

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