

**INFORMATION CIRCULAR**  
**relating to a proposed**  
**PLAN OF COMPROMISE AND ARRANGEMENT**  
**under the**  
***COMPANIES' CREDITORS ARRANGEMENT ACT (CANADA)***  
**concerning, affecting and involving**

**NORTEL NETWORKS CORPORATION, NORTEL NETWORKS LIMITED,  
NORTEL NETWORKS GLOBAL CORPORATION, NORTEL NETWORKS  
INTERNATIONAL CORPORATION, NORTEL NETWORKS  
TECHNOLOGY CORPORATION, NORTEL COMMUNICATIONS INC., ARCHITEL  
SYSTEMS CORPORATION AND NORTHERN TELECOM CANADA LIMITED**

**November 30, 2016**

**This Information Circular is being distributed to creditors of the above-named Canadian Debtors in connection with a meeting called to consider and vote on a plan of compromise and arrangement. The Meeting is presently planned to be held on or about January 17, 2017, subject to the terms of a Meeting Order to be granted by the CCAA Court on or about December 1, 2016.**

***These materials require your immediate attention. You should consult your legal, financial, tax or other professional advisors in connection with the contents of these documents.***

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**TECHNOLOGY CORPORATION, NORTEL COMMUNICATIONS INC., ARCHITEL**  
**SYSTEMS CORPORATION AND NORTHERN TELECOM CANADA LIMITED**

**(the "Plan")**

**November 30, 2016**

## **IMPORTANT DISCLAIMERS**

THIS INFORMATION CIRCULAR HAS BEEN PREPARED BASED ON THE INFORMATION AVAILABLE TO THE CANADIAN DEBTORS AND THE MONITOR AS AT THE DATE HEREOF.

SUBJECT TO THE FOREGOING, THIS INFORMATION CIRCULAR CONTAINS IMPORTANT INFORMATION THAT SHOULD BE READ BY AFFECTED CREDITORS BEFORE ANY DECISION IS MADE WITH RESPECT TO THE MATTERS REFERRED TO HEREIN.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE MATTERS TO BE CONSIDERED AT THE MEETING OTHER THAN THOSE CONTAINED IN THIS INFORMATION CIRCULAR, AND IF GIVEN OR MADE, ANY SUCH INFORMATION OR REPRESENTATION SHOULD BE CONSIDERED AS NOT HAVING BEEN AUTHORIZED AND MUST NOT BE RELIED UPON. THIS INFORMATION CIRCULAR DOES NOT CONSTITUTE THE SOLICITATION OF A PROXY, IN ANY JURISDICTION, TO OR FROM ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH PROXY SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS INFORMATION CIRCULAR NOR ANY DISTRIBUTION PURSUANT TO THE PLAN REFERRED TO IN THIS INFORMATION CIRCULAR SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN SINCE THE DATE OF THIS INFORMATION CIRCULAR.

ANY FINANCIAL ANALYSIS OR OTHER ESTIMATIONS CONTAINED HEREIN, INCLUDING ANY ANALYSIS CONTAINING NUMERICAL SPECIFICITY, IS BASED ON ASSUMPTIONS AND ESTIMATES WHICH MAY NOT BE ACHIEVED AND SUBJECT TO BUSINESS, ECONOMIC, REGULATORY AND OTHER UNCERTAINTIES WHICH MAY BE BEYOND THE CONTROL OF THE CANADIAN DEBTORS.

Affected Creditors should not construe the contents of this Information Circular as investment, legal or tax advice. An Affected Creditor should consult its own legal, financial, tax or other professional advisors with respect to the legal, tax, business, financial and related consequences of the Plan for such Affected Creditor. In making a decision regarding the Plan, Affected Creditors must rely on their own examination of the Canadian Debtors and the advice of their own advisors. Affected Creditors should seek advice from their own advisors concerning the income tax consequences of the Plan.

The solicitation presented in this Information Circular does not extend to Affected Creditors residing in jurisdictions where solicitations of proxies under this Information Circular are unlawful, or to Affected Creditors to whom it is unlawful to direct these types of activities. The solicitation of proxies for the implementation of the Plan is being made on the basis of this Information Circular and is subject to the terms and conditions described herein.

Each Affected Creditor must comply with all Applicable Laws and regulations in force in any jurisdiction in which it participates in the solicitation of proxies for the Resolution approving the Plan, or in which it possesses or distributes this Information Circular, and must obtain any consent, approval or permission required by it for participation in the solicitation of proxies for

the Resolution approving the Plan under the laws and regulations in force in any jurisdiction to which it is subject, and none of the Canadian Debtors or the Monitor nor any of their respective representatives shall have any responsibility therefor.

The information contained in this Information Circular is given as of November 4, 2016, unless otherwise specifically stated, and is subject to change or amendment without notice. Any statement contained in this Information Circular, a document incorporated by reference or referred to in this Information Circular, or any amendment hereof or supplement hereto, is to be considered modified or replaced to the extent that a statement contained herein or in any amendment or supplement or any subsequently filed document modifies or replaces such statement. Any statement so modified or replaced is not to be considered, except as so modified or replaced, to be a part of this Information Circular.

This Information Circular provides summaries and descriptions of events, Orders and other matters relating to the CCAA Proceedings. Any such summaries or descriptions are provided for convenience purposes only. The Monitor has been providing ongoing reporting regarding events impacting the Canadian Debtors throughout the CCAA Proceedings. Copies of all such Monitor reports are available on the Monitor's website at [www.ey.com/ca/nortel](http://www.ey.com/ca/nortel) in the Section entitled "Monitor's Reports". Affected Creditors should refer to such Monitor reports in the event that such Affected Creditor wishes to receive more detailed information regarding specific events described herein.

All summaries of and references to certain documents in this Information Circular, including the summary of the Plan in this Information Circular, are qualified in their entirety by reference to the complete text of each of those documents. Copies of documents referred to herein are either attached as Schedule(s) hereto or will be made available to Affected Creditors upon request to the Monitor. Affected Creditors are urged to carefully read the full text of the Plan posted on the Monitor's website at [www.ey.com/ca/nortel](http://www.ey.com/ca/nortel) in the Section entitled "Plan and Other Creditor Meeting Documents".

Affected Creditors are urged to carefully read the "*Risk Factors*" section of this Information Circular before making any decision regarding the Plan.

All references to this Information Circular shall be deemed to include the Schedule(s) attached hereto.

### **INFORMATION FOR UNITED STATES CREDITORS**

The Canadian Debtors are corporations governed by the laws of Canada or a province thereof. The proxy solicitation rules under the U.S. Securities Exchange Act of 1934, as amended, are not applicable to this solicitation, and, accordingly, this solicitation is not being effected in accordance with such rules.

**NEITHER THIS INFORMATION CIRCULAR NOR THE PLAN HAS BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION ("SEC"), ANY U.S. STATE SECURITIES REGULATORY AUTHORITY OR ANY U.S. BANKRUPTCY COURT, NOR HAS THE SEC, ANY U.S. SECURITIES REGULATORY AUTHORITY OR ANY U.S. BANKRUPTCY COURT PASSED UPON THE FAIRNESS OR MERITS OF THE PLAN OR UPON THE ADEQUACY, COMPLETENESS OR ACCURACY OF THE INFORMATION**

**CONTAINED IN THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

This Information Circular does not discuss any U.S. federal or state tax consequences of the Plan. Certain information concerning Canadian federal income tax consequences of the Plan for Affected Creditors who are not resident in Canada is set forth under the heading “*Withholding from Distributions and Certain Other Tax Matters*”. Affected Creditors resident in the United States should be aware that the transactions contemplated herein may have tax consequences both in Canada and the United States. Such consequences are not described herein. Affected Creditors should consult with their own tax advisors with respect to their particular circumstances and the tax considerations applicable to them.

**CAUTIONARY NOTICE REGARDING FORWARD LOOKING INFORMATION**

The forward looking statements expressed or implied by this Information Circular are subject to important risks and uncertainties. When used in this Information Circular, the words “expect”, “anticipate”, “may”, “will”, “should”, “intend”, “believe”, “plan” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. Forward-looking statements are based on estimates and assumptions made by the Canadian Debtors in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Canadian Debtors believe are appropriate in the circumstances. The results or events predicted in these statements may differ materially from actual results or events and are not guarantees of future performance. Factors which could cause results or events to differ from current expectations include, among other things: (a) uncertainty regarding future asset realizations; (b) the applicable foreign exchange rate at various dates of conversion or realization of remaining assets; (c) the resolution of unresolved Claims as to quantum and/or priority; (d) the cost to monetize the remaining assets, resolve Claims and complete the wind down and administration of the Canadian Debtors; (e) the other risks identified in the “Risk Factors” section of this Information Circular, and other factors not currently viewed as material that could cause actual results to differ materially from those described in the forward-looking statements. The Canadian Debtors and the Monitor disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

**TERMS OF REFERENCE**

The Monitor has made various materials relating to the CCAA Proceedings available on its website at [www.ey.com/ca/nortel](http://www.ey.com/ca/nortel) (the “**Monitor’s Website**”). The Monitor’s Website also contains a dynamic link to Epiq Bankruptcy Solutions, LLC’s website where materials relating to the Chapter 11 Proceedings are posted.

Unless otherwise stated, all monetary amounts contained herein are expressed in U.S. dollars. References to “CA” are to Canadian dollars.

Unless otherwise defined or referenced herein, all capitalized terms used herein have the meaning given to them in the Plan which have also been included in the glossary attached as Schedule “B” hereto (the “**Glossary**”). Definitions in the Glossary are included for convenience purposes only and reference should be made to the Plan or other original source document.

## SUMMARY INFORMATION

*The following is a summary of certain information contained elsewhere in this Information Circular, including the Schedule(s) hereto, and is qualified in its entirety by reference to the more detailed disclaimers and information contained or referred to elsewhere in this Information Circular or the Schedule(s) hereto.*

**Monitor's Website** All references to the "Monitor's Website" mean the Monitor's website maintained for these CCAA Proceedings at [www.ey.com/ca/nortel](http://www.ey.com/ca/nortel).

Among other things, the Monitor's Website contains all of the Monitor's Reports issued in the CCAA Proceedings which provide information and reporting regarding the significant events and processes in the CCAA Proceedings.

**Meeting and Voting on the Plan** The Meeting is targeted to be held on or about January 17, 2017.

The actual date for calling the Meeting and the process for voting on the Plan (including the forms of proxy and instructions for voting) will be subject to a Plan Filing and Meeting Order (the "**Meeting Order**") which will be subject to CCAA Court approval on or about December 1, 2016. Once granted, the Meeting Order will be posted on the Monitor's Website and distributed in accordance with the terms of the Meeting Order.

**Purpose of the Plan** The purpose of the Plan is to: (a) effectuate and implement the terms of the Settlement and Support Agreement, including the settlement of the Allocation Dispute and certain other claims, disputes and other matters contemplated therein, and the release of the Sale Proceeds to the Canadian Debtors, the U.S. Debtors and the EMEA Debtors; (b) provide for the substantive consolidation of each of the Canadian Debtors into the Canadian Estate on the terms contemplated by the Plan; (c) provide for payment in full of the Proven Priority Claims; (d) provide for a pro rata distribution or distributions from the Canadian Estate to holders of all Proven Affected Unsecured Claims; and (e) effect a release and discharge of all Affected Claims and Released Claims.

**Classification and Voting** The Plan provides for one class of Affected Unsecured Creditors for the purpose of considering and voting on the Plan, namely the Affected Unsecured Creditors Class.

**Treatment of Affected Claims** Generally, the Plan provides for treatment of claims as follows:

Affected Unsecured Claims. In full and final satisfaction of their Claims, Affected Unsecured Creditors holding Proven Affected Unsecured Claims shall be entitled to vote on and receive their Pro-Rata Share of cash available to be distributed to Affected Unsecured Creditors under the Plan.



Directors/Officer Claims. Director/Officer Claims are Affected Claims under the Plan. A Creditor holding a Director/Officer Claim, if any, is not entitled to vote on the Plan or receive any distributions under the Plan. The Plan provides for releases in favour of the Directors and Officers. However, certain types of claims will not be released pursuant to the Plan, including: (a) claims determined to be on account of fraud or willful misconduct; and (b) claims not permitted to be released by section 5.1(2) of the CCAA.

Equity Claims. Equity Claims are Affected Claims under the Plan. Holders of Equity Claims are not entitled to vote on or receive distributions under the Plan.

Unresolved Affected Unsecured Claims. Potential distributions in respect of Unresolved Affected Unsecured Claims will be maintained in the Unresolved Claims Reserve until such claims are finally resolved. If an Unresolved Affected Unsecured Claim becomes a Proven Affected Unsecured Claim, on or before the next Distribution Date, the Canadian Estate shall distribute funds from the Unresolved Claims Reserve equal to the Affected Unsecured Creditor's Pro-Rata Share that it/he/she would have been entitled to receive on the previous Distribution Date(s). Once an Unresolved Affected Unsecured Claim is finally resolved and all distributions (if any) have been made out of the Unresolved Claims Reserve in respect of such claim, any remaining Cash in the Unresolved Claims Reserve with respect to such Unresolved Affected Unsecured Claim shall become Available Cash.

Unaffected Claims. Certain other claims are "unaffected claims", and holders of those unaffected claims will not be entitled to vote on the Plan. Unaffected claims include: (a) Canadian Intercompany Claims; (b) Insured Claims; (c) Proven Priority Claims; (d) Post-Filing Claims (except to the extent otherwise ordered by the CCAA Court); and (e) any Director/Officer Claim that is not permitted to be compromised pursuant to Section 5.1(2) of the CCAA. The treatment of Unaffected Claims is described in further detail below.

See "*Description of the Plan – Treatment of Claims Pursuant to the Plan*".

**Certain Proven  
Affected Unsecured  
Claims**

Certain Claims have been agreed as Proven Affected Unsecured Claims under the Plan pursuant to the Settlement and Support Agreement.

See "*Description of the Plan – Treatment of Claims Pursuant to the Plan – Certain Proven Affected Unsecured Claims*"

**Creditor Approval  
of Plan**

In order for the Plan to be approved pursuant to the CCAA, the Resolution must receive the affirmative vote of the Required Majority of the Affected Unsecured Creditors Class, being a majority in number

of Affected Unsecured Creditors with Voting Claims who vote (in person or by proxy) on the Plan at the relevant Meeting, and two-thirds in value of the Voting Claims held by such Affected Unsecured Creditors who vote (in person or by proxy) on the Plan at the Meeting.

Creditors who have Affected Unsecured Claims that are Crossover Claims must vote on the Plan in addition to any vote that such Creditor may cast in respect of the U.S. Plans. Voting on the U.S. Plans will not be considered a vote on the Plan and *vice versa*.

See “*Required Approvals Under the CCAA and Other Conditions to Implementation – Creditor Approval by a Required Majority*”.

**Court Approval under the CCAA**

If the Plan is approved by the Required Majority the Canadian Debtors and Monitor shall apply for the Sanction Order. The hearing in respect of the Sanction Order is presently planned for on or about January 24, 2017. The specific date and place of hearing for the Sanction Order will be posted on the Monitor’s Website.

See “*Required Approvals Under the CCAA and Other Conditions to Implementation – Court Approval of the Plan Under the CCAA*”.

**Conditions to the Effectiveness and Implementation of the Plan**

The effectiveness of the Plan is conditional upon satisfaction of a number of conditions, including (a) approval of the Plan by the Required Majority; (b) the issuance of the Sanction Order and expiration of relevant appeal periods or the final resolution of any appeals taken; and (c) confirmation of the U.S. Plans by the U.S. Bankruptcy Court. The implementation of the Plan, including distributions thereunder, is conditional on certain additional conditions being satisfied, including (x) the full effectiveness of the Settlement and Support Agreement; (y) dismissal of all outstanding litigation pending in respect of the Allocation Dispute; and (z) receipt of the Canadian Allocation by NNL.

(See “*Required Approvals Under the CCAA and Other Conditions to Implementation – Conditions to the Effectiveness and Implementation of the Plan*”.)

**Settlement and Support Agreement**

The full effectiveness of the Settlement and Support Agreement is conditional upon satisfaction of, among others, the following conditions: (a) receipt of Creditor Joinders from Crossover Bondholders beneficially holding notes representing at least 67% of the principal amount of the Crossover Bondholder Claim; (b) receipt of Creditor Joinders from NNCC Bondholders beneficially holding notes representing at least 67% of the principal amount of the NNCC Bondholder Claim; (c) Orders from the CCAA Court and the U.S. Bankruptcy Court regarding the conversion of currency; (d) Certain Orders of the U.K. Court, the French Court and the Beddoes Court regarding the Settlement and Support Agreement having been obtained; (e) sanction and confirmation of the Plan and the U.S. Plans

by the CCAA Court and the U.S. Bankruptcy Court, respectively; and (f) the Plans Effective Date having occurred. The conditions specified in the foregoing (a), (b) and (c) have been satisfied as at the date of this Information Circular and the Canadian Debtors and Monitor have also been advised the conditions specified in the foregoing (d) have been satisfied.

Certain of these conditions have already been satisfied. See “*CCAA Proceedings and Other Matters – Settlement of the Allocation Dispute – Settlement and Support Agreement*” and “*Support of Other Significant Stakeholders*”

**Timing**

The current estimated timeline to implementation of the Plan is as follows:

(a) Meeting – January 17, 2017

(b) Sanction Hearing – January 24, 2017

(c) Plan Effective Date – February 15, 2017

(d) Plan Implementation Date – as soon as possible following the Plan Effective Date

(e) Initial Distribution Date – within 60 days of the Plan Implementation Date

The actual timing of the steps contemplated above will be set in accordance with the Meeting Order, Sanction Order or as otherwise contemplated by the Plan and, where applicable, will be posted on the Monitor’s Website.

See “*Implementation of the Plan – Timing of Implementation*”

**Distributions**

The Plan provides for the creation of various notional Cash pools and reserves for the purposes of implementing the Plan, including making payments to holders of Proven Priority Claims and distributions in respect of Proven Affected Unsecured Claims.

See “*Implementation of the Plan – Cash Pools and Reserves and Distributions Under the Plan*”

**Estimate of Distribution to Affected Unsecured Creditors**

Pursuant to the Plan, distributions to Creditors holding Proven Affected Unsecured Claims predominantly denominated in Canadian dollars (“**CAD Claims**”) shall be paid in Canadian dollars and distributions to all other Creditors holding Proven Affected Unsecured Claims shall be paid in U.S. dollars. A Proven Affected Unsecured Claim is considered “predominantly denominated” in Canadian dollars if more than 50% of such Claim is denominated in Canadian dollars.

For information on the method for conversion of Claims, see “*Description of the Plan – Treatment of Claims Pursuant to the Plan – Currency Conversion Matters*”

Pursuant to the Currency Conversion Orders (defined below), on October 24, 2016, directions were issued to the U.S. Distribution Agent to transfer approximately \$1.06 billion to the Canadian Distribution Agent. The funds have been transferred and converted from U.S. dollars to Canadian dollars at a blended foreign exchange rate of \$1.00 = CA\$1.337650. The blended foreign exchange rate at which such funds together with any other funds transferred are converted from U.S. dollars to Canadian dollars shall constitute the Applicable F/X Rate for the Plan.

With respect to Proven Affected Unsecured Claims, the Monitor currently estimates that the range of recovery (per U.S. dollar) of Proven Affected Unsecured Claims will be approximately 41.5 cents to 45 cents. Given currency conversion matters as described in the Plan (See *Description of the Plan - Treatment of Claims Pursuant to the Plan – Currency Conversion Matters* ) the Monitor estimates that the range of recovery (per CA dollar) for CAD Claims will be approximately CA 45 cents to CA 49 cents assuming an Applicable F/X Rate of approximately \$1.00 = CA \$1.337650.

See “*Estimated Distributions to Creditors with Proven Affected Unsecured Claims*”

**Monitor**

The Monitor and its counsel have been involved throughout the course of negotiations regarding the Plan. The Monitor supports the Plan and recommends that Affected Unsecured Creditors vote to approve the Plan.

**Support of Certain Stakeholders**

Certain significant Affected Unsecured Creditors of the Canadian Estate, including Crossover Bondholders holding Crossover Bonds in the principal amount of approximately \$3 billion representing approximately 80% of the principal amount of the Crossover Bonds, NNCC Bondholders holding NNCC Bonds in the principal amount of approximately \$135,665,000 representing approximately 90% of the principal amount of the NNCC Bonds, members of the CCC, UKPI, EMEA Debtors and NNI support the Plan, subject to the terms and conditions set out in the Settlement and Support Agreement.

(See “*Support of Other Significant Stakeholders*”)

**Tax Considerations**

Certain tax considerations relating to the Plan are described in “*Withholding from Distributions and Certain Other Tax Matters*”. Affected Creditors should consult their own tax advisors with respect to their individual circumstances.

(See “*Withholding from Distributions and Certain Other Tax*”)

*Matters”)*

**Risk Factors**

Affected Creditors should carefully consider certain risk factors relating, among other things, to the non-implementation of the Plan, the Plan and its implementation and recoveries under the Plan.

(See “*Risk Factors*”)

**Important  
Disclaimers**

The information contained in this Information Circular is subject to a number of important qualifications and disclaimers. See “*Important Disclaimers*” and “*Risk Factors*”.

## INFORMATION REGARDING NORTEL

### Corporate Structure

As at January 14, 2009 (the “**Filing Date**”)<sup>1</sup>, NNC was the parent holding company and NNL was the primary Canadian operating entity of the Nortel group of companies (“**Nortel**”), a multi-national telecommunications company with approximately 126 subsidiaries that operated in virtually every country in the world.

### Operations

#### *Business Segments and Lines of Business*

Nortel operated through various lines of business (“**LOB**”).

As at the Filing Date, Nortel’s three core business segments were Carrier Networks, Enterprise Solutions (“**Enterprise**”) and Metro Ethernet Networks (“**MEN**”). A fourth business segment, Global Services (Nortel’s support and services arm), was a separate reportable segment until December 31, 2008, before being integrated into the other LOBs.

The Carrier Networks segment provided wireless networking solutions that enabled service providers and cable operators to supply mobile voice, data and multimedia communications to individuals and enterprises using mobile phones and other wireless computing and communications devices. The Carrier Networks segment included the code division multiple access (“**CDMA**”), carrier voice over internet protocol and applications solutions (“**CVAS**”) and global system for mobile communications (“**GSM**”) LOBs.

The LOBs operated across jurisdictional boundaries and in many cases on a world-wide basis. The assets, contracts and employees relevant to the operation of a particular LOB were owned or employed by various individual Nortel legal entities, including NNL, but also including NNI, NNUK and numerous other debtor and non-debtor Nortel entities around the globe.

### *Employees*

At its peak in the early 2000s, Nortel employed nearly 93,000 people worldwide. As at the Filing Date, the Canadian Debtors employed approximately 6,000 employees. The Canadian Debtors also administered two registered defined benefit pension plans, the Nortel Networks Limited Managerial and Non-Negotiated Pension Plan (Registration No. 0342048) and the Nortel Networks Negotiated Pension Plan (Registration No. 08587766), that provided pension benefits to more than 11,000 former employees and their survivors at the time of the Filing Date. In addition, the Canadian Debtors administered a Capital Accumulation and Retirement Program, which consisted of a combination of separate pension and other retirement savings plans and various other pension and benefits programs for the Canadian Debtors’ former and current employees. Total participation in Nortel’s Canadian Registered Pension Plans at the Filing Date was approximately 21,000 members. Finally, the Canadian Debtors also funded various current and post-employment employee benefits through Nortel’s Health & Welfare Trust (“**HWT**”), a trust that provided benefits to approximately 9,000 current and former employees at the time of the Filing Date.

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<sup>1</sup> In respect of the New Applicants, references to the “Filing Date” shall mean March 18, 2016.

## **Capital Structure**

### ***Equity***

NNC is a public company whose shares traded on the Toronto Stock Exchange and the New York Stock Exchange (“**NYSE**”). As at December 31, 2008, NNC had approximately 497 million common shares issued and outstanding.

As at December 31, 2008, NNL had approximately 1.4 million common shares (all owned by NNC), as well as 16 million Series 5 preferred shares and 14 million Series 7 preferred shares issued and outstanding. NNL’s preferred shares were listed on the Toronto Stock Exchange.

### ***Bond Debt***

As at the Filing Date, one or more of the Canadian Debtors had either issued or guaranteed outstanding Bonds in the principal amount of approximately \$4.175 billion pursuant to the Crossover Bonds Indentures, the NNCC Bonds Indenture and the 1988 Bonds Indenture as follows:

- (a) the 1988 Bonds issued by NNL, in the principal amount of approximately \$200 million;
- (b) the 2006 Bonds issued by NNL and guaranteed by NNC and NNI, in the principal amount of approximately \$2.675 billion;
- (c) the 2007 Bonds issued by NNC and guaranteed by NNL and NNI, in the principal amount of approximately \$1.150 billion; and
- (d) the NNCC Bonds issued by Northern Telecom Capital Corporation (now NNCC, a U.S. Debtor) and guaranteed by Northern Telecom Limited (now NNL), in the principal amount of approximately \$150 million.

### ***Reporting Issuer Status & Stock Exchange Listings***

Prior to the Filing Date, NNC was a reporting issuer under U.S. and Canadian securities laws and its common shares were traded on the NYSE and the Toronto Stock Exchange.

On January 14, 2009, NNC received notice from the NYSE that it had decided to suspend the listing of NNC’s common shares on the NYSE. Subsequently, on February 2, 2009, NNC common shares were delisted from the NYSE. On June 19, 2009, and several times subsequently, Nortel publicly announced it did not expect that holders of NNC common shares and NNL preferred shares would receive any value from the CCAA Proceedings and that such proceedings would ultimately result in the cancellation of those equity interests. As a result, NNC and NNL applied to delist the NNC common shares and the NNL preferred shares, respectively, from trading on the Toronto Stock Exchange, and such delisting occurred on June 26, 2009.

On August 9, 2012, NNC issued a press release announcing that as a result of the current status of the Canadian Debtors’ restructuring proceedings, NNC and NNL would discontinue further preparation of quarterly and annual financial statements. In connection with this announcement,

the Ontario Securities Commission issued a final cease trade order dated December 24, 2012 (the “**Cease Trade Order**”) prohibiting further trading of Nortel securities. The Cease Trade Order contained certain exceptions to the prohibition on trading, including allowing certain trading of the Bonds to continue by “accredited investors” and trades for nominal consideration for the purposes of crystallizing tax losses. Cease trade orders were also issued in Alberta, Manitoba and Quebec.

## CCAA PROCEEDINGS AND OTHER MATTERS

### Commencement of CCAA Proceedings

On the Filing Date, NNC, NNL, Nortel Networks Technology Corporation, Nortel Networks International Corporation and Nortel Networks Global Corporation (collectively, with the New Applicants (as defined below), the “**Canadian Debtors**”) filed for and obtained protection under the *Companies’ Creditors Arrangement Act* (“**CCAA**”). Pursuant to the Initial Order of the CCAA Court dated January 14, 2009 (as amended and restated from time to time, the “**Initial Order**”), Ernst & Young Inc. was appointed as the Monitor of the Canadian Debtors (the “**Monitor**”) in the CCAA Proceedings. The stay of proceedings under the Initial Order was most recently extended to March 31, 2017 by Order dated September 29, 2016.

On March 18, 2016, Nortel Communications Inc., Architel Systems Corporation and Northern Telecom Canada Limited (collectively, the “**New Applicants**”) sought and were granted an Order (New Applicants) of the CCAA Court (the “**New Applicants Order**”). Pursuant to the New Applicants Order, each of the New Applicants was deemed to be an “Applicant” (as defined in the Initial Order) in the CCAA Proceedings, entitled to all of the rights, benefits and protections granted by, and otherwise subject to, among other Orders of the CCAA Court entered in the CCAA Proceedings, the Initial Order as if it were an Applicant thereunder. The New Applicants Order also procedurally consolidated the CCAA Proceedings of the New Applicants with the CCAA Proceedings.

### U.S. Proceedings

Nortel Networks Inc. (“**NNI**”) and certain of its U.S. subsidiaries and affiliates (the “**Initial Chapter 11 Debtors**”) 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. Bankruptcy Court**”) on January 14, 2009 (the “**Chapter 11 Proceedings**”). As required by U.S. law, an official committee of unsecured creditors (the “**UCC**”) was established on January 26, 2009.

Subsequently, Nortel Networks (CALA) Inc. (“**NN CALA**”) filed a voluntary petition under Chapter 11 of the Code in the U.S. Bankruptcy Court on July 14, 2009.

Nortel Networks India International Inc. filed a voluntary petition under Chapter 11 of the Code in the U.S. Bankruptcy Court on July 26, 2016 (“**NNIII**”) and together with NN CALA and the Initial Chapter 11 Debtors, the “**U.S. Debtors**”).

### EMEA Proceedings

On January 14, 2009, Nortel Networks UK Limited (“**NNUK**”) and certain of its affiliates located in EMEA (collectively, the “**EMEA Debtors**”) and with the Canadian Debtors and the



U.S. Debtors, the “**Estates**” and each an “**Estate**”) were granted administration orders (the “**U.K. Administration Orders**”) by the High Court of Justice of England and Wales (the “**EMEA Proceedings**”). The U.K. 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 Nortel Networks (Ireland) Limited, to which David Hughes (Ernst & Young LLP Ireland) and Alan Bloom were appointed (collectively, the “**Joint Administrators**”).

Subsequent to the Filing Date, Nortel Networks S.A. (“**NNSA**”) commenced secondary insolvency proceedings (“**French Secondary Proceeding**”) 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 were appointed by the Versailles Commercial Court (the “**French Court**”). Pursuant to the French Secondary Proceeding, Maitre Cosme Rogeau was appointed as liquidator in the French Secondary Proceeding. Stephen Jonathan Taylor of Isonomy Limited was subsequently appointed as conflicts administrator of NNSA (the “**NNSA Conflicts Administrator**”).

Subsequent to the Filing Date, various other Nortel Group entities have filed for bankruptcy protection or commenced liquidation in their local jurisdictions.

### **Initial Restructuring Efforts**

Before and immediately after the Filing Date, the Estates considered a restructuring pursuant to which Nortel’s LOBs except the CDMA (2G) wireless business and its next generation (4G) LTE wireless technology would be sold. Under this option, a smaller Nortel would emerge centered on the legacy CDMA business and the potential LTE business.

However, by June 2009, the Estates, in consultation with their advisors and key stakeholders, determined that the best means for the realization of value was the sale of all the LOBs including CDMA. On June 19, 2009, Nortel issued a press release announcing, among other things, that it had entered into a stalking horse agreement for the sale of its CDMA business and certain LTE assets and that it also intended to pursue sales of its other LOBs.

### **The Line of Business Sales**

Sales of LOBs occurred from mid-2009 through late 2010, with the last LOB transaction, MSS, closing in March 2011. With limited exceptions, the LOB sale processes generally utilized a stalking-horse auction process that ultimately generated sale proceeds in excess of \$3.28 billion. The transactions were going concern sales and resulted in more than 10,600 of Nortel’s global employees being transferred to the various purchasers and the preservation of most Nortel supplier and customer relationships. Nortel entered into and closed nine LOB transactions, generating gross proceeds of approximately \$3.28 billion (\$3.09 billion after purchase price adjustments).

### **The Residual IP**

Following the completion of the LOB sales, approximately 7,000 patents and patent applications remained with Nortel that had not been sold in the LOB sales.

Prior to the completion of the LOB sales, it was anticipated that there would be a retained patent portfolio and efforts commenced in early 2010 to consider the means to maximize the value of

this portfolio. An IP leadership team (consisting of representatives of each of the Estates) was formed to consider the issue.

After significant negotiation with two prospective purchasers, on April 4, 2011, NNC, NNL, NNI and NNUK (amongst other Nortel entities) entered into a stalking-horse asset sale agreement with Ranger Inc., a wholly owned subsidiary of Google Inc., to sell the Residual IP (which included the approximately 7,000 remaining patents and patent applications) for \$900 million. Following an auction held at the end of June 2011, the Residual IP was ultimately sold to a consortium of technology companies for \$4.5 billion.

### **Lockbox Funds**

Gross proceeds of approximately \$7.8 billion resulted from the LOB sales and the Residual IP sale. As proceeds were received from the sales, cash was placed into various escrow accounts (the “**Escrow Accounts**”) pursuant to the terms of the IFSA and associated escrow agreements (discussed in further detail below - See “*The IFSA, CFSA, NNI Claim and other Inter-Estate Matters*”).

The current cash balance in the Escrow Accounts is approximately \$7.3 billion (the “**Lockbox Funds**”) after taking into consideration negative purchase price and working capital adjustments of approximately \$186 million and various prior Court approved distributions out of the Escrow Accounts, including approximately \$45 million in respect of the Fourth Estate Settlement, \$73 million on account of certain fees and expenses relating to the sales, and \$53 million payable to NNI in respect of cash on hand of certain wholly owned subsidiaries sold in the LOB sales.

### **The “Canada Only” Sales**

In addition to the various LOB sales, from May 2009 onwards the Monitor oversaw Court-approved sales processes for various assets owned by one of more of the Canadian Debtors (the “**Canada Only Sales**”). These Canada Only Sales processes generated gross proceeds of approximately CA \$615 million (plus a further amount in respect of 12 IP Addresses (as defined in the Settlement and Support Agreement) transactions, the financial terms of which are sealed pursuant to orders of the CCAA Court).

Proceeds generated by the Canada Only Sales (other than to the extent sealed by the CCAA Court in the case of the IP Address Sales) have been reported by the Monitor in the Canadian Debtors’ cash-flow reports from time to time throughout the course of the CCAA Proceedings and, generally, have either been classified as Unavailable Cash as a result of the terms of the applicable approval and vesting order, or used to fund the ongoing costs of the administration of the CCAA Proceedings.

### **The IFSA, CFSA, NNI Claim and other Inter-Estate Matters**

Two issues central to the CCAA Proceedings during the first six months included: (i) the aforementioned attempts to develop and implement a global restructuring plan; and (ii) a means of addressing the significant cash burn being experienced by NNL as result of it continuing to incur significant corporate overhead and research and development costs in the course of the restructuring proceedings.

On June 9, 2009, NNL, NNI, NNUK and the Joint Administrators (among other parties) entered into the Interim Funding and Settlement Agreement (the “IFSA”) that assisted in addressing these issues. Pursuant to the IFSA, NNI agreed to pay \$157 million to the Canadian Debtors which, together with a \$30 million payment made in January 2009, was in satisfaction of any claims of NNL for corporate overhead and research and development costs incurred by NNL for the benefit of certain of the U.S. Debtors for the period from the Filing Date to September 30, 2009. In addition, NNL agreed to pay NNUK \$20 million on a deferred basis (secured by a Court-ordered charge) and the EMEA Debtors, on the one hand, and the Canadian Debtors and U.S. Debtors, on the other, agreed to the settlement of any transfer pricing obligations between them for the period from the Filing Date to December 31, 2009. Pursuant to the IFSA, the Estates also reached certain agreements that facilitated the LOB transactions that would be entered into in the coming months, including an agreement that the execution of sale documentation or closing of a transaction of material assets would not be conditioned upon reaching agreement on either allocation of the sale proceeds of such sale or a binding procedure for the allocation of such sale proceeds and that all sale proceeds would be deposited in the Escrow Accounts pending resolution of allocation.

The cash burn of NNL and the Canadian Debtors continued throughout 2009 necessitating further funding discussions for the period post-September 2009. On December 23, 2009, the Canadian Debtors, the Monitor and the U.S. Debtors entered into the Final Canadian Funding and Settlement Agreement (the “CFSA”). The CFSA was entered into to address certain funding needs of the Canadian Estate as well as to settle various outstanding claim matters between NNI and NNL. Pursuant to the CFSA, among other things, NNI agreed to pay to NNL \$190 million in satisfaction of certain obligations of NNI to NNL for the period from October 1, 2009 to the end of the CCAA Proceedings, subject to certain “true-up” obligations relating to the allocation of the Lockbox Funds. Additionally, NNL agreed to grant to NNI a \$2.0627 billion Claim (the “**NNI Claim**”) in connection with historical transfer pricing overpayments by NNI to NNL as well as amounts owing under an existing secured revolving loan between NNI and NNL. \$2.0 billion of the Claim was agreed to be unsecured, with the balance (relating to the revolving loan) being a secured priority claim. The NNI Claim was approved by the CCAA Court on January 21, 2010 as part of the approval of the CFSA.

In addition to the foregoing, over the course of the CCAA Proceedings, the Canadian Debtors have also entered into various side letters and other agreements with the U.S. Debtors, often to provide interim financial arrangements regarding costs and other matters but subject to re-allocation upon resolution of the Allocation Dispute.

### **The Rest of the World**

As set out above, Nortel operated throughout the world including in jurisdictions where there were no insolvency proceedings commenced. Given the integration of Nortel’s businesses, the assistance and cooperation of these entities were required in many cases in order to, among other things, facilitate the sales described above and wind down any remaining operations. However, with the insolvency proceedings in Canada, the U.S. and EMEA, many of these entities and their directors and officers expressed ongoing concerns as to the funding and solvency of these entities as well as other liabilities for which the directors and officers might become personally liable. Many of these directors and officers resigned and, pursuant to Applicable Laws in the applicable jurisdictions, had to be replaced with new directors.

In order to find new individuals willing to serve on these boards of directors, NNL and NNI created a trust, generally referred to as the “**Cascade Trust**”, pursuant to which NNL and NNI would settle a \$35 million trust to be claimed against, subject to certain terms and conditions, by the directors of these non-filed entities. Pursuant to the terms of a side agreement entered into between NNL and NNI relating to the Cascade Trust, each of NNL and NNI agreed to initially contribute \$17.5 million to the Cascade Trust, provided, however, that such contribution would be reallocated on the overall weighted average based on each entities ultimate entitlement to the Sale Proceeds. The Cascade Trust was approved by the CCAA Court on March 31, 2010. As discussed below, the resolution of the interests in the Cascade Trust as between NNL and NNI is included in the proposed settlement terms under the Settlement and Support Agreement.

See also “*The Allocation Dispute and the Allocation and Claims Litigation – Fourth Estate Settlement Agreement*”.

### **Claims Orders**

Throughout the course of the CCAA Proceedings, the CCAA Court has issued and entered the following Orders pertaining to the calling for Claims against the Canadian Debtors and their Directors and Officers:

<b><u>Order</u></b>	<b><u>Claims Filed</u></b>
1. Claims Procedure Order dated July 30, 2009, as amended and restated	Pursuant to the Claims Procedure Order, the Canadian Debtors called for most third party, non-employee related Claims as of the Filing Date against the Canadian Debtors and their current and former directors and officers.  For the status on the resolution of these claims, see “ <i>Status of Claims Process</i> ”.
2. Compensation Claims Procedure Order dated October 6, 2011 and the Compensation Claims Methodology Order dated October 6, 2011 (the “ <b>Compensation Claims Orders</b> ”)	Pursuant to the Compensation Claims Orders, former employees of the Canadian Debtors were given “Form C” letters notifying them of their proposed Compensation Claim based on the calculation methodology approved pursuant to the Compensation Claims Orders. Compensation Creditors could dispute the underlying information pursuant to the terms of the Compensation Claims Orders, and additional claims could also be filed.  For the status on the resolution of these claims, see “ <i>Status of Claims Process</i> ”.

3. EMEA Claims Procedure Order dated January 14, 2011  
 Claims filed pursuant to the EMEA Claims Procedure Order are described below in the subsection entitled “*EMEA Claims Against the Canadian Debtors*”.  
  
 The EMEA Claims were resolved pursuant to the EMEA Claims Settlement Agreement, see “*The Allocation Dispute and the Allocation and Claims Litigation – Allocation and Claims Litigation - EMEA Claims Settlement*”.
4. Intercompany Claims Procedure Order dated July 27, 2012  
 Pursuant to the Intercompany Claims process, the Monitor sent balance statements to certain of the Canadian Debtors’ affiliates (whose claims had not otherwise been settled pursuant to the Fourth Estate Settlement Agreement or otherwise) (“**Non-Fourth Estate Entities**”) indicating where there were balances owing or owed based on the Canadian Debtors books and records. Any Non-Fourth Estate Entity could either accept the statement, dispute the statement or file a new Proof of Claim. This process did not apply to the U.S. Debtors, EMEA Debtors or the APAC/CALA Affiliates who were party to the Fourth Estate Settlement Agreement described below.
5. An Order calling for Claims against the New Applicants dated September 29, 2016 (the “**September 29 Order**”)  
 The Claims Bar Date was October 31, 2016. The Monitor received placeholder claims filed by Canada Revenue Agency and no other proofs of claim were filed.

In addition to the above Orders, the Canadian Debtors intend to request an Order from the CCAA Court calling for certain “Post-Filing Claims” pursuant to an Order of the CCAA Court.

**Certain Employee Matters: The Health & Welfare Trust, the Employee Settlement and Hardship Process**

The current and former employees of the Canadian Debtors including pensioners, employees on disability and terminated employees, have been actively represented by Court Appointed Representative Counsel in the CCAA Proceedings who have the ability to act on their behalf and

bind them in matters relating to the CCAA Proceedings, including in the settling of their Compensation Claims.

Throughout the course of the CCAA Proceedings, the Canadian Debtors, Monitor and Court Appointed Representative Counsel have worked to resolve many issues faced by the former and current employee group including as it related to the HWT, rights to termination and severance amounts and transitioning of benefits. In particular:

- The Canadian Debtors, with the approval and support of the Monitor, established an employee hardship process (the “**Hardship Process**”) pursuant to which former employees who were experiencing financial hardship resulting from loss of income and/or medical benefit coverage could receive certain cash distributions. The Hardship Process has allowed eligible claimants to receive a timely interim distribution in advance of a general distribution to creditors. Total approved funding for the Hardship Process to date is currently CA\$2.3 million.
- In February 2010, the Canadian Debtors entered into a settlement agreement with, among others, Court Appointed Representative Counsel and Unifor (then the CAW) (the “**Employee Settlement Agreement**”). The Employee Settlement Agreement provided certainty to the Canadian Debtors and their stakeholders by establishing the date on which the Canadian Debtors would terminate ongoing pension funding and the payment of benefits to pensioners, long term disability beneficiaries and survivors, facilitating the distribution of the HWT, providing advance notice of such termination and preserving the corpus of the HWT to the extent possible pending a CCAA Court approved distribution. Additionally, the Employee Settlement Agreement provided for termination payments of CA\$3,000 made to eligible former employees (“**Termination Payments**”).

Pursuant to an Order of the CCAA Court on November 9, 2010, the methodology for the allocation of the corpus of the HWT was determined. Since that time, various distributions have been made out of the HWT. The Plan will not impact any further distributions from the HWT. Distributions made to Compensation Creditors out of the HWT result in the reduction of such Compensation Creditor’s claim.

### **Certain Significant Claims**

For information regarding the NNI Claim, see “*CCAA Proceedings and Other Matters – The IFSA, CFSA, NNI Claim and other Inter-Estate Matters*”.

### ***Crossover and NNCC Bond Claims***

Pursuant to the Claims Procedure Order, the Indenture Trustee in respect of each of the Crossover Bonds and the NNCC Bonds filed proofs of claim which included liquidated claims for the principal amounts plus accrued interest owing under the Crossover Bonds and NNCC Bonds plus an unliquidated amount in respect of additional fees, expenses and post-filing interest.

See “*Crossover Bondholder Claims Litigation*” and “*Settlement of the Allocation Dispute-Settlement and Support Agreement*” for a summary of the resolution of the Crossover and NNCC Bondholder Claims.

## ***1988 Bonds***

Pursuant to the Claims Procedure Order, the Indenture Trustee in respect of the 1988 Bonds filed a proof of claim which included liquidated claims for the principal amounts plus accrued interest owing under the 1988 Bonds, plus an unliquidated amount in respect of additional fees, expenses and post-petition interest. The 1988 Bondholder Claim amount was not settled under the Settlement and Support Agreement. However, pursuant to the Plan, no post-filing interest will be paid in respect of the 1988 Bondholder Claim.

## ***UKPI Claims***

On or about September 30, 2009, the Board of Trustees of NNUK's U.K. Pension Plan (the "**Trustee**") and the Pension Protection Fund (the "**PPF**" and with the Trustee, the "**UKPI**") filed proofs of claim against each of the Canadian Debtors in accordance with the Claims Procedure Order (the "**Original UKPI Proofs of Claim**"). Although a total liquidated claim amount was not specified, the Original UKPI Proofs of Claim filed by the Trustee against NNL claimed:

- (a) £495.25 million in respect of amounts alleged owing pursuant to a guarantee made by NNL in favour of the Trustee dated November 21, 2006 (the "**Funding Guarantee**");
- (b) \$150 million in respect of amounts alleged owing pursuant to a guarantee made by NNL in favour of the Trustee dated December 21, 2007 (the "**Insolvency Guarantee**"); and
- (c) an unspecified placeholder claim in respect of liability owing pursuant to the "financial support direction" ("**FSD**") regime under the U.K. Pensions Act 2004, as amended.

On November 29, 2010, UKPI filed amended proofs of claim against NNC and NNL (collectively, the "**Amended UKPI Proofs of Claim**" and with the Original UKPI Proofs of Claim, the "**UKPI Claims**"). The Amended UKPI Proofs of Claim did not specify a total liquidated claim amount, but did assert an FSD related claim of up to £2.1 billion against each of NNC and NNL. They were filed in addition to and did not replace the Original UKPI Claim against NNL in respect of the Funding Guarantee and the Insolvency Guarantee. As alternatives to the FSD claim, the Amended UKPI Proofs of Claim also asserted an oppression claim under Canadian corporate law and a claim for a breach of an "implied obligation of good faith" under U.K. pension law. See "*Settlement of the Allocation Dispute-Settlement and Support Agreement*" below for summary of resolution of the UKPI Claims.

## ***EMEA Claims Against the Canadian Debtors***

On March 18, 2011, more than 80 proofs of claim were filed against the Canadian Debtors and their current or former Directors and Officers for and on behalf of the EMEA Debtors by the Joint Administrators and the French Liquidator (the "**EMEA Claims**") pursuant to the EMEA Claims Procedure Order. Although not capable of precise quantification, the total amount of quantified EMEA Claims filed against NNL alone exceeded CA\$9.8 billion.

The EMEA Claims included claims and allegations relating to: (i) inter-company trading debts; (ii) the implementation and operation of Nortel's transfer pricing regime; (iii) intercompany

loans; (iv) an internal corporate reorganization known as “Project Swift”; (v) mismanagement; (vi) breach of fiduciary duty; (vii) the funding of the NNUK pension fund; (viii) customer revenue recognition; and (ix) the allocation of pre-Filing Date asset sale proceeds. The EMEA Claims were advanced under both Canadian and foreign laws (i.e. English, French, Irish and laws of 11 other European countries) and included allegations of, among other things, contractual breach, breach of duties, bankruptcy, insolvency and corporate law based claims and various tort based claims. They also included both unsecured claims and trust and/or proprietary claims to the Canadian Debtors’ assets. Certain of these claims were also asserted against the Directors and Officers.

See “*The Allocation Dispute and the Allocation and Claims Litigation – Allocation and Claims Litigation - EMEA Claims Settlement*” and “*Settlement of the Allocation Dispute-Settlement and Support Agreement*” below for summary of resolution of the EMEA Claims.

### ***Compensation Claims***

The total value of Compensation Claims has previously been estimated by the Monitor in October 2013 to be approximately CA \$1.084 billion, which amount was exclusive of the Compensation Claims of active employees but reflected a reduction for Termination Payments made.

## **THE ALLOCATION DISPUTE AND THE ALLOCATION AND CLAIMS LITIGATION**

### **Allocation Protocol Negotiation Efforts and Phillips Mediation**

Pursuant to the IFSA, the Estates were obligated to negotiate in good faith and attempt to reach agreement on a timely basis on a protocol for resolving disputes concerning the allocation of sale proceeds from sale transactions governed by the IFSA, which protocol was to provide binding procedures for the allocation of such sale proceeds where agreement had not been reached. From approximately mid-2009 into 2010, the Monitor, U.S. Debtors, the Joint Administrators and certain stakeholders, including the Bondholder Group, UCC and CCC engaged in negotiations regarding the terms of such a protocol. During the course of these negotiations it became apparent that the parties had differing views as to the proper scope of such a protocol and the parties agreed to cease negotiations and instead focus on a process to facilitate comprehensive settlement discussions of all inter-estate matters.

The Estates and certain of their stakeholders ultimately agreed this process would be aided by the appointment of Layn R. Phillips, a former U.S. federal district court judge and commercial arbitrator and mediator, to act as mediator (the “**Phillips Mediation**”). The first mediation sessions with Mr. Phillips took place over four days in November 2010 and continued over the course of a further four days in April 2011 before concluding unsuccessfully.

### **Allocation Protocol Motions and Winkler Mediation**

Following the failure of negotiations and the Phillips Mediation, the U.S. Debtors and Canadian Debtors (supported by the Monitor) brought parallel motions to the CCAA Court and the U.S. Bankruptcy Court in June 2011 seeking approval of an allocation protocol (“**Allocation Protocol**”) pursuant to which the CCAA Court and the U.S. Bankruptcy Court would determine the allocation of the Sale Proceeds amongst the Estates and certain other Nortel parties (the



“**Allocation Dispute**”) as well as the significant claims advanced against the Canadian Debtors and the U.S. Debtors by the EMEA Debtors.

Following the initial Allocation Protocol hearings on June 7, 2011, the CCAA Court and the U.S. Bankruptcy Court ordered the parties to mediate the disputes raised in the Allocation Protocol hearings before former Chief Justice of Ontario Warren Winkler (the “**Winkler Mediation**”). Mediation sessions were held throughout the second half of 2012 and in January 2013. On January 24, 2013 Chief Justice Winkler declared that further efforts at mediation were no longer worthwhile.

#### **Fourth Estate Settlement Agreement**

In addition to the three Estates, various non-debtor Nortel affiliates in the Asia Pacific/Asia Central (“**APAC**”) region and the Central America/Latin America (“**CALA**”) region (the “**Fourth Estate Entities**”) participated in the LOB transactions as sellers and were made party to certain of the distribution escrow agreements that govern the holding and distribution of the LOB sale proceeds. The consent of these parties was required to effect a consensual release of sale proceeds from a particular escrow account. As time passed without a resolution of the Allocation Dispute, this became an increasingly pressing issue for two reasons. First, in some cases, not having received their entitlement was preventing certain Fourth Estate Entities from commencing liquidation or wind-up proceedings and distributing any equity to their parent (being, in many cases, NNL). Second, the Fourth Estate Entities’ potential entitlements to the global sale proceeds made the ongoing Allocation Dispute settlement discussions and mediation more complicated insofar as it involved a greater number of parties, and also made the mechanics of consensually distributing sale proceeds more complicated.

To address these issues, the Estates and the Fourth Estate Entities (among others) entered into the Allocation Settlement Agreement (APAC/CALA) dated June 19, 2012 (the “**Fourth Estate Settlement Agreement**”). Pursuant to this agreement, the Fourth Estate Entities agreed to settle their allocation entitlement for payments totalling \$44.9 million. In addition, under the Fourth Estate Settlement Agreement, the parties agreed to fix both the pre-filing and post-filing balances owing amongst the Fourth Estate Entities and between the Fourth Estate Entities and the other Nortel parties, including fixing significant claims against NNL by Nortel Networks (China) Limited (approximately \$104 million) and Nortel Networks Singapore Pte Ltd. (approximately \$91 million). Further, in some cases certain Fourth Estate Entities agreed to direct some or all of their allocation entitlement to various inter-company creditors. The Canadian Debtors were the recipients of approximately \$11.6 million under the Fourth Estate Settlement Agreement as a result of such payments.

#### **Allocation and Claims Litigation**

On March 7, 2013, the CCAA Court and the U.S. Bankruptcy Court heard further argument regarding the appropriate forum to resolve the Allocation Dispute. Ultimately, the CCAA Court determined that it and the U.S. Bankruptcy Court were the appropriate forums to determine the Allocation Dispute (rejecting the positions of the EMEA Debtors and the UKPI that the Allocation Dispute should be arbitrated) and ordered a trial start date of January 6, 2014, to hear the Allocation Dispute.

Given the overlap of evidence and certain issues between the Allocation Dispute, on the one hand, and the EMEA Claims and UKPI Claims, on the other, as well as the significance of each

of these issues to the CCAA Proceedings and the other Nortel insolvency proceedings, the Allocation Protocol proposed by the Canadian Debtors and the Monitor (and ultimately approved by the Courts) contemplated a joint discovery and litigation process to resolve the Allocation Dispute, EMEA Claims and UKPI Claims (the “**Allocation and Claims Litigation**”).

Since the EMEA Debtors and the UKPI had also asserted claims against the U.S. Debtors substantially similar to the EMEA Claims and the UKPI Claims asserted against the Canadian Debtors, the Allocation Protocol contemplated a joint trial before both the CCAA Court and the U.S. Bankruptcy Court for all aspects of the Allocation and Claims Litigation. The claims of the EMEA Debtors and the UKPI as against the U.S. Debtors ultimately settled in December 2013, and therefore only the Allocation Dispute was conducted by way of a joint trial.

### ***Trial and Court Decisions Regarding the Allocation Dispute***

The opening and evidentiary phase of the Allocation Dispute joint trial began on May 12, 2014 and ended on June 24, 2014. Closing arguments were heard on September 22 through 24, 2014.

On May 12, 2015, the CCAA Court issued its Reasons for Judgment and the U.S. Bankruptcy Court issued its Allocation Trial Opinion (collectively, the “**Allocation Decisions**” and each an “**Allocation Decision**”) in respect of the Allocation Dispute. The Allocation Decisions provide for a modified pro rata allocation of the Lockbox Funds amongst the Canadian Debtors, the U.S. Debtors and the EMEA Debtors which pro rata allocation was to be based on the estimated claims into each Estate as determined by the Courts.

### ***Reconsideration Motions and Appeals***

At a June 25, 2015 joint hearing, the CCAA Court and the U.S. Bankruptcy Court heard motions for clarification, reconsideration or amendment of the Allocation Decisions brought by the U.S. Debtors, the Bondholder Group and Law Debenture Trust Company of New York. On July 6, 2015, the CCAA Court issued a Ruling on Reconsideration/Clarification Motion and the U.S. Bankruptcy Court issued a Memorandum Order on Motions for Reconsideration that denied most of the relief requested.

On July 16, 2015, the U.S. Debtors, UCC, Bondholder Group, Nortel U.S. Trade Claims Consortium (as defined in the Settlement and Support Agreement), The Bank of New York Mellon and the NNSA Conflicts Administrator (the “**Moving Parties**”) filed motions to the Ontario Court of Appeal for leave to appeal the CCAA Court’s Allocation Decision. On May 3, 2016, the Ontario Court of Appeal denied the motions seeking leave to appeal the CCAA Court’s Allocation Decision. The Moving Parties have sought leave to appeal the Ontario Court of Appeal’s decision to the Supreme Court of Canada. In light of the continuing discussions regarding resolution of the Allocation Dispute, pursuant to a consent order of the Supreme Court of Canada dated August 17, 2016, the time period for serving and filing any responses to the Moving Parties’ leave applications to the Supreme Court of Canada was extended to November 30, 2016, or such earlier date as may be compelled by the service by a Moving Party of a notice requiring responses within 30 days.

Appeals of the U.S. Bankruptcy Court’s Allocation Decision were also filed by the Moving Parties as well as the Pension Benefit Guaranty Corporation. The Canadian Debtors and Monitor, Joint Administrators and CCC have also filed contingent cross-appeals of the U.S. Bankruptcy Court’s Allocation Decision solely to preserve arguments on appeal in the event the U.S.

Bankruptcy Court's Allocation Decision is altered on appeal. Contemporaneously with filing their notices of appeal, the Canadian Debtors and the Monitor, joined by the CCC, filed a motion for certification of the U.S. Bankruptcy Court's Allocation Decision for direct appeal to the United States Court of Appeals for the Third Circuit (the "**Third Circuit**") and a motion for leave to appeal on the basis that the U.S. Bankruptcy Court's Allocation Decision is interlocutory but the appeal should be permitted because it would advance the final resolution of the Allocation Dispute and conclusion of the CCAA Proceedings and the Chapter 11 Proceedings. On July 30, 2015, the U.S. Bankruptcy Court entered an order denying certification of the U.S. Bankruptcy Court's Allocation Decision for direct appeal to the Third Circuit.

Oral argument on the appeals of the U.S. Bankruptcy Court's Allocation Decision were heard by the United States District Court for the District of Delaware (the "**District Court**") on April 5, 2016. Following the Ontario Court of Appeal's denial of leave to appeal the CCAA Court's Allocation Decision, in May 2016, the District Court, on its own motion, certified the U.S. allocation appeals, including the contingent cross-appeals, directly to the Third Circuit. In light of the continuing discussions regarding resolution of the Allocation Dispute and related matters, at a status hearing with judges of the Third Circuit held September 7, 2016, the parties to the appeal sought an extension of time to report back to the Third Circuit on various matters relating to briefing and a timeline for the appeal. All parties' rights to seek or oppose expediting the appeal in the Third Circuit were preserved through that date. The parties have since notified the Third Circuit as to the execution of the Settlement and Support Agreement and requested that the appeal and all timelines thereunder be stayed pending the effectiveness of the Settlement and Support Agreement and the Canadian and U.S. Plans.

### ***The Farnan Mediation***

On July 13, 2015, pursuant to its standing order directing all bankruptcy appeals to mediation, the District Court requested that the parties submit a joint statement regarding their positions on mediation and defer briefing of the appeal until resolution of the mediation. Consistent with the U.S. Federal Rules of Bankruptcy Procedure, the parties to the appeal filed statements of issues on appeal and designated items for the record on appeal.

On July 27, 2015, the Monitor and Canadian Debtors and the other parties to the appeal submitted a joint statement expressing their respective views on mediation. On August 25, 2015, the Magistrate Judge assigned to determine the appropriateness of mediation pursuant to the District Court's standing order scheduled a status conference for September 2, 2015, for the purpose of discussing details of the mediation, including selection of a mediator, length of mediation and adoption of protocols to govern the conduct of the mediation. The parties to the appeal ultimately submitted a joint mediation proposal to the Magistrate Judge and a mediation began in late October 2015 before retired Chief Judge Joseph J. Farnan (the "**Farnan Mediation**").

### ***EMEA Claims Settlement***

The EMEA Claims in Canada were settled just prior to the commencement of the EMEA Claims and UKPI Claims trial for a maximum admitted general unsecured claim against NNL of \$125 million. Pursuant to the Plan, certain of the EMEA Debtors have aggregate Proven Affected Unsecured Claims of \$100 million and a \$25 million Contingent Additional NNUK Claim which Claim may become a Proven Affected Unsecured Claim if certain conditions are met.

The CCAA Court approved the settlement of the EMEA Claims pursuant to an Order dated July 16, 2010. The settlement also resulted in the withdrawal and/or discontinuation of proceedings pending against the Canadian Debtors and certain former Nortel Directors and Officers in the U.K., France and Ireland.

### ***Trial Decision Regarding the UKPI Claims***

The opening and evidentiary phase of the UKPI Claims trial took place between July 7, 2014, and July 22, 2014. Closing arguments were heard September 29 through October 1, 2014.

By decision dated December 9, 2014, the CCAA Court upheld the Monitor's disallowance of the billions of dollars of claims asserted by the UKPI against NNL and the Other Canadian Debtors. The CCAA Court allowed a single claim against NNL pursuant to the Funding Guarantee in the amount of £339.75 million, which amount was approximately £152 million less than the amount sought by the UKPI on account of such claim.

The UKPI sought and was granted leave to appeal the UKPI Claims trial decision with respect to the disallowance of the Insolvency Guarantee. The Monitor and the Canadian Debtors filed a cross-appeal with respect to the allowance of the Funding Guarantee claim and a cross-cross appeal was filed by the UKPI with respect to the quantum under the Funding Guarantee claim.

The various appeals and motions seeking leave to appeal were heard by the Court of Appeal for Ontario on February 17 and 18, 2016. The UKPI's motion seeking leave to cross-cross appeal on the quantum of the Funding Guarantee was denied from the bench. Decisions on the UKPI's appeal in respect of the Insolvency Guarantee and the Canadian Debtors and Monitor's cross-appeal are under reserve. In light of the Settlement and Support Agreement (which resolves the UKPI Claim), the Monitor and the UKPI have requested that the Court of Appeal for Ontario reserve its decision until further notice from the parties.

### ***Crossover Bondholder Claims Litigation***

During the course of the Allocation Dispute, the CCAA Court and the U.S. Bankruptcy Court directed a joint hearing to determine whether the Crossover Bondholders and the NNCC Bondholders were entitled to claim amounts under the respective trust indentures beyond principal and pre-filing interest amounts. At the time, the Monitor estimated the Post-Filing Date interest potentially claimable by the Crossover Bondholders and NNCC Bondholders to be approximately \$1.6 billion (if claimed at the contractual rate). The Monitor opposed the ability of the Crossover Bondholders and the NNCC Bondholders to claim amounts in excess of \$4.092 billion (being principal plus pre-filing accrued interest), including any interest accruing after the Filing Date.

On August 19, 2014, the CCAA Court issued an Endorsement holding and declaring that the Crossover Bondholders and NNCC Bondholders are not legally entitled to claim or receive any amounts under the trust indentures above and beyond the outstanding principal debt and pre-filing interest (namely, above and beyond \$4.092 billion). On September 9, 2014, the Bondholder Group filed a motion seeking leave to appeal the CCAA Court's Order in respect of the claims of the Crossover Bondholders. On November 27, 2014, the Ontario Court of Appeal denied leave to appeal on two of three issues on which the Bondholder Group sought leave to appeal and granted leave to appeal on one issue, namely whether the Crossover Bondholders were legally entitled to post-filing interest and other amounts owing under the Trust Indentures

for the post-filing period. The Bondholder Group's appeal was heard on April 29, 2015. On October 13, 2015, the Ontario Court of Appeal dismissed the Bondholder Group's appeal. The Bondholder Group subsequently sought leave to appeal the Ontario Court of Appeal's decision to the Supreme Court of Canada. On May 5, 2016, the Supreme Court of Canada dismissed the Bondholder Group's application for leave to appeal.

In the U.S., the hearing was adjourned after the U.S. Debtors announced they had entered into a settlement with certain bondholders resolving post-filing interest. The Monitor and Canadian Debtors unsuccessfully objected to the settlement and subsequently pursued an appeal of the decision to approve the settlement. The parties have notified the U.S. Court as to the execution of the Settlement and Support Agreement and requested that the appeal and all timelines thereunder be stayed pending the effectiveness of the Settlement and Support Agreement and the Canadian and U.S. Plans.

### **Settlement of the Allocation Dispute – Settlement and Support Agreement**

#### *Settlement Discussions*

Following the cessation of the formal Farnan Mediation, the Canadian Debtors, U.S. Debtors, EMEA Debtors, Monitor and certain other key stakeholders continued to meet and discuss resolution of the Allocation Dispute and related matters, including with the assistance of Judge Farnan in some cases, which has led to the execution of the Settlement and Support Agreement.

#### *Settlement and Support Agreement*

On October 12, 2016 the Settlement and Plans Support Agreement ("**Settlement and Support Agreement**") was signed by the Canadian Debtors, Monitor, U.S. Debtors, EMEA Debtors, EMEA Non-Filed Entities, Joint Administrators, NNSA, NNSA Conflicts Administrator, French Liquidator, Bondholder Group, the members of the CCC, UCC, UKPI, Joint Liquidators and NNCC Bondholder Signatories (collectively, the "**Settlement Parties**"). A copy of the Settlement and Support Agreement is attached as Exhibit "A" to the Plan and also available on the Monitor's Website.

The Settlement and Support Agreement, when implemented, will fully and finally settle the Allocation Dispute and certain key potential claims among the Settlement Parties. By resolving all of the outstanding issues between the Estates as well as the claims of certain key creditors, it is believed that the Estates will be able to proceed with the final stages of their respective insolvency proceedings on a timely basis instead of expending continued efforts on lengthy and costly appeals in the Allocation Dispute, UKPI Claims litigation and Crossover Bondholder and NNCC Bondholder post-filing interest litigation, among other disputes and potential disputes.

In summary, the Settlement and Support Agreement would resolve the Allocation Dispute by allocating the escrowed sale proceeds among the three Estates as follows:

- (a) payment of the Iceberg Amendment Fee in the amount of \$2.8 million to NNI and \$2.2 million to NNUK, and, in settlement of the M&A Cost Reimbursement, payments in the amount of \$20 million to the U.S. Debtors and \$35 million to the Canadian Debtors; then,

- (b) to the Canadian Debtors: 57.1065% (being \$4,142,665,131 as at July 31, 2016) (the “**Canadian Allocation**”);
- (c) to the U.S. Debtors: 24.350% (being \$1,766,417,002 as at July 31, 2016);
- (d) to the EMEA Debtors (excluding NNUK and NNSA): 1.4859% (being \$107,788,879 as at July 31, 2016);
- (e) to NNUK: 14.0249% (being \$1,017,408,257 as at July 31, 2016); and
- (f) to NNSA: \$220,000,000.<sup>2</sup>

Other key aspects of the Settlement and Support Agreement as relates to the Canadian Debtors include as follows:

- it is contemplated the Canadian Debtors shall be substantively consolidated into one Canadian Estate;
- the Canadian Estate shall make priority payments to NNI in the amounts of \$62.7 million (in payment of the Remaining Revolver Claim under the CFSA) and \$77.5 million (resolving obligations under the Side Letters and the T&T Claim (each as defined in the Settlement and Support Agreement), and upon receipt by NNI of the \$77.5 million payment, NNI shall have a 27% interest in the Cascade Trust and the Canadian Estate shall have a 73% interest in the Cascade Trust;
- the Canadian Estate shall retain the value of its remaining assets, which means, among other things, the release to the Canadian Estate of approximately \$237 million of the proceeds from the Canada Only Sales plus further amounts in respect of the sale of the IP Addresses currently held as Unavailable Cash for the benefit of the Canadian Estate;
- the following claims will be allowed as Proven Affected Unsecured Claims against the Canadian Estate:
  - in accordance with the CFSA and as previously approved by the CCAA Court, the Canadian Debtors shall allow an unsecured claim by NNI in the amount of \$2.0 billion, which claim is not subject to set-off, off set, deduction, counterclaim, reduction, or challenge as to amount or validity;
  - in accordance with the EMEA Claims Settlement Agreement and as previously approved by the CCAA Court, the Canadian Debtors shall allow an unsecured claim by NNUK in the amount of \$97,655,094, which may increase to \$122,655,094 under conditions set out in that agreement, and an unsecured claim by Nortel Networks SpA in the amount of \$2,344,906;
  - In accordance with the CCAA Court’s decision, UKPI shall be allowed a single unsecured claim against the Canadian Estate in the amount of £339.75 million (being \$494,879,850 when converted to U.S. dollars in accordance with the Plan) in settlement of any and all of the UKPI Claims;

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<sup>2</sup> The allocation amounts set forth above are subject to certain potential adjustments as further specified in the Settlement and Support Agreement.

- The Canadian Pension Claims shall be for a total of CA\$1,889,479,000;<sup>3</sup>
  - The Crossover Bondholder Claim shall be \$3,940,750,260; and
  - the NNCC Bondholder Claim shall be \$150,951,562;
- the U.S. Debtors and the Canadian Debtors shall treat all unsecured claims against them rateably;
  - once a holder of a Crossover Claim has received aggregate distributions equal to 100% of its claim, the guarantor Estate shall be entitled to subrogate to any subsequent distributions by the principal Estate in respect of that creditor's claim on a *pari passu* basis with other creditors of the same priority, to the extent of the amount paid by the guarantor Estate, and subject to certain additional restrictions in certain instances;
  - no post-petition interest will be included on any creditor claims or paid by any Estate (with certain limited exceptions required by Applicable Law with respect to the EMEA Debtors);
  - solely for determining *pari passu* distributions in respect of unsecured claims against the Canadian Estate, all non-U.S. dollar denominated claims against the Canadian Estate will be converted to U.S. Dollars at the prevailing exchange rate reported by Reuters on January 14, 2009;
  - distributions on claims against the Canadian Estate predominantly denominated in Canadian dollars will be paid from the Canadian Estate in Canadian dollars, and distributions on all other claims shall be paid in U.S. dollars;
  - the Canadian Debtors have elected to convert a portion of the sale proceeds, not to exceed \$1.2 billion, into Canadian dollars, in advance of the effective date of the Plan, for the purpose of paying distributions on the predominantly Canadian dollar denominated claims on and after Plan implementation;
  - the Canadian Debtors and the U.S. Debtors (other than NNIII) shall both propose Plans implementing the terms of the Settlement and Support Agreement as relates to their respective Estates for approval by vote of affected unsecured creditors and approval of their respective Courts;
  - the Settlement Parties shall dismiss all litigation and release all other claims among them, subject to the terms and conditions contained in the Settlement and Support Agreement; and
  - the Settlement Parties will not take any action that interferes with the implementation of the Settlement and Support Agreement or the Canadian or U.S. Plans.

Since the execution of the Settlement and Support Agreement, Crossover Bondholders holding Crossover Bonds in the principal amount of approximately \$3 billion representing approximately 80% of the principal amount of the Crossover Bonds and NNCC Bondholders holding NNCC

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<sup>3</sup> Pursuant to the Plan, the Canadian Pension Claims shall be Proven Affected Unsecured Claims in the following amounts: (a) on account of the Managerial Plan: CA\$1,368,644,000; and (b) on account of the Negotiated Plan: CA\$520,835,000.

Bonds in the principal amount of approximately \$135,665,000 representing approximately 90% of the principal amount of the NNCC Bonds have executed and delivered Creditor Joinders indicating their support of the Settlement and Support Agreement.

### ***Currency Conversion***

As set out above, pursuant to the Settlement and Support Agreement and the Plan, distributions made by the Canadian Debtors on account of Proven Affected Unsecured Claims that are predominantly denominated in Canadian dollars will be paid in Canadian dollars and distributions on all other Proven Affected Unsecured Claims will be paid in U.S. dollars. In order to facilitate this aspect of the Settlement and Support Agreement and to crystallize certain aspects of the economic resolution set forth therein, the parties agreed to convert up to \$1.2 billion of the Sale Proceeds from U.S. dollars to Canadian dollars and deposit such proceeds with a Canadian escrow agent. The parties also agreed to potentially convert certain Sale Proceeds from U.S. dollars to Sterling and Euros in respect of potential distributions or payments to creditors of the EMEA Debtors, although no such conversions are currently contemplated.

On October 19, 2016, the Monitor sought and obtained an Order (the “**Canadian Currency Conversion Order**”) from the CCAA Court that, among other things, authorized the Canadian Debtors and the Monitor to enter into and perform their obligations under a Canadian escrow agreement with a subsidiary of Royal Bank of Canada (the “**Canadian Distribution Agent**”) and authorized the conversion of up to \$1.2 billion of the Sale Proceeds into Canadian dollars. On October 21, 2016, the U.S. Bankruptcy Court also issued an order (together with the Canadian Currency Conversion Order, the “**Currency Conversion Orders**”) approving the entering into of the Canadian escrow agreement and the conversion of up to \$1.2 billion of the Sale Proceeds into Canadian dollars.

Pursuant to the Currency Conversion Orders, on October 24, 2016, directions were issued to the U.S. Distribution Agent to transfer approximately \$1.06 billion to the Canadian Distribution Agent. The funds have been transferred and converted from U.S. dollars to Canadian dollars at a blended foreign exchange rate of \$1.00 = CA\$1.337650. The blended foreign exchange rate at which such funds together with any other funds transferred are converted from U.S. dollars to Canadian dollars shall constitute the Applicable F/X Rate for the Plan. In accordance with the terms of the Canadian escrow agreement, funds that have been received and converted were invested in Government of Canada treasury bills.

## **DESCRIPTION OF THE PLAN**

*A copy of the Plan is available on the Monitor’s Website under the heading “Plan and Other Creditor Meeting Documents”. A Glossary of certain terms used in the Plan is included on Schedule “B” hereto. The Glossary and the following summary of certain material terms of the Plan are included for reference purposes only. Creditors are urged to read the Plan in its entirety.*

### **Purpose of the Plan**

The purpose of the Plan is to (a) effectuate and implement the terms of the Settlement and Support Agreement, including the settlement of the Allocation Dispute and certain other claims, disputes and other matters contemplated therein, the release of the Sale Proceeds to the Canadian Debtors, the U.S. Debtors and the EMEA Debtors as provided for therein, and the payment



contemplated pursuant to Section 4(e) of the Settlement and Support Agreement; (b) provide for the substantive consolidation of each of the Canadian Debtors into the Canadian Estate on the terms contemplated by the Plan; (c) provide for payment in full of the Proven Priority Claims; (d) provide for a pro rata distribution or distributions from the Canadian Estate to holders of all Proven Affected Unsecured Claims; and (e) effect a release and discharge of all Affected Claims and Released Claims.

### **Substantive Consolidation**

The Plan requires and will result in the substantive consolidation of all assets of, and Claims (excluding Canadian Intercompany Claims) against, the Canadian Debtors. All assets and rights of the Canadian Debtors (excluding Canadian Intercompany Claims) will become the assets of the Canadian Estate. All Canadian Intercompany Claims, being intercompany Claims between and among the Canadian Debtors themselves, will not be entitled to vote on or receive distributions under the Plan but shall otherwise not be affected, impaired or settled by the Plan.

Creditors shall not be allowed to have Duplicative Claims against the Canadian Estate. To the extent that, absent substantive consolidation and the Plan, an Affected Unsecured Creditor would have had Duplicative Claims against more than one of the Canadian Debtors, the Affected Unsecured Creditor will be entitled to one Proven Affected Unsecured Claim equal to the amount of the largest Duplicative Claims. The resolution of Crossover Claims (defined below) shall be coordinated between the Canadian Debtors and the U.S. Debtors, and creditors holding Crossover Claims against the Canadian Debtors and U.S. Debtors shall not be entitled to receive more than 100% of their Creditor's Maximum after taking into account distributions from both the Canadian Estate and the U.S. Debtors. Creditors holding Proven Affected Unsecured Claims against more than one Canadian Debtor where such Proven Affected Unsecured Claims are based on separate and distinct underlying debts shall have one Proven Affected Unsecured Claim against the Canadian Estate in the aggregate amount of all such separate and distinct Proven Affected Unsecured Claims;

### **Classification of Creditors**

The only class of Creditors for the purposes of considering and voting on the Plan will be the Affected Unsecured Creditors Class.

### **Allocation and Distribution of Sale Proceeds**

The Plan and contemplated orders will authorize the Canadian Debtors and the Monitor to direct the Escrow Agents to effect the allocation and distribution of the Sale Proceeds as follows:<sup>4</sup>

- (a) payment of the Iceberg Amendment Fee in the amount of \$2.8 million to NNI and \$2.2 million to NNUK, and, in settlement of the M&A Cost Reimbursement, payments in the amount of \$20 million to the U.S. Debtors and \$35 million to the Canadian Debtors, then;

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<sup>4</sup> For the avoidance of doubt, all distributions from the Escrow Accounts shall be strictly in accordance with the Settlement and Support Agreement. To the extent that there is any conflict between the provisions of the Settlement and Support Agreement and the Plan as it relates to distributions from the Escrow Accounts, the provisions of the Settlement and Support Agreement shall govern in all respects.

- (b) after making the payments described in (a) above, the balance of the Sale Proceeds will be paid as follows:
- (i) to Canadian Debtors: 57.1065% (being \$4,142,665,131 as at July 31, 2016)
  - (ii) to the U.S. Debtors: 24.350% (being \$1,766,417,002 as at July 31, 2016);
  - (iii) to the EMEA Debtors (excluding NNUK and NNSA): 1.4859% (being \$107,788,879 as at July 31, 2016);
  - (iv) to NNUK: 14.0249% (being \$1,017,408,257 as at July 31, 2016); and
  - (v) to NNSA: \$220,000,000.

### **Release of Canada Only Sale Proceeds and other Restricted or Unavailable Cash**

On the Plan Effective Date, all amounts held by NNL pursuant to the Canada Only Sale Proceeds Orders or otherwise held as Unavailable Cash by the Canadian Debtors shall be released to the Canadian Estate without any restriction whatsoever, and shall be used to fund the distributions and reserves contemplated under the Plan. The estimated amount to be released is approximately \$237,000,000 plus an additional amount in respect of the sale of the IP Addresses. Restricted cash held in the trust established for certain Directors and Officers at the outset of the CCAA Proceedings will remain restricted and not available for distribution at this time. Additionally, funds in the HWT will continue to be distributed pursuant to the terms of the Employee Settlement Agreement and are not affected by the terms of the Plan.

### **Treatment of Claims Pursuant to the Plan**

#### *Affected Unsecured Claims*

In full and final satisfaction of its Claim, an Affected Unsecured Creditor that has a Proven Affected Unsecured Claim will be entitled to receive its Pro-Rata Share as calculated by the Monitor prior to the Initial Distribution Date and each subsequent Distribution Date.<sup>5</sup>

For the purposes of the Plan, an Affected Unsecured Creditor's Pro-Rata Share is:

***Pro-Rata Share:*** as at any Distribution Date with respect to an Affected Unsecured Creditor with a Proven Affected Unsecured Claim, the product of (A/B) x C where:

A = the Proven Affected Unsecured Claim of such Affected Unsecured Creditor stated in U.S. dollars (with all non-U.S. dollar denominated Proven Affected Unsecured Claims, or portions thereof, being converted to U.S. dollars in the manner specified in Section 6.4(a) of the Plan);

B = the total of all Proven Affected Unsecured Claims stated in U.S. dollars (with all non-U.S. dollar denominated Proven Affected Unsecured Claims, or portions thereof, being converted to U.S. dollars in the manner specified in Section 6.4(a) of the Plan); and

C = the total amount of Cash in the Affected Unsecured Creditor Pool stated in U.S. dollars

<sup>5</sup> In order to determine what currency will be used to make distributions, see the sub-heading "*Currency Conversion Matters*" below.

(with all Canadian dollar denominated Cash being valued in U.S. dollars in the manner specified in Section 6.4(b)) of the Plan,

provided that distributions on CAD Claims shall be paid in Canadian dollars, with the amount of such distribution in U.S. dollars being converted to Canadian dollars at the Applicable FX Rate, all as contemplated in Section 6.4(c) of the Plan.

In order to give effect to the payment of the Bondholder Fee Amount (see “*Implementation of the Plan – Continuing Administration and Wind-Down of the Canadian Estate and Related Matters – Creditor Fee Arrangements*”), solely for purposes of determining the Pro-Rata Share of Affected Unsecured Creditors and amounts to be distributed on the Initial Distribution: (a) the total amount of Cash in the Affected Unsecured Creditor Pool shall be deemed to be increased by the Bondholder Fee Amount; (b) the Pro-Rata Share of each Affected Unsecured Creditor with a Proven Affected Unsecured Claim (excluding the Crossover Bondholders and the NNCC Bondholders) shall be its Pro-Rata Share calculated as if an amount equal to the Bondholder Fee Amount was included in the Affected Unsecured Creditor Pool (with such additional entitlement being funded from the deduction on distributions to Crossover Bondholders and NNCC Bondholders contemplated in Section 3.4(b)(iii) of the Plan); and (c) the aggregate Pro-Rata Share on account of the Crossover Bondholder Claims and NNCC Bondholder Claims shall be: (x) the aggregate Pro-Rata Share on account of the Crossover Bondholder Claims and NNCC Bondholder Claims calculated as if an amount equal to the Bondholder Fee Amount was included in the Affected Unsecured Creditor Pool, minus (y) the Bondholder Fee Amount. The Additional Bondholder Fee Amount may also be deducted from distributions to Crossover Bondholders and NNCC Bondholders as contemplated pursuant to Section 4.11 of the Plan.

#### ***Certain Proven Affected Unsecured Claims and Proven Priority Claims***

As contemplated by the Settlement and Support Agreement, the following Claims shall be allowed as Proven Affected Unsecured Claims under the Plan:

- The Canadian Pension Claims of CA\$1,368,644,000 in respect of the Managerial Plan and CA\$520,835,000 in respect of the Negotiated Plan;
- Crossover Bondholder Claims in the total amount of \$3,940,750,260;
- NNCC Bondholder Claims in the total amount of \$150,951,562;
- The UKPI Claim of £339,750,000 (being \$494,879,850 when converted to U.S. dollars in accordance with the Plan); and
- The Intercompany Claims listed on Schedule “C” to the Plan.

The Plan also affirms the Proven Affected Unsecured Claim and Proven Priority Claim of NNI in respect of the NNI Claim and the Proven Affected Unsecured Claims of certain EMEA Debtors in respect of the EMEA Claims previously allowed pursuant to prior Orders of the CCAA Court.

### *Other Affected Claims*

Equity Claims are Affected Claims under the Plan; however, Equity Claimants or other holders of Equity Interests are not entitled to vote at the Meeting or receive distributions under the Plan. All Equity Claims shall be fully and finally released on the Plan Effective Date provided that nothing in the Plan impacts NNL's shares held by NNC or any shares held by NNC, NNL or any other Canadian Debtor of any other entity. In addition, NNC's common shares and NNL's preferred shares shall not be cancelled and shall remain issued and outstanding following the Plan Effective Date, it being understood that in no circumstance shall the holders of such Equity Interests be entitled to any distribution or other consideration pursuant to the Plan.

The Canadian Debtors have publicly indicated that they do not expect that there will be any value for their shareholders. However, out of an abundance of caution, the Plan provides that in the event that all obligations of the Canadian Estate owing to Creditors are satisfied in full, including the payment in full of all Proven Affected Unsecured Claims and such other amounts as may be determined to be payable to Creditors in the event of the solvency of the Canadian Estate, the holders of Equity Interests in NNC and NNL will, following payment of all amounts owing to Creditors in full and subject to further order of the CCAA Court, have an entitlement to any remaining Available Cash or other assets of the Canadian Estate in accordance with their respective legal entitlements based on the terms of such Equity Interests.

Director/Officer Claims are Affected Claims under the Plan. Creditors with Director/Officer Claims, if any, will not be entitled to vote or receive distributions under the Plan on account of their Director/Officer Claims. To the extent that any part of a Director/Officer Claim is a Non-Released Claim that part of the Director/Officer Claim will not be compromised, released, discharged, cancelled or barred. The Directors' Charge shall be discharged and expunged on the Plan Effective Date and all rights of the Directors and Officers pursuant to paragraphs 20 and 21 of the Initial Order shall be released and discharged on the Plan Effective Date.

### *Proven Priority Claims and Other Payments under the Plan*

Under the Plan the Canadian Estate shall satisfy certain Proven Priority Claims and other payment obligations under the Settlement and Support Agreement as follows: (i) within five (5) Business Days of the Plan Implementation Date, pay to NNI the amounts of \$62.7 million (in satisfaction of the Remaining Revolver Claim under the CFSA) and \$77.5 million (in satisfaction of the payment contemplated by Section 4(e) of the Settlement and Support Agreement, which payment shall not be subject to set-off pursuant to Section 3.13 of the Plan) (the "**NNI Payments**"); and (ii) on the Initial Distribution Date, distribute CA\$3,000 to each of the Former Employee Priority Creditors in full satisfaction of the Canadian Estate's obligations for their Termination Payments.

### ***No Double-Recovery***

In no circumstance shall a Creditor receive aggregate distributions from the Canadian Estate and any other Nortel entity on account of a Proven Affected Unsecured Claim in excess of 100% of the amount of such Proven Affected Unsecured Claim, including in respect of a Crossover Claim. For the avoidance of doubt, as it relates to Crossover Claims, to determine the maximum recovery available to holders of Crossover Claims, the greater of such Creditor's (a) Allowed Claim (as defined in the U.S. Plans) against a U.S. Debtor; and (b) its Proven Unsecured Claim against the Canadian Estate shall be used.

"Crossover Claims" has the meaning given to it in the Plan and means Claims in respect of a debt owing by one or more of the Canadian Debtors or U.S. Debtors, and guaranteed by a Canadian Debtor or U.S. Debtor in the other Estate.

### ***Currency Conversion Matters***

The Plan contemplates currency conversion in a number of contexts. Certain aspects are summarized below:

<b>Purpose</b>	<b>Method</b>
<ul style="list-style-type: none"><li>• Voting on the Plan</li><li>• Calculating the Required Majority</li><li>• Other calculations where indicated in the Plan that involve a totalling of or comparison to all Affected Unsecured Claims or including Proven Affected Unsecured Claims, including in factors A and B of the calculation of any Pro-Rata Share</li></ul>	<ul style="list-style-type: none"><li>• U.S. dollar Claims: no conversion necessary.</li><li>• All non-U.S. dollar denominated Claims will be converted to U.S. dollars at the exchange rates set out on Schedule "C" hereto (being also Schedule "D" to the Plan). For the avoidance of doubt, all dollar amounts that are not Canadian dollar amounts or U.S. dollar amounts shall first be converted into Canadian dollar amounts pursuant to Schedule "C" and then converted to U.S. dollar amounts pursuant to Schedule "C".</li></ul>
For the purposes of determining factor C of any Pro-Rata Share calculations	<p>Any Canadian dollar denominated Cash in the Affected Unsecured Creditor Pool shall be valued in U.S. dollars at: (i) in the case of Canadian dollar denominated Cash received by the Canadian Estate from the Canadian Dollar Escrow Account, the Applicable FX Rate; and (ii) in the case of all other Canadian dollar denominated Cash held or received by the Canadian Estate, the then applicable foreign exchange rate between Canadian and U.S. dollars at the time of making the Pro-Rata Share calculation.</p> <p>All Canadian dollar denominated Cash in the</p>

Purpose	Method
	Affected Unsecured Creditor Pool and distributed on account of CAD Claims shall be deemed to first be taken and made from the Canadian dollar denominated Cash received by the Canadian Estate from the Canadian Dollar Escrow Account.
Distributions to Affected Unsecured Creditors in respect of Proven Affected Unsecured Claims	<p>Distributions will be made in the following currencies:</p> <ul style="list-style-type: none"> <li>• CAD Claims will be paid from the Canadian Estate in Canadian dollars. The calculation of the distribution made on account of any such CAD Claim will be as set out in the definition of “Pro-Rata Share”.</li> <li>• For Proven Affected Unsecured Claims that are not CAD Claims: <ul style="list-style-type: none"> <li>○ U.S. dollar Proven Affected Unsecured Claims shall be paid in U.S. dollars.</li> <li>○ A Proven Affected Unsecured Claim in any other currency shall be paid in U.S. dollars.</li> </ul> </li> </ul>

### ***Unaffected Claims***

The Plan does not affect Unaffected Creditors. Unaffected Creditors will not receive any consideration or distributions under the Plan in respect of their Unaffected Claims (except to the extent their Unaffected Claims are paid in full in accordance with the express terms of the Plan or, with respect to Post-Filing Claims, as may be ordered by the CCAA Court), and they shall not be entitled to vote on the Plan in respect of their Unaffected Claims.

Insured Claims are Unaffected Claims under the Plan. Insured Claims shall not be compromised, released, discharged, cancelled or barred by the Plan, provided that from and after the Plan Effective Date, any Person having an Insured Claim shall be irrevocably limited to recovery in respect of such Insured Claim solely from the proceeds of the applicable Insurance Policies, and Persons with any Insured Claims shall have no right to, and shall not, directly or indirectly, make any claim or seek any recoveries from any Person, other than enforcing such Person’s rights to be paid by the applicable insurer(s) from the proceeds of the applicable Insurance Policies.

Nothing in the Plan shall prejudice, compromise, release or otherwise affect any right or defence of any insurer or insured in respect of an Insured Claim.

### *Unresolved Affected Unsecured Claims*

No Affected Unsecured Creditor shall be entitled to receive any distribution under the Plan with respect to an Unresolved Affected Unsecured Claim unless and until such Claim is finally resolved in the manner set out in the applicable Claims Order and becomes a Proven Affected Unsecured Claim entitled to the treatment described in Section 3.4 of the Plan. A distribution shall be paid from the Unresolved Claims Reserve pursuant to Section 6.5 of the Plan, in respect of any Unresolved Affected Unsecured Claim that is finally determined to be a Proven Affected Unsecured Claim in accordance with the applicable Claims Order. However: (i) NNUK shall be entitled to receive distributions under the Plan on account of the Proven NNUK Claim pending final resolution of the Contingent Additional NNUK Claim; and (ii) Compensation Creditors holding Unresolved Affected Unsecured Claims shall be entitled to receive distributions on account of such Unresolved Affected Unsecured Claims solely to the extent portions thereof have been admitted or proven pursuant to the Compensation Claims Procedure Order.

### **Plan Releases**

On the Plan Effective Date: (i) the Canadian Debtors (including the Canadian Estate) and their respective current and former employees, auditors, financial advisors, legal counsel and agents (in each case, in that capacity only); (ii) the Directors and Officers; and (iii) the Monitor, the Monitor's legal counsel, and each and every current and former shareholder, affiliate, affiliate's shareholder, director, officer, member (including members of any committee or governance council), partner, employee, auditor, financial advisor and agent of any of the foregoing Persons (in each case, in that capacity only) (each of the Persons specified in (i), (ii) or (iii), in their capacity as such, being herein referred to individually as a "**Released Party**" and collectively referred to as the "**Released Parties**") shall be fully, finally and irrevocably released and discharged from any and all Released Claims and all Released Claims shall be fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties, all to the fullest extent permitted by Applicable Law. Nothing in the Plan shall release Non-Released Claims.

For the purposes of the foregoing:

"**Released Claims**" means any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, liabilities, accounts, covenants, damages, judgments, orders (including for injunctive relief or specific performance and compliance orders), expenses, executions, Encumbrances and recoveries on account of any liability, obligation, demand or cause of action of whatever nature, including claims for contribution or indemnity, which any Creditor or other Person has or may be entitled to assert (including any and all of the foregoing in respect of the payment and receipt of proceeds and statutory or common law liabilities of directors or officers, and any alleged fiduciary, statutory or other duty (in any capacity whatsoever)), whether known or unknown, matured or unmatured, direct, indirect or derivative, at common law, equity or under statute, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act, omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing, matter or occurrence existing or taking place on or prior to the Plan Effective Date, or such later date as actions are taken to implement the Plan, that in any way relate to, or arise out of or in connection with, any Claims, any Director/Officer Claims, the business and affairs of the Canadian Debtors or the Nortel Group whenever,

wherever or however conducted, the administration and/or management of the Canadian Debtors or the Nortel Group, the CCAA Proceedings or any matter or transaction involving any of the Canadian Debtors occurring in or in connection with the CCAA Proceedings, including the Plan or the development thereof, but excluding Non-Released Claims; and

**“Non-Released Claims”** means, collectively: (i) the Canadian Estate’s obligations under the Plan (including the right of Affected Unsecured Creditors to receive distributions pursuant to the Plan in respect of Proven Affected Unsecured Claims), the Settlement and Support Agreement, the Records Assistance Side Letter and the Personnel Files Agreement; (ii) any claim against a Released Party if the Released Party is determined by a Final Order of a court of competent jurisdiction to have committed fraud or wilful misconduct; (iii) solely as against a Director in his or her capacity as such, any Director/Officer Claim that is not permitted to be released pursuant to Section 5.1(2) of the CCAA; (iv) the Canadian Intercompany Claims; and (v) the rights of the Canadian Debtors and the U.S. Debtors preserved in Section 8(b)(iii) of the Settlement and Support Agreement; (vi) any obligation secured by the Administration Charge.

In addition, the Settlement and Support Releases given and received by the Canadian Debtors and the Monitor under the Settlement and Support Agreement are authorized pursuant to the Plan and incorporated therein by reference. Pursuant to the Settlement and Support Agreement Releases, each of the Settlement Parties and Participating Creditors and their respective representatives, agents, successors and assigns (each a **“Releasor”**) releases each of the other Releasors their respective employees, officers, directors, agents, advisors, lawyers, successors and assigns and the directors and officers, both former and current, of any Nortel Group entity from any claims which any of the Releasors now have, had, may have had or hereafter may have however so arising out of or in connection with the Allocation Dispute, any other matters resolved in the Settlement and Support Agreement or any other matter relating to the global Nortel insolvency proceedings or the Nortel Group, except for certain specified claims which are expressly preserved.

The Plan also provides for the exchange of certain releases between the Canadian Debtors and the Monitor and the Indenture Trustees as reflected at Section 7.4 of the Plan.

## **Injunctions**

From and after the Plan Effective Date, all Persons are permanently and forever barred, estopped, stayed and enjoined, with respect to any and all Released Claims, from: (i) commencing, conducting, continuing or making in any manner, directly or indirectly, any action, suit, claim, demand or other proceeding of any nature or kind whatsoever (including any proceeding in a judicial, arbitral, administrative or other forum) against the Released Parties; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Released Parties or their property; (iii) commencing, conducting, continuing or making in any manner, directly or indirectly, any action, suit, claim, demand or other proceeding of any nature or kind whatsoever (including any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes a claim or might reasonably be expected to make a claim, in any manner or forum, including by way of contribution or indemnity or other relief, against one or more of the Released Parties; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly,



any lien or Encumbrance of any kind against the Released Parties or their property; or (v) taking any actions to interfere with the implementation or consummation of the Plan.

## **REQUIRED APPROVALS UNDER THE CCAA AND OTHER CONDITIONS TO IMPLEMENTATION**

### **Creditor Approval by a Required Majority**

In order for the Plan to be approved and binding in accordance with the CCAA, the Canadian Debtors must hold a Meeting pursuant to a Meeting Order<sup>6</sup> (to be sought from the CCAA Court on or about December 1, 2016) and the Resolution to approve the Plan must receive the affirmative vote of the Required Majority of the Affected Unsecured Creditors Class, being a majority in number of Affected Unsecured Creditors, and two-thirds in value of the Voting Claims of Affected Unsecured Creditors, in each case who vote (in person or by proxy) on the Plan at the Meeting.

Creditors who have Affected Unsecured Claims that are Crossover Claims must vote on the Plan in addition to any vote that such Creditor may cast in respect of the U.S. Plans. Voting on the U.S. Plans will not be considered a vote on the Plan and *vice versa*.

### **Court Approval of the Plan under the CCAA**

Prior to the Plan becoming effective, the CCAA requires that the Plan be approved by the CCAA Court if it is approved by the Required Majority of Affected Unsecured Creditors with Voting Claims voting at the Meeting (in person or by proxy).

Pursuant to the Settlement and Support Agreement and subject to the approval of the Resolution in respect of the Plan, it is contemplated the hearing for the Sanction Order will be scheduled for no later than January 24, 2017.

Interested parties should consult their legal advisors with respect to the legal rights available to them in relation to the Plan, Meeting and the Sanction Order.

The authority and discretion of the CCAA Court is very broad under the CCAA. The CCAA Court will consider, among other things, the fairness and reasonableness of the terms and conditions of the Plan. The CCAA Court must issue the Sanction Order before the Plan can be implemented. If the CCAA Court grants the Sanction Order, and other conditions are satisfied, the Plan will become binding on the Affected Creditors and all Persons named or referred to in, or subject to, the Plan.

The Plan states that the Sanction Order will, among other things:

- (a) effect the substantive consolidation of the Canadian Debtors into the Canadian Estate on the terms contemplated in Section 2.2 of the Plan, including vesting all of the assets of the Canadian Debtors in NNL (excluding any Canadian Intercompany Claims held by the Other Canadian Debtors), deeming all Proven Affected Unsecured Claims (whether now existing or hereafter coming into

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<sup>6</sup> Upon being granted by the CCAA Court, the Meeting Order will be posted on the Monitor's Website and distributed in accordance with the terms of the Meeting Order.

existence) against the Other Canadian Debtors to be claims against NNL and barring and extinguishing all Duplicative Claims;

- (b) declare that (i) the Plan has been approved by the Required Majority in conformity with the CCAA; (ii) the activities of the Canadian Debtors have been in reasonable compliance with the provisions of the CCAA and the Orders of the CCAA Court made in this CCAA Proceeding in all respects; (iii) the CCAA Court is satisfied that the Canadian Debtors have not done or purported to do anything that is not authorized by the CCAA; and (iv) the Plan and the transactions contemplated thereby are fair and reasonable;
- (c) declare that the Settlement and Support Agreement is fair and reasonable and authorize and direct the Canadian Debtors and the Monitor to perform their obligations under the Settlement and Support Agreement and carry out the transactions contemplated thereby;
- (d) approve and authorize the granting of the Settlement and Support Agreement Releases by the Canadian Debtors and the Monitor;
- (e) declare that the Plan and all associated steps, compromises, transactions, arrangements, releases and reorganizations effected thereby are approved, binding and effective, subject to the terms set out in the Plan, upon and with respect to the Canadian Debtors, all Affected Creditors, the Directors and Officers, any Person with a Released Director/Officer Claim, the Released Parties and all other Persons named or referred to in, or subject to, the Plan;
- (f) as of the Plan Effective Date, compromise, discharge and release the Canadian Debtors from any and all Affected Claims of any nature in accordance with the Plan, and declare that the ability of any Person to proceed against any one or more of the Canadian Debtors in respect of or relating to any Affected Claims shall be forever discharged and restrained, and all proceedings with respect to, in connection with or relating to such Affected Claims be permanently stayed, subject only to the right of Affected Creditors to receive distributions pursuant to the Plan in respect of their Affected Claims (to the extent they become Proven Affected Unsecured Claims);
- (g) as of the Plan Effective Date, subject to Section 7.2 of the Plan, compromise, discharge and release the Directors and Officers from any and all Released Claims of any nature in accordance with the Plan, and declare that the ability of any Person to proceed against the Directors and Officers (or any of them) in respect of or relating to any Released Claim shall be forever discharged and restrained, and all proceedings with respect to, in connection with or relating to such Released Claims be permanently stayed;
- (h) as of the Plan Effective Date, discharge and release the Released Parties on the terms set forth in Article 7 of the Plan and implement the injunctions contemplated under the Plan;
- (i) as of the Plan Effective Date, bar, stop, stay and enjoin the commencing, taking, applying for or issuing or continuing of any and all steps or proceedings,

including without limitation, administrative hearings and orders, declarations or assessments, commenced, taken or proceeded with or that may be commenced, taken or proceeded with against any Released Party in respect of all Released Claims and any matter which is released pursuant to Article 7 of the Plan;

- (j) authorize the Canadian Estate and the Monitor to perform their obligations and functions under the Plan including the establishment of the Administrative Reserve and the Unresolved Claims Reserve, and to perform all such other acts and execute such documents as may be required in connection with the foregoing;
- (k) authorize the Monitor to continue its administration and wind-down of the Canadian Estate in accordance with the Monitor's Powers Orders and the Plan;
- (l) declare that no shareholder approval is required in respect of the Settlement and Support Agreement, the Plan or any transaction contemplated thereby;
- (m) authorize and direct that all amounts held by NNL pursuant to the Canada Only Sale Proceeds Orders or held as Unavailable Cash by the Canadian Debtors shall form part of the Available Cash without any restriction thereon;
- (n) declare that each of the Charges (except for the Administration Charge) shall be terminated, discharged, expunged and released on the Plan Effective Date, subject to, in the case of the Inter-company Charge (but solely to the extent it benefits NNI), payment of the Remaining Revolver Claim as contemplated pursuant to Section 6.2(a)(i) of the Plan;
- (o) declare that the tolling of any Claims, Director/Officer Claims or other claims or rights pursuant to prior orders of the CCAA Court shall cease on the Plan Effective Date, without prejudice to the rights of all Affected Unsecured Creditors with Proven Affected Unsecured Claims (whether now existing or hereafter coming into existence) to receive all distributions contemplated by the Plan;
- (p) order that the CCAA stay of proceedings provided for in the Initial Order shall be extended indefinitely, subject to further order of the CCAA Court, and provided that the Monitor shall serve on the service list in the CCAA Proceedings and file with the CCAA Court a report on the progress of the continuing administration and wind-down of the Canadian Estate, including the implementation of the Plan, on no less than an annual basis;
- (q) declare that any obligation of the Monitor to provide cash flow forecasting or reconciliations and monthly claims reporting (whether pursuant to paragraph 11 of the Claims Resolution Order dated September 16, 2010, or any other agreement or order) shall cease as at the Plan Effective Date, provided that the Monitor shall provide cash flow reporting and claims reporting in the reports contemplated in the foregoing subsection;
- (r) provide for the termination of the Hardship Process as of the Plan Effective Date;
- (s) effect the matters contemplated pursuant to Section 10.2 and 11.12 of the Plan;

- (t) declare that, notwithstanding: (i) the pendency of the CCAA proceeding; (ii) any applications for a bankruptcy, receivership or other order now or hereafter issued pursuant to the BIA, the CCAA or otherwise in respect of any of the Canadian Debtors and any bankruptcy, receivership or other order issued pursuant to any such applications; and (iii) any assignment in bankruptcy made or deemed to be made in respect of any of the Canadian Debtors, the transactions contemplated by the Plan and by the Settlement and Support Agreement shall be binding on any trustee in bankruptcy or receiver that may be appointed in respect of the Canadian Debtors or their assets and shall not be void or voidable by creditors of the Canadian Debtors, nor shall the Plan, the Settlement and Support Agreement or the payments and distributions contemplated pursuant thereto constitute nor be deemed to constitute a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the BIA, CCAA or any other applicable federal or provincial legislation, nor shall the Plan or the Settlement and Support Agreement constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation; and
- (u) declare that the Canadian Debtors and the Monitor may apply to the CCAA Court for advice and direction in respect of any matters arising from or in relation to the Plan.

### **Conditions to the Effectiveness and Implementation of the Plan**

The effectiveness of the Plan is conditional upon satisfaction or waiver of the following conditions:

- (a) the Plan shall have been approved by the Required Majority;
- (b) the Sanction Order shall have been issued and entered and shall have become a Final Order;
- (c) the Canadian Escrow Release Order shall have been issued and entered and shall have become a Final Order;
- (d) the U.S. Plans shall have been confirmed in the U.S. Proceedings in a form that, to the satisfaction of the Monitor and its counsel, contains the terms contemplated by and referred to in the Settlement and Support Agreement as being contained in the U.S. Plans;
- (e) the U.S. Escrow Release Order (as defined in the Settlement and Support Agreement) shall have been issued and entered and shall have become a Final Order in a form satisfactory to the Monitor and its counsel;
- (f) the Sanction Order shall have been recognized and given full force and effect in the United States by an order of the U.S. Bankruptcy Court in the Chapter 15 Proceedings;
- (g) all conditions precedent to the Settlement and Support Agreement (excluding the condition specified in Section 9(a)(xi)) shall have been satisfied or waived in accordance with the terms of the Settlement and Support Agreement;

- (h) all conditions precedent to the effectiveness of the U.S. Plans (but excluding the occurrence of the Plan Effective Date hereunder) shall have been satisfied or waived in accordance with their respective terms, and the U.S. Debtors and Canadian Debtors shall have exchanged Plan Certificates in escrow; and
- (i) The Settlement and Support Agreement shall not have been terminated.

The implementation of the Plan is conditional upon satisfaction or waiver of the following conditions:

- (a) the Plans Effective Date (as defined in the Settlement and Support Agreement) shall have occurred and the Settlement and Support Agreement shall have become fully effective and enforceable in accordance with its terms;
- (b) the with prejudice dismissal of all litigation referenced in Section 5(b) of the Settlement and Support Agreement, including all leave to appeals, appeals and cross-appeals in respect of the Allocation Dispute pending before the Canadian Courts and U.S. Courts, shall have occurred; and
- (c) NNL shall have received the Canadian Allocation.

## **IMPLEMENTATION OF THE PLAN**

### **Timing of Implementation**

The current estimated timeline to implementation of the Plan is as follows:

- (a) Meeting: January 17, 2017;
- (b) Sanction Hearing: January 24, 2017;
- (c) Plan Effective Date: February 15, 2017;
- (d) Plan Implementation Date: as soon as possible following the Effective Date; and
- (e) Initial Distribution Date: within sixty (60) days of the Plan Implementation Date.

The actual timing of the steps contemplated above will be set in accordance with the Meeting Order, Sanction Order or as otherwise contemplated by the Plan and, where applicable, will be posted on the Monitor's Website.

### **Cash Pools and Reserves**

On the Plan Implementation Date, the Canadian Estate shall establish the Administrative Reserve in accordance with the terms of the Sanction Order and thereafter hold the Administrative Reserve and use the Administrative Reserve to fund the ongoing administration, obligations and wind-down of the Canadian Estate. Any balance remaining in the Administrative Reserve at the conclusion of the CCAA Proceedings shall be distributed in accordance with Section 6.11 of the Plan. Following the Plan Implementation Date, prior to the Initial Distribution Date, the Canadian Estate shall establish the Unresolved Claims Reserve in accordance with the terms of the Sanction Order. The Canadian Estate shall maintain and distribute the Unresolved Claims

Reserve in accordance with the provisions of Section 6.5 of the Plan. See *“Implementation of the Plan - Distributions Under the Plan – Distributions After Unresolved Affected Unsecured Claims and Post-Filing Claims Resolved”*

Following the Plan Implementation Date, prior to the Initial Distribution Date and prior to all subsequent Distribution Dates, the Canadian Estate shall establish an Affected Unsecured Creditor Pool. On the Initial Distribution Date and any subsequent Distribution Dates, the Canadian Estate shall distribute the Affected Unsecured Creditor Pool to Affected Unsecured Creditors on and subject to the terms of Article 6 of the Plan.

## **Distributions under the Plan**

### ***Distributions Generally***

All distributions to Affected Creditors to be effected pursuant to the Plan shall be made by the Canadian Estate pursuant to Article 6 of the Plan. Distribution Dates shall be set from time to time by and at the discretion of the Monitor, provided that the Initial Distribution Date shall be no more than sixty (60) days after the Plan Implementation Date, and the Monitor shall set a Distribution Date within ninety (90) days of the date (the **“Determination Date”**) it determines the Available Cash of the Canadian Estate is sufficient to establish an Affected Unsecured Creditor Pool of not less than \$150,000,000, provided that if the Monitor believes the Canadian Estate will be in a position to make a Final Distribution within six (6) months of the Determination Date, it shall be authorized to delay such Distribution Date for up to six (6) months from the Determination Date in order to attempt to complete a Final Distribution.

### ***Distribution Mechanics***

See *“Description of the Plan – Treatment of Claims Pursuant to the Plan – Proven Priority Claims and Other Payments under the Plan”* for a description of the NNI Payments and distribution of the Termination Payments.

Prior to the Initial Distribution Date and each subsequent Distribution Date, the Monitor shall calculate the Pro-Rata Share to be paid to each Affected Unsecured Creditor with a Proven Affected Unsecured Claim.

Subject to the Plan, the Canadian Estate shall, on or about the respective Distribution Date cause to be distributed from the Affected Unsecured Creditor Pool to each Affected Unsecured Creditor with a Proven Affected Unsecured Claim its Pro-Rata Share by way of (in the sole discretion of the Monitor): (i) cheque sent by prepaid ordinary mail to the address on file with the Monitor on the date that is twenty-one (21) days after notice of a Distribution Date is given by the Monitor by notice posted on the Monitor’s Website; or (ii) wire transfer of immediately available funds to an account designated in writing by the Creditor to the Monitor (with any wire transfer or similar fee being satisfied from the distribution amount), subject to the following:

- 1988 Bondholder Claims – Distributions for the benefit of the 1988 Bondholders on account of the 1988 Bondholder Claims shall be made to the 1988 Bonds Trustee by wire transfer of immediately available funds to an account designated in writing by the 1988 Bonds Trustee to the Monitor (with any wire transfer or similar fee being satisfied from the distribution amount). The 1988 Bonds Trustee shall administer such distributions as soon as is reasonably practicable in accordance with the 1988 Bonds Indenture and the

Plan, including Section 6.6 of the Plan, and such distributions shall remain subject to the 1988 Bonds Trustee's charging lien against distributions to holders of 1988 Bondholder Claims for payment of the 1988 Bonds Trustee's reasonable fees and expenses, including all reasonable fees and expenses of its counsel and other professionals and including the fees and expenses incurred by the 1988 Bonds Trustee in making all distributions to holders of 1988 Bondholder Claims. Receipt by the 1988 Bonds Trustee of distributions for the benefit of the 1988 Bondholders shall be deemed to constitute receipt of all such distributions by the 1988 Bondholders. Neither the Canadian Debtors nor the Monitor are aware of the current fees and expenses of the 1988 Bonds Trustee.

- Crossover Bondholder Claims - Distributions for the benefit of the Crossover Bondholders on account of the Crossover Bondholder Claims shall be made to the Crossover Bonds Trustee by wire transfer of immediately available funds to an account (or accounts) designated in writing by the Crossover Bonds Trustee to the Monitor (with any wire transfer or similar fee being satisfied from the distribution amount). The Crossover Bonds Trustee shall administer such distributions as soon as is reasonably practicable in accordance with the Plan, including Section 6.6 of the Plan, and such distributions shall remain subject to the Crossover Bonds Trustee's charging lien against distributions to holders of Crossover Bondholder Claims for payment of the Crossover Bonds Trustee's reasonable fees and expenses, including all reasonable fees and expenses of its counsel and other professionals and including the fees and expenses incurred by the Crossover Bonds Trustee in making all distributions to holders of Crossover Bonds. Receipt by the Crossover Bonds Trustee of distributions for the benefit of the Crossover Bondholders shall be deemed to constitute receipt of all such distributions by the Crossover Bondholders. Neither the Canadian Debtors nor the Monitor are aware of the current fees and expenses of the Crossover Bonds Trustee. The Canadian Debtors and Monitor have been advised that as at September 30, 2016, the fees and expenses of the Crossover Bonds Trustee (including the fees and expenses of its legal counsel) with respect to the CCAA Proceedings and the U.S. Proceedings were approximately \$4 million.
- NNCC Bondholder Claims - Distributions for the benefit of the NNCC Bondholders on account of the NNCC Bondholder Claims shall be made to the NNCC Bonds Trustee by wire transfer of immediately available funds to an account (or accounts) designated in writing by the NNCC Bonds Trustee to the Monitor (with any wire transfer or similar fee being satisfied from the distribution amount). The NNCC Bonds Trustee shall administer such distributions as soon as is reasonably practicable in accordance with the NNCC Bonds Indenture and the Plan, including Section 6.6 of the Plan, and such distributions shall remain subject to the NNCC Bonds Trustee's charging lien against distributions to holders of NNCC Bondholder Claims for payment of the NNCC Bonds Trustee's reasonable fees and expenses, including all reasonable fees and expenses of its counsel and other professionals and including the fees and expenses incurred by the NNCC Bonds Trustee in making all distributions to holders of NNCC Bonds. Receipt by the NNCC Bonds Trustee of distributions for the benefit of the NNCC Bondholders shall be deemed to constitute receipt of all such distributions by the NNCC Bondholders. The Canadian Debtors and Monitor have been advised that as at September 30, 2016, the fees and expenses of the NNCC Bonds Trustee (including the fees and expenses of its counsel and other professionals), in addition to the amount to be paid by NNI pursuant to the U.S. Plans (being up to \$4.25 million), was approximately \$3.5 million.

- Distributions to Compensation Creditors - Distributions to Compensation Creditors will be subject to the Canadian Estate and Monitor first obtaining EI Confirmation in respect of such Compensation Creditor as well as resolving any issues regarding applicable withholdings in respect of such distribution to the satisfaction of the Canadian Estate and the Monitor, acting reasonably. Further, in accordance with the terms of the Hardship Process, any payments made to a Compensation Creditor pursuant to the Hardship Process shall be deducted, dollar for dollar, from any distributions to such Compensation Creditor pursuant to the Plan.

### ***Distributions After Unresolved Affected Unsecured Claims and Post-Filing Claims Resolved***

An Affected Unsecured Creditor holding an Unresolved Affected Unsecured Claim will not be entitled to receive a distribution under the Plan in respect of such Unresolved Affected Unsecured Claim or any portion thereof unless and until, and then only to the extent that, such Unresolved Affected Unsecured Claim becomes a Proven Affected Unsecured Claim. To the extent that any Unresolved Affected Unsecured Claim becomes a Proven Affected Unsecured Claim, the Canadian Estate shall distribute to the holder of such Proven Affected Unsecured Claim, on or before the next following Distribution Date, an amount from the Unresolved Claims Reserve equal to the Pro-Rata Share that such Affected Unsecured Creditor would have been entitled to receive in respect of its Proven Affected Unsecured Claim on the previous Distribution Date(s) had such Unresolved Affected Unsecured Claim been a Proven Affected Unsecured Claim on the Initial Distribution Date.

Once an Unresolved Affected Unsecured Claim is finally resolved and all distributions (if any) have been made out of the Unresolved Claims Reserve in respect of such claim, any remaining Cash in the Unresolved Claims Reserve with respect to such Unresolved Affected Unsecured Claim shall become Available Cash.

### ***Allocation of Distributions***

All distributions made pursuant to the Plan shall be allocated first towards the repayment of the amount of the Proven Affected Unsecured Claim or Proven Priority Claim, as applicable, attributable to principal and, if greater than the amount of principal, second, towards the repayment of any amount of such Proven Affected Unsecured Claim or Proven Priority Claim attributable to unpaid interest.

### ***Treatment of Undeliverable Distributions***

If any distribution to a Creditor under the Plan is returned as undeliverable (an “**Undeliverable Distribution**”), no further distributions to such Creditor shall be made unless and until the Monitor is notified in writing by such Creditor of such Creditor’s current address, at which time all such distributions shall be made to such Creditor. Upon the Monitor becoming aware of an Undeliverable Distribution, the Canadian Estate shall, prior to the next following Distribution Date, reserve from the Affected Unsecured Creditor Pool the amount of Cash equal to the Undeliverable Distribution. All claims for an Undeliverable Distribution existing prior to the Final Distribution must be made in writing to the Monitor (in the manner contemplated by Section 11.10 of the Plan) on or before the date that is thirty (30) days following the date the Monitor posts a copy of the Final Distribution Certificate on the Monitor’s Website, after which date any entitlement with respect to any Undeliverable Distributions shall be forever discharged and forever barred, without any compensation therefor, notwithstanding any federal, state or



provincial laws to the contrary, and the amount of any Undeliverable Distributions shall be included in the Affected Unsecured Creditor Pool for distribution on the Final Distribution. Any Undeliverable Distributions remaining following the Final Distribution shall be dealt with in such manner as the CCAA Court may direct. Nothing in the Plan shall require the Canadian Estate or the Monitor to attempt to locate any Creditor or other Person with respect to an Undeliverable Distribution. No interest shall be payable in respect of an Undeliverable Distribution.

### ***Withholding Rights***

The Canadian Estate and any other Person facilitating distributions under the Plan shall be entitled to deduct and withhold from any distribution or payment to any Person pursuant to the Plan such amounts as may be required to be deducted or withheld with respect to such distribution or payment under the Canadian Tax Act or other Applicable Laws and to remit such amounts to the appropriate Taxing Authority or other Person entitled thereto. To the extent that amounts are so withheld or deducted and remitted to the appropriate Taxing Authority or other Person, such withheld or deducted amounts shall be treated for all purposes as having been paid to such Person as the remainder of the distribution or payment in respect of which such withholding or deduction was made. Without in any way limiting the generality of the foregoing, the Canadian Estate shall deduct from any distribution to a Creditor any amounts as indicated by Employment and Social Development Canada in an EI Confirmation, and remit such amounts to Employment and Social Development Canada pursuant to the EI Act. Any Creditor whose address on file with the Monitor on the Distribution Record Date for the Initial Distribution is not a Canadian address shall be treated as a non-resident of Canada for purposes of any applicable non-resident withholding Tax on all distributions hereunder, subject to receipt by the Monitor of information satisfactory to it (in its sole discretion) that such Creditor is not a non-resident. For the avoidance of doubt, no gross-up or additional amount will be paid on any distribution or payment hereunder to the extent the Canadian Estate or any other Person deducts or withholds amounts pursuant to Section 6.8 of the Plan.

### ***Cancellation of Certificates and Notes, etc.***

Following the Plan Effective Date all debentures, notes, certificates, indentures, guarantees, agreements, invoices and other instruments evidencing Affected Claims, including the 1988 Bonds, the 1988 Bonds Indenture, the Crossover Bonds, the Crossover Bonds Indenture, the NNCC Bonds and the NNCC Bonds Indenture (and all guarantees associated with each of the foregoing), will not entitle any holder thereof to any compensation or participation other than as expressly provided for in the Plan and shall be cancelled and be null and void. Notwithstanding the foregoing, (a) the 1988 Bonds Indenture, the Crossover Bonds Indenture and the NNCC Bonds Indenture shall remain in effect solely for the purpose of and to the extent necessary to: (i) allow the relevant Indenture Trustee to make distributions as contemplated in Section 6.3(b) of the Plan; (ii) maintain all of the protections the Indenture Trustees enjoy with respect to carrying out their duties thereunder against the beneficial holders, including lien rights with respect to any distributions contemplated in Section 6.3(b) of the Plan, until all such distributions are made; (iii) preserve the rights of the 1988 Bondholders, the Crossover Bondholders and the NNCC Bondholders to receive distributions pursuant to the Plan; and (iv) allow and preserve the rights of the Crossover Bonds Trustee, the Crossover Bondholders, the NNCC Bonds Trustee and the NNCC Bondholders to pursue their claims in the U.S. Proceedings; and (b) the Canadian Registered Pension Plans shall remain in effect solely for the purposes of and to the extent

necessary to permit the continuing administration and wind-up of the Canadian Registered Pension Plans.

## **Continuing Administration and Wind-Down of the Canadian Estate and Related Matters**

### ***Wind-Down of the Canadian Estate***

The administration and wind-down of the Canadian Estate will continue to be conducted by the Monitor pursuant to the Monitor's Powers Orders and the Plan, including following the Plan Effective Date and the Plan Implementation Date. Without in any way limiting the powers of the Monitor pursuant to the CCAA, the Initial Order, the Plan or the Monitor's Powers Orders, such continuing administration and wind-down may include:

- (a) taking all steps and actions contemplated by the Plan and the Settlement and Support Agreement, including effecting distributions and payments contemplated thereby;
- (b) the resolution of any remaining unresolved Claims or Post-Filing Claims;
- (c) the sale or other realization of the Canadian Debtors' residual assets and the repatriation of funds from foreign controlled subsidiaries all to be used to make distributions and payments contemplated pursuant to the Plan;
- (d) the resolution of the Canadian Debtors' Tax matters and recovery of any Tax refunds;
- (e) the wind-down of the Canadian Debtors and their direct and indirect controlled subsidiaries (but not the U.S. Debtors, the EMEA Debtors or the EMEA Non-Filed Entities); and
- (f) the disposal of the Canadian Debtors' books and records, including their remaining information technology infrastructure.

### ***Creditor Fee Arrangements***

The Canadian Debtors have been paying the fees and expenses of certain advisors to the Bondholder Group pursuant to the CCAA Court approved Bondholder Advisor Fee Letter. Under the Plan, fees in the aggregate amount of \$47 million (the "**Bondholder Fee Amount**") (which includes \$3 million in respect of the deferred compensation fee payable to FTI Capital Advisors, LLC) under the Bondholder Advisor Fee Letter will be deducted from distributions to Crossover Bondholders and NNCC Bondholders under the Plan in respect of their Proven Affected Unsecured Claims against the Canadian Estate. In addition, an additional \$7,000,000 (the "**Additional Bondholder Fee Amount**") shall be deducted from Canadian Estate distributions under the Plan to Crossover Bondholders and NNCC Bondholders on account of their Proven Affected Unsecured Claims in further payment of the deferred compensation fee payable to FTI Capital Advisors, LLC if the Canadian Estate is so directed in writing by all of the Crossover Bondholders and NNCC Bondholders who are Participating Creditors under the Settlement and Support Agreement. All such deductions shall be borne by the Crossover Bondholders and the NNCC Bondholders on a pro rata basis based on the amount of the Proven Affected Unsecured Claims of the Crossover Bondholders and the NNCC Bondholders. The

Bondholder Advisor Fee Letter shall terminate on the Plan Implementation Date, and the Canadian Debtors (including the Canadian Estate) shall have no obligation to pay any fees and expenses of the advisors to the Bondholder Group from and after the Plan Implementation Date.

The Canadian Debtors will not pay voluntarily, or seek permission to pay, legal or advisor fees of any stakeholder that the Canadian Debtors are not currently paying. Payment of any such further legal or advisor fees will be done only pursuant to an order of the CCAA Court.

From and after the Plan Implementation Date, the fees and expenses of Court Appointed Representative Counsel shall no longer be borne by the Canadian Estate and shall instead be borne by the Compensation Creditors. Any fees and expenses incurred by Court Appointed Representative Counsel from and after the Plan Implementation Date shall be deducted, dollar for dollar, from distributions to Compensation Creditors pursuant to the Plan. Any such deductions shall be borne by Compensation Creditors on a *pro rata* basis based on the amount of their respective Proven Affected Unsecured Claims. Notwithstanding the foregoing, from and after the Plan Implementation Date, to the extent the Monitor requests in writing that Court Appointed Representative Counsel provide any service relating to such Court Appointed Representative Counsel responding to inquiries of Compensation Creditors regarding distributions under the Plan, the Canadian Estate shall pay the associated reasonable fees and expenses of such Court Appointed Representative Counsel as may be agreed to in writing between the Canadian Estate, the Monitor and the applicable Court Appointed Representative Counsel.

### ***Final Distribution***

After (i) all Unresolved Affected Unsecured Claims, Post-Filing Claims and any other Claims (but excluding, for the avoidance of doubt, any Equity Claims) have been finally resolved; (ii) any remaining Cash held in the Unresolved Affected Unsecured Claims Reserve has been transferred into the Affected Unsecured Creditor Pool; and (iii) the administration and wind-down matters set out in Article 10 of the Plan have been substantially completed, the Monitor shall set a Distribution Date for the purposes of effecting a final distribution of Available Cash to Affected Unsecured Creditors with Proven Affected Unsecured Claims (the “**Final Distribution**”). The Final Distribution shall include, among other things, any remainder of the Administrative Reserve (except for an amount to be set aside for fees and costs to be incurred by or on behalf of the Monitor (including the fees and expenses of the Monitor’s counsel) in effecting the Final Distribution, the completion of any remaining administration matters and the discharge of the Monitor). After completing the Final Distribution and upon being granted a discharge and release, the Monitor shall pay any remaining Cash of the Canadian Estate, including any Cash on account of Undeliverable Distributions remaining following the Final Distribution, as the CCAA Court may direct.

### ***Non-Consummation/ Termination of the Settlement and Support Agreement***

If the Plan Effective Date does not occur on or prior to August 31, 2017 (or such later date as the date for the Plans Effective Date (as defined in the Settlement and Support Agreement) to have occurred pursuant to Section 9(a)(xi) of the Settlement and Support Agreement may be extended to) (the “**Outside Date**”), then, notwithstanding any other provision of the Plan: (a) the Plan shall be null and void in all respects, (b) any settlement or compromise embodied in the Plan shall be deemed null and void, and (c) nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, shall (i) constitute or be deemed to constitute a waiver

or release of any Claims by or against the Canadian Debtors or any other Person; (ii) prejudice in any manner the rights of the Canadian Debtors or any other Person in any further proceedings involving the Canadian Debtors; or (iii) constitute an admission of any sort by the Canadian Debtors or any other Person; provided, however, that nothing in Section 11.3 of the Plan shall impair the enforceability of the Settlement and Support Agreement in accordance with its terms.

In the event the Settlement and Support Agreement is terminated or does not become effective in accordance with its terms, the Canadian Debtors and Monitor reserve all of their rights and defenses with respect to the claims and other matters resolved by the Settlement and Support Agreement, including the Allocation Dispute, and nothing contained in the Plan nor the proposed settlement set forth in the Settlement and Support Agreement shall constitute an admission by the Canadian Debtors or the Monitor regarding the validity of the litigations, claims or defenses resolved by the Settlement and Support Agreement or that the Canadian Debtors have any liability in connection with such litigations, claims or defenses.

In the event of the termination of the Settlement and Support Agreement, or if the Plan does not become effective in accordance with its terms, all rights of the Canadian Debtors (excluding the New Applicants) and the Monitor with regard to the Allocation Dispute and with respect to the interest of the Canadian Debtors in the Sale Proceeds are reserved.

### **ESTIMATED DISTRIBUTIONS TO CREDITORS WITH PROVEN AFFECTED UNSECURED CLAIMS**

Pursuant to the Plan, distributions to Creditors holding Proven Affected Unsecured Claims predominantly in Canadian dollars shall be paid in Canadian dollars and all other Proven Affected Unsecured Claims will be paid in U.S. dollars. A Proven Affected Unsecured Claim is considered “predominantly denominated” in Canadian dollars if more than 50% of such Claim is denominated in Canadian dollars. For information on the method for conversion of Claims, see “*Description of the Plan - Treatment of Claims Pursuant to the Plan – Currency Conversion Matters*”.

With respect to Proven Affected Unsecured Claims:

- (a) for CAD Claims, the Monitor estimates that the range of recovery per CA dollar of Proven Affected Unsecured Claims will be approximately CA 45 cents to CA 49 cents assuming an Applicable F/X Rate of approximately \$1.00 to CA \$1.337650; and
- (b) for all other Proven Affected Unsecured Claims, the Monitor estimates that the range of recovery per U.S. dollar of Proven Affected Unsecured Claims will be approximately 41.5 cents to 45 cents.

### **ALTERNATIVES TO THE PLAN**

The CCAA Proceedings (as well as the U.S. Proceedings and EMEA Proceedings) have been ongoing for nearly eight (8) years with the Allocation Dispute and certain significant Claims being settled pursuant to the Settlement and Support Agreement after years of mediations, negotiations and litigation. There is no reasonable basis to support a view that an alternative process available to the Canadian Debtors at this time would provide equivalent value in a timely fashion to Affected Unsecured Creditors with Proven Affected Unsecured Claims. If the Plan is not approved by the Required Majority and sanctioned by the CCAA Court, the most likely

alternatives are for the Canadian Debtors to remain in CCAA Proceedings indefinitely or be put into bankruptcy or receivership. In any such scenario, litigation regarding the Allocation Dispute and other significant unresolved Claims would likely continue until finally resolved, which could take a significant period of further time, and delay distributions to Creditors pending such final resolution.

### **STATUS OF CLAIMS PROCESS**

Assuming the Settlement and Support Agreement and the Plan become effective, the total Proven Affected Unsecured Claims as at the date of this Information Circular is approximately \$9.8 billion. The Monitor continues to work to resolve significant unresolved Claims on an ongoing basis.

### **RECOMMENDATION OF THE MONITOR**

The Monitor and its counsel have been involved throughout the course of negotiations regarding the Plan and the Monitor supports the Canadian Debtors' request to convene a meeting to consider the Plan. After careful consideration of all relevant factors relating to the Plan, and after receiving the advice of its advisors, the Monitor supports the Plan and is of the view that the Plan is in the best interests of the Affected Creditors and recommends that Affected Unsecured Creditors vote to approve the Plan.

### **SUPPORT OF OTHER SIGNIFICANT STAKEHOLDERS**

The Plan reflects the terms of the Settlement and Support Agreement entered into by, among others, the Canadian Debtors, U.S. Debtors, EMEA Debtors, Monitor, the members of the CCC, UCC, UKPI, NNSA, the NNSA Conflicts Administrator, Joint Administrators and Joint Liquidators each of whom support the Plan pursuant to the terms of the Settlement and Support Agreement. Additionally, Crossover Bondholders with a principal amount of \$3 billion representing 80% of the principal amount of the Crossover Bonds and NNCC Bondholders holding NNCC Bonds with a total principal amount of \$135,665,000 representing 90.44% of the principal amount of the NNCC Bonds support the Plan, subject to the terms of the Settlement and Support Agreement.

See also *“Required Approvals under the CCAA and Other Conditions to Implementation – Conditions to the Effectiveness and Implementation of the Plan.”*

### **MEETING AND VOTING**

Pursuant to the Settlement and Support Agreement, the Meeting is targeted to be held by January 17, 2017.

The actual date for calling the Meeting and the process for voting on the Plan will be subject to the Meeting Order which will be subject to CCAA Court approval on or about December 1, 2016. Once granted, the Meeting Order will be posted on the Monitor's Website and distributed in accordance with the terms of the Meeting Order. The Meeting Order will also set the forms of proxy, instructions for voting and other matters relevant to the voting on the Plan and conduct of the Meeting.

Pursuant to the CCAA and the Plan, in order for the Plan to be approved, the Resolution must receive the affirmative vote of the Required Majority of the Affected Unsecured Creditors Class, being a majority in number of Affected Unsecured Creditors with Voting Claims who vote (in person or by proxy) on the Plan at the Meeting, and two-thirds in value of the Voting Claims held by such Affected Unsecured Creditors who vote (in person or by proxy) on the Plan at the Meeting.

For the purpose of calculating the two-thirds majority in value of Voting Claims in the Affected Unsecured Creditors Class, the aggregate amount (in U.S. dollars) of Voting Claims held by those Affected Unsecured Creditors who vote in favour of the Plan (in person or by proxy) shall be divided by the aggregate amount (in U.S. dollars) of all Voting Claims held by all Affected Unsecured Creditors who vote on the Plan (in person or by proxy). For the purpose of calculating a majority in number of Affected Unsecured Creditors voting on the Plan, each Affected Unsecured Creditor that votes on the Plan (in person or by proxy) shall only be counted once, without duplication.

Pursuant to the Plan, for the purposes of considering and voting on the Resolution there shall be one class of Affected Creditors, the Affected Unsecured Creditors Class.

#### **WITHHOLDING FROM DISTRIBUTIONS AND CERTAIN OTHER TAX MATTERS**

**The following discussion is not and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Affected Creditor as to the consequences of receiving any distributions or payments under the Plan. Affected Creditors are urged to consult their own tax advisors for advice as to the tax considerations in respect of the Plan having regard to their particular circumstances.**

The Canadian Estate and any other Person making distributions under the Plan (a “**Payer**”) will deduct and withhold from any distribution or payment to any Person made pursuant to the Plan such amounts as are required to be deducted or withheld with respect to such distribution or payment under Applicable Laws and will remit such amounts to the appropriate Taxing Authority or other Person entitled thereto. Any amount deducted or withheld and remitted to the appropriate Taxing Authority or other Person shall be treated for all purposes as having been paid to the Person receiving the distribution or payment as part of the distribution or payment to the Person under the Plan. Where a Payer deducts or withholds amounts from a distribution or payment under the Plan, no gross-up or additional amount will be paid on, or in respect of, such distribution or payment.

Without limiting the generality of the foregoing paragraph, the following are certain of the distributions or payments contemplated by the Plan that will be subject to deduction and withholding: (a) payments as, on account or in lieu of payment of, or in satisfaction of, interest to a Person who is a non-resident of Canada (other than a Person who is a qualifying person for the purposes of the Canada-United States Income Tax Convention) who does not deal at arm’s length with the Canadian Debtors, or a Person who is a “Specified non-resident Shareholder” (as defined in the Canadian Tax Act) of a Canadian Debtor; (b) distributions or payments made as, or on account of, salary, wages and other remuneration, a superannuation or pension benefit, a retiring allowance, or a death benefit; and (c) distributions or payments made to a Person who is a non-resident of Canada in respect of services rendered in Canada. In addition, certain

distributions or payments to Creditors may be subject to deductions on account of any employment insurance overpayment received by a Creditor.

Pursuant to the Plan, any Creditor whose latest address on file with the Monitor as at the Distribution Record Date for the Initial Distribution is not a Canadian address shall be treated as a non-resident of Canada for all Applicable Laws, including for purposes of any applicable withholding taxes. The Canadian Estate or the Monitor may request documentation from a Creditor regarding its residency status. If, upon such request, a Creditor fails to provide satisfactory evidence that it is a resident of Canada, the Creditor shall be treated as a non-resident for all Applicable Laws, including for the purposes of any applicable withholding taxes.

### ***Transfer Taxes***

Payments or distributions made pursuant to the Plan will be inclusive of any applicable Canadian federal goods and services tax, harmonized sales tax, and any other applicable Canadian provincial, U.S. or other foreign sales tax. These taxes may be required to be remitted by the recipient to the appropriate Taxing Authority.

## **RISK FACTORS**

*In evaluating the Plan and determining whether to vote for the Resolution, Affected Creditors should read and consider carefully the risk factors set forth below. These risk factors should not, however, be regarded as the only risks associated with the Plan. You should carefully consider information about these risks and uncertainties, together with all of the other information contained within this document.*

### **Risks Relating to Non-Implementation of the Plan**

#### ***Failure to Implement the Plan and the Settlement and Support Agreement***

If the Plan is not implemented before the Outside Date the Canadian Debtors may remain under CCAA protection for an indefinite period of time. The most likely alternative to the Plan is continued litigation among the Canadian Debtors, EMEA Debtors and U.S. Debtors and various stakeholders, including over the resolution of claims and the outstanding appeals and cross-appeals of the Allocation Decisions, which could be protracted, expensive and uncertain in outcome.

If the Plan and the Settlement and Support Agreement are not implemented, there is no assurance that any distributions to the Affected Creditors will be on terms that provide equivalent value to Affected Creditors compared to the distributions to be received by Affected Creditors pursuant to the Plan.

### **Risks Relating to the Plan and its Implementation**

#### ***Consummation of the CCAA Plan is subject to Affected Unsecured Creditors' acceptance and Court approval***

Before the Plan can be consummated, it must have been approved by the Required Majority and sanctioned, after notice and a hearing on any objection, by the CCAA Court. Although the Support and Settlement Agreement binds various significant Creditors to vote to approve the

Plan, there can be no assurance that the Plan will be approved by the Required Majority, and that even if approved, the CCAA Court will sanction the Plan. The failure of any of these conditions will delay or prevent the consummation of the Plan.

***The Implementation of the Plan and the Settlement and Support Agreement is subject to a number of other significant conditions***

Implementation of the Plan is subject to numerous other conditions, which must be satisfied (or waived, if applicable) prior to effectiveness and implementation of the Plan. This includes the dismissal of all of the remaining litigation relating to the Allocation Dispute. Not all of the parties to the litigation are party to the Settlement and Support Agreement and such parties may object to the dismissal of the remaining litigation. In addition, the effectiveness of the Settlement and Support Agreement is subject to confirmation of the U.S. Plans and receipt of various foreign Court approvals.

As of the date hereof, there can be no assurance that any or all of the conditions in the Plan or in the Settlement and Support Agreement will be satisfied (or waived, if applicable). In addition, there can be no assurance that the Plan or the Settlement and Support Agreement will be consummated even if the Plan is approved by the Affected Unsecured Creditors and sanctioned by the CCAA Court. See “*Required Approvals under the CCAA and Other Conditions to Implementation*”.

***If any of the conditions to consummation are not satisfied or an alternative plan is not approved, the Canadian Debtors may be forced to continue litigation over claims and the allocation of Sale Proceeds***

If any of the conditions precedent as described in the Plan, including Court sanction and the satisfaction of the implementation conditions, are not satisfied (or waived, if applicable) and the Plan or the Settlement and Support Agreement is not consummated, there can be no assurance when distributions to Affected Unsecured Creditors may be possible, or that such distributions would be comparable to those contemplated under the Plan. The most likely alternative to the Plan is continued litigation among the Canadian Debtors, the EMEA and U.S. Estates and various stakeholders, including over the resolution of claims and the outstanding appeals and cross-appeals of the Allocation Decisions, which could be protracted, expensive and uncertain in outcome.

**Risks Related to Recovery under the Plan**

***Financial Analysis Subject to Other factors***

Financial analysis or other estimations contained herein, including any financial analysis containing numerical specificity, is based on assumptions and estimates which may not be achieved and is subject to business, economic, regulatory and other uncertainties which may be beyond the control of the Canadian Debtors and the Monitor. Without limiting the foregoing, the foreign exchange rate applicable to any remaining asset realizations or other conversions (including for the conversion of funds from U.S. dollars to Canadian dollars or vice versa as contemplated by the Plan) could adversely impact the ultimate return to Creditors.



***Remaining Estate Recoveries may differ from Monitor's Current estimated Calculations***

The Monitor has based its estimated recoveries on certain assumptions as to the remaining asset realizations available to the Canadian Estate, including on account of recovery of funds from foreign subsidiaries and the sale of the remaining IP Addresses. The actual amount realized may vary depending on the final resolution of claims and legal, political and tax matters in respect of foreign entities as they complete their formal or informal wind up proceedings. Further, there is no guarantee that the Canadian Estate will be able to sell its remaining IP Addresses or for what price.

***The actual amount of Proven Claims may differ from the estimated Affected Unsecured Claims and adversely affect the percentage recovery of each individual Affected Unsecured Creditor***

Recovery estimates for Affected Unsecured Creditors have been based on certain assumptions regarding the total quantum and priority of proven Claims against, and other liabilities of, the Canadian Estate, which assumptions may not be borne out. The resolution of unresolved Claims, including as to quantum or priority, or the assertion of any new Claims, including in respect of the post-Filing Date period, could impact the actual distributions received by Affected Unsecured Creditors pursuant to the Plan.

***The Timing of Distributions may Vary***

The Canadian Debtors and Monitor cannot estimate the amount of time that will lapse between the Effective Date of the Plan and certain Distributions under the Plan, including the Final Distribution which will depend on, among other factors, the amount of time required to recover funds from foreign subsidiaries and resolve all remaining Affected Unsecured Unresolved Claims and other obligations of the Canadian Debtors, including any Post-Filing Claims that may be filed.

***The Canadian Debtors remain subject to environmental laws and regulations and the environmental liabilities and obligations of the Canadian Debtors have yet to be finally determined and may not be determined in a timely fashion***

NNL's historical operations included the management and disposal of hazardous substances. The Canadian Debtors are subject to environmental laws and regulations, including certain director's orders issued against NNL pursuant to the *Environmental Protection Act* (R.S.O. 1990, c. E.19) relating to environmental risk management and remediation of hazardous substances alleged to be relating to certain of NNL's former operations at properties which it owned or continues to own in Ontario. In addition, the Canadian Debtors have received related notices and Claims in these CCAA Proceedings relating to environmental liabilities and obligations, some of which remain unresolved as of the date of this Information Circular. NNL may have ongoing statutory obligations for an indefinite period of time for carrying out various risk assessment and risk management measures relating to these matters which may include the identification, investigation and analysis of environmental impacts as well as the mitigation of such impacts. The ability of NNL to cease performing these statutory obligations post-Plan implementation is uncertain, as is the timeline for the final determination of any related obligations or liabilities. The Canadian Debtors' ultimate liabilities, if any, relating to these matters, including any Claim that may become a Proven Affected Unsecured Claim under the Plan, has yet to be determined.

### ***Certain Tax Impacts***

There are a number of material income tax considerations, risks and uncertainties related to the Plan. Creditors are urged to obtain their own tax advice as to these tax considerations and risks.

### ***Canadian Debtors' income tax position remains unresolved and the Plan may have a negative impact on the Canadian Debtors' income tax position***

The final income tax position of the Canadian Debtors has yet to be resolved or determined. Although the Canadian Debtors do not expect to have any income tax payable as a result of receipt of the Canadian Allocation or the other transactions contemplated in, or related to, the Plan or the Settlement and Support Agreement, there can be no guarantee that the Canadian Debtors will not be required to pay any such taxes, or that the Canadian Debtors' outstanding tax matters, including pending audits, will be resolved in a timely or favourable manner. Further, there can be no guarantee or other assurance that the transactions and other matters contemplated by the Plan, including the proposed substantive consolidation of the Canadian Debtors, will not have a negative impact on the Canadian Debtors' tax position or attributes.

### ***Distributions and payments to Creditors may be subject to withholdings and have tax impacts for individual Creditors***

Distributions or payments to Creditors pursuant to the Plan may have income tax consequences for Creditors depending on their circumstances, including that such distributions and payments may subject the recipient to liability for income tax or be subject to non-resident withholding tax or other taxes. The potential distributions may be inclusive of amounts in respect of Canadian federal goods and services, harmonized sales taxes and any other applicable Canadian federal, provincial, U.S. or other foreign sales taxes, which may be required to be remitted by the recipient to the appropriate Taxing Authority. Creditors are urged to obtain their own tax advice with respect to the matters contemplated in the Plan, including the tax impact of receipt of distributions and payments on them.

### ***Costs of Administration***

Even if the Plan is implemented, the Monitor and Canadian Debtors will need to take various steps to wind down the Canadian Estate, including as set out in Section 10.1 of the Plan. The costs of the wind-down efforts and ongoing administration of the CCAA Proceedings could exceed those currently forecast by the Monitor and reduce distributions pursuant to the Plan.

## **DOCUMENTS INCORPORATED BY REFERENCE**

The Plan, including all Schedules and Exhibits thereto, which has been filed with the CCAA Court, is specifically incorporated by reference into and form is an integral part of this Information Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Information Circular to the extent that a statement contained herein or any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or

supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Circular.

## SCHEDULE A

### FORM OF RESOLUTION

#### BE IT RESOLVED THAT:

1. The plan of compromise and arrangement dated November 30, 2016 (as such Plan may be amended, varied or supplemented from time to time in accordance with its terms, the “**Plan**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended to and including January 14, 2009 (the “**CCAA**”), concerning, affecting and involving Nortel Networks Corporation, Nortel Networks Limited, Nortel Networks Global Corporation, Nortel Networks International Corporation, Nortel Networks Technology Corporation, Nortel Communications Inc., Architel Systems Corporation and Northern Telecom Canada Limited (each, a “**Canadian Debtor**” and collectively, the “**Canadian Debtors**”), substantially in the form served on the service list in the CCAA proceedings on November 30, 2016, and the transactions contemplated therein be and is hereby accepted, approved, agreed to and authorized; and
2. Any authorized representative of the Canadian Debtors be and is hereby authorized, for and on behalf of the Canadian Debtors, to execute and deliver, or cause to be executed and delivered, any and all documents and instruments and to take or cause to be taken such other actions as he or she may deem necessary or desirable to implement this resolution and the matters authorized hereby, including the transactions required by the Plan, such determination to be conclusively evidenced by the execution and delivery of such documents or other instruments or taking of any such action.

## SCHEDULE “B” – GLOSSARY OF CERTAIN TERMS

“**1988 Bondholder**” means a holder of one or more 1988 Bonds, including any holder of a beneficial interest in 1988 Bonds.

“**1988 Bondholder Claim**” means a Claim by a 1988 Bondholder in respect of the 1988 Bonds, including as asserted by the 1988 Bonds Trustee.

“**1988 Bonds**” means the 6.875% Senior Notes due 2023, governed by the 1988 Bonds Indenture, issued by Northern Telecom Limited (now NNL).

“**1988 Bonds Indenture**” means that certain Indenture dated November 30, 1988, made by Northern Telecom Limited (now NNL), as issuer, and The Toronto-Dominion Bank Trust Company, as trustee.

“**1988 Bonds Trustee**” means Wilmington Trust, National Association in its capacity as replacement trustee under the 1988 Bonds Indenture.

“**2006 Bonds**” means the Floating Rate Senior Notes due 2011, the 10.125% Senior Notes due 2013 and the 10.750% Senior Notes due 2016, governed by the Indenture dated as of July 5, 2006, as supplemented by the First Supplemental Indenture dated as of July 5, 2006, the Second Supplemental Indenture dated as of May 1, 2007, and the Third Supplemental Indenture dated as of May 28, 2008, issued by NNL and guaranteed by NNC and NNI.

“**2007 Bonds**” means the 1.75% Convertible Senior Notes due 2012 and the 2.125% Convertible Senior Notes due 2014, governed by the Indenture dated as of March 28, 2007, issued by NNC and guaranteed by NNL and NNI.

“**Additional Bondholder Fee Amount**” has the meaning ascribed thereto in Section 4.11 of the Plan.

“**Administration Charge**” has the meaning ascribed thereto in the Initial Order.

“**Administrative Reserve**” means a reserve of Available Cash in an amount to be determined by the Monitor to be held by the Canadian Estate for the purpose of maintaining security for obligations secured by the Administration Charge and funding the ongoing obligations, administration and wind-down of the Canadian Estate and the implementation of the Plan, including the professional fees and expenses of the Monitor and its counsel.

“**Affected Claim**” means (i) any Claim that is not an Unaffected Claim, and (ii) any Director/Officer Claim that is a Released Claim and, for greater certainty, includes any Affected Unsecured Claim, Intercompany Claim (excluding any Canadian Intercompany Claim and the Remaining Revolver Claim) or Equity Claim.

“**Affected Creditor**” means any Creditor with an Affected Claim, but only with respect to and to the extent of such Affected Claim.

“**Affected Unsecured Claim**” means any Affected Claim that is not a Director/Officer Claim or Equity Claim.

“**Affected Unsecured Creditor**” means any holder of an Affected Unsecured Claim, but only with respect to and to the extent of such Affected Unsecured Claim.

“**Affected Unsecured Creditor Pool**” means, on a Distribution Date, the amount of Available Cash, less: (i) the Unresolved Claims Reserve; (ii) the Administrative Reserve; and (iii) the amounts necessary to satisfy any outstanding Proven Priority Claims.

“**Affected Unsecured Creditors Class**” means the class of Creditors comprised solely of Affected Unsecured Creditors grouped for the purposes of considering and voting on the Plan and receiving distributions hereunder.

“**Allocation Dispute**” means that certain litigation before the Canadian Court and the U.S. Court in which the allocation of the Sale Proceeds is at issue.

“**Applicable FX Rate**” means the spot or blended rate (as applicable, which blended rate shall take into account the amounts converted and the rates at which such conversion occurred) at which Sale Proceeds are or have been

converted from U.S. dollars to Canadian dollars as contemplated by Section 7(b) of the Settlement and Support Agreement.

“**Applicable Law**” means any law, statute, order, decree, consent decree, judgment, rule regulation, ordinance or other pronouncement having the effect of law whether in Canada, the United States or any other country, or any domestic or foreign state, county, province, city or other political subdivision or of any Governmental Entity.

“**Allowed Claims**” shall have the meaning given to such term in the U.S. Plans.

“**Available Cash**” means, from time to time, all Cash of the Canadian Estate, including but not limited to the Canadian Debtors’ cash on hand and amounts released to the Canadian Estate as contemplated pursuant to Section 4.2 and Section 4.3 of the Plan, and includes any Cash received by the Canadian Estate from the sale or other disposition or monetization of any residual assets or any other Cash received by the Canadian Estate from time to time.

“**Bankruptcy Proceeding**” means any bankruptcy or receivership proceeding pursuant to the BIA, whether commenced by application for a bankruptcy or receivership order or by an assignment in bankruptcy made or deemed to be made, and shall include any proceeding in which a receiver is appointed in respect of a Person or its assets, including pursuant to provincial law.

“**BIA**” means the *Bankruptcy and Insolvency Act* (R.S.C. 1985, c. B-3, as amended) or any successor legislation thereto.

“**Bonds**” means the Crossover Bonds, NNCC Bonds and 1988 Bonds.

“**Bondholder Advisor Fee Letter**” means that certain fee letter dated June 23, 2011, among certain of the Canadian Debtors, Bennett Jones LLP, Milbank, Tweed, Hadley & McCloy LLP and FTI Capital Advisors, LLC and shall include, for the avoidance of doubt, the “2009 Engagement Letter” as such term is defined in the fee letter.

“**Bondholder Group**” means the ad hoc group of bondholders that hold notes issued and/or guaranteed by NNC, NNL, NNI and NNCC that has been organized and is participating in the CCAA Proceedings and the U.S. Proceedings, as such group may have been and may be constituted from time to time.

“**Business Day**” means a day, other than Saturday, Sunday or a statutory holiday, on which banks are generally open for business in both Toronto, Ontario, Canada and New York, New York, USA.

“**Canada Only Sale Proceeds Orders**” means the following orders of the CCAA Court: (i) Approval and Vesting Order (Strandherd Lands) dated November 19, 2009; (ii) Approval and Vesting Order (Nortel-LGE Joint Venture) dated May 3, 2010; (iii) Approval and Vesting Order (Relay) dated June 29, 2010; (iv) Approval and Vesting Order (IP Address Sale – Salesforce.com, Inc.) dated February 17, 2012; (v) Approval and Vesting Order (IP Address Sale) dated February 17, 2012; (vi) Approval and Vesting Order (IP Address Sale – Bell Aliant Regional Communications Limited Partnership) dated April 4, 2012; (vii) Approval and Vesting Order (IP Address Sale – Vodafone Americas Inc.) dated May 7, 2012; (viii) Approval and Vesting Order (IP Address Sale – Beyond Excellent Technology Ltd.) dated September 9, 2014; (ix) Approval and Vesting Order (IP Address Sale – Charter Communications Operating, LLC) dated December 17, 2014; (x) Approval and Vesting Order (IP Address Sale – Zhejiang Tmall Technology Co., Ltd. and Alibaba Cloud Computing Limited) dated February 3, 2015; (xi) Approval and Vesting Order (IP Address Sale – Alibaba.com LLC) dated April 16, 2015; (xii) Approval and Vesting Order (IP Address Sale – Frontier Communications) dated August 5, 2015; (xiii) Approval and Vesting Order (IP Address Sale – Suddenlink Communications) dated August 5, 2015; (xiv) Approval and Vesting Order (IP Address Sale – Reliance Jio Infocomm Pte Ltd.) dated January 6, 2016; (xv) Approval and Vesting Order (IP Address Sale – Zhejiang Alibaba Cloud Computing Limited and Alibaba.com LLC) dated February 1, 2016, and any other order of the CCAA Court pursuant to which proceeds of sale arising solely from the assets of the Canadian Debtors are held (but excluding, for the avoidance of doubt, the orders of the CCAA Court approving the Escrow Agreements).

“**Canadian Allocation**” means the Sale Proceeds to be received by the Canadian Estate pursuant to Section 2 of the Settlement and Support Agreement as described in Section 4.2(c)(i) of the Plan.

“**Canadian Court**” means the CCAA Court, the Ontario Court of Appeal, the Supreme Court of Canada or any other court of competent jurisdiction overseeing the CCAA Proceedings or any Bankruptcy Proceeding in respect of any of the Canadian Debtors or their assets (including any appeals) from time to time.

“**Canadian Dollar Escrow Account**” means the account with the Canadian Escrow Agent established pursuant to the Canadian Escrow Agreement to hold the Canadian dollar denominated Cash resulting from the conversion of up to \$1,200,000,000 of Sale Proceeds into Canadian dollars as contemplated in the Settlement and Support Agreement.

“**Canadian Escrow Agent**” means Royal Trust Corporation of Canada in its capacity as Canadian distribution agent under the Canadian Escrow Agreement.

“**Canadian Escrow Agreement**” means that certain Canadian distribution escrow agreement dated October 24, 2016, among NNC, NNL, NNI, NNUK, NNSA certain other Nortel Group entities, the Monitor, the UCC and the Canadian Escrow Agent governing that portion of the Sale Proceeds that has been or will be converted into Canadian dollars as contemplated in the Settlement and Support Agreement.

“**Canadian Escrow Release Order**” means an order issued by the CCAA Court authorizing and directing the Escrow Agents to release the Sale Proceeds from the Escrow Accounts in the manner contemplated by the Settlement and Support Agreement.

“**Canadian Estate**” means the Canadian Debtors as substantively consolidated pursuant to the Plan, the corporate body of which shall be NNL. From and after the Plan Effective Date, references to the Canadian Estate shall be deemed to be references to NNL, and *vice versa*.

“**Canadian Intercompany Claims**” has the meaning ascribed thereto in Section 2.2(f) of the Plan.

“**Canadian Pension Claim**” means any and all Claims arising from or related to deficits and alleged deficits in the Canadian Registered Pension Plans.

“**Canadian Registered Pension Plans**” means: (i) the Managerial Plan; and (ii) the Negotiated Plan.

“**Canadian Tax Act**” means the *Income Tax Act* (Canada) and the Income Tax Regulations, in each case as amended from time to time.

“**Cash**” means cash, certificates of deposit, bank deposits, commercial paper, treasury bills and other cash equivalents.

“**CCAA**” has the meaning ascribed thereto in the recitals to the Plan.

“**CCAA Court**” has the meaning ascribed thereto in the recitals to the Plan.

“**CCAA Proceedings**” means the proceedings commenced by certain of the Canadian Debtors in the CCAA Court under the CCAA on the Filing Date, having Court File Number 09-CL-7950, and shall include the CCAA proceedings of the New Applicants.

“**CCC**” means the ad hoc committee of creditors having claims only against the Canadian Debtors comprised of: the former and disabled Canadian employees of the Canadian Debtors through their court-appointed representatives, Unifor, Morneau Shepell Ltd. as Administrator of the Canadian Registered Pension Plans, the Superintendent of Financial Services of Ontario as Administrator of the Pension Benefits Guarantee Fund and the court-appointed representatives of the current and transferred employees of the Canadian Debtors.

“**Chapter 15 Proceedings**” means the foreign recognition proceedings of the Canadian Debtors pursuant to Chapter 15 of the United States Bankruptcy Code pending before the U.S. Bankruptcy Court (Case No. 09-10164(KG)).

“**Charges**” means the Administration Charge, the Excess Funding Charge, the Directors’ Charge, the Inter-Company Charge, the Shortfall Charge, the Payments Charge and the Nortel Special Incentive Plan Charge, each as defined in the Initial Order.

**“Claim”** means:

- (a) any right of any Person against the Canadian Debtors, or any of them, in connection with any indebtedness, liability or obligation of any kind of the Canadian Debtors, or any of them, whether liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known or unknown, by guarantee, surety or otherwise and whether or not such right is executory or anticipatory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation (A) is based in whole or in part on facts existing prior to the Filing Date, (B) relates to a time period prior to the Filing Date, or (C) would have been a claim provable in bankruptcy had the Canadian Debtors become bankrupt on the Filing Date; and
- (b) any indebtedness, liability or obligation of any kind arising out of the restructuring, termination, repudiation or disclaimer of any lease, contract, or other agreement or obligation on or after the Filing Date,

and shall include any “Claim”, “EMEA Claim” or “Intercompany Claim” (as such terms are defined in the Claims Orders, in each case without any reference to the exclusion of any claims in such definitions), provided that the definition of Claim herein shall not include a Director/Officer Claim.

**“Claims Orders”** means, as the context requires, any or all of the following orders of the CCAA Court: (i) the Claims Procedure Order; (ii) the Claims Resolution Order dated September 16, 2010; (iii) the Order Approving Cross-Border Claims Protocol dated September 16, 2010; (iv) the Compensation Claims Procedure Order; (v) the EMEA Claims Procedure Order dated January 14, 2011; (vi) the Intercompany Claims Procedure Order dated July 27, 2012; (vii) paragraphs 12 to 18 of the Order (Stay Extension and Various Other Matters – September 2016) dated September 29, 2016; and (viii) the Post-Filing Claims Bar Date Order.

**“Claims Procedure Order”** means the Claims Procedure Order of the CCAA Court dated July 30, 2009, as amended and restated on October 7, 2009.

**“Compensation Creditors”** means Creditors who are holders of Compensation Claims (as such term is defined in the Compensation Claims Procedure Order).

**“Contingent Additional NNUK Claim”** has the meaning ascribed thereto in Section 4.8 of the Plan.

**“Court Appointed Representative Counsel”** shall mean Koskie Minsky LLP, Shibley Righton LLP and Nelligan O’Brien Payne LLP in their capacity as CCAA Court appointed representative counsel to certain Compensation Creditors pursuant to orders of the CCAA Court dated May 27, 2009 (former employees), July 22, 2009 (current employees) and July 30, 2009 (long term disability beneficiaries), and shall include any financial advisor retained by such counsel.

**“Creditor”** means any Person having a Claim, but only with respect to and to the extent of such Claim, including the transferee or assignee of a transferred Claim that is recognized as a Creditor in accordance with the Claims Orders or a trustee, executor, liquidator, receiver, receiver and manager, or other Person acting on behalf of or through such Person, and shall include the Former Employee Priority Creditors.

**“Creditor Joinder”** means a joinder to the Settlement and Support Agreement, substantially in the form annexed thereto as Annex D.

**“Creditor’s Maximum”** has the meaning ascribed thereto in Section 3.5(b) of the Plan.

**“Crossover Bondholder”** means a holder of one or more Crossover Bonds, including any holder of a beneficial interest in Crossover Bonds.

**“Crossover Bondholder Claim”** means a Claim by a Crossover Bondholder in respect of the Crossover Bonds, including as asserted by the Crossover Bonds Trustee.



“**Crossover Bonds**” means the 2006 Bonds and the 2007 Bonds.

“**Crossover Bonds Indentures**” means: (i) the Indenture dated as of March 28, 2007, by NNC as issuer and NNL and NNI as guarantors, governing the 2007 Bonds; (ii) the Indenture dated as of July 5, 2006, as supplemented by the First Supplemental Indenture dated as of July 5, 2006, the Second Supplemental Indenture dated as of May 1, 2007, and the Third Supplemental Indenture dated as of May 28, 2008, by NNL as issuer and NNC and NNI as guarantors, governing the 2006 Bonds, in each case with the Crossover Bonds Trustee as trustee.

“**Crossover Bonds Trustee**” means The Bank of New York Mellon in its capacity as indenture trustee under the Crossover Bonds Indentures.

“**Crossover Claim**” means a claim arising out of a debt or other obligation of one or more of the U.S. Debtors that is guaranteed or indemnified by one or more of the Canadian Debtors, or a debt or other obligation of one or more of the Canadian Debtors that is guaranteed or indemnified by one or more of the U.S. Debtors, including the Crossover Bondholder Claims, the NNCC Bondholder Claims and the claims of Export Development Canada against the U.S. Debtors and the Canadian Debtors, but excluding, in relation to the Canadian Debtors, any obligation of a Canadian Debtor guaranteed by another Canadian Debtor.

“**Directors**” means all former directors (or their estates) of the Canadian Debtors, in such capacity, and “**Director**” means any one of them.

“**Directors’ Charge**” has the meaning ascribed thereto in the Initial Order.

“**Director/Officer Claim**” means any right or claim of any Person howsoever arising against one or more of the Directors or Officers that relates to a Claim for which any Director or Officer of a Canadian Debtor is alleged to be by statute or otherwise by law liable to pay in his or her capacity as a Director or Officer, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any claim, matter, action, cause or chose in action, whether existing at present or commenced in the future, and shall include any “Director/Officer Claim” (as such term is defined in the Claims Procedure Order without any reference to the exclusion of any claims in such definition).

“**Distribution Date**” means the date or dates from time to time set in accordance with the provisions of the Plan to effect distributions in respect of the Proven Affected Unsecured Claims, and includes the Initial Distribution Date.

“**Distribution Record Date**” has the meaning ascribed thereto in Section 6.3(b) of the Plan.

“**Duplicative Claims**” has the meaning ascribed thereto in Section 2.2(d) of the Plan.

“**EI Act**” means the *Employment Insurance Act* (S.C. 1996, c. 23, as amended).

“**EI Confirmation**” means, in respect of a Compensation Creditor, confirmation from Employment and Social Development Canada of the amount, if any, owing by such Compensation Creditor pursuant to Section 45 of the EI Act.

“**EMEA Claims Settlement Agreement**” means the Agreement Settling EMEA Canadian Claims and Related Claims dated July 9, 2014, and approved by Order (Approving Agreement Settling EMEA Canadian Claims and Related Claims) of the CCAA Court dated July 16, 2014.

“**EMEA Non-Filed Entities**” means, collectively, Nortel Networks AS, Nortel Networks AG, Nortel Networks South Africa (Pty) Limited, Nortel Networks (Northern Ireland) Limited and Nortel Networks Optical Components Limited.

“**Encumbrance**” means any charge, mortgage, lien, pledge, claim, restriction, hypothec, adverse interest, security interest or other encumbrance whether created or arising by agreement, statute or otherwise at law, attaching to property, interests or rights and shall be construed in the widest possible terms and principles known under the law

applicable to such property, interests or rights and whether or not they constitute specific or floating charges as those terms are understood under the laws of the Province of Ontario.

**“Equity Claim”** means a Claim that is in respect of an Equity Interest, including a claim for, among others: (a) a dividend or similar payment, (b) a return of capital, (c) a redemption or retraction obligation, (d) a monetary loss resulting from the ownership, purchase or sale of an Equity Interest or from the rescission, or, in Quebec, the annulment, of a purchase or sale of an Equity Interest, or (e) contribution or indemnity in respect of a claim referred to in any of the foregoing (a) to (d).

**“Equity Claimant”** means any Person with an Equity Claim or holding an Equity Interest, but only in such capacity.

**“Equity Interest”** means a share of a Canadian Debtor, or a warrant or option or another right to acquire a share in a Canadian Debtor, including the common shares of NNC and the preferred shares of NNL.

**“Escrow Agents”** means JPMorgan Chase Bank, N.A., the Canadian Escrow Agent and any other “Escrow Agent” as defined in the Settlement and Support Agreement.

**“Escrow Agreements”** means the various court-approved escrow agreements listed in Schedule A to the Plan pursuant to which the Sale Proceeds are held by the Escrow Agents, and shall include the Canadian Escrow Agreement and any other “Escrow Agreement” as such term is defined in the Settlement and Support Agreement.

**“Estate”** means either the Canadian Estate, the U.S. Debtors, or the EMEA Debtors (or any of them), as the context requires.

**“Final Distribution Certificate”** means a certificate of the Monitor to be posted by the Monitor on the Monitor’s Website indicating that the Canadian Estate intends to make a Final Distribution, a copy of which shall be served on the service list in the CCAA Proceedings and filed with the CCAA Court.

**“Final Order”** means (a) with respect to an order of a Canadian Court, an order: (i) as to which no appeal, leave to appeal, notice of appeal, motion to amend or make additional findings of fact, motion to alter or amend judgment, motion for rehearing or motion for new trial has been timely filed (in cases in which there is a date by which such filing is required to occur, it being understood that with respect to an order issued by the CCAA Court, the time period for seeking leave to appeal shall be deemed to have elapsed on the date that is 22 days after the rendering of such order unless a motion has been made to extend such time period) or, if any of the foregoing has been timely filed, it has been disposed of in a manner that upholds and affirms the subject order in all material respects without the possibility for further appeal thereon; (ii) in respect of which the time period for instituting or filing an appeal, leave to appeal, motion for rehearing or motion for new trial shall have expired (in cases in which such time period is capable of expiring, it being understood that with respect to an order issued by the CCAA Court, the time period for seeking leave to appeal shall be deemed to have elapsed on the date that is 22 days after the rendering of such order unless a motion has been made to extend such time period); and (iii) as to which no stay is in effect; or (b) with respect to an order of a U.S. Court, an order that has not been reversed, stayed, superseded or vacated or, to the extent it has been stayed such stay shall have expired.

**“Former Employee Priority Creditors”** means the former employees of the Canadian Debtors who are entitled to a CA\$3,000 priority claim in these CCAA Proceedings in lieu of receiving their Termination Payment pursuant to the Order (Stay Extension and Various Other Matters – March 2016) of the CCAA Court dated March 18, 2016.

**“French Liquidator”** means Maître Cosme Rogeau in his capacity as Liquidator for NNSA under the French Secondary Proceeding.

**“Iceberg”** means the residual intellectual property remaining following the Nortel Group business line sales, which intellectual property was sold to a consortium in July 2011.

**“Iceberg Amendment Fee”** means the \$5,000,000 cumulative fee previously agreed by the Canadian Debtors, U.S. Debtors and EMEA Debtors to be funded directly as follows: \$2,800,000 to NNI, and \$2,200,000 to NNUK, all from the Iceberg Sale Proceeds prior to any other agreed upon allocation of the Sale Proceeds.

“**Iceberg Sale**” means the sale of the Iceberg assets.

“**Iceberg Sale Proceeds**” means that portion of the Sale Proceeds generated from the Iceberg Sale.

“**Indenture Trustee**” means each of the 1988 Bonds Trustee, the Crossover Bonds Trustee and the NNCC Bonds Trustee.

“**Initial Distribution**” means the first distribution to Affected Unsecured Creditors pursuant to Section 6.3 of the Plan.

“**Initial Distribution Date**” means the date on which the Initial Distribution is made, which date shall be a Business Day.

“**Inter-company Charge**” has the meaning ascribed thereto in the Initial Order.

“**Insurance Policy**” means any insurance policy pursuant to which any Canadian Debtor or any Director or Officer is insured.

“**Insured Claim**” means all or that portion of a Claim or a Director/Officer Claim that is insured under an Insurance Policy, but solely to the extent that such Claim or Director/Officer Claim, or portion thereof, is so insured, and only as against such insurance.

“**Intercompany Claims**” means a Claim by a Nortel Group entity (including by any administrator, liquidator, receiver, trustee, office holder or similar official appointed in respect thereof) against a Canadian Debtor, including those unsecured intercompany claims against the Canadian Debtors set out on Schedule “C” to the Plan.

“**Joint Liquidators**” means Richard Barker and Joseph Luke Charleton as joint liquidators of Nortel Networks (Northern Ireland) Limited (in liquidation) and Richard Barker and Samantha Keen as joint liquidators of Nortel Networks Optical Components Limited (in liquidation).

“**M&A Cost Reimbursement**” means the reimbursement of certain costs related to fees and expenses incurred in connection with the sale of assets which generated the Sale Proceeds.

“**Managerial Plan**” means the Nortel Networks Limited Managerial and Non-Negotiated Pension Plan (Registration No. 0342048).

“**Meeting**” means the meeting of the Affected Unsecured Creditors Class to be held on the Meeting Date called pursuant to the Meeting Order for the purpose of considering and voting on the Plan pursuant to the CCAA, and includes any adjournment, postponement or other rescheduling of such meeting in accordance with the Meeting Order.

“**Monitor’s Powers Orders**” means the following orders of the CCAA Court: (i) the Initial Order; (ii) the Claims Orders; (iii) the Order dated August 14, 2009; (iv) the Order (Monitor’s Expansion of Power Order #2) dated October 3, 2014; (v) the Order (New Applicants) dated March 18, 2016; and (vi) the Meeting Order.

“**MSS**” means Nortel’s North American, CALA and Asian Multi-Service Switch business.

“**Negotiated Plan**” means the Nortel Networks Negotiated Pension Plan (Registration No. 08587766).

“**NNC**” means Nortel Networks Corporation, a Canadian Debtor.

“**NNCC**” means Nortel Networks Capital Corporation, a U.S. Debtor.

“**NNCC Bondholder**” means a holder of one or more NNCC Bonds, including any holder of a beneficial interest in NNCC Bonds.

“**NNCC Bondholder Claim**” means a Claim of an NNCC Bondholder in respect of the NNCC Bonds, including as asserted by the NNCC Bonds Trustee.

“**NNCC Bondholder Signatories**” means the holders of NNCC Bonds that executed the Settlement and Support Agreement as parties thereto.

“**NNCC Bonds**” means the 7.875% Notes due 2026 governed by the NNCC Bonds Indenture, issued by Northern Telecom Capital Corporation (now NNCC) and guaranteed by Northern Telecom Limited (now NNL).

“**NNCC Bonds Indenture**” means the Indenture dated as of February 15, 1996, by Northern Telecom Capital Corporation (now NNCC) as issuer, Northern Telecom Limited (now NNL) as guarantor and The Bank of New York, as trustee, governing the NNCC Bonds.

“**NNCC Bonds Trustee**” means Law Debenture Trust Company of New York in its capacity as replacement trustee under the NNCC Bonds Indenture.

“**NNI**” means Nortel Networks Inc., a U.S. Debtor.

“**NNL**” means Nortel Networks Limited, a Canadian Debtor.

“**Nortel Group**” means, collectively, NNC and all of its present and former direct and indirect subsidiaries.

“**Officers**” means all former officers (or their estates) of the Canadian Debtors, in such capacity, and “**Officer**” means any one of them.

“**Order**” means any order of the Canadian Court made in connection with the CCAA Proceedings.

“**Other Canadian Debtors**” means the Canadian Debtors other than NNL.

“**Participating Creditors**” has the meaning ascribed thereto in the Settlement and Support Agreement.

“**Person**” means any individual, firm, corporation, limited or unlimited liability company, general or limited partnership, association, trust, unincorporated organization, union, joint venture, government or any agency, officer or instrumentality thereof or any other entity.

“**Personnel Files Agreement**” means that certain Agreement re: Hard Copy Personnel Files dated December 3, 2015, among certain of the Canadian Debtors, the Monitor, certain of the U.S. Debtors and Morneau Shepell Ltd. in its capacity as administrator of the Canadian Registered Pension Plans and not in its personal capacity.

“**Plan**” means the Plan of Compromise and Arrangement filed by the Canadian Debtors under the CCAA, as it may be amended, supplemented or restated from time to time in accordance with the terms hereof.

“**Plan Certificates**” has the meaning ascribed to such term in Section 9.1 of the Plan.

“**Plan Effective Conditions**” has the meaning ascribed thereto in Section 9.2 of the Plan.

“**Plan Effective Date**” means the date which is the first Business Day on which the Plan Effective Conditions have been satisfied or waived in accordance with the terms of the Plan.

“**Plan Implementation Conditions**” means the conditions set out in Section 9.3 of the Plan.

“**Plan Implementation Date**” means the date which is the first Business Day on which the Plan Implementation Conditions have been satisfied or waived in accordance with the terms of the Plan.

“**Post-Filing Claim**” has the meaning ascribed thereto in the Post-Filing Claims Bar Date Order.

“**Post-Filing Claims Bar Date Order**” means the Order of the CCAA Court to be requested that establishes a claims bar date for Post-Filing Claims and a procedure to resolve any Post-Filing Claims.

“**Post-Filing Date Interest**” means interest or a similar amount on a Claim accruing or relating to the period from and after the Filing Date, and includes (i) a make whole premium, early redemption payment, optional redemption

payment, no-call payment or similar amount, and (ii) any interest accruing or relating to the period from and after the Filing Date that purports to be included as a component of a liquidated damages or similar provision under an agreement.

**“Proof of Claim”** has the meaning ascribed thereto in the Claims Orders.

**“Proven Affected Unsecured Claim”** means any Affected Unsecured Claim or portion thereof that has been finally determined to be a “Proven Claim” (as that term is defined in the Claims Orders) for distribution purposes, and includes the Claims referenced in Sections 4.4 through 4.10 of the Plan (excluding, for the avoidance of doubt, the Remaining Revolver Claim and the Canadian Intercompany Claims).

**“Proven NNUK Claim”** has the meaning ascribed thereto in Section 4.8 of the Plan.

**“Proven Priority Claims”** means: (i) the \$62,700,000 Remaining Revolver Claim of NNI; (ii) the CA\$3,000 (subject to applicable withholdings) payment to each Former Employee Priority Creditor in respect of any entitlement to an outstanding Termination Payment; and (iii) any other Claim or Post-Filing Claim established pursuant to an order of the CCAA Court and allowed as a proven priority claim against the Canadian Estate entitled to be paid in full, or otherwise entitled to be paid in priority to Proven Affected Unsecured Claims.

**“Records Assistance Side Letter”** means that certain letter agreement re: records assistance dated October 12, 2016 between the Joint Administrators and the Canadian Debtors.

**“Released Director/Officer Claim”** means any Director/Officer Claim that is not a Non-Released Claim.

**“Remaining Revolver Claim”** has the meaning ascribed thereto in the CFSA.

**“Required Majority”** means, with respect to the Affected Unsecured Creditors Class, a majority in number of Affected Unsecured Creditors holding Voting Claims representing at least two thirds in value of the Voting Claims of Affected Unsecured Creditors, in each case who are entitled to vote at the Meeting in accordance with the Meeting Order and who are present and voting in person or by proxy on the resolution approving the Plan at the Meeting.

**“Residual IP”** means certain remaining intellectual property assets of Nortel including its approximately 7,000 patent portfolio.

**“Sale Proceeds”** means the remaining sale proceeds generated by the sales of the various Nortel Group business lines and the Iceberg Sale between 2009 and 2011 plus interest accrued thereon, being approximately \$7,254,279,269 as at July 31, 2016 (excluding, for the avoidance of doubt, the Iceberg Amendment Fee and the M&A Cost Reimbursement).

**“Sanction Order”** means the Order of the CCAA Court sanctioning and approving the Plan.

**“Settlement and Support Agreement Releases”** means the “Releases” as such term is defined in the Settlement and Support Agreement.

**“Tax”** or **“Taxes”** means any and all federal, provincial, municipal, local and foreign taxes, assessments, reassessments and other Governmental Entity charges, duties, impositions and liabilities including for greater certainty taxes based upon or measured by reference to income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, withholding, business, franchising, property, development, occupancy, employer health, payroll, employment, health, social services, education and social security, all surtaxes, all customs duties and import and export taxes, all licence, franchise and registration fees and all employment insurance, health insurance and Canada, Quebec and other government pension plan premiums or contributions, together with all interest, penalties, fines and additions with respect to such amounts.

**“Taxing Authorities”** means Her Majesty the Queen in right of Canada, Her Majesty the Queen in right of any province or territory of Canada, the Canada Revenue Agency, any similar revenue or taxing authority of Canada and each and every province or territory of Canada and any political subdivision thereof, the United States Internal Revenue Service, any similar revenue or taxing authority of the United States and each and every state of the United

States, and any Canadian, United States or other Governmental Entity exercising taxing authority or power, and **“Taxing Authority”** means any one of the Taxing Authorities.

**“U.K. Court”** means the High Court of Justice of England and Wales in London, any court hearing appeals therefrom and any other court of competent jurisdiction overseeing the EMEA Proceedings from time to time, including any appeals.

**“U.S. Distribution Agent”** means JPMorgan Chase Bank, N.A.

**“U.K. Pension Trustee”** means the Nortel Networks UK Pension Trust Limited as trustee of the Nortel Networks Pension Plan (U.K.).

**“U.S. Bankruptcy Court”** means the United States Bankruptcy Court for the District of Delaware.

**“U.S. Plans”** means the Chapter 11 of the United States Bankruptcy Code plans (including any exhibits, annexes and schedules thereto) for the U.S. Debtors that effectuate the settlement contemplated by the Settlement and Support Agreement, consistent with the terms of the Settlement and Support Agreement, as they may be modified or supplemented in accordance with their terms.

**“U.S. Proceedings”** means, collectively, those insolvency proceedings that were commenced before the U.S. Bankruptcy Court on or after January 14, 2009 in respect of the U.S. Debtors pursuant to Chapter 11 of the United States Bankruptcy Code.

**“Unaffected Creditor”** means a Creditor or other Person who holds an Unaffected Claim, but only in respect of and to the extent of such Unaffected Claim.

**“Unavailable Cash”** means any Cash of the Canadian Debtors that has been identified or described by the Monitor as “Unavailable Cash” in its reports to the CCAA Court.

**“Unresolved Affected Unsecured Claim”** means an Affected Unsecured Claim which on the Initial Distribution Date or any subsequent Distribution Date, in whole or in part: (i) has not been finally determined to be a Proven Affected Unsecured Claim in accordance with the Claims Orders; (ii) is validly disputed in accordance with the Claims Orders; and/or (iii) remains subject to review and/or resolution in accordance with the Claims Orders, including both as to proof and/or quantum.

**“Unresolved Claims Reserve”** means a reserve of Available Cash to be held by the Canadian Estate (in an amount to be calculated by the Monitor on the Initial Distribution Date, and recalculated as at any subsequent Distribution Date) equal to (i) the amount that would have been paid if the full amount of all Unresolved Affected Unsecured Claims had been Proven Affected Unsecured Claims as of such date, plus (ii) the full amount of any unresolved Post-Filing Claims filed in accordance with the Post-Filing Claims Bar Date Order, or, in each case, such lesser amount as may be ordered by the CCAA Court.

**“Voting Claim”** shall have the meaning ascribed to such term in the Meeting Order.

## SCHEDULE "C" – EXCHANGE RATES

Currency conversion factors

Source: Reuters, January 14, 2009

		CAD per unit of Currency				
CAD	Canadian Dollar	1		LTL	Lithuanian Litas	0.46830925
USD	United States Dollar	1.22025		LVL	Latvian Lats	2.29456567
EUR	Euro	1.6170753		MAD	Moroccan Dirham	0.14500201
GBP	United Kingdom: Pnd Ster	1.77741615		MXN	Mexican Peso	0.08842392
JPY	Japan: Yen	0.01362647		MYR	Malaysian Ringgit	0.34156754
				NGN	Nigerian Naira	0.00816494
				NOK	Norwegian Krone	0.17167276
				NZD	New Zealand Dollar	0.6711375
				OMR	Oman: Rial Omani	3.16980987
AED	United Arab Emir.: Dirham	0.33221709		PAB	Panama: Balb0A	1.22025
ARS	Argentine Peso	0.35410621		PEN	Peru: Nuevo Sol	0.3889243
AUD	Australian Dollar	0.82275356		PGK	Papua New Guinea Kina	0.4671117
BBD	Barbados Dollar	0.61319095		PHP	Philippine Peso	0.02592415
BDT	Bangladeshi Taka	0.01772331		PKR	Pakistan Rupee	0.015414
BGN	Bulgaria: New Lev	0.82683968		PLN	Poland: Zloty	0.39077386
BOB	Bolivian Boliviano	0.17345416		PYG	Paraguay: Guarani	0.0002498
BRL	Brazilian Real	0.52726527		QAR	Qatar: Qatari Rial	0.33516446
CHF	Swiss Franc	1.09468915		RON	New Romania Leu	0.37703348
CLP	Chilean Peso	0.0019827		RUB	Russian Ruble	0.03847246
CNY	China: Yuan Renminbi	0.17854268		SAR	Saudi Arabia: Saudi Riyal	0.32539566
COP	Colombian Peso	0.00054867		SEK	Swedish Krona	0.14788041
CRC	Costa Rican Colon	0.00219273		SGD	Singapore Dollar	0.82052921
CZK	Czech Koruna	0.06004872		THB	Thailand: Baht	0.03495417
DKK	Danish Krone	0.21701242		TND	Tunisian Dinar	0.89144172
DOP	Dominican Peso	0.03444601		TRY	New Turkish Lira	0.76914592
DZD	Algerian Dinar	0.01682672		TTD	Trinidad & Tobago Dollar	0.19524
EEK	Estonian Kroon	0.10334226		UAH	Ukraine: Hryvnia	0.13945714
EGP	Egyptian Pound	0.22086973		UYU	Uruguay: Peso	0.05016444
FJD	Fiji Dollar	0.67418812		VEF	Bolivar Fuerte	0.56827178
GTQ	Guatemala: Quetzal	0.15495238		VND	Vietnam: Dong	0.00006981
HKD	Hong Kong Dollar	0.15732068		XCD	East Caribbean Dollar	0.4587406
HUF	Hungary: Forint	0.00583154		ZAR	South Africa: Rand	0.12249969
IDR	Indonesia: Rupiah	0.00010993		ZMK	Zambia: Kwacha	0.00024601
ILS	Israel: Shekel	0.31449742				
INR	Indian Rupee	0.02499872				
ISK	Iceland Krona	0.00966994				
JMD	Jamaican Dollar	0.01515838				
JOD	Jordanian Dinar	1.72084329				
KPW	North Korean Won	0.00853023				
KRW	Republic Of Korea: Won	0.00090543				
KWD	Kuwaiti Dinar	4.28157891				
LBP	Lebanese Pound	0.00080945				
LKR	Sri Lanka Rupee	0.01072276				

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