

## SUPPLEMENTAL AGREEMENT – NORTEL II

Pursuant to ¶ 23 of the Nortel II Stipulation and Agreement of Settlement dated June 20, 2006 (the “Stipulation”) between Lead Plaintiffs and Nortel in *In re Nortel Networks Corp. Securities Litigation*, Master File No. 05-MD-1659 (LAP), as also adopted and ratified by Canadian Class Counsel in the Nortel II Canadian Actions, the terms under which Nortel may withdraw from and terminate the Stipulation are as follows:

1. All capitalized terms used, but not defined herein, shall have the meanings ascribed to them in the Stipulation.

2. Nortel shall have the option, but not the obligation, to terminate the Settlement in the event that the aggregate number of shares of Nortel common stock purchased during the Class Period by Class Members who would otherwise be entitled to participate as members of the Class, but who timely and validly request exclusion, equals or exceeds **REDACTED** (the “Opt-out Threshold”) of the total number of shares of Nortel common stock purchased during the Class Period.

3. Nortel shall further have the option, but not the obligation, to terminate the Settlement in the event that the aggregate number of shares of Nortel common stock purchased during the Nortel I Class Period by members of the Nortel I Class who would otherwise be entitled to participate as members of the Nortel I Class, but who timely and validly request exclusion, equals or exceeds **REDACTED** of the total number of shares of Nortel common stock purchased during the Nortel I Class Period.

4. It is expressly understood and agreed that, for the purposes of calculating the Opt-out Threshold in ¶ 3, the only persons and entities who will be included in the calculation are those persons and entities who are Class Members, excluding those persons or entities who

previously requested exclusion in response to the Notice of Pendency, as listed on Tab 1 to Exhibit B annexed to the Nortel I Stipulation, whether or not they are Class Members.

5. Lead Plaintiffs and Nortel, with the cooperation of Canadian Class Counsel, shall make every effort to ensure that the first settlement fairness hearing in any of the Nortel II Actions shall be scheduled no earlier than fifteen (15) calendar days after the last date for exclusion in any of the Nortel II Actions.

6. Subject to the dates for exclusion and the terms of ¶ 5, the Preliminary Approval Order shall provide that requests for exclusion shall be received at least fifteen (15) calendar days prior to the date of the Settlement Fairness Hearing before the United States District Court for the Southern District of New York (“U.S. Settlement Fairness Hearing”) specified in the Notice. Upon receiving any request(s) for exclusion pursuant to the Notice, the Claims Administrator shall promptly (or in no event fewer than ten (10) calendar days prior to the U.S. Settlement Fairness Hearing date) notify Plaintiffs’ Counsel and Nortel’s Counsel of such request(s) for exclusion. Upon receiving any request(s) for exclusion pursuant to the Notice, Nortel’s Counsel shall promptly notify Plaintiffs’ Counsel and the Claims Administrator of such request(s) for exclusion.

7. If Nortel elects to exercise either of the options set forth in ¶ 2 or ¶ 3 hereof, written notice of such election must be provided to Plaintiffs’ Counsel at least five (5) calendar days prior to the U.S. Settlement Fairness Hearing.

8. In the event that Nortel files a written notice of its intent to terminate the Settlement pursuant to ¶ 7 hereof, Nortel may withdraw its election by providing written notice of such withdrawal to Plaintiffs’ Counsel no later than 5:00 P.M. Eastern Time on the day prior

to the U.S. Settlement Fairness Hearing, or by such later time as shall be agreed upon in writing as between Lead Plaintiffs' Counsel and Nortel's Counsel, on notice to Canadian Class Counsel.

9. If Nortel elects to withdraw from the Stipulation pursuant to ¶ 2 or ¶ 3 hereof, Plaintiffs' Counsel may, within five (5) calendar days of receipt of such notice of intention to withdraw from the Settlement (or such longer period as shall be agreed upon in writing between Lead Plaintiff's Counsel and Nortel's Counsel), review the validity of any request for exclusion and may attempt to cause retraction or withdrawal of any such request for exclusion. If, within the five (5) calendar day period (or longer period agreed upon in writing), Plaintiffs' Counsel succeed in causing the filing of retractions or withdrawals (which retractions and withdrawals shall be in form and substance acceptable to Nortel's Counsel) of a sufficient number of requests for exclusion such that the number of shares represented by the remaining requests for exclusion does not constitute grounds for withdrawal as specified in ¶ 2 or ¶ 3 above, then any withdrawal from the Stipulation by Nortel shall automatically be deemed to be a nullity. To retract or withdraw a prior request for exclusion, a Class Member or member of the Nortel II class must file a signed written notice with either the United States District Court for the Southern District of New York or, in the case of Canadian Class Members, the Canadian Court that certified the Canadian Class to which the Class Member belongs, stating that the person or entity retracts or withdraws his, her or its request for exclusion and that the person or entity agrees to be bound by the Settlement and the Judgments in these Nortel II or Nortel I Actions as the case may be; provided, however, that the filing of such written notice signed by the Class Member or member of the Nortel II class may be effected by Plaintiffs' Counsel on written direction by the Class Member or member of the Nortel II Class. Upon receipt of such written notice from such a Class

Member or member of the Nortel II class, Plaintiffs' Counsel shall provide a copy of such written notice to Nortel's Counsel.

10. If Nortel elects to withdraw from the Stipulation in accordance with ¶ 2 or ¶ 3 of this Supplemental Agreement and such withdrawal is not nullified in accordance with ¶ 8 of this Supplemental Agreement, the Stipulation shall be withdrawn and terminated and deemed null and void, and the provisions of ¶ 28 of the Stipulation shall apply.

11. The Parties intend that the Opt-out Threshold in this Supplemental Agreement be maintained as confidential. Subject to orders of the Courts, the Supplemental Agreement shall not be filed with the Courts in such a manner so as to disclose publicly the Opt-out Threshold itself prior to the deadline for submitting requests for exclusion unless a dispute arises as to its terms. Notwithstanding the foregoing, the Opt-out Threshold may be disclosed to the Courts, as may be required by the Courts, for purposes of approval of the Settlement, but such disclosure shall be carried out to the fullest extent possible in accordance with the practices of the respective Courts so as to maintain the confidentiality of the Opt-out Threshold.

DATED: June 20, 2006

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DATED: JUNE 20, 2006

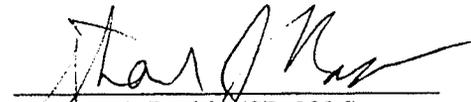
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