

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

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| | | |
|--|---|------------------------|
| | : | Chapter 11 |
| <i>In re</i> | : | Case No. 09-10138 (KG) |
| Nortel Networks Inc., <i>et al.</i> , ¹ | : | Jointly Administered |
| Debtors. | : | |
| | : | |

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**PERIODIC REPORT REGARDING VALUE, OPERATIONS AND
PROFITABILITY OF ENTITIES IN WHICH THE ESTATES OF
NORTEL NETWORKS INC., NORTEL ALTSYSTEMS INC., SONOMA
SYSTEMS, AND NORTEL NETWORKS (NNCI) INC.² HOLD A
SUBSTANTIAL OR CONTROLLING INTEREST**

This is the report as of June 30, 2009 on the value, operations and profitability of those entities in which the Debtors' estates hold a substantial or controlling interest, as required by Bankruptcy Rule 2015.3. The estates of Nortel Networks Inc. ("NNI"), Nortel AltSystems Inc. (f/k/a Alteon WebSystems Inc.) ("AltSystems"), Sonoma Systems ("Sonoma"), and Nortel Networks (NNCI) Inc. ("NNCI") hold a substantial or controlling interest in the following entities:

| Name of Entity | NNI Interest of the Estate |
|--|----------------------------|
| Diamondware, Ltd. | 100% |
| Nortel Networks India International Inc. | 100% |
| Nortel Government Solutions Incorporated | 100% |
| Nortel Ventures LLC | 100% |
| Bay Networks do Brasil Ltda. | 99.50% |
| Nortel Networks Technology Ltd. | 100% |
| Bay Networks Redes de Dados para Sistemas Informaticos, Lda. | 100% |
| Clarify Limited | 100% |
| Penril Datacomm Limited | 100% |
| Nortel Networks Eastern Mediterranean Ltd. | 100% |

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's tax identification number, are: Nortel Networks Inc. (6332), Nortel Networks Capital Corporation (9620), Nortel AltSystems Inc. (9769), Nortel AltSystems International Inc. (5596), Xros, Inc. (4181), Sonoma Systems (2073), Qtera Corporation (0251), CoreTek, Inc. (5722), Nortel Networks Applications Management Solutions Inc. (2846), Nortel Networks Optical Components Inc. (3545), Nortel Networks HPOCS Inc. (3546), Architel Systems (U.S.) Corporation (3826), Nortel Networks International Inc. (0358), Northern Telecom International Inc. (6286), Nortel Networks Cable Solutions Inc. (0567) and Nortel Networks (NNCI) Inc. (4226). Addresses for the Debtors can be found in the Debtors' petitions, which are available at <http://chapter11.cpiqsystems.com/nortel>.

² The other Debtors do not hold or have a substantial or controlling interest in other non-debtor entities.

| | |
|---|--------|
| Nortel Technology Excellence Centre Private Limited | 99.01% |
| Nortel Networks Japan | 100% |
| Nortel Networks Technology K.K. | 100% |
| Nortel Networks Southeast Asia Pte Ltd. | 100% |
| Nortel Networks Technology (Thailand) Ltd. | 99.94% |
| Limited Partnership Investment Fund | 22.84% |

| Name of Entity | AltSystems Interest of the Estate |
|--|-----------------------------------|
| Nortel AltSystems International Limited ³ | 100% |
| Nortel AltSystems AB ⁴ | 100% |

| Name of Entity | Sonoma Interest of the Estate |
|-------------------------------|-------------------------------|
| Sonoma Systems Europe Limited | 100% |
| Sonoma Limited | 100% |

| Name of Entity | NNCI Interest of the Estate |
|-------------------------------------|-----------------------------|
| Nortel Networks de Guatemala, Ltda. | 98% |
| Nortel Trinidad and Tobago Limited | 100% |

In addition to the entities listed in the table above, NNI is the sole member of Nortel Foundation ("NF"), an Internal Revenue Code section 501(c)(4) not-for-profit foundation organized as a non-stock corporation. Under U.S. tax rules, the member of a 501(c)(4) organization is prohibited from having any benefit inure to it by the organization. There was no activity at NF during the first six months of 2009. NF had assets of approximately \$32,000 in cash on hand at June 30, 2009.

With the filing of its first Periodic Report Regarding Value, Operations and Profitability of Entities (D.I. 729), NNI referred to having identified two additional entities in which NNI's interest exceeded 20% but was less than 50% and for which NNI was evaluating its reporting obligation. Subsequently, NNI filed a form 26 report for its investment in a Limited Partnership Investment Fund (D.I. 813). That investment is now included in this report. Additional investigation and inquiry regarding the second identified entity confirmed that no reporting requirement exists since the entity had been dissolved prior to NNI's chapter 11 filing.

This periodic report (the "Periodic Report") consists of three exhibits for each entity listed above. Exhibit A contains a valuation estimate for each entity as of a date not more than two years prior to the date of this report. It also contains a description of the valuation method used. Exhibit B is presented in columnar format for each entity and contains a

³ Formerly known as Alteon WebSystems International Limited.

⁴ Formerly known as Alteon WebSystems AB.

Notes to Periodic Report Required by Bankruptcy Rule 2015.3

The financial statements contained in this Periodic Report are unaudited. While management of the Debtors and their affiliates have made every reasonable effort to ensure that these financial statements are accurate and complete based upon information that was available at the time of preparation, the subsequent receipt of information may result in material changes in the data contained in these financial statements, and inadvertent errors or omissions may exist. To the extent the Debtors discover additional information that may differ materially from the information set forth in the financial statements contained herein, the Debtors may amend, supplement or otherwise modify this Periodic Report to reflect such changes. Accordingly, the Debtors reserve all rights to amend, supplement or otherwise modify this Periodic Report as they deem necessary or appropriate.

1. Reservation of Rights. Nothing contained in this Periodic Report shall constitute a waiver of any of the Debtors' rights or an admission with respect to their chapter 11 cases including, but not limited to, matters involving objections to claims, substantive consolidation, equitable subordination, defenses, characterization or re-characterization of contracts, assumption or rejection of contracts under the provisions of chapter 3 of title 11 of the United States Code (the "Bankruptcy Code") and/or causes of action under the provisions of chapter 5 of the Bankruptcy Code or any other relevant applicable laws to recover assets or avoid transfers.

2. Basis of Presentation. The financial statements contained herein were not intended to reconcile to any financial statements otherwise prepared or distributed by the Debtors or any of the Debtors' affiliates. Significant efforts have been put forth to attribute the assets and liabilities to the proper legal entity. However, because the Debtors' accounting systems, policies, and practices were developed with a view to producing consolidated reporting, rather than by legal entity, it is possible that not all assets or liabilities have been recorded at the correct legal entity. Accordingly, the Debtors reserve all rights to supplement or amend any financial statements contained in this Periodic Report.

Moreover, given, among other things, the uncertainty surrounding the collection and ownership of certain assets and the valuation and nature of certain liabilities, to the extent that a non-debtor entity shows more assets than liabilities, this is not an admission that the non-debtor entity was solvent at the Petition Date or at any time prior to the Petition Date, including the date as of or for the period of any financial statements or other financial information included in this Periodic Report. Likewise, to the extent that a non-debtor entity shows more liabilities than assets, this is not an admission that the non-debtor entity was insolvent at the Petition Date or at any time prior to the Petition Date, including the date as of or for the period of any financial statements or other financial information included in this Periodic Report.

3. Current values. Unless otherwise indicated, the basis for all current values included in this Periodic Report was the net book value from relevant corporate books and records as of the close of business on June 30, 2009. The net book value as of June 30, 2009 may not reflect the current value of the respective assets.

For the reasons discussed above, the Debtors caution readers not to place undue reliance upon the information contained in this Periodic Report. For further information, please refer to the consolidated financial statements and footnotes thereto in the Annual Report on Form 10-K for the fiscal year ended December 31, 2008 for the Debtors' affiliates Nortel Networks Corporation ("NNC") and Nortel Networks Limited ("NNL") and the consolidated and combined financial statements and notes thereto in the Quarterly Report on Form 10-Q for the quarters ended March 31, 2009 and June 30, 2009 for the Debtors' affiliates Nortel Networks Corporation ("NNC") and Nortel Networks Limited ("NNL") and other filings by such Debtors' affiliates with the Securities and Exchange Commission.

Exhibit A.1
Valuation Estimate for Entities held by Nortel Networks Inc.
In thousands of U.S. Dollars

| | <u>% of Interest Holding</u> | <u>Net Book Value</u> |
|---|------------------------------|-----------------------|
| Diamondware, Ltd. | 100% | \$ 4,420 |
| Nortel Networks India International Inc. | 100% | (33,364) |
| Nortel Government Solutions Incorporated | 100% | 224,245 |
| Nortel Ventures LLC | 100% | (357) |
| Bay Networks do Brasil Ltda. | 99.50% | - |
| Nortel Networks Technology Ltd. | 100% | (3,762) |
| Bay Networks Redes de Dados para Sistemas Informaticos, Ltda. | 100% | 91 |
| Clarify Limited | 100% | (659) |
| Penril Datacomm Limited | 100% | (1,834) |
| Nortel Networks Eastern Mediterranean Ltd. | 100% | 537 |
| Nortel Technology Excellence Centre Private Limited | 99.01% | 3,094 |
| Nortel Networks Japan | 100% | 15,995 |
| Nortel Networks Technology K.K. | 100% | - |
| Nortel Networks Southeast Asia Pte Ltd. | 100% | - |
| Nortel Networks Technology (Thailand) Ltd. | 99.94% | (22) |

The basis for the valuation of each entity is the net book value calculated as total liabilities of each entity subtracted from its total assets as of June 30, 2009. The book balances for the assets and liabilities of each entity are maintained based on historic cost as adjusted in accordance with the requirements of generally accepted accounting principles. The Debtors have no available analyses prepared within the past two years supporting any comprehensive alternative valuation method for the entities.

Exhibit A.2
Valuation Estimate for Limited Partnership
Investment Fund held by Nortel Networks Inc.
In thousands of U.S. Dollars

| | <u>% of Interest Holding</u> | <u>Net Book Value</u> |
|-------------------------------------|------------------------------|-----------------------|
| Limited Partnership Investment Fund | 22.84% | \$ 3,645 |

The source of this information is the Partnership's June 30, 2009 financial statements. The financial statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The investments held by the partnership are carried in the financial statements at estimated fair value as measured within the framework established by Statement on Financial Accounting Standards ("SFAS") 157, *Fair Value Measurements*.

Exhibit A.3
Valuation Estimate for Entities held by Nortel AltSystems Inc.,
Sonoma Systems, and Nortel Networks (NNCI) Inc.
 In thousands of U.S. Dollars

| <u>Entities held by Nortel AltSystems Inc.</u> | <u>% of Interest Holding</u> | <u>Net Book Value</u> |
|---|------------------------------|-----------------------|
| Nortel AltSystems International Limited | 100% | \$ - |
| Nortel AltSystems AB | 100% | 629 |
| <u>Entities held by Sonoma Systems</u> | <u>% of Interest Holding</u> | <u>Net Book Value</u> |
| Sonoma Systems Europe Limited | 100% | \$ (1,417) |
| Sonoma Limited | 100% | - |
| <u>Entities held by Nortel Networks (NNCI) Inc.</u> | <u>% of Interest Holding</u> | <u>Net Book Value</u> |
| Nortel Networks de Guatemala, Ltda. | 98% | \$ 8,733 |
| Nortel Trinidad and Tobago Limited | 100% | (1,890) |

The basis for the valuation of each entity is the net book value calculated as total liabilities of each entity subtracted from its total assets as of June 30, 2009. The book balances for the assets and liabilities of each entity are maintained based on historic cost as adjusted in accordance with the requirements of generally accepted accounting principles. The Debtors have no available analyses prepared within the past two years supporting any comprehensive alternative valuation method for the entities.

Exhibit B-1.1
Balance Sheet for Entities held by Nortel Networks Inc.
As of June 30, 2009
Unaudited
In thousands of U.S. Dollars

| | Diamondware, Ltd. | Nortel Networks India International Inc. | Nortel Government Solutions Incorporated | Nortel Ventures LLC | Bay Networks do Brasil Ltda. |
|--|----------------------|---|---|------------------------|---------------------------------|
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 133 | \$ 2,461 | \$ 31,224 | \$ - | \$ - |
| Restricted cash and cash equivalents | - | - | - | - | - |
| Accounts receivable - net | - | 30,842 | 54,786 | - | - |
| Intercompany amounts due (accounts receivable and notes) | 97 | 7,147 | (96) | 181 | - |
| Inventories - net | - | 6,437 | 34,956 | - | - |
| Deferred income taxes - net | - | - | - | - | - |
| Other current assets | - | 95 | 22,266 | - | - |
| Total current assets | 230 | 46,982 | 143,136 | 181 | - |
| Investments | - | - | - | 8,062 | - |
| Plant and equipment - net | 90 | - | 26,011 | - | - |
| Goodwill | - | - | 122,461 | - | - |
| Intangible assets - net | 4,419 | - | 23,365 | - | - |
| Deferred income taxes - net | - | - | (29) | - | - |
| Other assets | - | - | 2,381 | - | - |
| Total assets | \$ 4,739 | \$ 46,982 | \$ 317,325 | \$ 8,243 | \$ - |
| Liabilities and Shareholders' Equity (Deficit) | | | | | |
| Current liabilities | | | | | |
| Trade and other accounts payable | \$ 2 | \$ 145 | \$ 4,203 | \$ - | \$ - |
| Intercompany amounts (accounts payable, notes, and interest) | 191 | 72,249 | 15,974 | 8,600 | - |
| Payroll and benefit-related liabilities | 125 | - | 15,931 | - | - |
| Contractual liabilities | - | 383 | 9,646 | - | - |
| Restructuring liabilities | - | - | 2,520 | - | - |
| Other accrued liabilities | 1 | 8,089 | 7,219 | - | - |
| Income taxes | - | (711) | 90 | - | - |
| Other current liabilities | - | - | 1,578 | - | - |
| Total current liabilities | 319 | 80,155 | 57,161 | 8,600 | - |
| Long-term debt | - | - | 26,410 | - | - |
| Deferred income and other credits | - | - | 6,367 | - | - |
| Deferred revenue | - | - | - | - | - |
| Other long-term liabilities | - | 191 | 3,142 | - | - |
| Total liabilities | 319 | 80,346 | 93,080 | 8,600 | - |
| Shareholders' Equity (Deficit) | | | | | |
| Common shares | 4,750 | 1 | 1 | - | 50 |
| Preferred shares | - | - | - | - | - |
| Additional paid-in capital | - | - | 461,485 | - | - |
| Accumulated deficit (retained earnings) | (330) | (33,365) | (237,240) | (357) | (50) |
| Foreign currency translation adjustment | - | - | - | - | - |
| Unrealized gain/(loss) on investment | - | - | (1) | - | - |
| Total shareholders' equity (deficit) | 4,420 | (33,364) | 224,245 | (357) | - |
| Total liabilities and shareholders' equity (deficit) | \$ 4,739 | \$ 46,982 | \$ 317,325 | \$ 8,243 | \$ - |

The accompanying notes are an integral part of this Exhibit B-1.

Exhibit B-1.1
Balance Sheet for Entities held by Nortel Networks Inc.
As of June 30, 2009
Unaudited
In thousands of U.S. Dollars

| | Nortel Networks Technology Ltd. | Bay Networks Redes de Datos para Sistemas Informaticos, Ltda. | Clarify Limited | Penril Datacomm Limited | Nortel Networks Eastern Mediterranean Ltd. |
|--|--|--|-----------------|-------------------------------|--|
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ - | \$ 84 | \$ - | \$ - | \$ 536 |
| Restricted cash and cash equivalents | - | - | - | - | - |
| Accounts receivable - net | - | - | - | - | - |
| Intercompany amounts due (accounts receivable and notes) | - | - | (910) | 5 | - |
| Inventories - net | - | - | - | - | - |
| Deferred income taxes - net | - | - | - | - | - |
| Other current assets | - | - | - | - | 1 |
| Total current assets | - | 84 | (910) | 5 | 537 |
| Investments | (3,762) | - | - | - | - |
| Plant and equipment - net | - | - | - | - | - |
| Goodwill | - | - | - | - | - |
| Intangible assets - net | - | - | - | - | - |
| Deferred income taxes - net | - | - | - | - | - |
| Other assets | - | - | - | - | - |
| Total assets | <u>\$ (3,762)</u> | <u>\$ 84</u> | <u>\$ (910)</u> | <u>\$ 5</u> | <u>\$ 537</u> |
| Liabilities and Shareholders' Equity (Deficit) | | | | | |
| Current liabilities | | | | | |
| Trade and other accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intercompany amounts (accounts payable, notes, and interest) | - | - | (251) | 1,839 | - |
| Payroll and benefit-related liabilities | - | - | - | - | - |
| Contractual liabilities | - | - | - | - | - |
| Restructuring liabilities | - | - | - | - | - |
| Other accrued liabilities | - | - | - | - | - |
| Income taxes | - | (7) | - | - | - |
| Other current liabilities | - | - | - | - | - |
| Total current liabilities | - | (7) | (251) | 1,839 | - |
| Long-term debt | - | - | - | - | - |
| Deferred income and other credits | - | - | - | - | - |
| Deferred revenue | - | - | - | - | - |
| Other long-term liabilities | - | - | - | - | - |
| Total liabilities | - | (7) | (251) | 1,839 | - |
| Shareholders' Equity (Deficit) | | | | | |
| Common shares | - | 7 | - | - | - |
| Preferred shares | - | - | - | - | - |
| Additional paid-in capital | - | - | 79 | - | - |
| Accumulated deficit (retained earnings) | (3,762) | 80 | 1,679 | (1,766) | 538 |
| Foreign currency translation adjustment | - | 4 | (2,417) | (68) | (1) |
| Unrealized gain/(loss) on investment | - | - | - | - | - |
| Total shareholders' equity (deficit) | <u>(3,762)</u> | <u>91</u> | <u>(659)</u> | <u>(1,834)</u> | <u>537</u> |
| Total liabilities and shareholders' equity (deficit) | <u>\$ (3,762)</u> | <u>\$ 84</u> | <u>\$ (910)</u> | <u>\$ 5</u> | <u>\$ 537</u> |

The accompanying notes are an integral part of this Exhibit B-1.

Exhibit B-1.1
Balance Sheet for Entities held by Nortel Networks Inc.
As of June 30, 2009
Unaudited
In thousands of U.S. Dollars

| | Nortel Technology Excellence Centre Private Limited | Nortel Networks Japan | Nortel Networks Technology K.K. | Nortel Networks Southeast Asia Pte Ltd. | Nortel Networks Technology (Thailand) Ltd. |
|--|---|-----------------------------|--|--|---|
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 722 | \$ 21,286 | \$ - | \$ - | \$ - |
| Restricted cash and cash equivalents | - | 10 | - | - | - |
| Accounts receivable - net | - | 6,545 | - | - | - |
| Intercompany amounts due (accounts receivable and notes) | 25,109 | 40,722 | - | - | 3 |
| Inventories - net | - | 7,856 | - | - | - |
| Deferred income taxes - net | - | - | - | - | - |
| Other current assets | 1,205 | 178 | - | - | - |
| Total current assets | 27,036 | 76,597 | - | - | 3 |
| Investments | - | - | - | - | - |
| Plant and equipment - net | 1,762 | 1,503 | - | - | - |
| Goodwill | - | - | - | - | - |
| Intangible assets - net | - | - | - | - | - |
| Deferred income taxes - net | - | - | - | - | - |
| Other assets | - | 7,534 | - | - | - |
| Total assets | \$ 28,798 | \$ 85,634 | \$ - | \$ - | \$ 3 |
| Liabilities and Shareholders' Equity (Deficit) | | | | | |
| Current liabilities | | | | | |
| Trade and other accounts payable | \$ 264 | \$ 956 | \$ - | \$ - | \$ - |
| Intercompany amounts (accounts payable, notes, and interest) | 24,642 | 22,397 | - | - | 3 |
| Payroll and benefit-related liabilities | 300 | 3,227 | - | - | - |
| Contractual liabilities | - | 352 | - | - | - |
| Restructuring liabilities | - | 724 | - | - | - |
| Other accrued liabilities | 79 | 19,311 | - | - | 22 |
| Income taxes | 227 | - | - | - | - |
| Other current liabilities | - | - | - | - | - |
| Total current liabilities | 25,512 | 46,967 | - | - | 25 |
| Long-term debt | - | - | - | - | - |
| Deferred income and other credits | - | - | - | - | - |
| Deferred revenue | - | 15,852 | - | - | - |
| Other long-term liabilities | 192 | 6,820 | - | - | - |
| Total liabilities | 25,704 | 69,639 | - | - | 25 |
| Shareholders' Equity (Deficit) | | | | | |
| Common shares | - | 707 | 181 | 70 | 4 |
| Preferred shares | - | - | - | - | - |
| Additional paid-in capital | 388 | 1,404 | - | 14 | - |
| Accumulated deficit (retained earnings) | 2,706 | 13,884 | (181) | (84) | (26) |
| Foreign currency translation adjustment | - | - | - | - | - |
| Unrealized gain/(loss) on investment | - | - | - | - | - |
| Total shareholders' equity (deficit) | 3,094 | 15,995 | - | - | (22) |
| Total liabilities and shareholders' equity (deficit) | \$ 28,798 | \$ 85,634 | \$ - | \$ - | \$ 3 |

The accompanying notes are an integral part of this Exhibit B-1.

Exhibit B-1.2
Balance Sheet for Limited Partnership Investment Fund
held by Nortel Networks Inc.
As of June 30, 2009
Unaudited
In thousands of U.S. Dollars

| | |
|--------------------|------------------------|
| Total assets: | \$ 3,660 |
| Total liabilities: | <u>15</u> |
| Net assets: | <u><u>\$ 3,645</u></u> |

The accompanying notes are an integral part of this Exhibit B-1.

Exhibit B-1.3
Balance Sheet for Entities held by Nortel AlSystems Inc.,
Sonoma Systems, and Nortel Networks (NNCI) Inc.
As of June 30, 2009
Unaudited
In thousands of U.S. Dollars

| | Nortel AlSystems Inc. | | Sonoma Systems | | Nortel Networks (NNCI) Inc. | |
|--|--|---------------------|-------------------------------|----------------|-------------------------------------|------------------------------------|
| | Nortel AlSystems International Limited | Nortel AlSystems AB | Sonoma Systems Europe Limited | Sonoma Limited | Nortel Networks de Guatemala, Ltda. | Nortel Trinidad and Tobago Limited |
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$ - | \$ 635 | \$ - | \$ - | \$ 11,437 | \$ 14 |
| Restricted cash and cash equivalents | - | - | - | - | - | - |
| Accounts receivable - net | - | - | - | - | (2,508) | - |
| Intercompany amounts due (accounts receivable and notes) | - | 1 | 4 | - | 17,037 | 392 |
| Inventories - net | - | - | - | - | 216 | - |
| Deferred income taxes - net | - | - | - | - | - | - |
| Other current assets | - | - | - | - | 195 | - |
| Total current assets | - | 636 | 4 | - | 26,377 | 406 |
| Investments | - | - | - | - | - | - |
| Plant and equipment - net | - | - | - | - | 9 | - |
| Goodwill | - | - | - | - | - | - |
| Intangible assets - net | - | - | - | - | - | - |
| Deferred income taxes - net | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - |
| Total assets | \$ - | \$ 636 | \$ 4 | \$ - | \$ 26,386 | \$ 406 |
| Liabilities and Shareholders' Equity (Deficit) | | | | | | |
| Current liabilities | | | | | | |
| Trade and other accounts payable | \$ - | \$ 2 | \$ - | \$ - | \$ 589 | \$ 57 |
| Intercompany amounts (accounts payable, notes, and interest) | - | - | 1,421 | - | 16,360 | 1,053 |
| Payroll and benefit-related liabilities | - | - | - | - | 435 | - |
| Contractual liabilities | - | - | - | - | 206 | - |
| Restructuring liabilities | - | - | - | - | - | - |
| Other accrued liabilities | - | 5 | - | - | (10) | - |
| Income taxes | - | - | - | - | 73 | 1,186 |
| Other current liabilities | - | - | - | - | - | - |
| Total current liabilities | - | 7 | 1,421 | - | 17,653 | 2,296 |
| Long-term debt | - | - | - | - | - | - |
| Deferred income and other credits | - | - | - | - | - | - |
| Deferred revenue | - | - | - | - | - | - |
| Other long-term liabilities | - | - | - | - | - | - |
| Total liabilities | - | 7 | 1,421 | - | 17,653 | 2,296 |
| Shareholders' Equity (Deficit) | | | | | | |
| Common shares | 12 | 292 | - | 19 | 18 | - |
| Preferred shares | - | - | - | - | - | - |
| Additional paid-in capital | - | 4,148 | - | 103 | 2 | - |
| Accumulated deficit (retained earnings) | (12) | (3,330) | (1,663) | 74 | 8,713 | (1,890) |
| Foreign currency translation adjustment | - | (481) | 246 | (196) | - | - |
| Unrealized gain/(loss) on investment | - | - | - | - | - | - |
| Total shareholders' equity (deficit) | - | 629 | (1,417) | - | 8,733 | (1,890) |
| Total liabilities and shareholders' equity (deficit) | \$ - | \$ 636 | \$ 4 | \$ - | \$ 26,386 | \$ 406 |

The accompanying notes are an integral part of this Exhibit B-1.

Exhibit B-2.1
Statement of Operations for
Entities held by Nortel Networks Inc.
For the six-month period ended June 30, 2009
Unaudited
In thousands of U.S. Dollars

| | Diamondware, Ltd. | Nortel Networks India International Inc. | Nortel Government Solutions Incorporated | Nortel Ventures LLC | Bay Networks do Brasil Ltda. |
|---|----------------------|---|---|------------------------|---------------------------------|
| Total revenues | \$ 100 | \$ 6,969 | \$ 167,028 | \$ - | \$ - |
| Total cost of revenues | - | 18,763 | 186,765 | - | - |
| Gross profit | 100 | (11,794) | (19,737) | - | - |
| Selling, general and administrative expense | 12 | (1,933) | 31,244 | - | - |
| Research and development expense | 681 | - | 1 | - | - |
| Amortization of intangible assets | 489 | - | 5,386 | - | - |
| Loss (gain) on sales of businesses and assets | - | - | - | - | - |
| Goodwill impairment | - | - | 48,500 | - | - |
| Other charges (income) | - | - | - | - | - |
| Deferred stock option compensation | - | - | - | - | - |
| Restructuring | - | - | 120 | - | - |
| Operating earnings (loss) | (1,082) | (9,861) | (104,988) | - | - |
| Other income (expense) - net | (9) | 39 | 351 | - | - |
| Interest on long-term debt | - | - | (1,073) | - | - |
| Intercompany interest expense | - | (257) | - | (10) | - |
| Interest and dividend income | - | - | - | - | - |
| Reorganization items | 3 | - | 73 | - | - |
| Earnings (loss) from operations before income taxes, minority interests and equity in net earnings (loss) of associated companies | (1,088) | (10,079) | (105,637) | (10) | - |
| Income tax benefit (expense) | - | (37) | (34) | - | - |
| Earnings (loss) from operations before minority interests and equity in net earnings (loss) of associated companies | (1,088) | (10,116) | (105,671) | (10) | - |
| Minority interests - net of tax | - | - | - | - | - |
| Earnings (loss) from operations before net earnings (loss) of associated companies - net of tax | (1,088) | (10,116) | (105,671) | (10) | - |
| Equity in net earnings (loss) | - | - | - | - | - |
| Net earnings (loss) | \$ (1,088) | \$ (10,116) | \$ (105,671) | \$ (10) | \$ - |

The accompanying notes are an integral part of this Exhibit B-2.

Exhibit B-2.1
Statement of Operations for
Entities held by Nortel Networks Inc.
For the six-month period ended June 30, 2009
Unaudited
In thousands of U.S. Dollars

| | Nortel Networks Technology Ltd. | Bay Networks Redes de Datos para Sistemas Informaticos, Lda. | Clarify Limited | Penril Datacomm Limited | Nortel Networks Eastern Mediterranean Ltd. |
|---|--|---|-----------------|-------------------------------|--|
| Total revenues | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total cost of revenues | - | - | - | - | - |
| Gross profit | - | - | - | - | - |
| Selling, general and administrative expense | - | - | - | - | - |
| Research and development expense | - | - | - | - | - |
| Amortization of intangible assets | - | - | - | - | - |
| Loss (gain) on sales of businesses and assets | - | - | - | - | - |
| Goodwill impairment | - | - | - | - | - |
| Other charges (income) | - | - | - | - | - |
| Deferred stock option compensation | - | - | - | - | - |
| Restructuring | - | - | - | - | - |
| Operating earnings (loss) | - | - | - | - | - |
| Other income (expense) - net | - | - | - | (228) | - |
| Interest on long-term debt | - | - | - | - | - |
| Intercompany interest expense | - | - | - | - | - |
| Interest and dividend income | - | - | - | - | - |
| Reorganization items | - | - | - | - | - |
| Earnings (loss) from operations before income taxes, minority interests and equity in net earnings (loss) of associated companies | - | - | - | (228) | - |
| Income tax benefit (expense) | - | - | - | - | - |
| Earnings (loss) from operations before minority interests and equity in net earnings (loss) of associated companies | - | - | - | (228) | - |
| Minority interests - net of tax | - | - | - | - | - |
| Earnings (loss) from operations before net earnings (loss) of associated companies - net of tax | - | - | - | (228) | - |
| Equity in net earnings (loss) | (23) | - | - | - | - |
| Net earnings (loss) | \$ (23) | \$ - | \$ - | \$ (228) | \$ - |

The accompanying notes are an integral part of this Exhibit B-2.

Exhibit B-2.1
Statement of Operations for
Entities held by Nortel Networks Inc.
For the six-month period ended June 30, 2009
Unaudited
In thousands of U.S. Dollars

| | Nortel Technology Excellence Centre Private Limited | Nortel Networks Japan | Nortel Networks Technology K.K. | Nortel Networks Southeast Asia Pte Ltd. | Nortel Networks Technology (Thailand) Ltd. |
|---|---|-----------------------------|--|--|---|
| Total revenues | \$ 616 | \$ 34,884 | \$ - | \$ - | \$ - |
| Total cost of revenues | - | 33,402 | - | - | - |
| Gross profit | 616 | 1,482 | - | - | - |
| Selling, general and administrative expense | 4 | 9,204 | - | - | 22 |
| Research and development expense | 128 | - | - | - | - |
| Amortization of intangible assets | - | - | - | - | - |
| Loss (gain) on sales of businesses and assets | - | 22 | - | - | - |
| Goodwill impairment | - | - | - | - | - |
| Other charges (income) | - | - | - | - | - |
| Deferred stock option compensation | - | - | - | - | - |
| Restructuring | - | 12 | - | - | - |
| Operating earnings (loss) | 484 | (7,756) | - | - | (22) |
| Other income (expense) - net | 319 | (1,705) | - | - | - |
| Interest on long-term debt | - | - | - | - | - |
| Intercompany interest expense | - | - | - | - | - |
| Interest and dividend income | - | - | - | - | - |
| Reorganization items | 2 | (64) | - | - | - |
| Earnings (loss) from operations before income taxes, minority interests and equity in net earnings (loss) of associated companies | 805 | (9,525) | - | - | (22) |
| Income tax benefit (expense) | (75) | - | - | - | - |
| Earnings (loss) from operations before minority interests and equity in net earnings (loss) of associated companies | 730 | (9,525) | - | - | (22) |
| Minority interests - net of tax | - | - | - | - | - |
| Earnings (loss) from operations before net earnings (loss) of associated companies - net of tax | 730 | (9,525) | - | - | (22) |
| Equity in net earnings (loss) | - | - | - | - | - |
| Net earnings (loss) | \$ 730 | \$ (9,525) | \$ - | \$ - | \$ (22) |

The accompanying notes are an integral part of this Exhibit B-2.

Exhibit B-2.2
Statement of Operations for Limited Partnership
Investment Fund held by Nortel Networks Inc.
For the six-month period ended June 30, 2009
Unaudited
In thousands of U.S. Dollars

| | |
|---|-----------------|
| Net temporary investment gain/(loss) | \$ (17) |
| Net gain/(loss) on investments | <u>(964)</u> |
| Net increase/(decrease) in net assets resulting from operations | <u>\$ (981)</u> |

The accompanying notes are an integral part of this Exhibit B-2.

Exhibit B-2.3
Statement of Operations for Entities held by Nortel AltSystems Inc.,
Sonoma Systems, and Nortel Networks (NNCI) Inc.
For the six-month period ended June 30, 2009
Unaudited
In thousands of U.S. Dollars

| | Nortel AltSystems Inc. | | Sonoma Systems | | Nortel Networks (NNCI) Inc. | |
|---|--|----------------------------|-------------------------------------|-------------------|--|--|
| | Nortel AltSystems International Limited | Nortel AltSystems AB | Sonoma Systems Europe Limited | Sonoma Limited | Nortel Networks de Guatemala, Ltda. | Nortel Trinidad and Tobago Limited |
| Total revenues | \$ - | \$ 2 | \$ - | \$ - | \$ 7,851 | \$ 131 |
| Total cost of revenues | - | - | - | - | 3,439 | 151 |
| Gross profit | - | 2 | - | - | 4,412 | (20) |
| Selling, general and administrative expense | - | 1 | - | - | 570 | 110 |
| Research and development expense | - | 3 | - | - | - | - |
| Amortization of intangible assets | - | - | - | - | - | - |
| Loss (gain) on sales of businesses and assets | - | - | - | - | - | - |
| Goodwill impairment | - | - | - | - | - | - |
| Other charges (income) | - | - | - | - | - | - |
| Deferred stock option compensation | - | - | - | - | - | - |
| Restructuring | - | - | - | - | - | - |
| Operating earnings (loss) | - | (2) | - | - | 3,842 | (130) |
| Other income (expense) - net | - | - | - | - | 13,197 | (7) |
| Interest on long-term debt | - | - | - | - | - | - |
| Intercompany interest expense | - | - | - | - | - | (2) |
| Interest and dividend income | - | - | - | - | - | - |
| Reorganization items | - | 3 | - | - | 15 | - |
| Earnings (loss) from operations before income taxes, minority interests and equity in net earnings (loss) of associated companies | - | 1 | - | - | 17,054 | (139) |
| Income tax benefit (expense) | - | - | - | - | (581) | (1,180) |
| Earnings (loss) from operations before minority interests and equity in net earnings (loss) of associated companies | - | 1 | - | - | 16,473 | (1,319) |
| Minority interests - net of tax | - | - | - | - | - | - |
| Earnings (loss) from operations before net earnings (loss) of associated companies - net of tax | - | 1 | - | - | 16,473 | (1,319) |
| Equity in net earnings (loss) | - | - | - | - | - | - |
| Net earnings (loss) | \$ - | \$ 1 | \$ - | \$ - | \$ 16,473 | \$ (1,319) |

The accompanying notes are an integral part of this Exhibit B-2.

Exhibit B-3.1
Statement of Cash Flows for Entities held by Nortel Networks Inc.
For the six-month period ended June 30, 2009
Unaudited
In thousands of U.S. Dollars

| | Diamondware, Ltd. | Nortel Networks India International Inc. | Nortel Government Solutions Incorporated | Nortel Ventures LLC | Bay Networks do Brasil Ltda. |
|---|----------------------|---|---|------------------------|---------------------------------|
| Cash flows from (used in) operating activities | | | | | |
| Net earnings (loss) | \$ (1,088) | \$ (10,116) | \$ (105,671) | \$ (10) | \$ - |
| Adjustments to reconcile net earnings (loss) from continuing operations to net cash from (used in) operating activities, net of effects from acquisitions and divestitures of businesses: | | | | | |
| Amortization and depreciation | 492 | - | 7,504 | - | - |
| Goodwill impairment | - | - | 48,500 | - | - |
| Non-cash portion of shareholder litigation settlement recovery | - | - | - | - | - |
| Non-cash portion of special charges | - | - | - | - | - |
| In-process research and development expense | - | - | - | - | - |
| Equity in net (earnings)/loss of associated companies | - | - | - | - | - |
| Stock based compensation expense | - | - | 3,787 | - | - |
| Deferred income taxes | - | - | - | - | - |
| Cumulative effect of accounting change - net of tax | - | - | - | - | - |
| Pension and other accruals | - | - | - | - | - |
| Loss (gain) on sales and write downs of investments, businesses and assets - net | - | - | - | - | - |
| Minority interests - net of tax | - | - | - | - | - |
| Reorganization items | - | - | 97 | - | - |
| Other - net | 1 | - | 37 | 1 | - |
| Change in operating assets and liabilities | (990) | 12,090 | 36,557 | 387 | - |
| Net cash from (used in) operating activities | (1,585) | 1,974 | (9,189) | 378 | - |
| Cash flows from (used in) investing activities | | | | | |
| Expenditures for plant and equipment | - | - | (1,256) | - | - |
| Proceeds on disposals of plant and equipment | - | - | - | - | - |
| Change in restricted cash and cash equivalents | - | - | - | - | - |
| Increase in short-term and long-term investments | - | - | - | - | - |
| Decrease in short-term and long-term investments | - | - | - | - | - |
| Acquisitions of investments and businesses - net of cash acquired | - | - | - | (378) | - |
| Proceeds from the sales of investments and businesses and assets - net | - | - | 450 | - | - |
| Net cash from (used in) investing activities | - | - | (806) | (378) | - |
| Cash flows from (used in) financing activities | | | | | |
| Dividends paid by subsidiaries to minority interests | - | - | - | - | - |
| Capital repayment to minority owners | - | - | - | - | - |
| Increase in notes payable | - | - | - | - | - |
| Decrease in notes payable | - | - | - | - | - |
| Proceeds from issuance of long-term debt | - | - | - | - | - |
| Repayments of long-term debt | - | - | - | - | - |
| Debt issuance costs | - | - | - | - | - |
| Decrease in capital leases obligations | - | - | (716) | - | - |
| Increase in capital leases obligations | - | - | - | - | - |
| Issuance of common shares | - | - | - | - | - |
| Common share consolidation costs | - | - | - | - | - |
| Net cash from (used in) financing activities | - | - | (716) | - | - |
| Effect of foreign exchange rate changes on cash and cash equivalents | - | - | - | - | - |
| Net increase (decrease) in cash and cash equivalents | (1,585) | 1,974 | (10,711) | - | - |
| Cash and cash equivalents, at beginning of period | 1,718 | 487 | 41,935 | - | - |
| Cash and cash equivalents, at end of period | \$ 133 | \$ 2,461 | \$ 31,224 | \$ - | \$ - |

The accompanying notes are an integral part of this Exhibit B-3.

Exhibit B-3.1
Statement of Cash Flows for Entities held by Nortel Networks Inc.
For the six-month period ended June 30, 2009
Unaudited
In thousands of U.S. Dollars

| | Nortel Networks Technology Ltd. | Bay Networks Redes de Datos para Sistemas Informáticos, Lda. | Clarify Limited | Penril Datacomm Limited | Nortel Networks Eastern Mediterranean Ltd. |
|---|--|---|-----------------|-------------------------------|--|
| Cash flows from (used in) operating activities | | | | | |
| Net earnings (loss) | \$ (23) | \$ - | \$ - | \$ (228) | \$ - |
| Adjustments to reconcile net earnings (loss) from continuing operations to net cash from (used in) operating activities, net of effects from acquisitions and divestitures of businesses: | | | | | |
| Amortization and depreciation | - | - | - | - | - |
| Goodwill impairment | - | - | - | - | - |
| Non-cash portion of shareholder litigation settlement recovery | - | - | - | - | - |
| Non-cash portion of special charges | - | - | - | - | - |
| In-process research and development expense | - | - | - | - | - |
| Equity in net (earnings)/loss of associated companies | 23 | - | - | - | - |
| Stock based compensation expense | - | - | - | - | - |
| Deferred income taxes | - | - | - | - | - |
| Cumulative effect of accounting change - net of tax | - | - | - | - | - |
| Pension and other accruals | - | - | - | - | - |
| Loss (gain) on sales and write downs of investments, businesses and assets - net | - | - | - | - | - |
| Minority interests - net of tax | - | - | - | - | - |
| Reorganization items | - | - | - | - | - |
| Other - net | - | - | (82) | - | (1) |
| Change in operating assets and liabilities | - | 1 | 82 | 228 | - |
| Net cash from (used in) operating activities | - | 1 | - | - | (1) |
| Cash flows from (used in) investing activities | | | | | |
| Expenditures for plant and equipment | - | - | - | - | - |
| Proceeds on disposals of plant and equipment | - | - | - | - | - |
| Change in restricted cash and cash equivalents | - | - | - | - | - |
| Increase in short-term and long-term investments | - | - | - | - | - |
| Decrease in short-term and long-term investments | - | - | - | - | - |
| Acquisitions of investments and businesses - net of cash acquired | - | - | - | - | - |
| Proceeds from the sales of investments and businesses and assets - net | - | - | - | - | - |
| Net cash from (used in) investing activities | - | - | - | - | - |
| Cash flows from (used in) financing activities | | | | | |
| Dividends paid by subsidiaries to minority interests | - | - | - | - | - |
| Capital repayment to minority owners | - | - | - | - | - |
| Increase in notes payable | - | - | - | - | - |
| Decrease in notes payable | - | - | - | - | - |
| Proceeds from issuance of long-term debt | - | - | - | - | - |
| Repayments of long-term debt | - | - | - | - | - |
| Debt issuance costs | - | - | - | - | - |
| Decrease in capital leases obligations | - | - | - | - | - |
| Increase in capital leases obligations | - | - | - | - | - |
| Issuance of common shares | - | - | - | - | - |
| Common share consolidation costs | - | - | - | - | - |
| Net cash from (used in) financing activities | - | - | - | - | - |
| Effect of foreign exchange rate changes on cash and cash equivalents | - | - | - | - | - |
| Net increase (decrease) in cash and cash equivalents | - | 1 | - | - | (1) |
| Cash and cash equivalents, at beginning of period | - | 83 | - | - | 537 |
| Cash and cash equivalents, at end of period | \$ - | \$ 84 | \$ - | \$ - | \$ 536 |

The accompanying notes are an integral part of this Exhibit B-3.

Exhibit B-3.1
Statement of Cash Flows for Entities held by Nortel Networks Inc.
For the six-month period ended June 30, 2009
Unaudited
In thousands of U.S. Dollars

| | Nortel Technology Excellence Centre Private Limited | Nortel Networks Japan | Nortel Networks Technology K.K. | Nortel Networks Southeast Asia Pte Ltd. | Nortel Networks Technology (Thailand) Ltd. |
|---|---|-----------------------------|--|--|---|
| Cash flows from (used in) operating activities | | | | | |
| Net earnings (loss) | \$ 730 | \$ (9,525) | \$ - | \$ - | \$ (22) |
| Adjustments to reconcile net earnings (loss) from continuing operations to net cash from (used in) operating activities, net of effects from acquisitions and divestitures of businesses: | | | | | |
| Amortization and depreciation | 252 | 274 | - | - | - |
| Goodwill impairment | - | - | - | - | - |
| Non-cash portion of shareholder litigation settlement recovery | - | - | - | - | - |
| Non-cash portion of special charges | - | - | - | - | - |
| In-process research and development expense | - | - | - | - | - |
| Equity in net (earnings) loss of associated companies | - | - | - | - | - |
| Stock based compensation expense | 64 | 176 | - | - | - |
| Deferred income taxes | - | - | - | - | - |
| Cumulative effect of accounting change - net of tax | - | - | - | - | - |
| Pension and other accruals | 65 | 378 | - | - | - |
| Loss (gain) on sales and write downs of investments, businesses and assets - net | - | - | - | - | - |
| Minority interests - net of tax | - | - | - | - | - |
| Reorganization items | 3 | 64 | - | - | - |
| Other - net | 6 | (399) | - | - | - |
| Change in operating assets and liabilities | (1,850) | 14,349 | - | - | 22 |
| Net cash from (used in) operating activities | (730) | 5,317 | - | - | - |
| Cash flows from (used in) investing activities | | | | | |
| Expenditures for plant and equipment | (107) | (62) | - | - | - |
| Proceeds on disposals of plant and equipment | - | - | - | - | - |
| Change in restricted cash and cash equivalents | - | (10) | - | - | - |
| Increase in short-term and long-term investments | - | - | - | - | - |
| Decrease in short-term and long-term investments | - | - | - | - | - |
| Acquisitions of investments and businesses - net of cash acquired | - | - | - | - | - |
| Proceeds from the sales of investments and businesses and assets - net | - | - | - | - | - |
| Net cash from (used in) investing activities | (107) | (72) | - | - | - |
| Cash flows from (used in) financing activities | | | | | |
| Dividends paid by subsidiaries to minority interests | - | - | - | - | - |
| Capital repayment to minority owners | - | - | - | - | - |
| Increase in notes payable | - | - | - | - | - |
| Decrease in notes payable | - | - | - | - | - |
| Proceeds from issuance of long-term debt | - | - | - | - | - |
| Repayments of long-term debt | - | - | - | - | - |
| Debt issuance costs | - | - | - | - | - |
| Decrease in capital leases obligations | - | - | - | - | - |
| Increase in capital leases obligations | - | - | - | - | - |
| Issuance of common shares | - | - | - | - | - |
| Common share consolidation costs | - | - | - | - | - |
| Net cash from (used in) financing activities | - | - | - | - | - |
| Effect of foreign exchange rate changes on cash and cash equivalents | - | - | - | - | - |
| Net increase (decrease) in cash and cash equivalents | (837) | 5,245 | - | - | - |
| Cash and cash equivalents, at beginning of period | 1,559 | 16,041 | - | - | - |
| Cash and cash equivalents, at end of period | \$ 722 | \$ 21,286 | \$ - | \$ - | \$ - |

The accompanying notes are an integral part of this Exhibit B-3.

Exhibit B-3.2
Statement of Cash Flows for Limited Partnership
Investment Fund held by Nortel Networks Inc.
For the six-month period ended June 30, 2009
Unaudited
In thousands of U.S. Dollars

| | |
|---|------------------------|
| Net increase/(decrease) in net assets resulting from operations | \$ (981) |
| Adjustments - non cash items | <u>953</u> |
| Net increase/(decrease) in cash and cash equivalents | <u>(28)</u> |
| Cash and cash equivalents - beginning of year | <u>1,927</u> |
| Cash and cash equivalents - end of year | <u><u>\$ 1,899</u></u> |

The accompanying notes are an integral part of this Exhibit B-3.

Exhibit B-3.3
Statement of Cash Flows for Entities held by Nortel AlSystems Inc.,
Sonoma Systems, and Nortel Networks (NNCI) Inc.
For the six-month period ended June 30, 2009
Unaudited
In thousands of U.S. Dollars

| | Nortel AlSystems Inc. | | Sonoma Systems | | Nortel Networks (NNCI) Inc. | |
|---|---|---------------------------|-------------------------------------|-------------------|--|--|
| | Nortel AlSystems International Limited | Nortel AlSystems AB | Sonoma Systems Europe Limited | Sonoma Limited | Nortel Networks de Guatemala, Ltda. | Nortel Trinidad and Tobago Limited |
| Cash flows from (used in) operating activities | | | | | | |
| Net earnings (loss) | \$ - | \$ 1 | \$ - | \$ - | \$ 16,473 | \$ (1,319) |
| Adjustments to reconcile net earnings (loss) from continuing operations to net cash from (used in) operating activities, net of effects from acquisitions and divestitures of businesses: | | | | | | |
| Amortization and depreciation | - | - | - | - | 16 | - |
| Goodwill impairment | - | - | - | - | - | - |
| Non-cash portion of shareholder litigation settlement recovery | - | - | - | - | - | - |
| Non-cash portion of special charges | - | - | - | - | - | - |
| In-process research and development expense | - | - | - | - | - | - |
| Equity in net (earnings)/loss of associated companies | - | - | - | - | - | - |
| Stock based compensation expense | - | - | - | - | 1 | - |
| Deferred income taxes | - | - | - | - | - | - |
| Cumulative effect of accounting change - net of tax | - | - | - | - | - | - |
| Pension and other accruals | - | - | - | - | - | - |
| Loss (gain) on sales and write downs of investments, businesses and assets - net | - | - | - | - | - | - |
| Minority interests - net of tax | - | - | - | - | - | - |
| Reorganization items | - | 3 | - | - | (6) | - |
| Other - net | - | 8 | (177) | - | (1) | 1 |
| Change in operating assets and liabilities | - | (2) | 177 | - | (8,942) | 1,263 |
| Net cash from (used in) operating activities | - | 10 | - | - | 7,541 | (55) |
| Cash flows from (used in) investing activities | | | | | | |
| Expenditures for plant and equipment | - | - | - | - | - | - |
| Proceeds on disposals of plant and equipment | - | - | - | - | - | - |
| Change in restricted cash and cash equivalents | - | - | - | - | - | - |
| Increase in short-term and long-term investments | - | - | - | - | - | - |
| Decrease in short-term and long-term investments | - | - | - | - | - | - |
| Acquisitions of investments and businesses - net of cash acquired | - | - | - | - | - | - |
| Proceeds from the sales of investments and businesses and assets - net | - | - | - | - | - | - |
| Net cash from (used in) investing activities | - | - | - | - | - | - |
| Cash flows from (used in) financing activities | | | | | | |
| Dividends paid by subsidiaries to minority interests | - | - | - | - | - | - |
| Capital repayment to minority owners | - | - | - | - | - | - |
| Increase in notes payable | - | - | - | - | - | - |
| Decrease in notes payable | - | - | - | - | - | - |
| Proceeds from issuance of long-term debt | - | - | - | - | - | - |
| Repayments of long-term debt | - | - | - | - | - | - |
| Debt issuance costs | - | - | - | - | - | - |
| Decrease in capital leases obligations | - | - | - | - | - | - |
| Increase in capital leases obligations | - | - | - | - | - | - |
| Issuance of common shares | - | - | - | - | - | - |
| Common share consolidation costs | - | - | - | - | - | - |
| Net cash from (used in) financing activities | - | - | - | - | - | - |
| Effect of foreign exchange rate changes on cash and cash equivalents | - | - | - | - | - | - |
| Net increase (decrease) in cash and cash equivalents | - | 10 | - | - | 7,541 | (55) |
| Cash and cash equivalents, at beginning of period | - | 625 | - | - | 3,896 | 69 |
| Cash and cash equivalents, at end of period | \$ - | \$ 635 | \$ - | \$ - | \$ 11,437 | \$ 14 |

The accompanying notes are an integral part of this Exhibit B-3.

Exhibit B-4.1
Statement of Changes in Shareholders' or Partners' Equity
(Deficit) for Entities held by Nortel Networks Inc.
For the six-month period ended June 30, 2009
Unaudited
In thousands of U.S. Dollars

| | Diamondware, Ltd. | Nortel Networks India International Inc. | Nortel Government Solutions Incorporated | Nortel Ventures LLC | Bay Networks do Brasil Ltda. |
|---|----------------------|---|---|------------------------|---------------------------------|
| Common Shares | | | | | |
| Balance at the beginning of the year | \$ 4,750 | \$ 1 | \$ 1 | \$ - | \$ 50 |
| Common shares issued-net | - | - | - | - | - |
| Common shares cancelled related to acquisitions-net | - | - | - | - | - |
| Common shares issued related to the Global Class Action Settlement | - | - | - | - | - |
| Fair value and costs associated with share-based compensations plans and stock purchase plans | - | - | - | - | - |
| Other | - | - | - | - | - |
| Balance at the end of the year | 4,750 | 1 | 1 | - | 50 |
| Additional paid-in capital | | | | | |
| Balance at the beginning of the year | - | - | 457,698 | 1 | - |
| Fair value and costs associated with share-based compensation plans and stock purchase plans | - | - | - | - | - |
| Global Class Action Settlement-net | - | - | - | - | - |
| Stock option compensation | - | - | 3,787 | - | - |
| Restricted stock units | - | - | - | - | - |
| Performance stock units | - | - | - | - | - |
| Deferred share units | - | - | - | - | - |
| Other | - | - | - | (1) | - |
| Balance at the end of the year | - | - | 461,485 | - | - |
| Accumulated deficit | | | | | |
| Balance at the beginning of the year | 757 | (23,249) | (131,569) | (348) | (50) |
| Net earnings (loss) | (1,088) | (10,116) | (105,671) | (10) | - |
| Other | 1 | - | - | 1 | - |
| Balance at the end of the year | (330) | (33,365) | (237,240) | (357) | (30) |
| Accumulated other comprehensive income (loss) | | | | | |
| Balance at the beginning of the year | - | - | - | - | - |
| Foreign currency translation adjustment | - | - | - | - | - |
| Unrealized gain (loss) on investments-net | - | - | (1) | - | - |
| Unrealized derivative gain (loss) on cash flow hedges-net | - | - | - | - | - |
| Minimum pension liability adjustment-net | - | - | - | - | - |
| Change in unamortized pension and post-retirement actuarial losses and prior service cost | - | - | - | - | - |
| Other comprehensive income (loss) | - | - | (1) | - | - |
| Balance at the end of the year | - | - | (1) | - | - |
| Total shareholders' equity (deficit) | 4,420 | (33,364) | 224,245 | (357) | - |
| Total comprehensive income (loss) for the year | | | | | |
| Net earnings (loss) | (1,088) | (10,116) | (105,671) | (10) | - |
| Other comprehensive income (loss) | - | - | (1) | - | - |
| Total comprehensive income (loss) for the year | \$ (1,088) | \$ (10,116) | \$ (105,672) | \$ (10) | \$ - |

The accompanying notes are an integral part of this Exhibit B-4.

Exhibit B-4.1
Statement of Changes in Shareholders' or Partners' Equity
(Deficit) for Entities held by Nortel Networks Inc.
For the six-month period ended June 30, 2009
Unaudited
In thousands of U.S. Dollars

| | Nortel Networks Technology Ltd. | Bay Networks Redes de Datos para Sistemas Informaticos, Lda. | Clarify Limited | Penril Datacomm Limited | Nortel Networks Eastern Mediterranean Ltd. |
|---|--|---|-----------------|-------------------------------|--|
| Common Shares | | | | | |
| Balance at the beginning of the year | \$ - | \$ 7 | \$ - | \$ - | \$ - |
| Common shares issued-net | - | - | - | - | - |
| Common shares cancelled related to acquisitions-net | - | - | - | - | - |
| Common shares issued related to the Global Class Action Settlement | - | - | - | - | - |
| Fair value and costs associated with share-based compensations plans and stock purchase plans | - | - | - | - | - |
| Other | - | - | - | - | - |
| Balance at the end of the year | - | 7 | - | - | - |
| Additional paid-in capital | | | | | |
| Balance at the beginning of the year | - | - | 79 | - | - |
| Fair value and costs associated with share-based compensation plans and stock purchase plans | - | - | - | - | - |
| Global Class Action Settlement-net | - | - | - | - | - |
| Stock option compensation | - | - | - | - | - |
| Restricted stock units | - | - | - | - | - |
| Performance stock units | - | - | - | - | - |
| Deferred share units | - | - | - | - | - |
| Other | - | - | - | - | - |
| Balance at the end of the year | - | - | 79 | - | - |
| Accumulated deficit | | | | | |
| Balance at the beginning of the year | (3,739) | 80 | 1,679 | (1,538) | 539 |
| Net earnings (loss) | (23) | - | - | (228) | - |
| Other | - | - | - | - | (1) |
| Balance at the end of the year | (3,762) | 80 | 1,679 | (1,766) | 538 |
| Accumulated other comprehensive income (loss) | | | | | |
| Balance at the beginning of the year | - | 4 | (2,355) | (68) | (1) |
| Foreign currency translation adjustment | - | - | (62) | - | - |
| Unrealized gain (loss) on investments-net | - | - | - | - | - |
| Unrealized derivative gain (loss) on cash flow hedges-net | - | - | - | - | - |
| Minimum pension liability adjustment-net | - | - | - | - | - |
| Change in unamortized pension and post-retirement actuarial losses and prior service cost | - | - | - | - | - |
| Other comprehensive income (loss) | - | - | (62) | - | - |
| Balance at the end of the year | - | 4 | (2,417) | (68) | (1) |
| Total shareholders' equity (deficit) | (3,762) | 91 | (659) | (1,834) | 537 |
| Total comprehensive income (loss) for the year | | | | | |
| Net earnings (loss) | (23) | - | - | (228) | - |
| Other comprehensive income (loss) | - | - | (62) | - | - |
| Total comprehensive income (loss) for the year | \$ (23) | \$ - | \$ (62) | \$ (228) | \$ - |

The accompanying notes are an integral part of this Exhibit B-4.

Exhibit B-4.2
Statement of Changes in Partners' Equity (Deficit) for Limited
Partnership Investment Fund held by Nortel Networks Inc.
For the six-month period ended June 30, 2009
Unaudited
In thousands of U.S. Dollars

| | |
|---|-----------------|
| Partners' Capital (December 31, 2008) | \$ 4,616 |
| Net increase/(decrease) in assets resulting from operations | (971) |
| Capital Contribution | - |
| Distributions | <u>-</u> |
| Partners' Capital (June 30, 2009) | <u>\$ 3,645</u> |

The accompanying notes are an integral part of this Exhibit B-4.

Exhibit B-4.3
Statement of Changes in Shareholders' or Partners' Equity (Deficit) for
Entities held by Nortel AlSystems Inc., Sonoma Systems, and Nortel Networks (NNCI) Inc.
For the six-month period ended June 30, 2009
Unaudited
In thousands of U.S. Dollars

| | Nortel AlSystems Inc. | | Sonoma Systems | | Nortel Networks (NNCI) Inc. | |
|---|--|---------------------|-------------------------------|----------------|------------------------------------|------------------------------------|
| | Nortel AlSystems International Limited | Nortel AlSystems AB | Sonoma Systems Europe Limited | Sonoma Limited | Nortel Networks de Guatemala, Ltd. | Nortel Trinidad and Tobago Limited |
| Common Shares | | | | | | |
| Balance at the beginning of the year | \$ 12 | \$ 292 | \$ - | \$ 19 | \$ 18 | \$ 1 |
| Common shares issued-net | - | - | - | - | - | - |
| Common shares cancelled related to acquisitions-net | - | - | - | - | - | - |
| Common shares issued related to the Global Class Action Settlement | - | - | - | - | - | - |
| Fair value and costs associated with share-based compensations plans and stock purchase plans | - | - | - | - | - | - |
| Other | - | - | - | - | - | (1) |
| Balance at the end of the year | 12 | 292 | - | 19 | 18 | - |
| Additional paid-in capital | | | | | | |
| Balance at the beginning of the year | - | 4,148 | - | 103 | 1 | - |
| Fair value and costs associated with share-based compensation plans and stock purchase plans | - | - | - | - | - | - |
| Global Class Action Settlement-net | - | - | - | - | - | - |
| Stock option compensation | - | - | - | - | 1 | - |
| Restricted stock units | - | - | - | - | - | - |
| Performance stock units | - | - | - | - | - | - |
| Deferred share units | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Balance at the end of the year | - | 4,148 | - | 103 | 2 | - |
| Accumulated deficit | | | | | | |
| Balance at the beginning of the year | (12) | (3,331) | (1,663) | 74 | (7,759) | (572) |
| Net earnings (loss) | - | 1 | - | - | 16,473 | (1,319) |
| Other | - | - | - | - | (1) | 1 |
| Balance at the end of the year | (12) | (3,330) | (1,663) | 74 | 8,713 | (1,890) |
| Accumulated other comprehensive income (loss) | | | | | | |
| Balance at the beginning of the year | - | (489) | 422 | (196) | - | - |
| Foreign currency translation adjustment | - | 8 | (176) | - | - | - |
| Unrealized gain (loss) on investments-net | - | - | - | - | - | - |
| Unrealized derivative gain (loss) on cash flow hedges-net | - | - | - | - | - | - |
| Minimum pension liability adjustment-net | - | - | - | - | - | - |
| Change in unamortized pension and post-retirement actuarial losses and prior service cost | - | - | - | - | - | - |
| Other comprehensive income (loss) | - | 8 | (176) | - | - | - |
| Balance at the end of the year | - | (481) | 246 | (196) | - | - |
| Total shareholders' equity (deficit) | - | 629 | (1,417) | - | 8,733 | (1,890) |
| Total comprehensive income (loss) for the year | | | | | | |
| Net earnings (loss) | - | 1 | - | - | 16,473 | (1,319) |
| Other comprehensive income (loss) | - | 8 | (176) | - | - | - |
| Total comprehensive income (loss) for the year | \$ - | \$ 9 | \$ (176) | \$ - | \$ 16,473 | \$ (1,319) |

The accompanying notes are an integral part of this Exhibit B-4.

**Periodic Report Regarding Value, Operations, and Profitability of Entities In Which the Estates of
Nortel Networks Inc., Nortel AltSystems Inc., Sonoma Systems, and
Nortel Networks (NNCI) Inc. Hold a Substantial or Controlling Interest**

Notes to Exhibits B-1 through B-4

The accompanying unaudited financial information presented on Exhibits B-1 through B-4 represents the financial position, statements of operations, cash flows, and changes in shareholders' or partners' equity (deficit) (collectively, the "Financial Information") of the non-debtor entities in which NNI, AltSystems, Sonoma, and NNCI hold a substantial or controlling interest (the "Form 26 Reporting Entities").

The Financial Information has been assembled from the general ledgers of the Form 26 Reporting Entities. The Financial Information has generally been maintained in accordance with U.S. generally accepted accounting principles ("US GAAP").

The Financial Information is presented on an unconsolidated separate legal entity basis. In the ordinary course, NNI, AltSystems, Sonoma, and NNCI do not record the equity earnings or losses among the Form 26 Reporting Entities on the individual general ledgers because the related amounts are reflected through the consolidation process in the preparation of the publicly reported entity financial statements of NNC and NNL. The Financial Information as presented has been adjusted to reflect the estimated equity in the earnings and losses of related entities as appropriate.

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual amounts and results could differ from those estimates.

The accompanying Financial Information does not include all footnotes and certain financial presentations normally required by US GAAP.

Exhibit C.1
Description of Operations for Entities
held by Nortel Networks Inc.

Diamondware, Ltd.

In August 2008, NNI acquired 100% of the issued and outstanding stock of Diamondware, Ltd. ("Diamondware"). Diamondware specializes in high-definition, proximity-based 3D-positional voice technology that brings life-like sound to virtual web and voice communications. Diamondware's technology has been deployed in gaming environments and in U.S. military tactical intercom systems, and by a broad range of carriers and equipment manufacturers. Its technology utilizes wideband, stereo capability and custom spatial positioning that can deliver real-time interactions in 3D virtual worlds and meetings, online gaming systems, and multimedia applications. Key patents are held by Diamondware in server-based 3D audio and scaling. Beyond intercompany sales, Diamondware's two largest customers include defense and civilian agencies within the U.S. Federal Government.

Nortel Networks India International Inc.

Nortel Networks India International Inc., a wholly-owned subsidiary of NNI, acts as a supplier of hardware and software for contracts with certain Nortel customers in India.

Nortel Government Solutions Incorporated

Nortel Government Solutions ("NGS") is wholly-owned by NNI. NGS operates as a stand-alone business in accordance with a Proxy Agreement in effect with the U.S. Department of Defense. NGS is Nortel's fully integrated entity focused on the United States Government delivering a comprehensive portfolio of technology and high-end services capable of meeting the demands of the most complex and important systems in the world. Headquartered in Fairfax, Virginia, NGS engineers, deploys and manages mission-critical solutions for government entities, including homeland security, criminal justice, defense and civilian agencies within the U.S. Federal Government and at state and local levels.

Wholly-owned subsidiaries of NGS include AC Technologies, Inc. and Integrated Information Technology Corporation.

Nortel Ventures LLC

Nortel Ventures LLC is a special purpose investment subsidiary with respect to NNI's investment in certain offshore funds. The sole member of Nortel Ventures LLC is NNI. Nortel Ventures LLC holds minor ownership interests in Infotech Pacific Ventures, L.P., New Enterprise Associates 12, L.P., Pacven Walden Ventures VI, L.P., VantagePoint Venture Partners 2006 (Q), L.P., and WI Harper Inc. Fund VI Ltd.

Bay Networks do Brasil Ltda.

Bay Networks do Brasil Ltd. is 99.50% owned by NNI, with the remaining 0.50% currently held by Nortel Networks International Inc., which in turn is held by NNI, and was initially acquired by Nortel through the purchase of Bay Networks Group, Inc. in August 1998.⁵ The subsidiary was utilized for the importing and exporting of Nortel computer products, as well as the rendering of support services to clients and distributors of the products manufactured or sold in Brazil and other countries of Latin America. Bay Networks do Brasil Ltda is currently in the process of dissolution.

⁵ NNL bought the company in 1998 and ultimately transferred this part to NNI.

Nortel Networks Technology Ltd.

Nortel Networks Technology Ltd., a Cayman is wholly-owned by NNI and was originally incorporated under the name Bay Networks Technology Ltd. Wholly-owned subsidiaries of Nortel Networks Technology Ltd. include Nortel Networks (Shannon) Limited and Nortel Networks Europe Sales Limited, and a 0.05% ownership is held in Nortel Networks Technology (Thailand) Ltd.

Bay Networks Redes de Datos para Sistemas Informaticos, Lda.

Bay Networks Redes de Datos para Sistemas Informaticos, Lda., wholly-owned by NNI, has provided sales, technical and marketing support and other similar services in connection with the sale of computer networking hardware and software. Primary customers include computer networking hardware and software manufacturers and trade companies. This company is not actively conducting business and has been approved by the shareholder for liquidation.

Clarify Limited

Clarify Limited is a dormant United Kingdom company, wholly-owned by NNI, in the process of dissolution.

Penril Datacomm Limited

Effective December 31, 2000, this United Kingdom company became a wholly-owned subsidiary of NNI, subsequent to the merger of Penril Datacomm Networks Inc. into Nortel Networks NA Inc. and then into NNI. The entity has been in the process of dissolution since 2002.

Nortel Networks Eastern Mediterranean Ltd.

Nortel Networks Eastern Mediterranean Ltd., a wholly-owned subsidiary of NNI, was utilized to support Nortel sales and service in the Israeli and Middle East market. The entity has been dormant since 2000, when the business and employees were transferred to Nortel Networks Israel (Sales and Marketing) Limited. It is in the process of being dissolved.

Nortel Technology Excellence Centre Private Limited

Tasman Networks Private Limited was acquired in 2006 as part of Tasman Networks, Inc., and subsequently renamed Nortel Technology Excellence Centre Private Limited. The company provides computer software and hardware and services including networking connectivity, systems engineering, product support, remote diagnostics, system integration, remote management and other related computer services for its only customer, NNI. NNI currently has 99.01% ownership in the entity, while Nortel Networks Mauritius Ltd., which in turn is held by NNL, holds the remaining 0.99%.

Nortel Networks Japan

Nortel Networks Japan, a wholly-owned NNI subsidiary, is responsible for sales and marketing of Nortel telecommunications equipment in Japan.

Nortel Networks Technology K.K.

NNI is the sole shareholder of Nortel Networks Technology K.K., a wholly-owned subsidiary of NNI, which was acquired through the purchase of Bay Networks Group, Inc. in August 1998. Nortel Networks Technology K.K. was utilized to support sales and services of Nortel's products and services until June 30, 2000, at which time the company began the process of liquidation.

Nortel Networks Southeast Asia Pte Ltd.

Nortel Networks Southeast Asia Pte Ltd., a wholly-owned subsidiary of NNI, supported regional sales and service of Nortel's products and services. Acquired through Nortel's purchase of the Bay Networks Group, Inc., this company has been dormant since 2004.

Nortel Networks Technology (Thailand) Ltd.

Nortel Networks Technology (Thailand) Ltd., acquired August 31, 1998, under the name Bay Networks (Thailand) Limited, is a dormant subsidiary formerly utilized to support sales and service in the Thailand region. Currently NNI holds 99.94% of the shares, while Nortel Networks Technology Ltd. (which is wholly owned by NNI) holds 0.05% and Nortel Networks International Inc. (which is wholly owned by NNI) holds 0.01%. The company is proceeding toward dissolution.

The Nortel Foundation

The Nortel Foundation was organized in 2005 exclusively for the promotion of social welfare under Section 501(c)(4) of the Internal Revenue Code. The purpose of the organization is to do all things which may be necessary, appropriate or convenient to the achievement of the above purpose which may be lawfully done by a nonprofit corporation under and pursuant to the laws of the Commonwealth of Virginia. The Nortel Foundation is a wholly-owned subsidiary of NNI.

Exhibit C.2
Description of Operations for Limited Partnership
Investment Fund held by Nortel Networks Inc.

The limited partnership investment fund was formed in 1998 to invest primarily in companies in the information technology industry in the United States. The Debtor's interest is a non-controlling limited partnership investment.

Exhibit C.3
Description of Operations for Entities
held by Nortel AltSystems Inc.

Nortel AltSystems AB

Nortel AltSystems AB, a wholly-owned subsidiary of Nortel AltSystems Inc., is a private corporation responsible for product development of Nortel's Intelligent Edge products. Nortel AltSystems AB has been dormant since the second quarter of 2006.

Nortel AltSystems International Limited

Nortel AltSystems International Limited, a wholly-owned subsidiary of Nortel AltSystems Inc. provides Internet infrastructure equipment, and manufactures and markets Web switches. The company is currently dormant.

Exhibit C.3
Description of Operations for Entities
held by Sonoma Systems

Sonoma Limited

Sonoma Limited is a wholly-owned subsidiary of Sonoma Systems and is dormant and in the process of dissolution.

Sonoma Systems Europe Limited

Sonoma Systems Europe Limited is a wholly-owned subsidiary of Sonoma Limited. The company is dormant and in the process of dissolution.

Exhibit C.3
Description of Operations for Entities
held by Nortel Networks (NNCI) Inc.

Nortel Networks de Guatemala, Ltda.

Nortel Networks (NNCI) Inc. holds Q. 133,819.17 (98%) and Nortel Networks Limited holds Q. 2,731 (2%) investment in local currency in Nortel Networks de Guatemala, Ltda. Nortel Networks de Guatemala, Ltda. sells telecommunications equipment and services.

Nortel Trinidad and Tobago Limited

Nortel Networks Trinidad and Tobago Limited is a wholly-owned subsidiary of Nortel Networks (NNCI) Inc. The company is a supplier of data and telephony networks solutions and services in Trinidad and Tobago.