



March 13, 2000

Nortel Networks Spin-Off NETGEAR to Focus on High-Growth Home and Small Business Internet Infrastructure Market

Receives US\$15 Million Equity Financing Investment from Pequot Capital Management

SANTA CLARA, Calif. - Nortel Networks* [NYSE/TSE: NT] has established its former NETGEAR subsidiary as a separate company with aggressive plans to build on a leadership position in the market for home and small business Internet infrastructure solutions.

To assist with its new, independent focus on strengthening SOHO market leadership, NETGEAR has received a US\$15 million equity financing investment from Pequot Capital Management.

"The NETGEAR spin-off continues Nortel Networks' successful strategy of establishing independent businesses with flexibility to form the strategic relationships necessary to accelerate adoption of innovative new technologies," said John Roth, president and chief executive officer, Nortel Networks.

Other similar Nortel Networks spin-offs in recent years include Entrust Technologies, a leader in the Enterprise Internet security market, and Elastic Networks, a leading high-speed Internet access and mobile computing technology company. Pequot Capital Management was a key investor in the Elastic Networks spin-off as well.

"NETGEAR is committed to providing its customers with the best possible networking and Internet connectivity solutions," said Patrick Lo, newly appointed chief executive officer of NETGEAR, Inc. "As this market booms in the coming years, customers will be looking for affordability, ease of use, expanded functionality and outstanding customer service, all the cornerstones that NETGEAR is -more- known for in the market today."

As many as 24 million American homes will have computer networking by the end of this year, and the home networking market will grow to US\$1.4 billion by 2003, according to Cahner's In-Stat, a leading industry research group.

NETGEAR is creating an Internet infrastructure for the home that will enable consumers to connect all types of IP (Internet Protocol)-enabled products. NETGEAR shipped the first 10 megabits per second (mbps) home phone line networking product last fall, and will be among the first companies to offer an affordable 11 mbps wireless solution this year.

The Pequot Private Equity Funds are the private placement/direct investment arm of Pequot Capital Management, Inc. The Pequot Private Equity Funds invest in public and private companies in information technology, telecommunications and healthcare. Pequot Capital Management, Inc. is a research-intensive investment firm with special focus on high growth investment sectors. Pequot Capital, which is 100 percent employee-owned, is headquartered in Westport, Connecticut, with offices in New York City and California.

NETGEAR, based in Santa Clara, Calif. was founded in January 1996. NETGEAR's mission is to serve the small office/home office market and home users with affordable, easy-to-install, powerful networking solutions. NETGEAR's portfolio of products includes: Phoneline 10X Family, 10, 100 and 10/100Mbps Ethernet hubs, switches and adapter cards; Gigabit adapter cards and switches; network starter kits; ISDN routers and modems; print servers; network information appliances; and wireless technology. NETGEAR is also a member of the Home Phoneline Networking Alliance (HPNA). NETGEAR can be contacted by calling (408) 988-2400 or visited on the web at www.netgear.com.

Nortel Networks is a global leader in telephony, data, eBusiness, and wireless solutions for the Internet. The Company had 1999 U.S. GAAP revenues of US\$21.3 billion and serves carrier, service provider and enterprise customers globally. Today, Nortel Networks is creating a high-performance Internet that is more reliable and faster than ever before. It is redefining the economics and quality of networking and the Internet through Unified Networks* that promise a new era of collaboration, communications and commerce. Visit us at www.nortelnetworks.com.

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