

IN THE MATTER OF
THE SECURITIES LEGISLATION OF ONTARIO, BRITISH COLUMBIA, ALBERTA,
SASKATCHEWAN, MANITOBA, NOVA SCOTIA, PRINCE EDWARD ISLAND, NEW
BRUNSWICK, NEWFOUNDLAND, YUKON, THE NORTHWEST TERRITORIES AND
NUNAVUT

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF
APPLICATIONS

AND

IN THE MATTER OF
NEWBRIDGE NETWORKS CORPORATION AND ALCATEL

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker"), in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland, the Yukon Territory, Northwest Territories and Nunavut (collectively, the "Jurisdictions") has received an application from each of Newbridge Networks Corporation ("Newbridge") and Alcatel on its own behalf and on behalf of Alcatel Holdings Canada Corp. ("Alcatel Holdings") which is an indirect wholly-owned subsidiary of Alcatel (collectively, the "Applicant"), for a decision pursuant to the securities legislation, regulations, rules and/or policies of the Jurisdictions (the "Legislation") that:

- (a) certain trades and/or distributions of securities in connection with the proposed merger (the "Merger") of Alcatel and Newbridge, to be effected by way of a plan of arrangement (the "Arrangement") under section 192 of the *Canada Business Corporations Act*, shall be exempt from the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirements") and to file a preliminary prospectus and a prospectus and receive receipts therefor prior to distributing a security (the "Prospectus Requirements");
- (b) Newbridge be exempt from the requirements of the Legislation to issue a press release and file a report regarding material changes (the "Material Change Reporting Requirements"), to file and deliver interim and annual financial statements (the "Financial Statement Requirements") and to file information circulars (the "Proxy Requirements"); and
- (c) the requirement contained in the Legislation for an insider of a reporting issuer to file reports disclosing the insider's direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer (the "Insider Reporting Requirement") shall not apply to each insider of Newbridge and its successors.

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS the Applicant has represented to the Decision Makers that:

1. Alcatel is a public company in France, the shares of which are listed on the Paris Bourse. The shares of Alcatel are also listed on the New York Stock Exchange (the "NYSE") in the form of American Depositary Shares (the "Alcatel ADSs").

2. Alcatel is currently subject to the reporting requirements of the U.S. Securities and Exchange Commission and the NYSE, and is not a "reporting issuer" in any of the Jurisdictions.

3. As at December 31, 1999, Alcatel's authorized capital consisted of Alcatel shares of nominal value of EURO 10 each, of which 199,895,247 Alcatel shares were issued and outstanding. As at December 31, 1999, Alcatel ADSs representing 17,661,164 Alcatel shares were issued and outstanding.

4. Alcatel Holdings will be an indirect wholly-owned subsidiary of Alcatel. It will be incorporated under the *Company Act* (Nova Scotia) for the purpose of implementing the Arrangement. Alcatel Holdings' only material assets upon completion of the Arrangement will be the issued and outstanding common shares in the capital of Newbridge (the "Newbridge Common Shares"). Alcatel Holdings will also hold the various call rights related to the non-voting exchangeable shares to be created in the capital of Newbridge pursuant to the Arrangement (the Exchangeable Shares").

5. The authorized capital of Alcatel Holdings will consist solely of common shares. Upon completion of the Arrangement, all of the issued and outstanding common shares of Alcatel Holdings will be held directly or indirectly by Alcatel.

6. Newbridge is a reporting issuer or the equivalent thereof, where applicable, in all the Jurisdictions (other than Quebec) and Newbridge's Common Shares are listed on The Toronto Stock Exchange (the "TSE") and the NYSE.

7. Newbridge's authorized capital consists of an unlimited number of Newbridge Common Shares and an unlimited number of participating preferred shares. As at February 22, 2000, there were 181,824,826 issued and outstanding Newbridge Common Shares and no issued or outstanding participating preferred shares. As at February 22, 2000, options to acquire no more than 32,916,053 Newbridge Common Shares were granted and outstanding under unexercised options to purchase Newbridge Common Shares (the "Newbridge Options"), rights to acquire not more than 13,000 Newbridge Common Shares were granted and outstanding under the Newbridge Employee Stock Purchase Plan, and rights to acquire 285,000 Newbridge Common Shares were granted and outstanding under warrants to purchase Newbridge Common Shares (the "Newbridge Warrants").

8. On February 23, 2000, Alcatel and Newbridge entered into a merger agreement dated as of February 22, 2000 (the "Merger Agreement"). The Merger will be effected by way of the Arrangement, pursuant to which Alcatel, through Alcatel Holdings, will own all of the Newbridge Common Shares.

9. Under the Arrangement, the authorized share capital of Newbridge will be reorganized by creating a new class of shares to be designated as Exchangeable Shares. Each Newbridge Common Share (other than those held by Alcatel and its affiliates and by a Newbridge shareholder who exercises his, her or its right of dissent) will be changed into 0.81 Exchangeable Shares. Alcatel Holdings will also acquire one Newbridge Common Share from treasury for \$1.00. The holders of Exchangeable Shares will receive cash in lieu of any fractional shares they would otherwise be entitled to receive equal to each holder's *pro rata* proportion of the net proceeds received from the sale of whole shares representing the accumulation of all fractional interests in Exchangeable Shares. At the effective time of the Arrangement, at the option of each holder, each Exchangeable Share received from the change of Newbridge Common Shares into Exchangeable Shares may be retained by the holder or transferred to Alcatel Holdings in exchange for one Alcatel ADS. Failure by a holder to duly elect to retain Exchangeable Shares will result in the transfer of such Exchangeable Shares to Alcatel Holdings in exchange for Alcatel ADSs. Immediately following such exchange, the Exchangeable Shares acquired by Alcatel Holdings shall be transferred by it to Newbridge in return for Newbridge Common Shares from treasury.

10. Following the effective time of the Arrangement, each Exchangeable Share will be retractable at any time at the option of the holder for one Alcatel ADS.

11. Newbridge Options held by existing and former directors, officers and employees of Newbridge and its affiliates will be replaced in the Arrangement by options to acquire that number of Alcatel ADSs equal to the number of Newbridge Common Shares that may be purchased as if such Newbridge Options were exercisable and exercised immediately prior to the effective date of the Arrangement, multiplied by 0.81 (the "Replacement Options"). The exercise price for each Alcatel ADS that may be acquired pursuant to the Replacement Options will equal the exercise price of the Newbridge Options, divided by 0.81. The vesting period for certain Newbridge Options will be accelerated, but otherwise their remaining provisions will be unchanged.

12. Newbridge Warrants will be amended to provide for the right to purchase the number of Exchangeable Shares equal to the number of Newbridge Common Shares that may be purchased as if such original Newbridge Warrants were exercisable and exercised immediately prior to the effective date of the Arrangement, multiplied by 0.81 (the "Revised Warrants"). The exercise price for each Revised Warrant will equal the exercise price of the original Newbridge Warrant, divided by 0.81, but otherwise their remaining provisions will be unchanged.

13. It is anticipated that the Exchangeable Shares will be listed on the TSE and that the Alcatel ADSs issuable in exchange for the Exchangeable Shares will be listed on the NYSE. Newbridge will therefore remain a reporting issuer in Ontario.

14. The Exchangeable Shares will be entitled to a preference over the Newbridge Common Shares and any other shares ranking junior to the Exchangeable Shares with respect to the payment of dividends and the distribution of assets in the event of a liquidation, dissolution or winding-up of Newbridge whether voluntary or involuntary, or any other distribution of the assets of Newbridge among its shareholders for the purpose of winding-up its affairs. Subject to adjustments, each Exchangeable Share will be retractable by the holder at any time for one Alcatel ADS. The Exchangeable Shares may be redeemed on a one for one basis for Alcatel ADSs at Newbridge's option on or after the fifth anniversary of the effective date of the Arrangement or earlier in certain circumstances, including if fewer than 4,000,000 Exchangeable Shares are held by non-Alcatel entities. Newbridge intends to redeem the Exchangeable Shares on such fifth anniversary if they have not already been redeemed. Provided the Exchangeable Shares are listed on a prescribed stock exchange in Canada, the Exchangeable Shares will be "qualified investments" under the *Income Tax Act* (Canada), as amended (the "ITA"), for certain investors and will not be "foreign property" under the ITA. The Exchangeable Shares are not equity securities of Newbridge within the meaning of the Legislation.

15. In accordance with the terms of an interim order from the Superior Court of Justice (Ontario), the required approval of the holders of the Newbridge Common Shares, Newbridge Options and Newbridge Warrants (collectively, the "Newbridge Securityholders") to the Arrangement will be not less than 66 2/3% of the votes cast at a meeting, at which each holder of Newbridge Common Shares will be entitled to one vote for each Newbridge Common Share held and each holder of Newbridge Options and Newbridge Warrants will be entitled to one vote for each Newbridge Common Share such holder would have received on a valid exercise of such holder's Newbridge Options or Newbridge Warrants, as applicable.

16. In connection with the Arrangement, Newbridge is sending to the Newbridge Securityholders a management proxy circular (the "Circular"). The Circular contains prospectus level disclosure of the business and affairs of each of Alcatel and Newbridge and of the particulars of the Arrangement, and also contains *pro forma* income statements for the year ended December 31, 1999 and a *pro forma* balance sheet as at December 31, 1999, in each case for the combined Alcatel-Newbridge entity based upon financial information for Alcatel as at or for the year ended December 31, 1999 and financial information for Newbridge as at or for the 12 month period ended January 31, 2000. The *pro forma* financial statements are prepared in U.S. dollars and in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

17. In connection with the Arrangement, Alcatel, Alcatel Holdings, Newbridge and a trustee will enter into an exchange trust agreement (the "Exchange Trust Agreement") and Alcatel, Alcatel Holdings and Newbridge will enter into a support agreement (the "Support Agreement"). These two agreements, together with the rights, privileges, restrictions and conditions attaching to the Exchangeable Shares (the "Exchangeable Share Provisions"), result in the economic attributes of the Exchangeable Shares being substantially equivalent in all material respects to the economic attributes of the Alcatel ADSs (without taking into account tax effects). However, as a result of certain requirements of French corporate law, the holders of Exchangeable Shares will not be provided with voting rights at the Alcatel level unless and until they exchange their Exchangeable Shares for Alcatel ADSs.

18. Pursuant to the Exchange Trust Agreement, Alcatel Holdings will grant to a trustee (the "Trustee") for the benefit of holders (other than Alcatel and its affiliates) of the Exchangeable Shares (the "Beneficiaries") the right to require Alcatel Holdings to purchase from any Beneficiary all or any part of the Exchangeable Shares held by such Beneficiary upon the occurrence and during the continuance of an insolvency event involving Newbridge (the "Exchange Rights"). Under the Exchange Trust Agreement, the Trustee also holds for the benefit of the Beneficiaries the obligation of Alcatel Holdings to effect an automatic exchange of Exchangeable Shares for Alcatel ADSs in the case of an insolvency or liquidation event affecting Alcatel (the "Automatic Exchange Rights"). In addition, Alcatel will covenant to, among other things, cause to be fulfilled all of the obligations of Alcatel Holdings under the Exchange Trust Agreement.

19. The Support Agreement will restrict Alcatel from declaring or paying dividends on the Alcatel ADSs unless equivalent dividends are declared and paid on the Exchangeable Shares. In addition, pursuant to the Support Agreement, Alcatel may not make any changes to the Alcatel ADSs (e.g., subdivision, consolidation or reclassification) unless the same or economically equivalent changes are simultaneously made to, or in the rights of the holders of, the Exchangeable Shares.

20. The steps under the Arrangement, the attributes of the Exchangeable Shares and the creation and exercise of certain rights provided for in the Exchangeable Share Provisions, the Exchange Trust Agreement and the Support Agreement involve or may involve "trades" and/or "distributions" (the "Trades") of securities under the Legislation, including:

- (a) the change of Newbridge Common Shares into Exchangeable Shares and the delivery by Newbridge of the Exchangeable Shares in connection with the Arrangement;
- (b) the issuance of one Newbridge Common Share to Alcatel Holdings in connection with the Arrangement;
- (c) the issuance by Alcatel of Alcatel ADSs to enable Alcatel Holdings to deliver Alcatel ADSs in connection with the Arrangement;
- (d) the transfer of Exchangeable Shares by certain holders thereof to Alcatel Holdings in connection with the Arrangement and the delivery of Alcatel ADSs by Alcatel Holdings to such holders;
- (e) the transfer of Exchangeable Shares by Alcatel Holdings to Newbridge in connection with the Arrangement and the issuance and delivery by Newbridge of Newbridge Common Shares in exchange for such Exchangeable Shares;
- (f) the exchange of Newbridge Options for Replacement Options and the issuance and delivery of Alcatel ADSs by Alcatel to a holder of a Replacement Option upon the exercise thereof;

- (g) the amendment of the Newbridge Warrants and the issuance and delivery of Exchangeable Shares by Newbridge or Alcatel ADSs by Alcatel and Alcatel Holdings to a holder of a Revised Warrant upon the exercise thereof;
- (h) the grant to the trustee under the Exchange Trust Agreement for the benefit of holders of Exchangeable Shares, pursuant to the Exchange Trust Agreement, of the Exchange Rights and the Automatic Exchange Rights;
- (i) the grant of the overriding call right of Alcatel Holdings to purchase all of the outstanding Exchangeable Shares from the holders of such shares upon a proposed liquidation, dissolution or winding-up of Newbridge (the "Liquidation Call Right");
- (j) the grant of the overriding call right of Alcatel Holdings to purchase from a holder of Exchangeable Shares all of the Exchangeable Shares of such holder that are the subject of a retraction notice (the "Retraction Call Right");
- (k) the grant of the overriding call right of Alcatel Holdings to purchase all of the outstanding Exchangeable Shares from the holders of such shares upon notice from Newbridge of a proposed redemption of Exchangeable Shares (the "Redemption Call Right");
- (l) the issuance by Alcatel of Alcatel ADSs to enable Newbridge to deliver Alcatel ADSs to a holder of Exchangeable Shares upon its retraction of Exchangeable Shares, and the subsequent delivery by Alcatel Holdings (at the direction of Newbridge) of Alcatel ADSs upon such retraction;
- (m) the transfer of Exchangeable Shares by the holder thereof to Newbridge upon the holder's retraction of Exchangeable Shares;
- (n) the issuance by Alcatel of Alcatel ADSs to enable Alcatel Holdings to deliver Alcatel ADSs to a holder of Exchangeable Shares in connection with Alcatel Holdings' exercise of the Retraction Call Right, and the subsequent delivery by Alcatel Holdings of Alcatel ADSs upon such exercise of the Retraction Call Right;
- (o) the transfer of Exchangeable Shares by the holder thereof to Alcatel Holdings upon Alcatel Holdings exercising the Retraction Call Right;
- (p) the issuance by Alcatel of Alcatel ADSs to enable Newbridge to deliver Alcatel ADSs to holders of Exchangeable Shares upon the redemption of the Exchangeable Shares, and the subsequent delivery by Alcatel Holdings (at the direction of Newbridge) of Alcatel ADSs upon such redemption;
- (q) the transfer of Exchangeable Shares by the holder thereof to Newbridge upon the redemption of Exchangeable Shares;

(r) the issuance by Alcatel of Alcatel ADSs to enable Alcatel Holdings to deliver Alcatel ADSs to holders of Exchangeable Shares in connection with Alcatel Holdings' exercise of the Redemption Call Right, and the subsequent delivery by Alcatel Holdings of Alcatel ADSs upon such exercise of the Redemption Call Right;

(s) the transfer of Exchangeable Shares by the holder thereof to Alcatel Holdings upon Alcatel Holdings exercising the Redemption Call Right;

(t) the issuance by Alcatel of Alcatel ADSs to enable Newbridge to deliver Alcatel ADSs to holders of Exchangeable Shares on the liquidation, dissolution or winding-up of Newbridge and the subsequent delivery by Alcatel Holdings (at the direction of Newbridge) of Alcatel ADSs upon such liquidation, dissolution or winding-up;

(u) the transfer of Exchangeable Shares by the holder thereof to Newbridge on the liquidation, dissolution or winding-up of Newbridge;

(v) the issuance by Alcatel of Alcatel ADSs to enable Alcatel Holdings to transfer Alcatel ADSs to holders of Exchangeable Shares in connection with Alcatel Holdings' exercise of the Liquidation Call Right, and the subsequent delivery by Alcatel Holdings of Alcatel ADSs upon such exercise of the Liquidation Call Right;

(w) the transfer of Exchangeable Shares by the holder thereof to Alcatel Holdings upon Alcatel Holdings exercising the Liquidation Call Right;

(x) the issuance of Alcatel ADSs by Alcatel and the subsequent delivery thereof by Alcatel Holdings to a holder of Exchangeable Shares upon the exercise of the Exchange Rights or upon the exercise of the Automatic Exchange Rights;

(y) the transfer of Exchangeable Shares by a holder thereof to Alcatel Holdings upon the exercise of the Exchange Rights or upon exercise of the Automatic Exchange Rights;

(z) the transfer to Newbridge of Exchangeable Shares received by Alcatel Holdings as a result of the exercise of the Liquidation Call Right, the Retraction Call Right, the Redemption Call Right, the Exchange Rights and the Automatic Exchange Rights and the issuance and delivery by Newbridge of Newbridge Common Shares in exchange for such Exchangeable Shares; and

(aa) the issuance and delivery of Alcatel shares to enable the creation and issuance of the applicable Alcatel ADSs, or upon the exchange of Alcatel ADSs for Alcatel shares in accordance with the terms of the Alcatel ADSs.

21. The fundamental investment decision to be made by a Newbridge Securityholder is made at the time of the Arrangement, when such holder votes in respect of the Arrangement. As a result of this decision, a holder (other than a holder who exercises its right of dissent) receives Exchangeable Shares or Alcatel ADSs in exchange for its Newbridge Common Shares. The Exchangeable Shares may, at the holder's option, be retracted for Alcatel ADSs. As the Exchangeable Shares will provide certain Canadian tax benefits to certain Canadian holders but will otherwise be the economic equivalent (without taking into account tax effects) in all material respects (absent voting rights) of the Alcatel ADSs, all subsequent exchanges of Exchangeable Shares are in furtherance of the holder's initial investment decision at the time of the Arrangement. That investment decision will be made on the basis of the Circular, which will contain detailed disclosure of the business and affairs of each of Alcatel and Newbridge and of the particulars of the Arrangement.

22. The information respecting Newbridge that would be required to be disseminated through compliance with the requirements described in paragraphs (b) through (d) above is not relevant (and is arguably misleading) to holders of Exchangeable Shares. As indicated above, the election of certain holders of Newbridge Common Shares to receive Exchangeable Shares under the Arrangement will enable those holders to defer certain Canadian income tax and permit other holders to hold property that is not foreign property under the ITA. As a result of the economic equivalency in all material respects between the Exchangeable Shares and the Alcatel ADSs (without taking into account tax effects and absent voting rights), holders of Exchangeable Shares will, in effect, have a non-voting equity interest in Alcatel, rather than Newbridge, as dividend and dissolution entitlements will be determined by reference to the financial performance and condition of Alcatel, not Newbridge. Accordingly, it is the information relating to Alcatel not Newbridge, that will be relevant to holders of both the Alcatel ADSs and the Exchangeable Shares. In light of the fact that the value of the Exchangeable Shares, determined through dividend and dissolution entitlements and capital appreciation, is determined by reference to the consolidated financial performance and condition of Alcatel, and not Newbridge, information respecting the financial condition of Newbridge (otherwise than as included in Alcatel's consolidated financial statements) is not relevant (and is arguably misleading) to holders of Exchangeable Shares.

AND WHEREAS pursuant to the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that:

1. the Registration Requirements and Prospectus Requirements shall not apply to the Trades;
2. the first trade in Exchangeable Shares acquired under the Arrangement or upon exercise of the Revised Warrants shall be subject to the Prospectus Requirements, other than a trade that is exempt therefrom unless:

(a) Newbridge is a reporting issuer or the equivalent under the Legislation of the Jurisdiction in which the trade takes place (the "Applicable Legislation") or where the Applicable Legislation does not recognize the status of a reporting issuer, the requirements described in paragraph 4 below are met;

(b) if the seller is in a special relationship with or is an "insider" of Newbridge (as defined in the Applicable Legislation) the seller has reasonable grounds to believe that Newbridge is not in default of any requirement of the Applicable Legislation;

(c) no unusual effort is made to prepare the market or to create a demand for the Exchangeable Shares, and no extraordinary commission or consideration is paid in respect of such first trade;

(d) disclosure of the exempt trade is made to the Decision Maker(s) (the Decision Makers hereby confirming that the filing of the Circular with the Decision Makers at the time of mailing the Circular to holders of Newbridge Common Shares constitutes disclosure to the Decision Makers of the exempt trade); and

(e) such first trade is not made from the holdings of any person, company or combination of persons or companies holding a sufficient number of any securities of Newbridge to affect materially the control of Newbridge, but any holding of any person, company or combination of persons or companies holding more than 20% of the outstanding voting securities of Newbridge or Alcatel shall, in the absence of evidence to the contrary, be deemed to affect materially the control of Newbridge, unless:

(i) if applicable, Newbridge is a reporting issuer or the equivalent under the Applicable Legislation and is not in default of any requirement thereof;

(ii) the seller files with the applicable Decision Maker(s) and any other stock exchange recognized by such Decision Maker(s) for this purpose on which the Exchangeable Shares are listed at least seven days and not more than fourteen days prior to such first trade;

(A) a notice of intention to sell in the form prescribed by the Applicable Legislation for control block distributions (the "Control Block Rules") disclosing particulars of the control position known to the seller, the number of Exchangeable Shares to be sold and the method of distribution; and

(B) a declaration signed by the seller as at a date not more than twenty-four hours prior to its filing and

prepared and executed in accordance with the Control Block Rules and certified as follows:

"the seller for whose account the securities to which this certificate relates are to be sold hereby represents that the seller has no knowledge of any material change which has occurred in the affairs of the issuer of the securities which has not been generally disclosed and reported to the [name of securities regulatory authority in the Jurisdiction where the trade takes place], nor has the seller any knowledge of any other material adverse information in regard to the current and prospective operations of the issuer which have not been generally disclosed",

provided that the notice required to be filed under section 2(e)(ii)(A) and the declaration required to be filed under the section 2(e)(ii)(B) shall be renewed and filed at the end of sixty days after the original date of filing and thereafter at the end of each twenty-eight day period so long as any of the Exchangeable Shares specified under the original notice have not been sold or until notice has been filed that the Exchangeable Shares so specified or any part thereof are no longer for sale;

(iii) the seller files with the applicable Decision Maker(s) within three days after the completion of any such first trade, a report of the trade in the form prescribed by the Applicable Legislation;

(iv) no unusual effort is made to prepare the market or to create a demand for the Exchangeable Shares and no extraordinary commission or other consideration is paid in respect of such first trade; and

(v) the seller (or affiliated entity) has held the Exchangeable Shares and/or Newbridge Common Shares for a period of at least twelve months, provided that if:

(A) the Applicable Legislation provides that, upon a seller to whom the Control Block Rules apply, acquiring additional securities of a class pursuant to certain prescribed exemptions from prospectus requirements under such legislation, all securities of such class are subject to a hold period commencing

the date the last security of the class was acquired under such prescribed exemptions;

(B) the seller acquires Exchangeable Shares pursuant to any such prescribed exemptions;

then all Exchangeable Shares held by the seller will be subject to such hold period commencing on the date any such subsequent Exchangeable Shares are so acquired;

3. the first trade in Alcatel ADSs (or Alcatel shares represented thereby) acquired under the Arrangement, upon the retraction or redemption of Exchangeable Shares, in connection with the liquidation, dissolution or winding-up of Newbridge or upon the exercise of the Liquidation Call Right, the Retraction Call Right, the Redemption Call Right, the Exchange Rights or the Automatic Exchange Rights, or upon the exercise of the Replacement Options or upon exercise of the Revised Warrants shall be subject to the Prospectus Requirements other than a trade that is exempt therefrom unless such trade is executed through the facilities of a stock exchange or market outside of Canada in accordance with all laws and rules applicable to the stock exchange or market; and

4. the Material Change Reporting Requirements, Financial Statement Requirements and Proxy Requirements shall not apply to Newbridge and Insider Reporting Requirements shall not apply to an insider of Newbridge who is an insider only by virtue of being a director or senior officer of Newbridge or a subsidiary of Newbridge or to transactions in exchangeable shares by Alcatel Holdings, provided that, at the time that any such requirement would otherwise apply:

(a) Alcatel sends to all holders of Exchangeable Shares resident in Canada contemporaneously, all disclosure material furnished to holders of Alcatel ADSs resident in the United States, including, without limitation, copies of its annual financial statements and all notices prepared in connection with Alcatel's Shareholder meetings;

(b) Alcatel files with the Decision Makers copies of all documents required to be filed by it with the U.S. Securities and Exchange Commission under the *United States Securities Exchange Act of 1934*, as amended, including without limitation, copies of any Form 20-F, Form 6-K and notices prepared in connection with Alcatel's shareholder meetings;

(c) Alcatel complies with the requirements of the NYSE in respect of making public disclosure of material information on a timely basis and forthwith issues in Canada and files with the Decision Makers any press release that discloses a material change in Alcatel's affairs;

(d) the Circular includes a statement that, as a consequence of this order, Newbridge and its insiders will be exempt from certain disclosure requirements

applicable to reporting issuers and its insiders in Canada, and specifies those requirements Newbridge and its insiders have been exempted from, and identifies the disclosure that will be made in substitution therefor;

(e) Newbridge complies with the Material Change Reporting Requirements in respect of material changes in the affairs of Newbridge that would be material to holders of Exchangeable Shares but would not be material to holders of Alcatel ADSs;

(f) Alcatel includes in all future mailings of proxy solicitation materials (if any) to holders of Exchangeable Shares a clear and concise statement explaining the reason for the mailed material being solely in relation to Alcatel and not in relation to Newbridge, such statement to include a reference to the economic equivalency between the Exchangeable Shares and the Alcatel ADSs (without taking into account tax effects);

(g) Alcatel remains the direct or indirect beneficial owner of all the issued and outstanding Newbridge Common Shares; and

(h) Alcatel's annual audited financial statements are reconciled to U.S. GAAP (or international GAAP, if this becomes acceptable in Canada) in its Form 20-F or equivalent documents) and such reconciliation is audited.

DATED at Toronto this 23rd day of May, 2000.

Robert W. Korthals

J.F. Howard