglasses and contacts), up to \$200 per person every two years.
- The plan pays 90% of *covered* hearing care *expenses* (for example, hearing aids), up to \$300 per person every two years.
- If you choose to cover yourself only, you will receive rebates in the form of additional *FLEX Credits* that you can use to help pay for other benefits.

Actions to Take

Once you've made your dental/vision/hearing care coverage choice:

- Check the cost or any rebates available for the dental/vision/hearing care coverage you have chosen. Use your *Personalized Enrolment Worksheet* to determine your total cost.
- Compare the options carefully and check for additional information on the *Services@Work* Website at <http://services-canada.ca.nortel.com>.
- Determine the best option overall for you and your family.
- Enter your dental/vision/hearing care choice on your *Personalized Enrollment Worksheet* in preparation for enrollment.

Plus Option

Under this option:

You pay no *deductible* for dental services. *Preventive* and *restorative services*, oral surgery, periodontic and endodontic services are covered at 100%. *Major services* are covered at 50% to certain maximums and orthodontia at 50% of *covered expenses* to certain maximums.

- The plan pays 100% of covered vision expenses (for example, prescription eyeglasses and contacts), up to \$300 per person every two years.
- The plan pays 100% of covered hearing care expenses (for example, hearing aids), up to \$500 per person every two years.

No Dental/Vision/Hearing Care Coverage

You can choose not to select dental/vision/hearing care coverage.

If you opt out of dental/vision/hearing care coverage, you will receive rebates in the form of *FLEX Credits*.

Exploring your health care reimbursement account (HCRA)

The *Health Care Reimbursement Account (HCRA)* can help you save on taxes. With the account, you set aside money on a *before-tax* basis to reimburse yourself for eligible *health* care expenses. If you are a Quebec resident, you will be taxed at the provincial level.

This easy-to-use account saves you money by reimbursing you for eligible expenses on a before-tax basis (except in Quebec). Here are some key features:

- You can allocate your unused *FLEX Credits* directly to your *HCRA*.
- The company directs your allocation to the *HCRA* on a per-pay basis.

- After you pay for an eligible expense, you reimburse yourself from your *HCRA*.
- Using the *HCRA*, you may claim medical and dental/vision/hearing care expenses that are eligible under the Income Tax Act.
- According to Revenue Canada rules, any balance remaining in your *HCRA* after the plan year ends will be forfeited, so estimate your expenses carefully.

See “Things to Consider” for some important rules affecting your *HCRA*.

Things to Consider

You need to know these important HCRA rules:

- *Use it or lose it.* You have until March 31, 2001, to submit claims for eligible expenses incurred between January 1, 2000, and December 31, 2000, for reimbursement from your year 2000 HCRA allocation. You will forfeit any FLEX Credits allotted for 2000 that remain in the HCRA after March 31, 2001.
- *Carry forward eligible expenses for one year.* If you have more eligible expenses in 2000 than FLEX Credits allocated to your account, you may carry forward into the next year expenses for which you were not reimbursed. You may be reimbursed for these 2000 expenses from FLEX Credits you allocate to your 2001 HCRA. So you can budget ahead and know what dollar amount is required to be allocated in 2001 to cover unpaid health expenses from 2000.
- *No changes.* Once you set up an account for the year, you can't make changes in your FLEX Credits allocation amount until the next annual enrollment period. The only exception is when you have a qualified life event.

Continued...

Things to Consider

...continued from page 21

- **Eligible and ineligible expenses.** You can use the HCRA to reimburse yourself for expenses that are listed as "eligible" under the Income Tax Act. Eligible expenses include such things as deductibles and copayments.

Revenue Canada does not allow reimbursement for some types of expenses: for example, health club memberships, humidifiers and hot tubs. (Visit the Revenue Canada Website at www.rc.gc.ca or request a copy of publication IT-519R2 *Medical Expense and Disability* for a complete list.) Make sure you're considering only eligible expenses in your estimates.

In addition, ask yourself:

- Will your copayment or deductible amounts be higher or lower than in 1999, with the medical care coverage you choose for 2000? How much of your dental/vision/hearing care expenses will you be paying out-of-pocket this year? Will your spouse's plan pay any of these expenses? Your answers can help you determine whether an HCRA works for you.

HCRA

Use this account to pay for eligible expenses that are not covered by your provincial health insurance plan or Nortel Networks medical care plans, such as plan deductibles, copayments or over-the-counter drugs. These can be expenses you pay for yourself or for any eligible *dependent* (this could be for *dependents* who are not covered by the Nortel Networks medical plan). There is a minimum allocation of \$26 per year to the HCRA.

You can allocate any *FLEX Credits* remaining after you have made selections for your STD, LTD, AD&D, medical care and dental/vision/hearing care coverage.

You can request reimbursement every quarter (March, June, September and December) and can be reimbursed up to your total year's allocated amount — even if your per-pay allocation has not yet accumulated to the total amount requested for reimbursement.

Tax

Tips

Outside Quebec: If you have expenses that could be paid through the HCRA, it may be more tax effective to direct unused FLEX Credits to the HCRA than it is to take the unused FLEX Credits as taxable pay. You may want to consult a tax advisor before making your decision.

In Quebec: Current Quebec tax legislation considers claims reimbursed through an HCRA as taxable income at the provincial level. The HCRA is still a valuable component because you pay no federal tax.

You should know that if you get reimbursed through the HCRA for health care expenses, you cannot claim medical expense income tax credits for these same expenses, when you file your federal income tax return.

Eligible Expenses Worksheet

This worksheet will help you estimate your *health* care expenses. With this estimate, you can more accurately determine what expenses you can have reimbursed through your account. Estimate conservatively, because:

- Under the *HCRA*, Revenue Canada requires you to forfeit any *FLEX Credits* you haven't spent by the end of 2000.
- You can't change the amount allocated per pay period during the year unless you have a *qualified life event*.

Expense	Amount
Medical care coverage <i>deductible</i>	\$
Medical care coverage <i>copayment</i>	+
Premiums for <i>spouse's</i> group medical or dental coverage	+ 0.00
Travel medical insurance premiums	+
Other charges your medical care coverage (or your spouse's plan) may not fully cover: <ul style="list-style-type: none"> • Brand-name prescriptions where a <i>generic drug</i> is available • Over-the-counter drugs prescribed by your physician or dentist and dispensed by a pharmacist • Special treatment programs such as occupational therapy • Travel to and from a medical facility • Paramedical services • Durable medical equipment and supplies • Guide/hearing dogs • Home or car modifications required to accommodate a wheelchair • Nursing home care 	+ 1000.00 200.00
Dental coverage <i>deductible*</i>	+
Dental coverage <i>copayment</i>	+
Amounts over the annual plan limits	
Other charges your dental coverage (or your spouse's plan) may not fully cover: <ul style="list-style-type: none"> • Cosmetic dental treatments • Extra cleanings during the year • Braces 	+
Vision and hearing expenses not eligible under your (or your spouse's) coverage: <ul style="list-style-type: none"> • Glasses • Contact lenses • Hearing aids and batteries 	+
Annual amount you could claim under your <i>HCRA</i> (Divide by the number of paycheques you receive in a year, to get a figure per pay.)	=
Compare this amount to your unused <i>FLEX Credits</i> . Do you have enough <i>FLEX Credits</i> ? If not, you may want to take another look at the options you chose for 2000.	\$

*Note that the dental coverage available through *FLEX* does not require a *deductible*. However, you may have other dental coverage that does.

Actions to Take

- Decide if you want to allocate your unused *FLEX Credits* to an *HCRA*.
- Compare the options carefully and check for additional information on the *Services@Work Website* at <http://services-canada.ca.nortel.com>.
- Visit the *Revenue Canada Website* for a complete list of eligible and ineligible expenses. Log on to <http://www.rc.gc.ca/E/pub/tp/519r2ed/519r2ed.html> and check *Revenue Canada's* publication *IT-519R2 Medical Expense and Disability*.
- Use the *Eligible Expenses Worksheet* to estimate how much you'll spend on eligible health care expenses in 2000.
- Record your choice to direct your unused *FLEX Credits* to an *HCRA* or to your pay on your *Personalized Enrollment Worksheet* in preparation for enrollment.

Things to Consider

- What expenses would your family have to pay if you died? What other sources of income (such as savings or retirement plans) does your family have? Your answers can help you determine how much coverage you need.
- Compare the cost of this coverage to that of other life insurance that you have or could buy from another source. Which option provides the best value for you?
- Before you take FLEX Credits as taxable pay, ask yourself if you wish to allocate them to a tax-effective Health Care Reimbursement Account. For more details, please see page 21.

Please Note:

- Nortel Networks does not require proof of your non-smoking status, but if you are discovered to be a smoker and are paying non-smoker rates, you or your beneficiary could be denied benefits.
- Unless you indicate otherwise, the company will assume that you intend the same beneficiary or beneficiaries to be designated for your core and optional life, AD&D and Business Travel Accident insurance.
- Providing evidence of insurability is not a guarantee that you will be accepted for increased coverage.

Exploring your employee life insurance coverage options

Your life insurance helps protect your family's finances if you die.

Your Options

- You are automatically enrolled in company-paid *core* life insurance coverage.
- You can choose to purchase optional life insurance with your own *after-tax dollars* (through payroll deductions).

Core Life Insurance for You

Nortel Networks provides employee *core* life insurance at no cost to you. *Core* coverage provides your *beneficiary* with a benefit amount equal to your *FLEX Earnings* if you die while you're covered.