



Primer on CCAA/Chapter 11 Process

1. What is CCAA? Chapter 11?

The Companies' Creditor Arrangement Act (CCAA) and Chapter 11 of Title 11 of the United States Code (Chapter 11) are statutory processes in Canada, and the United States, respectively, which allow a company to continue to operate its business while it restructures its business and financial affairs in an organized, court-supervised setting.

2. What is Chapter 15?

Chapter 15 is simply an administrative process that provides for the recognition of foreign creditor protection proceedings by the U.S. court. Canada has a similar process that provides for the recognition of foreign creditor protection proceedings by the Canadian court.

None of the Nortel entities that filed under Chapter 11 of the U.S. Bankruptcy Code are applicants in the CCAA proceedings and none of the Nortel entities that filed under the CCAA are applicants in the U.S. proceedings. A petition was filed in the US court seeking recognition of the Canadian proceedings under Chapter 15 of the U.S. Bankruptcy Code. The effect of the Chapter 15 proceeding was to give effect to the initial order of the Canadian court in the US. Also, an application was made to the Canadian court pursuant to section 18.6 of the CCAA recognizing the US proceedings as foreign proceedings in Canada and giving effect to the automatic stay there under in Canada.

3. What is the general process that companies go through under the CCAA and Chapter 11?

The following describes certain aspects of the CCAA and Chapter 11 processes. This is not intended as a complete or detailed overview and specific aspects may vary as Nortel advances through such processes. We recommend that you consult your own advisers for specific advice on the CCAA and Chapter 11 processes.

CCAA

Applying for Creditor Protection: The process begins in the Court system when the company applies for protection under the CCAA. The Court issues an order giving the company protection from its creditors to allow for the preparation of a Plan of Arrangement. The initial time period for creditor protection is 30 days. The 30 day protection can be



extended from time to time thereafter – there is no time limit on how long a stay period can be extended.

Appointment of a Monitor: When the company applies for protection under the CCAA, the court appoints a Monitor. The Monitor’s role and powers are set out in the Order and include the power to observe the company’s business operations, report to the court with its findings, and assist in the formation of a Plan of Arrangement.

Plan of Arrangement: The Plan of Arrangement is the proposal that the company presents to its creditors on, among other things, how it intends to deal with debt it owes at the time of the initial filing with the Court. The Plan of Arrangement and related documentation is filed with the court and subject to a creditor vote as well as Court approval.

Chapter 11

Applying for Creditor Protection: The process begins in the Court system when the company files a voluntary petition for reorganization under Chapter 11. The filing triggers an “automatic stay”, giving the company protection from its creditors to allow for the preparation of a Plan of Reorganization.

Appointment of a Creditors Committee: Subsequent to the filing of a voluntary petition for reorganization under Chapter 11 an official Creditors’ Committee is formed by the U.S. Trustee to represent the interests of general unsecured creditors in the reorganization. The bankruptcy court resolves any issues that may arise, either among the different creditor groups or creditors and the company.

Plan of Reorganization: The Plan of Reorganization is the proposal that the company presents to its creditors on, among other things, how it intends to compensate its creditors for valid claims against the company. The company files its Plan of Reorganization and related documentation with the court and then sends the plan to its creditors who vote on the Plan. The Plan of Reorganization is then subject to final court approval or “confirmation”.