

COURT OF APPEAL FOR ONTARIO

**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**

**RESPONDING FACTUM OF NORTEL NETWORKS INC. AND
THE OTHER U.S. DEBTORS, THE OFFICIAL COMMITTEE OF UNSECURED
CREDITORS AND THE AD HOC GROUP OF BONDHOLDERS
(Motion for Leave to Appeal)**

Date: February 21, 2017

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1. Nortel Networks Inc. and its affiliated debtors¹ (the “U.S. Debtors”), the Official Committee of Unsecured Creditors of the U.S. Debtors² (the “Official Committee”) and the Ad Hoc Group of Bondholders³ (the “Bondholders”, together with the U.S. Debtors and the Official Committee, the “U.S. Interests”) oppose the motion brought by Mr. Greg McAvoy and Ms. Jennifer Holley (the “Leave Applicants”) for leave to appeal from the orders made by Justice Newbould at the motion to sanction the Canadian Debtors’⁴ plan of arrangement and approve escrow arrangements in connection therewith. Leave to appeal is granted sparingly in *Companies’ Creditors Arrangement Act*⁵ proceedings, and the Leave Applicants have failed to satisfy any of the parts of the test for leave, especially when this Court considers the impact of this leave motion on creditors in other jurisdictions, including the United States, who have been waiting for over eight years to receive distributions on account of their claims against the Nortel entities.⁶ The Leave Applicants’ motion should be dismissed.

¹ The U.S. Debtors are Nortel Networks Inc., Nortel Networks Capital Corporation, Nortel Altsystems Inc., Nortel Altsystems International Inc., Xros, Inc., Sonoma Systems, Qtera Corporation, CoreTek, Inc., Nortel Networks Applications Management Solutions Inc., Nortel Networks Optical Components Inc., Nortel Networks HPOCS Inc., Architel Systems (U.S.) Corporation, Nortel Networks International Inc., Northern Telecom International Inc., Nortel Networks Cable Solutions Inc., Nortel Networks (CALA) Inc. and Nortel Networks India International Inc. In accordance with the Cross-Border Insolvency Protocol, which recognizes the U.S. Debtors as a “Core Party” in the Canadian proceedings, the U.S. Debtors have the right to appear and to be heard to the same extent as individual creditors and other interested parties domiciled in Canada.

² The Official Committee is a creature of statute, appointed on January 22, 2009 by the Office of the United States Trustee for the District of Delaware in the U.S. Bankruptcy Proceedings of the U.S. Debtors. The role of the Official Committee is to represent, in a fiduciary capacity, the interests of all general unsecured creditors of the U.S. Debtors. In accordance with the Cross-Border Insolvency Protocol, which recognizes the Official Committee as a “Core Party” in the Canadian proceedings, the Official Committee has the right to appear and to be heard to the same extent as individual creditors and other interested parties domiciled in Canada.

³ The Bondholders are significant creditors of both the Canadian Debtors and the U.S. Debtors. In accordance with the Cross-Border Insolvency Protocol, which recognizes the Bondholders as a “Core Party” in the Canadian proceedings, the Bondholders have the right to appear and to be heard to the same extent as individual creditors and other interested parties domiciled in Canada.

⁴ The Canadian Debtors are Nortel Networks Corporation (“NNC”), Nortel Networks Limited, Nortel Networks Technology Corporation, Nortel Networks Global Corporation, Nortel Networks International Corporation, Nortel Communications Inc., Architel Systems Corporation and Northern Telecom Canada Limited.

⁵ R.S.C. 1985, c. C-36 (the “CCAA”).

⁶ “Nortel” or the “Nortel entities” means the affiliates of NNC. NNC is the ultimate corporate parent of the Canadian Debtors and the U.S. Debtors.

2. The U.S. Interests adopt the submissions as set out in the Factum of the Monitor and Canadian Debtors for the purposes of this motion. The following supplementary submissions explain the particular interests of the U.S. Interests in this motion.

The U.S. Interests

3. The U.S. Debtors, as subsidiaries of the Canadian Debtors, commenced proceedings under chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the “U.S. Bankruptcy Court”). In addition, the U.S. Debtors are significant creditors of the Canadian Debtors, holding claims in excess of US\$2 billion, comprised of both secured and unsecured components. The distributions received on account of these claims will provide the U.S. Debtors with the funds that they require to make distributions to their own creditors, including the Bondholders and the various general unsecured creditors – including trade creditors, former employees and retirees, among others – represented by the Official Committee.

The Plans are Cross-Conditional

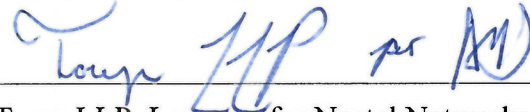
4. The Settlement and Plans Support Agreement dated as of October 12, 2016 (the “SPSA”), and entered into among the Canadian Debtors, the Monitor, the U.S. Debtors and other key stakeholder groups provided for, among other things, a settlement allowing for the distribution of the escrowed sale proceeds to the various Nortel estates as well as the coordination of the Canadian Debtors’ and U.S. Debtors’ respective plans to effect distributions to their respective creditors. As contemplated by the SPSA, the Canadian Debtors proposed a CCAA plan that was approved by creditors and sanctioned by the Ontario Superior Court of

Justice and the U.S. Debtors proposed their own chapter 11 plan in the United States that was accepted by creditors and confirmed by the US Bankruptcy Court.

5. Importantly, for the purposes of this motion, the plans are cross-conditional on one another, meaning that if one plan cannot become effective, then neither plan can become effective. Accordingly, the filing of the Leave Applicants' motion has delayed the effectiveness of not only the CCAA plan, but the chapter 11 plan as well, with the impact of this delay felt by the multitude of creditors in both Canada and the United States who supported the plans and await distributions on their claims. There is very little at this late stage that could hinder the progress of Nortel's insolvency cases more than the granting of the Leave Applicants' motion, and the sooner that the motion is disposed of, the sooner creditors can receive distributions under the plans.

6. The U.S. Interests each reserve their right to file additional materials and make submissions in the event that leave is granted.

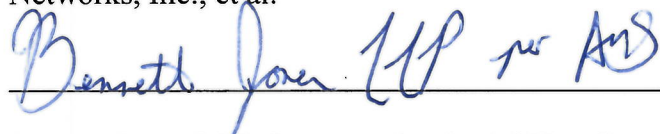
ALL OF WHICH IS RESPECTFULLY SUBMITTED

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 Cassels Brock & Blackwell LLP per AM

Cassels Brock & Blackwell LLP, Lawyers for the Official Committee of Unsecured Creditors of Nortel Networks, Inc., et al.

 Bennett Jones LLP per AM

Bennett Jones LLP, Lawyers for the Ad Hoc Group of Bondholders

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

Court of Appeal File No. M47511

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

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