

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT OF
NORTEL NETWORKS CORPORATION, NORTEL NETWORKS LIMITED,
NORTEL NETWORKS GLOBAL CORPORATION, NORTEL NETWORKS
INTERNATIONAL CORPORATION AND NORTEL NETWORKS
TECHNOLOGY CORPORATION**

**FIFTIETH REPORT OF THE MONITOR
DATED JULY 13, 2010**

INTRODUCTION

1. On January 14, 2009 (the "Filing Date"), Nortel Networks Corporation ("NNC" and collectively with all its subsidiaries "Nortel" or the "Company"), Nortel Networks Limited ("NNL"), Nortel Networks Technology Corporation, Nortel Networks International Corporation and Nortel Networks Global Corporation (collectively the "Applicants") filed for and obtained protection under the *Companies' Creditors Arrangement Act* ("CCAA"). Pursuant to the Order of this Honourable Court dated January 14, 2009, as amended and restated (the "Initial Order"), Ernst & Young Inc. was appointed as the Monitor of the Applicants (the "Monitor") in the CCAA proceedings. The stay of proceedings was extended to July 22, 2010 by this Honourable Court in its Order dated April 14, 2010.
2. Nortel Networks Inc. ("NNI") and certain of its U.S. subsidiaries concurrently filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code (the "Code") in the United States Bankruptcy Court for the District of Delaware (the "U.S. Court") on January 14, 2009 (the "Chapter 11 Proceedings"). As required by U.S. law, an

official unsecured creditors committee (the "Committee") was established in January, 2009.

3. An ad hoc group of holders of bonds issued by NNL, NNC and Nortel Networks Capital Corporation has been organized and is participating in these proceedings as well as the Chapter 11 Proceedings (the "Bondholder Group"). In addition, pursuant to Orders of this Honourable Court dated May 27, 2009 and July 22, 2009, respectively, representative counsel was appointed on behalf of the former employees of the Applicants and on behalf of the continuing employees of the Applicants and each of these groups is participating in the CCAA proceedings.
4. Nortel Networks (CALA) Inc. ("NN CALA" and together with NNI and certain of its subsidiaries that filed on January 14, 2009, the "U.S. Debtors") filed a voluntary petition under Chapter 11 of the Code in the U.S. Court on July 14, 2009.
5. Nortel Networks UK Limited ("NNUK") and certain of its subsidiaries located in EMEA were granted administration orders (the "UK Administration Orders") by the High Court of England and Wales on January 14, 2009 (collectively the "EMEA Debtors"). The UK Administration Orders appointed Alan Bloom, Stephen Harris, Alan Hudson and Chris Hill of Ernst & Young LLP as administrators of the various EMEA Debtors, except for Ireland, to which David Hughes (Ernst & Young LLP Ireland) and Alan Bloom were appointed (collectively the "Joint Administrators").
6. Subsequent to the filing date, Nortel Networks SA commenced secondary insolvency proceedings within the meaning of Article 27 of the European Union's Council Regulation (EC) No 1346/2000 on Insolvency Proceedings in the Republic of France pursuant to which a liquidator and an administrator have been appointed by the Versailles Commercial Court.
7. The CCAA proceedings and the UK Administration proceedings of NNUK have been recognized by the U.S. Court as foreign main proceedings under Chapter 15 of the Code.

8. Subsequent to the Filing Date, certain other Nortel subsidiaries have filed for creditor protection or bankruptcy proceedings in the local jurisdiction in which they are located.

PURPOSE

9. The purpose of this fiftieth report of the Monitor (the "Fiftieth Report") is to report to this Honourable Court on the following matters:
 - a) consolidated cash position and liquidity as at June 26, 2010;
 - b) actual receipts and disbursements from March 28, 2010 to June 26, 2010;
 - c) cash flow forecast for the period from June 27, 2010 to October 30, 2010;
 - d) Canadian entities consolidated net inter-company position by region;
 - e) status of claims process and cross border protocol;
 - f) current status of the Group Supplier Protocol Agreement ("GSPA");
 - g) status of Health and Welfare Trust ("HWT");
 - h) status of other restructuring activities;
 - i) Applicants' request for an extension of period available to apply for hardship payments;
 - j) status of foreign proceedings; and
 - k) Applicants' request for an extension of the stay of proceedings until October 29, 2010.

TERMS OF REFERENCE

10. In preparing this Fiftieth Report, the Monitor has relied upon unaudited financial information, the Company's books and records, financial information prepared by the Company and discussions with management of Nortel. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information and accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this Fiftieth Report.
11. Unless otherwise stated, all monetary amounts contained herein are expressed in US dollars.
12. Capitalized terms not defined in this Fiftieth Report are as defined in the Affidavit of John Doolittle sworn on January 14, 2009, the Pre-Filing Report or previous reports of the Monitor.
13. The Monitor has made various materials relating to the CCAA proceedings available on its website at www.ey.com/ca/nortel. The Monitor's website also contains a dynamic link to Epiq Bankruptcy LLC's website where materials relating to the Chapter 11 Proceedings are posted.

CONSOLIDATED CASH POSITION AND LIQUIDITY AS AT JUNE 26, 2010

14. At June 26, 2010, Nortel's consolidated cash balance was approximately \$5.7 billion including \$2.6 billion of total treasury cash. Nortel's consolidated cash balance is held globally in various Nortel entities and joint ventures. The following chart is an overview of Nortel's consolidated cash position as at June 26, 2010.

Region	Gross Cash	Restricted	Unavailable (JV's and Other Items)	Available Cash
NNL	241	(29)	(8)	204
Other Canada	35	(23)	-	12
NNI	764	(15)	-	749
NNI - Reserve MMF (ST/LT)	-	-	-	-
Other US (excluding NN CALA)	2	-	-	2
North America	1,042	(67)	(8)	967
NN UK Limited	350	(18)	-	332
Other EMEA Filed Entities	370	(3)	-	367
JV - Netas	67	-	(67)	-
EMEA non-filed entities	21	-	-	21
UK/Europe	808	(21)	(67)	720
Greater China	163	(7)	-	156
Other ASIA PAC (excl JVs)	273	(1)	-	272
LG Nortel	58	-	(58)	-
Other JVs	112	(2)	(110)	-
ASIA	606	(10)	(168)	428
NN CALA	90	-	-	90
Other CALA filed entities	32	-	(32)	-
CALA non-filed entities	45	-	-	45
Cala	167	-	(32)	135
Total Treasury Cash	2,623	(98)	(275)	2,250
Divestiture Proceeds	3,032	(3,032)	-	-
Other Funds held in Escrow	35	(35)	-	-
Total Cash	5,690	(3,165)	(275)	2,250

Note: The above schedule does not reflect net proceeds in the amount of \$214 million received from the sale of NNL's interest in the LGN joint venture and put into a single purpose bank account on June 29, 2010.

15. As at June 26, 2010, North America had cash available for operations and post-filing inter-company settlements of approximately \$967 million compared to a gross cash position of approximately \$1.0 billion. Of the gross cash position,

approximately \$276 million is held by Canadian entities and approximately \$766 million is held by U.S. entities.

16. None of the Applicants' Restricted Cash and Unavailable Cash is readily available to them. Restricted Cash relates primarily to: (i) \$14 million of cash collateral posted by Nortel in support of non-EDC performance bonds and letter of credit facilities, (ii) \$11 million held in the D&O Trust as detailed in the Pre-Filing Report, (iii) \$10 million held in escrow related to the settlement of the Global Class Action, (iv) \$8 million in support of the EDC performance bonds issued in exotic foreign currencies, (v) \$3 million of cash collateral posted with EDC in support of post filing performance bonding, (vi) \$2 million held in relation to benefits paid through the Health and Welfare Trust, (vii) \$2 million held in escrow in respect of a certain real estate lease, and (viii) \$2 million held in escrow to support the Jabil supply agreement. Unavailable Cash relates to the net proceeds from the sale of the Strandherd Lands.
17. NNI's Restricted Cash relates primarily to: (i) \$3 million of cash collateral posted by Nortel in support of non-EDC performance bonds and letter of credit facilities, (ii) \$1 million held in escrow for the benefit of utility providers in accordance with the First Day Order, and (iii) \$11 million held in escrow to support the Jabil supply agreement.
18. The Joint Administrators, on behalf of NNUK and the other EMEA Debtors, had available cash for operations and post-filing inter-company settlements of approximately \$699 million. The EMEA non-filed entities had available cash of approximately \$21 million which is expected to be used primarily to fund their in-country operations and inter-company settlements.
19. NETAS, a joint venture of which Nortel owns a 53% interest, had approximately \$67 million of cash of which approximately \$35 million represents Nortel's proportionate share. Nortel believes these funds will continue to be used to fund

NETAS's operations. Repatriation of these funds requires approval of the respective joint venture partners.

20. Nortel entities in the APAC region have approximately \$428 million of available cash for operations and inter-company settlements. As a result of the regulatory regime in the People's Republic of China, the funds in Greater China of approximately \$156 million are generally only available to fund operations within Greater China and inter-company settlements. The gross cash balances in the chart above include LGN's cash position as at June 26, 2010 of \$58 million. The LGN sale transaction subsequently closed on June 29, 2010 and, in accordance with the sale agreement, cash held by LGN was transferred to the purchaser. The consolidated cash balance in the chart above does not include the LGN sale proceeds of \$214 million received by NNL on closing. The LGN sale proceeds are on deposit in a single purpose Royal Bank account domiciled in Toronto, Ontario pursuant to the Approval and Vesting Order of this Honourable Court dated May 3, 2010. Other joint ventures of which Nortel is a participant held approximately \$112 million of unavailable cash of which \$57 million represents Nortel's proportionate share. Repatriation of these funds requires approval of the respective joint venture partners.
21. As at June 26, 2010, NN CALA and the CALA non-filed entities had on deposit gross and available cash of approximately \$90 million and \$45 million, respectively. This cash is expected to be used to fund their domestic operations and inter-company settlements. On March 10, 2010, Nortel Networks Telecomunicacoes Do Brazil Ltda. ("NN Brazil") filed for bankruptcy protection and on April 15, 2010, Nortel Networks de Colombia S.A. ("NN Colombia") was placed into liquidation. As of June 26, 2010, NN Brazil and NN Colombia collectively had a gross cash balance of \$32 million. These balances have been classified as unavailable as the entities are no longer participating in the Nortel global restructuring and are under the control of local officials in their respective jurisdictions.

22. Divestiture proceeds of approximately \$3.03 billion are being held in escrow by various escrow agents. The funds held in escrow include:

- a) Approximately \$2.8 billion held by JPMorgan Chase Bank, N.A. until an agreement is reached regarding allocation of these proceeds to various Nortel legal entities, including NNL and the other Applicants. Divestiture proceeds held in escrow relate to: (i) \$1,010 million in proceeds from the sale of CDMA / LTE Access assets; (ii) \$18 million in proceeds from the sale of the Layer 4-7 Business; (iii) \$10 million in proceeds from the sale of the Next Generation Packet Core business; (iv) \$899 million in proceeds from the sale of Enterprise assets; (v) \$627 million in proceeds from the sale of the MEN assets; (vi) \$90 million in proceeds from the sale of GSM assets; and (vii) \$153 million in proceeds from the sale of CVAS assets;
- b) a further \$50 million of divestiture proceeds relating to the sale of CDMA / LTE Access assets are being held in escrow by Citibank, N.A. These divestiture proceeds are being held in support of the related TSA;
- c) a further \$36 million of divestiture proceeds relating to the sale of Enterprise assets are being held in escrow by Wells Fargo Bank. These divestiture proceeds include \$30 million being held in support of the finalization of purchase price adjustments, and \$6 million being held subject to the resolution of certain succession tax liabilities in France. There is a joint hearing scheduled for July 16, 2010 to address outstanding disputes with respect to these amounts;
- d) a further \$85 million of divestiture proceeds relating to the sale of MEN assets are being held in escrow by Citibank, N.A. These divestiture proceeds include \$30 million being held in support of the related TSA, \$34 million being held in support of the lease agreement with Ciena in respect of a portion of the

Carling Campus (as defined below), and \$21 million being held subject to certain succession tax, working capital and other adjustments;

- e) a further \$24 million of divestiture proceeds relating to the sale of GSM assets are being held in escrow by Citibank, N.A. These divestiture proceeds are being held in support of the related TSA; and
 - f) a further \$13 million of divestiture proceeds relating to the sale of CVAS assets are being held in escrow by Wells Fargo Bank. These divestiture proceeds include \$8 million being held in support of the finalization of purchase price adjustments, and \$5 million being held subject to the resolution of certain tax liabilities in North America and EMEA. In addition, \$15 million is being held by JP Morgan Chase Bank, N.A. consisting of \$10 million in support of the CVAS Transition Services Agreement ("TSA") and \$5 million in support of potential severance liabilities for a specified employee group in EMEA relating to the sale of CVAS assets.
23. Other Funds Held in Escrow include \$35 million transferred from the CDMA / LTE Access asset divestiture proceeds escrow to a separate escrow account pursuant to the Cascade Trust Indenture as more fully described in the Forty-First Report.

ACTUAL RECEIPTS AND DISBURSEMENTS FROM MARCH 28, 2010 TO JUNE 26, 2010

24. The Applicants' actual consolidated net cash inflow for the period March 28 to June 26, 2010, was \$24.0 million. A summary of the actual receipts and disbursements as compared to the forecast filed with the Forty-Third Report (the "March 28 Forecast") is attached at Appendix "A".
25. Actual net cash flow exceeded forecast by \$69.1 million. Significant items contributing to this positive variance were as follows:

- a) a favourable timing variance of \$9.5 million with respect to the collection of accounts receivable primarily resulting from expedited collections on residual accounts receivable balances;
- b) an unfavourable permanent variance of \$28.9 million with respect to payroll and accounts payable reimbursement from buyers. This was fully offset by a favourable permanent variance of \$28.9 million with respect to the actual spend on payroll and accounts payable on behalf of buyers. The significant variance results from the Purchasers of the various Nortel businesses having not utilized the Applicants to flow their procurement requirements through Nortel to the extent originally anticipated.;
- c) a favourable net permanent variance of approximately \$78.0 million with respect to inter-company receipts and disbursements primarily as a result of a \$79 million dividend received from LGN that was declared subsequent to the issuance of the March 28 Forecast;
- d) an unfavourable variance of \$12.7 million with respect to payroll primarily as a result of the following:
 - i. unfavourable timing variance of \$4.7 million with respect to accrued vacation pay for transferred employees which was forecast to be paid in July but was paid in June;
 - ii. unfavourable timing variance of \$3.4 million as the Q1 2010 AIP payment to business unit employees was made earlier than originally forecast;
 - iii. unfavourable permanent variance of \$2.8 million as a result of higher than forecast Q4 2009 AIP payments; and

- iv. unfavourable permanent variance of \$1.2 million as a result of higher than forecast regular payroll run rates;
 - e) a favourable timing variance of \$6.6 million with respect to benefits primarily as a result of re-timing payments related to the Amended and Restated Employee Settlement Agreement;
 - f) a favourable permanent variance of \$3.1 million with respect to inventory purchases primarily as a result of \$3.3 million of cash collateral posted in support of inventory purchases being released from restricted cash. This release of cash collateral was under the EDC and RBC facilities in the amount of \$1.6 million and \$1.7 million, respectively;
 - g) an unfavourable timing variance of \$11.9 million with respect to non-inventory purchases primarily as a result of the earlier than forecast payment of audit related fees of approximately \$7.5 million and the Carling Campus property taxes of approximately \$3.1 million; and
 - h) an unfavourable permanent variance of \$4.9 million relating to restructuring costs as professional fees were higher than originally forecast.
26. The Closing Available Cash Balance was higher than forecast by approximately \$5.7 million as a result of a favourable foreign exchange translation on Canadian dollar denominated cash balances due to the appreciation of the Canadian dollar relative to the U.S. dollar.
27. Restricted Cash decreased by \$5.3 million primarily as a result of the following:
- a) \$1.6 million decrease in the utilized portion of the EDC facility;
 - b) \$1.7 million decrease in the utilized portion of the RBC letter of credit facility; and

- c) \$1.9 million decrease in the balance of the H&WT.

CASH FLOW FORECAST FOR THE PERIOD JUNE 27, 2010 TO OCTOBER 30, 2010

- 28. The Applicants, with the assistance of the Monitor, have prepared an updated 18-week cash flow forecast for the period June 27, 2010 to October 30, 2010 (the "June 27 Forecast" and the "Forecast Period", respectively). A copy of the June 27 Forecast is attached as Appendix "B".
- 29. As at June 26, 2010, the Applicants have Available Cash balances of approximately \$216.1 million, excluding Restricted Cash and Unavailable Cash of approximately \$59.5 million.
- 30. Based on the June 27 Forecast, it is anticipated the Applicants will have total receipts of \$301.9 million and total disbursements of \$362.6 million resulting in a net cash outflow of \$60.7 million during the Forecast Period.
- 31. During the Forecast Period, it is assumed NNL does not make any additional draws pursuant to the NNI Loan Agreement beyond the \$75 million drawn prior to February 1, 2009 and due on December 31, 2010. The most recent cash payment in respect of accrued interest occurred in March 2010. The June 27 Forecast includes the next scheduled interest payment of \$3.8 million to be paid in September 2010.
- 32. The significant assumptions used in preparing the June 27 Forecast include the following:
 - a) other receipts include \$214.2 million of sale proceeds received in respect of the sale of NNL's interest in the LGN joint venture. This receipt is completely offset by a corresponding disbursement (reflected in Non-Inventory Purchases line) as the LGN sale proceeds were transferred directly to a single purpose bank account; receipts and disbursements reflect the closing of the following

divestitures on the dates noted: (i) the CDMA business/LTE Access assets (which closed on November 13, 2009); (ii) Enterprise Solutions business (which closed on December 18, 2009); (iii) MEN business (which closed March 19, 2010); (iv) the GSM/GSM-R assets (which closed March 31, 2010); and (v) CVAS business (which closed May 28, 2010);

- b) monthly billings for transition services provided by the Applicants to buyers of the various Nortel assets and businesses, pursuant to the respective TSAs, are invoiced at month end subject to 30 day payment terms;
- c) accounts payable disbursements relating to the CDMA / LTE Access assets continue to be administered by Nortel subsequent to closing of this sale transaction. During this transition period and in accordance with the relevant asset purchase agreement, Ericsson will pre-fund these expenses to Nortel resulting in no material working capital impact. The administration of accounts payable disbursements is assumed to continue throughout the Forecast Period;
- d) sale proceeds from the CDMA / LTE Access assets, Enterprise business, MEN business, GSM/GSM-R and CVAS asset sale transactions are to be held in escrow and are not reflected in the June 27 Forecast;
- e) accounts receivable collections, consisting of the collection of residual accounts receivable not acquired by the purchasers as part of the divestiture of the business units, which have been estimated by the Applicants' collection group based on historic customer collection experience;
- f) all pre-filing amounts owed to suppliers are assumed stayed and post-filing amounts are paid on significantly reduced credit terms as a result of the CCAA proceedings;

- g) inter-company trade accounts for post-filing transactions continue to settle on a cash basis between the Applicants, U.S. Debtors, EMEA Debtors and other Nortel entities. Inter-company pre-filing trade accounts payable and loans between the Applicants and all other Nortel filed and non-filed entities are stayed;
 - h) payroll includes estimated payments in respect of Q1 and Q2 2010 AIP for Nortel Business Service and Corporate Group employees;
 - i) pursuant to the terms of the Amended and Restated Employee Settlement Agreement, effective March 31, 2010, pension funding with respect to the registered defined benefit and defined contribution plans continues only for current service payments. Funding for non-registered pension or other retirement plans is stayed;
 - j) funding for the HWT will be in accordance with the Amended and Restated Employee Settlement Agreement;
 - k) all interest payments relating to the Company's pre-filing indebtedness are stayed and interest with respect to the post-filing NNI Loan continues to accrue and be paid; and
 - l) disbursements include a payment of CAD \$4.2 million to the Termination Fund pursuant to the terms of the Amended and Restated Employee Settlement Agreement;
33. Based on an analysis prepared by the Monitor, it appears the Applicants have sufficient cash resources to fund operations through October 30, 2010.

**CANADIAN ENTITIES CONSOLIDATED NET INTER-COMPANY POSITION
BY REGION**

34. Summarized below are the preliminary Canadian entities net inter-company book balances (including trade and loan balances only) as at May 31, 2010. For purposes of the summary, all Canadian entities (the Applicants and their Canadian non-filed subsidiaries) have been consolidated. The determination of these balances by Nortel is based on US GAAP and is subject to further adjustment. Nortel has fully reserved against the net inter-company balances owing from filed entities. For presentation purposes the full amount of the inter-company balance, prior to taking the reserve, has been reflected.
35. For purposes of calculating the net inter-company balances between trading pairs, balances between the same legal entities have been set off where the balances were either both pre-filing or both post-filing. No pre-filing balances have been set-off against post-filing balances.
36. The net inter-company balances arising prior to January 14, 2009 ("Pre-filing Balances") have been converted using January 14, 2009 foreign exchange rates. Inter-company balances arising after January 14, 2009 ("Post-filing Balances") are converted at May 31, 2010 foreign exchange rates.
37. The pre-filing net inter-company payable balance of \$2.062 billion with the U.S. Debtors includes \$62.7 million relating to the remainder of the Revolver Claim which is secured by a court-ordered charge in the CCAA proceedings. The remaining Canadian pre-filing inter-company payables are unsecured.
38. The post-filing net inter-company payable position of \$72 million includes the \$75 million NNI Loan from the U.S. Debtors which is secured by court-ordered charges in the CCAA proceedings. Other post-filing payables owing by the Applicants to

the U.S. Debtors are secured by the Inter-Company Charge. Post-filing payables and receivables between the Applicants and the EMEA Debtors are governed by the GSPA.

39. The post-filing net inter-company receivable position of \$100 million with the APAC region includes a receivable of \$79 million relating to the dividend (net of withholding tax) from LGN approved by the LGN board of directors on April 21, 2010. The dividend was subsequently received by NNL on June 4, 2010.

	Region	Pre-filing (Jan. 14, 2009 FX rates)	Post-filing (May 31, 2010 FX rates)
Net Receivable Position		(in millions)	
Filed Entities	CALA	1	2
	EMEA	91	3
	US *	54	7
Filed Total		145	12
Non Filed	APAC	83	100 **
	CALA	42	2
	EMEA	9	-
	US	14	2
Non Filed Total		147	104
Net Receivable Total		292	116
Net Payable Position			
Filed Entities	CALA	(24)	-
	EMEA	(203)	-
	US *	(2,062)	(72) ***
Filed Total		(2,288)	(72)
Non Filed	APAC	(201)	(7)
	CALA	-	(1)
	EMEA	-	-
Non Filed Total		(201)	(8)
Net Payable Total		(2,489)	(80)
Grand Total		(2,197)	36

* includes NN CALA Inc. as a Chapter 11 US filed entity
 ** includes \$79M dividend from LGN that was subsequently received on June 4, 2010
 *** includes \$75M post-filing loan from US Debtors offset by a \$3 million post filing receivable

STATUS OF CLAIMS PROCESS AND CROSS BORDER CLAIMS PROTOCOL

40. The Monitor has previously filed the Forty-Eighth Report in support of the Applicants' motion to approve a claims resolution order which was originally scheduled to be heard at a motion on June 16, 2010. The motion was adjourned and in the meantime, further discussions and negotiations have continued between the Applicants, Monitor, U.S. Debtors and other interested parties with respect to reaching a consensus on the appropriate terms of a claims resolution order and a cross border claims protocol. Progress has been made to date and discussions are ongoing.

CURRENT STATUS OF GSPA

41. Since the Filing Date, Nortel entities have continued to purchase goods and services from one another on a basis consistent with the operation of the business prior to these proceedings. Post-filing transactions between the U.S. Debtors and the Applicants are pursuant to court orders entered in the CCAA proceedings (e.g. the Initial Order) and the Chapter 11 Proceedings and/or in accordance with the Code (together, the "Trading Orders"). Trade between the EMEA Debtors and the Applicants is pursuant to the GSPA. The GSPA has continued to be extended by the parties substantially in the same form as the initial GSPA.
42. The purpose of the Trading Orders and GSPA is to ensure goods and services purchased after the Filing Date are paid in full without any set off, deduction, withholding, counter-claim or payment netting with respect to amounts owed as between the Nortel parties prior to the Filing Date. In addition, the Trading Orders and GSPA set out the requirement for the Applicants to secure any unpaid amounts for post-filing purchases owing to the U.S. Debtors or EMEA Debtors by way of a charge on the assets of the Applicants (the "Inter-Company Charge").
43. The Applicants have previously sought and obtained approval of the first to fourteenth extensions to the GSPA.

44. The sixteenth extension of the GSPA expired on May 31, 2010 and has not been further extended. The Applicants, the U.S. Debtors and the Joint Administrators have entered into negotiations with respect to terms of an amended GSPA; however, a final agreement has not yet been reached. In the meantime, ongoing day to day trade of goods and services continues in normal course.

HEALTH AND WELFARE TRUST STATUS

45. The Amended and Restated Settlement Agreement, as further described in the Thirty-Ninth and Forty-Second Reports, provides for the Settlement Parties to work towards both a Court approved distribution of the HWT corpus to its beneficiaries and the resolution of any issues relating thereto during 2010. The Applicants and the Monitor continues to work with the appropriate parties toward a distribution motion in respect of the HWT. Furthermore, the Applicants have advised they intend to reimburse the HWT for LTD and Survivor Income Benefits paid by the HWT subsequent to January 1, 2010 in the near future.

PROGRESS ON RESTRUCTURING

46. Nortel continues to assess a range of restructuring alternatives, in consultation with their legal and financial advisors, with respect to the sale of its remaining assets while at the same time exploring other options in the event it cannot maximize value through a sales transaction.

Divestiture Activities

CVAS Business Sale

47. The sale of substantially all of the CVAS business assets to Genband Inc. was approved by both this Honourable Court and the U.S. Court on March 3, 2010. The sale transaction closed on May 28, 2010 generating total proceeds in the amount of approximately \$181 million, including approximately \$28 million of purchase price

adjustments, tax related liabilities, severance liabilities and TSA obligations which are being held in various escrow accounts.

LGN

48. The sale of NNL's interest in the LGN joint venture to Ericsson was approved by this Honourable Court on May 3, 2010. The sale transaction closed on June 29, 2010 generating total proceeds of approximately \$242 million, including approximately \$28 million paid from proceeds primarily on account of withholding taxes. The remaining funds of approximately \$214 million are being held in a single purpose NNL bank account pursuant to the Approval and Vesting Order of this Honourable Court dated May 3, 2010. Prior to closing of the sale transaction, a dividend distribution of approximately \$79 million was paid to NNL which has been included in its available cash balance.

Relay

49. On June 29, 2010, this Honourable Court granted an Approval and Vesting Order in respect of the sale of certain of NNL's and NNTC's assets related to the Relay program to 7522312 Canada Inc. The sale transaction closed on June 30, 2010, and, in accordance with the Approval and Vesting Order, sale proceeds of approximately \$600,000 were deposited into a segregated NNL bank account.

Carling Campus

50. NNL and NNTC have retained DTZ Barnicke ("DTZ") as their advisor with respect to the sale of 3500 Carling Avenue, Ottawa, Ontario (the "Carling Campus"). Based on DTZ's advice and in consultation with the Monitor, a marketing campaign has been undertaken which includes the placement of advertisements in the Globe and Mail, the preparation and distribution of an information package to interested parties and direct contact with parties (both primary users and financial investors) that may have an interest in a real estate asset of this nature. For those qualified

parties expressing interest in the opportunity and who have signed a non-disclosure agreement, a confidential information memorandum has been provided, a data room has been set up and site visits have been arranged. While discussions and negotiations with all qualified interested parties are still at a preliminary stage, it is expected that offers will be received from those parties interested in proceeding with a transaction. Any ultimate transaction will be subject to obtaining this Honourable Court's approval.

Realization of Remaining Assets

51. Nortel continues to make progress towards maximizing proceeds of realization on its residual assets. The Corporate Group remains focused on facilitating the sale of Nortel's residual businesses and assets, including the Passport businesses and NNL's interest in the GDNT joint venture. In addition, the Corporate Group is exploring the strategic alternatives available to best optimize the value of Nortel's remaining intellectual property.

Status of Other Restructuring Activities

UK Pension Regulator

52. On February 25, 2010, the Monitor brought a motion before this Honourable Court requesting relief with respect to proceedings (the "FSD Proceeding") commenced by the U.K. Pensions Regulator (the "UKPR") against NNC and NNL. Additional information relating to this matter can be found in the Thirty-Eighth Report.
53. On February 26, 2010, the relevant motion record was endorsed granting the relief requested by the Monitor in paragraphs (a), (b) and (d) of its Notice of Motion and an Order was subsequently granted providing, in part, as follows:
 - a) that the purported exercise of rights by the sending of the Warning Notice by [the UKPR] to NNL and NNC in Canada and the commencement or

continuation of proceedings against NNL and NNC in Canada by [the UKPR] under The Pensions Act 2004 (U.K.) amount to breaches of paragraphs 14 and 15 of the [Initial Order].

- b) that for the purposes of these proceedings all acts taken by [the UKPR] in the purported exercise of rights and in commencing any proceedings against any of the Applicants, without the consent of those Applicants and the Monitor or without leave of this Court having been first obtained, are null and void and shall be given no force or effect in these proceedings, nor otherwise recognized as creating or forming the basis of any valid or enforceable rights, remedies or claims against the Applicants or any of their assets, property or undertakings in Canada.

- 54. Notices of Motion for Leave to Appeal this Order were filed with the Ontario Court of Appeal by the UKPR, and by the Nortel Networks UK Pension Trust Limited and The Board of the UK Pension Protection Fund and leave to appeal was granted on May 10, 2010. Following a hearing on June 16, 2010, the Ontario Court of Appeal dismissed the appeal.
- 55. On April 19, 2010, a notice of motion was served by the Nortel Networks UK Pension Trust Limited and The Board of the UK Pension Protection Fund seeking, among other things, an order lifting the stay granted in the Initial Order to allow the FSD Proceeding to “go forward as permitted proceedings”. Further details regarding this motion can be found in the Forty-Seventh Report. This motion was set for hearing on May 31, 2010, but was subsequently adjourned sine die on the consent of all interested parties.
- 56. The Monitor understands that, notwithstanding the order of this Honourable Court and the dismissal of the appeal by the Ontario Court of Appeal, the FSD Proceeding hearings commenced in the United Kingdom on June 2, 2010. None of the Applicants, the Monitor, the U.S. Debtors or the Joint Administrators participated in

the hearings. On June 25, 2010, the Monitor received a copy of a "Determinations Notice", along with accompanying reasons, issued by the Determinations Panel of the U.K. Pensions Regulator, a copy of which is attached as Appendix "C", which indicated a financial support direction will be issued against various Nortel entities, including NNC, NNL and NNI, upon the expiry of the relevant appeal period. The Applicants and the Monitor are of the view that the Determinations Notice and FSD are null and void given this Honourable Court's and the Court of Appeal's decision.

Allocation Discussions

57. As previously reported to this Honourable Court, in accordance with the Interim Funding and Settlement Agreement among the Applicants, the U.S. Debtors (excluding NN CALA) and certain of the EMEA entities dated June 9, 2009 (the "IFSA") and pursuant to various Orders of this Honourable Court and the U.S. Court, the sale proceeds of certain of the global sale transactions (including most notably, the sale proceeds from the divestitures of the CDMA / LTE Access, Enterprise, MEN, GSM/GSM-R and CVAS business units) have been placed into escrow pending agreement of all of the Selling Debtors (as defined in the IFSA) as to an appropriate allocation of such proceeds. At various times through the second half of 2009 and the first quarter of 2010, the Applicants, the U.S. Debtors and the Joint Administrators (with the involvement of the Monitor and the Committee) have engaged in negotiations regarding the scope and terms of a protocol for resolving disputes concerning the allocation of such sale proceeds. During the course of these negotiations, it became apparent the parties had differing views as to the proper scope of the allocation protocol. In order to address this apparent impasse, the Applicants, the U.S. Debtors and the Joint Administrators agreed to temporarily suspend negotiations on the allocation protocol and instead focused on a process to facilitate comprehensive settlement discussions both on the allocation of sale proceeds and a "global" resolution of all inter-estate matters. In addition, certain parties indicated they required further information prior to engaging in these

settlement negotiations. As a result, the Applicants, the U.S. Debtors and the Joint Administrators have been working on mechanisms to address the reasonable informational requirements of the parties to facilitate meaningful settlement negotiations. To this end, amongst other things:

- a) The Applicants and the U.S. Debtors (excluding NN CALA) have entered into the Final Canadian Funding and Settlement Agreement dated December 23, 2009 (the "CFSA"), which agreement resolves corporate overhead and transfer pricing matters as between the Applicants and the U.S. Debtors for the period October 1, 2009, through the later of the conclusion of these proceedings or the wind down of the Applicants¹ and, subject to the terms of the CFSA, resolved significant inter-estate claims between the Applicants and the U.S. Debtors party thereto for the period prior to the Filing Date;
- b) On June 9, 2010, the Applicants, the U.S. Debtors and the Joint Administrators, on a without prejudice basis, exchanged documents outlining, in a summary form, putative heads of claims the estates may have against each other. This exchange of heads of claim was not a formal call for intercompany claims and no intercompany claims bars have been established; rather, the exchange was solely for the purpose of advancing settlement discussions; and
- c) The Applicants, the U.S. Debtors and the Joint Administrators have exchanged information requests pertaining to allocation matters. In order to facilitate this process, the estates have agreed to establish an electronic data room site from which the various documents will be made available. On June 23, 2009, the Applicants, the U.S. Debtors, the Monitor and the Joint Administrators entered into a Confidentiality Agreement governing the use

¹ The IFSA resolved transfer pricing matters between the Applicants and the U.S. Debtors (excluding NN CALA) for the period from the Filing Date to September 30, 2009 and between the EMEA Debtors (as defined in the IFSA) and one or more of the Applicants and/or U.S. Debtors (excluding NN CALA) for the period from the Filing Date to December 31, 2009.

and disclosure of the information made available on the data site. The data site went online during the week of June 28, 2010 and is initially being populated with documents the parties accepted would be collected on a priority basis. It is expected that following an initial review of the posted documents, the parties will engage in further discussions regarding the potential for further populating the data site stemming from remaining and any additional document requests. In light of the scope of the document requests submitted by the parties, the significantly reduced human resources of the Applicants, the sheer volume of documentation and the complexity of the global enterprise, it is expected that any agreed upon process could be ongoing for some time and will evolve as matters progress. Notwithstanding this ongoing process, the Applicants are seeking to advance the settlement negotiation process in the near term.

Employee hardship application process

58. On July 30, 2009, an order was issued by this Honourable Court approving an employee hardship application process (the "Employee Hardship Order") as more fully described in the Sixteenth Report and the Affidavit of John Doolittle dated July 24, 2009.
59. On April 9, 2010, this Honourable Court approved the Applicants' request to extend the Application Period until July 22, 2010 and to amend the eligibility requirements in respect of the Employee Hardship Process to reflect the extended date.
60. The Monitor is continuing to administer the hardship payment application process and report thereon to the relevant representative counsel. There currently remains available CAD \$636,000 of the original CAD \$750,000 provided pursuant to the Employee Hardship Order. Applications continue to be received from former employees of the Applicants asserting financial hardship resulting from illness, healthcare costs or ineligibility for pension or employment insurance benefits.

61. While those individuals awarded hardship payments may also have claims against the Applicants in the CCAA proceedings, it is not anticipated that any distributions under a plan of compromise or arrangement will occur in the near term. Accordingly, the Monitor supports the Applicants' request that the Application Period be extended until and including October 29, 2010 and that Eligibility Requirements and the Procedure With Respect To Hardship Payment Applications be amended accordingly. A copy of the amended Eligibility Requirements and the Procedure With Respect To Hardship Payment Applications is attached as Appendix "D" to this Fiftieth Report.

Pension Plan Transition

62. Pursuant to the terms of the Amended and Restated Employee Settlement Agreement, the Applicants have continued to make monthly payments on account of current service under the Nortel Networks Managerial and Non-Negotiated Pension Plan and Nortel Networks Negotiated Pension Plan ("Pension Plans") and with the assistance of the Monitor, continue to facilitate the transfer of the administration of the Pension Plans, in an orderly fashion, to the Financial Services Commission for Ontario ("FSCO") or its representative effective as of October 1, 2010. The Applicants and the Monitor meet with representatives of FSCO periodically to review progress with respect to the transition.

STATUS OF FOREIGN PROCEEDINGS

Chapter 11

63. The following is a summary of the court orders that have been issued and the financial information that has been filed in the Chapter 11 Proceedings since the last update provided in the Monitor's Forty-Third Report:

- a) on April 13, 2010, an order authorizing the U.S. Debtors to accept the Argentina Side Offer in connection with the sale of the Metro Ethernet Networks business;
- b) on April 15, 2010, the U.S. Debtors obtained an order from the U.S. Court (i) denying the request of Nortel Networks U.K. Pension Trust Limited (as Trustee of the Nortel Networks U.K. Pension Plan) and the Board of the Pension Protection Fund for a stay pending appeal of the February 26, 2010 order of the U.S. Court enforcing the automatic stay; (ii) granting a bypass of mediation; and (iii) referring the matter to a magistrate judge for a report and recommendation;
- c) on May 24, 2010, the U.S. Debtors obtained orders:
 - i. authorizing the U.S. Debtors' entry into the GSM/GSM-R Side Agreement;
 - ii. authorizing the U.S. Debtors' entry into the CVAS Side Agreement;
 - iii. authorizing and approving the sale by the U.S. Debtors of certain residual assets of the GSM/GSM-R business to Ericsson; and
 - iv. authorizing the amendment of the Intellectual Property License Agreement and Transition Services Agreement with Hitachi, Ltd. in connection with the sale of the Next Generation Packet Core Network Components;
- d) on May 26, 2010, the U.S. Debtors obtained an order approving a stipulation among the U.S. Debtors, certain affiliates and the Pension Benefit Guaranty Corporation related to the CVAS sale transaction;
- e) on July 6, 2010, the U.S. Debtors obtained orders:

- i. extending the period during which NN CALA has the exclusive right to (i) file a Chapter 11 plan through and including January 13, 2011; and (ii) solicit acceptances to such plan through and including March 13, 2011; and
- ii. extending the time in which to file a disclosure statement in connection with the U.S. Debtors' joint chapter 11 plan through September 3, 2010;
- f) the U.S. Debtors filed Debtor-in Possession Monthly Operating Reports for the months of February, March, April and May on April 9, 2010, May 27, 2010, June 8, 2010 and June 30, 2010, respectively;
- g) in addition, the U.S. Debtors obtained orders granting several omnibus objections to claims, amending and supplementing certain professional retention agreements, and approving certain terminations, assignments and protective orders with various counterparties; and
- h) on July 12, 2010, the U.S. Debtors filed the Joint Chapter 11 Plan of Nortel Networks Inc. and its Affiliated Debtors with the U.S. Court ("U.S. Plan"). A copy of the U.S. Plan is attached as Appendix "E".

Chapter 15

64. The following is a summary of the filings in the Chapter 15 proceedings of the Applicants since the last update provided in the Monitor's Forty-Third Report:

- a) The Monitor has continued to file with the U.S. Court and serve on required parties notices of each of its reports to this Honourable Court. The Monitor also filed notice of the Fourth Amended and Restated Initial Order of this Honourable Court with the U.S. Court on April 20, 2010.

- b) On January 15, 2010, the lead plaintiffs (the "Lead Plaintiffs") in an action styled *David Lucescu, individually and on behalf of all others similarly situated v. Mike Zafirovski, et al.*, No. 09 Civ. 04691 (SAS), commenced against Mike Zafirovski and Pavi Binning and pending in the U.S. District Court for the Southern District of New York (the "Litigation"), filed a motion in the U.S. Court seeking a modification of the stay to permit them to serve a document preservation subpoena on NNC and to proceed with the Litigation. The U.S. Court denied the Lead Plaintiffs' motion and the Lead Plaintiffs subsequently filed a notice of appeal on March 12, 2010. The record on appeal, which includes statements of issues and designations of items of both the Lead Plaintiffs and the Monitor, was transmitted to the U.S. District Court for the District of Delaware on April 20, 2010. However, prior to being heard on appeal, Lead Plaintiffs and the Monitor are required to submit their dispute to non-binding resolution by a mediator. Mediation is scheduled for July 22, 2010 at the offices of Ian Connor Bifferato in Wilmington, Delaware. Both parties will submit confidential mediation statements no later than one week prior to the mediation.
- c) On April 27, 2010, the U.S. Court recognized and enforced the Final Funding Order of this Honourable Court. Additionally, the Order Approving the Sale in Respect of the Nortel-LGE Joint Venture was recognized and enforced by the U.S. Bankruptcy Court on June 23, 2010.

NNSA

65. NNSA acceded to the sixth and seventh deed to the GSPA, pursuant to a deed of accession dated June 17, 2009 and has become a party to each subsequent extension up to and including the sixteenth extension of the GSPA. NNSA has reserved a right to terminate participation in the GSPA extensions on five business days prior written notice.

REQUEST FOR AN EXTENSION TO THE STAY OF PROCEEDINGS

66. The Stay Period presently expires on July 22, 2010. The Applicants are seeking a 99 day extension of the Stay Period up to and including October 29, 2010.

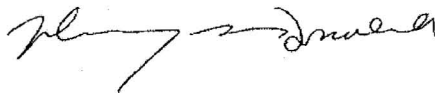
MONITOR'S ANALYSIS AND RECOMMENDATIONS

67. The Monitor has assisted and continues to assist the Applicants in their efforts to review operations and assess a range of restructuring alternatives in consultation with their legal and financial advisors. The Monitor believes the Applicants are working diligently and in good faith and continue to progress towards the development of a Plan.
68. For the reasons outlined in this report, the Monitor supports the Applicants' request for the following:
- a) an extension of the stay up to and including October 29, 2010; and
 - b) extension of the Application Period for the Hardship Payment Application process up to and including October 29, 2010 and that the Eligibility Requirements and the Procedure With Respect To Hardship Payment Applications be amended accordingly.

All of which is respectfully submitted this 13th day of July, 2010.

ERNST & YOUNG INC.

In its capacity as Monitor of the Applicants



Per:
Murray A. McDonald
President