

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Securities and Exchange Commission

v.

Nortel Networks Corporation
and Nortel Networks Limited
Civil Action No. 07-CV-8851 (LAP)

-and-

Securities and Exchange Commission

v.

Dunn, et al.
Civil Action No. 07-CV-2058 (LAP)

PLAN OF DISTRIBUTION NOTICE OF SEC FAIR FUND TO NORTEL INVESTORS

TO: Persons who purchased or acquired Nortel common stock between October 24, 2000 through the close of the markets on February 15, 2001 and/or April 24, 2003 through the close of the markets on April 27, 2004 (the "Recovery Period").

If you submitted a proof of claim in connection with one of the class action settlements involving Nortel Networks (the "Nortel Class Actions") and your claim was approved by the courts overseeing those actions, you do not need to submit another Proof of Claim to be a Potentially Eligible Claimant in the SEC Fair Fund for those same previously approved transactions in Nortel Common Stock during the Recovery Period.

However, as explained below, if you purchased or sold Nortel Common Stock during the Recovery Period and either (a) you submitted a Proof of Claim to participate in one of the Nortel Class Actions but your claim was denied in whole or in part; or (b) you did not submit a proof of claim in the Nortel Class Actions, you must submit a completed Proof of Claim form with the necessary documentation so that it is postmarked no later than March 16, 2012 (the "Claims Bar Date") to be eligible to recover from the SEC Fair Fund.

I. Purpose of this Notice.

The purpose of this Distribution Plan Notice is to inform you that you may be entitled to share in the proceeds of the SEC Fair Fund described herein. Unless you fall within the exception described above and in Section III below, you must file a Proof of Claim form in accordance with the steps in this Distribution Plan Notice to be potentially eligible to share in the SEC Fair Fund. Copies of this Distribution Plan Notice and the Proof of Claim Form are available on the SEC Fair Fund's website at www.nortelsecsettlement.com and through the website of the United States Securities and Exchange Commission (the "Commission") at www.sec.gov. As explained in greater detail below, if you submitted a proof of claim that was previously approved in the Nortel Class Actions, and you do not have any additional purchases of Nortel common stock during the Recovery Period, you should not submit another Proof of Claim Form to participate in the SEC Fair Fund.

Please Note: The Distribution Agent does not have information regarding your potentially eligible transactions, unless you filed an eligible claim and your claim was approved in the Nortel Class Actions.

NOTE TO INSTITUTIONAL FILERS. Claims with 100 or more transactions or on behalf of 20 or more different accounts must be submitted electronically and in the required format. To obtain the mandatory electronic filing requirements and file layout, you may visit the SEC Fair Fund's website at www.nortelsecsettlement.com or you may e-mail the Distribution Agent at eClaim@gcginc.com. Any submission not in accordance with the required electronic filing format may be rejected. Proof of authority to submit a Proof of Claim form on behalf of any managed accounts must be submitted with any Proofs of Claim for such accounts. If you intend to file electronically, you can submit and track the history of your claims by using our secure website, GCG ICE™ (www.gcgice.com), which is available 24/7. GCG ICE™ allows institutional investors to upload electronic claims and documents, track the history and status of submissions, view claim rejections and how to fix them, update contact information, and receive important status alerts via e-mail.

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. IF YOU SATISFY THE ELIGIBILITY CRITERIA DESCRIBED BELOW, YOU MAY BE ENTITLED TO A RECOVERY FROM THE SEC FAIR FUND. THIS NOTICE CONTAINS IMPORTANT INFORMATION REGARDING YOUR ABILITY TO SHARE IN THE SEC FAIR FUND.

II. Background.

On October 15, 2007, the Commission filed its Complaint in this action alleging that Nortel Networks Corporation (“Nortel”) engaged in two fraudulent accounting schemes, one involving revenue recognition fraud and the other involving earnings management fraud, which enabled Nortel to meet the unrealistic revenue and earnings guidance that it had provided to Wall Street in 2000 and again in 2002 and 2003. Without admitting or denying the allegations in the Commission’s Complaint, Nortel and Nortel Networks Limited (together, the “Company”) consented to a Final Judgment entered by the United States District Court for the Southern District of New York (the “Court”) on October 25, 2007. As required by the Final Judgment, the Company paid to the Clerk of the Court disgorgement of \$1 and a civil penalty of \$35,000,000, which the Clerk deposited into an interest-bearing account with the Court Registry Investment System (“CRIS”).

In a related Commission action against former executives of Nortel, without admitting or denying the allegations in the Commission’s Complaint against them, certain defendants, Craig A. Johnson, James B. Kinney and Kenneth R. W. Taylor (the “Settling Officers”) consented to Final Judgments entered by the Court on May 2, 2008, which required them to each pay a civil penalty of \$75,000 plus disgorgement including prejudgment interest in the amount of \$88,031, \$68,481 and \$68,481, respectively, to the Clerk of the Court. The funds paid by the Settling Officers – in the aggregate amount of \$449,993 – were deposited by the Clerk of the Court into the CRIS. As of October, 2011, the balance of the funds held with the CRIS was approximately \$35.5 million.

The Final Judgments provided that the Commission may propose a plan to distribute the deposited funds, subject to the Court’s approval, pursuant to the Fair Fund provisions of Section 308(a) of the Sarbanes-Oxley Act of 2002. On October 29, 2009, the Commission submitted its Motion to Create a Fair Fund and Appoint a Distribution Agent, which was approved by order dated November 2, 2009 (the “Order”). The SEC Fair Fund consists of all of the funds paid by the Company and the Settling Officers which were deposited into the CRIS, plus accrued interest. The Order also appointed The Garden City Group, Inc. (“GCG”) as Distribution Agent to assist in developing a Distribution Plan pursuant to which monies in the SEC Fair Fund will be distributed to investors harmed by the violations alleged in the Complaints. The Order also authorizes the Distribution Agent to oversee the administration of claims and the distribution of the SEC Fair Fund pursuant to the terms of the Distribution Plan, in coordination with the staff of the Commission, and subject to oversight by the Court. The Court approved the Distribution Plan on October 5, 2011.

III. Previously Approved Claimants in Nortel Class Actions.

The SEC Fair Fund is separate and independent from the settlement funds previously established in the Nortel Class Actions, the securities class actions involving Nortel, which were brought the United States District Court for the Southern District of New York, the Ontario Superior Court of Justice, the Superior Court of Quebec and the Supreme Court of British Columbia. However, the SEC Fair Fund relates to allegations similar to those asserted in the Nortel Class Actions and to purchases of Nortel common stock during the same time periods at issue in the Nortel Class Actions – i.e., from **October 24, 2000 through February 15, 2001 and/or April 24, 2003 through April 27, 2004**. **Therefore, if you submitted a proof of claim form to participate in the Nortel Class Actions and that claim was approved, you do not need to submit another Proof of Claim Form for those same purchases of Nortel Common Stock to participate in the SEC Fair Fund. If you engaged in additional purchases of Nortel common stock during the Recovery Period (i.e., the periods from October 24, 2000 through February 15, 2001 and/or April 24, 2003 through April 27, 2004) that were not approved by the courts overseeing the Nortel Class Actions, or if you did not submit a proof of claim in the Nortel Class Actions, you must submit a Proof of Claim Form in this action to be eligible to recover for those purchases in the SEC Fair Fund.**

IV. Plan of Allocation for the Nortel SEC Fair Fund Distribution Plan.

Overview of the Plan: The corpus of the Nortel SEC Fair Fund previously established by the Order, together with any funds added prior to any distribution, and the interest earned thereon, is the Gross SEC Fair Fund. The Gross SEC Fair Fund, less all taxes, approved costs, fees, and expenses will be distributed to purchasers of Nortel’s common stock during the Recovery Period (i.e., October 24, 2000 through February 15, 2001 and/or April 24, 2003 through April 27, 2004) who (a) already submitted a proof of claim that was approved in the Nortel Class Actions, as described above in Section III of this Notice or (b) submit Proof of Claim Forms to the Distribution Agent on or before the Claims Bar Date that are finally determined by the Distribution Agent to be eligible for a distribution (“Eligible Claimant”). The Garden City Group, Inc., the Distribution Agent, is responsible for identifying and notifying Potentially Eligible Claimants, and for processing the claims and determining the amount of each Eligible Claimant’s share of the distribution.

Eligibility Criteria and the Method of Allocation: To qualify for a recovery from the Nortel SEC Fair Fund, you must satisfy certain eligibility criteria that are described in detail in the Distribution Plan and in the Plans of Allocation attached to the

Distribution Plan as Exhibits A and B. These documents are available on the SEC Fair Fund's website at www.nortelsecsettlement.com.

You are excluded from participation in the SEC Fair Fund if you are:

- A current or former director or officer of Nortel or any of its past or present Affiliates (or any of his or her assigns, creditors, heirs, distributees, spouses, parents, children, or controlled entities) who served in such capacity during the Recovery Period;
- An employee of Nortel or of any of its past or present Affiliates who has been terminated for cause in connection with the violations alleged in the Commission's Complaint in this action or any related Commission action, or who was otherwise terminated or has resigned in connection with the violations alleged in the Commission's Complaint in this action or any related Commission action (or any of such employee's Affiliates, assigns, creditors, heirs, distributees, spouses, parents, children, or controlled entities);
- A defendant in any action brought by the Commission or any class action lawsuit related to the conduct described in the Commission's Complaint in this action or any related Commission action (or any of such defendant's Affiliates, assigns, creditors, heirs, distributees, spouses, parents, children, or controlled entities), unless and until such defendant is found not liable in all such civil suits prior to the Claims Bar Date, and proof of the finding(s) is included in such defendant's timely filed Proof of Claim Form;
- A Person who, as of the Claims Bar Date, March 16, 2012, has been the subject of criminal charges related to the violations alleged in the Commission's Complaint in this action or any related Commission action (or any of his or her Affiliates, assigns, creditors, heirs, distributees, spouses, parents, children, or controlled entities);
- A Person who assigned their right to obtain a recovery in the Commission's lawsuit against Nortel;
- An assignee of another Person's right to obtain a recovery in the Commission's lawsuit against Nortel. You will not be excluded if you obtained such a right by inheritance or devise; or
- The Distribution Agent, its employees, and those persons assisting the Distribution Agent in its role as the Distribution Agent.

The Eligible Loss Amount incurred by an Eligible Claimant shall be determined by reference to the Plans of Allocation attached to the Distribution Plan.

To the extent there are sufficient funds available to distribute, each Eligible Claimant will receive an amount equal to the Eligible Claimant's entire Eligible Loss Amount. If, as anticipated, the total Eligible Loss Amount for all claimants is greater than the funds available to distribute, then each Eligible Claimant will be paid *pro rata*, in accordance with the percentage that each Eligible Claimant's Eligible Loss Amount bears to the total of the Eligible Loss Amount of all Eligible Claimants.

Minimum Distribution Amount: The Nortel SEC Fair Fund Distribution Plan provides that, after prorated payments are calculated, such payment must equal or exceed a Minimum Distribution Amount of \$10.00 for a distribution to be made to an Eligible Claimant. Claims that would result in a payment of less than \$10.00 will not be paid.

V. Proof of Claim Forms.

THE DISTRIBUTION AGENT HAS MAILED AN INFORMATIONAL POSTCARD TO ALL POTENTIALLY ELIGIBLE CLAIMANTS IT HAS BEEN ABLE TO IDENTIFY. THE POSTCARD EXPLAINS HOW TO OBTAIN AND SUBMIT A PROOF OF CLAIM FORM. IF YOU WISH TO OBTAIN A PROOF OF CLAIM FORM, SEE THE INSTRUCTIONS UNDER "ADDITIONAL INFORMATION" BELOW.

IF YOU ALREADY SUBMITTED A CLAIM THAT WAS APPROVED BY THE COURTS OVERSEEING THE NORTEL CLASS ACTIONS, AND YOU DO NOT HAVE ANY ADDITIONAL TRANSACTIONS IN NORTEL COMMON STOCK DURING THE RECOVERY PERIOD THAT WERE NOT INCLUDED IN THAT PROOF OF CLAIM FORM, YOU SHOULD NOT SUBMIT ANOTHER PROOF OF CLAIM FORM.

IF YOUR CLAIM WAS APPROVED IN THE NORTEL CLASS ACTIONS, YOU MAY LOG ONTO THE SEC FAIR FUND'S WEBSITE – WWW.NORTELSECSETTLEMENT.COM – USING THE LOG ON INFORMATION PROVIDED ON YOUR POSTCARD TO VIEW YOUR APPROVED TRANSACTIONS OR TO ADD ADDITIONAL TRANSACTIONS IN NORTEL COMMON STOCK TO YOUR CLAIM.

IF, BASED ON THE PRECEDING PARAGRAPHS, YOU ARE REQUIRED TO SUBMIT A PROOF OF CLAIM FORM TO PARTICIPATE IN THE SEC FAIR FUND, IT MUST BE MAILED TO THE ADDRESS BELOW AND POSTMARKED BY MARCH 16, 2012. IF YOU ARE REQUIRED BUT FAIL TO TIMELY SUBMIT A COMPLETED PROOF OF CLAIM FORM, YOU WILL BE BARRED FROM RECEIVING A PAYMENT FROM THE SEC FAIR FUND. THE PROOF OF CLAIM FORM MUST BE ACCOMPANIED BY APPROPRIATE SUPPORTING DOCUMENTS FOR EACH TRANSACTION LISTED IN SECTION B OF THE PROOF OF CLAIM FORM.

If you submit a Proof of Claim form that fails to provide all required information, or is otherwise deficient, you may receive a Claim Deficiency Notice advising you of the reason(s) why the claim is deficient and of the opportunity to cure such deficiencies.

VI. Claims Determination.

The Distribution Agent shall mail a notice advising each claimant that submitted a new or amended Proof of Claim form of the determination concerning such claim. If a claim is denied in whole or in part, the Distribution Agent will state the reason for such denial.

All determinations of the Distribution Agent that are made in accordance with the Distribution Plan shall be final and not subject to appeal.

VII. Instructions for Submitting a Proof of Claim form.

UNLESS YOU ALREADY SUBMITTED A COURT-APPROVED PROOF OF CLAIM FORM IN THE NORTEL CLASS ACTIONS LISTING ALL OF YOUR ELIGIBLE TRANSACTIONS, YOU MUST COMPLETE AND SIGN THE PROOF OF CLAIM FORM AND SUBMIT IT TO THE DISTRIBUTION AGENT SO THAT IT IS POSTMARKED NO LATER THAN MARCH 16, 2012 AT THE ADDRESS LISTED BELOW OR FILE YOUR CLAIM ON THE WEB AT WWW.NORTELSECSETTLEMENT.COM IN ORDER TO BE ELIGIBLE TO RECOVER FROM THE SEC FAIR FUND:

Nortel SEC Fair Fund, c/o The Garden City Group, Inc., Distribution Agent, P.O. Box 9530, Dublin, OH 43017-4830

VIII. Other Claims.

Upon receipt and acceptance of a distribution from the SEC Fair Fund, you shall be deemed to have released any claims you may have against the Distribution Agent and its agents. By participating in the distribution of the SEC Fair Fund, you will not be releasing any rights or claims you may have against any other party, including, but not limited to, Nortel and Nortel's past and present directors, officers, advisors and agents.

IX. Special Notice to Securities Brokers and Other Nominee Purchasers.

If you purchased Nortel common stock during the Recovery Period as nominee for a beneficial owner and have additional names and addresses that were not previously submitted in the Nortel Class Actions, then within ten (10) calendar days after you receive a Notice Postcard, you must either: (a) send a copy of the Postcard by first-class mail to all such beneficial owners; or (b) provide a list of the names and addresses of such beneficial owners to the Distribution Agent at the address above.

X. Additional Information.

Additional information regarding the SEC Fair Fund may be found at www.nortelsecsettlement.com. Additional Proof of Claim forms and Distribution Plan Notices may also be downloaded at the SEC Fair Fund's website. You may obtain additional information or request copies of forms and notices by calling the SEC Fair Fund's toll-free hotline at (888) 561-9182 or by email at Questions@nortelsecsettlement.com.

PLEASE CHECK THE WEBSITE (WWW.NORTELSECSETTLEMENT.COM) FREQUENTLY FOR UPDATES

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

**UNITED STATES SECURITIES
and EXCHANGE COMMISSION,**

Plaintiff,

v.

**NORTEL NETWORKS CORPORATION and
NORTEL NETWORKS LIMITED,**

Defendants.

**Civil Action No.
07-CV-8851 (LAP)**

(ECF CASE)

**UNITED STATES SECURITIES
and EXCHANGE COMMISSION,**

Plaintiff,

v.

FRANK A. DUNN, et al.,

Defendants.

**Civil Action No.
07-CV-2058 (LAP)**

(ECF CASE)

DISTRIBUTION PLAN

INTRODUCTION

Defendants Nortel Networks Corporation and Nortel Networks Limited (collectively, "Nortel") consented to a Final Judgment entered by the Court on October 25, 2007, which required Nortel to pay disgorgement of \$1 and a civil penalty of \$35,000,000 to the Clerk of the Court. Pursuant to the Final Judgment, Nortel paid and the Clerk deposited the funds in an interest-bearing account with the Court Registry Investment System ("CRIS"). In a related action, defendants Craig A. Johnson, James B. Kinney and Kenneth R. W. Taylor (the "Settling Officers") consented to the Final Judgments entered against them by the Court on May 2, 2008, which required them to pay a civil penalty of \$75,000 each and to pay disgorgement with prejudgment interest in the amount of \$88,031, \$68,481 and \$68,481, respectively. Pursuant to the Officers' Final Judgment, the Settling Officers paid and the Clerk deposited \$449,993 into CRIS accounts.

On November 3, 2009, the Court entered an Order creating the Nortel Fair. The Nortel Fair Fund includes all funds paid by Nortel and the Settling Officers to the Clerk of the Court, pursuant to each of the Final Judgments, plus accrued interest. The Order also appointed The Garden City Group, Inc. ("GCG") as Fund's Distribution Agent to prepare, in consultation with the United States Securities and Exchange Commission (the "Commission" or "SEC"), a plan of distribution, pursuant to which the Nortel Fair Fund will be distributed to investors harmed by the violations alleged in the Commission's Complaints.

ARTICLE I DEFINITIONS

As used in this Distribution Plan, the following definitions, in addition to those set forth above, shall apply:

1.1 "Approved Claim" shall mean a claim submitted by an Eligible Claimant that is ultimately approved by the Distribution Agent for payment pursuant to the Distribution Plan. The minimum payment threshold for an Approved Claim shall be the Minimum Distribution Amount as set forth in Section 1.19 below; claims that would result in a payment of less than the Minimum Distribution Amount shall not be approved for payment.

1.2 "Available Distribution" shall mean the Fair Fund, plus interest, less costs, fees, tax payments, and other expenses paid or reimbursed pursuant to orders of the Court.

1.3 "Claims Bar Date" shall mean the date established in accordance with this Distribution Plan by which a Potentially Eligible Claimant's Proof of Claim Form must be postmarked by (or received by the Distribution Agent if not sent by U.S. Mail) to avoid the barring of any right of the Potentially Eligible Claimant to participate in any distribution from the Fair Fund. The Claims Bar Date shall be 120 days after the Distribution Agent's Mailing Date, when it mails the Claims Postcards to Potentially Eligible Claimants as set forth in Section 3.16 below. Claims received after the Claims Bar Date will not be reviewed and evaluated.

1.4 "Claim Deficiency Notice" means the notice sent by the Distribution Agent to a Potentially Eligible Claimant whose claim is deficient in one or more ways (*e.g.*, failure to provide required information or documentation). The Claim Deficiency Notice shall advise the Potentially Eligible Claimant of the reason or reasons for the deficiency and the opportunity to cure such deficiency.

1.5 "Claims Determination Date" shall mean the date on or before which the Fund Administrator is to reach its determination concerning the validity and amount of each Potentially Eligible Claimant's claim. Except as otherwise provided herein, the Claims Determination Date shall be no later than one hundred and fifty (150) days following the Claims Bar Date.

1.6 "Notice Postcards" shall mean the informative postcard mailed to Potentially Eligible Claimants and Class Action Authorized Claimants. One form of the postcard will contain basic information about the settlement, advise how to get more detailed information, and how to file a

claim. It will be provided to Potentially Eligible Claimants known to the Distribution Agent or to those people who request such materials. The other form of the postcard will be mailed to Class Action Authorized Claimants and advise that they will automatically be included in the settlement to the extent that they were approved in one of the Class Actions. The Distribution Agent, in consultation with the staff of the Commission, shall prepare the Notice Postcards, which shall include, at a minimum, a description of where Claimants may obtain copies of the Distribution Plan Notice and a Proof of Claim Form.

1.7 “Class Actions” shall mean, collectively, Nortel I and Nortel II, as defined below.

1.8 “Class Action Authorized Claimant” shall mean a Potentially Eligible Claimant whose claim was authorized for payment by any of the Courts overseeing the Class Actions. A Class Action Authorized Claimant is deemed an Eligible Claimant under this Distribution Plan with respect to only those Nortel Common Stock purchases during the Recovery Period for which a claim was previously authorized in the Class Actions.

1.9 “Days” shall mean calendar days.

1.10 “Distribution Agent” shall mean GCG, the Distribution Agent chosen by the Commission and approved by the Court to assist with the administration and distribution of the Fair Fund.

1.11 “Distribution Plan” shall mean this Distribution Plan approved by the Court.

1.12 “Distribution Plan Notice” shall mean the notice posted on the website that provides information to Potentially Eligible Claimants of their potential right to participate in the distribution of the Fair Fund and their obligation to file a Proof of Claim Form in order to so participate. The Distribution Agent, in consultation with the staff of the Commission, shall design the Distribution Plan Notice, consistent with the provisions of this Distribution Plan. Such notice shall include, at a minimum, a statement that the Fair Fund relates to purchases of Nortel Common Stock and a description of how to obtain copies of relevant documents (including Proof of Claim Forms), instructions for submitting Proof of Claim Forms, including instructions for updating Class Action Authorized Claims via the Distribution Agent’s online claims filing system, and the Claims Bar Date.

1.13 “Eligible Claimant” shall mean a person or entity who submits a Proof of Claim Form to the Distribution Agent on or before the Claims Bar Date and that is finally determined by the Distribution Agent to be eligible for a distribution from the Fair Fund as provided herein because he, she or it purchased Nortel Common Stock during the Recovery Period. An Eligible Claimant shall also mean a Class Action Authorized Claimant. An “Eligible Claimant” shall not include:

(a) Any director or officer, or former director or officer, of Nortel or any of its past or present Affiliates (or any of his or her assigns, creditors, heirs, distributees, spouses, parents, children, or controlled entities) who served in such capacity during the Recovery Period;

(b) Any employee of Nortel or of any of its past or present Affiliates who has been terminated for cause in connection with the violations alleged in the Commission’s Complaint in

this action or any related Commission action, or who was otherwise terminated or has resigned in connection with the violations alleged in the Commission's Complaint in this action or any related Commission action (or any of such employee's Affiliates, assigns, creditors, heirs, distributees, spouses, parents, children, or controlled entities);

(c) Any defendant in any action brought by the Commission or any class action lawsuit related to the conduct described in the Commission's Complaint in this action or any related Commission action (or any of such defendant's Affiliates, assigns, creditors, heirs, distributees, spouses, parents, children, or controlled entities), unless and until such defendant is found not liable in all such civil suits prior to the Claims Bar Date, and proof of the finding(s) is included in such defendant's timely filed Proof of Claim Form;

(d) Any Person who, as of the Claims Bar Date, has been the subject of criminal charges related to the violations alleged in the Commission's Complaint in this action or any related Commission action (or any of his or her Affiliates, assigns, creditors, heirs, distributees, spouses, parents, children, or controlled entities);

(e) Any Person who assigned their right to obtain a recovery in the Commission's action against Nortel;

(f) Any assignee of another Person's right to obtain a recovery in the Commission's action against Nortel, provided, however, that this provision shall not be construed to exclude those Persons who obtained such a right by inheritance or devise; or

(g) The Distribution Agent, its employees, and those persons assisting the Distribution Agent in its role as the Distribution Agent.

1.14 "Eligible Loss Amount" shall mean the amount of loss an Eligible Claimant has incurred through purchases of Nortel Common Stock during the Recovery Period. For purposes of this Distribution Plan, and subject to Article III below, the Eligible Loss Amount for each Eligible Claimant shall be calculated pursuant to the Plans of Allocation approved by the Courts in Nortel I and Nortel II, as applied to Eligible Claimants who purchased Nortel Common Stock, which are attached hereto as Exhibits A and B, respectively.

1.15 "Fair Fund" shall mean the \$35,000,001 payment from Nortel plus the \$449,993 payment from the Settling Officers, which were paid to the Clerk of the Court and deposited in the CRIS account pursuant to the Final Judgments, plus accumulated interest, appreciation, and earnings thereon, plus any additions thereto as may be provided by future Court order or agreements in related cases or otherwise, less costs, fees, tax payments and other expenses paid or reimbursed pursuant to orders of the Court.

1.16 "GCG" shall mean The Garden City Group, Inc., the Distribution Agent herein.

1.17 "Mailing Date" shall mean the date that the Distribution Agent mails Notice Postcards to Potentially Eligible Claimants as set forth in Section 3.16 below.

1.18 “Minimum Distribution Amount” shall mean \$10.00, which is the amount that an Eligible Claimant’s payment award must equal or exceed, after pro-rated payment awards are calculated, in order for that Eligible Claimant to receive a distribution from the Fair Fund. An Eligible Loss Amount shall be used as the basis for calculating whether an Eligible Claimant holds a claim that meets the Minimum Distribution Amount for an Approved Claim. Claims that calculate to less than the Minimum Distribution Amount shall not be approved for payment.

1.19 “Nortel I” shall mean the collective settlement of the following actions (a) *In Re Nortel Networks Corp. Securities Litigation*, Consolidated Civil Action No. 2001-CV-1855 (RMB), pending in the United States District Court for the Southern District of New York; (b) *Frohlinger v. Nortel Networks Corporation et al.*, Court File No. 02-CL-4605, pending in the Ontario Superior Court of Justice; (c) *Association de Protection des Épargnants et Investisseurs du Québec v. Corporation Nortel Networks*, No. 500-06-000126-017 in the Superior Court of Quebec; and (d) *Jeffery et al. v. Nortel Networks Corporation et al.*, Court File No. S015159, pending in the Supreme Court of British Columbia. In Nortel I, each of the respective Courts approved a settlement creating a settlement fund consisting of approximately \$438,000,000 in cash and approximately 314,000,000 shares of Nortel Common Stock, which were distributed on a *pro rata* basis to Class Action Authorized Claimants who purchased Nortel Common Stock, purchased call options on Nortel Common Stock or who sold put options on Nortel Common Stock during the period of October 24, 2000 through February 15, 2001. The Claims Administrator in Nortel I is GCG, which is the Distribution Agent for this Distribution Plan.

1.20 “Nortel II” shall mean the collective settlement of the following actions (a) *In Re Nortel Networks Corp. Securities Litigation*, Master File No. 04 Civ. 2115 (LAP), pending in the United States District Court for the Southern District of New York; (b) *Gallardi v. Nortel Networks Corporation*, No. 05-CV-285606CP, pending in the Ontario Superior Court of Justice; (c) *Skarstedt v. Corporation Nortel Networks*, No. 500-06-000277-059, pending in the Superior Court of Quebec District of Montreal. In Nortel II, each of the respective Courts approved a settlement creating a settlement fund consisting of approximately \$370,000,000 in cash and approximately 314,000,000 shares of Nortel Common Stock, which were distributed on a *pro rata* basis to Class Action Authorized Claimants who purchased Nortel Common Stock, purchased call options on Nortel Common Stock or who sold put options on Nortel Common Stock during the period of April 24, 2003 through April 27, 2004. The Claims Administrator in Nortel II is GCG, which also serves as the Distribution Agent for this Distribution Plan.

1.21 “Nortel Common Stock” shall mean common stock issued by Nortel Networks Corporation.

1.22 “Person” shall mean a natural individual as well as a legal entity, such as a corporation, partnership, limited liability company or governmental entity. All nouns, pronouns and any variations thereof in this Distribution Plan shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the context may require.

1.23 “Plans of Allocation” shall mean, collectively, the Plans of Allocation approved by the Courts overseeing the Nortel I and Nortel II Class Actions. The Nortel I plan of allocation, as applied to Eligible Claimants who purchased Nortel Common Stock, is set forth as Exhibit A

hereto and the Nortel II plan of allocation , as applied to Eligible Claimants who purchased Nortel Common Stock, is set forth in Exhibit B hereto.

1.24 “Potentially Eligible Claimant” shall mean a Person identified by the Distribution Agent as having a possible claim to the Fair Fund under this Distribution Plan, or a Person asserting a claim to the Fair Fund under this Distribution Plan.

1.25 “Proof of Claim Form” shall mean the form designed by the Distribution Agent in accordance with this Distribution Plan for the filing of proof of a Potentially Eligible Claimant’s claim. The form shall require, at a minimum, that each Potentially Eligible Claimant submit sufficient documentation reflecting each of the claimant’s purchases of Nortel Common Stock during the Recovery Period and the claimant’s Social Security Number or Tax Identification Number.

1.26 “Recovery Period,” for the purposes of this Distribution Plan, shall be from October 24, 2000 through the close of the markets on February 15, 2001 and April 24, 2003 through the close of the markets on April 27, 2004.

1.27 “Summary Notice” shall mean the notice published in two national publications and Canada, pursuant to Section 3.16(h) below. Such notice (the text of which shall be approved by the Commission) shall include, at a minimum, a statement that the Fair Fund relates to purchases of Nortel Common Stock during the Recovery Period and instructions for obtaining copies of the Distribution Plan Notice and Proof of Claim Form.

1.28 “Tax Administrator” shall mean Damasco & Associates LLP, the firm appointed by the Court on November 27, 2007.

ARTICLE II

BACKGROUND

2.1 The Fair Fund is the result of the settlement of the above-captioned actions. The Commission alleged in its Complaints that Nortel and certain former officers and directors materially boosted Nortel’s financial results for 2000 and ensured that Nortel would hit its Wall Street guidance for 2000 by fraudulently accelerating Nortel’s revenues on optical equipment in the fourth quarter of 2000 and engaging in improper post-closing activities in early 2001. The Commission also alleged in its Complaints that Nortel and certain former officers and directors improperly accounted for reserves, resulting in a material understatement of its earnings for the fourth quarter of 2002 and a material overstatement of its earnings for 2003. Such actions were a violation of the federal securities laws.

2.2 This Plan for the distribution of the Nortel Fair Fund makes former members of the Nortel I and Nortel II Class Actions Potentially Eligible Claimants in the Commission’s action.

2.3 In Nortel I, all class members who purchased Nortel Common Stock, or who purchased call options or sold put options on Nortel Common Stock, during the period October 24, 2000 through February 15, 2001 were eligible to participate in the settlement involving approximately \$438,000,000 in cash and 314,000,000 shares of Nortel Common Stock. GCG served as the Claims Administrator in Nortel I and mailed approximately 1,600,000 notices and claim forms to potential class members. In response, GCG received and processed approximately 297,000 claims, of which approximately 226,000 were deemed eligible for payment by the Claims Administrator and approximately 70,000 were administratively rejected after potential class members were provided with sufficient opportunity to complete their claims. The Court approved GCG's determinations, including GCG's application of a plan of allocation to calculate each claimant's recognized loss. The losses of all authorized claimants in Nortel I were calculated to be approximately \$5,600,000,000. Therefore, in Nortel I, each authorized claimant received a pro rata share of the settlement fund, less costs, fees, and other expenses, resulting in a distribution of approximately \$394,000,000 and 31,000,000 shares of Nortel Common Stock to about 226,000 class members. These distributions were approved by the Court presiding over Nortel I.

2.4 In Nortel II, all class members who purchased Nortel Common Stock, or who purchased call options or sold put options on Nortel Common Stock, during the period of April 24, 2003 through April 27, 2004, were eligible to participate in the settlement involving approximately \$370,000,000 in cash and approximately 314,000,000 shares of Nortel Common Stock. In Nortel II, GCG mailed approximately 1,000,000 notices and claim forms to potential class members. In response, GCG received and processed nearly 175,000 claims, of which approximately 86,500 were deemed eligible for payment by the Claims Administrator and approximately 88,000 were administratively rejected after potential class members were provided with sufficient opportunity to complete their claims. The Court approved GCG's determinations, including GCG's application of a plan of allocation to calculate each claimant's recognized loss. The losses of all authorized claimants in Nortel II were calculated to be approximately \$1,420,000,000. Therefore, in Nortel II, each authorized claimant received a pro rata share of the settlement fund, less costs, fees, and other expenses, resulting in a distribution of approximately \$314,500,000 and 31,400,000 shares of Nortel Common Stock to about 86,500 class members. These distributions were approved by the Court presiding over Nortel II.

ARTICLE III

PREPARATION FOR THE DISTRIBUTION

A. Calculation of Eligible Loss Amounts for Eligible Claimants

3.1 The Distribution Agent will build a database for purposes of administering the Fair Fund. The database will consist of information received from Class Action Authorized Claimants and Proof of Claim Forms received from Potentially Eligible Claimants.

3.2 The Fair Fund will be distributed to investors who purchased Nortel Common Stock during the Recovery Period, namely October 24, 2000 through February 15, 2001 and April 24, 2003 through April 27, 2004.

3.3 The Distribution Agent will distribute the Available Funds to Eligible Claimants pursuant to the Plans of Allocation set forth in Exhibits A and B hereto.

B. General Administrative Provisions

3.4 The Distribution Agent shall oversee the administration of the claims, procedures, and distribution as provided in this Distribution Plan. The Distribution Agent shall review the claim of each Potentially Eligible Claimant and make a determination under the criteria established herein as to the eligibility of each Potentially Eligible Claimant to recover monies and the amount of money to be distributed from the Fair Fund to each Eligible Claimant in accordance with the provisions of this Distribution Plan.

3.5 Any claim asserted by a Potentially Eligible Claimant (except as provided in Section 3.7 below) shall be in writing and shall provide adequate documentary evidence to substantiate the claim, including all documentary evidence which the Distribution Agent deems necessary or appropriate, including, but not limited to, available account statements and trade confirmations.

3.6 All claims (except as provided in Section 3.7 below) must be verified on the basis of a sworn Proof of Claim, affidavit or declaration executed by the Potentially Eligible Claimant under penalty of perjury under the laws of the United States.

3.7 A Class Action Authorized Claimant is not required to submit the written claim described in Section 3.5 or the verification described in Section 3.6 with respect only to those Nortel Common Stock transactions for which a claim was previously authorized in either of the Class Actions. A Class Action Authorized Claimant who makes a claim regarding Nortel Common Stock transactions for which a claim was denied in whole or in part by the Claims Administrator in either of the Class Actions for any reason or for which no claim was submitted to the claims administrator in either of the Class Actions is required to comply with the requirements set forth in Sections 3.5 and 3.6 with respect to such claim. In addition, if a Class Action Authorized Claimant is a pooled investment fund or entity with more than one underlying beneficiary, a custodian, trustee, or professional investing on behalf of such fund or entity is required to comply with the certification requirement set forth in Section 3.12 below with respect to all claims on behalf of the fund or entity, including those relating to transactions for which a claim was previously authorized in either of the Class Actions.

3.8 In determining the Eligible Loss Amount for an Eligible Claimant, the Distribution Agent may aggregate the accounts held by an Eligible Claimant in accordance with the following aggregation rules:

(a) Each Person who is a Potentially Eligible Claimant and would like to aggregate accounts shall so designate in the Proof of Claim Form, *provided* that a Person may only aggregate accounts as follows:

(i) with respect to an individual Person, such Person may aggregate such Person's account, such Person's parent's, child's, or spouse's (collectively "family") accounts, such Person's or such Person's family retirement accounts, and accounts owned by a corporation or partnership in which such Person or such Person's family is a majority owner or which is controlled by such Person or such Person's family; and

(ii) with respect to a Person that is a corporation or partnership, such Person's accounts and such Person's Affiliates' accounts.

(b) The Distribution Agent in its exclusive discretion may, for purposes of this Section 3.8, but shall not have any obligation to, aggregate accounts not designated for aggregation in a Proof of Claim Form.

(c) Notwithstanding the aggregation of individual accounts with retirement accounts (*e.g.* IRA accounts) for purposes of this Section 3.8, all payments shall respect the manner in which an account is nominated. For example, Jane Smith may aggregate her personal accounts with her IRA account to meet the Minimum Distribution Amount. However, the payment to Jane Smith will be made payable directly to her for her personal account(s) and payable to the trustee or custodian of her IRA for her IRA account.

3.9 The receipt of Nortel Common Stock during the Recovery Period by gift, inheritance, devise, or operation of law shall not be deemed to be a purchase of Nortel Common Stock during the Recovery Period, nor shall it be deemed an assignment of any claim relating to the purchase of such shares unless specifically provided in the instrument of gift or assignment. However, the recipient of Nortel Common Stock as a gift or as a distribution from an estate shall be eligible to file a Proof of Claim Form and participate in the distribution of the Fair Fund to the extent the particular donor or decedent as the actual purchaser of Nortel Common Stock would have been eligible based upon the circumstance of such purchase within the Recovery Period. However, the donee and the donor may not both make a claim with regard to the same Nortel Common Stock. If both the donor and the donee make such a claim, only the claim filed by the donee will be honored.

3.10 To the extent that an Eligible Claimant, his or her representative, heir, or assign requests a distribution check to be issued or reissued in a different name than the Eligible Claimant (*e.g.*, as the result of a name change because of marriage or divorce, or as the result of death), the Distribution Agent shall honor such request upon receipt of documentation which the Distribution Agent in its sole discretion deems appropriate to substantiate the request.

3.11 Claims on behalf of a retirement plan covered by Section 3(3) of ERISA, 29 U.S.C. § 1002(3), which does not include Individual Retirement Accounts, and such plan's participants are properly made by the custodian or fiduciary of the plan and not by the plan's participants. The Distribution Agent shall distribute any payments on such claims directly to the custodian or fiduciary of the retirement plan. The distribution shall be accompanied by a list of plan participants and the number of shares owned by each plan participant, if that information is known to the Distribution Agent or provided to the Distribution Agent. The custodian or

fiduciary of the retirement plan shall distribute any payments received in a manner that is consistent with its fiduciary duties and the account or plan provisions. With respect to any retirement plan that has been closed prior to the Distribution Agent's identification of Potentially Eligible Claimants, the Distribution Agent shall endeavor to distribute funds directly to the beneficial account holders of such retirement plans if the information required for such a distribution is known to or provided to the Distribution Agent prior to the Claims Bar Date.

3.12 Custodians, trustees, or professionals investing on behalf of more than one Potentially Eligible Claimant in a pooled investment fund or entity will be required to complete a certification, which will require them at a minimum to attest that any distribution to the custodian, trustee, or investment professional representing multiple potentially eligible beneficial owners, will be allocated for the benefit of current or former pooled investors and not for the benefit of management, even if the pooled investment fund or entity is a Class Action Authorized Claimant (as defined in Sections 1.8 and 3.7 above). The certification form will be available upon request from the Distribution Agent.

3.13 To carry out the purposes of this Distribution Plan, the Distribution Agent is authorized to make adjustments or clarifications to the Distribution Plan that are consistent with the purposes of the Distribution Plan, if agreed upon by the Distribution Agent and the staff of the Commission and approved by the Court.

C. Identification of and Notice to Potentially Eligible Claimants

3.14 The Distribution Agent shall, insofar as is practicable, use its best efforts to identify Potentially Eligible Claimants from a review of trading records and any other commercially reasonable sources available, including the databases maintained by the Claims Administrator in Nortel I and Nortel II.

3.15 Nortel shall cooperate with the Distribution Agent and provide the Distribution Agent with all information that is in its possession, custody, or control as requested by the Distribution Agent in the performance of its duties under this Distribution Plan. This Distribution Plan is not intended to create any obligations for Nortel other than those arising from the Court's previous Orders or as otherwise explicitly set forth herein.

3.16 Within 45 days following the entry by the Court of its Order approving this Distribution Plan, the Distribution Agent shall:

(a) create a mailing and claim database using the new records provided by Nortel or its agent and the records relating to the Class Action Authorized Claimants;

(b) run a National Change of Address search to retrieve updated addresses for all records in the new database, to ensure that we have the most up-to-date mailing information for all Potentially Eligible Claimants;

(c) mail by United States first-class mail a Notice Postcard, consisting of detailed information about where to obtain a Distribution Plan Notice and Proof of Claim Form to each Potentially Eligible Claimant known to the Distribution Agent;

(d) mail a separate Notice Postcard to each Class Action Authorized Claimant stating that such Class Action Authorized Claimant is automatically deemed an Eligible Claimant with respect only to those purchases of Nortel Common Stock during the Recovery Period for which a claim was previously authorized in either Nortel I or Nortel II. The Notice Postcard will also provide such claimants with a website link and personalized identification number, which will allow Class Action Authorized Claimants to view on the Fair Fund website (described below) each of their Class Action transactions for which GCG has a record. Furthermore, the Postcard will notify all Class Action Authorized Claimants that they are required to submit a Proof of Claim Form only if they wish to submit a claim for a Nortel Common Stock purchase during the Recovery Period that was not previously authorized by the Courts overseeing Nortel I or Nortel II;

(e) establish a domain to the Fair Fund website, to be constructed for the administration of the Fair Fund, which each Potentially Eligible Claimant may access to request a Distribution Plan Notice and Claim Form by mail or download a copy of these documents and other relevant documents online. In addition, Class Action Authorized Claimants shall have the ability to view their approved transactions from either of the Class Actions on the website and supplement their claim through an online filing system. The Distribution Agent will also establish a link to such website from its own website, www.gcginc.com/cases;

(f) provide a copy of the Distribution Plan and Distribution Plan Notice to the Commission and request that the Commission establish a link on its website to the Fair Fund website;

(g) establish a toll-free telephone call-in number that Potentially Eligible Claimants can use to obtain information; and

(h) prepare a Summary Notice, approved by the Commission, to be published on one occasion on or about the Mailing Date in both the national edition of the Wall Street Journal and Investor's Business Daily in the United States, and The Globe and Mail, The National Post, and Le Journal de Montreal in Canada (or in such other publications as the Distribution Agent and the Commission may choose), as well as a press release on the P.R. Newswire.

3.17 The Distribution Agent shall also give additional notice of the distribution process in such manner as the Distribution Agent, in its sole discretion, deems appropriate, which may include direct notification to custodians, securities broker-dealers and other potential nominee purchasers identified by the Distribution Agent.

3.18 The Distribution Agent shall promptly provide a Claim Form and/or Distribution Plan Notice to any Potentially Eligible Claimant who requests one electronically, in writing or by telephone, as set forth in the Distribution Plan Notice.

3.19 To avoid being barred from asserting a claim, on or before the Claims Bar Date, each Potentially Eligible Claimant (except for a Class Action Authorized Claimant with respect to those Nortel Common Stock purchases for which a claim was previously authorized in one of the Class Actions, as set forth in Section 1.7 above) must submit to the Distribution Agent a properly completed Proof of Claim Form reflecting such Potentially Eligible Claimant's claim, together with all required supporting documentation. The Claims Bar Date may be extended for one or more Potentially Eligible Claimants by the Distribution Agent, in its sole discretion, in which event such extension shall constitute the Claims Bar Date for such Potentially Eligible Claimants. Unless otherwise determined by the Distribution Agent in its sole discretion for good cause shown, any Potentially Eligible Claimant that does not file a properly completed and documented Proof of Claim Form, if so required, including the Potentially Eligible Claimant's Social Security Number or Tax Identification Number, so that such completed form and documentation are postmarked by (or received by the Distribution Agent if not sent by U.S. Mail) on or before the Claims Bar Date (see Section 1.3 above), shall be barred from asserting a claim against the Distribution Agent or the Fair Fund. The burden shall be upon the Potentially Eligible Claimant to ensure that his or her Proof of Claim Form has been properly and timely received by the Distribution Agent.

3.20 Claims with 100 or more transactions or on behalf of 20 or more different accounts must be submitted electronically and in the format specified by the Distribution Agent. The mandatory electronic filing requirements will be available on the Fair Fund website. Files that do not comply with the required electronic filing format may be rejected.

3.21 Each Potentially Eligible Claimant (except for Class Action Authorized Claimants, with respect to Nortel Common Stock purchases during the Recovery Period, as to which a claim was previously authorized in one of the Class Actions) will be put on written notice in the Distribution Plan Notice that no claim will be deemed submitted unless the Claimant receives an "Acknowledgement Postcard" or "Acknowledgement Email" from the Distribution Agent, which shall be the official acknowledgement that the Distribution Agent has received and will review the claim.

D. Notification of Claims Determination, Including Notice of Deficient Claims and Opportunity to Cure

3.22 The Distribution Agent shall review each Proof of Claim Form to determine its validity and Eligible Loss Amount, together with any additional conclusions of the Distribution Agent on other issues relevant to the claim. Each Potentially Eligible Claimant shall have the burden of proof to establish the validity and amount of his, her or its claim, and that he, she or it qualifies as an Eligible Claimant. The Distribution Agent shall have the right to request, and the Potentially Eligible Claimant shall have the burden of providing to the Distribution Agent, any additional information and/or documentation deemed relevant by the Distribution Agent.

3.23 The Distribution Agent shall provide to each Potentially Eligible Claimant whose claim is determined to be deficient in whole or in part, a Claim Deficiency Notice setting forth the reason or reasons why the claim is deficient. The Claim Deficiency Notice shall be provided to affected Potentially Eligible Claimants within sixty (60) days after the Claims Bar Date.

3.24 The Distribution Agent shall have the authority, in its sole discretion, on a case-by-case basis, to extend the Claims Bar Date and waive technical claim deficiencies and approve claims.

3.25 Any Potentially Eligible Claimant who has received a Claim Deficiency Notice shall have 20 days from the date of the Claim Deficiency Notice to cure any deficiencies identified in the Claim Deficiency Notice.

3.26 No Potentially Eligible Claimant who has failed timely to file an appropriate Proof of Claim Form, or who failed to cure any deficiency identified in a Claim Deficiency Notice, shall be permitted to object to the barring or treatment of his or her claim on the basis that the Distribution Agent failed to mail, or properly to mail, or that such Potentially Eligible Claimant failed to receive, a copy of the Distribution Plan Notice, Proof of Claim Form or the relevant determination notice, or that an initial Proof of Claim Form, or revised Proof of Claim Form to cure deficiencies, or the requisite supporting documentation, was improperly reflected as not having been received by, or properly recorded as received by, the Distribution Agent, or that a Potentially Eligible Claimant's name and/or proper contact information was not correctly reflected on the Distribution Agent's records. The burden of notifying the Distribution Agent of a Potentially Eligible Claimant's current address and other contact information, and of ensuring that such information is properly reflected in the Distribution Agent's records, shall be solely on the Potentially Eligible Claimant.

3.27 On or before the Claims Determination Date, the Fund Administrator shall mail by United States First Class Mail a Determination Notice to each Potentially Eligible Claimant who has filed a new or modified Proof of Claim Form with the Fund Administrator, setting forth the Distribution Agent's conclusions concerning such claim. In the event a claim is denied, in whole or in part, the Fund Administrator will state the reason for such denial. The Distribution Agent will not send Determination Notices to Class Action Authorized Claimants, unless they modify their previously authorized claims.

3.28 All determinations of the Distribution Agent that are made in accordance with this Distribution Plan shall be final and not subject to appeal.

ARTICLE IV

DISTRIBUTION

4.1 The Plans of Allocation shall be used as the basis for calculating, pursuant to the procedures described below, whether an Eligible Claimant holds a claim that meets the Minimum Distribution Amount for an Approved Claim.

4.2 The Distribution Agent shall distribute the Available Distribution to all Eligible Claimants who filed Approved Claims only after all timely submitted Proof of Claim Forms have been processed and all potentially Eligible Claimants whose claims have been rejected or

disallowed, in whole or in part, have been notified and provided the opportunity to cure pursuant to the procedures set forth above.

4.3 To maintain a high-level of quality control, at the Commission's request, the Distribution Agent shall retain an independent outside firm or party that is not unacceptable to the Commission staff to perform an independent review of agreed upon procedures designed to ensure that new claims or changes to a claim filed by a Class Action Authorized Claimant have been accurately processed, calculated, and validated based upon a statistically designed random sample. Upon completion of the independent review, the independent firm or party shall provide a report of its findings to the Commission staff in the manner prescribed by the Commission staff. Based upon the results of the review, the Distribution Agent shall correct any individual errors identified and perform database searches or additional procedures to correct any errors that may have occurred during claims processing, and consult on any such corrections or additional procedures with the Commission staff.

4.4 Within forty-five (45) days following the Claims Determination Date, the Fund Administrator shall prepare a list of Eligible Claimants, the amount of the asserted claim of each Eligible Claimant, and the Approved Claim of each Eligible Claimant. The Distribution Agent shall provide the Final Payee List to the Commission staff, and upon review, the Commission staff shall petition the Court for the authority to transfer all funds in the Nortel CRIS account to the Distribution Agent in accordance with the provisions of this Distribution Plan for distribution to Eligible Claimants pursuant to this Distribution Plan. In conjunction with the motion seeking transfer of the Nortel CRIS account to the Distribution Agent for distribution, the Final Payee List shall, upon request, be made available to the Court. The distribution amount specified to the Court will have already taken into account reserves for taxes, as requested by the Tax Administrator and approved by the Commission staff and reserves necessary for other fees late claims, or reasonably anticipated expenses.

4.5 Following the Court's approval of the motion seeking transfer of the Nortel CRIS account, the Court may issue an order to the Clerk of the Court to transfer monies in the Nortel CRIS account representing the Fair Fund equal to the specified distributable amount, plus any lawful fees and tax payments requested by the Tax Administrator, to the account or accounts established by the Distribution Agent in accordance with Section 4.7 below in such amounts and manner as the Distribution Agent shall designate in writing. The Distribution Agent shall commence the distributions to all Eligible Claimants as promptly as possible following the transfer of the funds.

4.6 Upon receipt of the monies from the Court's registry in this matter, the Distribution Agent shall sign a receipt acknowledging the receipt of the funds and deposit these monies in a bank account as described below.

4.7 The bank account will be maintained at a major United States commercial bank (the "Bank"), to be proposed by the Distribution Agent subject to approval by the staff of the Commission. The Distribution Agent shall then file the signed receipt with the Court and supply a copy of the receipt to counsel for the Commission in this matter within ten (10) days of receipt of the monies.

4.8 Pursuant to an escrow agreement (the “Escrow Agreement”) to be provided by the staff of the Commission, the Distribution Agent and the Bank shall establish an escrow account together with a controlled distribution account or managed distribution account or linked checking and investment account in the name of and bearing the Employer Identification Number (“EIN”) of the Qualified Settlement Fund (“QSF”), as custodian for the distributees of the Distribution Plan. The name of each account shall be in the following form: QSF, SEC v. Nortel Networks Corporation Distribution Fund, [EIN No.], as custodian for the benefit of investors allocated a distribution from the Nortel Distribution Plan in SEC v. Nortel Networks Corp. (the “Fair Fund Escrow Account”).

4.9 During the term of the Escrow Agreement, the Fair Fund Escrow Account shall be invested and reinvested in short-term United States Treasury securities backed by the full faith and credit of the United States Government of a type and term necessary to meet the cash liquidity requirements for payments to Eligible Claimants, tax obligations, and fees and expenses, or invested or reinvested in AAA-rated Money Market Mutual Funds registered under the Investment Company Act of 1940 that directly invest in short-term United States Treasury securities and obligations; provided however, that investments in the United States Treasury securities will not be made through repurchase agreements or other derivative products. The Distribution Agent shall provide duplicate original bank and/or investment statements on any accounts established by the Distribution Agent to the Tax Administrator on a monthly basis and shall assist the Tax Administrator in obtaining mid-cycle statements, as necessary.

4.10 All Fair Fund checks issued to Eligible Claimants by the Distribution Agent shall bear a stale date of ninety (90) days. Accordingly, checks that are not negotiated within this period shall be voided and the issuing financial institution shall be instructed to stop payment on those checks. Where an Eligible Claimant’s check has not been negotiated within the ninety (90) day period (the “check-cashing period”) and has been voided by the Distribution Agent, that Eligible Claimant’s claim shall be extinguished upon the occurrence of the stale date. All such funds will be returned to the Fair Fund.

4.11 If, after the Distribution Agent makes the distribution to Eligible Claimants and pays all approved expenses, funds remain in the Fair Fund in addition to tax reserves, those funds shall be paid to the Commission for transfer to the United States Treasury.

4.12 The Distribution Agent shall use all reasonable commercially available resources to locate all Eligible Claimants whose checks are returned to the Distribution Agent undelivered. However, the burden is on the claimant to provide the Distribution Agent with any changes to his or her mailing address.

4.13 All Fair Fund distribution payments shall be preceded or accompanied by a communication that includes, as appropriate:

- (a) a statement characterizing the distribution;

(b) a statement that the tax treatment of the distribution is the responsibility of each recipient and that the recipient should consult his or her tax advisor for advice regarding the tax treatment of the distribution;

(c) a statement that checks will be void after ninety (90) days; and

(d) the name of a person or entity to contact, if the Eligible Claimant has any questions regarding the distribution.

Any such communication shall be submitted to the staff of the Commission and the Tax Administrator for review and approval. The Fair Fund distribution checks, on their face, or the accompanying mailing shall clearly indicate that the money is being distributed from a Fair Fund established by the Commission to compensate investors for harm as a result of their investment in Nortel Common Stock.

4.14 Under no circumstances shall the Distribution Agent, his employees or his agents incur any liability to any Person if he makes a distribution in accordance with the list of all Eligible Claimants and their Approved Claims as approved by the Court, and all Persons are enjoined from taking any action in contravention of this provision. Upon receipt and acceptance by an Eligible Claimant of a distribution from the Fair Fund, such Eligible Claimant shall be deemed to have released all claims that such Eligible Claimant may have against the Distribution Agent, his employees, agents and attorneys in connection with the Distribution Plan and the administration of the Fair Fund, and shall be deemed enjoined from prosecuting or asserting any such claims.

4.15 The submission of the Proof of Claim Form and the receipt and acceptance of a distribution by an Eligible Claimant shall not affect an Eligible Claimant's rights and claims against any party (other than the Distribution Agent), including, but not limited to, Nortel and Nortel's past or present directors, officers, employees, advisors and agents.

ARTICLE V

POST-DISTRIBUTION

5.1 The Distribution Agent shall reissue checks to Eligible Claimants, upon the receipt of a valid, written request from the Eligible Claimant. Such reissued checks will be void after 30 days from issuance and in no event will a check be reissued after 90 days post-distribution.

5.2 The Distribution Agent will perform an advanced address search for those checks that are returned as undeliverable, to the extent such search is feasible, and will reissue such checks so long as the new address is received within ninety (90) days post-distribution.

5.3 One hundred and twenty (120) days following the distribution, all approved final fees and expenses shall be paid, all outstanding checks shall be voided and any remaining funds shall be paid to the Commission for transfer to the United States Treasury upon receipt of written instructions by the Distribution Agent.

ARTICLE VI

WRAP-UP AND WIND DOWN OF DISTRIBUTION

6.1 The Distribution Agent will destroy all documents, existing in any media, six (6) months after the transfer of any remaining funds to the Commission. In addition, the Distribution Agent will shut down the toll-free number and website established specifically for the administration of the Fair Fund six (6) months after the transfer of any remaining funds to the Commission.

6.2 The Distribution Agent will prepare its final invoice following distribution, which will include an estimate for all wind-down expenses. At the same time, the Distribution Agent will prepare a final, detailed report for the Commission, explaining the process that was followed through Distribution, including a breakdown as to the amount and number of checks distributed to Eligible Claimants, the amount and number of check cashed and uncashed, and amount to be returned to the Commission, if any.

6.3 Once the funds from the Fair Fund, if any, are returned to the Commission, no additional payments shall be made whatsoever and, in order to allow the full and final distribution of the Fair Fund, no further claims shall be made against the Fair Fund beyond the amount allocated to Eligible Claimants. Accordingly, this Plan of Distribution, as approved by the Court, bars any further claims against the Fair Fund beyond the amount allocated to Eligible Claimants, and releases and discharges from any and all claims arising out of the claims administration, all persons involved in the review, verification, calculation, tabulation, or any other aspect of the processing of the Claims submitted herein, or otherwise involved in the administration of the Fair Fund.

6.4 Upon final distribution of the funds, the Distribution Agent shall make arrangement for the final payment of taxes and tax-related fees and shall submit a final accounting to the Court in an SEC standard accounting format provided by the staff of the Commission. The Fair Fund shall be eligible for termination, and the Distribution Agent eligible for discharge, after all of the following have occurred: (1) the final accounting has been submitted and approved by the Court, (2) all taxes and fees have been paid, and (3) all remaining funds or any residual have been paid to the Commission for transfer to the United States Treasury.

ARTICLE VII

RESPONSIBILITIES OF THE TAX ADMINISTRATOR

7.1 The Fair Fund is a "Qualified Settlement Fund" within the meaning of the regulations issued under Section 468B(g) of the Internal Revenue Code of 1986, as amended. The Tax Administrator is the administrator of such Qualified Settlement Fund, for purposes of Treas. Reg. § 1.468B-2(k)(3)(I), and shall satisfy the tax related administrative requirements imposed by Treas. Reg. § 1.468B-2, including, but not limited to:

- (a) obtaining a taxpayer identification number;

(b) timely requests for funds necessary for the timely paying of all applicable taxes, the timely payment of taxes for which the Tax Administrator has received funds, and the filing of applicable returns; and

(c) fulfilling any information reporting or withholding requirements required for distributions from the Fair Fund.

7.2 The Distribution Agent shall cooperate with the Tax Administrator in providing any information necessary to ensure income tax compliance.

ARTICLE VIII

PAYMENT OF COSTS, FEES, AND TAXES, AND FILING OF REPORTS AND ACCOUNTINGS

8.1 The Distribution Agent is entitled to pay from the Fair Fund all reasonable costs, fees and taxes of the Tax Administrator, third-party professionals and service providers and other expenses incurred in the performance of its duties. The Distribution Agent shall be further entitled to be compensated for its reasonable fees and costs at the rates previously negotiated with the Commission and shall be paid by Nortel.

8.2 The Distribution Agent shall file with the Court a progress report, pursuant to and in a format to be provided by the Commission staff, within forty-five (45) days of the entry of this Distribution Plan, and shall file additional reports within twenty (20) days after the end of every quarter thereafter, and a final report when its duties are completed. The Distribution Agent shall serve a copy of all such reports on counsel for the Commission and Nortel. Such progress reports shall inform the Court and the staff of the Commission of the activities and status of the Fair Fund during the requested reporting period, and shall specify, at a minimum, the location of the account(s) comprising the Fair Fund, include, among other things, an interim accounting of all monies in the Fair Fund as of the most recent month-end, including all monies received, earned, spent, and distributed in connection with the administration of the Distribution Plan, the value of those accounts, all monies earned or received into these accounts, funds distributed to Eligible Claimants under this Distribution Plan, and any monies expended from the Fair Fund to satisfy any fees, costs, taxes, and other expenses incurred in the implementation of this Distribution Plan. The final report shall include, among other things, a final accounting of all monies received, earned, spent, and distributed in connection with the administration of the Distribution Plan, and a request for approval of any unpaid fees and costs. The Clerk of the Court shall provide the Distribution Agent with any account information relating to funds held in the CRIS under the case name designation "SEC v. Nortel Networks Corp.", Account Numbers 07cv8851 and 07cv2058, that may be required for the progress and final reports, including providing copies of any account statements that the Fund Administrator may request.

ARTICLE IX

OTHER RIGHTS AND POWERS

9.1 The Distribution Agent is entitled to rely on all outstanding rules of law and court orders, and shall not be liable to anyone for any action taken or omitted by him in connection with this Distribution Plan, except upon a finding by this Court of misfeasance, gross negligence, or reckless disregard of duty under this Distribution Plan.

9.2 The Distribution Agent is authorized to enter into agreements with financial institutions ("Institutions") as may be appropriate or necessary in the administration of the Fair Fund, provided such institutions are not excluded pursuant to Section 1.13 of this Distribution Plan. In connection with such agreements, the Institutions shall be deemed to be agents of the Distribution Agent under this Distribution Plan.

9.3 All proceedings with respect to the administration, processing and determination of claims and the determination of all related controversies, shall be subject to the exclusive jurisdiction of this Court.

9.4 The Court reserves the right to amend this Distribution Plan from time to time, and retains jurisdiction over this matter for this purpose and for any and all other matters that may arise under or relate to this Distribution Plan.

The Court hereby approves this Plan of Distribution.

SO ORDERED:

Dated: October 5, 2011


UNITED STATES DISTRICT JUDGE

EXHIBIT A

Below is the Plan of Allocation approved by the Court in Nortel I as it relates to Nortel Common Stock transactions.

NORTEL I -- PLAN OF ALLOCATION

An Authorized Claimant's "Recognized Claim" will be calculated for purposes of the Settlement as follows:

To the extent a claimant had a gain from his, her or its overall transactions in Nortel common stock during the Class Period (October 24, 2000 through February 15, 2001, inclusive), the value of the Recognized Claim will be zero.

Common Stock Purchases:

(a) For shares of Nortel common stock purchased during the period October 24, 2000 through February 15, 2001, inclusive, and

(1) Sold at a loss on or before the close of trading on February 15, 2001, an Authorized Claimant's "Recognized Claim" shall mean 2.75% (10%¹ of 27.5%) of the difference between the purchase price paid (including commissions, etc.) (the "PPP") minus the sales proceeds received (net of commissions, etc.) (the "SPR");

(2) Held after the close of trading on February 15, 2001, an Authorized Claimant's "Recognized Claim" shall mean 27.5% of the purchase price paid (including commissions, etc.) to purchase the shares.

In the event a Class Member has more than one purchase or sale of Nortel common stock all purchases and sales shall be matched on a First In First Out ("FIFO") basis, Class Period sales will be matched first against any Nortel shares held at the beginning of the Class Period, and then against purchases in chronological order, beginning with the earliest purchase made during the Class Period. Purchases and sales of Nortel common stock shall be deemed to have occurred on the "contract" or "trade" date as opposed to the "settlement" or "payment" date. The receipt or grant by gift, devise or operation of law of Nortel common stock during the Class Period shall not be deemed a purchase or sale of these Nortel securities for the calculation of an Authorized Claimant's Recognized Claim nor shall it be deemed an assignment of any claim relating to the

¹ Class members who sold Nortel common stock at a loss prior to the close of trading on February 15, 2001 would face a potential defense that their loss was not related to the alleged misrepresentation because the same alleged misrepresentations affected both their purchase and sale. The discount to 10% reflects this greater difficulty such Class Members would face.

purchase of such Nortel securities unless specifically provided in the instrument of gift or assignment.

Each Authorized Claimant shall be allocated *pro rata* shares of the cash in the Net Settlement Fund based on his, her or its Recognized Claim as compared to the total Recognized Claims of all Authorized Claimants. Each Authorized Claimant shall be paid an amount determined by multiplying the total cash in the Net Settlement Fund by a fraction, the numerator of which shall be his, her or its "Recognized Claim" and the denominator of which shall be the Total Recognized Claims of all Authorized Claimants. This computation weighs each Class Member's claim against every other Class Member's claim. Each Authorized Claimant will receive *pro rata* shares of the cash in the Net Settlement Fund based on his, her or its Recognized Claim.

The amount of a Class Member's Recognized Claim as computed above is not intended to be an estimate of what a Class Member might have been able to recover at trial, and it is not an estimate of the amount that will be paid pursuant to this Settlement. Instead, this computation is only a method to weight Class Members' claims against one another. Each Authorized Claimant will receive *pro rata* shares of the cash in the Net Settlement Fund based on his, her or its Recognized Claim.

To the extent a Claimant had a gain from his, her or its overall transactions in Nortel common stock during the Class Period, the value of the Recognized Claim will be zero. Such claimants will in any event be bound by the Settlement. To the extent that a Claimant suffered an overall loss on his, her or its overall transactions in Nortel common stock during the Class Period, but that loss was less than the Recognized Claim calculated above, then the Recognized Claim shall be limited to the amount of the actual loss.

For purposes of determining whether a Claimant had a gain from his, her or its overall transactions in Nortel common stock during the Class Period or suffered a loss, the Claims Administrator shall: (i) total the amount the Claimant paid for all Nortel common stock purchased during the Class Period (the "Total Purchase Amount"); (ii) match any sales of Nortel common stock during the Class Period first against the Claimant's opening position in the stock (the proceeds of those sales will not be considered for purposes of calculating gains or losses); (iii) total the amount received for sales of the remaining shares of Nortel common stock sold during the Class Period (the "Sales Proceeds"); and (iv) ascribe a \$19.00 per share holding value for the number of shares of Nortel common stock purchased during the Class Period and still held at the end of the Class Period ("Holding Value"). The difference between (x) the Total Purchase Amount ((i) above) and (y) the sum of the Sales Proceeds ((iii) above) and the Holding Value ((iv) above) will be deemed a Claimant's gain or loss on his, her or its overall transactions in Nortel Common Stock during the Class Period.

EXHIBIT B

Below is the Plan of Allocation approved by the Court in Nortel II as it relates to Nortel Common Stock transactions.

NORTEL II -- PLAN OF ALLOCATION

An Authorized Claimant's "Recognized Claim" will be calculated for purposes of the Settlement as follows:

To the extent a claimant had a gain from his, her or its overall transactions in Nortel common stock during the Class Period, the value of the Recognized Claim will be zero.

Common Stock Purchases

1. For shares of Nortel common stock purchased between April 24, 2003 and March 10, 2004, inclusive, and:

- a. sold at a loss prior to March 11, 2004, the Recognized Claim is the lesser of (x) \$0.29 per share, which is 10%² of the inflation at the time of purchase (\$2.90 per share), or (y) 10% of the difference between the purchase price and the sales price.
- b. sold at a loss between March 11, 2004 and March 12, 2004, the Recognized Claim is the lesser of: (i) the purchase price minus the sales price; or (ii) \$0.44 per share.
- c. sold at a loss between March 15, 2004 and April 27, 2004, the Recognized Claim is the lesser of: (i) the purchase price minus the sales price; or (ii) \$1.48 per share.
- d. held as of the close of business on April 27, 2004, the Recognized Claim is the lesser of: (i) the purchase price minus \$4.05; or (ii) \$2.90 per share.

2. For shares of Nortel common stock purchased between March 11, 2004 and March 12, 2004, inclusive, and:

- a. sold at a loss prior to March 15, 2004, the Recognized Claim is the lesser of (x) \$0.25, which is 10%³ of the inflation at the time of purchase (\$2.46 per share), and (y) 10% of the difference between the purchase price and the sales price.

² Class members who sold Nortel common stock at a loss prior to the close of trading on March 10, 2004 before the disclosures made on March 11, 2004 would face a potential defense that their loss was not related to the alleged misrepresentations because the same alleged misrepresentations affected both their purchase and their sale. The discount to 10% reflects this greater difficulty.

³ Class members who purchased Nortel common stock on March 11 and 12, 2004 and who sold those shares of Nortel common stock at a loss prior to the close of trading on March 12, 2004 (before the disclosures made on March 15, 2004) would face a potential defense that their loss was not related to the alleged misrepresentations because the same alleged misrepresentations affected both their purchase and their sale. The discount to 10% reflects this greater difficulty.

- b. sold at a loss between March 15, 2004 and April 27, 2004, the Recognized Claim is the lesser of: (i) the purchase price minus the sales price; or (ii) \$1.04 per share.
 - c. held as of the close of business on April 27, 2004, the Recognized Claim is the lesser of: (i) the purchase price minus \$4.05; or (ii) \$2.46 per share.
3. For shares of Nortel common stock purchased between March 15, 2004 and April 27, 2004, inclusive, and:
- a. sold at a loss between March 15, 2004 and April 27, 2004, the Recognized Claim is the lesser of (x) \$0.14, which is 10%⁴ of the inflation at the time of purchase (\$1.42 per share), or (y) 10% of the difference between the purchase price and the sales price.
 - b. held as of the close of business on April 27, 2004, the Recognized Claim is the lesser of: (i) the purchase price minus \$4.05; or \$1.42 per share.

In the event a Class Member has more than one purchase or sale of Nortel common stock, all purchases and sales shall be matched on a First In First Out (“FIFO”) basis, Class Period sales will be matched first against any Nortel shares held at the beginning of the Class Period, and then against purchases in chronological order, beginning with the earliest purchase made during the Class Period. Purchases and sales of Nortel common stock shall be deemed to have occurred on the “contract” or “trade” date as opposed to the “settlement” or “payment” date. The receipt or grant by gift, devise or operation of law of Nortel common stock during the Class Period shall not be deemed a purchase or sale of these Nortel securities for the calculation of an Authorized Claimant’s Recognized Claim nor shall it be deemed an assignment of any claim relating to the purchase of such Nortel securities unless specifically provided in the instrument of gift or assignment. The receipt of Nortel common stock during the Class Period in exchange for securities of any other corporation or entity shall not be deemed a purchase or sale of Nortel common stock.

Each Authorized Claimant shall be allocated *pro rata* shares of the cash in the Net Settlement Fund based on his, her or its Recognized Claim as compared to the total Recognized Claims of all Authorized Claimants. Each Authorized Claimant shall be paid an amount determined by multiplying the total cash in the Net Settlement Fund by a fraction, the numerator of which shall be his, her or its “Recognized Claim” and the denominator of which shall be the Total Recognized Claims of all Authorized Claimants. This computation weighs each Class Member’s claim against every other Class Member’s claim. Each Authorized Claimant will receive *pro rata* shares of the cash in the Net Settlement Fund based on his, her or its Recognized Claim.

⁴ Class members who purchased Nortel common stock between March 15, 2004 and April 27, 2004 and who sold those shares of Nortel common stock at a loss prior to the close of trading on April 27, 2004 (before the disclosures made on April 27, 2004) would face a potential defense that their loss was not related to the alleged misrepresentations because the same alleged misrepresentations affected both their purchase and their sale. The discount to 10% reflects this greater difficulty.

The amount of a Class Member's Recognized Claim as computed above is not intended to be an estimate of what a Class Member might have been able to recover at trial, and it is not an estimate of the amount that will be paid pursuant to this Settlement. Instead, this computation is only a method to weight Class Members' claims against one another. Each Authorized Claimant will receive *pro rata* shares of the cash in the Net Settlement Fund based on his, her or its Recognized Claim.

To the extent a Claimant had a gain from his, her or its overall transactions in Nortel common stock during the Class Period, the value of the Recognized Claim will be zero. Such claimants will in any event be bound by the Settlement. To the extent that a Claimant suffered an overall loss on his, her or its overall transactions in Nortel common stock during the Class Period, but that loss was less than the Recognized Claim calculated above, then the Recognized Claim shall be limited to the amount of the actual loss.

For purposes of determining whether a Claimant had a gain from his, her or its overall transactions in Nortel common stock during the Class Period or suffered a loss, the Claims Administrator shall: (i) total the amount the Claimant paid for all Nortel common stock (the "Total Purchase Amount"); (ii) match any sales of Nortel common stock during the Class Period first against the Claimant's opening position in the stock (the proceeds of those sales will not be considered for purposes of calculating gains or losses); (iii) total the amount received for sales of the remaining shares of Nortel common stock during the Class Period (the "Sales Proceeds"); and (iv) ascribe a \$4.05 per share holding value for the number of shares of Nortel common stock purchased during the Class Period and still held at the end of the Class Period ("Holding Value"). The difference between (x) the Total Purchase Amount ((i) above) and (y) the sum of the Sales Proceeds ((iii) above) and the Holding Value ((iv) above) will be deemed a Claimant's gain or loss on his, her or its overall transactions in Nortel common stock during the Class Period.