

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR. JUSTICE) WEDNESDAY, THE 29TH DAY OF
MORAWETZ)
) SEPTMBER, 2010
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**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**

HWT ALLOCATION ORDER

THIS MOTION made by Ernst & Young Inc. in its capacity as the monitor (the “**Monitor**”) of Nortel Networks Corporation, Nortel Networks Limited, Nortel Networks Global Corporation, Nortel Networks International Corporation and Nortel Networks Technology Corporation (collectively, the “**Applicants**”) was heard this day at 361 University Avenue, Toronto, Ontario.

ON READING the Fifty-First Report of the Monitor dated August 27, 2010 and the Appendices thereto (the “**Fifty-First Report**”), the Affidavit of Elena King sworn ●, 2010 (the “**King Affidavit**”), on notice to the Service List attached to the Notice of Motion and the supplementary parties listed in the Notice of Motion, and on hearing the submissions of counsel

for the Monitor, the Applicants, independent counsel for the LTD Beneficiaries' Representative, independent counsel for the Former Employees' Representatives, ●, no one else from the Service List and list of supplementary parties attached to the Notice of Motion appearing although duly served as appears from the affidavit of service of ● sworn ●, 2010:

1. **THIS COURT ORDERS** that service of the Motion Record and the King Affidavit is hereby validated so that this Motion is properly returnable today and further service thereof is hereby dispensed with.
2. **THIS COURT ORDERS** that all capitalized terms used but not otherwise defined herein shall have the meaning given to them in the Fifty-First Report.
3. **THIS COURT ORDERS** that the methodology for allocation of the corpus of the HWT described in the Fifty-First Report, applied in the illustrative scenario attached as Appendix D-1, Column 2 to the Fifty-First Report and set out below is approved (the "**Approved HWT Allocation Methodology**"):
 - (a) the HWT is to be treated as one trust;
 - (b) on termination, the following benefits share *pro rata* in the HWT corpus (based on each such benefit's respective share of the present value of all such benefits):
 - (i) Pensioner Life;
 - (ii) LTD Income;
 - (iii) LTD Life;
 - (iv) LTD Optional Life Benefit;

(v) STBs – in pay; and

(vi) SIBs – in pay,

(collectively, the “**Approved Participating Benefits**”);

(c) the following beneficiaries will receive distributions from the Approved Participating Benefits’ *pro rata* share of the HWT corpus:

(i) Pensioners (including those active employees who will vest on or before December 31, 2010 and LTD Beneficiaries) for Pensioner Life;

(ii) LTD Beneficiaries for LTD Income and LTD Life;

(iii) LTD Beneficiaries participating under Optional Life for the LTD Optional Life Benefit;

(iv) STB Beneficiaries in pay on or before December 31, 2010 for STBs; and

(v) SIB Beneficiaries in pay on or before December 31, 2010 for SIBs,

(collectively, the “**Approved Participating Beneficiaries**”);

(d) the amount of the distribution to each Approved Participating Beneficiary from the Approved Participating Benefits’ *pro rata* share of the HWT corpus will be calculated pursuant to the assumptions in the Mercer 2010 HWT Preliminary Valuation, with data as of December 31, 2010, and the Pensioner Life premiums paid from the HWT during 2010 will be treated as a reduction only to the allocation otherwise made to Pensioner Life;

- (e) the present value of the Approved Participating Benefits will be calculated pursuant to the assumptions in the Mercer 2010 HWT Preliminary Valuation, with data as of December 31, 2010; and
- (f) there will be no payment from the HWT on account of any conversion privilege, if any, relating to the Pensioner Life or Optional Life that is exercised by any holder of such right.

4. **THIS COURT ORDERS AND DECLARES** that the date of Notice of Termination for all purposes under and pursuant to the Trust Agreement is hereby deemed to be December 31, 2010 and the requirement for and delivery of a Notice of Termination to the Trustee pursuant to Article VI, section 2 of the Trust Agreement is hereby dispensed with for all purposes.
5. **THIS COURT ORDERS** that the Trustee shall make distributions to the Approved Participating Beneficiaries in accordance with the Approved HWT Allocation Methodology and this Order all on the direction of the Monitor or the Applicants and the Trustee may engage a payment agent to assist it in making some or all of the distributions.
6. **THIS COURT ORDERS** that the Trustee and any payment agent it may appoint or any paying agent the Applicants may appoint shall incur no liability or obligation in carrying out the provisions of this Order and making the payments it is instructed to make and shall be released from any and all liability in making each such payment as instructed, and no action or other proceedings shall be commenced against the Trustee, any payment

agent it appoints and any payment agent the Applicants' appoint as a result of or relating in any way to their making each such payment as instructed.

7. **THIS COURT ORDERS** that the reasonable costs of the Trustee, of its legal counsel or other service providers retained by it in accordance with the Trust Agreement and of any paying agent it or the Applicants may appoint incurred in carrying out the provisions of this Order shall be paid from the corpus of the HWT in priority to the payment of other distributions, expenses or disbursements from the corpus of the HWT.
8. **THIS COURT ORDERS** that the retention of Lerner LLP by the Former Employees' Representatives and of Sack Goldblatt Mitchell LLP by the LTD Beneficiaries' Representative, in each case as independent counsel (collectively, "**Independent Counsel**") for the purpose of advising the respective representatives with respect to the Proposed Allocation Methodology, appearing on their behalf on this motion and taking all steps necessary or desirable with respect thereto (the "**Retainer**"), is approved.
9. **THIS COURT ORDERS** that Independent Counsel shall have no liability as a result of the Retainer, save and except for any gross negligence or unlawful misconduct on their part.
10. **THIS COURT ORDERS** that Independent Counsel shall be at liberty and are authorized at any time to apply to this Court for advice and directions in the discharge of the Retainer.
11. **THIS COURT ORDERS** that the Monitor may, from time to time, apply to this Court for such further or other relief as it may advise, including for advice and directions in respect of the proper execution of this Order.

12. **THIS COURT ORDERS AND REQUESTS** the aid and recognition of any court of any judicial, regulatory or administrative body in any province or territory of Canada (including the assistance of any court in Canada pursuant to Section 17 of the CCAA) and any court or any judicial, regulatory or administrative body of the United States of America, the United Kingdom and of any other nation or state, to act in aid of and to be complementary to this Court in carrying out the terms of this Order.
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**AND IN THE MATTER OF A PLAN OF NORTEL NETWORKS CORPORATION, NORTEL NETWORKS LIMITED,
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SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

HWT ALLOCATION ORDER

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