

Nortel Legal Summary

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Allocation Litigation – Trial Decisions

- **May 12, 2015** – the Ontario Superior Court of Justice and the US Bankruptcy Court released consistent decisions requiring the allocation of the \$7.3B lockbox (assets from the sale of Nortel’s businesses and intellectual property) be based on a modified *pro rata* approach.
- **June 25, 2015** – joint hearing to determine some points of clarification of the May 12th decisions.
- **July 6, 2015** – both Courts released decisions denying reconsideration of issues raised by the US Interests while providing clarifications to the May 12th allocation decisions.
- Appeals were commenced in both Canada and the US

Allocation Litigation – Appeal Decisions

1. In Canada:

- May 3, 2016 – Leave to appeal application dismissed by Ontario Court of Appeal.
- August 17, 2016 - US interests leave to appeal to the Supreme Court of Canada postponed to November 30th, 2016 while parties continued settlement discussions and mediation.

Allocation Litigation – Appeal Decisions

2. In the US:

- April 5, 2016 – District Court of Delaware hears the appeal of the US Allocation Decision.
- May 17, 2016 – after ON Court of Appeal decision, US District Court certifies direct appeal to US Third Circuit Court of Appeals.
- October 11, 2016 – U.S. Court of Appeals for the Third Circuit granted the parties’ proposal to put the allocation appeal “on hold” until December 7, 2016 while parties continued settlement discussions

October 12, 2016 Settlement Agreement

- Mediation has led to Settlement Agreement being signed between the following core parties:

Canadian Debtors	Monitor
US Debtors	Joint Administrators
EMEA Debtors	EMEA non-filed Debtors
NNSA	NNSA Conflicts Administrator
French Liquidator	Bondholder Group
CCC	UCC
UK Pension Trustee	PPF
Joint Liquidators	NNCC Bondholder Signatories

- US PBGC and Trade Claims Consortium are not parties to the Settlement Agreement

Settlement Agreement – Key Terms

- Allocation of the approx. \$7.3 Billion USD in Sales Proceeds (the Lockbox):
 - Canadian Debtors – \$4.14 Billion (approx. 57%)
 - US Debtors – \$1.77 Billion (approx. 24.35%)
 - EMEA Debtors - \$1.35 Billion (approx. 18.54%)

Settlement Agreement – Key Terms cont'd

- All litigation between parties settled
- Certain claims final – eg. Canadian pension deficit fixed at \$1.89 Billion CAD
- Currency conversion upon court approval to remove any foreign exchange risk.

Settlement Agreement – Target Timeline

- Next Steps:
 - Approval of Canadian dollar escrow agreement (for the conversion of US dollars to CDN dollars) by Canadian and US courts.
 - Approval of settlement and support agreements by European Courts
 - Chapter 11 and CCAA plans to be voted on by creditors in each of the Canadian and US Estates.
 - Sanction hearings in the US and Canadian courts to approve Chapter 11 and CCAA plans respectively.
- Distributions expected to commence sometime in 2017 – likely in installments

What does this mean to Canadian creditors?

- Ultimate distributions to Canadian creditors will depend on the total value of claims accepted into the Canadian estate
- Foreign exchange rate at the time of conversion will determine CAD distributions as will final claims calculations
 - Anticipated recovery in CAD expected to be 46-48 cents CAD based on current rates for employee compensation claims, pension claim
- Adjustment to pensions will depend on factors that are as yet uncertain.

HWT Tax Appeal

- The August 2015 scheduled hearing was adjourned, but the Tax Appeal was finally heard by the Tax Court on August 25 and October 5, 2016.
- The Department of Justice requested the opportunity to provide written submissions on an issue, which they were granted. The timetable for written submissions will be completed by November 24, 2016.
- A decision from the Tax Court is anticipated to be released some time in 2017.