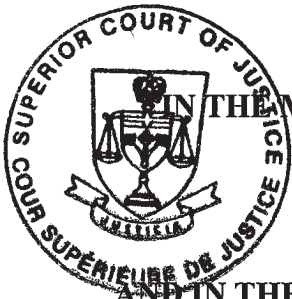


**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.) THURSDAY, THE 21st
)
JUSTICE MORAWETZ) DAY OF JANUARY, 2010



**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
NORTEL NETWORKS CORPORATION, NORTEL NETWORKS LIMITED,
NORTEL NETWORKS GLOBAL CORPORATION, NORTEL NETWORKS
INTERNATIONAL CORPORATION AND NORTEL NETWORKS TECHNOLOGY
CORPORATION**

**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

ORDER

THIS MOTION, made by Nortel Networks Corporation, Nortel Networks Limited ("NNL"), Nortel Networks Technology Corporation, Nortel Networks Global Corporation and Nortel Networks International Corporation (collectively, the "Applicants") for the relief set out in the Applicants' notice of motion dated January 18, 2010 was heard this day at 393 University Avenue, Toronto, Ontario.

ON READING the affidavit of John Doolittle sworn January 18, 2010 (the "Doolittle Affidavit"), the thirty-fifth report of Ernst & Young Inc. dated January 18, 2010 (the "Thirty-

Fifth Report”) in its capacity as monitor (the “Monitor”), the supplement to the Thirty-Fifth Report (the “Supplemental Report”), the affidavit of Alan Bloom sworn January 20, 2010 and the affidavit of Mary Carreiro sworn January 20, 2010 and on hearing submissions of counsel for the Applicants, the Monitor and those other parties present, no one appearing for any other person on the service list, although served as appears from the Affidavit of Service of Katie Legree sworn January 18, 2010, filed.

1. **THIS COURT ORDERS** that the time for the service of the Notice of Motion, the Thirty-Fifth Report, the Supplemental Report and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that capitalized terms used herein and not otherwise defined shall have the meaning given to them in the Doolittle Affidavit or the Canadian Funding Agreement, as the case may be.

Final Canadian Funding and Settlement Agreement

3. **THIS COURT ORDERS** that the Final Canadian Funding and Settlement Agreement including all schedules and annexes thereto, in the form and substance attached as Appendix “D” to the Thirty-Fifth Report (the “Canadian Funding Agreement”) be and is hereby approved in its entirety and that the Applicants are hereby authorized and directed to comply with their obligations thereunder.

4. **THIS COURT ORDERS** pursuant to paragraph 4 of the Canadian Funding Agreement, each of the Applicants shall indemnify, defend and hold harmless each of the U.S. Debtors from and against any and all actions, suits, claims, proceedings, costs, damages, losses, liabilities,

judgments, amounts, fines, penalties, levies, compensations paid in settlement (provided (i) NNL, with the prior consent of the Monitor, which consent shall not be unreasonably withheld, has agreed in writing to such settlement or (ii) such settlement has been approved pursuant to a final order of this Court and/or the U.S. Court, as applicable), and expenses (including without limitation reasonable attorneys' fees and disbursements) resulting from a claim, demand, lawsuit, action or proceeding relating to, arising from or in connection with the matters set forth in Section 1 of the Canadian Funding Agreement, the Transfer Pricing Payments for the calculation period in the applicable Transfer Pricing Agreements in respect of the Settlement Period or the Covered Obligations. The Applicants shall from time to time reserve reasonable amounts to provide for any such Indemifiable Claims all in accordance with the terms of the Canadian Funding Agreement.

5. **THIS COURT ORDERS** that pursuant to paragraph 12 of the Canadian Funding Agreement, unless the U.S. Debtors assert an Additional NNI Claim, the Applicants and the Monitor waive any and all rights that may exist at law, in equity, or otherwise to assert any Claims against the U.S. Debtors relating to the period prior to the Filing Date.

6. **THIS COURT ORDERS AND DECLARES** that:

- (a) nothing in this Order or the Canadian Funding Agreement shall be construed or operate to amend, modify, vary or change any of the rights or obligations of any entity or person that is not a party to the Canadian Funding Agreement, including without limitation, any of the EMEA Debtors (each, a "Non-Party"), under any contract that a Non-Party has entered into with any party to the Canadian Funding Agreement, including without limitation any of the Transfer Pricing Agreements, the IFSA and the Canadian GSPA;

- (b) for greater certainty and without limitation to sub-paragraph (a) above, the Canadian Funding Agreement, including without limitation Section 3 of the Canadian Funding Agreement, shall not be construed or operate to amend, modify, vary or change any of the rights or obligations of the EMEA Debtors to assert or prove any claim that any one or more of the EMEA Debtors may have against any one or more of the Applicants pursuant to the Transfer Pricing Agreements, the IFSA and the Canadian GSPA;
- (c) nothing in the Canadian Funding Agreement, this Order or in this Order's approval of the Canadian Funding Agreement or the NNI Claim shall be construed or operate to take away or preclude or in any way limit the right of any EMEA Debtor to dispute or defend against any claim that may be asserted against such EMEA Debtor arising out of or resulting from the NNI Claim; and
- (d) the entirety of the foregoing provisions in sub-paragraphs (a) to (c) above shall be subject to provisions of Paragraph 19 of this Order.

CRA APA

7. **THIS COURT ORDERS** that the CRA APA be and is hereby approved and NNL is hereby authorized and directed to enter into and comply with its obligations thereunder.

NNI Claim

8. **THIS COURT ORDERS** that the creation of the NNI Claim as defined and described in the Canadian Funding Agreement is hereby approved and the NNI Claim is hereby allowed in full against NNL with the priority attributed to it in the Canadian Funding Agreement in full and final settlement of any NNI TPA Claim, Revolver Claim (other than the portion of the Revolver

Claim that forms part of the NNI Claim) or Stayed TPA Claim (as each of those terms is defined in the Canadian Funding Agreement), and the NNI Claim shall not be subject to set off, off set, or deduction, in any inter-company claims process or otherwise, counterclaim, reduction, or challenge as to amount or validity.

9. **THIS COURT ORDERS** that, pursuant to and in accordance with the terms of Section 11 of the Canadian Funding Agreement, the Monitor and the Applicants irrevocably waive any and all rights that may exist at law, in equity or otherwise to setoff against, assert any counterclaims with respect to the amount or validity of, or otherwise reduce the amount of, the NNI Claim in any way.

10. **THIS COURT ORDERS** that the Remaining Revolver Claim shall be afforded the benefit and corresponding priority of the Inter-company Charge as that term is defined in the Third Amended and Restated Initial Order dated January 14, 2009 (the "Initial Order") relating to the Revolving Loan Agreement.

Stay Period

11. **THIS COURT ORDERS** that the Stay Period, as defined in paragraph 14 of the Initial Order, is hereby extended to and including April 23, 2010.

NNI Loan Agreement Extension

12. **THIS COURT ORDERS** that the NNI Loan Agreement Extension dated as of December 23, 2009 among Nortel Networks Inc. and the Applicants and attached as Appendix "E" to the Thirty-Fifth Report be and is hereby approved.

GSPA Extension

13. **THIS COURT ORDERS** that the thirteenth extension deed dated January 15, 2010 to the Canadian GSPA is hereby approved.

Employee Hardship Process

14. **THIS COURT ORDERS AND DECLARES** that the application period for receipt of employee hardship applications pursuant to the Employee Hardship Process be and is hereby extended to April 23, 2010 (the "Extension Date").

15. **THIS COURT ORDERS** that the eligibility requirements in respect of the Employee Hardship Process as set out in the form attached as Appendix "F" be amended to reflect the Extension Date.

Sealing

16. **THIS COURT ORDERS** that the confidential appendix "D" to the Thirty-Fifth Report be and are hereby sealed pending further Order of this Court.

Miscellaneous

17. **THIS COURT ORDERS** that neither the issuance of this Order nor the terms of the Canadian Funding Agreement shall prevent the Court from determining any relief in respect of the Applicants' post March 31, 2010 ongoing funding of pension, health & disability benefits and severance pay, including a request for approval of an agreement in respect of such obligations as well as addressing the related pension obligations of the Applicants (collectively, a "Settlement") and this Court may grant such relief as it considers appropriate in the circumstances.

18. **THIS COURT ORDERS AND DIRECTS** the Monitor to advise this Honourable Court with respect to the status of the negotiations of a Settlement on or prior to January 29, 2010.

19. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of any of the Applicants and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of any of the Applicants;

the provisions of the Canadian Funding Agreement, the approval of the CRA APA and the creation and allowance of the NNI Claim in full against NNL shall be binding on all Persons (as defined in the Initial Order) including any trustee in bankruptcy, receiver, or receiver and manager that may be appointed in respect of any of the Applicants and shall not be void or voidable by the creditors of any of the Applicants, or any trustee, receiver, or receiver and manager appointed in respect of any of the Applicants, nor shall they constitute oppressive conduct nor constitute or be deemed to be a preference, fraudulent conveyance, transfer at undervalue, or other challengeable or voidable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

20. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, the United Kingdom or elsewhere, to give effect to this Order and to assist the Applicants, the Monitor and

their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

21. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.



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

JAN 22 2010

PER / PAR: 

**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF NORTEL
NETWORKS CORPORATION, NORTEL NETWORKS LIMITED, NORTEL NETWORKS
GLOBAL CORPORATION, NORTEL NETWORKS INTERNATIONAL CORPORATION AND
NORTEL NETWORKS TECHNOLOGY CORPORATION**

Court File No: 09-CL-7950

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

ORDER

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