



common stock (collectively "Nortel Securities"), 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. Excluded from the U.S. Global Class are the defendants, members of any of the individual defendants' immediate families, any entity in which any of the defendants has a controlling interest or is a parent or subsidiary of or is controlled by Nortel, and the officers, directors, affiliates, legal representatives, heirs, predecessors, successors or assigns of any of the defendants. Pursuant to the Notice of Pendency of Class Action (the "Notice of Pendency") previously given to the members of the U.S. Global Class, U.S. Global Class Members were given the opportunity to exclude themselves from the U.S. Global Class. 1,638 persons and entities elected to exclude themselves from the Class. Those persons and entities were listed in the Affidavit of Jack B. DiGiovanni filed July 6, 2004.

WHEREAS, the Stipulation provides for the settlement and dismissal of the Canadian class proceedings identified in the Stipulation (the "Canadian Class Actions") and approval of the Settlement in the courts before which the Canadian Class Actions are pending (the "Canadian Courts") is also being sought; and

WHEREAS, it is a condition to the effectiveness of the proposed Settlement herein that additional putative class actions identified in the Stipulation brought against Nortel and certain of the defendants herein in this District and in Canadian Courts (the "Nortel I/II Actions") also be settled and dismissed.

NOW, THEREFORE, IT IS HEREBY ORDERED, this 29<sup>th</sup> day of June, RMB 2006 that:

1. A hearing (the "Settlement Fairness Hearing") pursuant to Rule 23(e) of the (United States) Federal Rules of Civil Procedure is hereby scheduled to be held before the Court on October 26, 2006, at 1:00 p.m. for the following purposes: *in Courtroom 12A, Daniel Patrick Moynihan RMB U.S. Courthouse, 500 Pearl Street, N.Y.C. 10007*

(a) to determine whether the proposed Settlement is fair, reasonable, and adequate, and should be approved by the Court;

(b) to determine whether the Judgment as provided under the Stipulation should be entered, dismissing the Complaint filed herein, on the merits and with prejudice, and to determine whether the release by the U.S. Global Class of the Settled Claims, as set forth in the Stipulation, should be provided to the Released Parties (as those terms are defined in the Stipulation);

(c) to determine whether the proposed Plan of Allocation for the proceeds of the Settlement is fair and reasonable, and should be approved by the Court;

(d) to consider Lead Plaintiff's Counsel's application for an award of attorneys' fees and for reimbursement of expenses to Plaintiffs' Counsel; and

(e) to rule upon such other matters as the Court may deem appropriate.

2. The Court recognizes and acknowledges that one consequence of the approval of the Settlement at the Settlement Fairness Hearing, which shall be open to everyone to whom any Gross Settlement Shares would be issued in the proposed Settlement, with adequate notice to be given to all those persons, 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 Plaintiffs' Counsel as may be awarded by the respective Courts)

without registration and compliance with the prospectus delivery requirements of the U.S. securities laws as the Gross Settlement Shares will be exempt from registration under the (United States) Securities Act of 1933, 15 U.S.C. § 77c(a)(1), as amended, pursuant to Section 3(a)(10) thereunder. The Court further acknowledges that Nortel will rely on such 3(a)(10) exemption (and Nortel will not register the Gross Settlement Shares under the (United States) Securities Act of 1933) based on the Court's approval of the fairness of the Settlement.

3. The Court reserves the right to approve the Settlement with or without modification and with or without further notice of any kind. The Court further reserves the right to enter its Judgment approving the Stipulation and dismissing the Complaint on the merits and with prejudice regardless of whether it has approved the Plan of Allocation or awarded attorneys' fees and expenses.

4. The Court approves the form, substance and requirements of the Notice of Certifications in Canada and Proposed Settlements of Class Actions, Motions for Attorneys' Fees and Settlement Fairness Hearings (the "Notice") and the Proof of Claim form, annexed hereto as Tabs 1 and 2, respectively.

5. The Court approves the appointment of The Garden City Group Inc. ("GCG") as the Claims Administrator. Upon approval of the Notice and the Proof of Claim and the appointment of GCG as the Claims Administrator by each of the Canadian Courts ("Canadian Courts' Approval"), the Claims Administrator shall cause the Notice and the Proof of Claim, substantially in the forms annexed hereto as Tabs 1 and 2, to be mailed, by first class mail, postage prepaid, on or before Fourteen (14) days after entry of the last order, whether by this Court, the Court in the Nortel II U.S. Action, or any of the Canadian Courts, approving the

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issuance of the Notice, to all U.S. Global Class Members who can be identified with reasonable effort. Notices that are addressed to persons or entities in Quebec shall be accompanied by a French language version of the Notice and Proof of Claim forms. Nortel shall cooperate in making Nortel's transfer records and shareholder information available to the Claims Administrator no later than Five (5) days following entry of this Order for the purpose of identifying and giving notice to the U.S. Global Class. The Claims Administrator shall use reasonable efforts to give notice to nominee purchasers such as brokerage firms and other persons or entities who purchased Nortel common stock during the Class Period as record owners but not as beneficial owners. Such nominee purchasers are directed, within seven (7) days of their receipt of the Notice, to either forward copies of the Notice and Proof of Claim to their beneficial owners or to provide the Claims Administrator with lists of the names and addresses of the beneficial owners, and the Claims Administrator is ordered to send the Notice and Proof of Claim promptly to such identified beneficial owners. Nominee purchasers who elect to send the Notice and Proof of Claim to their beneficial owners shall send a statement to the Claims Administrator confirming that the mailing was made as directed. Additional copies of the Notice shall be made available to any record holder requesting such for the purpose of distribution to beneficial owners, and such record holders shall be reimbursed from the Gross Settlement Fund, upon receipt by the Claims Administrator of proper documentation, for the reasonable expense of sending the Notice and Proofs of Claim to beneficial owners. Lead Plaintiff's Counsel shall, at or before the Settlement Fairness Hearing, file with the Court proof of mailing of the Notice and Proof of Claim. RMB

6. The Claims Administrator or the Escrow Agent or their agents are authorized and directed to prepare any tax returns required to be filed on behalf of or in respect of the Gross

Settlement Fund and to cause any Taxes due and owing to be paid from the Gross Settlement Fund, and to otherwise perform all obligations with respect to Taxes and any reporting or filings in respect thereof as contemplated by the Stipulation, without further order of the Court.

7. Lead Plaintiff's Counsel shall submit their papers in support of final approval of the Settlement and application for attorneys' fees and reimbursement of expenses by no later than forty-five (45) calendar days after the date set for mailing of the Notice.

8. The Court approves the form of Publication Notice of the Pendency of this class action and the proposed settlement in substantially the form and content annexed hereto as Tab 3 and directs that Lead Plaintiff's Counsel shall cause the Publication Notice to be published in Canada in accordance with the Notice Plan attached hereto as Tab 4, and the Publication Notice shall also be published in the U.S. on two different dates in the national editions of *The Wall Street Journal*, *USA Today*, and *The New York Times*, once in *Investor's Business Daily*, and once over the *PR Newswire*, which publications shall begin within seven (7) calendar days of the mailing of the Notice and in accordance with the Notice Plan. Lead Plaintiff's Counsel shall, at or before the Settlement Fairness Hearing, file with the Court proof of the publication of the Publication Notice.

9. The form and content of the Notice, and the method set forth herein of notifying the Class of the Settlement and its terms and conditions, meet the requirements of Rule 23 of the (United States) Federal Rules of Civil Procedure, Section 21D(a)(7) of the (United States) Securities Exchange Act of 1934, as amended, 15 U.S.C. 78u-4(a)(7), including by the (United States) Private Securities Litigation Reform Act of 1995 (the "PSLRA"), Rule 23.1 of the Local Rules of the Southern and Eastern Districts of New York, and due process, constitute the best

notice practicable under the circumstances, and shall constitute due and sufficient notice to all persons and entities entitled thereto.

10. In order to be entitled to participate in the Net Settlement Fund, in the event the Settlement is effected in accordance with the terms and conditions set forth in the Stipulation, each Class Member shall take the following actions and be subject to the following conditions:

(a) A properly executed Proof of Claim (the "Proof of Claim"), substantially in the form attached hereto as Tab 2, must be submitted to the Claims Administrator, at the Post Office Box indicated in the Notice, postmarked not later than 120 calendar days after the date set for the mailing of the Notice. Such deadline may be further extended by court order. Each Proof of Claim shall be deemed to have been submitted when postmarked (if properly addressed and mailed by first class mail, postage prepaid) provided such Proof of Claim is actually received prior to the motion for an order of the Court approving distribution of the Net Settlement Fund. Any Proof of Claim submitted in any other manner shall be deemed to have been submitted when it was actually received at the address designated in the Notice.

(b) The Proof of Claim submitted by each Class Member must satisfy the following conditions: (i) it must be properly completed, signed and submitted in a timely manner in accordance with the provisions of the preceding subparagraph; (ii) it must be accompanied by adequate supporting documentation for the transactions reported therein, in the form of broker confirmation slips, broker account statements, an authorized statement from the broker containing the transactional information found in a broker confirmation slip, or such other documentation as is deemed adequate by the Claims Administrator; (iii) if the person executing the Proof of Claim is acting in a representative capacity, a certification of his current authority to

act on behalf of the Class Member must be included in the Proof of Claim; and (iv) the Proof of Claim must be complete and contain no material deletions or modifications of any of the printed matter contained therein and must be signed under penalty of perjury.

(c) As part of the Proof of Claim, each Class Member shall submit to the jurisdiction of the applicable Court as set out in the Stipulation with respect to the claim submitted, and shall (subject to effectuation of the Settlement) release all Settled Claims as provided in the Stipulation.

11. Pursuant to Rule 23(e)(3) of the (United States) Federal Rules of Civil Procedure, a new opportunity to request exclusion shall be given to individual Class Members who had an earlier opportunity to request exclusion but did not do so. U.S. Global Class Members shall be bound by all determinations and judgments in this Action, whether favorable or unfavorable, unless such persons request exclusion from the Class in a timely and proper manner, as hereinafter provided. A U.S. Global Class Member wishing to make such request shall mail the request in written form by first class mail postmarked no later than sixty (60) calendar days after the date set for the mailing of the Notice to the address designated in the Notice. Such request for exclusion shall clearly indicate the name, address and telephone number of the person seeking exclusion, that the sender requests to be excluded from the U.S. Global Class, and must be signed by such person. Such persons requesting exclusion are also directed to state: the date(s), price(s), and number(s) of shares of all purchases and sales of Nortel common stock, call options on Nortel common stock and put options on Nortel common stock during the Class Period. The request for exclusion shall not be effective unless it provides the required information and is made within the time stated above, or the exclusion is otherwise accepted by the Court.

12. Except for persons and entities who are also Canadian Class Members and who have not requested exclusion from the classes certified in the Canadian Class Actions, the persons and entities who requested exclusion from the U.S. Global Class in response to the Notice of Pendency are excluded from the U.S. Global Class and shall not be entitled to submit any Proof of Claim forms and shall not be entitled to receive any payment out of the Net Settlement Fund as described in the Stipulation and in the Settlement Notice. Persons and entities who are also Canadian Class Members and who requested exclusion from the U.S. Global Class for purposes of this Action in response to the Notice of Pendency may submit Proof of Claim forms and shall be entitled to receive payments out of the Net Settlement Fund herein unless they also request exclusion from the applicable class in the Canadian Class Actions.

13. Comments and/or objections to the Settlement, the Plan of Allocation, or the application by Lead Plaintiff's Counsel for an award of attorneys' fees and reimbursement of expenses and any supporting papers should be mailed, on or before sixty (60) calendar days after the date set for the mailing of the Notice, to GCG at the address set forth in the Notice.

Attendance at the hearing is not necessary; however, persons wishing to be heard orally in opposition to the approval of the Settlement, the Plan of Allocation, and/or the request by Lead Plaintiff's Counsel for attorneys' fees <sup>may be heard but</sup> are required to indicate in their written objection their intention to appear at the hearing. Persons who intend to object to the Settlement, the Plan of Allocation, and/or Lead Plaintiff's Counsel's application for an award of attorneys' fees and expenses and desire to present evidence at the Settlement Fairness Hearing <sup>may do so but</sup> must include in their written objections the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the Settlement Fairness Hearing. U.S. Global Class Members do not need to appear at the hearing or take any other action to indicate their approval.

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14. Lead Plaintiffs' Counsel shall submit their reply papers, if any, in support of final approval of the Settlement and application for attorneys' fees and reimbursement of expenses by no later than seventy-five (75) calendar days after the date set for mailing of the Notice.

15. Any U.S. Global Class Member who does not object to the Settlement and/or the Plan of Allocation, and any Class Member who does not object to Lead Plaintiff's Counsel's application for an award of attorneys' fees and reimbursement of litigation expenses in the manner prescribed in the Notice shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness, adequacy or reasonableness of the proposed Settlement, the Order and Final Judgment to be entered approving the Settlement, the Plan of Allocation or the application by Lead Plaintiff's Counsel for an award of attorneys' fees and reimbursement of expenses.

16. Pending final determination of whether the Settlement should be approved, the Lead Plaintiff, all U.S. Global Class Members, and each of them, and anyone who acts or purports to act on their behalf, shall not institute, commence or prosecute any action which asserts Settled Claims against any Released Party. The foregoing shall not be interpreted to apply to proceedings in respect of the seeking of approval of the Settlement in the Canadian Courts.

17. As provided in the Stipulation, Lead Plaintiff's Counsel may pay the Claims Administrator the reasonable fees and <sup>reasonable</sup> costs associated with giving notice to the Class and the review of claims and administration of the Settlement out of the Gross Settlement Fund without further order of the Court. RMB

18. If (a) the Settlement is terminated by Nortel pursuant to ¶ 26 of the Stipulation; (b) any specified condition to the Settlement set forth in the Stipulation is not satisfied and Lead Plaintiff's Counsel, Canadian Representative Plaintiffs' Counsel or Nortel elect to terminate the Settlement as provided in ¶ 25 of the Stipulation; or (c) if the Settlement is terminated pursuant to ¶ 27 of the Stipulation, then, in any such event the terms of ¶ 28 of the Stipulation including any amendment(s) thereof, shall apply, and this Preliminary Order shall be null and void, of no further force or effect, and without prejudice to any party, and may not be introduced as evidence or referred to in any actions or proceedings by any person or entity, and each party shall be restored to his, her or its respective position as it existed immediately prior to the execution of the Stipulation.

19. The Court retains jurisdiction over the Action to consider all further matters arising out of or connected with the Settlement.

Dated: New York, New York  
June 29, 2006

TCMB

UNITED STATES DISTRICT JUDGE

Richard M. Berman

**Counsel receiving this documentation  
is directed forthwith to transmit a copy  
to all other counsel/parties in these  
proceedings and to retain proof of  
such transmittal.**

**Richard M. Berman, U.S.D.J.**