

IN THE MATTER OF THE SECURITIES LEGISLATION
OF BRITISH COLUMBIA, ALBERTA, MANITOBA, ONTARIO, QUEBEC,
AND NOVA SCOTIA

AND

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

AND

IN THE MATTER OF
NORTEL NETWORKS CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker" or, collectively, the "Decision Makers") in each of British Columbia, Alberta, Manitoba, Ontario, Quebec and Nova Scotia (the "Jurisdictions") has received an application from Nortel Networks Corporation ("Nortel Networks") for a decision, pursuant to the securities legislation of the Jurisdictions (the "Legislation"), that the requirement in the Legislation to file insider reports shall not apply to: (i) certain directors and senior officers of certain subsidiaries of Nortel Networks; and (ii) certain directors and senior officers of Nortel Networks or any of its subsidiaries with respect to their acquisition of securities of Nortel Networks pursuant to various automatic securities purchase plans;

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 Nortel Networks has represented to the Decision Makers that:

1. Nortel Networks Limited ("NNL") is a corporation incorporated under the *Canada Business Corporations Act* (the "CBCA"), is a reporting issuer in the Jurisdictions where such concept exists and, to the best of its knowledge, is not in default of any of the requirements of the Legislation.
2. The authorized share capital of NNL consists of an unlimited number of common shares ("NNL Common Shares") and an unlimited number of Class A Preferred Shares and Class B Preferred Shares issuable in series.
3. As at March 31, 2000, 1,455,288,912 NNL Common Shares were issued and outstanding.
4. Nortel Networks is a corporation incorporated under the CBCA, is a reporting issuer in the Jurisdictions where such concept exists, other than Newfoundland, and, to the best of its knowledge, is not in default of any of the requirements of the legislation.

5. The authorized share capital of Nortel Networks consists of an unlimited number of common shares ("Nortel Networks Common Shares") and an unlimited number of Class A Preferred Shares and Class B Preferred Shares issuable in series.
6. The Nortel Networks Common Shares are listed and posted for trading on the Toronto and New York stock exchanges.
7. NNL, Nortel Networks and BCE Inc., among others, entered into an arrangement (the "Arrangement") under the CBCA, effective May 1, 2000 (the "Effective Date").
8. Pursuant to the Arrangement, all of the NNL Common Shares were acquired by Nortel Networks on the Effective Date and the sole assets of Nortel Networks as at such date were the NNL Common Shares.
9. Pursuant to the Arrangement, in exchange for their NNL Common Shares held immediately prior to the Effective Date, holders thereof received Nortel Networks Common Shares.
10. Prior to the Effective Date, NNL maintained various stock dividend and share purchase plans which provided for the acquisition of NNL Common Shares thereunder by employees, officers and directors of NNL and its subsidiaries, including the following plans: (1) the Nortel Networks Limited Shareholder Dividend Reinvestment and Stock Purchase Plan (the "DRIP"); (2) the NNL Global Employee Stock Purchase Plan (the "Global ESPP"); and (3) the NNL Stock Purchase Plan (the "ESPP" and, together with the DRIP and the Global ESPP, the "NNL Plans").
11. NNL also maintained the following plans (the "NNL Unit Plans") for certain employees, officers and directors of NNL and its subsidiaries: (1) the Nortel Networks Limited Directors' Deferred Share Compensation Plan (the "DDSCP"); (2) the Nortel Networks Limited Investment Plan for Employees—Canada (the "IPEC"); and (3) the Nortel Networks Inc. Long-Term Investment Plan (the "LTIP").
12. On the Effective Date, the NNL Plans were either assumed by Nortel Networks or amended (the "Nortel Networks Plans"), and, in each case, provide for the acquisition thereunder of Nortel Networks Common Shares instead of NNL Common Shares.
13. On the Effective Date, the NNL Unit Plans were amended (the "Nortel Networks Unit Plans") such that holders of Units thereunder shall be entitled to receive Nortel Networks Common Shares, in accordance with the terms of such plans, as opposed to NNL Common Shares.
14. The DRIP is an automatic securities purchase plan that enables holders of record of Nortel Networks Common Shares who are participants therein to acquire Nortel Networks Common Shares quarterly by reinvesting all (but not less than all) cash dividends paid on the Nortel Networks Common Shares held of record by such participants pursuant to the DRIP.

15. The DRIP also permits participants to purchase Nortel Networks Common Shares quarterly with optional cash payments ("Cash Contributions") of between U.S.\$40 and U.S.\$5,000 per quarter (or the equivalent amount in Canadian currency).

16. Montreal Trust Company of Canada (the "Administrator") has been appointed as the administrator of the DRIP. The Administrator receives all cash dividends paid on Nortel Networks Common Shares held of record by participants in the DRIP and Cash Contributions made by participants, purchases Nortel Networks Common Shares directly from Nortel Networks on behalf of participants on the last business day of each quarter and holds such shares on behalf of participants.

17. The number of Nortel Networks Common Shares acquired by participants under the DRIP, the timing of acquisitions of the Nortel Networks Common Shares and the price paid for such shares are established by a procedure set out in the DRIP, and acquisitions of Nortel Networks Common Shares pursuant to the DRIP (other than Nortel Networks Common Shares acquired with Cash Contributions) are made by the Administrator directly from Nortel Networks, without any direction from a participant.

18. The Global ESPP is an automatic securities purchase plan that facilitates the acquisition and retention of Nortel Networks Common Shares by eligible employees of Nortel Networks, its subsidiaries and certain designated associates.

19. The Global ESPP permits participants to make contributions through payroll deductions of between 1% and 6% of their eligible earnings. A participant's employer makes contributions under the plan on behalf of the participant in an amount equal to 50% of the participant's contributions.

20. A plan custodian appointed under the Global ESPP receives the employee contributions, the employer contributions and any dividends paid on Nortel Networks Common Shares held by participants under the Global ESPP, causes purchases of Nortel Networks Common Shares to be made monthly on the New York Stock Exchange on behalf of participants, and may hold such shares for participants in designated accounts.

21. The number of Nortel Networks Common Shares acquired by participants under the Global ESPP, the timing of acquisitions of the Nortel Networks Common Shares and the price paid for such shares are established by a procedure set out in the Global ESPP, and acquisitions of Nortel Networks Common Shares pursuant to the Global ESPP are made by the plan custodian on the open market without any direction from a participant.

22. The ESPP is an automatic securities purchase plan that facilitates the acquisition and retention of Nortel Networks Common Shares by eligible employees of Nortel Networks, its subsidiaries and certain other designated corporations.

23. The ESPP permits participants to make contributions through payroll deductions of between 1% and 10% of their eligible earnings. A participant's employer makes contributions under the plan on behalf of the participant in an amount such that the acquisition cost of a Nortel Networks

Common Share to a (North American) participant will be equal to 85% of the average of the actual prices at which the Nortel Networks Common Shares are purchased under the ESPP for the relevant period.

24. A plan custodian appointed under the ESPP receives the employee contributions, the employer contributions and any dividends paid on Nortel Networks Common Shares held by participants under the Global ESPP, causes purchases of Nortel Networks Common Shares to be made quarterly on the Toronto and/or New York stock exchanges on behalf of participants, and may hold such shares for participants in designated accounts.

25. The number of Nortel Networks Common Shares acquired by participants under the ESPP, the timing of acquisitions of the Nortel Networks Common Shares and the price paid for such shares are established by a procedure set out in the ESPP, and acquisitions of Nortel Networks Common Shares pursuant to the ESPP are made by the plan custodian on the open market without any direction from a participant.

26. The DDSCP is an automatic securities purchase plan that assists Nortel Networks in attracting and retaining individuals with experience and ability to serve as members of its board of directors and to promote a greater alignment of interests between non-employee directors and the shareholders of Nortel Networks.

27. The DDSCP provides that non-employee directors of Nortel Networks who participate thereunder will receive 100% of their annual retainer fees (payable quarterly) in the form of units, in lieu of cash. In addition, at the discretion of the committee of the board of directors of Nortel Networks appointed to administer the DDSCP, participants may elect to receive any other fees payable in respect of services to be rendered by such participants in their capacity as directors that would otherwise be payable in cash in the form of units. All non-employee directors are encouraged to participate in the DDSCP and, with the exception of one, all non-employee directors participate therein.

28. Participants in the DDSCP are also credited with an applicable number of additional units when dividends are declared and paid on Nortel Networks Common Shares.

29. Subject to the terms and conditions of the DDSCP, each unit allocated to a participant represents his or her entitlement to receive, on a specified date as determined in accordance with the terms of the DDSCP, a Nortel Networks Common Share when he or she ceases to be a director of Nortel Networks and is neither an employee nor a director of Nortel Networks or one of its subsidiaries.

30. Purchases of Nortel Networks Common Shares pursuant to the DDSCP are made on the open market by an appropriately registered broker or dealer and the number of Nortel Networks Common Shares acquired, the timing of such acquisitions and the price in respect thereof are determined without any direction from participants under the DDSCP.

31. The IPEC is an automatic securities purchase plan that permits eligible employees of Nortel Networks and certain designated affiliates to make contributions to the plan through payroll

deductions in amounts equal to 2%, 3%, 4%, 5% or 6% of their eligible earnings. Nortel Networks also makes contributions on behalf of participants in amounts equal to 50%, 60% or 100% of such participants' contributions, depending upon which benefits program participants elect to participate in under the IPEC.

32. Participants in the IPEC may also make additional contributions, under certain circumstances, of 1% of their eligible earnings through payroll deductions and in the form of lump sum payments (such lump sum payments, also "Cash Contributions").

33. All contributions made by and on behalf of participants are invested, at the direction of participants, in one or more investment funds held by Sun Life Assurance Company of Canada ("Sun Life"), one of which (the "Nortel Networks Fund") is a segregated fund which is invested in Nortel Networks Common Shares.

34. Contributions made to the Nortel Networks Fund by and on behalf of participants are converted into units of the Nortel Networks Fund and credited to participants' accounts under the IPEC. Units of the Nortel Networks Fund accumulated by participants represent their entitlement to receive, at their election, Nortel Networks Common Shares, in accordance with the terms of the IPEC.

35. Sun Life purchases and sells Nortel Networks Common Shares on the open market or by private transaction, as required to administer and fund the Nortel Networks Fund.

36. The number of Nortel Networks Common Shares acquired by Sun Life in connection with the Nortel Networks Fund, the timing of such acquisitions and the price in respect thereof are determined by Sun Life in its discretion, without any direction from participants under the IPEC.

37. The LTIP is an automatic securities purchase plan the purpose of which is to encourage the accumulation of personal savings by eligible employees for their retirement.

38. The LTIP permits eligible employees of Nortel Networks Inc. and certain subsidiaries and affiliates to make contributions under the plan of between 1% and 15% of their eligible earnings, subject to certain annual dollar limitations. Nortel Networks Inc. also makes contributions on behalf of participants in amounts equal to 60% of such participants' contributions.

39. A participant under the LTIP may also make a rollover contribution under the LTIP with funds transferred from an employee pension benefit plan in which he or she previously participated.

40. All contributions made by and on behalf of participants under the LTIP are invested, at the direction of participants, in one or more investment funds, one of which (the "Nortel Networks Fund") invests primarily in Nortel Networks Common Shares.

41. The value of each participant's investment in the Nortel Networks Fund is represented by units of the Nortel Networks Fund which are credited to participants' accounts under the LTIP

(units accumulated by participants under the DDSCP, the IPEC and the LTIP are collectively referred to herein as "Units").

42. Contributions made by and on behalf of participants under the LTIP may, at the discretion of participants and in accordance with the terms of the LTIP, be withdrawn from the LTIP in the form of Nortel Networks Common Shares.

43. A trustee is appointed under the LTIP to oversee the LTIP, maintain participant accounts and pay benefits to participants thereunder.

44. The trustee purchases and sells Nortel Networks Common Shares as necessary to implement the provisions of the LTIP and the Nortel Networks Common Shares purchased in connection with the Nortel Networks Fund, the price paid for the Nortel Networks Common Shares and the timing of such acquisitions are made by the trustee without any direction from participants.

45. The number of Nortel Networks Common Shares that may be acquired under the Nortel Networks Plans and the Nortel Networks Unit Plans is and will be *de minimis* in relation to the number of Nortel Networks Common Shares outstanding at the time of acquisition under such plans.

46. Pursuant to existing orders granted by the Decision Makers, certain directors and senior officers of subsidiaries of NNL are, and the acquisition of securities of NNL by directors and senior officers of NNL and its subsidiaries under the NNL Plans and the NNL Unit Plans is, in certain circumstances, exempt from the Insider Reporting Requirement.

47. The companies listed in the attached appendix ("Appendix A") are all subsidiaries ("Major Subsidiaries") of Nortel Networks that have, as reflected in the most recent annual audited financial statements of NNL filed with the Decision Makers in the Jurisdictions, either: (i) assets, on a consolidated basis with its subsidiaries, representing 10 percent or more of the consolidated assets of NNL shown on the balance sheet; or (ii) revenues, on a consolidated basis with its subsidiaries, representing 10 percent or more of the consolidated revenues of NNL shown on the statement of income and loss.

48. Nortel Networks undertakes to maintain a list of directors and senior officers exempted by this Decision (as hereinafter defined) and the basis upon which each of the directors and senior officers comes within the terms of the Decision, to maintain a continuing review of the facts contained in the representations upon which this Decision is made and, upon the request of any of the Decision Makers or their staff, to provide any information necessary to determine whether a director or senior officer of any subsidiary of Nortel Networks is or is not exempted by this Decision.

49. Nortel Networks undertakes to promptly advise the Commission des valeurs mobilières du Québec (the "Québec Commission") of the name of every director and senior officer who becomes, or ceases to be, exempted by this Decision.

50. Directors and senior officers of Nortel Networks and its subsidiaries (the "Participating Insiders") may be participants in one or more of the Nortel Networks Plans and the Nortel Networks Unit Plans.

AND WHEREAS pursuant to the System this 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:

A. any person who is subject to the insider reporting requirements of the Legislation due to the fact that he or she is a director or senior officer of a subsidiary of Nortel Networks, other than a Major Subsidiary listed in Appendix A, is exempt from the insider reporting requirements with respect to his or her ownership of or control or direction over securities of Nortel Networks, provided that the exemption contained in this Decision Document shall not apply to a person who:

(a) in the ordinary course receives notice of or information as to material facts or material changes with respect to Nortel Networks prior to general disclosure to the public of such facts or changes;

(b) becomes a director or senior officer of Nortel Networks or a Major Subsidiary as listed in Appendix A, or a company which, after the date hereof, becomes a Major Subsidiary;

(c) is or becomes an insider of Nortel Networks in a capacity other than as a director or senior officer of a subsidiary of Nortel Networks; or

(d) is denied the exemptions contained in this Decision Document by another decision of the Decision Makers or any one of them; and

B. the requirement contained in the Legislation to file insider reports, in connection with the acquisition of Nortel Networks Common Shares pursuant to a Nortel Networks Plan or Units pursuant to a Nortel Networks Unit Plan (other than Nortel Networks Common Shares or Units acquired with Cash Contributions, which acquisitions shall be reported within the time required by the Legislation), as the case may be, shall not apply to any Participating Insider who is subject to the insider reporting requirements due to the fact that he or she is a director or senior

officer of Nortel Networks or any subsidiary of Nortel Networks, including a Major Subsidiary, provided that, in each case:

(a) for any Nortel Networks Common Shares acquired under a Nortel Networks Plan or Units acquired under a Nortel Networks Unit Plan, as the case may be, which, during a financial year of Nortel Networks, are disposed of or transferred, the Participating Insider files an insider report, within the time required by the Legislation for reporting the disposition or transfer, disclosing the acquisition of the Nortel Networks Common Shares under the Nortel Networks Plan or the Units under the Nortel Networks Unit Plan, as the case may be, that have not previously been reported by or on behalf of the Participating Insider;

(b) for any Nortel Networks Common Shares acquired under the Nortel Networks Plan or Units acquired under the Nortel Networks Unit Plan, as the case may be, which, during a financial year of Nortel Networks, have not been disposed of or transferred, the Participating Insider files an insider report, within 90 days of the end of the financial year of Nortel Networks, disclosing the acquisition of all Nortel Networks Common Shares under the Nortel Networks Plan and/or all Units under the Nortel Networks Unit Plan, as the case may be, during the 12-month period ending the preceding December 31, that have not previously been reported by or on behalf of the Participating Insider;

(c) in all Jurisdictions except Quebec, the Participating Insider does not beneficially own, directly or indirectly, voting securities of Nortel Networks, or exercise control or direction over voting securities of Nortel Networks, or a combination of both, that carry more than 10 percent of the voting rights attaching to all outstanding voting securities of Nortel Networks; and

(d) in Quebec, the Participating Insider does not exercise control over more than 10 percent of a class of shares of Nortel Networks to which are attached voting rights or an unlimited right to a

share of the profits of Nortel Networks and in its assets in case of winding-up.

PROVIDED THAT the Decision of the Decision Makers contained in this Decision Document will terminate on the date that proposed National Instrument 55-101 Exemption from Certain Insider Reporting Requirements comes into force.

DATED on May 11th, 2000.

"Iva Vranic"

APPENDIX A

The Major Subsidiaries of Nortel Networks Corporation are:

Nortel Networks Limited
Nortel Networks Inc.
Nortel Networks plc
Nortel Networks NA Inc.

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief for officers and directors of certain subsidiaries of reporting issuer from the insider reporting requirements, subject to certain conditions - relief for officers and directors of reporting issuer and of any subsidiary of reporting issuer from the insider reporting requirements with respect to the acquisition of securities under various automatic share purchase plans, subject to certain conditions, including annual reporting.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as amended, ss. 1(1), 107, 108, 121(2)(a)(ii).

Applicable Ontario Regulations

Regulation made under the *Securities Act*, R.R.O. 1990, Reg. 1015, as amended, Part VIII.

Applicable Ontario Policy Statements

Ontario Securities Commission Policy Statement No. 10.1.