

SUPERIOR COURT

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

No: 500-06-000277-059

DATE: April 10th 2008

IN THE PRESENCE OF: THE HONOURABLE MICHÈLE MONAST, J.C.S.

CLIFFORD W. SKARSTEDT

Plaintiff

v.

CORPORATION NORTEL NETWORKS

Defendant

-and-

ONTARIO TEACHERS' PENSION PLAN BOARD

-and-

**DEPARTMENT OF THE TREASURY OF THE STATE OF
NEW JERSEY AND ITS DIVISION OF INVESTMENT**

Intervenors

-and-

FONDS D'AIDE AUX RECOURS COLLECTIFS

Mise en cause

JUDGMENT

[1] **WHEREAS** this Court is seized with a *Requête pour procéder à une distribution initiale aux Réclamants autorisés et pour l'approbation des dépenses liées à l'administration des transactions*;

[2] **WHEREAS** this Court has retained jurisdiction on 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 Quebec class;

[3] **ON READING** the materials filed and on the hearing the submissions of Class Counsel;

[4] **WHEREAS** the parties agree to the conclusions of the motion;

[5] **FOR THESE REASONS, THIS COURT:**

[6] **GRANTS** the present Motion subject to the issuance of concurring orders by each of the applicable Courts and in so far as the present orders apply to the Quebec class;

[7] **ORDERS AND DECLARES** that for the purposes of this Order the definitions contained in the Stipulation and Agreement of Settlement (Nortel II) dated June 20, 2006 (the "Stipulation") apply and are incorporated into this Order;

[8] **ORDERS**, that, with respect to the Quebec Class, the administrative determinations of the Claims Administrator accepting for payment 86,503 claims (the "Accepted Claimants"), as set forth in Exhibit C to, and described in, the Affidavit of Stephen J. Cirami in support of Motion for Initial Distribution of Class Settlement Proceeds (the "Cirami Affidavit") (including 1,777 Proofs of Claim submitted after November 20, 2006, and received through and including December 5, 2007), be, and the same hereby are, approved in the amounts specified in each "Recognized Claim";

[9] **ORDERS**, subject to the issuance of concurring orders by each of the applicable Courts, that all the Net Settlement Shares and Ninety percent (90%) of the remaining Net Cash Settlement Fund shall be distributed to the Accepted Claimants in accordance with the administrative determinations of the Claims Administrator with respect to each Accepted Claimant, and that after such distribution any subsequent distributions from the Net Settlement Fund that would otherwise have been payable in 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 be payable on such

subsequent distribution shall be an amount of cash equal to the value of such shares calculated using the volume-weighted average price of the common stock of 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 thereafter¹;

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

[11] **ORDERS**, that, with respect to the Quebec Class, following distribution of the Settlement Shares to Accepted Claimants as ordered herein, and with respect to Accepted Claimants who are members of another Class as ordered by the appropriate Court, 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 of the 378 Class Members disputing the Claims Administrator's administrative determination rejecting their claims in whole or in part (the "Disputed Rejected Claims") whose Disputed Rejected Claim may ultimately be approved by the Court;

[12] **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;

[13] **ORDERS**, that cash distributions that are addressed to Quebec 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 Quebec addresses shall be based upon the exchange rate received by GCG upon the conversion;

[14] **ORDERS**, with respect to the Quebec Class and upon the entry of concurring orders by each of the applicable Courts, that, as promptly as possible using every commercially reasonable effort, following receipt of written instructions from Lead Plaintiffs' Counsel as provided in paragraph 4(d) of the Stipulation, Nortel (or its transfer agent) shall issue and deliver Settlement Shares to Accepted Claimants in such names and at such addresses as identified in the claimant identification information provided by

¹ *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 a Court issues an order approving the payment of such claim and ending ten (10) trading days thereafter.*

GCG who is currently in the process of adjusting said claimant identification information for certain Accepted Claimants so that Nortel's transfer agent may issue Settlement Shares to such Accepted Claimants (the "Claimant Identification Information"), and in such amounts for each Accepted Claimant as set forth in the written instructions received from Lead Plaintiffs' 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 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 seek further guidance from the appropriate court;

[15] **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 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 Accepted Claimant;

[16] **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;

[17] **ORDERS**, that the Claims Administrator shall include a letter with the cash distributions it sends to each 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 Recognized Claim amount was incorrectly calculated, or if they dispute the amount of their distribution check 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;

[18] **ORDERS**, that, with respect to Quebec Class members, the administrative determinations of the Claims Administrator rejecting 88,065 claims (the "Rejected Claims") 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) be, and the same hereby are, approved, and, subject to the issuance of concurring orders by each of the applicable courts, such Rejected Claims are hereby rejected and extinguished;

[19] **ORDERS**, that, subject to the issuance of concurring orders by each of the applicable Courts, GCG'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 (US\$) shall be paid out of the Gross Cash Settlement Fund;

[20] **ODERS**, that to the extent that a Disputed Rejected Claim 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 (in cash) if the disputed, rejected part of the claim is ultimately accepted by the appropriate Court in orders to be entered in the future;

[21] **ORDERS** that Quebec Class Counsel and GCG shall, in consultation with Lead Plaintiffs' Counsel, forthwith make reasonable efforts to finally resolve the Disputed Rejected Claims of Quebec Class members on or before June 12, 2008, and GCG shall forthwith 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 Quebec Class Counsel shall file a written report with this Court on or before June 30, 2008 describing the results of such efforts, as well as the status of all distributions described in this Order;

[22] **ORDERS** that after all claims and expenses have been paid in accordance with this Order, and after the resolution of all Disputed Rejected Claims, Quebec 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;

[23] **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;

[24] **ORDERS**, that jurisdiction is retained by the Court to consider any further applications concerning the administration of the Settlement with respect to the Quebec Class, including without limitation, the disposition of the Disputed Rejected Claims and any further administrative fees and expenses relating to the distribution of the Net Cash Settlement Fund; and

[25] **ORDERS**, that, except as may be provided herein, no Proof of Claim submitted by any Quebec Class Member after December 5, 2007 may be accepted for any reason whatsoever without further order of this Court.

[26] **THE WHOLE WITHOUT COSTS**



MICHÈLE MONAST, J.S.C.

Me Bruce Johnston
Trudel & Johnston
Attorney for the Plaintiff

Me Jean-Charles René
Ogilvy, Renault
Attorney for the Defendant

Me Laurent Nahmiash
Fraser, Milner, Casgrain
Attorney of the Intervenor

Date of hearing: April 3rd 2008