

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR. JUSTICE) TUESDAY, THE 24TH DAY OF
)
NEWBOULD) JANUARY, 2017
)

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
NORTEL NETWORKS CORPORATION, NORTEL NETWORKS LIMITED,
NORTEL NETWORKS GLOBAL CORPORATION, NORTEL NETWORKS
INTERNATIONAL CORPORATION, NORTEL NETWORKS
TECHNOLOGY CORPORATION, NORTEL COMMUNICATIONS INC.,
ARCHITEL SYSTEMS CORPORATION AND NORTHERN TELECOM CANADA
LIMITED**

**APPLICATION UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

SANCTION ORDER

THIS MOTION made by Nortel Networks Corporation ("NNC"), Nortel Networks Limited ("NNL"), Nortel Networks Technology Corporation, Nortel Networks Global Corporation, Nortel Networks International Corporation, Nortel Communications Inc., Architel Systems Corporation and Northern Telecom Canada Limited (collectively, the "**Canadian Debtors**") jointly with Ernst & Young Inc. in its capacity as monitor of the "**Canadian Debtors**") for the relief set out in the Notice of Motion dated January 20, 2017, including sanctioning the Plan of Compromise and Arrangement pursuant to the *Companies' Creditors Arrangement Act* concerning, affecting and involving the Canadian Debtors dated November 30, 2016 (as the same may be amended, varied or supplemented from time to time in accordance with the terms thereof, the "**Plan**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the One Hundred and Thirty Fifth Report of the Monitor dated January 20, 2017 (the “**Report**”), the Forty Second Report of the Monitor dated March 30, 2010, and the Notice of Intention to Appear and Submission for Anticipated January 24, 2017 Fairness Hearing to Sanction the Nortel CCAA Plan from Greg McAvoy and Jennifer Holley (the “**LTD Objectors**”), and on hearing submissions of counsel for the Monitor and counsel for those other parties present and the LTD Objectors, no one appearing for any other person on the service list or otherwise served with the motion although duly served as appears from the affidavit of Christopher Armstrong sworn January 23, 2017, filed.

SERVICE

1. **THIS COURT ORDERS** that the time for the service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

DEFINED TERMS, CURRENCY AND INTERPRETATION OF THIS ORDER

2. **THIS COURT ORDERS** that capitalized terms used herein and not otherwise defined shall have the meaning given to them in the Plan.
3. **THIS COURT ORDERS** that, unless otherwise specified, all amounts referred to herein are in U.S. dollars.
4. **THIS COURT ORDERS** that for purposes of this Order the use of words in the singular or plural, or with a particular gender, including a definition, shall not limit the scope or exclude the application of any provision of this Order to such Person (or Persons) or circumstances as the context otherwise permits.
5. **THIS COURT ORDERS** that for purposes of this Order the words “includes” and “including” and similar terms of inclusion shall not, unless expressly modified by the words “only” or “solely”, be construed as terms of limitation, but rather shall mean “includes but is not limited to” and “including but not limited to”, so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive.

6. **THIS COURTS ORDERS** that under this Order any reference to a statute or other enactment of parliament or a legislature or Governmental Entity includes all regulations made thereunder, all amendments to or re-enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation.

NOTICE AND MEETING

7. **THIS COURT ORDERS AND DECLARES** that there has been good and sufficient notice, service and delivery of the Meeting Materials (as defined in the Plan Filing and Meeting Order granted by this Court on December 1, 2016 (the “**Meeting Order**”)) and that the Meeting was duly called, convened, held and conducted, all in conformity with the CCAA and the Orders of this Court made in the CCAA Proceedings, including, without limitation, the Meeting Order.

SANCTION OF THE PLAN

8. **THIS COURT ORDERS AND DECLARES** that:

- (a) the Plan has been approved by the Required Majority of Affected Unsecured Creditors with Voting Claims as required by the Meeting Order and the Plan, and in conformity with the CCAA;
- (b) the Canadian Debtors have complied with the provisions of the CCAA and the Orders of the Court made in the CCAA Proceedings in all respects;
- (c) the Court is satisfied that the Canadian Debtors have not done or purported to do anything that is not authorized by the CCAA; and
- (d) the Canadian Debtors have acted in good faith and with due diligence, and the Plan and the Settlement and Support Agreement incorporated therein are fair and reasonable.

9. **THIS COURT ORDERS** that the Plan is hereby sanctioned and approved pursuant to Section 6 of the CCAA.

10. **THIS COURT ORDERS AND DECLARES** that the Plan and all associated steps, compromises, transactions, arrangements, agreements, 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 (including the Canadian Estate), 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. The fact that this Order does not refer to a specific provision of the Plan shall not diminish or impair the effectiveness of such provision, it being the intent of the Court that the Plan be approved in its entirety.

SUBSTANTIVE CONSOLIDATION OF CANADIAN DEBTORS

11. **THIS COURT ORDERS** that all assets and liabilities of the Canadian Debtors be and are hereby substantively consolidated into the Canadian Estate. Without limiting the generality of the foregoing provision, on the Plan Effective Date:
- (a) NNL shall be the corporate body through which the transactions and other steps involving the Canadian Estate contemplated by the Plan and the wind-down and continuing administration of the Canadian Estate shall be conducted, it being understood that each Other Canadian Debtor shall continue to exist and maintain its independent corporate form;
 - (b) all assets and rights of the Other Canadian Debtors (but excluding the Canadian Intercompany Claims) shall vest absolutely in NNL free and clear of any Claim, Post-Filing Claim or Encumbrance except for the obligations of the Canadian Debtors (including the Canadian Estate) pursuant to or recognized under the Plan;
 - (c) NNL is hereby appointed as attorney in fact of each of the Other Canadian Debtors, authorized to take all steps and actions necessary for and on behalf of the Other Canadian Debtors and to execute any and all documents and make

any and all filings for and on behalf of each of the Other Canadian Debtors as may be necessary or desirable; and

- (d) subject to the qualifications under the Plan regarding Duplicative Claims, all Proven Affected Unsecured Claims (whether now existing or hereafter coming into existence) against the Other Canadian Debtors shall be deemed to be claims against NNL.

- 12. **THIS COURT ORDERS** that as a result of the substantive consolidation of the Canadian Debtors:

- (a) Each Canadian Registered Pension Plan shall only have one Proven Affected Unsecured Claim against the Canadian Estate in the respective amounts specified in Section 4.4 of the Plan;
- (b) Holders of Crossover Bonds that were issued by one Canadian Debtor and guaranteed by another Canadian Debtor shall only have one Proven Affected Unsecured Claim against the Canadian Estate in the aggregate respective amounts specified on Schedule “B” to the Plan;
- (c) Creditors shall not be permitted to have Duplicative Claims against the Canadian Estate; and
- (d) 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.

- 13. **THIS COURT ORDERS** that for purposes of the Plan, the Canadian Intercompany Claims shall be treated as Unaffected Claims and shall not be entitled to any distributions thereunder. Subject to the foregoing sentence and notwithstanding any other provision of the Plan or this Order, nothing in the Plan or this Order shall affect, impair or settle the Canadian Intercompany Claims and the

Canadian Intercompany Claims shall remain in place unaffected by the Plan in all respects following the Plan Effective Date.

SETTLEMENT AND SUPPORT AGREEMENT

14. **THIS COURT ORDERS** that the Settlement and Support Agreement, including the resolution of the Allocation Dispute and the Settlement and Support Agreement Releases described therein, be and is hereby approved in its entirety. The fact that this Order does not describe or include any particular provision of the Settlement and Support Agreement shall not diminish or impair the effectiveness of such provision, it being the intent of the Court that the Settlement and Support Agreement be approved in its entirety.

15. **THIS COURT ORDERS** that the execution and delivery of the Settlement and Support Agreement by the Canadian Debtors and the Monitor is hereby authorized and approved *nunc pro tunc* and the performance by the Canadian Debtors and the Monitor of their respective obligations thereunder is hereby approved. The Canadian Debtors and the Monitor are hereby authorized to take such steps and execute such additional documents as may be necessary or desirable to effectuate and implement the terms of the Settlement and Support Agreement.

16. **THIS COURTS ORDERS** that, without limiting the generality of paragraphs 14 and 15 hereof, on the Plan Effective Date the Canadian Debtors and Monitor be and are hereby authorized to take such steps as may be necessary to effect the following distributions from the Escrow Accounts, all in accordance with and subject to the terms of the Settlement and Support Agreement, including Section 2 thereof:

- (a) payments of \$35,000,000 to NNL, and \$20,000,000 to NNI, shall be made from the Iceberg Escrow Account in satisfaction of the M&A Cost Reimbursement;

- (b) payments of \$2,800,000 to NNI, and \$2,200,000 to NNUK, shall be made from the Iceberg Escrow Account in satisfaction of the Iceberg Amendment Fee; and
- (c) after making the payments described in paragraphs (a) and (b) above, the Sale Proceeds shall be allocated and paid from the Escrow Accounts on and subject to the terms of the Settlement and Support Agreement as follows:
 - (i) Canadian Debtors: 57.1065%, being \$4,142,665,131 as at July 31, 2016;
 - (ii) U.S. Debtors: 24.350%, being \$1,766,417,002 as at July 31, 2016;
 - (iii) EMEA Debtors (excluding NNUK and NNSA): 1.4859%, being \$107,788,879 as at July 31, 2016;
 - (iv) NNUK: 14.0249%, being \$1,017,408,257 as at July 31, 2016, subject to adjustment as contemplated in Section 2(c)(v) of the Settlement and Support Agreement; and
 - (v) NNSA: \$220,000,000.

17. **THIS COURT ORDERS** that, for the avoidance of doubt, all distributions from the Escrow Accounts (including the specific amounts to be distributed to each of the Canadian Debtors, the U.S. Debtors and the EMEA Debtors) shall be strictly in accordance with the Settlement and Support Agreement. To the extent of any conflict between the provisions of the Settlement and Support Agreement, the Plan or this Order as relates to distributions from the Escrow Accounts, the provisions of the Settlement and Support Agreement shall govern in all respects.

18. **THIS COURT ORDERS** that within five (5) Business Days of the Plan Implementation Date the Canadian Estate shall make the following payments by wire transfer of immediately available funds in full satisfaction and discharge of the following:

- (a) \$62,700,000 to NNI in full satisfaction of the Remaining Revolver Claim;
- (b) \$77,500,000 to NNI in full satisfaction of the payment contemplated by Section 4(c) of the Settlement and Support Agreement, which payment shall not be subject to set-off pursuant to Section 3.13 of the Plan.

19. **THIS COURT ORDERS** that the Settlement and Support Agreement Releases given and received by the Canadian Debtors and the Monitor be and are hereby authorized and approved. The Settlement and Support Agreement Releases shall be binding on and enure to the benefit of the Canadian Debtors (including the Canadian Estate), the Monitor, the other Settlement Parties, the Participating Creditors and 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.

RELEASE OF CANADA ONLY SALE PROCEEDS AND UNAVAILABLE CASH

20. **THIS COURT ORDERS** that on the Plan Effective Date all amounts held by NNL pursuant to the Canada Only Sale Proceeds Orders or 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.

CERTAIN ACCEPTED CLAIMS

21. **THIS COURT ORDERS** that the following Creditors shall have the following accepted claims against the Canadian Estate pursuant to the Plan:

- (a) The total Proven Affected Unsecured Claim of Morneau Shepell Ltd. as Administrator of the Canadian Registered Pension Plans on account of the Managerial Plan shall be CA\$1,368,644,000, and the total Proven Affected Unsecured Claim on account of the Negotiated Plan shall be CA\$520,835,000;

- (b) The aggregate total of all Proven Affected Unsecured Claims on account of the Crossover Bonds shall be \$3,940,750,260, with the individual Proven Affected Unsecured Claims on account of the Crossover Bonds being as set forth on Schedule “B” to the Plan;
- (c) The Proven Affected Unsecured Claim on account of the NNCC Bonds shall be \$150,951,562;
- (d) UKPI shall have a single Proven Affected Unsecured Claim in the amount of £339,750,000 (being \$494,879,850 when converted to U.S. dollars in accordance with the Plan);
- (e) NNUK shall have a Proven Affected Unsecured Claim under the Plan in the amount of \$97,655,094, the amount of which may increase to \$122,655,094 solely in the circumstances set out in Section 2.2 of the EMEA Claims Settlement Agreement;
- (f) Nortel Networks SpA shall have a Proven Affected Unsecured Claim under the Plan in the amount of \$2,344,906; and
- (g) NNI shall have: (i) a Proven Affected Unsecured Claim under the Plan in the amount of \$2,000,000,000; and (ii) a Proven Priority Claim of \$62,700,000 on account of the Remaining Revolver Claim, which claims of NNI shall not be subject to set-off, off set, deduction, counterclaim, reduction, or challenge as to amount or validity.

NO DOUBLE-RECOVERY

22. **THIS COURT ORDERS** that no Creditor shall receive aggregate distributions from the Canadian Estate and any other Nortel Group entity on account of a Proven Affected Unsecured Claim and any related claim established against another Nortel Group entity (a “**Foreign Related Claim**”) in excess of 100% of the amount of such Proven Affected Unsecured Claim. Subject to further Order of the CCAA Court, the Canadian Estate and Monitor are authorized to delay and/or withhold

distributions to Creditors holding Foreign Related Claims pending receipt of documentation acceptable to the Monitor, acting reasonably, to allow it to confirm that a Creditor has not and will not receive amounts on account of its Proven Affected Unsecured Claim and any Foreign Related Claim in excess of 100% of the amount of such Proven Affected Unsecured Claim.

NO POST-FILING DATE INTEREST

23. **THIS COURT ORDERS** that no Post-Filing Date Interest will be included in any Proven Affected Unsecured Claims, Proven Priority Claims or any other Claims provable under the Plan, and no distributions will be made on account of Post-Filing Date Interest. For the avoidance of doubt, all claims for Post-Filing Date Interest shall be released, discharged and barred pursuant to the terms of the Plan and this Order.

PLAN IMPLEMENTATION

24. **THIS COURT ORDERS** that each of the Canadian Estate and the Monitor be and are hereby authorized and directed to perform their obligations and functions under the Plan, including the establishment of the Administrative Reserve and the Unresolved Claims Reserve, and to take all steps and actions and to do all things necessary or appropriate to implement the Plan in accordance with its terms and to enter into, execute, deliver, complete, implement and consummate all of the steps, transactions, distributions, disbursements, payments, deliveries, allocations, instruments and agreements contemplated pursuant to the Plan, and such steps and actions are hereby authorized, ratified and approved. None of the Canadian Debtors (including the Canadian Estate) or the Monitor shall incur any liability as a result of acting in accordance with the terms of the Plan and this Order, other than any liability arising out of the gross negligence or wilful misconduct of such parties.
25. **THIS COURT ORDERS AND DECLARES** that the Plan and all associated steps, compromises, settlements, transactions, arrangements, distributions and releases effected thereby are hereby approved, shall be deemed to be implemented

and shall be binding and effective as of the Plan Effective Date or the Plan Implementation Date, as the case may be, in accordance with the terms of the Plan or at such other time, times or manner as may be set forth in the Plan in the sequence provided therein, and shall enure to the benefit of and be binding and effective upon the Canadian Debtors (including the Canadian Estate), all Affected Creditors, the Released Parties and all other Persons named or referred to in, or subject to, the Plan.

26. **THIS COURT ORDERS** that the Monitor be and is hereby authorized to execute and deliver or serve (as the case may be):

- (a) on the Plan Effective Date, the Plan Certificate relating to the Plan to the U.S. Debtors substantially in the form attached hereto as Schedule “A”;
- (b) on the Plan Effective Date, the Plan Effectiveness Certificate to the service list in the CCAA Proceedings (the “**Service List**”) substantially in the form attached hereto as Schedule “B”; and
- (c) on the Plan Implementation Date, the Plan Implementation Certificate to the Service List substantially in the form attached hereto as Schedule “C”,

all on and subject to the terms contemplated by the Plan. The Monitor is hereby directed to file the Plan Effectiveness Certificate and the Plan Implementation Certificate with the Court as soon as reasonably practicable on or forthwith following the service of such certificate on the Service List and post copies of same on the Monitor’s Website.

27. **THIS COURTS ORDERS** that, notwithstanding: (i) the pendency of the CCAA Proceedings; (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.

28. **THIS COURT ORDERS AND DECLARES** that no shareholder approval is required in respect of the Canadian Debtors entry into or performance of the Plan, the Settlement and Support Agreement or any transaction, step or action contemplated by any of the foregoing or this Order and any such requirement for shareholder holder approval be and is hereby dispensed with.

COMPROMISE OF CLAIMS AND EFFECT OF PLAN

29. **THIS COURT ORDERS** that, on the Plan Effective Date, all Affected Claims shall be fully, finally, irrevocably and forever compromised, discharged, released, cancelled and barred with prejudice, and the ability of any Person to proceed against the Released Parties in respect of or relating to any Affected Claims shall be forever discharged, extinguished, released and restrained, and all proceedings with respect to, in connection with or relating to such Affected Claims shall permanently be stayed against the Released Parties, subject only to the right of Affected Creditors to seek to prove their claims pursuant to the Claims Orders and to receive distributions pursuant to the Plan in respect of their Affected Claims, in the manner and to the extent provided for in the Plan.

30. **THIS COURT ORDERS** that each Person named or referred to in, or subject to, the Plan shall be and is hereby deemed to have consented and agreed to all of the

provisions in the Plan, in its entirety, and each Person named or referred to in, or subject to, the Plan shall be and is hereby deemed to have executed and delivered to the Canadian Debtors all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out the Plan in its entirety.

31. **THIS COURT ORDERS** that, on the Plan Effective Date, subject to Section 7.2 of the Plan, all Released Claims shall be fully, finally, irrevocably and forever compromised, discharged, released, cancelled and barred with prejudice, and the ability of any Person to proceed against the Canadian Debtors (including the Canadian Estate), the Directors and Officers or any other Released Party in respect of or relating to any Affected Claims shall be forever discharged, extinguished, released and restrained, and all proceedings with respect to, in connection with or relating to such Affected Claims shall permanently be stayed against the Canadian Debtors, the Directors and Officers and any other Released Parties, subject only to the right of Affected Creditors to seek to prove their claims pursuant to the Claims Orders and to receive distributions pursuant to the Plan in respect of their Affected Claims, in the manner and to the extent provided for in the Plan.

32. **THIS COURT ORDERS** that nothing in the Plan shall be interpreted as extending or amending the Claims Orders or gives or shall be interpreted as giving any rights to any Person in respect of Claims or Post-Filing Claims that have been barred or extinguished pursuant to the Claims Orders. Any Affected Claim or Post-Filing Claim for which a Proof of Claim, dispute notice or other document has not been filed by the applicable bar date or other deadline established in accordance with the Claims Order, whether or not the holder of such Affected Claim or Post-Filing Claim has received actual notice of the Claims Order, shall be and is hereby forever barred, extinguished and released with prejudice. Without limiting the foregoing: (i) no Person shall be permitted to supplement, amend or assert any additional Claim or Post-Filing Claim, including a Compensation Claim, pursuant to an existing Proof of Claim, whether as to the nature and substance of any such claim or the amount of such claim and whether pursuant to a document authorized pursuant to a Claims Order, a pleading or other filing made in a claim dispute or otherwise; and

(ii) no Person (but excluding any current, whether active or inactive, employee of the Canadian Debtors) shall be permitted to file a Proof of Claim (whether in respect of a Claim, a Post-Filing Claim, or any other alleged liability of the Canadian Debtors or the Canadian Estate), in each case without the prior leave of this Court. To the extent any Person seeks to do either of the foregoing (i) or (ii), the Monitor shall notify such Person such act is a nullity and the sole recourse of such Person shall be to bring a motion before this Court to seek leave within seven (7) days of receiving such notice from the Monitor.

33. **THIS COURTS ORDERS** on the Plan Effective Date, the Plan shall be binding on all Equity Claimants and all Equity Claims shall be fully, finally, irrevocably and forever compromised, released, discharged and barred without any compensation of any kind whatsoever in accordance with the terms of the Plan.

34. **THIS COURT ORDERS** that notwithstanding paragraph 33 or any other provision of this Order or the Plan, NNC's common shares and NNL's preferred shares shall remain issued and outstanding following the Plan Effective Date.

35. **THIS COURT ORDERS AND DECLARES** that if, following the Plan Effective Date, a Bankruptcy Proceeding occurs in respect of the Canadian Debtors (or any of them or their assets, including the Canadian Estate), the Proven Affected Unsecured Claims compromised and released pursuant to the Plan and this Order shall be deemed to be reinstated in their full amounts solely for purposes of giving effect to any distributions to be made in such a Bankruptcy Proceeding, it being the intention that holders of Proven Affected Unsecured Claims under the Plan shall share rateably with holders of any additional claims (including any Post-Filing Claims) asserted against the Canadian Debtors (or any of them, including the Canadian Estate) in a Bankruptcy Proceeding, provided that any distributions made on account of Proven Affected Unsecured Claims pursuant to the Plan shall also be accounted for in any distributions in a Bankruptcy Proceeding. All Proven Affected Unsecured Claims pursuant to the Plan and the Claims Orders, including the claims set out in paragraph 21 hereof, shall be deemed to constitute proven claims in any

Bankruptcy Proceeding without any need for a Creditor to file an additional proof of claim in any such Bankruptcy Proceeding.

36. **THIS COURT ORDERS** that all Claims and Post-Filing Claims as finally resolved pursuant to the Claims Orders, including the claims set out in paragraph 21 hereof, shall be final and binding for all purposes in a Bankruptcy Proceeding without any ability on the part of any Creditor or any trustee in bankruptcy or receiver to further dispute, re-assert or re-litigate such claims in a Bankruptcy Proceeding.

CERTAIN DISTRIBUTION MATTERS

37. **THIS COURT ORDERS** that no Affected Unsecured Creditor shall be entitled to receive any distribution under the Plan with respect to an Unresolved Affected Unsecured Claim or any portion thereof unless and until, and then only to the extent that, such Claim is finally resolved in the manner set out in the applicable Claims Order and becomes a Proven Affected Unsecured Claim. Notwithstanding the foregoing: (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.

38. **THIS COURT ORDERS AND DECLARES** that the Canadian Estate shall be authorized, in connection with the making of any payment or distribution, and in connection with the taking of any step or transaction or performance of any function under or in connection with the Plan, to apply to any Governmental Entity for any consent, authorization, certificate or approval in connection therewith.

39. **THIS COURT ORDERS** that 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 under the Plan 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.

40. **THIS COURT ORDERS AND DECLARES** that any distributions, disbursements or payments made under the Plan (including, without limitation, distributions made to or for the benefit of the Affected Creditors and payments made on account of Proven Priority Claims) shall not constitute a “distribution” by any Person for the purposes of section 107 of the *Corporations Tax Act* (Ontario), section 22 of the *Retail Sales Tax Act* (Ontario), section 117 of the *Taxation Act*, 2007 (Ontario), section 34 of the *Income Tax Act* (British Columbia), section 104 of the *Social Service Tax Act* (British Columbia), section 49 of the *Alberta Corporate Tax Act*, section 22 of the *Income Tax Act* (Manitoba), section 73 of *The Tax Administration and Miscellaneous Taxes Act* (Manitoba), section 14 of *An Act respecting the Ministère du Revenu* (Quebec), section 85 of *The Income Tax Act*, 2000 (Saskatchewan), section 48 of *The Revenue and Financial Services Act* (Saskatchewan), section 56 of the *Income Tax Act* (Nova Scotia), section 159 of the *Canadian Tax Act*, section 270 of the *Excise Tax Act* (Canada), section 86 of the *Employment Insurance Act* (Canada), or any other similar federal, provincial or territorial tax legislation (collectively, the “**Tax Statutes**”), and the Canadian Estate, in making any such distributions, disbursements or payments, as applicable, is merely a disbursing agent under the Plan and is not exercising any discretion in making payments under the Plan and no Person is “distributing” such funds for the purpose of the Tax Statutes, and the Canadian Estate and any other Person, including the Monitor, shall not incur any liability under the Tax Statutes in respect

of distributions, disbursements or payments made by it and the Canadian Estate, the Monitor and any other Person is hereby forever released, remised and discharged from any claims against it under or pursuant to the Tax Statutes or otherwise at law, arising in respect of or as a result of distributions, disbursements or payments made by it in accordance with the Plan and any claims of this nature are hereby forever barred.

CURRENCY MATTERS

41. **THIS COURT ORDERS** that distributions to Creditors holding 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, and that for purposes of determining the amount of Canadian dollars to be paid by the Canadian Estate on distributions on a CAD Claim, the amount of such distribution in U.S. dollars (i.e. the relevant Pro-Rata Share in U.S. dollars) shall be converted to Canadian dollars at the Applicable FX Rate.

42. **THIS COURT ORDERS** that the Canadian Estate and the Monitor shall be authorized to effect such exchange(s) of currency between Canadian dollars and U.S. dollars as may be necessary to effect the distributions and other payments (including in respect of the continuing administration of the Canadian Estate) contemplated pursuant to the Plan in the currency contemplated for such distributions or payments.

ESTABLISHMENT OF RESERVES

43. **THIS COURT ORDERS** that on the Plan Implementation Date, the Canadian Estate be and is hereby authorized and directed to establish the Administrative Reserve from Available Cash in the amount of \$155 million or such other amount as may be determined by the Monitor and approved by the Court.

44. **THIS COURT ORDERS** that:

- (a) following the Plan Implementation Date and prior to the Initial Distribution Date, the Canadian Estate be and is hereby authorized and directed to establish the Unresolved Claims Reserve, including the individual claim reserve amounts (a “**Claim Reserve Amount**”) specified at Appendix “H” to the One Hundred and Thirty Fifth Report for each Unresolved Affected Unsecured Claim specified therein;
- (b) the maximum provable amount of any Unresolved Affected Unsecured Claim is hereby capped at the related Claim Reserve Amount and no holder of an Unresolved Affected Unsecured Claim shall be permitted to prove (or seek to prove) such claim for an amount in excess of the related Claim Reserve Amount or be entitled to a distribution pursuant to the Plan (or otherwise) on an Unresolved Affected Unsecured Claim in excess of the Pro-Rata Share applicable to the Claim Reserve Amount for such Unresolved Affected Unsecured Claim;
- (c) the reserve for the Post-Filing Claim of The Northern Trust Company, Canada is hereby fixed at CA\$1 million, which amount shall constitute the maximum Post-Filing Claim that can be established by The Northern Trust Company, Canada; and
- (d) the Monitor be at liberty to apply to this Court to address the Unresolved Claims Reserve to the extent any issues regarding reserves in respect of Unresolved Affected Unsecured Claims or Post-Filing Claims are not addressed to the satisfaction of the Monitor in its sole discretion.

45. **THIS COURT ORDERS** that neither the Canadian Estate nor the Monitor shall have any obligation to establish separate accounts or funds, or to otherwise segregate Available Cash, in respect of any of the Administrative Reserve, an Affected Unsecured Creditor Pool, the Unresolved Claims Reserve or any other reserve, cash pool, fund, payment or distribution contemplated under the Plan, provided that the Canadian Estate and the Monitor shall maintain appropriate

records in respect of the calculation and determination of all such reserves and cash pools.

PLAN RELEASES AND INJUNCTIONS

46. **THIS COURT ORDERS** that the releases set forth in Article 7 of the Plan be and are hereby approved and on the Plan Effective Date the Released Parties be and are hereby 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.

47. **THIS COURT ORDERS** that 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.

48. **THIS COURT ORDERS** that the releases provided for in Section 7.4 of the Plan be and are hereby authorized and approved.

CCAA CHARGES AND OTHER ENCUMBRANCES

49. **THIS COURT ORDERS** that on the Plan Effective Date each of the Charges (except for the Administration Charge) shall be and is hereby terminated, discharged, expunged and released, subject to, in the case of the Inter-company Charge (but solely to the extent it benefits NNI), payment of the Remaining Revolver Claim. For the avoidance of doubt, upon payment of the Remaining Revolver Claim, the Inter-company Charge shall be and is hereby terminated, discharged, expunged and released.

50. **THIS COURT ORDERS** that from and after the Plan Effective Date the Administration Charge shall continue as a first-ranking super-priority charge on the Property (as defined in the Initial Order) and the Canadian Estate's assets, undertakings and properties of every nature and kind whatsoever and wherever situated (including all proceeds thereof and including the Available Cash), ranking in priority to any other security interests, trusts, liens, charges or other Encumbrances in favour of any Person.

51. **THIS COURTS ORDERS** that on the Plan Effective Date all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system shall be expunged and discharged as against the Canadian Debtors (including the Canadian Estate) and all of the Property (as defined in the Initial Order).

52. **THIS COURT ORDERS** that on the Plan Effective Date all rights of the Directors and Officers pursuant to paragraphs 20 and 21 of the Initial Order be and are hereby released and discharged.

EXTENSION OF CCAA STAY AND ONGOING REPORTING TO THE COURT

53. **THIS COURT ORDERS** that, subject to further order of the Court, the Stay Period (as defined in the Initial Order) shall be and is hereby extended indefinitely. For the avoidance of doubt, the stay provided for in paragraphs 14 and 15 of the Initial Order and the other rights and protections afforded to the Canadian Debtors pursuant to the Initial Order shall extend to the Canadian Estate and the stay in favour of the Directors and Officers provided for in paragraph 19 of the Initial Order shall continue during the Stay Period notwithstanding the sanctioning of the Plan.
54. **THIS COURT ORDERS** that the Monitor shall serve on the Service List in the CCAA Proceedings and file with the 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.

55. **THIS COURT ORDERS AND DECLARES** 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 paragraph.

56. **THIS COURT ORDERS** that, for the avoidance of doubt, the Cross-Border Protocol and the Cross-Border Claims Protocol shall each remain in full force and effect in accordance with their respective terms.

CESSATION OF TOLLING

57. **THIS COURT ORDERS AND DECLARES** that the tolling of any Claims, Director/Officer Claims or other claims or rights pursuant to prior orders of this Court shall cease on the Plan Effective Date, without prejudice to the rights of Affected Unsecured Creditors with Proven Affected Unsecured Claims (whether

now existing or hereafter coming into existence) to receive all distributions contemplated by the Plan.

TERMINATION OF HARDSHIP PROCESS

58. **THIS COURTS ORDERS** that on the Plan Effective Date the Hardship Process shall be and is hereby terminated and that all remaining amounts, if any, relating to the Hardship Process shall become Available Cash.

STAKEHOLDER ADVISOR FEE ARRANGEMENTS

59. **THIS COURT ORDERS** that on the Plan Implementation Date the Bondholder Advisor Fee Letter shall be and is hereby terminated 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.

60. **THIS COURT ORDERS** that 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 instead shall be borne by the Compensation Creditors on the terms contemplated by Section 10.2(b) of the Plan. Notwithstanding the foregoing, the Canadian Estate shall pay the reasonable fees and expenses of Koskie Minsky LLP and their financial advisor for providing certain services relating to the Plan and distributions thereunder to Compensation Creditors for the twelve (12) month period following the Plan Implementation Date to a maximum of CA\$1.5 million on the terms that have been agreed to in writing between the Canadian Estate, the Monitor, Koskie Minsky LLP and their financial advisor.

61. **THIS COURT ORDERS** that the obligation of the Canadian Debtors to pay the fees and expenses of counsel to the Directors and Officers (whether pursuant to the Initial Order or otherwise) 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 counsel to the Directors and Officers from and after the Plan Implementation Date.

THE MONITOR

62. **THIS COURT ORDERS** that from and after the Plan Effective Date 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 and the Monitor shall be and is hereby authorized to continue such administration and wind-down, including, without limitation, to undertake the matters contemplated pursuant to Section 10.1 of the Plan.

63. **THIS COURT ORDERS** that, for the avoidance of doubt: (i) the Monitor shall continue to have all of the powers and protections granted to it by the Plan, the CCAA, the Monitor's Powers Orders and any other Order made in the CCAA Proceedings; and (ii) the Canadian Estate shall be an "Applicant" or "Canadian Debtor" for purposes of construing the Monitor's Powers Orders and any other Order made in the CCAA Proceedings.

64. **THIS COURT ORDERS** that, without limiting the provisions of the Monitor's Powers Orders or any other Order granted in the CCAA Proceedings, the Canadian Estate shall remain in possession and control of the Property (as defined in the Initial Order) and the Monitor shall not take possession or be deemed to be in possession and/or control of the Property.

65. **THIS COURT ORDERS AND DECLARES** that: (i) in carrying out the terms of this Order and the Plan, the Monitor shall have all the protections given to it by the CCAA, the Monitor's Powers Orders and any other order of this Court, including the stay of proceedings and other protections pursuant to paragraphs 14 and 15 of the Initial Order, in its favour; (ii) the Monitor shall incur no liability or obligation as a result of carrying out the provisions of this Order and/or the Plan, other than any liability arising out of or in connection with the gross negligence or wilful misconduct of the Monitor; (iii) the Monitor shall be entitled to rely on the books

and records of the Canadian Debtors; and (iv) the Monitor shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

66. **THIS COURT ORDERS** that none of the Monitor or its affiliates, shareholders, affiliate's shareholders (including Ernst & Young LLP, a Canadian limited liability partnership), employees, advisors, lawyers, representatives or agents shall incur any personal liability whatsoever whether on their own part or in respect of any failure on the part of any Canadian Debtor (including the Canadian Estate) to observe, perform or comply with any of its obligations under the Plan or under or in relation to any associated arrangements or negotiations.

MISCELLANEOUS

67. **THIS COURT ORDERS** that the Canadian Debtors (including the Canadian Estate) and the Monitor may apply to this Court from time to time for advice and direction with respect to any matter arising from or under the Plan or this Order.
68. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories of Canada and abroad as against all Persons against whom it may be enforced.
69. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, the United Kingdom or elsewhere, to give effect to this Order and to assist the Canadian Debtors (including the Canadian Estate), the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Canadian Debtors (including the Canadian Estate) and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Canadian Debtors (including

the Canadian Estate) and the Monitor and their respective agents in carrying out the terms of this Order.

70. **THIS COURT ORDERS** that each of the Canadian Debtors (including the Canadian Estate) and the Monitor shall be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.



ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

JAN 24 2017

PER / PAR:



SCHEDULE “A”

FORM OF MONITOR’S CERTIFICATE RE: PLAN CERTIFICATE

Court File No. 09-CL-7950

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
NORTEL NETWORKS CORPORATION, NORTEL NETWORKS LIMITED,
NORTEL NETWORKS GLOBAL CORPORATION, NORTEL NETWORKS
INTERNATIONAL CORPORATION, NORTEL NETWORKS
TECHNOLOGY CORPORATION, NORTEL COMMUNICATIONS INC.,
ARCHITEL SYSTEMS CORPORATION AND NORTHERN TELECOM CANADA
LIMITED**

PLAN CERTIFICATE

TO: NORTEL NETWORKS INC. AND ITS AFFILIATED U.S. DEBTORS

RE: EFFECTIVENESS OF CANADIAN PLAN

Reference is made to the Plan of Compromise and Arrangement pursuant to the *Companies’ Creditors Arrangement Act* concerning, affecting and involving the Canadian Debtors dated November 30, 2016 (the “**Canadian Plan**”) sanctioned by the Ontario Superior Court of Justice pursuant to a Sanction Order dated January 24, 2017.

Pursuant to Section 9.1 of the Canadian Plan, the Monitor hereby declares the effectiveness of the Canadian Plan in accordance with its terms.

DATED the ____ day of ●, 2017.

**ERNST & YOUNG INC. in its capacity as
Monitor of Nortel Networks Corporation *et al.*
and not in its personal capacity**

Per: _____

Name: Murray McDonald

Title: President

**SCHEDULE “B”
FORM OF PLAN EFFECTIVENESS CERTIFICATE**

Court File No. 09-CL-7950

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
NORTEL NETWORKS CORPORATION, NORTEL NETWORKS LIMITED,
NORTEL NETWORKS GLOBAL CORPORATION, NORTEL NETWORKS
INTERNATIONAL CORPORATION, NORTEL NETWORKS
TECHNOLOGY CORPORATION, NORTEL COMMUNICATIONS INC.,
ARCHITEL SYSTEMS CORPORATION AND NORTHERN TELECOM CANADA
LIMITED**

PLAN EFFECTIVENESS CERTIFICATE

TO: THE SERVICE LIST

RE: EFFECTIVENESS OF CANADIAN PLAN

Reference is made to the Plan of Compromise and Arrangement pursuant to the *Companies’ Creditors Arrangement Act* concerning, affecting and involving the Canadian Debtors dated November 30, 2016 (the “**Canadian Plan**”) sanctioned by the Ontario Superior Court of Justice pursuant to a Sanction Order dated January 24, 2017.

Capitalized terms used herein and not otherwise defined have the meaning given to them in the Canadian Plan.

Pursuant to Section 9.4 of the Canadian Plan, the Monitor hereby confirms the occurrence of the Plan Effective Date under the Canadian Plan on [date].

DATED the ____ day of ●, 2017.

**ERNST & YOUNG INC. in its capacity as
Monitor of Nortel Networks Corporation et al.
and not in its personal capacity**

Per: _____

Name: Murray McDonald
Title: President

SCHEDULE “C”

FORM OF PLAN IMPLEMENTATION CERTIFICATE

Court File No. 09-CL-7950

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
NORTEL NETWORKS CORPORATION, NORTEL NETWORKS LIMITED,
NORTEL NETWORKS GLOBAL CORPORATION, NORTEL NETWORKS
INTERNATIONAL CORPORATION, NORTEL NETWORKS
TECHNOLOGY CORPORATION, NORTEL COMMUNICATIONS INC.,
ARCHITEL SYSTEMS CORPORATION AND NORTHERN TELECOM CANADA
LIMITED**

PLAN IMPLEMENTATION CERTIFICATE

TO: THE SERVICE LIST

RE: IMPLEMENTATION OF CANADIAN PLAN

Reference is made to the Plan of Compromise and Arrangement pursuant to the *Companies’ Creditors Arrangement Act* concerning, affecting and involving the Canadian Debtors dated November 30, 2016 (the “**Canadian Plan**”) sanctioned by the Ontario Superior Court of Justice pursuant to a Sanction Order dated January 24, 2017.

Capitalized terms used herein and not otherwise defined have the meaning given to them in the Canadian Plan.

Pursuant to Section 9.5 of the Canadian Plan, the Monitor hereby confirms the occurrence of the Plan Implementation Date under the Canadian Plan on [date].

DATED the ____ day of ●, 2017.

**ERNST & YOUNG INC. in its capacity as
Monitor of Nortel Networks Corporation et al.
and not in its personal capacity**

Per: _____
Name: Murray McDonald
Title: President

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.
1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
NORTEL NETWORKS CORPORATION et al.

Court File No. 09-CL-7950

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

SANCTION ORDER

GOODMANS LLP

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