

CANADA

(CLASS ACTION)

PROVINCE OF QUÉBEC
DISTRICT OF MONTREAL

SUPERIOR COURT

NO : 500-06-000277-059

CLIFFORD W. SKARSTEDT

Petitioner

- v. -

CORPORATION NORTEL NETWORKS

Respondent

**SETTLEMENT AGREEMENT AND CONFIRMATION
OF STIPULATION AND AGREEMENT OF SETTLEMENT
(THE "SETTLEMENT AGREEMENT")**

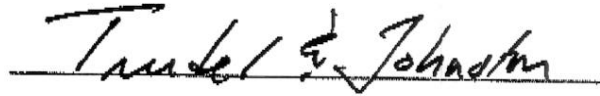
(Dated as of June 20, 2006)

WHEREAS the Petitioner hereto and Corporation Nortel Networks ("Nortel", and together with the Petitioner, the "Parties") have agreed to settle this Proceeding in accordance with the terms of the Stipulation and Agreement of Settlement attached hereto as Schedule "A";

AND WHEREAS an Order on the terms set forth in Schedule "B" will be sought from the Superior Court of Quebec authorizing for settlement purposes the bringing of a class action with respect to the class as set forth in Schedule "B" (the "Settlement Class");

IN CONSIDERATION OF the mutual covenants contained herein and in the Stipulation and Agreement of Settlement and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged by each of the Parties), the Parties agree as follows:

1. The Petitioner and Nortel agree to settle this Proceeding as between themselves and also as between Nortel and the Settlement Class upon the terms contained in the attached Stipulation and Agreement of Settlement and hereby adopt and ratify such terms as the terms for the settlement of this Proceeding;
2. Counsel executing this Settlement Agreement warrant and represent that they have full authority to enter into this Settlement Agreement on behalf of their respective clients; and
3. This Settlement Agreement may be signed in counterparts and all such signed counterparts and each of them shall be deemed to be one and the same instrument.

Handwritten signature of Trudel & Johnston in cursive, written over a horizontal line.

TRUDEL & JOHNSTON
Counsel for the Petitioner

Handwritten signature of Ogilvy Renault in cursive, written over a horizontal line.

OGILVY RENAULT LLP
Counsel for Corporation Nortel Networks