

Form PTO-1595 (Rev. 09/04)  
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U.S. DEPARTMENT OF COMMERCE  
United States Patent and Trademark Office

## RECORDATION FORM COVER SHEET PATENTS ONLY

To the Director of the U.S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

**1. Name of conveying party(ies)/Execution Date(s):**

NORTEL NETWORKS CORPORATION

Execution Date(s) May 1, 2000

Additional name(s) of conveying party(ies) attached? ☐ Yes ☒ No

**3. Nature of conveyance:**

- ☐ Assignment ☐ Merger  
☐ Security Agreement ☒ Change of Name  
☐ Government Interest Assignment  
☐ Executive Order 9424, Confirmatory License  
☐ Other \_\_\_\_\_

**2. Name and address of receiving party(ies)**

Name: NORTEL NETWORKS LIMITED

Internal Address: \_\_\_\_\_

Street Address: 2351 Boulevard Alfred-Nobel

City: St. Laurent

State: Quebec

Country: CANADA Zip: H4S 2A8

Additional name(s) & address(es) attached? ☐ Yes ☒ No

**4. Application or patent number(s):**

A. Patent Application No.(s)

09/979,983

☐ This document is being filed together with a new application.

B. Patent No.(s)

Additional numbers attached? ☐ Yes ☒ No

**5. Name and address to whom correspondence concerning document should be mailed:**

Name: Borden Ladner Gervais LLP

Internal Address: \_\_\_\_\_

Street Address: World Exchange Plaza

100 Queen Street, Suite 1100

City: Ottawa

State: Ontario, CANADA Zip: K1P 1J9

Phone Number: (613) 237-5160

Fax Number: (613) 787-3558

Email Address: ipinfo@blgcanada.com

**6. Total number of applications and patents involved:**

1

**7. Total fee (37 CFR 1.21(h) & 3.41) \$ 40.00**

- ☐ Authorized to be charged by credit card  
☒ Authorized to be charged to deposit account  
☐ Enclosed  
☐ None required (government interest not affecting title)

**8. Payment Information**

a. Credit Card Last 4 Numbers \_\_\_\_\_  
 Expiration Date \_\_\_\_\_

b. Deposit Account Number 501593

Authorized User Name \_\_\_\_\_

**9. Signature:**

[Signature]  
 Signature

February 18, 2005

Date

Dennis R. HASZKO (Reg. No. 39,575)

Name of Person Signing

Total number of pages including cover sheet, attachments, and documents.

26

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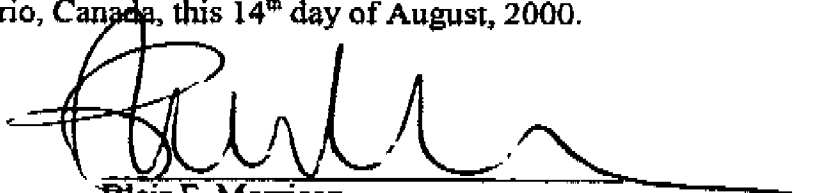
**NORTEL NETWORKS LIMITED**  
**ASSISTANT SECRETARY'S CERTIFICATE**

I, Blair F. Morrison, Assistant Secretary of Nortel Networks Limited, a Canadian corporation having executive offices at 8200 Dixie Road, Suite 100, Brampton, Ontario, Canada (the "Corporation"), hereby certify under my hand and the corporate seal of the Corporation as follows:

1. Attached hereto as Exhibit A is a true, complete and correct copy of a certified copy of the Corporation's Certificate of Arrangement dated May 1, 2000.

WITNESS the corporate seal.

Dated at Brampton, Province of Ontario, Canada, this 14<sup>th</sup> day of August, 2000.

  
Blair F. Morrison  
Assistant Secretary

Executed and signed before me at  
the City of Brampton, Province  
of Ontario, this 14<sup>th</sup> day of  
August, 2000.



Beverley Avril Andrade, Notary Public,  
Regional Municipality of Peel, limited to  
the attestation of instruments and the  
taking of affidavits, for Nortel Networks  
Corporation and its subsidiaries  
Expires May 5, 2002

**Schedule A/L'Annexe A**

- (a) The name of Nortel Networks Corporation/Corporation Nortel Networks (#1251473) is changed to Nortel Networks Limited/Corporation Nortel Networks Limitée.
- (b) The articles of New Nortel Inc. (# ~~375438-3~~ ) are hereby changed as follows:
  - (i) the name of the corporation is changed to Nortel Networks Corporation/Corporation Nortel Networks; and
  - (ii) the common shares of the corporation are subdivided on a two-for-one basis effective at the close of business on the fourth Trading Day after the Effective Date.

For this purpose, "Trading Day" and "Effective Date" shall have the meanings ascribed thereto in the attached Plan of Arrangement.

**Schedule C/L'Annexe C**

1. **Name of Corporation:** **Canada Corporation No. 275 438-3**  
**New Nortel Inc.**
2. **The Place in Canada where the registered office is to be situated:**  
**Regional Municipality of Peel, in the Province of Ontario**
3. **The classes and any maximum number of shares that the corporation is authorized to issue:**  
**The annexed Schedule 1 is incorporated in this form.**
4. **Restrictions, if any, on share transfers:**  
**Not Applicable.**
5. **Number (or minimum and maximum number) of directors:**  
**The board of directors shall consist of a minimum of 3 and a maximum of 15 directors, and within such minimum and maximum numbers, the board of directors shall, from time to time, determine the actual number of directors. Until otherwise determined, the actual number of directors shall be 11.**
6. **Restrictions, if any, on business the corporation may carry on:**  
**None.**
7. **Other provisions, if any:**

Each director of the Corporation shall be elected by a resolution passed by not less than two-thirds of the number of votes attaching to the shares represented in person or by valid proxy at the meeting of shareholders at which the resolution is voted upon and carrying the right to vote on the resolution, as determined and certified by the scrutineers for that meeting or signed by all the shareholders entitled to vote on that resolution.

In addition to any power the directors may have pursuant to the Canada Business Corporations Act to fill the vacancies among their number, but subject to the maximum number of directors provided for in the articles, the directors may appoint one or more additional directors, who shall hold office for a term expiring not later than the close of the next annual meeting of the shareholders, provided that the total number of additional directors so appointed shall not exceed one-third of the number of directors elected at the previous meeting of shareholders.

**NEW NORTEL INC.**

**Schedule 1 referred to in the foregoing Schedule C to the articles of arrangement.**

The Corporation is authorized to issue:

1. an unlimited number of common shares without nominal or par value ("Common Shares"), the holders of which are entitled:
  - (a) to vote at all meetings of shareholders of the Corporation, except meetings at which only holders of any other class or series of shares of the Corporation are entitled to vote;
  - (b) subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares of the Corporation, to receive any dividends declared and payable by the Corporation on the Common Shares; and
  - (c) subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares of the Corporation, to receive the remaining assets of the Corporation upon liquidation, dissolution, winding-up, whether voluntary or involuntary, or any other return of capital or distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs;
2. an unlimited number of Class A Preferred Shares without nominal or par value ("Class A Preferred Shares") which, as a class, have attached thereto the following rights, privileges, restrictions and conditions:
  - (a) Class A Preferred Shares may from time to time be issued in one or more series and, subject to the following provisions and to the issuance of a certificate of amendment in respect thereof, the board of directors of the Corporation may from time to time, by resolution duly passed before such issue, fix the number of shares constituting each series and the designation, rights, privileges, restrictions and conditions attaching to each series including, without limiting the generality of the foregoing, the consideration for issuance, the rate or amount of preferential dividends and whether or not cumulative or non-cumulative, the method of calculation and the manner, dates and places of payment of dividends, the prices, terms and conditions of redemption, retraction, purchase, conversion and/or exchange, if any, any sinking fund or purchase fund provisions and any other relevant provisions;
  - (b) Class A Preferred Shares of each series shall, with respect to the payment of dividends, be entitled to preference over Common Shares and any other shares of the Corporation ranking junior to Class A Preferred Shares, as

and to the extent determined in the articles of amendment designating such series;

- (c) Class A Preferred Shares of each series shall, with respect to any return of capital or distribution of assets of the Corporation among its shareholders in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other return of capital or distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, be entitled to a preference over Common Shares and any other shares of the Corporation ranking junior to Class A Preferred Shares, as and to the extent determined in the articles of amendment designating such series;
- (d) Class A Preferred Shares of each series shall rank on a parity with Class A Preferred Shares of every other series with respect to the payment of dividends and with respect to any return of capital or distribution of assets of the Corporation among its shareholders in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other return of capital or distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs;
- (e) the holders of Class A Preferred Shares of any series shall not, as such, be entitled to receive notice of, or to attend, any meeting of shareholders of the Corporation, nor shall they have any voting rights for the election of directors or for any other purpose, except to the extent otherwise determined by the board of directors of the Corporation in articles of amendment designating such series of Class A Preferred Shares or when the holders of Class A Preferred Shares or of any series of Class A Preferred Shares are entitled to vote separately as a class or series as provided in the *Canada Business Corporations Act* and any statute that may be substituted therefor, as from time to time amended (the "Act");
- (f) the provisions attaching to Class A Preferred Shares as a class may be repealed, altered, modified or amended from time to time with such approval as may then be required by the Act to be given by the holders of Class A Preferred Shares as a class; and
- (g) the formalities to be observed with respect to the calling and conduct of any meeting of holders of Class A Preferred Shares as a class, or any joint meeting of holders of two (2) or more series of Class A Preferred Shares, including, without limiting the generality of the foregoing, the giving of notice and the record dates therefor, the quorum therefor, the procedure and voting thereat, shall *mutatis mutandis* be those from time to time prescribed by the by-laws of the Corporation with respect to a meeting of shareholders;

an unlimited number of Class B Preferred Shares without nominal or par value ("Class B Preferred Shares") which, as a class, shall rank junior to Class A Preferred Shares and be subject in all respects to the rights, privileges, restrictions and conditions attaching to Class A Preferred Shares and shall have attached thereto the following rights, privileges, restrictions and conditions:

- (a) Class B Preferred Shares may from time to time be issued in one or more series and, subject to the following provisions and to the issuance of a certificate of amendment in respect thereof, the Board of Directors of the Corporation may from time to time, by resolution duly passed before such issue, fix the number of shares constituting each series and the designation, rights, privileges, restrictions and conditions attaching to each series including, without limiting the generality of the foregoing, the consideration for issuance, the rate or amount of preferential dividends and whether or not cumulative or non-cumulative, the method of calculation and the manner, dates and places of payment of dividends, the prices, terms and conditions of redemption, retraction, purchase, conversion and/or exchange, if any, any sinking fund or purchase fund provisions, and any other relevant provisions;
- (b) Class B Preferred Shares of each series shall, with respect to the payment of dividends, be entitled to preference over Common Shares and any other shares of the Corporation ranking junior to Class B Preferred Shares, as and to the extent determined in the articles of amendment designating such series;
- (c) Class B Preferred Shares of each series shall, with respect to any return of capital or distribution of assets of the Corporation among its shareholders in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other return of capital or distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, be entitled to a preference over Common Shares or any other shares of the Corporation ranking junior to Class B Preferred Shares, as and to the extent determined in the articles of amendment designating such series;
- (d) Class B Preferred Shares of each series shall rank on a parity with Class B Preferred Shares of every other series with respect to the payment of dividends and with respect to any return of capital or distribution of assets of the Corporation among its shareholders in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other return of capital or distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs;

- (e) the holders of Class B Preferred Shares of any series shall not, as such, be entitled to receive notice of, or to attend, any meeting of shareholders of the Corporation, nor shall they have any voting rights for the election of directors or for any other purpose, except to the extent otherwise determined by the board of directors of the Corporation in articles of amendment designating such series of Class B Preferred Shares or when the holders of Class B Preferred Shares or of any series of Class B Preferred Shares are entitled to vote separately as a class or series as provided in the Act;
- (f) the provisions attaching to Class B Preferred Shares as a class may be repealed, altered, modified or amended from time to time with such approval as may then be required by the Act to be given by the holders of Class B Preferred Shares as a class; and
- (g) the formalities to be observed with respect to the calling and conduct of any meeting of holders of Class B Preferred Shares as a class, or any joint meeting of holders of two (2) or more series of Class B Preferred Shares, including, without limiting the generality of the foregoing, the giving of notice and the record dates therefor, the quorum therefor, the procedure and voting thereat, shall *mutatis mutandis* be those from time to time prescribed by the by-laws of the Corporation with respect to a meeting of shareholders.



**Schedule D/L'Annexe D**

**PLAN OF ARRANGEMENT**

**UNDER SECTION 192  
OF THE CANADA BUSINESS CORPORATIONS ACT  
BETWEEN BCE INC., 3056074 CANADA INC.,  
3263207 CANADA INC., NEW NORTEL INC. AND  
NORTEL NETWORKS CORPORATION  
PURSUANT TO THE ARRANGEMENT AGREEMENT  
MADE AS OF JANUARY 26, 2000,  
AS AMENDED AND RESTATED MARCH 13, 2000**

**ARTICLE 1**

**INTERPRETATION**

**1.1 Definitions.**

In this Plan of Arrangement, unless something in the subject matter or context is inconsistent therewith:

- (a) **"Acquisition Security"** means:
  - (i) in the event that the merger contemplated by the Clarify Agreement has not been completed by the Effective Date, a security of Nortel Networks to be delivered by Nortel Networks, or an affiliate of Nortel Networks, under the merger provisions of the Clarify Agreement; and
  - (ii) in the event that the merger contemplated by the Promatary Agreement has not been completed by the Effective Date, a security of Nortel Networks to be delivered by Nortel Networks, or an affiliate of Nortel Networks, under the merger provisions of the Promatary Agreement;
- (b) **"Aptis Agreement"** means the agreement and plan of merger dated as of March 18, 1998, as amended as of April 21, 1998, among Aptis Communications, Inc. ("Aptis"), Nortel Networks and AJ Communications Inc., a Delaware corporation and a wholly-owned subsidiary of Nortel Networks, and the shareholders of Aptis;
- (c) **"Arrangement"** means the proposed arrangement under the provisions of section 192 of the CBCA on the terms and conditions set forth in this Plan of Arrangement and

any amendment thereto made in accordance with section 6.1 of the Arrangement Agreement;

- (d) **"Arrangement Agreement"** means the amended and restated arrangement agreement made between BCE, 3263207, Stockco, New Nortel and Nortel Networks to which this Plan of Arrangement is attached as Appendix I and all amendments thereto;
- (e) **"BCE"** means BCE Inc., a corporation governed by the CBCA, both before and after the BCE Amalgamation;
- (f) **"BCE Amalgamation"** means the amalgamation of BCE and 3263207 provided for in subsection 2.2(a);
- (g) **"BCE Class B Shares"** means the Class B non-voting shares of BCE after and as a result of the BCE Amalgamation, having the attributes contained in Schedule A;
- (h) **"BCE Common Shareholder"** means a holder of BCE Common Shares;
- (i) **"BCE Common Share"** means a common share of BCE, both before and after the BCE Amalgamation;
- (j) **"BCE Dissent Rights"** means the right of a BCE Common Shareholder to dissent in respect of the Arrangement pursuant to the procedures set forth in section 190 of the CBCA and section 3.1;
- (k) **"BCE Dissenting Shareholder"** means a BCE Common Shareholder who exercises such holder's BCE Dissent Rights;
- (l) **"BCE Existing Option"** means an option to acquire BCE Common Shares granted by BCE pursuant to the BCE 1985 SOP or the BCE 1999 SOP and outstanding immediately prior to the Effective Time;
- (m) **"BCE Preferred Shares"** means first preferred shares of BCE, both before and after the BCE Amalgamation;
- (n) **"BCE Replacement Stock Option Plan"** means the stock option plan adopted by BCE to govern the administration of the BCE Replacement Options (as defined in subsection 2.2(b));
- (o) **"BCE 1985 SOP"** means the BCE Inc. Long-Term Incentive (Stock Option) Program (1985), as amended;
- (p) **"BCE 1999 SOP"** means the BCE Inc. Long-Term Incentive Stock Option Program (1999), as amended;

- (q) **"Butterfly Proportion"** means the fraction A/B where A is the fair market value of the assets to be transferred by BCE to New Nortel Subco pursuant to subsection 2.2(d) immediately before such transfer and B is the net fair market value of all property owned by BCE immediately before such transfer;
- (r) **"CBCA"** means the *Canada Business Corporations Act*;
- (s) **"Clarify Agreement"** means the agreement and plan of merger dated as of October 18, 1999, among Clarify Inc. ("Clarify"), Nortel Networks and Northern Crown Subsidiary, Inc., a Delaware corporation and a wholly-owned subsidiary of Nortel Networks, pursuant to which, among other things: (a) Northern Crown Subsidiary, Inc. will merge with and into Clarify, with Clarify being the surviving corporation in the merger and becoming a wholly-owned subsidiary of Nortel Networks as a result of the merger; and (b) each outstanding share of common stock of Clarify will be converted into the right to receive 1.3 common shares of Nortel Networks, subject to adjustments in certain circumstances;
- (t) **"Depository"** means Montreal Trust Company of Canada;
- (u) **"Earnout Security"** means:
- (i) a security of Nortel Networks to be delivered by Nortel Networks, or an affiliate of Nortel Networks, under the earnout provisions of the Aptis Agreement provided such security of Nortel Networks has not previously been issued in escrow;
  - (ii) a security of Nortel Networks to be delivered by Nortel Networks, or an affiliate of Nortel Networks, under the earnout provisions of the Promatory Agreement provided such security of Nortel Networks has not previously been issued in escrow; and
  - (iii) a security of Nortel Networks to be delivered by Nortel Networks, or an affiliate of Nortel Networks, under the earnout provisions of the Qtera Agreement provided such security of Nortel Networks has not previously been issued in escrow;
- (v) **"Effective Date"** means the effective date of the Arrangement, being the date shown on the certificate of arrangement to be issued by the Director under the CBCA giving effect to the Arrangement;
- (w) **"Effective Time"** means the earliest possible moment on the Effective Date;
- (x) **"Encumbrances"** means mortgages, charges, pledges, liens, hypothecs, security interests, encumbrances, adverse claims and rights of third parties to acquire or restrict the use of property;

- (y) **"New Nortel"** means New Nortel Inc., a corporation governed by the CBCA, both before and after the New Nortel Amalgamation;
- (z) **"New Nortel Amalgamation"** means the amalgamation of New Nortel and Stockco provided for in subsection 2.2(k);
- (aa) **"New Nortel Common Share"** means a common share of New Nortel;
- (bb) **"New Nortel/BCE Option"** means an option granted by New Nortel as set out in subsection 2.2(l), having the attributes set forth in the New Nortel/BCE 1985 Stock Option Plan or the New Nortel/BCE 1999 Stock Option Plan;
- (cc) **"New Nortel/BCE 1985 Stock Option Plan"** means the stock option plan adopted by New Nortel to govern the administration of the New Nortel/BCE Options issued in exchange for Stockco/BCE Options governed by the Stockco/BCE 1985 Stock Option Plan;
- (dd) **"New Nortel/BCE 1999 Stock Option Plan"** means the stock option plan adopted by New Nortel to govern the administration of the New Nortel/BCE Options issued in exchange for Stockco/BCE Options governed by the Stockco/BCE 1999 Stock Option Plan;
- (ee) **"New Nortel Share Split"** means the subdivision of New Nortel Common Shares on a two-for-one basis to occur, pursuant to subsection 2.2(t);
- (ff) **"New Nortel Subco"** means 3721621 Canada Inc., a corporation governed by the CBCA;
- (gg) **"New Nortel Subco Common Share"** means a common share of New Nortel Subco;
- (hh) **"Nortel Networks"** means Nortel Networks Corporation, a corporation governed by the CBCA;
- (ii) **"Nortel Networks Common Shareholder"** means a holder of Nortel Networks Common Shares;
- (ij) **"Nortel Networks Common Share"** means a common share of Nortel Networks;
- (kk) **"Nortel Networks Dissent Rights"** means the right of a Nortel Networks Common Shareholder to dissent in respect of the Arrangement pursuant to the procedures set forth in section 190 of the CBCA and section 3.1;
- (ll) **"Nortel Networks Dissenting Shareholder"** means a Nortel Networks Common Shareholder who exercises such holder's Nortel Networks Dissent Rights;

(mm) **"Nortel Networks Option"** means an option to acquire Nortel Networks Common Shares pursuant to a Nortel Networks Plan;

(nn) **"Nortel Networks Plans"** means:

- (i) the Nortel Networks Corporation 1986 Stock Option Plan As Amended and Restated;
- (ii) the Nortel Networks Corporation Shareholder Dividend Reinvestment and Stock Purchase Plan, as amended;
- (iii) the Amended and Restated Nortel Networks NA, Inc. 1994 Stock Option Plan;
- (iv) the Periphonics Corporation 1995 Stock Option Plan, as amended;
- (v) the Periphonics Corporation 1995 Non-Employee Director Stock Option Plan, as amended;
- (vi) in the event that the merger contemplated by the Clarify Agreement has been completed by the Effective Date,
  - (A) the Clarify Inc. 1999 Non-Executive Stock Option/Stock Issuance Plan,
  - (B) the Clarify Inc. Amended and Restated 1995 Stock Option/Stock Issuance Plan,
  - (C) the Clarify Inc. Non-Employee Directors Option Plan,
  - (D) the Clarify Inc. 1991 Stock Option/Stock Issuance Plan,
  - (E) the Objix Systems Development, Inc. Stock Plan, as amended, and
  - (F) the separate stock option agreements listed on Schedule 3.07 of the Clarify Agreement;
- (vii) in the event that the merger contemplated by the Promatory Agreement has been completed by the Effective Date, the Promatory Communications, Inc. 1997 Stock Plan, as amended and the Promatory Communications, Inc. 1999 Stock Plan, as amended;

- (viii) the Qtera Corporation Amended and Restated Stock Incentive Plan and the outstanding warrants to purchase shares of common stock listed in Sections 2.2 and 4.1 of the Disclosure Schedule to the Qtera Agreement;
- (ix) the Nortel Networks 2000 Stock Option Plan, provided that it shall have been approved by the Nortel Networks Common Shareholders at the Nortel Networks Meeting; and
- (x) any other stock plans of Nortel Networks in place prior to the Effective Date which by their terms or determination by the board of directors of Nortel Networks are to be assumed by New Nortel;
- (oo) "Nortel Networks Series 4 Exchange Right" means the right attached to the Cumulative Redeemable Class A Preferred Shares, Series 4 of Nortel Networks to exchange such shares for Nortel Networks Common Shares;
- (pp) "Plan of Arrangement" means this plan of arrangement as the same may be amended from time to time in accordance with the terms of the Arrangement Agreement;
- (qq) "Promatory Agreement" means the agreement and plan of merger, dated as of January 5, 2000, among Promatory Communications, Inc. ("Promatory"), and certain principal shareholders of Promatory, Nortel Networks and NNC Panther Acquisition Corporation, a Delaware corporation and a wholly-owned subsidiary of Nortel Networks, pursuant to which, among other things: (a) NNC Panther Acquisition Corporation will merge with and into Promatory, with Promatory being the surviving corporation in the merger and becoming a wholly-owned subsidiary of Nortel Networks as a result of the merger; and (b) each outstanding share of common stock of Promatory will be converted into the right to receive Nortel Networks Common Shares in accordance with the formula provided for in such agreement;
- (rr) "PUC" means paid-up capital as defined in subsection 89(1) of the Tax Act;
- (ss) "Qtera Agreement" means the agreement and plan of merger, dated as of December 14, 1999, as amended, among Qtera Corporation ("Qtera"), Nortel Networks and NNC Acquisition Corporation ("NNC"), a Delaware corporation and a wholly-owned subsidiary of Nortel Networks, pursuant to which, among other things: (a) NNC merged with and into Qtera, with Qtera being the surviving corporation in the merger and becoming a wholly-owned subsidiary of Nortel Networks as a result of the merger; and (b) each outstanding share of common stock and preferred stock of Qtera was converted into the right to receive Nortel Networks Common Shares in accordance with the formula provided for in such agreement;

**(tt) "Retained Nortel Networks Plans" means:**

- (i) the Nortel Networks Corporation Directors' Deferred Share Compensation Plan;**
  - (ii) the Nortel Networks Corporation Restricted Stock Unit Plan;**
  - (iii) the Nortel Networks Global Employee Stock Purchase Plan;**
  - (iv) the Nortel Networks Corporation Investment Plan for Employees – Canada;**
  - (v) the Nortel Networks Long-Term Investment Plan;**
  - (vi) the February 29, 1996, February 27, 1997, January 29, 1998 and May 28, 1999 resolutions of the board of directors of Nortel Networks regarding grants of synthetic stock options;**
  - (vii) the Nortel Networks Stock Purchase Plan;**
  - (viii) the Bay Networks, Inc. 1998 Employee Stock Purchase Plan;**
  - (ix) the Bay Networks 1998 Employee Stock Purchase Plan for Employees of Non-U.S. Affiliates of Bay Networks, Inc.; and**
  - (x) any other stock plans of Nortel Networks in place prior to the Effective Date (excluding any stock plan described in clause (x) of the definition of Nortel Networks Plans);**
- (uu) "Stockco" means 3056074 Canada Inc., a wholly-owned subsidiary of BCE governed by the CBCA;**
- (vv) "Stockco/BCE 1985 Stock Option Plan" means a stock option plan adopted by Stockco to govern the administration of those Stockco/BCE Options issued in exchange for BCE Existing Options governed by the BCE 1985 SOP;**
- (ww) "Stockco/BCE 1999 Stock Option Plan" means a stock option plan adopted by Stockco to govern the administration of those Stockco/BCE Options issued in exchange for BCE Existing Options governed by the BCE 1999 SOP;**
- (xx) "Stockco/BCE Option" means an option granted by Stockco to acquire a portion of a Stockco Common Share equal to the Transfer Ratio, having the attributes set out in the Stockco/BCE 1985 Stock Option Plan or the Stockco/BCE 1999 Stock Option Plan;**
- (yy) "Stockco Common Share" means a common share of Stockco;**

- (zz) **"Stockco Preferred Share"** means a preferred share of Stockco;
- (aaa) **"Tax Act"** means the Income Tax Act (Canada);
- (bbb) **"Trading Day"** means a day, other than a Saturday or Sunday, when The Toronto Stock Exchange is open for trading;
- (ccc) **"Transfer Ratio"** means 0.785193;
- (ddd) **"Transferred Multiple"** means the fraction of which the numerator is the Transferred Proportion and the denominator is one minus the Transferred Proportion;
- (eee) **"Transferred Proportion"** means the fraction:  $A \times (C \div B)$  expressed as a decimal, where: A is the Butterfly Proportion; B is the fair market value of all of the BCE Common Shares and BCE Class B Shares issued and outstanding immediately before the transfer described in subsection 2.2(d); and C is the fair market value of all shares of all classes of BCE issued and outstanding immediately before such transfer; and
- (fff) **"3263207"** means 3263207 Canada Inc., a wholly-owned subsidiary of BCE governed by the CBCA.

## 1.2 Schedules.

Schedule A, Share Conditions for BCE Class B Shares, is attached to and forms part of this Plan of Arrangement.

## 1.3 Construction.

In this Plan of Arrangement, unless otherwise expressly stated or the context otherwise requires:

- (a) references to "herein", "hereby", "hereunder", "hereof" and similar expressions are references to this Plan of Arrangement and not to any particular section, subsection, clause or Schedule;
- (b) references to an "Article", "section", "subsection", "clause" or "Schedule" are references to an Article, section, subsection, clause or Schedule of or to this Plan of Arrangement;
- (c) words importing the singular shall include the plural and *vice versa*, words importing gender shall include the masculine, feminine and neuter genders, and references to a "person" or "persons" shall include individuals, corporations, partnerships, associations, bodies politic and other entities, all as may be applicable in the context;



- (d) the use of headings is for convenience of reference only and shall not affect the construction or interpretation hereof;
- (e) the word "including", when following any general term or statement, is not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement; and
- (f) a reference to a statute or code includes every regulation made pursuant thereto, all amendments to the statute or code or to any such regulation in force from time to time, and any statute, code or regulation which supplements or supersedes such statute, code or any such regulation.

#### 1.4 Currency.

All references to currency herein are to lawful money of Canada unless otherwise specified.

## ARTICLE 2

### THE ARRANGEMENT

#### 2.1 Arrangement Agreement.

This Plan of Arrangement is made pursuant to the provisions of the Arrangement Agreement and constitutes an arrangement as referred to in section 192 of the CBCA.

#### 2.2 The Arrangement.

At the Effective Time, subject, however, to subsection 2.2(t), the following shall occur and be deemed to occur in the following order without any further act or formality, with each transaction or event being deemed to occur immediately after the occurrence of the transaction or event immediately preceding it:

- (a) BCE and 3263207 (hereinafter referred to in this subsection 2.2(a) as "predecessor corporations") will be amalgamated as if the amalgamation were carried out pursuant to subsection 184(1) of the CBCA ("vertical short-form amalgamation") subject to the following:
  - (i) each BCE Common Shareholder before the amalgamation (other than a BCE Dissenting Shareholder) will receive upon the amalgamation

- (A) the same number of BCE Common Shares as such holder held immediately prior to the amalgamation, and
    - (B) the number of BCE Class B Shares that is equal to the product of the Transferred Multiple and the number of the BCE Common Shares held by such holder immediately before the amalgamation;
  - (ii) the stated capital of the BCE Common Shares and BCE Class B Shares will be determined upon the amalgamation as follows:
    - (A) the amount of the stated capital account of the BCE Common Shares will be equal to the result when  $(1 - \text{Transferred Proportion})$  is multiplied by the PUC of the BCE Common Shares (excluding BCE Common Shares held by BCE Dissenting Shareholders) immediately prior to the amalgamation;
    - (B) the amount of the stated capital account of the BCE Class B Shares will be equal to the Transferred Proportion of the PUC of the BCE Common Shares (excluding BCE Common Shares held by BCE Dissenting Shareholders) immediately prior to the amalgamation;
  - (iii) by virtue of the amalgamation:
    - (A) all of the property (except any amounts receivable from any predecessor corporation or shares of the capital stock of any predecessor corporation) of the predecessor corporations held immediately before the amalgamation will become the property of BCE;
    - (B) all of the liabilities (except any amounts payable to any predecessor corporation) of the predecessor corporations immediately before the amalgamation will become liabilities of BCE;
    - (C) all of the shares of 3263207 held by BCE immediately prior to the amalgamation will be cancelled without any repayment of capital; and
  - (iv) for greater certainty, a BCE Preferred Share of a particular series will become a BCE Preferred Share of an identically denominated series, with terms and conditions identical to those, and a stated capital equal to the PUC of the respective series immediately before the amalgamation.
- (b) Contemporaneously with the BCE Amalgamation, each outstanding BCE Existing Option will be cancelled (each such stock option referred to hereinafter as the "exchanged BCE Existing Option") and each holder of an exchanged BCE Existing Option will receive for each exchanged BCE Existing Option one new option granted

by BCE (the "BCE Replacement Option") to acquire one new BCE Common Share and one Stockco/BCE Option to acquire the Transfer Ratio of a Stockco Common Share. The BCE Replacement Options will be governed by and subject to the terms of the BCE Replacement Stock Option Plan. The Stockco/BCE Options will be governed by and subject to the terms of the Stockco/BCE 1985 Stock Option Plan or the Stockco/BCE 1999 Stock Option Plan, depending upon whether the BCE Existing Option to which it relates was issued pursuant to the BCE 1985 SOP or the BCE 1999 SOP.

- (c) Each holder of BCE Class B Shares will transfer, with good and marketable title free and clear of all Encumbrances, all such shares to New Nortel. As consideration for the BCE Class B Shares transferred to it, New Nortel will issue to such holders, *pro rata* to the number of BCE Class B Shares transferred to it by the respective holders, that number of New Nortel Common Shares equal to the product of the number of BCE Common Shares outstanding and the Transfer Ratio and the stated capital account maintained in respect of New Nortel Common Shares shall be increased by an amount equal to the PUC of the transferred BCE Class B Shares.
- (d) BCE will transfer to New Nortel Subco, with good and marketable title free and clear of all Encumbrances, that number of Stockco Common Shares such that the fair market value of the Stockco Common Shares and the Stockco Preferred Shares retained by BCE would be equal to the fair market value immediately after the New Nortel Amalgamation of 30,000,000 New Nortel Common Shares, in consideration for the issuance by New Nortel Subco of New Nortel Subco Common Shares with a fair market value equal to the fair market value at the time of the transfer of the transferred Stockco Common Shares and the stated capital account in respect of the New Nortel Subco Common Shares shall be increased by an amount equal to the maximum amount that could be added to the PUC of such shares, having regard to subsection 85(2.1) of the Tax Act.
- (e) New Nortel Subco will purchase for cancellation the New Nortel Subco Common Shares held by BCE in consideration for the issuance by New Nortel Subco to BCE of a non-interest-bearing demand note (the "New Nortel Subco Redemption Note") having a principal amount and fair market value equal to the fair market value of the New Nortel Subco Common Shares purchased for cancellation.
- (f) BCE will purchase for cancellation the BCE Class B Shares held by New Nortel in consideration for the issuance by BCE to New Nortel of a non-interest-bearing demand note (the "BCE Redemption Note") having a principal amount and fair market value equal to the aggregate fair market value of the BCE Class B Shares purchased for cancellation.
- (g) New Nortel Subco will commence winding up in accordance with subsection 88(1) of the Tax Act and section 210 of the CBCA and, in connection with and as a consequence thereof, will distribute all of its assets, rights and properties to New

**Nortel, including all of New Nortel Subco's interest in the Stockco Common Shares, and all the liabilities and obligations of New Nortel Subco, including the liability of New Nortel Subco under the New Nortel Subco Redemption Note, will be assumed by New Nortel. New Nortel shall have a power of attorney coupled with an interest to execute and file in the name of New Nortel Subco any elections with federal and provincial tax authorities as may be necessary or appropriate.**

- (h) The New Nortel Subco Redemption Note will be set off against the BCE Redemption Note in full accord and satisfaction of the respective obligations under each note and the notes will be cancelled.**
- (i) Each Nortel Networks Common Share (other than those held by New Nortel, Stockco and Nortel Networks Dissenting Shareholders) will be exchanged for one New Nortel Common Share and New Nortel shall add an amount to the stated capital account in respect of the New Nortel Common Shares up to but not exceeding the PUC of the exchanged Nortel Networks Common Shares.**
- (j) The Nortel Networks Series 4 Exchange Rights shall be amended so that if such a right ever takes force and effect the holder will be entitled to acquire, from Nortel Networks, New Nortel Common Shares on the same basis as prior to the Effective Date would apply to the acquisition of Nortel Networks Common Shares pursuant to the Nortel Networks Series 4 Exchange Rights, unless Nortel Networks elects to redeem for cash all of the Nortel Networks Series 4 Shares.**
- (k) New Nortel and Stockco (hereinafter referred to in this subsection 2.2(k) as "predecessor corporations") shall be amalgamated with the effect that:**
  - (i) all of the property (except any amounts receivable from any predecessor corporation or shares of the capital stock of any predecessor corporation) of the predecessor corporations held immediately before the amalgamation will become the property of New Nortel;**
  - (ii) all of the liabilities of the predecessor corporations immediately before the amalgamation (except amounts payable to any predecessor corporation) will become liabilities of New Nortel;**
  - (iii) all of the shares of Stockco held by New Nortel immediately before the amalgamation will be cancelled;**
  - (iv) BCE will receive 30,000,000 New Nortel Common Shares in exchange for its Stockco Common Shares and Stockco Preferred Shares;**
  - (v) the holders of New Nortel Common Shares will receive the same number of New Nortel Common Shares as they held immediately before the amalgamation;**

- (vi) the amount added to the stated capital of the New Nortel Common Shares will be equal to the aggregate of the PUC immediately prior to the amalgamation of (A) the New Nortel Common Shares, (B) the Stockco Preferred Shares, and (C) the Stockco Common Shares other than Stockco Common Shares held by New Nortel;
- (l) Contemporaneously with the New Nortel Amalgamation, the Stockco/BCE Options will be cancelled and each holder of a Stockco/BCE Option will receive in exchange, and New Nortel will grant, New Nortel/BCE Options to acquire the same number of New Nortel Common Shares as the number of Stockco Common Shares for which the Stockco/BCE Options were exercisable prior to their cancellation, with an exercise price calculated so that for each holder of Stockco/BCE Options the excess, if any, of (A) the fair market value immediately after the exchange of the New Nortel Common Shares for which the New Nortel/BCE Options may be exercised over the exercise price thereof is equal to (B) the excess, if any, of the fair market value immediately prior to the exchange of the Stockco Common Shares for which the Stockco/BCE Options could have been exercised over the exercise price thereof. The New Nortel/BCE Options will be governed by and subject to the terms of the New Nortel/BCE 1985 Stock Option Plan or the New Nortel/BCE 1999 Stock Option Plan, depending upon whether the Stockco/BCE Option it replaces was governed by and subject to the provisions of the Stockco/BCE 1985 Stock Option Plan or the Stockco/BCE 1999 Stock Option Plan, respectively.
- (m) Contemporaneously with the New Nortel Amalgamation, each Nortel Networks Option that is outstanding on the Effective Date shall be assumed by New Nortel and deemed to constitute an option to acquire, on the same terms and conditions as were applicable to such Nortel Networks Option prior to the Effective Date (including, without limitation, in respect of adjustments for any stock dividend, subdivision, reclassification, recapitalization, split, combination, exchange of shares or similar transaction) the same number of New Nortel Common Shares as the number of Nortel Networks Common Shares that were subject to the assumed Nortel Networks Option immediately prior to such assumption.
- (n) Contemporaneously with the New Nortel Amalgamation, (i) the obligation of Stockco to transfer to BCE the exercise prices, as and when received, in respect of the exercise of the Stockco/BCE Options will become an obligation of New Nortel to transfer to BCE the exercise prices, as and when received, in respect of the exercise of New Nortel/BCE Options, and (ii) the right of BCE to exercise any otherwise forfeited or expired Stockco/BCE Options will become a right of BCE to exercise any otherwise forfeited or expired New Nortel/BCE Options.
- (o) Contemporaneously with the New Nortel Amalgamation, the Nortel Networks Plans shall be assumed by New Nortel.

- (p) Contemporaneously with the New Nortel Amalgamation, any entitlement granted by Nortel Networks, or an affiliate of Nortel Networks, that is outstanding on the Effective Date and that allows a person to receive or purchase Nortel Networks Common Shares, or to receive a benefit based on the value or market trading price of a Nortel Networks Common Share, at any time on or after the Effective Date (including, without limitation, any such entitlement under an Acquisition Security, an Earnout Security or the Retained Nortel Networks Plans) shall become an entitlement to receive or purchase New Nortel Common Shares, or to receive a benefit based on the value or market trading price of a New Nortel Common Share, on a share-for-share basis.
- (q) Contemporaneously with the New Nortel Amalgamation, any undertaking by Nortel Networks, or an affiliate of Nortel Networks, that is outstanding on the Effective Date and that requires Nortel Networks, or an affiliate of Nortel Networks, to deliver or sell Nortel Networks Common Shares, or to deliver a benefit based on the value or market trading price of a Nortel Networks Common Share, at any time on or after the Effective Date (including, without limitation, any such undertaking under an Acquisition Security, an Earnout Security or the Retained Nortel Networks Plans) shall become an undertaking to deliver or sell New Nortel Common Shares, or to deliver a benefit based on the value or market trading price of a New Nortel Common Share, on a share-for-share basis.
- (r) The name of New Nortel shall be changed to *Nortel Networks Corporation* (in English) and *Corporation Nortel Networks* (in French).
- (s) The name of Nortel Networks will be changed to *Nortel Networks Limited* (in English) and *Corporation Nortel Networks Limitée* (in French).
- (t) The New Nortel Common Shares will be subdivided on a two-for-one basis effective at the close of business on the fourth Trading Day after the Effective Date.

## 2.3 Articles of Dissolution.

Articles of dissolution for New Nortel Subco will be filed with the Director under subsection 211(14) of the CBCA at such time within one year following the Effective Date, as the chief financial officer of New Nortel may determine.

## **ARTICLE 3**

### **RIGHTS OF DISSENT**

#### **3.1 Rights of Dissent.**

(a) BCE Common Shareholders and Nortel Networks Common Shareholders may exercise dissent rights pursuant to and in the manner set forth in section 190 of the CBCA and this section 3.1 in connection with the Arrangement.

(b) BCE Dissenting Shareholders shall not be permitted to withdraw their notices of dissent after the Effective Time and the only right of a BCE Dissenting Shareholder, as such, after the Effective Time shall be to be paid fair value for his BCE Common Shares. In no case shall BCE or New Nortel or any other person be required to recognize such holders as holders of BCE Common Shares or New Nortel Common Shares after the Effective Time and the names of such holders shall be deleted from the applicable register of shareholders on the Effective Time.

(c) Nortel Networks Dissenting Shareholders who:

- (i) are ultimately entitled to be paid fair value for their Nortel Networks Common Shares shall be deemed to have transferred such shares to Nortel Networks for cancellation immediately prior to the Effective Time, or
- (ii) are ultimately not entitled to be paid fair value for their Nortel Networks Common Shares shall be deemed to have participated in the Arrangement on the same basis as any non-dissenting holder of Nortel Networks Common Shares as at and from the Effective Date and shall receive the same consideration as such a holder, on the basis set out in this Plan of Arrangement.

## **ARTICLE 4**

### **CERTIFICATES**

#### **4.1 Entitlement to Share Certificates.**

(a) Upon the Arrangement becoming effective, certificates representing the BCE Common Shares and the BCE Preferred Shares prior to the BCE Amalgamation shall be deemed for all purposes to be certificates representing BCE Common Shares and the BCE Preferred Shares after the BCE Amalgamation and accordingly no new certificates representing such shares shall be issued.

(b) From the Effective Date until the close of business on the fourth Trading Day following the Effective Date, certificates representing BCE Common Shares will represent in addition the New Nortel Common Shares issued in the Arrangement to BCE Common Shareholders.

(c) As soon as practicable certificates representing New Nortel Common Shares (on a post-New Nortel Share Split basis) will be mailed to those persons whose names appear on the registers of holders of BCE Common Shares at the close of business on the fourth Trading Day following the Effective Date.

(d) Upon the Arrangement becoming effective, certificates that prior to the Effective Date represented Nortel Networks Common Shares (other than those held immediately prior to the Effective Date by BCE, 3263207 or Stockco) shall represent the same number of New Nortel Common Shares and accordingly no new certificates representing such shares shall be issued.

(e) As soon as practicable, certificates representing the increased number of New Nortel Common Shares outstanding as a result of the New Nortel Share Split will be mailed to those persons whose names appear on the registers of holders of New Nortel Common Shares at the close of business on the fourth Trading Day following the Effective Date.

(f) No certificates representing BCE Class B Shares or New Nortel Subco Common Shares will be issued.

#### 4.2 Fractional Shares

No certificates representing fractional interests of less than one whole share in New Nortel Common Shares will be issued. Instead, after the New Nortel Share Split, such fractional interests to which holders of BCE Common Shares would otherwise be entitled shall be summed and the total shall be rounded up to the nearest whole number and such whole number of New Nortel Common Shares shall be issued and delivered to the Depositary who shall sell them and divide the proceeds (other than the cash representing the rounded up amount, which shall be paid to New Nortel) among the persons otherwise entitled to fractions by forwarding cheques representing their proportional interests in the total proceeds to such persons.



## **Schedule A to Plan of Arrangement**

### **PROVISIONS ATTACHING TO THE CLASS B SHARES OF BCE INC.**

The rights, privileges, restrictions and conditions attaching to the Class B Shares are as follows:

1.1 The holders thereof are not entitled to notice of or to attend or vote at any meeting of shareholders of the Corporation except as may be required by the *Canada Business Corporations Act*.

1.2 Subject to the rights, privileges, restrictions and conditions attaching to shares of any class of the Corporation ranking prior to the Class B Shares, the holders thereof are entitled to receive such dividends payable in money, property, or by the issue of fully paid shares of the Corporation, as may be declared by the Board of Directors and to receive on an equal basis share for share with the holders of the Common Shares the remaining property of the Corporation upon the liquidation, dissolution or winding up thereof.

1.3 The Directors of the Corporation may determine at any time and from time to time, with respect to all or a portion of any dividend on the Class B Shares of the Corporation that such dividend shall be payable in money or, in the case of electing holders whose addresses on the books of the Corporation are in Canada, and in jurisdictions specified by the Directors outside Canada, by the issue of fully paid Class B Shares of the Corporation having a value, as determined by the Directors, that is substantially equivalent, as of a date or period of days determined by the Directors, to the cash amount of such dividend, provided that the Directors may (but need not) value the Class B Shares to be issued in payment of the dividend at a discount from or premium to the relevant market value thereof of up to 5%, in either case.

1.4 With respect to fractional shares that may result from any such stock dividend the Corporation shall issue to an agent for shareholders appointed by the Corporation a number of whole shares representing in the aggregate the fractional shares of all electing shareholders unless the Directors of the Corporation otherwise determine, for instance by the payment of cash in lieu of fraction of share interests that may result from any such stock dividend. In any event, no certificates representing fraction of share interests will be issued by the Corporation.

1.5 A holder of Class B Shares shall have the right, at his option, to convert at any time and from time to time, subject to the terms and provisions hereof, all or part of his Class B Shares into Common Shares, on the basis of one Common Share for each Class B Share. The conversion of Class B Shares may be effected by surrender of the certificate or certificates representing the same at any time during usual business hours at the option of the holder at the Registered Office of the Corporation or at any office of any transfer agent of the Corporation at which the Class B Shares are transferable accompanied: (1) by payment or evidence of payment of the tax (if any) payable as provided in this section 1.5; and (2) by written instrument of surrender in form satisfactory to the Corporation duly executed by the registered holder, or his attorney duly authorized in writing, in which instrument such holder shall elect to convert all or part only of the Class B Shares represented

by such certificate or certificates in which event the Corporation shall issue and deliver or cause to be delivered to such holder, at the expense of the Corporation, a new certificate representing the Class B Shares represented by such certificate or certificates which have not been converted. The date of such surrender of certificates representing Class B Shares to be converted is referred to hereinafter as the "Conversion Date". A holder of Class B Shares to be converted shall not be entitled to fractional shares upon conversion but shall be entitled to receive a new certificate representing the number of remaining Class B Shares which cannot be converted.

As promptly as practicable on or after the Conversion Date the Corporation shall issue and deliver, or cause to be delivered to or upon the written order of the holder of the Class B Shares so surrendered, a certificate or certificates issued in the name of, or in such name or names as may be directed by, such holder representing the number of fully paid and non-assessable Common Shares and the number of remaining Class B Shares, if any, to which such holder is entitled. Such conversion shall be deemed to have been made at the close of business on the Conversion Date, so that the rights of the holder of such Class B Shares as the holder thereof shall cease at such time and the person or persons entitled to receive Common Shares upon such conversion shall be treated for all purposes as having become the holder or holders of record of such Class B Shares at such time.

The registered holder of any Class B Share on the record date for any dividend declared payable on such share shall be entitled to such dividend notwithstanding that such share is converted after such record date and before the payment date of such dividend.

The issuance of certificates for Common Shares upon the conversion of Class B Shares shall be made without charge to the converting holders of Class B Shares for any fee or tax in respect of the issuance of such certificates or the Common Shares represented thereby; provided, however, that the Corporation shall not be required to pay any tax which may be imposed upon the person or persons to whom such Common Shares are issued in respect of the issuance of such Common Shares or the certificates therefor or which may be payable in respect of any transfer involved in the issuance and delivery of any such certificate in a name or names other than that of the holder of the Class B Shares converted, and the Corporation shall not be required to issue or deliver such certificate unless the person or persons requesting the issuance thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid.

1.6 In respect of the declaration and payment of dividends and upon the liquidation, dissolution or winding up of the Corporation the Class B Shares shall rank *pari passu* with the Common Shares of the Corporation.