

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

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IN RE NORTEL NETWORKS CORP. :  
SECURITIES LITIGATION :  
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01 Civ. 1855 (RMB)  
**ORDER DIRECTING  
DISTRIBUTION TO CLASS  
FORTHWITH**

**WHEREAS**, on December 26, 2006, following a duly-noticed fairness hearing in the above-captioned action, this Court entered a “Decision and Order Approving Nortel I Settlement” approving the terms of the Stipulation and Agreement of Settlement (Nortel I) dated June 20, 2006 (the “Stipulation”), and the proposed plan of allocation to Nortel Class Members (the “Plan of Allocation”) in connection with the settlement of this action and certain related cases in the United States and Canada;

**WHEREAS**, on January 29, 2007, this Court entered an Order and Final Judgment granting final approval to the terms of the Stipulation and the Plan of Allocation and directing the parties to “consummate the Settlement” (Order and Final Judgment ¶ 5);

**WHEREAS**, every reasonable effort must be made to ensure there is no further delay of the distribution of Nortel Shares (and, where appropriate, cash) to Class Members, and particularly to the 226,050 Accepted Claimants as defined below (see Order and Final Judgment ¶ 21);

**WHEREAS**, the January 29, 2007 Order and Final Judgment awarded attorneys’ fees to Lead Plaintiff’s Counsel in the amount of 3% (approximately \$13.1 million) of the Gross Cash Settlement Fund, plus reimbursement of counsels’ expenses in the amount of \$3,750,041.27, for a total cash award to counsel of approximately \$16.9 million, plus 3% of the Gross Settlement

Shares of Nortel stock which attorneys' fee award Lead Plaintiff's Counsel has appealed to the United States Court of Appeals for the Second Circuit;

**WHEREAS**, Lead Plaintiff's Counsel advised the Court on March 4, 2008 that in March of 2007 they withdrew from the Gross Cash Settlement Fund (and distributed) \$16.9 million in legal fees and expenses approved by the Court on January 29, 2007;

**WHEREAS**, the January 29, 2007 Order and Final Judgment provided that "[a]ny appeal or any challenge affecting the approval of (a) the Plan of Allocation submitted by Lead Plaintiff's Counsel and/or (b) the Court's approval regarding any attorneys' fees and expense application shall **in no way** disturb or affect the finality of the other provisions of this Final Judgment" (Order and Final Judgment ¶ 17);

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

**WHEREAS**, the Claims Administrator, The Garden City Group, Inc. ("GCG"), has advised the Court that it has received and processed 296,029 Proofs of Claim, of which 226,050 have been approved for payment (the "Accepted Claimants") and 69,979 have been rejected ("Rejected Claims") (see Affidavit of Stephen J. Cirami, dated Feb. 20, 2008 ("Cirami Affidavit" or "Cirami Aff.") ¶ 56); and that GCG has already received interim payments for its work in processing claims totaling \$9,046,494.72 which payments were authorized by Lead Plaintiff's Counsel (see Lead Pls. Mem. of Law in Supp. of Mot. for Initial Distrib. of Class Settlement Proceed, dated Feb. 21, 2008 ("Pls. Mem."), at 17);

**WHEREAS**, according to GCG, approximately 360 claimants with wholly or partially Rejected Claims continue to dispute the Claims Administrator's determination(s) (the "Disputed Claims"), and the Court believes that Lead Plaintiff's Counsel and GCG should forthwith renew

and redouble their efforts to resolve all such claims in order to help finalize the Settlement expeditiously;

**WHEREAS**, the Stipulation provides that various conditions and approvals, apart from this Court's actions, must be satisfied and obtained;

**NOW, THEREFORE**, it is hereby

**ORDERED**, that the administrative determinations of the Claims Administrator, as described in the Cirami Affidavit, to the extent that they are in conformity with the terms and provisions of the Stipulation and with reasonable claims administration practices, are approved and shall be implemented forthwith;

**ORDERED**, that the Net Settlement Shares and 90% of the Net Cash Settlement Fund shall be distributed to the Accepted Claimants **forthwith** in accordance with the administrative determinations of the Claims Administrator; and that after such distribution any subsequent payments and/or distributions shall be payable solely from any cash remaining in the Net Cash Settlement Fund;

**ORDERED**, that 10% of the Net Cash Settlement Fund (which, according to Lead Plaintiff's Counsel, amounts to in excess of \$40 million) shall be held in reserve for future distributions (e.g., Disputed Claims) and/or payment of fees and/or expenses as may hereafter be approved by the Court<sup>1</sup>;

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<sup>1</sup> The Court respectfully declines to authorize a 25% reserve of the Net Cash Settlement Fund to pay, among other things, additional legal fees and expenses sought by Lead Plaintiff's Counsel by appeal to the Second Circuit because, among other reasons, the Court believes the legal fee award (and reasons for it) set forth in the January 29, 2007 Order and Final Judgment is fair and reasonable. The legal fee award was also discussed in some detail on the record at the March 4, 2008 conference. (See Order and Final Judgment, Ex. A.; see also Tr., dated Mar. 4, 2008.)

**ORDERED**, 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;

**ORDERED**, that cash distributions that are addressed to Canadian addresses shall be issued in Canadian dollars, and all other cash distributions will be issued in U.S. 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;

**ORDERED**, as promptly as possible using every commercially reasonable effort, following receipt of written instructions from Lead Plaintiff's Counsel as provided in paragraph 4(d) of the Stipulation, Nortel (or its transfer agent) shall issue and deliver a total of 30,412,471 (post-consolidation) Settlement Shares to the 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 Accepted Claimant as set forth in the written instructions received from Lead Plaintiff's Counsel pursuant to paragraph 4(d) of the Stipulation; **provided**, that neither Nortel nor its transfer agent shall be obligated to issue Settlement Shares to any 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 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 Accepted Claimants, the parties shall develop a proposed further plan of distribution and seek further guidance from the appropriate court;

**ORDERED**, that 3% of the Gross Settlement Shares awarded as legal fees to Lead Plaintiff's Counsel in this Court's Order and Final Judgment, dated January 29, 2007, shall be distributed to Lead Plaintiff's Counsel contemporaneously with the distributions to the Accepted Claimants;

**ORDERED**, that the Claims Administrator shall include a letter notice to each Accepted Claimant stating, among other things, the calculated amount of their particular claim, and stating the amount of cash, if any, they will receive and 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 90 days if they believe that their claim amount was incorrectly calculated, or if they dispute the amount of their cash distribution or the number of Settlement Shares awarded (which disputes GCG shall use every reasonable effort to resolve within 15 days), or if the name or address as indicated is incorrect, and that if they do not dispute the amount of their calculated claim, the number of Settlement Shares, or the name or address as indicated, within 90 days of their receipt of the cash distribution, they shall be forever barred (absent good cause shown in writing) from disputing the Claims Administrator's calculation of the amount of their claim and the accuracy of the name and address as indicated;

**ORDERED**, that Lead Plaintiff's Counsel and GCG **forthwith** shall make further reasonable efforts to finally resolve the Disputed Claims within 90 days of the date of this Order as, for example but without limitation, by soliciting sworn affidavits from claimants attesting under the penalties of perjury to information which may support and/or finally resolve their claims and by utilizing the methods described by Lead Plaintiff's Counsel in their letter to the Court dated March 6, 2008; in addition, GCG and Lead Plaintiff's Counsel shall notify these claimants (in boldface type) that shares and cash are being distributed in accordance with this Order and that, once such distributions have been completed, there may be insufficient funds remaining to resolve all of the Disputed Claims; and Lead Plaintiff's Counsel shall file a written report with the Court within 100 days of the date of this Order describing the results of such efforts **(and also describing the status of all distributions described in this Order)**;

**ORDERED**, that, following distribution of the Settlement Shares to Accepted Claimants, other claimants, if any, to the extent their claims are undisputed in whole or in part, and Lead Plaintiff's Counsel as ordered herein, 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, any Class Member whose Disputed Claim may ultimately be approved;

**ORDERED**, that except as authorized herein, no further payments shall be made, including, among others, payments to GCG or Lead Plaintiff's Counsel, until the distribution(s)

to the Accepted Claimants substantially have been completed and upon motion and approval by this Court<sup>2</sup>;

**ORDERED**, that the administrative determinations of the Claims Administrator rejecting the Rejected Claims as indicated on the file of Rejected Claims submitted with and described in the Cirami Affidavit (as distinct from the Disputed Claims), to the extent they are in conformity with the terms and provisions of the Stipulation and reasonable claims administration practices, are approved; and such Rejected Claims are extinguished;

**ORDERED**, that to the extent that a Disputed Claim has been accepted in part and/or rejected in whole or in part by the Claims Administrator and the claimant is requesting further review of that Claim, the undisputed part of the Claim to the extent that it is in conformity with the terms and provisions of the Stipulation and reasonable claims administration practices shall be paid pursuant to this Order, with only the disputed part of the Claim to be subject to possible further future payment (in cash) if the disputed part of the Claim is ultimately accepted by GCG, a designee of this Court, or this Court or the appropriate Canadian Court;

**ORDERED**, that after all claims and expenses have been paid in accordance with this Order, and after the resolution of all Disputed Claims, Lead Plaintiff's 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;

**ORDERED**, 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 4 years after the distribution of the Net Settlement Fund to the eligible claimants and electronic or magnetic

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<sup>2</sup> Payments being deferred (without prejudice) at this time include payment to GCG of \$854,478.19 as described in Plaintiff's proposed Order Approving Initial Distribution of Class Settlement Proceeds, submitted on February 21, 2008.

media data not less than 5 years after the distribution of the Net Settlement Fund to the eligible claimants;

**ORDERED**, that jurisdiction is retained by the Court to consider any further appropriate applications concerning the administration of the Settlement; and it is further

**ORDERED**, that, except as may be provided herein, no Proof of Claim initially submitted by any Class Member after December 5, 2007 may be accepted.

Dated: New York, New York  
March 11, 2008



RICHARD M. BERMAN, U.S.D.J.