

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

THE HONOURABLE SENIOR ) DAY, THE DAY  
REGIONAL JUSTICE WINKLER )  
) OF , 2006

B E T W E E N:

PETER GALLARDI

Plaintiff

- and -

NORTEL NETWORKS CORPORATION, FRANK A. DUNN  
DOUGLAS BEATTY, MICHAEL GOLLOGLY,  
JOHN EDWARD CLEGHORN, ROBERT ELLIS BROWN,  
ROBERT ALEXANDER INGRAM, GUYLAINE SAUCIER,  
SHERWOOD HUBBARD SMITH, JR. and DELOITTE & TOUCHE LLP

Defendants

Proceedings under the *Class Proceeding Act*, 1992

**ORDER**

**THIS MOTION** made by the Plaintiff for an Order approving the Settlement Agreement and Confirmation of Stipulation of Agreement of Settlement (the "Settlement Agreement") entered into between the Plaintiffs and the Defendant, Nortel Networks Corporation, approving Ontario National Class Counsel Fees and for declaratory relief, was heard this day at 361 University Avenue, Toronto, Ontario.

**ON READING** the materials filed, including the Settlement Agreement attached to this Order as Schedule "A", and on hearing the submissions of counsel for the Plaintiff and counsel for the Defendants:

1. **THIS COURT DECLARES** that for the purposes of this Order the following definitions apply and are incorporated into this Order:

- (a) "**Certification Order**" means the Order certifying this action as a class proceeding dated June \_\_\_\_\_ 2006;
- (b) "**Claims Administrator**" means The Garden City Group, Inc.;
- (c) "**Class Members**" means members of the Ontario National Class, the Quebec Class and the U.S. Global Class;
- (d) "**Class Period**" means the period of time between April 24, 2003 through April 27, 2004, inclusive;
- (e) "**Courts**" means this Court, the Superior Court of Quebec and the United States Federal District Court for the Southern District of New York;
- (f) "**Defendants**" means the persons and entities named as defendants in the **Ontario National Action**;
- (g) "**Derivative Application**" application brought in *Indiana Electrical Workers Pension Trust Fund IBEW and Laborers Local 100 and 397 Pension Fund v. Nortel Networks Corporation*, Ontario Superior Court of Justice, Court File No. 49059, for leave pursuant to the *Canada Business Corporations Act* to commence a representative action in the name of and on behalf of Nortel against certain of the **Released Parties**;
- (h) "**Effective Date**" means the date upon which the **Settlement** contemplated by the **Settlement Agreement** shall become effective, as provided in paragraph 24 of the **Stipulation**;
- (i) "**Escrow Agent**" has the meaning set forth in the **Stipulation**;
- (j) "**Excluded Persons**" means: (i) Nortel and the **Individual Defendants**; (ii) the **Other Individuals**; (iii) members of any of the **Individual Defendants'** immediate families; (iv) any entity in which Nortel or any of the **Individuals Defendants** or the **Other Individuals** has a controlling interest; (v) any parent, subsidiary or affiliate of Nortel; (vi) any person who was an officer or directors of Nortel or any of its subsidiaries or affiliates during the **Class Period**; and (vii) legal representatives, heirs, predecessors, successors or assigns of any of the Excluded Persons;
- (k) "**Gross Settlement Fund**" has the meaning set forth in the **Stipulation**;
- (l) "**Gross Settlement Shares**" means 314,333,875 shares of common stock of Nortel to be issued by Nortel, pursuant to the **Settlement**, as may be adjusted in accordance with paragraph 4(d) of the **Stipulation**;

- (m) **"Individual Defendants"** means Frank A. Dunn, Douglas Beatty, Michael Gollogly, John Edward Cleghorn, Robert Ellis Brown, Robert Alexander Ingram, Guylaine Saucier and Sherwood Hubbard Smith, Jr.;
- (n) **"Nortel"** means the Defendant, Nortel Networks Corporation;
- (o) **"Nortel I Actions"** means the following proceedings in Canada and the U.S.:
  - (i) *Frohlinger v. Nortel Networks Corporation et al.*, Ontario Superior Court of Justice, Court File No. 02-CL-4605;
  - (ii) *Association de Protection des Épargnants et Investisseurs du Québec v. Corporation Nortel Networks*, Superior Court of Quebec, District of Montreal, No.: 500-06-000126-017;
  - (iii) *Jeffery et al. v. Nortel Networks Corporation et al.*, Supreme Court of British Columbia, Vancouver Registry Court File No. S015159; and
  - (iv) *In re Nortel Networks Corp. Securities Litigation*, Consolidated Civil Action No. 01-CV-1855 (RMB);
- (p) **"Nortel II Actions"** means the **Ontario National Action**, the **Quebec Action** and the **U.S. Action**;
- (q) **"Nortel II Defendants"** means Nortel, the Individual Defendants and Deloitte & Touche LLP;
- (r) **"Ontario National Action"** means this proceeding;
- (s) **"Ontario National Class Counsel"** means Rochon Genova LLP and Lerner LLP;
- (t) **"Ontario National Class Counsel Fees"** means the fees, disbursements, costs, GST, and other applicable taxes or charges of **Ontario National Class Counsel**, as approved by this Court in this Order;
- (u) **"Ontario National Class"** means all persons, except **Excluded Persons** and except members of the **Quebec Class**, who, while resident in Canada at the time, purchased Nortel common stock or call options on Nortel common stock or wrote (sold) put options on Nortel common stock during the **Class Period**;
- (v) **"Ontario National Class Member"** means a member of the **Ontario National Class** who has not opted out of the **Ontario National Class** in accordance with the **Certification Order**;

- (w) **"Other Actions"** means actions or proceedings, other than the **Proceedings**, relating to **Settled Claims** commenced by an **Ontario National Class Member** against one or more **Released Parties**;
- (x) **"Other Individuals"** means James Kinney (Finance Chief for Nortel's Wireless Networks Division, Richardson, Texas), Ken Taylor (Vice President for Nortel's Enterprise Networks Division, Raleigh, North Carolina), Craig Johnson (Finance Director for Nortel's Wireline Networks Division, Richardson, Texas), Doug Hamilton (Finance Director for Nortel's Optical Networks Group, Montreal, Quebec), Michel Gasnier (Vice President of Finance for Europe), Robert Ferguson (Vice President of Finance for China), and William Bowrey (Controller for Asia);
- (y) **"Plan of Allocation"** means the plan of allocation set forth in the Notice of Certification in Canada and Proposed Settlements of Class Actions, Motion for Attorneys' Fees and Settlement Fairness Hearings and attached as Schedule "B" to this Order;
- (z) **"Proceedings"** means the **Ontario National Action**, the **Quebec Action**, the **U.S. Action** and the **Nortel I Actions**;
- (aa) **"Quebec Action"** means the proceeding in the Superior Court of Quebec (District of Montreal), *Clifford W. Skarstedt v. Corporation Nortel Networks*, No: 500-06-000277-059;
- (bb) **"Quebec Class"** means all persons and entities, except **Excluded Persons** who, while resident in Quebec at the time, purchased Nortel common stock or call options on Nortel common stock or wrote (sold) Nortel put options on Nortel common stock during the **Class Period**. For purposes of this definition, an entity means a legal person established for a private interest, a partnership or an association if at all times during the 12-month period preceding February 18, 2005, not more than 50 persons bound to it by contract of employment were under its direction or control and if it is dealing at arm's length with the representative of **the Quebec Class**;
- (cc) **"Released Parties"** means any and all of the **Nortel II Defendants**, their past or present subsidiaries, parents, principals, affiliates, general or limited partners or partnerships, successors and predecessors, heirs, assigns, officers, directors, agents, employees, attorneys, advisors, investment advisors, investment bankers, underwriters, insurers, co-insurers, re-insurers, accountants, auditors, consultants, administrators, executors, trustees, personal representatives, immediate family members and any person, firm, trust, partnership, corporation, officer, director or other individual or entity in which any **Nortel II Defendant** has a controlling interest or which is related to or affiliated with any of the **Nortel II Defendants**, and the legal representatives,

heirs, executors, administrators, trustees, successors in interest or assigns of the **Nortel II Defendants** ;

- (dd) **"Representative Plaintiffs"** means, collectively, the representative or lead plaintiffs in each of the **Canadian Actions** and the **U.S. Action**;
- (ee) **"Settled Claims"** means any and all claims, debts, demands, rights or causes of action, suits, matters, and issues or liabilities whatsoever (including, but not limited to, any claims for damages, interest, attorneys' fees, expert or consulting fees, and any other costs, expenses or liability whatsoever), whether based on United States or Canadian federal, state, provincial, local, statutory or common law or any other law, rule or regulation, whether fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, matured or un-matured, whether class or individual in nature, including both known claims and **Unknown Claims**, (i) that have been asserted in any of the **Nortel II Actions** against any of the **Released Parties**, or (ii) that could have been asserted in any forum by the **Class Members** in the **Nortel II Actions**, or any of them, against any of the **Released Parties**, that arise out of or are based upon the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, or referred to in the **Nortel II Actions** and that relate to the purchase of Nortel common stock or call options or the sale of Nortel put options during the **Class Period** or (iii) any oppression or other claims under the *Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, that arise out of or are based upon the allegations, transactions, facts, matters or occurrences, representations or omissions, set forth or referred to in the **Nortel II Actions**. "Settled Claims" does not mean or include claims, if any, against the Released Parties arising under the United States *Employee Retirement Income Security Act* of 1974, as amended, 29 U.S.C. § 1001, *et seq.* ("ERISA") that are not common to all Class Members and which ERISA claims are the subject of an action pending before the Judicial Panel on Multidistrict Litigation, denominated *In re Nortel Networks Securities and "ERISA" Litigation*, MDL Docket No. 1537. Settled Claims further does not include: (a) the action in *Rohac et al v. Nortel Networks et al*, Ontario Superior Court of Justice, Court File No. 04-CV-3268; and (b) the **Derivative Application**;
- (ff) **"Settled Defendants' Claim"** means any and all claims, rights or causes of action or liabilities whatsoever, whether based on federal, provincial, local, statutory or common law or any other law, rule or regulation, including both known claims and Unknown Claims, that have been or could have been asserted in the **Nortel II Actions** or any forum by the **Nortel II Defendants** or any of them or the successors and assigns or any of them against the **Representative Plaintiffs**, any **Class Member**, or their counsel, and that arise out of or relate in any way to the institution, prosecution, or settlement of the **Nortel II Actions** (except Settled Defendants' Claims does not include all claims, rights or causes of action or liabilities whatsoever related to the

enforcement of the **Settlement** including, without limitation, any of the terms of the **Stipulation** or orders or judgments issued by the **Courts** in connection with the **Settlement**, confidentiality obligations or in respect of the **Derivative Application**);

- (gg) "**Settlement Agreement**" means the Settlement Agreement and Confirmation of Stipulation and Agreement of Settlement, including the **Stipulation** attached thereto, entered into between the Plaintiffs and Nortel, dated as of June 20, 2006, attached to this Order as Schedule "A";
- (hh) "**Settlement**" means the proposed settlement of the **Nortel II Actions** pursuant to the terms set forth in the Settlement Agreement adopting and ratifying the **Stipulation**;
- (ii) "**Stipulation**" means the Stipulation and Agreement of Settlement attached to the **Settlement Agreement** as Schedule "A".
- (jj) "**Supplemental Agreement**" means the agreement referred to in paragraph 23 of the **Stipulation** setting forth certain conditions under which the **Settlement** may be terminated by Nortel if potential **Class Members** who purchase in excess of a certain number of Nortel common stock or options on Nortel common stock during the **Class Period** exclude themselves from the **Class**;
- (kk) "**Unknown Claims**" means any and all **Settled Claims** which any of the **Representative Plaintiffs**, or **Class Members** does not know or suspect to exist in his, her or its favour at the time of the release of the **Released Parties** and any **Settled Defendants' Claims** which any **Nortel II Defendant** does not know or suspect to exist in his, her or its favour, which if known by him, her or it might have affected his, her or its decision(s) with respect to the **Settlement**;
- (ll) "**U.S. Action**" means the proceeding in the United States Federal District Court for the Southern District of New York, *In re Nortel Networks Corp. Securities Litigation*, Master File No. 05-MD-1659 (LAP); and
- (mm) "**U.S. Global Class**" means all persons, except **Excluded Persons**, who purchased Nortel common stock or call options on Nortel common stock or wrote (sold) put options on Nortel common stock (collectively, "Nortel Securities") during the **Class Period**, and who suffered damages thereby, including, but not limited to, those persons or entities who traded in Nortel Securities on the New York Stock Exchange and/or the Toronto Stock Exchange.

2. **THIS COURT DECLARES** that the Settlement Agreement is fair, reasonable and in the best interests of the Ontario National Class.

3. **THIS COURT ORDERS** that the Settlement Agreement attached to this Order as Schedule "A" is hereby approved pursuant to s. 29 of the *Class Proceedings Act, 1992*.

4. **THIS COURT DECLARES** that the Settlement Agreement is binding upon the representative Plaintiff, upon all Ontario National Class Members, and upon the Defendants, including those persons who are minors or mentally incapable, and that the requirements of Rules 7.04(1) and 7.08(4) of the *Rules of Civil Procedure* are dispensed with in respect of the Ontario National Action.

5. **THIS COURT ORDERS** that, upon the Effective Date, the Plaintiff herein and each of the Ontario National Class Members, on behalf of themselves, their personal representatives, heirs, executors, administrators, trustees, successors and assigns, are hereby permanently barred and enjoined from instituting, commencing or prosecuting any Settled Claims against the Released Parties.

6. **THIS COURT ORDERS AND DECLARES** that, upon the Effective Date, the Plaintiff herein and each of the Ontario National Class Members, on behalf of themselves, their personal representatives, heirs, executors, administrators, trustees, successors and assigns shall release and shall be conclusively deemed to have fully, finally and forever released the Released Parties from the Settled Claims.

7. **THIS COURT ORDERS** that, upon the Effective Date, the Plaintiff herein and each of the Ontario National Class Members and their respective personal representatives, heirs, executors, administrators, trustees, successors and assigns, shall not institute, continue, maintain or assert, either directly or indirectly, whether in the United States, Canada or elsewhere, on their own behalf or on behalf of any class or any other person, any action, suit,

cause of action, claim or demand against any Released Party or any other person who may claim any form of contribution or indemnity (save for a contractual indemnity) from any Released Party in respect of any Settled Claim or any matter related thereto, at any time on or after the Effective Date, and are enjoined from doing so.

8. **THIS COURT ORDERS** that, upon the Effective Date, the defendants Nortel, John Edward Cleghorn, Robert Ellis Brown, Robert Alexander Ingram, Guylaine Saucier and Sherwood Hubbard Smith, Jr. on behalf of themselves and their personal representatives, heirs, executors, administrators, trustees, successors and assigns, are hereby permanently barred and enjoined from prosecuting a Settled Defendants' Claim against the Plaintiff herein, the Ontario National Class Members or Ontario National Class Counsel. In the event that any of the Released Parties assert against the Plaintiffs, any Ontario National Class Member or the Ontario National Class Counsel, any claim that is a Settled Defendants' Claim, then the Plaintiff, such Class Member or Ontario National Class Counsel, as the case may be, shall be entitled to use and assert such factual matters included within the Settled Claims only against such Released Party in defence of such claim but not for the purposes of asserting any claim against any Released Party.

9. **THIS COURT ORDERS AND DECLARES** that each Ontario National Class Member shall consent and shall be deemed to have consented to the dismissal of any Other Actions he, she or it has commenced against the Released Parties, without costs and with prejudice.



10. **THIS COURT ORDERS** that neither this Order, the Settlement Agreement, the Stipulation, nor any of their terms and provisions, nor any of the negotiations or proceedings connected with it, nor any of the documents or statements referred to therein shall be:

- (a) offered or received against the Defendants as evidence of or construed as or deemed to be evidence of any presumption, concession, or admission by any of the Defendants with respect to the truth of any fact alleged in the Statement of Claim as amended or the validity of any claim that has been or could have been asserted in the Ontario National Action or in any litigation, or the deficiency of any defence that has been or could have been asserted in the Ontario National Action or in any litigation, or of any liability, negligence, fault, or wrongdoing of the Defendants;
- (b) offered or received against the Defendants as evidence of a presumption, concession or admission of any fault, misrepresentation or omission with respect to any statement or written document approved or made by any Defendant;
- (c) offered or received against the Defendants as evidence of a presumption, concession or admission with respect to any liability, negligence, fault or wrongdoing, or in any way referred to for any other reason as against any of the Defendants, in any other civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to enforce and give effect to the provisions of the Settlement Agreement (provided, however, that Defendants may refer to it to effectuate the release and liability protection granted them hereunder);
- (d) construed against the Defendants as an admission or concession that the consideration to be given hereunder represents the amount which could be or would have been recovered after trial; or
- (e) construed as or received in evidence as an admission, concession or presumption against the Plaintiff or any of the Ontario National Class Members that any of their claims are without merit, or that any defences asserted by the Defendants have any merit, or that damages recoverable under the Statement of Claim as amended would not have exceeded the amounts set forth under the Settlement Agreement.

11. **THIS COURT ORDERS** that the Plan of Allocation is approved as fair and reasonable.

12. **THIS COURT ORDERS** that Ontario National Class Counsel Fees in the amount of \$ \_\_\_\_\_ in cash, and \_\_\_\_\_ shares, which includes \$ \_\_\_\_\_ for disbursements, and which amounts this Court finds to be fair and reasonable, are hereby approved.

13. **THIS COURT ORDERS** that the Ontario National Class Counsel Fees shall be paid out of the Gross Settlement Fund.

14. **THIS COURT ORDERS** that this Court shall retain jurisdiction over the parties herein, the Ontario National Class Members, the Claims Administrator and the Escrow Agent for all matters relating to the Ontario National Action, including the administration, interpretation, effectuation or enforcement of the Settlement Agreement and this Order, and including any application for fees and expenses by the Ontario National Class Counsel and the Claims Administrator incurred in overseeing and administering the Settlement, in distributing settlement proceeds to the Ontario National Class Members, and in complying with the terms of this Order and the Certification Order.

15. **THIS COURT ORDERS** that, on notice to the Court but without further order of the Court, the parties to the Settlement Agreement may agree to reasonable extensions of time to carry out any of the provisions of the Settlement Agreement.

16. **THIS COURT ORDERS AND DECLARES** that the Released Parties have no responsibility for and no liability whatsoever with respect to the administration of the Settlement.

17. **THIS COURT RECOGNIZES & ACKNOWLEDGES** that: (i) one of the effects of its determination that the Settlement Agreement is fair is that, pursuant to Section 3(a)(10) of the United States *Securities Act of 1933*, as amended, 15 U.S.C. § 77c(a)(1), the Gross Settlement Shares may be distributed to Class Members, and to counsel for the plaintiffs in the Nortel I Actions as may be awarded by the respective Courts for counsel fees, without registration and compliance with the prospectus delivery requirements of U.S. securities laws; and (ii) Nortel will rely on such Section 3(a)(10) exemption (and Nortel will not register the Gross Settlement Shares under the United States *Securities Act of 1933*) based on this Court's approval of the fairness of the Settlement.

18. **THIS COURT DECLARES** that all of the Ontario National Class Members to whom it is proposed to issue Gross Settlement Shares have had the right to appear at the hearing on the fairness of the Settlement Agreement, and that adequate notice of this hearing has been provided to Ontario National Class Members in accordance with the terms of the Certification Order.

19. **THIS COURT ORDERS** that if (a) the Settlement Agreement is terminated by Nortel pursuant to the Supplemental Agreement and paragraph 26 of the Stipulation; (b) any specified condition to the Settlement set forth in the Stipulation is not satisfied and any of the Lead Plaintiffs or Nortel elect(s) to terminate the Settlement Agreement as provided in paragraph 25 of the Stipulation; or (c) the Settlement Agreement is otherwise terminated pursuant to paragraph 27 of the Stipulation, then, in any such event:

- (a) this Order (except for paragraphs 1, 10, 14, 16, 17, 18 and 19 herein) shall be set aside, be of no further force or effect, and be without prejudice to any party;

- (b) the Certification Order (except for paragraph 24), shall be set aside and be of no further force or effect, and without prejudice to any party;
- (c) the Ontario National Action shall be immediately decertified as a class proceeding pursuant to Section 10 of the *Class Proceedings Act, 1992*, without prejudice to the Plaintiff's ability to reapply for certification; and
- (d) each party to the Ontario National Action shall be restored to his, her or its respective position as it existed immediately prior to the execution of the Settlement Agreement.

20. **THIS COURT ORDERS AND ADJUDGES** that any appeal or challenge affecting the approval of the Plan of Allocation or this Court's approval of Ontario National Counsel Fees shall in no way disturb or affect the balance of this Order and shall be deemed to be separate and apart from the balance of this Order.

21. **THIS COURT ORDERS AND ADJUDGES** that, upon the Effective Date, the Ontario National Action be and is hereby dismissed against the Defendants with prejudice and without costs.

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PETER GALLARDI  
Plaintiff

and

NORTEL NETWORKS CORPORATION  
et al.  
Defendants

Court File No: 05-CV-285606CP

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

**O R D E R**