

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

**HONOURABLE CHIEF JUSTICE** ) WEDNESDAY, THE 26<sup>th</sup> DAY  
**JUSTICE WARREN K. WINKLER** ) OF MARCH, 2008

**BETWEEN:**

**PETER GALLARDI**

Plaintiff

- and -

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

Defendants

*Proceedings under the Class Proceeding Act, 1992*

**ORDER**

**(Approving Initial Distribution of Class Settlement Proceeds)**

**THIS MOTION** made by the Plaintiff for an Order, *inter alia*, approving the administrative determinations taken by the Claims Administrator in accepting and rejecting the Claims filed by all claimants who are part of the Ontario National Class (other than the Disputed Rejected Claims, as defined herein) and authorizing the distribution of the settlement proceeds to the Ontario National Accepted Claimants (as defined herein) as set out herein, was heard by teleconference this day at Toronto, Ontario.

**WHEREAS**, by Order dated January 18, 2007, this Court, following a duly-noticed fairness hearing in the above-captioned action (the “Action”), approved the terms of the Settlement Agreement and the proposed plan of allocation (the “Approval Order”) in connection with the global settlement of the Action and certain related actions in the United States and Canada;

**WHEREAS**, the Approval Order has become Final and is no longer subject to appeal;

**WHEREAS**, the Approval Order awarded fees to Ontario National Class Counsel in the amount of \$2,500,000 (CDN) (plus \$150,000 (CDN) for tax), which award has become Final and is no longer subject to appeal, and was paid in the form of \$1,270,282.44 (CDN) and 54,300 (post consolidation) Settlement Shares to Ontario National Class Counsel (the “Ontario National Class Counsel Fee Award”);

**WHEREAS**, the Ontario National Class Counsel Fee Award was for all work related to this Action up to approval of the Settlement;

**WHEREAS**, Ontario National Class Counsel have incurred additional fees and expenses for work related to supervising the administration of the Settlement, communicating with Ontario National Class members in respect of the claims administration process and preparing for the within motion for initial distribution of the settlement proceeds following the approval hearing in this Action;

**WHEREAS**, the Stipulation provides that it is subject to the approval of the United States District Court for the Southern District of New York (the “U.S. Court”), the Ontario Superior Court of Justice and the Superior Court of Québec;

**WHEREAS**, each of the Courts have entered Orders approving the Stipulation, which Orders have become Final and are no longer subject to appeal;

**WHEREAS**, the Stipulation provides that the Settlement is contingent upon the approval of a settlement stipulation in a separate consolidated class action proceeding captioned *In re Nortel Networks Corp. Securities Litigation*, Master File No. 01-CV-1855 (S.D.N.Y.) (RMB), and certain other Canadian actions in Ontario, Québec and British Columbia (the “Nortel I Actions”);

**WHEREAS**, the settlement stipulation in the Nortel I Actions has been approved by the United States District Court for the Southern District of New York (Hon. Richard M. Berman) and by the appropriate courts in Ontario, Québec and British Columbia, and such approvals have become Final and are no longer subject to appeal;

**WHEREAS**, paragraph 8 of the Stipulation provides, among other things that “[s]uch amounts as are awarded to Plaintiffs’ Counsel by the Courts from the Gross Settlement Shares shall be payable to Plaintiffs’ Counsel at the first date on which the Effective Date has occurred and the award of attorneys’ fees is Final” and, because no fees have yet been awarded to Québec Class Counsel, no Settlement Shares have been issued to Québec Class Counsel as of this time;

**WHEREAS**, the Stipulation provides at paragraph 9 that “Lead Plaintiffs’ Counsel and Canadian Class Counsel will apply respectively to the United States District Court for the Southern District of New York, and with respect to the claims of Canadian Class Members to the Canadian Courts . . . for an order (the “Class Distribution Order”) approving the Claims Administrator’s administrative determinations concerning the acceptance and rejection of the claims submitted herein, and approving any fees and expenses not previously applied for relating to the administration of the Settlement, including the fees and expenses of the Claims Administrator, the reasonable costs and expenses of the physical delivery of the Gross Settlement Shares and any extraordinary or expedited services of the transfer agent with respect to such physical delivery, and, only if the Effective Date has occurred, directing payment of the Net Settlement Fund to Authorized Claimants”;

**WHEREAS**, the Stipulation provides at paragraph 16 that “the administrative determinations of the Claims Administrator accepting and rejecting claims shall be presented to the United States District Court for the Southern District of New York, and with respect to the claims of Canadian Class Members to the Canadian Courts . . . for approval in the Class Distribution Order”;

**WHEREAS**, Lead Plaintiffs’ Counsel and Québec Class Counsel have, are or will be applying to their respective Courts for a Class Distribution Order in accordance with paragraphs 9 and 16 of the Stipulation, and this Order is contingent upon concurring Class Distribution Orders being entered by each of the remaining Courts;

**WHEREAS**, the Stipulation provides at paragraph 20 that the Net Cash Settlement Fund and the Net Settlement Shares shall be distributed to Accepted Claimants “only after the Effective Date and after all Claims have been processed, and all claimants whose Claims have been rejected or disallowed, in whole or in part, have been notified and provided the opportunity to contest with the Claims Administrator such rejection or disallowance”;

**WHEREAS**, the Effective Date of the Stipulation has occurred and the Approval Order is Final;

**WHEREAS**, in accordance with paragraph 20 of the Stipulation, the Claims Administrator has processed all claims, and all Claimants whose claims have been rejected or disallowed, in whole or in part, have been notified and provided the opportunity to contest with the Claims Administrator such rejection or disallowance;

**WHEREAS**, as set forth in the Affidavit of Stephen J. Cirami in Support of Motion for Initial Distribution of Class Settlement Proceeds dated February 19, 2008 (the “Cirami Affidavit”) the Claims Administrator, The Garden City Group, Inc. (“GCG”), has received and processed 174,568 Proofs of Claim, of which 86,503 have been approved for payment (the “Accepted Claimants”), and of which 88,065 have been rejected (“Rejected Claims”);

**WHEREAS**, as set forth in the Cirami Affidavit, 1,777 of the Accepted Claimants filed claims that were received after the original November 20, 2006

submission deadline set by the Preliminary Order for Notice and Hearing in Connection with Settlement Proceedings, dated June 29, 2006, but prior to the completion of the claims processing by GCG. Lead Plaintiffs submit that when the equities are balanced, it would be unfair to prevent an otherwise valid claim from participating in the Net Settlement Fund solely because it was submitted after the cut-off date, when it was submitted while the claims were still being processed;

**WHEREAS**, Plaintiffs' Counsel submit that there must be a final cut-off after which no more claims may be accepted, and propose that no claim submitted after December 5, 2007 be accepted for any reason whatsoever;

**WHEREAS**, as described in the Cirami Affidavit and listed in Exhibit "B" thereto, 378 claimants with wholly or partially Rejected Claims dispute the Claims Administrator's administrative determination rejecting their Claims in whole or in part (the "Disputed Rejected Claims") and, in accordance with paragraph 15(e) of the Stipulation, request judicial review of the Claims Administrator's determination of their claims, which, depending on the residence of the claimant, may require review by this Court, or the review of the U.S. Court, or the review of the Superior Court of Québec. Final resolution of such Disputed Rejected Claims will require additional time and further proceedings;

**WHEREAS**, Plaintiffs' Counsel submit that the final resolution of the Disputed Rejected Claims, and resolution of any open issues concerning the attorneys' fees and expenses of Québec Class Counsel, should not delay the distribution of the Net

Settlement Fund to the 86,503 Accepted Claimants. Accordingly, Plaintiffs' Counsel propose that all Net Settlement Shares, which are subject to market fluctuations and are limited to whole-share allocations, should be distributed at this stage to the Accepted Claimants in accordance with the Claims Administrator's determinations, and that any subsequent distributions that the Courts may order with respect to any Disputed Rejected Claims that may ultimately be accepted by the Courts, as well as any attorneys' fees and expenses awarded to Québec Class Counsel, should be made solely from the Net Cash Settlement Fund, and any portion of such subsequent claims, if any, that would otherwise be payable in Settlement Shares should be paid in an amount of cash equal to the value of such shares calculated using the volume-weighted average price of the common stock of Nortel Networks Corporation ("Nortel") as reported on the New York Stock Exchange for the period starting on the first trading day after Nortel's transfer agent commences physical delivery of Net Settlement Shares to Accepted Claimants and ending ten (10) trading days thereafter (the "Distribution Value");

**WHEREAS**, GCG is currently in the process of adjusting the claimant identification information for certain Accepted Claimants so that Nortel's transfer agent may issue Settlement Shares to such Accepted Claimants ("Claimant Identification Information"), and it is understood that neither Nortel nor its transfer agent will be obligated to issue any Settlement Shares to those Accepted Claimants with respect to whom GCG has not supplied Claimant Identification Information to Nortel's transfer agent in reasonable conformity with Section 2 of the Guidelines of the Securities Transfer Association;

**WHEREAS**, on March 17, 2008, the U.S. Court granted an Order Approving Initial Distribution of Class Settlement Proceeds (the "U.S. Class Distribution Order");

**WHEREAS**, this Court has retained jurisdiction of this Action and Settlement for the purpose of considering any further application or matter which may arise in connection with the administration and execution of the Settlement and the processing of Proofs of Claim and the distribution of the Net Settlement Fund to the Ontario National Accepted Claimants;

**ON READING** the Notice of Motion, the U.S. motion materials, including Justice Preska's Order Directing Distribution to Class Forthwith, dated March 17, 2008, and the Affidavit of Sonya Diesberger, dated March 25, 2008, annexing the Affidavit of Stephen J. Cirami, dated February 19, 2008, with Exhibits, and on hearing the submissions of Ontario Plaintiffs' Counsel<sup>1</sup> and counsel to Nortel, subject to the issuance of concurring orders by each of the applicable Courts;

**1. THIS COURT DECLARES** that for the purposes of this Order, defined terms not defined herein shall have the meaning assigned to them in the Stipulation and Agreement of Settlement (Nortel II) dated June 20, 2008 (the "Stipulation") unless otherwise indicated;

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<sup>1</sup> Defined as Ontario National Class Counsel and Ontario counsel to the Lead Plaintiffs.



2. **THIS COURT ORDERS** that the administrative determinations of the Claims Administrator approving the claims of the Accepted Claimants who are Ontario National Class members (“Ontario National Accepted Claimants”), as set forth in Exhibit “C” to, and described in, the Cirami Affidavit (including 680 claims submitted after November 20, 2006, and received through and including December 5, 2007), are hereby approved in the amounts specified in each “Recognized Claim”;

3. **THIS COURT ORDERS** that the appropriate number of Net Settlement Shares and the appropriate amount of the remaining Net Cash Settlement Fund (based on a distribution of the Net Cash Settlement Fund to all Accepted Claimants of ninety percent (90%)) shall be distributed to the Ontario National Accepted Claimants forthwith in accordance with the administrative determinations of the Claims Administrator with respect to each Ontario National Accepted Claimant, and that after such distribution any subsequent distributions from the Net Settlement Fund that would otherwise have been payable in Net Settlement Shares shall be payable solely from the cash remaining in the Net Cash Settlement Fund, and the value to be paid instead of any shares that would otherwise payable on such subsequent distribution shall be the Distribution Value<sup>2</sup>;

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<sup>2</sup> With respect to any Disputed Rejected Claims that may subsequently be ruled by the Court to be eligible, in the event that the price of Nortel stock increases after the distribution of Settlement Shares, the amount of cash to be paid in lieu of Settlement Shares shall be measured as the value of such shares calculated using the volume-weighted average price of Nortel common stock as reported on the New York Stock Exchange for the period starting on the first trading day after the date the Court issues an order approving payment of such claim and ending ten (10) trading days thereafter.

4. **THIS COURT ORDERS** that ten percent (10%) of the Net Cash Settlement Fund shall be held in reserve for future distributions – e.g., Disputed Rejected Claims that may be allowed and/or administrative and legal fees and/or expenses as may hereafter be approved by the Court;

5. **THIS COURT ORDERS** that as set forth in the list of Accepted Claimants submitted as Exhibit “C” to the Cirami Affidavit, only whole numbers of Settlement Shares shall be distributed to the Accepted Claimants, rounded up or down so as to allocate all the available Settlement Shares, and no adjustments shall be made for fractional interests not resulting in a share allocation;

6. **THIS COURT ORDERS** that cash distributions that are addressed to Canadian addresses, including cash distributions, if any, to claimants whose Disputed Rejected Claims are subsequently approved by the Court, shall be issued in Canadian dollars, and GCG is authorized to convert sufficient U.S. dollars in the Net Cash Settlement Fund to Canadian dollars to make the Canadian dollar payments, and the cash distributions made to Canadian addresses shall be based upon the exchange rate received by GCG upon the conversion;

7. **THIS COURT ORDERS** that, as promptly as possible using every commercially reasonable effort, following receipt of written instructions from Lead Plaintiffs’ Counsel, on notice to and in consultation with Ontario National Class Counsel, as provided in paragraph 4(d) of the Stipulation, Nortel (or its transfer agent) shall issue and deliver Settlement Shares to the Ontario National Accepted Claimants in such names and at such

addresses as identified in the Claimant Identification Information provided by GCG, and in such amounts for each Ontario National Accepted Claimant as set forth in the written instructions received from Lead Plaintiffs' Counsel, on notice to and in consultation with Ontario National Class Counsel, pursuant to paragraph 4(d) of the Stipulation, which instructions shall correspond to Exhibit "C" to the Cirami Affidavit and the Claimant Identification Information provided by GCG, provided, however, that neither Nortel nor its transfer agent shall be obligated to issue Settlement Shares to any Ontario National Accepted Claimant with respect to whom GCG has not provided Claimant Identification Information in reasonable conformity with Section 2 of the Guidelines of the Securities Transfer Association, and provided further that to the extent that GCG subsequently provides Claimant Identification Information in reasonable conformity with Section 2 of the Guidelines of the Securities Transfer Association to Nortel and its transfer agent, then Nortel or its transfer agent shall issue and deliver the appropriate number of Settlement Shares to the affected Ontario National Accepted Claimant(s) promptly following receipt of such conforming Claimant Identification Information, and provided further that in the event that GCG, after using reasonable efforts, is unable to obtain such conforming Claimant Identification Information with respect to any Ontario National Accepted Claimants, the parties shall seek further guidance from the appropriate Court;

**8. THIS COURT ORDERS** that neither Nortel nor its transfer agent shall be liable for any claim arising from or relating to the accuracy or adequacy of the information provided to Nortel and its transfer agent by GCG and Lead Plaintiffs' Counsel, including, but not limited to, (i) the Settlement Share allocation for each Ontario National Accepted Claimant as set forth in Exhibit "C" to the Cirami Affidavit and in the written instructions

provided to Nortel by Lead Plaintiffs' Counsel pursuant to paragraph 4(d) of the Stipulation, and (ii) the Claimant Identification Information provided to Nortel and its transfer agent by GCG, including the name and address of each Ontario National Accepted Claimant;

9. **THIS COURT ORDERS** that, as provided in the Stipulation at paragraph 4(d), the reasonable costs and expenses of physical delivery of the Settlement Shares to Accepted Claimants and to Plaintiffs' Counsel, including Settlement Shares previously distributed to Plaintiffs' Counsel, and extraordinary or expedited services, if any, of Nortel's transfer agent, shall be paid out of the Gross Cash Settlement Fund to Nortel or its transfer agent upon presentation of an appropriate invoice for same to Lead Plaintiffs' Counsel;

10. **THIS COURT ORDERS** that, following distribution of the Settlement Shares to Accepted Claimants, and with respect to Accepted Claimants who are members of the Canadian Class as ordered by the Canadian Courts, neither Nortel nor its transfer agent shall be obligated to issue or distribute any of the Settlement Shares, or any other shares of common stock of Nortel, to any Class Member, including, but not limited to, to any Class Member whose Disputed Rejected Claim may ultimately be approved by the Court;

11. **THIS COURT ORDERS** that the Claims Administrator shall include a letter with the cash distributions it sends to each Ontario National Accepted Claimant stating, among other things, the calculated amount of their particular Recognized Claim, and stating the number of Settlement Shares, if any, they should separately receive from

Nortel (or its transfer agent), including the name that will appear on such Settlement Shares and the address to which they will be sent, and advising them to notify the Claims Administrator within ninety (90) days if they believe that their claim amount was incorrectly calculated, or if they dispute the amount of their distribution cheque or the number of Settlement Shares awarded, or if the name or address as indicated is incorrect, and that if they do not dispute the amount of their calculated Recognized Claim, the number of Settlement Shares, or the name or address as indicated, within ninety (90) days of their receipt of the cash distribution, they shall be forever barred from disputing the Claims Administrator's calculation of the amount of their claim and the accuracy of the name and address as indicated;

12. **THIS COURT ORDERS** that the administrative determinations of the Claims Administrator rejecting the Rejected Claims of Ontario National Class members as set forth in Exhibit "C" to, and described in, the Cirami Affidavit (but excluding the Disputed Rejected Claims, which Disputed Rejected Claims shall be the subject of one or more subsequent orders), are approved, and such Rejected Claims are hereby rejected and extinguished;

13. **THIS COURT ORDERS** that to the extent that a Disputed Rejected Claim of an Ontario National Class member has been accepted in part and rejected in part by the Claims Administrator and the claimant is requesting this Court's review of the disputed, rejected part of that Claim, the undisputed, accepted part of the Claim shall be approved and paid pursuant to this Order, with only the disputed, rejected part of the Claim to be subject to further future payment if the disputed, rejected part of the Claim is ultimately

accepted by this Court or its designee (or the U.S. Court if so elected by a Ontario National Class Claimant) in orders to be entered in the future;

**14. THIS COURT ORDERS** that the Claims Administrator's fees and expenses in connection with the administration of the Settlement through November 30, 2007, and its estimated fees for the initial distribution of the Cash Settlement Fund and allocation of the Settlement Shares and estimated postage expenses for the initial distribution, are hereby approved, and the outstanding balance of such fees and expenses in the amount of \$732,913.82 (USD) shall be paid out of the Gross Cash Settlement Fund;

**15. THIS COURT ORDERS** that Ontario National Class Counsel and GCG shall, in consultation with Lead Plaintiffs' Counsel, forthwith make reasonable efforts to finally resolve the Disputed Rejected Claims of Ontario National Class members within 90 days of the date of the U.S. Class Distribution Order and GCG shall notify these claimants (in boldface type) that shares and cash are being distributed in accordance with this Order and the concurring distribution orders of the Courts and that, once such distributions have been completed, there may be insufficient funds remaining to resolve all of the Disputed Rejected Claims; and Ontario National Class Counsel shall file a written report with this Court within 100 days of the U.S. Class Distribution Order describing the results of such efforts, as well as the status of all distributions described in this Order;

**16. THIS COURT ORDERS** that after all claims and expenses have been paid in accordance with this Order and the U.S. Class Distribution Order, and after the resolution of all Disputed Claims, Ontario National Class Counsel shall submit a motion, on notice

to Nortel, providing a recommendation for the distribution (with preference to Class Members) of any remaining funds in the Net Cash Settlement Fund;

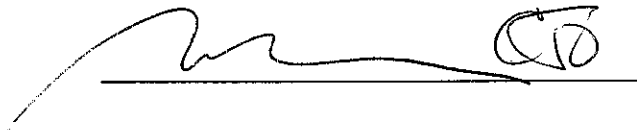
**17. THIS COURT ORDERS** that the Claims Administrator is hereby authorized to discard paper or hard copies of the Proof of Claim forms and supporting documents not less than four (4) years after the initial distribution of the Net Settlement Fund to the eligible claimants and electronic or magnetic media data not less than five (5) years after the initial distribution of the Net Settlement Fund to the eligible claimants;

**18. THIS COURT ORDERS** that jurisdiction is retained by the Court to consider any further applications concerning the administration of the Settlement as it relates to this Action and members of the Ontario National Class, including without limitation the disposition of the Disputed Rejected Claims of Ontario National Class members and any further administrative fees and expenses relating to the distribution of the Net Cash Settlement Fund;

**19. THIS COURT ORDERS** that no Proof of Claim submitted by any Ontario National Class member after December 5, 2007 shall be accepted for any reason whatsoever without further order of the appropriate Courts;

**20. THIS COURT ORDERS** that, upon notice to Plaintiffs' Counsel, Ontario National Class Counsel may move, with supporting documentation, to recover their fees and expenses for work related to implementing and supervising the administration of the

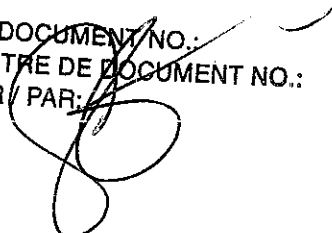
Settlement from November 7, 2006 to the date of this Order, including fees in respect of the motion for initial distribution of class settlement proceeds.

A handwritten signature in black ink, consisting of a long, sweeping horizontal stroke followed by a smaller, more complex scribble. To the right of the signature are the initials "SD" written in a similar cursive style.

ENTERED AT / INSCRIT À TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.:

APR 08 2008

AS DOCUMENT NO.:  
À TITRE DE DOCUMENT NO.:  
PER / PAR:

A large, stylized handwritten signature in black ink, written over the text "PER / PAR:" and extending upwards into the "AS DOCUMENT NO.:" and "À TITRE DE DOCUMENT NO.:" fields.



GALLARDI v. NORTEL NETWORKS CORPORATION et al.  
(Plaintiff) (Defendants)

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

PROCEEDINGS COMMENCED AT  
TORONTO

**ORDER**

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