

IN THE HIGH COURT OF JUSTICE
THE BUSINESS AND PROPERTY COURTS OF ENGLAND & WALES
COMPANY & INSOLVENCY LIST

IN THE MATTERS OF:

NORTEL NETWORKS UK LIMITED ("NNUK")	<u>No. 536 of 2009 / CR-2016-006154</u>
NORTEL GMBH ("NORTEL GERMANY")	<u>No. 542 of 2009 / CR-2009-000033</u>
NORTEL NETWORKS N.V. ("NORTEL BELGIUM")	<u>No. 550 of 2009 / CR-2009-000034</u>
NORTEL NETWORKS S.P.A. ("NORTEL ITALY")	<u>No. 552 of 2009 / CR-2009-000035</u>
NORTEL NETWORKS BV ("NORTEL NETHERLANDS")	<u>No. 553 of 2009 / CR-2009-000036</u>
NORTEL NETWORKS POLSKA SP. Z.O.O. ("NORTEL POLAND")	<u>No. 554 of 2009 / CR-2009-000037</u>
NORTEL NETWORKS HISPANIA S.A. ("NORTEL SPAIN")	<u>No. 535 of 2009 / CR-2009-000038</u>
NORTEL NETWORKS INTERNATIONAL FINANCE & HOLDING BV ("NNIF")	<u>No. 549 of 2009 / CR-2009-000039</u>
NORTEL NETWORKS (AUSTRIA) GMBH ("NORTEL AUSTRIA")	<u>No. 537 of 2009 / CR-2009-000040</u>
NORTEL NETWORKS SRO ("NORTEL CZECH REPUBLIC")	<u>No. 538 of 2009 / CR-2009-000041</u>
NORTEL NETWORKS ENGINEERING SERVICE KFT ("NORTEL HUNGARY")	<u>No. 540 of 2009 / CR-2009-000042</u>
NORTEL NETWORKS PORTUGAL S.A. ("NORTEL PORTUGAL")	<u>No. 547 of 2009 / CR-2009-000043</u>
NORTEL NETWORKS SLOVENSKO S.R.O. ("NORTEL SLOVAKIA")	<u>No. 551 of 2009 / CR-2009-000044</u>
NORTEL NETWORKS FRANCE SAS ("NNF")	<u>No. 544 of 2009 / CR-2009-000045</u>
NORTEL NETWORKS AB ("NORTEL SWEDEN")	<u>No. 548 of 2009 / CR-2009-000046</u>
NORTEL NETWORKS (IRELAND) LIMITED ("NORTEL IRELAND")	<u>No. 541 of 2009 / CR-2009-000047</u>
NORTEL NETWORKS S.A. ("NNSA")	<u>No. 539 of 2009 / CR-2009-000048</u>
NORTEL NETWORKS OY ("NORTEL FINLAND")	<u>No. 545 of 2009 / CR-2009-000049</u>
NORTEL NETWORKS ROMANIA SRL ("NORTEL ROMANIA")	<u>No. 546 of 2009 / CR-2009-000050</u>

(EACH A "COMPANY" AND TOGETHER THE "COMPANIES")
AND IN THE MATTER OF THE INSOLVENCY ACT 1986

FIFTH WITNESS STATEMENT OF
STEPHEN JOHN HARRIS

I, **STEPHEN JOHN HARRIS** of Ernst & Young LLP, 1 More London Place, London SE1 2AF,
DO STATE as follows:

1. I am a licenced insolvency practitioner and an Associate Partner in the firm of Ernst & Young LLP ("E&Y").

2. I was appointed as a joint administrator of each of the Companies on 14 January 2009 together with Alan Robert Bloom, Alan Michael Hudson and Christopher John Wilkinson Hill, of E&Y, save in respect of Nortel Ireland where David Martin Hughes, of Ernst & Young Chartered Accountants, and Mr Bloom were appointed as the joint administrators, pursuant to the Orders of Mr Justice Blackburne.
3. Mr Hill has ceased to practice as an insolvency practitioner and gave notice that he was to resign as a joint administrator of the Companies on 11 September 2017. Mr Hill formally resigned as a joint administrator on 20 September 2017 and notices of his resignation are exhibited at [1/1/1] to [1/1/18] of SJH5.
4. Where I use the term "**Joint Administrators**" in relation to matters or events before 20 September 2017, I am referring collectively to myself, Mr Bloom, Mr Hudson and Mr Hill. Where I use this term in relation to matters or events on or after 20 September 2017, I am referring collectively to myself, Mr Bloom and Mr Hudson. Where I use this term in relation to Nortel Ireland, I am referring to Mr Bloom and Mr Hughes.
5. Save where I indicate to the contrary, the facts contained in this witness statement are within my own knowledge and are true. Where the facts stated are not within my own knowledge I have identified my sources of information and/or belief. In relation to information pertaining to Nortel Ireland, the facts have been provided to me by Mr Hughes, one of the Joint Administrators who has been principally responsible for that Company. Mr Hughes has confirmed that he is content with the accuracy of this statement insofar as it relates to Nortel Ireland and I understand that he intends to submit a witness statement confirming that to be the case.
6. On 2 June 2015, by Order of Registrar Briggs, Stephen Taylor of Leawood Hall, Holloway, Derbyshire DE4 5AQ was appointed as an administrator of NNSA with responsibility for dealing with certain conflict matters (the "**Conflict Administrator**") pursuant to paragraph 103(2) of Schedule B1 to the Insolvency Act 1986 (the "**Act**"). While I shall continue to refer to Mr Taylor as Conflict Administrator, the Joint Administrators have agreed that Mr Taylor's role should be expanded following the global settlement which was sanctioned by the Court on 3 November 2016 (the "**Global Settlement**") and which greatly diminished the actual or potential conflicts such that he and the Joint Administrators now have conduct of matters generally in the administration of NNSA, with any conflict matters that arise referred to the Conflict Administrator. Further details are set out at paragraphs 84 and 85 below. I shall refer to the Joint Administrators and the Conflict Administrator collectively as the "**NNSA Administrators**".
7. The Joint Administrators' solicitors, Herbert Smith Freehills LLP ("**HSF**"), have provided the Conflict Administrator with a draft of this witness statement and he has confirmed to them that, so far as it relates to NNSA for the period since his appointment and to the best of his

knowledge, he considers it to be accurate and that, in his capacity as the Conflict Administrator, he authorises the making of this application in respect of NNSA.

8. The Joint Administrators' terms of office and the administrations of each of the Companies were extended by Orders of Registrar Derrett on 12 January 2010 and 6 December 2011, by Order of Registrar Baister on 1 November 2013 and most recently by a period of 24 months by Order of Mr Justice Snowden on 2 December 2015 (~~[1/2/19]~~, ~~[1/3/22]~~, ~~[1/4/25]~~ and ~~[1/5/28]~~ of SJH5 respectively). Consequently, the Joint Administrators' terms of office, and the Conflict Administrator's term of office, now expire at 12pm on 13 January 2018.
9. I am duly authorised to make this witness statement on behalf of the Joint Administrators for each of the Companies and the Conflict Administrator in support of our applications to extend the terms of office of the Joint Administrators and the Conflict Administrator (the "**Extension Applications**"), seeking orders in the following terms:
 - 9.1 pursuant to paragraph 76(2)(a) of Schedule B1 to the Act, the Joint Administrators' terms of office as joint administrators of each of the Companies be extended for a period of 12 months so as to expire at 12:01pm on 13 January 2019;
 - 9.2 the Confidential Schedule to this witness statement not be open to inspection without the prior leave of the Court pursuant to Rule 12.39(9) of the Insolvency (England & Wales) Rules 2016 (the "**Rules**"); and
 - 9.3 the costs of and incidental to the Extension Applications be paid as expenses of the administrations and paid out of the assets of the Companies.
10. Pursuant to Rule 3.54(2) of the Rules, for the purposes of the Extension Applications, this witness statement sets out the reasons why the Joint Administrators are seeking the extensions.
11. Nothing in this witness statement is intended, nor should be taken, as a waiver of privilege in relation to matters dealt with in this witness statement.
12. There is now produced and shown to me a bundle of documents marked "**SJH5**" to which I shall refer in this witness statement. References in this document to exhibits are in the form [Volume/Tab/Page].
13. This witness statement is divided into the following sections:
 - (A) Background (page 4);
 - (B) Purpose of the Administrations (page 5);
 - (C) Progress of the Administrations (page 5);
 - (D) General EMEA update (page 6);
 - (E) Update on the Expense Application (page 8);

- (F) NNUK (page 12);
- (G) CVA Companies (page 14);
- (H) Nortel Finland & Nortel Romania (page 20);
- (I) NNSA (page 22);
- (J) Brexit (page 25);
- (K) Relief Sought (page 26); and
- (L) Conclusion (page 27).

A. BACKGROUND

14. In order to assist the Court in understanding the progress made by the Joint Administrators in achieving the statutory purpose of the administrations, I briefly set out below certain background information that is relevant in the context of the present application.
15. The Nortel group was a global supplier of networking solutions (i.e. telecommunications, computer networks and software) serving customers in Canada, the US, the Caribbean, Latin America, Asia and Europe, the Middle East and Africa ("**EMEA**").
16. On 14 January 2009, Nortel Networks Corporation (the ultimate holding company for the Nortel group) and Nortel Networks Limited ("**NNL (Canada)**") (the primary Canadian operating company and holding company for most of the Nortel global subsidiaries) together with certain Canadian subsidiaries (collectively, the "**Canadian Debtors**"), sought protection under Canadian bankruptcy law, under the Companies' Creditors Arrangement Act. On the same day Nortel Networks Inc. (the primary US Nortel operating company) and Nortel Networks Capital Corporation (together with certain of their direct and indirect US subsidiaries, which I collectively refer to as the "**US Debtors**"), filed voluntary petitions in the US Bankruptcy Court for the District of Delaware pursuant to Chapter 11 of the US Bankruptcy Code. Further, on the same day the Companies were placed into administration by Orders of Mr Justice Blackburne and the Joint Administrators were appointed to each of the Companies. Such co-ordinated filings for the Companies were considered to be in the best interests of the creditors of each Company. Each of the administrations of the Companies is a main insolvency proceeding as defined in Article 3(1) of the Council Regulation (EC) on Insolvency Proceedings 2000 (No 1346/2000) (the "**EC Insolvency Regulation**").
17. The Joint Administrators subsequently considered it in the best interests of the creditors of NNSA to commence secondary proceedings in France. As such, on 28 May 2009 the Commercial Court of Versailles ordered the commencement of secondary proceedings in respect of NNSA (the "**Secondary Proceeding**") and appointed Maître Cosme Rogeau as

a liquidator (*liquidateur judiciaire*) (the "**Secondary Liquidator**") and, until termination of his appointment, Maître Frank Michel as administrator (*administrateur judiciaire*).

B. PURPOSE OF THE ADMINISTRATIONS

18. The Joint Administrators set out their approach for achieving the statutory purpose of administration for each of the Companies in their statements of proposals dated 25 February 2009 (the "**Statements of Proposals**") that were approved by a creditors' meeting of each Company. Copies of the Statements of Proposals for each of the Companies are at [1/6/30] to [1/25/559] of SJH5. As the Joint Administrators explained in the Statements of Proposals, the proposals for each of the Companies were:

- 18.1 to continue to manage the Company's businesses, affairs and property during the period of the administration whilst the possibilities for a global restructuring of the Nortel business and/or a global sale of all or part of the Nortel business (together defined as the "**Global Restructuring**") were considered, progressed and given effect to by the Company as appropriate;
- 18.2 during the process of the Global Restructuring, for the Company to continue trading and paying its suppliers and employees in respect of goods or services supplied to the Company after 14 January 2009 for so long as the Company required such goods or services;
- 18.3 to monitor the cash and asset position of the Company and the general progress and prospects of the Global Restructuring in order to be satisfied that it may still be possible to rescue the Company as a going concern and/or achieve a sale of all or part of the Company's businesses as part of the Global Restructuring and that it was appropriate that the Company continue to trade rather than cease to trade and/or be placed into liquidation; and
- 18.4 if the Joint Administrators decided that a Global Restructuring was not in the best interests of creditors or that the cost of continuing to trade was no longer in the best interests of creditors, the Joint Administrators would seek to achieve a better result for creditors of the Company as a whole than would be likely if the Company were wound up, by seeking to realise the best price for the business and/or assets of the Company as was obtainable in the circumstances, and then would take steps to enable the assets of the Company to be distributed to its creditors.

C. PROGRESS OF THE ADMINISTRATIONS

19. Following their appointment, the Joint Administrators have informed creditors of the progress of the administrations. The Joint Administrators have prepared progress reports

for each of the Companies on a six monthly basis since the beginning of the administrations. Since Mr Bloom's twelfth witness statement in these proceedings, dated 9 November 2015 ("**Bloom 12**"), made in support of the Joint Administrators' last application to extend the administrations of the Companies ([6/1/1] of SJH5), the Joint Administrators have prepared progress reports for each of the Companies for the following periods:

- 19.1 14 July 2015 to 13 January 2016 ([2/1/1] to [2/19/442] of SJH5);
- 19.2 14 January 2016 to 13 July 2016 ([3/1/1] to [3/19/403] of SJH5);
- 19.3 14 July 2016 to 13 January 2017 ([4/1/1] to [4/19/395] of SJH5); and
- 19.4 14 January 2017 to 13 July 2017 ([5/1/1] to [5/19/341] of SJH5).

20. The Joint Administrators also provided detailed updates on the progress and status of the administrations in Mr Bloom's sixteenth witness statement dated 25 October 2016 ("**Bloom 16**", [6/2/13] of SJH5), Mr Bloom's seventeenth witness statement dated 4 April 2017 ("**Bloom 17**", [6/3/97] of SJH5) and Mr Bloom's eighteenth witness statement dated 31 May 2017 ([6/4/193] of SJH5).

21. Creditors' committees were established for each of the Companies, other than Nortel Finland, Nortel Netherlands, Nortel Hungary, NNIF and Nortel Czech Republic. A creditors' committee for Nortel Austria was established but has been inquorate for a number of years, despite the Joint Administrators' attempts to recruit new members to form a committee. The Joint Administrators either have written or will write to each committee to inform them of the Extension Applications. Copies of the notices sent to the committees before the making of the Extension Applications are at [6/5/213] of SJH5. Notice to the creditors' committees of Nortel Ireland and NNSA are due to be sent at the time of the making of these Extension Applications and further update will be given to the Court at or before the Extension Applications' hearing. The Joint Administrators have also uploaded a notice addressed to all creditors of each Company onto the Nortel EMEA Administration proceedings website (<http://www.emeanortel.com/proceedings.html>), a copy of which is provided at [6/6/236] of SJH5. An update on any responses received by the Joint Administrators in connection therewith will be given to the Court at or before the Extension Applications' hearing.

D. GENERAL EMEA UPDATE

22. Following their appointment, the administrations have proceeded successfully and various sales of the Nortel group's business lines were concluded with total global realisations of approximately US\$7.3 billion (the "**Sale Proceeds**"). A dispute in relation to the Sale Proceeds between the EMEA Debtors, the US Debtors and the Canadian Debtors, among other creditor constituencies was the subject of proceedings before the US and Canadian Courts (the "**Allocation Dispute**").

23. Bloom 12 was written in support of the application to extend our terms of office and the administrations of each of the Companies by a period of 24 months, being the minimum time which the Joint Administrators anticipated would be required to resolve the affairs of the Companies, including the Allocation Dispute, the financial support directions issued by the Pensions Regulator and the making of distributions to creditors. Mr Justice Snowden granted the extension and a copy of the Order is at [1/5/28] of SJH5. At paragraph 4 of his judgment, Mr Justice Snowden stated that, given there was no obvious benefit to any creditors of moving the Companies to liquidation at that stage and the disruption and wasted costs that would be involved, it seemed "*entirely sensible that I should extend the period of these administrations for a further two years until 13th January, 2018*". A copy of the judgment of Mr Justice Snowden dated 2 December 2015 is provided at [6/7/238] of SJH5.
24. On 12 October 2016, the various parties to the Allocation Dispute entered into four settlement agreements comprising the Global Settlement: (a) the "**Settlement and Plans Support Agreement**" between (inter alia) the US Debtors, the Canadian Debtors and the Companies; (b) the "**UKPI Settlement Deed**" between (inter alia) the Companies and the UK Pension Interests – being the Trustee of the NNUK Pension Scheme and the Board of the Pension Protection Fund; (c) the "**Deed of Release**" between (inter alia) the Companies and the UK Pension Interests; and (d) the "**NNSA Settlement Deed**" between (inter alia) the Companies, the Joint Administrators, the Conflict Administrator and the Secondary Liquidator.
25. Mr Justice Snowden made an Order granting the Joint Administrators liberty to perform and to procure the Companies to perform the Global Settlement on 3 November 2016 ([6/8/244] of SJH5). The judgment given by Mr Justice Snowden is provided at [6/9/248] of SJH5.
26. The Global Settlement became effective on 8 May 2017 and the Sale Proceeds were released from the lockbox escrow accounts such that each of the Companies have now received the allocation agreed as part of the Global Settlement.
27. Part of the process of ensuring that creditors are paid distributions expeditiously includes the Joint Administrators continuing to ensure that they have sufficient cash to meet the potential expenses of each of the Companies (or, where there is a shortfall of cash, to continue to ensure that the maximum amount of cash remains available to pay the potential expenses). To that end on 5 April 2017, the Joint Administrators of each Company (other than NNSA) made an application for directions from the Court to the Joint Administrators to inform potential claimants that any claims which are asserted to rank as administration expenses under English law ("**Expense Claims**") which had not at that point been made must be notified to the Joint Administrators on a prescribed form (the "**Demand Form**") on

or before a specified date (the "**Expense Bar Date**") (the "**Expense Application**"). The Expense Bar Date was set for 27 October 2017 in the case of each of the applicant Companies, save for Nortel Italy for which the Expense Bar Date was set for 22 December 2017. The Joint Administrators were also to send a letter to all persons known by the Joint Administrators to have or assert (or likely to assert) an Expense Claim (the "**Explanatory Letter**") and to place suitable advertisements in a national newspaper in each of the various jurisdictions in which the Companies (other than NNSA) are incorporated.

28. Mr Justice Snowden made Orders granting the Joint Administrators directions as sought regarding the Expense Claims on 9 June 2017 (the "**Expense Orders**"). The Expense Orders in respect of NNUK, NNIF, Nortel Finland and Nortel Romania were corrected under CPR 40.12(1) on 16 June 2017 as a result of a necessary correction to paragraph numbering. The Expense Orders in respect of Nortel Belgium and Nortel Netherlands were amended on 14 July 2017 to extend the date by which the Joint Administrators were directed to send the Explanatory Letter and to advertise in national newspapers in Belgium and the Netherlands. Copies of the Expense Orders made by Mr Justice Snowden are provided at [6/10/268] to [6/27/452] of SJH5 and the judgment given by Mr Justice Snowden is provided at [6/28/453] of SJH5. The Joint Administrators of NNSA anticipate that an application similar to the Expense Application will be made on behalf of that Company in the first or second quarter of 2018 prior to a CVA being promulgated for NNSA (see further at paragraphs 97 to 99 below).
29. Since receipt of the Sale Proceeds by each of the Companies and the granting of the Expense Orders, the Joint Administrators and their team have been continuing to progress the administrations including complying with the Court's directions regarding Expense Claims, investigating and adjudicating creditor claims, making a significant distribution to the creditors of NNUK, taking steps towards making initial distributions to creditors of CVA Companies, Nortel Finland and Nortel Romania and a second distribution to creditors of NNUK, and planning for the ultimate winding down of the Companies.

E. UPDATE ON THE EXPENSE APPLICATION

30. The Expense Application was made with specific reference to five prominent potential Expense Claims, the status of which I set out below.
31. French Employee Claims against NNUK
- 31.1 Certain claims had been brought in the French Courts by 176 former employees of NNSA (the "**French Employees**") against a number of Nortel entities, including NNSA, NNUK, and NNL (Canada) (the "**French Employee Claims**").
- 31.2 As against NNUK, the French Employee Claims have been asserted as "*superprilège*" claims as a matter of French law, which, subsequently, in letters

written by certain French Employees to Mr Justice Snowden in October and November 2015, were characterised as constituting administration expenses.

- 31.3 In accordance with the Expense Order, the Joint Administrators sent each of the French Employees who had made such claims an Explanatory Letter (in the specific form set out Annex I to the Order) and, where applicable, a Demand Form relating to NNUK. A copy of the Explanatory Letter and Demand Form were also sent to counsel acting for the French Employees.
- 31.4 Following negotiations between the Joint Administrators, the Conflict Administrator, the Secondary Liquidator and the legal advisors for the French Employees, settlements have been entered into between, among others, NNUK, NNSA, the Joint Administrators, the Conflicts Administrator the Secondary Liquidator and the French Employees (the "**Employee Settlements**"). Pursuant to the Employee Settlements, all claims by the French Employees against any Nortel group companies (other than NNSA) are released and waived.
- 31.5 The Employee Settlements were approved by the French Court in a judgment dated 6 July 2017. At a hearing on 28 September 2017 before the Fifth Chamber of the Fifth Chamber, counsel for the French Employees withdrew the claims pending determination by the Fifth Chamber. On 19 October 2017 the Fifth Chamber handed down judgments acknowledging the withdrawal of the claims of the French Employees, save in relation to one French Employee, John McMullan whose claim was not allocated to the Fifth Chamber. Counsel for Mr McMullan withdrew his claims at a hearing before the Fifteenth Chamber of the Court of Appeal of Versailles on 21 November 2017 and the decision of that Court acknowledging the withdrawal is expected to be handed down on 6 December 2017.
- 31.6 The Employee Settlements and subsequent withdrawal of claims brings an end to the litigation between the Nortel entities (other than NNSA) and the French Employees. On receipt of the judgment of the Court of Appeal of Versailles confirming the withdrawal of the claims of the French Employees against NNUK, the Joint Administrators released the reserves made by the Joint Administrators in respect of those claims. The Joint Administrators have not received notice from any other former employees of NNSA that they intend to bring any claims against NNUK or any other Company with the sole exception of NNSA where such claims will be dealt with by the Secondary Proceeding and/or under the terms of the company voluntary arrangement (see further at paragraphs 87 to 96 below).
- 31.7 The Employee Settlements and subsequent withdrawal of claims also results in an increase in the value of NNUK's admitted claim against the Canadian Debtors. By way of explanation, on 9 July 2014 the Companies entered into a settlement agreement with the French Officeholders and the Canadian Debtors (the

"**Agreement Settling EMEA Canadian Claims**"), by which certain claims of the Canadian Debtors and of the Companies were released against each other. The Agreement Settling EMEA Canadian Claims also provided that in the event that the claims of the French Employees were withdrawn or dismissed or finally determined for no liability against any Canadian Debtor then NNUK's admitted claim against the Canadian Debtors would increase by US\$25 million from US\$97,655,094 to US\$122,655,094. Mr Bloom's tenth witness statement dated 14 July 2014 ([6/29/475] of SJH5) was written in support of an application to Court that the Joint Administrators be at liberty to perform and to procure the Companies to perform the Agreement Settling EMEA Canadian Claims. On 17 July 2014 His Honour Judge Hodge QC made an Order on those terms. The relevant Order and judgment are at [6/30/500] and [6/30/503] of SJH5. The Joint Administrators anticipate receiving confirmation in December 2017 from the Canadian Debtors that NNUK's admitted claim against the Canadian Debtors would increase and that NNUK should expect to receive an interim distribution in respect of that increase shortly afterwards.

32. The SNMP Claim

- 32.1 SNMP International, Inc. and SNMP Research., Inc (together "**SNMP**") brought claims against the US Debtors and the Canadian Debtors in respect of fees for pre- and post-administration use of its software in Nortel products and on the basis that some of SNMP's intellectual property was wrongly transferred during the Nortel global business sales and/or that the sales violated SNMP's intellectual property rights (the "**SNMP Claim**").
- 32.2 While the SNMP Claim has never formally been made against the Companies, the Joint Administrators considered there to be a risk that SNMP may seek to assert claims against one or more of the Companies and to assert that they should rank, at least in part, as administration expenses as a matter of English law.
- 32.3 In advance of the Expense Application, HSF wrote to SNMP's lawyers on behalf of each of the Companies (other than NNSA) enclosing copies of the Expense Application and draft orders for each of the Companies. HSF sent a further reminder to SNMP's lawyers on 31 May 2017. SNMP's lawyers confirmed on the same date that they did not intend to appear at the hearing. Copies of this correspondence are provided at [6/31/517] and [7/1/1] of SJH5.
- 32.4 In accordance with the Expense Orders, the Joint Administrators sent an Explanatory Letter and a Demand Form relating to NNUK to SNMP. A copy of the Explanatory Letter as sent is provided at [7/1/5] of SJH5. To date, no response

from SNMP to the Explanatory Letter, or a completed Demand Form, has been received by any Company.

- 32.5 Following the occurrence of the Expense Bar Date, the Joint Administrators released the reserves made in respect of the SNMP Claim for distribution to the creditors of NNUK and have become able to make distributions to creditors of the other Companies.
33. The Kapsch Claim against NNUK
- 33.1 The claim of Kapsch CarrierCom ("**Kapsch**") against NNUK (the "**Kapsch Claim**") relates to an alleged breach of contract by NNUK entitling Kapsch to damages. In correspondence with the Joint Administrators, Kapsch has reserved its rights to make an Expense Claim in relation to alleged acts undertaken by the Joint Administrators following the entry of NNUK into administration.
- 33.2 The Joint Administrators sent a letter to Kapsch on 31 May 2017, seeking confirmation of whether Kapsch did in fact intend to appear at the hearing of the Expense Application (a copy is at [7/2/11] of SJH5). The Joint Administrators did not receive any response to this letter and Kapsch did not appear at the hearing of the Expense Application on 6 June 2017.
- 33.3 In accordance with the Expense Order, the Joint Administrators sent an Explanatory Letter and a Demand Form relating to NNUK to Kapsch's legal representatives on 22 June 2017. A copy of this letter is provided at [7/2/12] of SJH5. The Joint Administrators did not receive a Demand Form from Kapsch before the Expense Bar Date on 27 October 2017.
- 33.4 The Joint Administrators are continuing to adjudicate the Kapsch Claim as an unsecured claim and are engaged in correspondence with Kapsch and Kapsch's legal representatives. If the Joint Administrators are unable to resolve the Kapsch Claim, they may make an application to Court for directions as to the correct determination of the claim.
34. The Chubb Claim against NNUK
- 34.1 The claim against NNUK by Chubb (the "**Chubb Claim**") is asserted in relation to an alleged power failure on 12 September 2012 arising at the premises of an insured party, Arrow Electronic UK Limited. The Chubb Claim was not particularised in correspondence as being an unsecured claim or an administration expense.
- 34.2 The Joint Administrators sent an Explanatory Letter and a Demand Form relating to NNUK to Chubb's legal representatives on 22 June 2017. A copy of the Explanatory Letter as sent is provided at [7/3/17] of SJH5. The Joint

Administrators did not receive a Demand Form from Chubb before the Expense Bar Date on 27 October 2017.

35. Potential claims by Local Tax Authorities

- 35.1 Following receipt of the Sale Proceeds by each Company in May 2017, the Joint Administrators anticipated receiving claims from some or all local tax authorities ("**Local Tax Authorities**") for tax potentially payable on those Sale Proceeds by the relevant Company. The Expense Application was in part made as a result of the complexities around seeking clearance in relation to whether or not a claim would be brought against the relevant Company in relation to that tax and the quantum of that claim.
- 35.2 In accordance with the confirmations given by the Joint Administrators and the Expense Orders, the Joint Administrators sent Explanatory Letters and Demand Forms relating to the Companies (other than NNSA) to each relevant Local Tax Authority and submitted a pro forma tax calculation (a "**Pro Forma**") to each of those Local Tax Authorities.
- 35.3 The Joint Administrators consider the process of dealing with the Local Tax Authorities has gone extremely well and the Expense Orders, combined with the work of the Joint Administrators' team to liaise with each Local Tax Authority, have allowed distributions to be made to the Companies' creditors.
- 35.4 I provide further update in respect of the Joint Administrators' engagement with each Local Tax Authority in the Confidential Schedule.

F. **NNUK**

NNUK Proof Process and Initial Distribution

36. Permission to make a distribution to creditors of NNUK was granted by Order of Mr Justice Snowden dated 23 July 2015 (the Order and judgment are provided at [7/4/22] of SJH5 and [7/5/27] of SJH5 respectively). The Joint Administrators commenced the formal proof process pursuant to paragraph 65 of Schedule B1 to the Act and Chapter 10 of Part 2 of the Insolvency Rules 1986 (the "**1986 Rules**") on 30 July 2015 with a deadline for claims of 31 October 2015.
37. Due to a number of uncertainties and as explained at paragraph 17 of Mr Bloom's thirteenth witness statement dated 1 December 2015 (at [7/6/44] of SJH5), the payment of this intended interim dividend did not prove to be possible or cost effective and the Joint Administrators applied to Court that it exercise its power under Rule 12.9(2), or alternatively Rule 12A.55(2), to extend the deadline for the declaration of a first dividend under Rule 2.97(1) of the 1986 Rules to 30 September 2016. Mr Justice Snowden ordered on 2 December 2015 that the time period for the Joint Administrators of NNUK to declare a

dividend to NNUK's unsecured, non-preferential creditors be extended from 31 December 2015 to 30 September 2016 (the Order is provided at [7/7/51] of SJH5 and the judgment is provided at [6/7/238] of SJH5).

38. Subsequently, Mr Justice Newey made an Order further delaying the distribution until 18 November 2016, a copy of which is provided at [7/7/52] of SJH5. The judgment given by Mr Justice Newey is provided at [7/7/53] of SJH5.
39. By way of an application to Court dated 25 October 2016, the Joint Administrators sought a further extension to the deadline for the declaration of a first dividend to the earlier of the date ten weeks after the release of the Sale Proceeds to NNUK; or the date ten weeks after the longstop date in the Global Settlement, being 9 November 2017. On 3 November 2016 Mr Justice Snowden made an Order in those terms, a copy of which is provided at [6/8/244] of SJH5. The judgment given by Mr Justice Snowden is provided at [6/9/248] of SJH5.
40. The Settlement and Plans Support Agreement became effective on 8 May 2017 and the final tranche of monies in respect of the Sale Proceeds was received on 26 May 2017. The Joint Administrators were accordingly required to declare the first dividend to creditors by the date ten weeks after the release of the Sale Proceeds to NNUK, being 4 August 2017.
41. On 27 July 2017 and in accordance with Rule 14.35 of the Rules, the Joint Administrators gave notice to creditors that a dividend to non-preferential creditors of 22.1p in the pound was declared in the first interim distribution (the "**Initial NNUK Distribution**"). The total amount paid to non-preferential creditors in the Initial NNUK Distribution was £495,058,378. A copy of the Notice of Declaration of Dividend is provided at [7/8/55] of SJH5.
42. In total to date, the Joint Administrators have admitted 746 creditor claims against NNUK to the value of £2,245,038,799.71, including the claim under section 75 of the Pensions Act 2004 of the Nortel Networks UK Pension Scheme in the value of £2.147 billion which was admitted on 2 December 2016.
43. Since the making of the Initial NNUK Distribution, the Joint Administrators have made determinations in respect of a number of unsecured claims and have been able to release a number of reserves following the occurrence of the Expense Bar Date on 27 October 2017. The Joint Administrators anticipate that a second interim dividend to non-preferential creditors of approximately 16p in the pound will be declared on or around 5 December 2017 (the "**Second NNUK Distribution**").

Further Assets and final distribution

44. NNUK has a number of pre-appointment intercompany claims against the other Companies. As set out in sections G (*CVA Companies*) and H (*Finland and Romania*)

below, the Joint Administrators anticipate that NNUK should receive initial distributions from the other Companies (with the exception of NNSA, Nortel Italy and Nortel Hungary) before the end of 2017, with further distributions to NNUK expected in the course of 2018. In the case of pre-appointment intercompany claims due to NNUK from NNSA, the Joint Administrators anticipate that NNUK should receive distributions in the course of 2018; further details of distributions to be made by NNSA appear at paragraph 96 below.

45. NNUK also has a number of claims, including pre-appointment intercompany claims, against NNL (Canada). An initial distribution to NNUK was made by NNL (Canada) on 11 July 2017 at a rate of approximately 41.5%. The Monitor appointed by the Ontario Court of Justice to manage the affairs of NNL has indicated to the Joint Administrators that NNL (Canada) is to make additional distributions to creditors including NNUK before mid-2018 and that final recovery to creditors is anticipated to be approximately 45%.
46. As set out in section G (*CVA Companies*) below, it is anticipated that certain of the Companies will be able to discharge their liabilities in full and that a surplus will be available to the relevant shareholding companies. NNUK is the ultimate shareholder of the Companies (with the exception of NNF, NNSA and Nortel Ireland) by way of its shareholding in NNIF, an intermediate holding company in the EMEA group structure. A summary corporate structure chart of the Companies is provided at [7/9/56] of SJH5. The Joint Administrators anticipate that they will not be in a position to make a final distribution to the creditors of NNUK until the affairs of certain other Companies which are due to distribute surplus assets to NNUK as shareholder are wound up. Further details are set out at paragraphs 68 and 69 below.

G. CVA COMPANIES

Progress of the CVAs

47. On 25 June 2015, the Joint Administrators applied to the Court for liberty to promulgate company voluntary arrangements ("**CVAs**") in respect of each of the Companies other than NNUK. In Mr Bloom's eleventh witness statement dated 25 June 2015 ("**Bloom 11**"), the Joint Administrators set out that CVAs were considered by them to be the most appropriate process by which to determine the liabilities of the CVA Companies and effect distributions to creditors under and in accordance with local laws in line with certain assurances given by the Joint Administrators to creditors. A copy of Bloom 11 is provided at [7/10/57] of SJH5.
48. Mr Justice Snowden made an Order dated 23 July 2015 granting the Joint Administrators liberty to promulgate CVAs in substantially the outline terms summarised in Bloom 11 in respect of each of the Companies other than NNUK and NNSA. The judgment given by Mr Justice Snowden is provided at [7/5/27] of SJH5.

49. In April 2017, the Joint Administrators proposed CVAs to the creditors of each Company except NNUK, NNSA, Nortel Finland and Nortel Romania (the "**CVA Companies**").
50. All of the proposed CVAs in respect of those CVA Companies have been approved by the requisite majority of each CVA Company's creditors and members without modification. In each case, I have provided a copy of the relevant Chairman's report, Form 1.1 (*Notice to the registrar of Companies of Voluntary Arrangement Taking Effect*), and the Notice of Effective Date (which is sent to creditors and posted on the Joint Administrators' website) at [7/11/87] of SJH5.
51. Each CVA is now fully effective in accordance with its terms. I set out in the table below the relevant dates for each of the CVAs. The "**Effective Date**" is the business day after the creditors' meeting. The "**Implementation Date**" is the date 28 days after the Effective Date. The "**CVA Bar Date**" is the date four months after the Effective Date.

Company	Notice of CVA	CVA Meeting	Effective Date	Implementation Date	CVA Bar Date
Nortel Germany	5 April 2017	24 May 2017	25 May 2017	22 June 2017	25 September 2017
NNF	5 April 2017	11 May 2017	12 May 2017	9 June 2017	12 September 2017
Nortel Italy	5 April 2017	5 May 2017	8 May 2017	5 June 2017	8 September 2017
Nortel Portugal	5 April 2017	9 May 2017	10 May 2017	7 June 2017	11 September 2017
Nortel Spain	5 April 2017	9 May 2017	10 May 2017	7 June 2017	11 September 2017
Nortel Poland	5 April 2017	16 May 2017	17 May 2017	14 June 2017	18 September 2017
Nortel Hungary	5 April 2017	16 May 2017	17 May 2017	14 June 2017	18 September 2017
Nortel Austria	5 April 2017	19 May 2017	22 May 2017	19 June 2017	22 September 2017
Nortel Slovakia	5 April 2017	26 May 2017	30 May 2017	27 June 2017	30 September 2017

Company	Notice of CVA	CVA Meeting	Effective Date	Implementation Date	CVA Bar Date
Nortel Sweden	5 April 2017	22 May 2017	23 May 2017	20 June 2017	25 September 2017
Nortel Czech Republic	5 April 2017	2 June 2017	5 June 2017	3 July 2017	5 October 2017
Nortel Belgium	5 April 2017	31 May 2017	1 June 2017	29 June 2017	2 October 2017
Nortel Netherlands	5 April 2017	12 June 2017	13 June 2017	11 July 2017	13 October 2017
NNIF	5 April 2017	12 June 2017	13 June 2017	11 July 2017	13 October 2017
Nortel Ireland	28 April 2017	2 June 2017	3 June 2017	2 July 2017	5 October 2017

52. As set out in the terms of each of the CVAs, I was appointed as a supervisor of each CVA, together with Mr Bloom, Mr Hudson and Joanne Hewitt-Schembri, of E&Y, save in respect of the CVA for Nortel Ireland where Mr Hughes and Mr Bloom were appointed as supervisors of the CVA.
53. Where I use the term "**CVA Supervisors**" I am referring collectively to myself, Mr Bloom, Mr Hudson and Ms Hewitt-Schembri, save in respect of Nortel Ireland, where I am referring to Mr Bloom and Mr Hughes. HSF have provided Ms Hewitt-Schembri with a copy of this statement and she has confirmed to them that, so far as it relates to the CVA Companies for the period since her appointment as CVA Supervisor and to the best of her knowledge, she considers it to be accurate.

Distributions to creditors of CVA Companies

54. As is set out in the sixth column in the table at paragraph 51 above, the CVA Bar Dates by which creditors were required to lodge claims in the CVA against the respective CVA Company have now passed and the CVA Supervisors are in the process of adjudicating those claims.
55. In Bloom 16 and my confidential witness statement dated 1 November 2016, the Joint Administrators set out that it was our expectation that each of the Companies other than NNUK, Nortel Ireland and NNSA will return 100p in the £ to their unsecured creditors and some may also pay a commercial rate of interest. Based on the claims received to date, the Joint Administrators of each CVA Company other than Nortel Ireland continue to expect this to be the case and expect that all creditors with "**Allowed Claims**", being claims which have been admitted by the CVA Supervisors, will ultimately receive 100% of the principal of

their Allowed Claims save for certain subordinated intra-group claims. Certain CVA Companies, including Nortel Spain, Nortel Portugal, NNF and NNIF, are also anticipated to make payment of interest for the period since our appointment in accordance with the terms of the relevant CVA.

56. In the case of Nortel Ireland, the Joint Administrators continue to anticipate, based on an analysis of the status and quantum of the claims received, that all creditors with Allowed Claims will ultimately receive 70-80% of the principal of their Allowed Claims.
57. The CVA Supervisors intend to make a substantial first distribution to creditors following the Expense Bar Date, which for all CVA Companies save Nortel Italy was on 27 October 2017 (the "**Initial CVA Distribution**"). The CVA Supervisors currently intend the Initial CVA Distribution to be made on or around 5 December 2017 (save in the cases of Nortel Italy, Nortel Hungary and Nortel Ireland, for which see paragraph 60 below). An update on the making of the Initial CVA Distribution will be given by the Joint Administrators to the Court at or before the Extension Applications' hearing
58. Set out below are the percentages of the principal of Allowed Claims which the CVA Supervisors of each CVA Company expect to distribute to creditors with Allowed Claims in the Initial CVA Distributions on 5 December 2017:
 - 58.1 Nortel Germany: unsecured creditors will be paid 95%;
 - 58.2 Nortel Belgium: creditors with "**Local Priority Claims**", being claims which rank in priority to unsecured claims in accordance with local law and the terms of the CVA, will be paid 100% and unsecured creditors will be paid 95%;
 - 58.3 Nortel Netherlands: the sole creditor with a Local Priority Claim will not be paid (although the CVA Supervisors are making a reserve for this claim in full) and unsecured creditors will be paid 95%;
 - 58.4 Nortel Poland: unsecured creditors will be paid 95%;
 - 58.5 Nortel Spain: the sole creditor with a Local Priority Claim will be paid 100% and unsecured creditors will be paid 95%;
 - 58.6 NNIF: unsecured creditors will be paid 95%;
 - 58.7 Nortel Austria: unsecured creditors will be paid 53.3%;
 - 58.8 Nortel Czech Republic: unsecured creditors will be paid 92.2%;
 - 58.9 Nortel Portugal: unsecured creditors will be paid 95%;
 - 58.10 Nortel Slovakia: unsecured creditors will be paid 95%;
 - 58.11 NNF: creditors with Local Priority Claims will be paid 100% and unsecured creditors will be paid 95%; and
 - 58.12 Nortel Sweden: creditors with Local Priority Claims will be paid 100% and unsecured creditors will be paid 95%.

An update on the making of these distributions will be given by the Joint Administrators to the Court at or before the Extension Applications' hearing.

59. The terms of each CVA provide that interest and subordinated claims may only be paid once all Allowed Claims have been determined and paid in full. Until all Allowed Claims have been paid in full and any reserves made on account of any "**Disputed Claims**", being claims in respect of which the CVA Supervisors' adjudication has been challenged by a creditor, have been released, the CVA Supervisors will not make any payment of interest or certain intercompany subordinated claims.
60. In the case of Nortel Ireland and in line with the anticipated timeline in the CVA for Nortel Ireland, the CVA Supervisors intend to make a substantial Initial CVA Distribution in either late December 2017 or early January 2018. In the case of Nortel Hungary, the Joint Administrators are determining a significant Expense Claim which currently impacts on the CVA Supervisors' ability to make distributions. The Joint Administrators anticipate resolving that Expense Claim in the coming weeks and as such the CVA Supervisors expect to make a substantial Initial CVA Distribution in either late December 2017 or early January 2018. In the case of Nortel Italy, the Expense Bar Date was set at 22 December 2017. As such, the CVA Supervisors intend to make a substantial Initial CVA Distribution to creditors of Nortel Italy in February 2018.

Further assets and subsequent distributions

61. The main substantial uncollected assets of the CVA Companies are a number of pre-appointment intercompany claims against certain of the other Companies.
62. Nortel Italy has a pre-appointment intercompany claim against NNL (Canada). An initial distribution to Nortel Italy was made by NNL (Canada) on 11 July 2017 at a rate of approximately 41.5%. The Monitor appointed by the Ontario Court of Justice to manage the affairs of NNL has indicated to the Joint Administrators that NNL (Canada) is to make additional distributions to creditors including Nortel Italy before mid-2018 and that final recovery to creditors is anticipated to be approximately 45%.
63. Certain CVA Companies, including NNF, also have pre-appointment intercompany claims due from NNSA. The Joint Administrators anticipate that these CVA Companies should receive distributions in the course of 2018; further details of distributions to be made by NNSA appear at paragraph 96 below.
64. The CVA Supervisors anticipate that they will be in a position to make a "**Second CVA Distribution**" to creditors in late Spring 2018 (again, save in the case of Nortel Italy, Nortel Hungary and Nortel Ireland where the CVA Supervisors anticipate that they will be in a position to make a Second CVA Distribution to creditors in late Spring or early Summer of 2018).

65. Where applicable, on receipt of distributions in respect of intercompany claims among the CVA Companies and other recoveries from any third-parties, the CVA Supervisors would anticipate being in a position to make a "**Final CVA Distribution**" to creditors. At this stage it is not possible for the CVA Supervisors to give a firm indication of the anticipated timing of Final CVA Distribution given the uncertainty around a number of current provisions, including the quantum of Disputed Claims. However, the CVA Supervisors are hopeful that a Final CVA Distribution to creditors will be made in the case of each CVA Company in the course of 2018. For as many CVA Companies as possible, the CVA Supervisors hope that the Second CVA Distribution will also be the Final CVA Distribution.

Exit strategies

66. Following the Final CVA Distribution in respect of each CVA Company, the CVA Supervisors anticipate that they will be in a position to terminate the CVA of that CVA Company by giving notice to the creditors.
67. At or around the same time, the Joint Administrators anticipate making an application to Court to terminate the administration of that CVA Company in accordance with paragraph 79 of Schedule B1 to the Act. To ensure the orderly winding up of each CVA Company, such a termination would likely be conditional on the commencement of a process to wind up that CVA Company in accordance with the law of the jurisdiction of that CVA Company's incorporation.
68. The process required to wind up the affairs of each CVA Company will vary in the first instance by the jurisdiction of that CVA Company's incorporation. The type of process will also vary between those CVA Companies which have sufficient assets to return a surplus to their shareholder(s) (the "**Equity Distributing CVA Companies**") and those CVA Companies which will be able to make distributions to all creditors on account of their unsecured claims in full (save in respect of certain intra-group subordinated claims) but will not be able to return any surplus to their shareholder(s) (the "**Non-Equity Distributing CVA Companies**").
69. The Equity Distributing CVA Companies are currently expected to include Nortel Spain, Nortel Portugal, Nortel Sweden, NNF and NNIF. In each case, the Joint Administrators are taking local legal and accounting advice regarding the most efficient process available to make distributions to that CVA Company's shareholder(s) prior to having that CVA Company removed from the local register of companies. As the intermediate holding company in the EMEA group, NNIF will be responsible for receiving distributions of any surplus from any other Equity Distributing CVA Company (other than NNF, for which see paragraph 71 below) and, in turn, making distributions of that surplus to NNUK.

70. For those other CVA Companies which the Joint Administrators anticipate will be Non-Equity Distributing CVA Companies the Joint Administrators are similarly taking local legal and accounting advice regarding the most efficient process available under the laws of that CVA Company's jurisdiction of incorporation to have the CVA Company removed from the local register of companies once the CVA is concluded.
71. In the case of NNF, the Joint Administrators and their advisers are considering the means by which NNF may distribute the anticipated surplus to its immediate dormant shareholder Northern Telecom France ("**NTF**"), which is the subject of French liquidation proceedings (*liquidation amiable*), and ultimately to NNSA as NTF's shareholder.

H. **NORTEL FINLAND AND NORTEL ROMANIA**

Proof Processes

72. The Order of Mr Justice Snowden dated 23 July 2015 (referred to at paragraph 48 above) gave the Joint Administrators liberty to promulgate CVAs in respect of Nortel Finland and Nortel Romania. However, following successful settlement of the Allocation Dispute by way of the Global Settlement in 2016, the Joint Administrators considered that the estimated costs and expenses involved in the promulgation of CVAs were disproportionate to the estimated assets available for distribution to creditors of those Companies.
73. As such, by way of an application to Court dated 5 April 2017 supported by Bloom 17, the Joint Administrators sought permission to make such distributions to the unsecured, non-preferential creditors of Nortel Finland and Nortel Romania as they consider appropriate. Such permission was granted by Orders of Mr Justice Snowden dated 16 June 2017. Copies of the judgment and Orders are provided at **[6/28/453]**, **[6/24/408]** and **[6/25/419]** of SJH5.
74. On 11 August 2017, the Joint Administrators sent notices of intended distributions pursuant to Rule 14.29 and 14.31 of the Rules to all creditors of Nortel Finland and Nortel Romania (the "**Notices of Intended Distributions**"). Copies of the Notices of Intended Distributions were also placed on the Companies' website and are provided at **[7/12/189]** of SJH5. The Notices of Intended Distributions set out that proofs of debt may be lodged at any point up to (and including) 16 October 2017. Further and in accordance with Rule 14.28(1) of the Rules, the Joint Administrators placed notices of their intention to declare first distributions to creditors of Nortel Finland and Nortel Romania in the London Gazette. The notice in respect of Nortel Finland was published in the London Gazette on 14 August 2017 and the notice in respect of Nortel Romania was published on 16 August 2017. Copies of the notices as published in the London Gazette are provided at **[7/13/202]** of SJH5. The Joint Administrators took steps to advertise more widely in the Financial Times and the Times and also locally, in the case of Nortel Finland in the Helsingin Sanomat and Virallinen Lehti and in the case of Nortel Romania in the Ziarul Financiar.

75. In accordance with Rule 14.30(a) of Rules the Notices of Intended Distributions state that it is the intention of the Joint Administrators to make a distribution to creditors within the period of two months from the last date of proving. Accordingly, the Joint Administrators are required to declare a first dividend by no later than 16 December 2017.
76. Since issuing the Notices of Intended Distributions, the Joint Administrators and their team have been taking steps to investigate and adjudicate the claims submitted by the creditors of Nortel Finland and Nortel Romania.

Distributions to creditors of Nortel Finland and Nortel Romania

77. The Joint Administrators intend to declare a first interim distribution to non-preferential creditors of Nortel Finland and Nortel Romania on or around 5 December 2017, such that unsecured creditors will be paid 95p in the £. An update on the making of these distributions will be given by the Joint Administrators to the Court at or before the Extension Applications' hearing.
78. It is expected that the creditors of Nortel Finland and Nortel Romania should ultimately recover 100p in the £ of their admitted pre-appointment claims and that neither Company anticipates a return of equity to shareholders.

Further Assets and Final Distribution

79. The only substantial assets of Nortel Finland and Nortel Romania that are still to be realised are those Companies' entitlements to "top-up payments" due from NNUK in accordance with the terms of the UKPI Settlement Deed and a number of pre-appointment intercompany claims of Nortel Finland against certain of the other Companies.
80. On receipt of distributions in respect of inter-company claims, the Joint Administrators would anticipate being in a position to make final distributions to creditors. At this stage it is not possible for the Joint Administrators to give an indication of the anticipated timing of final distribution given the uncertainty around a number of current provisions. However the Joint Administrators are hopeful that a final distribution will be made in the case of Nortel Finland and Nortel Romania in the course of 2018.

Exits from administration

81. The Joint Administrators expect that Nortel Finland and Nortel Romania will ultimately be in a position to satisfy unsecured creditor claims in full (save in respect of certain intra-group subordinated claims against Nortel Romania) but will not be in a position to pay interest to creditors pursuant to Rule 14.23(7) of the Rules or make distributions to their respective shareholders.
82. Following the final distributions to the creditors of Nortel Finland and Nortel Romania in the course of 2018, the Joint Administrators expect to make an application to Court to

terminate the administration of those Companies in accordance with paragraph 79 of Schedule B1 to the Act.

83. The Joint Administrators are taking local legal and accounting advice regarding the most efficient process available under Finnish and Romanian law to have Nortel Finland and Nortel Romania removed from the local register of companies immediately following the termination of the administration.

I. NNSA

Conflict Administrator's role

84. Following the outcome of the Allocation Trial in the summer of 2015, the Joint Administrators identified that the interests of NNSA and the other Companies had diverged on account of NNSA's disappointing outcome from the Allocation Trial. Given this potential or actual conflict, the Joint Administrators applied to Court for the appointment of the Conflict Administrator as an additional administrator of NNSA and he was duly appointed pursuant to the Order of Registrar Briggs on 2 June 2015 (provided at [7/14/204] of SJH5). From that point onwards, the Conflict Administrator has been solely responsible for progressing NNSA's appeal in the Allocation Dispute and ultimately the Global Settlement while the Joint Administrators continued to carry out the day to day functions of the administration of the Company, where appropriate in consultation with the Conflict Administrator.
85. Following the successful settlement of the Allocation Dispute by way of the Global Settlement in 2016, the actual or potential conflict between the interests of NNSA and the other Companies has been greatly diminished. The Joint Administrators and the Conflict Administrator agreed that the Conflict Administrator's appointment should not be terminated and that in addition to continuing to be solely responsible for any outstanding matters where there is an actual or potential conflict between the interests of NNSA and the other Companies, the Conflict Administrator shall act with the other Joint Administrators in carrying out the day to day functions of the administration of NNSA. In particular, the NNSA Administrators have agreed as between themselves that the Conflict Administrator shall have primary charge of liaising with the Secondary Liquidator, communications with the committee of creditors of NNSA and discussions with certain creditors regarding their claims.

Employee Settlement

86. As set out above at paragraphs 31.1 to 31.7 above, the French Employee Settlements have been entered into between, among others, NNUK, NNSA, the NNSA Administrators, the Secondary Liquidator and each of the 176 French Employees. Pursuant to the

Employee Settlements, certain claims against NNSA relating to the post-filing period have been compromised. However, certain French Employees retain the right to bring certain unsecured claims against NNSA either in the Secondary Proceeding or in the CVA which is to be proposed. The NNSA Administrators have reserved their rights to reject such claims.

NNSA CVA

87. Liberty to promulgate a CVA in respect of NNSA (the "**NNSA CVA**") was granted by Order of Mr Justice Snowden dated 23 July 2015 (provided at [7/4/22] of SJH5).
88. The NNSA CVA if approved will provide a mechanism to distribute cash to NNSA's creditors as quickly as possible. The main objectives of the NNSA CVA will be:
 - 88.1 to implement a date by which claims of creditors must be submitted to enable the assets of NNSA to be distributed as quickly as possible;
 - 88.2 to provide a mechanism to facilitate payment by NNSA to its creditors; and
 - 88.3 to provide a framework for certain releases of the NNSA Administrators and their advisers.
89. The principles and certain key terms of the NNSA CVA will include those agreed between the NNSA Administrators and the Secondary Liquidator and set out in Schedule 4 (*The NNSA CVA*) to the NNSA Settlement Deed, as amended and restated on 1 March 2017, a copy of which is provided at [7/15/206] of SJH5.
90. Following discussions with the Conflict Administrator, the Joint Administrators decided not to seek to promulgate the NNSA CVA earlier this year. The basis on which the NNSA Administrators made that decision is that NNSA has a Secondary Proceeding which will initially proceed with its own claims process following its receipt of the Sale Proceeds. It is anticipated that the Secondary Liquidator's claims process will substantially resolve certain potential expense claims which would mean the proving process in the Main Proceeding could be simplified in part.
91. The NNSA Administrators have held meetings with representatives of the Secondary Liquidator in London and members of the NNSA Administrators' team have been provided with details of the claims already submitted into the Secondary Proceeding. The NNSA Administrators are also in discussions with the Secondary Proceeding regarding the settlement of certain large claims, including potential claims of the French tax authority and that of the former landlord of NNSA.
92. The NNSA Administrators understand from representatives of the Secondary Liquidator that their process to investigate and adjudicate claims is well underway and that the Supervisory Judge (*juge-commissaire*) who in accordance with French law is to make the final decision on the treatment of claims has admitted a number of those claims which were initially verified by the Secondary Liquidator. That said, the Secondary Proceeding is

primarily focused on agreeing those claims which will rank in priority to unsecured claims under French law as it is anticipated pursuant to the terms of the NNSA Settlement Deed that the Secondary Proceeding will be responsible for paying all priority creditors under French law and that the NNSA CVA will deal with proving claims and making distributions to the unsecured creditors of NNSA.

93. The NNSA Administrators do not currently have a clear understanding of when the Secondary Liquidator proposes to make a final distribution to priority creditors of the Secondary Liquidator. The NNSA Administrators also understand that the Secondary Liquidator had made payment in respect of certain priority claims which have been admitted by the Secondary Proceeding but that certain priority claims submitted to the Secondary Liquidator have yet to be determined in their entirety. The NNSA Administrators appreciate that the creditors of NNSA have waited a substantial period of time to receive distributions on account of their pre-appointment claims and, while the NNSA Administrators believe that there is a clear benefit in the Secondary Liquidator making distributions to creditors prior to the promulgation of the NNSA CVA, they do not intend to postpone the NNSA CVA process indefinitely. On this basis and in accordance with section 3 of the Act, the NNSA Administrators anticipate seeking a decision from the creditors of NNSA as to whether to approve the proposal and summoning a meeting of the shareholders of NNSA to consider the proposal for the NNSA CVA in the first or second quarter of 2018.
94. In advance of issuing the NNSA CVA, the NNSA Administrators are taking steps to investigate certain key pre-appointment claims of which they are aware. The NNSA Administrators hope to agree with certain creditors the basis and treatment of certain large unsecured claims against NNSA. While such discussions with the relevant creditors are at a relatively early stage and it would be premature for the NNSA Administrators to speculate, the NNSA Administrators are hopeful that we will be able to make arrangements to agree the value of those claims in advance of the NNSA CVA being issued. The Joint Administrators will disclose any such arrangements to shareholders and other creditors in the NNSA CVA proposal, including whether as part of those arrangements any creditor has undertaken in advance to vote in favour of the NNSA CVA proposal.
95. Subject to the creditors of NNSA approving the proposal for the NNSA CVA, the Joint Administrators anticipate that the bar date by which creditors must submit their claims into the NNSA CVA would be in the third quarter of 2018.
96. Based on this timetable and subject to any reserves required to be made on account of disputed pre-appointment claims or Expense Claims, the Joint Administrators expect to be in a position to make an initial distribution to creditors late in the third quarter of 2018. It is

not possible at this juncture to provide an indication of the anticipated pence in the £ of this initial distribution.

Expense Application

97. No application similar to a Expense Application was made on behalf of NNSA at the time of the Expense Application. This decision was made on the basis that any such application should be launched in conjunction with the NNSA CVA. As was the case for the other Companies, the Joint Administrators are aware of a number of potential Expense Claims, the uncertainty surrounding which is likely to lead to further delays to distributions to unsecured creditors.
98. The Joint Administrators anticipate making an application to Court in respect of NNSA in the form similar to the Expense Applications (the "**NNSA Expense Application**") at the same time as issuing the proposal for the NNSA CVA in the first or second quarter of 2018.
99. Further and updated details regarding these potential Expense Claims will be provided to Court at the time that the NNSA Expense Application is made to the Court.

Final distribution and exit from administration

100. The NNSA Administrators propose updating the Court on potential exit routes for NNSA at the time the NNSA Expense Application is made as there are a number of significant complexities which will need to be resolved before the affairs of NNSA can be formally wound up.

J. BREXIT

101. For the purposes of the EC Insolvency Regulation the administrations of the Companies and the CVAs in respect of the CVA Companies are recognised as main proceedings. The Joint Administrators understand from their legal advisers that the proposed NNSA CVA will constitute a main proceeding for the purposes of the Regulation (EC) on Insolvency Proceedings 2015 (No 2015/848) (the "**Recast Regulation**").
102. Other than NNUK, the Companies are companies registered in EU Member States and the Joint Administrators understand from their legal advisers that the English Court has jurisdiction over those Companies pursuant to Article 3(1) of the EC Insolvency Regulation.
103. On 29 March 2017 HM Government gave notice to the European Council of the United Kingdom's intention to withdraw from the European Union in accordance with Article 50(2) of the Treaty on European Union (the "**Treaty**"). In accordance with Article 50(3) of the Treaty, the Treaty and the Treaty on the Functioning of the European Union shall cease to apply to the United Kingdom from the date of entry into force of the withdrawal agreement or, failing that, two years from the date of the notification.

104. Pending the completion of any withdrawal agreement between the UK and the European Council, it is uncertain how the EC Insolvency Regulation or the Recast Regulation will apply to the administrations of the Companies or the CVAs and what, if any, recognition will be given to the Joint Administrators or CVA Supervisors by the courts of the Member States following any withdrawal agreement or the two year deadline set out in Article 50(3) of the Treaty, being 29 March 2019.
105. Given this uncertainty the Joint Administrators consider it prudent at this time not to request an extension to the administrations beyond 29 March 2019. Subject to reaching final agreement with the Local Tax Authorities, the Joint Administrators consider that it should be possible to complete all the administrations of the CVA Companies, Nortel Finland and Nortel Romania before 13 January 2019, with the possible exception of NNIF being the Equity Distributing CVA Company responsible for making distributions of the EMEA group's surplus to NNUK. In the case of NNSA, the Joint Administrators will seek further directions if it appears that the administration of that Company will go beyond 13 January 2019, by which time it is hoped that the position of the administrations, the EC Insolvency Regulation and the Recast Regulation following the withdrawal of the United Kingdom from the European Union will be clearer.

K. RELIEF SOUGHT

106. For the reasons set out in this statement, the Joint Administrators consider that, at this point in the administrations, moving any of the Companies into a liquidation process would be hugely disruptive to the affairs of the Companies and damaging to creditors' interests. If the Companies were to be forced into liquidation at this stage, the permission given by the Court to the Joint Administrators of NNUK, Nortel Finland and Nortel Romania to make distributions would be frustrated. In the case of the CVA Companies, without an extension, the Joint Administrators would be unable to fulfil the terms of the CVAs which have been approved by the creditors of each CVA Company. In the case of NNSA, the Joint Administrators would not be able to promulgate the CVA as currently envisaged. The Joint Administrators remain of the view that there are no obvious benefits to any creditors if the Companies were to go into liquidation at this stage and there would be considerable amounts of disruption and wasted costs.
107. To date, the administrations and the CVAs have proceeded successfully and the statutory purposes of the administrations as set out at paragraph 3(1) of Schedule B1 to the 1986 Act are capable of further achievement by way of making distributions to creditors, including by way of the CVAs. Accordingly, the Joint Administrators consider that the orders sought by the Extension Applications are in the best interests of each of the Companies.

108. The extension is sought in respect of each of the Companies so as to enable the Joint Administrators to address the outstanding issues set out above. As a result of the uncertainty around the Brexit process described at section J (*Brexit*), the Joint Administrators propose that the administrations be extended only for a period of 12 months until 13 January 2019. Should it be necessary to further extend the duration of the administrations beyond 13 January 2019, the Joint Administrators would make the required applications to Court in advance of that date.
109. If the circumstances of any of the Companies change significantly before 13 January 2019, including such that the Joint Administrators consider that the purpose of any administration has been sufficiently achieved, the Joint Administrators understand that they are obliged to return to Court to seek such an order as to the future conduct of the administration as is appropriate in those circumstances, including an order that their appointment as Joint Administrators of that Company shall cease to have effect.
110. For the reasons set out in paragraphs 44 to 46 above, the Joint Administrators currently anticipate that a further extension beyond 13 January 2019 may be required in the case of NNUK, NNSA and potentially NNIF. However to avoid the time and cost of multiple and varying extension applications in future, the Joint Administrators propose that a single date be used for all of the Companies.
111. Accordingly, the Joint Administrators respectfully request that this Honourable Court makes the orders for the Extension Applications on behalf of each of the Companies.
112. I would also respectfully request that, due to the confidentiality of the Confidential Schedule to this statement, that schedule is ordered not to be open to inspection without the prior leave of the Court pursuant to Rule 12.39(9) of the Rules.

L. CONCLUSION

113. For the reasons mentioned above, I respectfully request that the Court grants the relief sought by the application.

STATEMENT OF TRUTH

I believe that the facts stated in this witness statement are true.

.....
STEPHEN JOHN HARRIS

Date: 29 November 2017

IN THE HIGH COURT OF JUSTICE
THE BUSINESS AND PROPERTY COURTS OF
ENGLAND & WALES
COMPANY & INSOLVENCY LIST

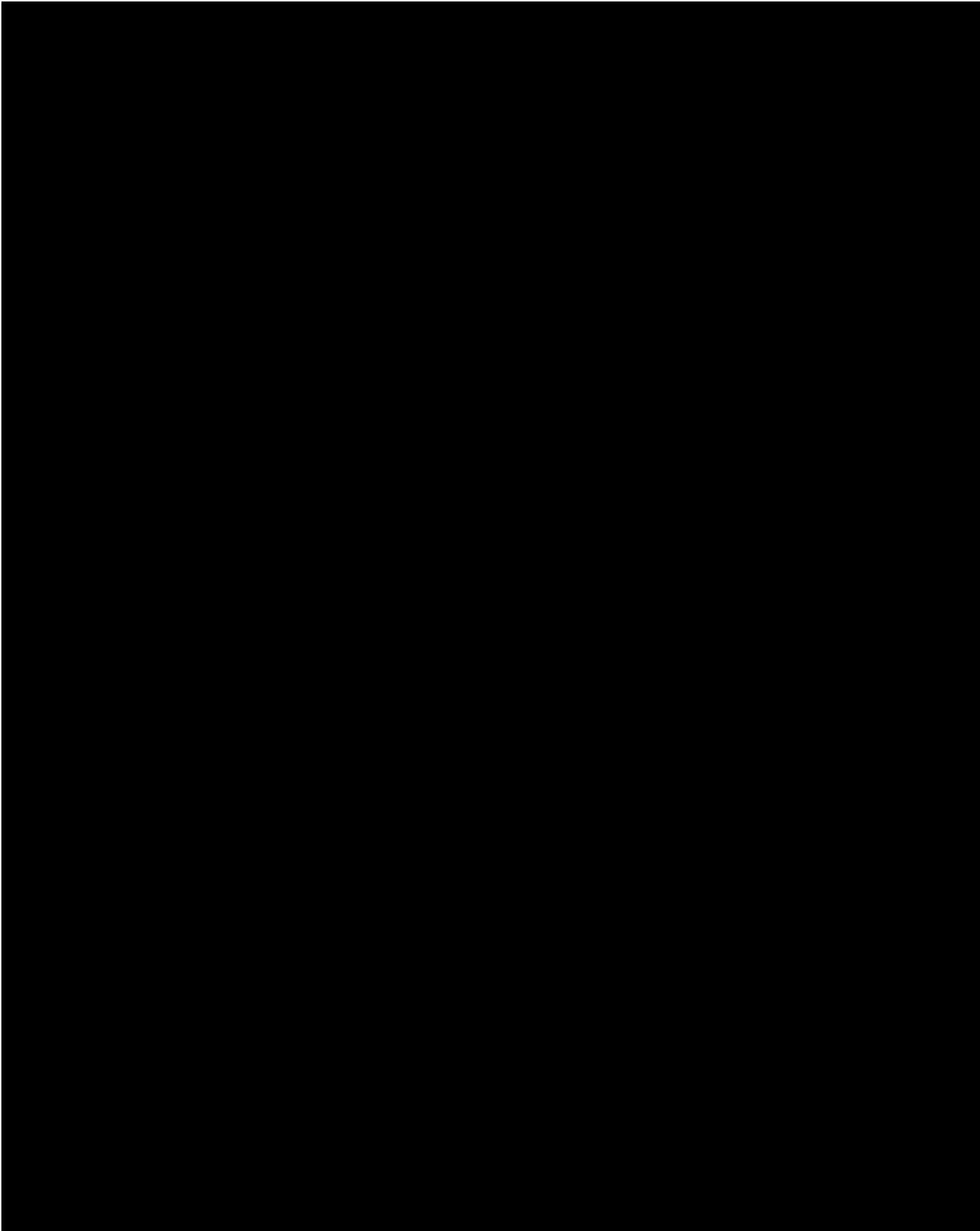
IN THE MATTERS OF:

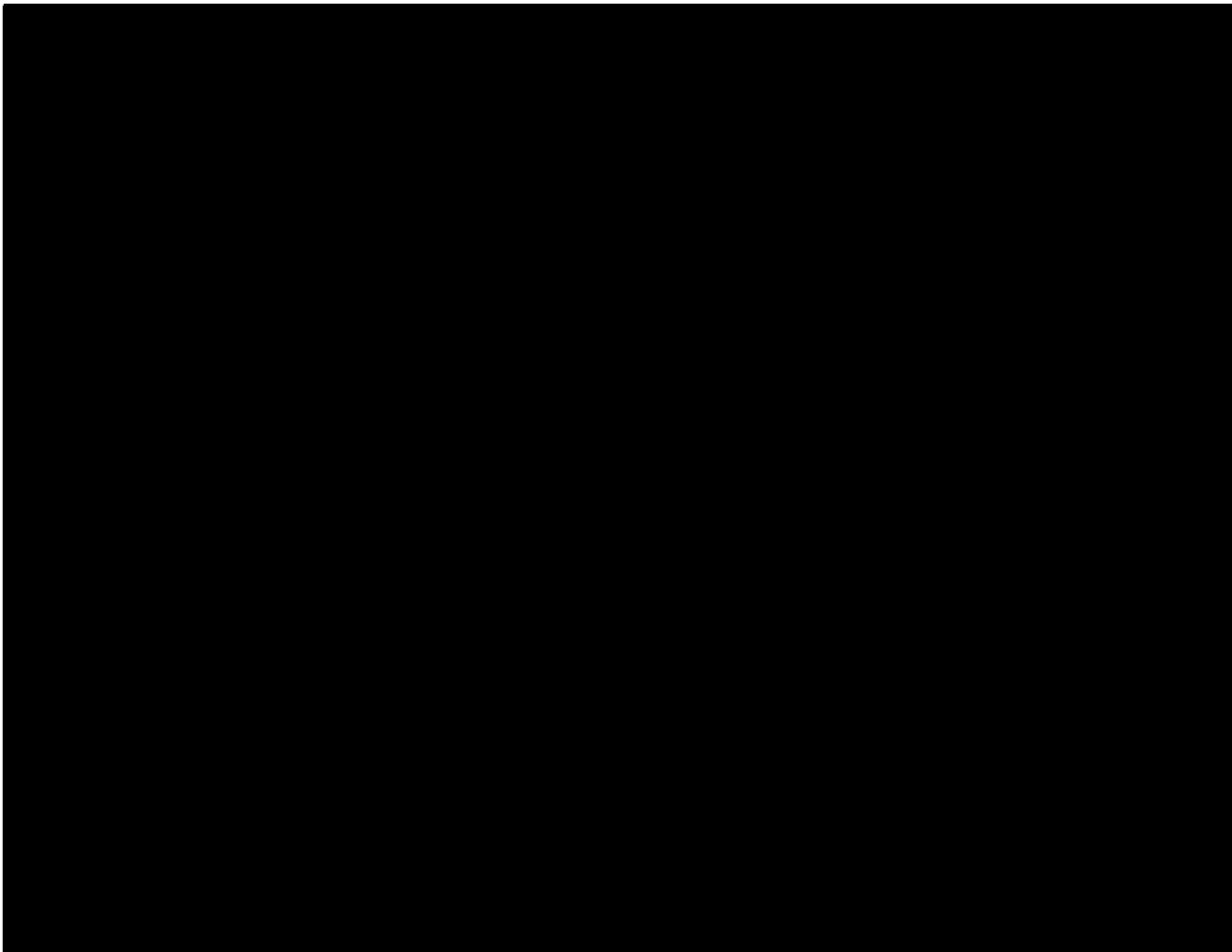
NORTEL NETWORKS UK LIMITED	<u>No. 536 of 2009 /</u> <u>CR-2016-006154</u>
NORTEL GMBH	<u>No. 542 of 2009 /</u> <u>CR-2009-000033</u>
NORTEL NETWORKS N.V.	<u>No. 550 of 2009 /</u> <u>CR-2009-000034</u>
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NORTEL NETWORKS (AUSTRIA) GMBH	<u>No. 537 of 2009 /</u> <u>CR-2009-000040</u>
NORTEL NETWORKS SRO	<u>No. 538 of 2009 /</u> <u>CR-2009-000041</u>
NORTEL NETWORKS ENGINEERING SERVICE KFT	<u>No. 540 of 2009 /</u> <u>CR-2009-000042</u>
NORTEL NETWORKS PORTUGAL S.A. NORTEL	<u>No. 547 of 2009 /</u> <u>CR-2009-000043</u>
NETWORKS SLOVENSKO S.R.O. NORTEL	<u>No. 551 of 2009 /</u> <u>CR-2009-000044</u>
NETWORKS FRANCE SAS NORTEL	<u>No. 544 of 2009 /</u> <u>CR-2009-000045</u>
NETWORKS AB	<u>No. 548 of 2009 /</u> <u>CR-2009-000046</u>
NORTEL NETWORKS (IRELAND) LIMITED	<u>No. 541 of 2009 /</u> <u>CR-2009-000047</u>
NORTEL NETWORKS S.A.	<u>No. 539 of 2009 /</u> <u>CR-2009-000048</u>
NORTEL NETWORKS OY	<u>No. 545 of 2009 /</u> <u>CR-2009-000049</u>
NORTEL NETWORKS ROMANIA SRL	<u>No. 546 of 2009 /</u> <u>CR-2009-000050</u>

AND IN THE MATTER OF THE INSOLVENCY ACT
1986

FIFTH WITNESS STATEMENT OF
STEPHEN JOHN HARRIS

CONFIDENTIAL SCHEDULE





IN THE HIGH COURT OF JUSTICE
THE BUSINESS AND PROPERTY COURTS OF ENGLAND & WALES
COMPANY & INSOLVENCY LIST

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AND IN THE MATTER OF THE INSOLVENCY ACT 1986

EXHIBIT "SJH5"

This is the Exhibit marked "SJH5" which is referred to in the witness statement of Stephen John Harris dated 29 November 2017

.....
Stephen John Harris

