

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

IN THE MATTERS OF:

NORTEL NETWORKS INTERNATIONAL FINANCE & HOLDING BV ("NNIF")	<u>No. 549 of 2009 / CR-2009-000039</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 AB ("NORTEL SWEDEN")	<u>No. 548 of 2009 / CR-2009-000046</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

**EIGHTH 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 pursuant to the Orders of Mr Justice Blackburne. Copies of those Orders are at [1/1/1] to [1/1/60] of SJH8.
3. In 2017, Mr Hill ceased to practice as an insolvency practitioner and on 11 September 2017 gave notice that he was to resign as a joint administrator of the Companies. Mr Hill formally resigned as a joint administrator on 20 September 2017 and notices of his resignation are exhibited at [1/2/61] to [1/2/72] of SJH8.
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.

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.
6. 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.
7. There is now produced and shown to me a bundle of documents marked "SJH8" to which I shall refer in this witness statement. References in this document to exhibits are in the form [Volume/Tab/Page]. Volume 5 of SJH8 comprises a number of Schedules setting out the detail of the Joint Administrators' remuneration and CVA Supervisors' fees for which the Court's approval is sought. The Schedules are explained in detail at Section L (*Detail of the remuneration and the Schedules*) at paragraphs 148 to 157 below.

A. INTRODUCTION

(a) The Relief Sought

8. I am duly authorised to make this witness statement on behalf of the Joint Administrators in support of their applications (the "**Applications**") for Orders in the form set out in the draft orders, being that:
 - 8.1 the appointment of the Joint Administrators shall cease to have effect pursuant to paragraph 79(1) of Schedule B1 to the Insolvency Act 1986 (the "**Act**") from:
 - (1) in the case of NNIF, Nortel Czech Republic, Nortel Sweden and Nortel Finland, from the passing of the resolution by the relevant shareholder to wind up each Company voluntarily in accordance with local law; and
 - (2) in the case of Nortel Hungary and Nortel Romania, from the time of the appointment by the competent court of a liquidator to wind-up each Company in accordance with local law;
 - 8.2 the Joint Administrators of each of the Companies be discharged from liability pursuant to paragraph 98 of Schedule B1 to the Act with effect from 28 days after the date on which their appointment has been terminated in the manner set out at paragraph 8.1 above;
 - 8.3 if the relevant step required to wind up a Company (as referred to in paragraph 8.1 above) is not completed within 45 days of the date of the relevant Order (or in the case of Nortel Czech Republic, 60 days), the matter be re-listed for hearing within 14 days;

- 8.4 the Joint Administrators' remuneration in relation to the Administrations of NNIF, Nortel Sweden, Nortel Hungary and Nortel Romania, for the period from last approval by each Company's creditors or creditors' committee to 20 July 2018 ("Period 1") and for the period from 21 July 2018 to the termination of the Joint Administrators' appointment ("Period 2"), be fixed by reference to time properly given by the Joint Administrators and their staff and, in the case of Period 2, by reference to forecast time costs and subject to a cap, the details of which are set out in the draft orders;
- 8.5 in the case of NNIF and Nortel Sweden, the balance of fees for the period from the last approval by that CVA Company's creditors to 20 July 2018 ("CVA Period 1") and the balance of estimated fees for the period from 21 July 2018 to the termination of the CVAs on 30 July 2018 and 27 July 2018 respectively ("CVA Period 2") be paid to the CVA Supervisors;
- 8.6 in the case of Nortel Hungary and Nortel Czech Republic, the balance of fees for the period from the last approval by that CVA Company's creditors to the termination of the CVAs be paid to the CVA Supervisors;
- 8.7 the costs of and incidental to the Applications be paid as expenses of the Administrations of the Companies.

(b) The Structure of this Witness Statement

9. This witness statement is divided into the following sections:
- (A) Introduction (page 2)
 - (B) Background (page 4);
 - (C) Progress of the Administrations (page 6);
 - (D) Distributions to Expense Creditors (page 6);
 - (E) CVA Companies (page 7);
 - (F) Nortel Finland and Nortel Romania (page 13);
 - (G) Exiting the Administrations (page 15);
 - (H) Details of subsequent liquidations (page 18);
 - (I) Discharge of liability (page 25);
 - (J) The reasons for the Remuneration Applications (page 26);
 - (K) Common aspects of remuneration and processes applied to all Companies (page 32);
 - (L) Detail of remuneration and the Schedules (page 39);

- (M) Detail of remuneration by Company (page 44);
- (N) Relief sought (page 49); and
- (O) Conclusion (page 51).

B. BACKGROUND

10. Much of the background of the Nortel group and the Administrations is set out in the seventeenth witness statement of Mr Bloom dated 4 April 2017 ("**Bloom 17**", [1/3/73] of SJH8). Capitalised words and phrases used in the present statement shall, unless otherwise defined herein, have the same meaning as in Bloom 17. More recent background is also set out in my fifth witness statement in these proceedings, dated 29 November 2017 ("**Harris 5**" at [1/4/169] of SJH8), made in support of the Joint Administrators' most recent applications to extend the Administrations of the Companies.
11. 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 Applications.
12. 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.
13. In a series of coordinated filings, on 14 January 2009, the Canadian Debtors sought protection under Canadian bankruptcy law, the US Debtors filed voluntary petitions in the US Bankruptcy Court pursuant to Chapter 11 of the US Bankruptcy Code and, 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 EMEA Debtors. Each of the Administrations of the EMEA Debtors is a main insolvency proceeding as defined in Article 3(1) of the EC Insolvency Regulation. A corporate structure chart of the Nortel Group including the EMEA Debtors is at [1/5/199] of SJH8.
14. 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 [1/6/201] to [1/6/368] of SJH8. As the Joint Administrators explained in the Statements of Proposals, the proposals for each of the Companies were:
 - 14.1 to continue to manage the Company's businesses, affairs and property during the period of the administration whilst the possibilities for the Global Restructuring were considered, progressed and given effect to by the Company as appropriate;

- 14.2 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;
- 14.3 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
- 14.4 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.
15. Following their appointment, the Joint Administrators have periodically 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 ("**Progress Reports**"). Since the making of Harris 5, made in support of the Joint Administrators' most recent applications to extend the Administrations of the Companies ([1/4/169] of SJH8), the Joint Administrators have prepared Progress Reports for each of the Companies for the period 14 July 2017 to 13 January 2018 (dated 8 February 2018, [2/1/1] to [2/1/116] of SJH8) and for the period 14 January 2018 to 13 July 2018 (dated 7 August 2018, [2/2/117] to [2/2/224] of SJH8).
16. During the course of the Administrations, the Joint Administrators have also provided to the Court detailed updates on the progress and status of the Administrations, most recently in Mr Bloom's sixteenth witness statement dated 25 October 2016 ("**Bloom 16**", [2/3/225] of SJH8), Bloom 17 dated 4 April 2017 ([1/3/73] of SJH8), Mr Bloom's eighteenth witness statement dated 31 May 2017 ("**Bloom 18**", [2/4/309] of SJH8), Harris 5 ([1/4/169] of SJH8) and my sixth witness statement dated 21 June 2018 ([2/5/329] of SJH8).
17. 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, by Order of Mr Justice Snowden on 2 December 2015 and most recently by a period of 12 months by Order of Mr Justice

Snowden on 14 December 2017 ([2/6/373], [2/7/377], [2/8/381], [2/9/385] and [2/10/387] of SJH8 respectively). Consequently, the Joint Administrators' terms of office now expire at 12:01pm on 13 January 2019.

C. PROGRESS OF THE ADMINISTRATIONS

18. 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 (net of certain costs) (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**").
19. 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"; (b) the "UKPI Settlement Deed"; (c) the "Deed of Release"; and (d) the "NNSA Settlement Deed".
20. The Global Settlement became effective on 8 May 2017 and the Sale Proceeds were released from the lockbox escrow accounts such that during the course of May 2017 each of the EMEA Debtors received the allocation agreed as part of the Global Settlement.

D. DISTRIBUTIONS TO EXPENSE CREDITORS

21. Part of the process of ensuring that creditors are paid distributions expeditiously has included the Joint Administrators ensuring 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 a certain amount of cash remains available to pay the potential expenses). To that end on 5 April 2017 the Joint Administrators made an application for directions from the Court to the Joint Administrators to inform potential claimants that any 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 Companies. 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 are incorporated. A copy of Bloom 17 made in support of the Expense Application is at [1/3/73] of SJH8.
22. Following receipt of the Sale Proceeds by each Company in May 2017, the Joint Administrators anticipated receiving claims from some 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.

23. Mr Justice Snowden made Orders granting the Joint Administrators directions as sought regarding the Expense Claims on 9 June 2017 (the "Expense Orders"). Copies of the Expense Orders made by Mr Justice Snowden in respect of the Companies are provided at [2/11/391] to [2/11/454] of SJH8 and the judgment given by Mr Justice Snowden dated 16 June 2017 is provided at [2/12/455] of SJH8.
24. The Joint Administrators duly sent Explanatory Letters and Demand Forms in accordance with the terms of the Expense Orders and submitted a pro forma tax calculation (a "Pro Forma") to each of those Local Tax Authorities. I provided an update to the Court in respect of the Joint Administrators' engagement with each Local Tax Authority in a Confidential Schedule to Harris 5. The Joint Administrators can confirm that the claims submitted by those Local Tax Authorities have been dealt with by the Joint Administrators.
25. The Joint Administrators consider the process of dealing with the Local Tax Authorities has gone 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 such that all creditors (save certain inter-company subordinated creditors) have been paid in full.

E. CVA COMPANIES

26. On 25 June 2015, the Joint Administrators applied to the Court for liberty to promulgate CVAs in respect of each of the Companies. 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 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 [2/13/477] of SJH8.
27. 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. The judgment given by Mr Justice Snowden dated 27 August 2015 and a copy of the Order are provided at [2/14/507] and [2/14/513] of SJH8.
28. In April 2017, the Joint Administrators proposed CVAs in respect of NNIF, Nortel Sweden, Nortel Czech Republic and Nortel Hungary (the "CVA Companies"). Copies of the proposals for each Company's CVA are at [3/1/1-156], [3/2/175-328], [3/3/357-512] and [3/4/531-686] of SJH8 respectively.

29. The proposed CVAs in respect of those CVA Companies were 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 was sent to creditors and posted on the Joint Administrators' website) at [3/1/157-164], [3/2/329-336], [3/3/513-520] and [3/4/687-693] of SJH8.
30. 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. Where I use the term "CVA Supervisors" I am referring collectively to myself, Mr Bloom, Mr Hudson and Ms Hewitt-Schembri. Herbert Smith Freehills LLP 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.
31. The CVA Supervisors periodically inform creditors of the progress of the CVAs by way of annual progress reports in accordance with Rule 2.41(4) of the Insolvency (England & Wales) Rules 2016 (the "Rules") and, following the termination of the CVAs, final reports in accordance with Rule 2.44(2) of the Rules. The CVA Supervisors have prepared an annual progress report for Nortel Sweden (dated 20 July 2018, [3/2/339-346] of SJH8) and a final report (dated 6 August 2018, [3/2/348-356] of SJH8). The CVA Supervisors have prepared final reports for NNIF (dated 7 August 2018, [3/1/168-174] of SJH8), Nortel Czech Republic (dated 27 July 2018, [3/3/524-530] of SJH8) and Nortel Hungary (dated 6 July 2018, [3/4/696-702] of SJH8). No annual progress reports for those three CVA Companies were necessary given that the duration of those three CVAs were less than 12 months, as per Rule 2.41(8) of the Rules.
32. The bar dates by which creditors were required to lodge claims in the CVAs against the respective CVA Company passed in the autumn of 2017 and the CVA Supervisors completed the adjudication process in respect of all claims submitted by CVA Creditors.
33. The CVA Supervisors subsequently completed the process of making distributions to creditors in accordance with the Terms of the CVAs. The CVA Supervisors of NNIF, Nortel Sweden and Nortel Czech Republic made first distributions to CVA Creditors on 5 December 2017. The CVA Supervisors of Nortel Hungary made a first and final distribution to CVA Creditors on 13 April 2018. The CVA Supervisors of Nortel Czech Republic made its final distribution on 20 April 2018, with the CVA Supervisors of NNIF and Nortel Sweden making final distributions on 21 June 2018.
34. In Bloom 16 and my confidential witness statement dated 1 November 2016, the Joint Administrators set out that it was their expectation that each of the CVA Companies would return 100p in the £ to their unsecured creditors and some may also pay a commercial rate

of interest for the period from the date of their appointment to the date of payment ("**Commercial Interest**"). Set out below is a summary of the distributions made by the CVA Supervisors of each CVA Company to creditors with claims admitted by the CVA Supervisors in the CVA distributions.

- 34.1 NNIF: all creditors have been paid 100% of their claims and have been paid Commercial Interest in full at a rate of 3.76% per annum, with CVA Distributions totalling £755,561.28 on account of principal and £253,579.96 on account of Commercial Interest. Copies of the Notices of Declaration of Dividend dated 5 December 2017 and of the Final Distribution dated 21 June 2018 are at [3/1/165] and [3/1/166] of SJH8.
- 34.2 Nortel Sweden: all creditors have been paid 100% of their claims and have been paid Commercial Interest in full at a rate of 2.8% per annum, with CVA Distributions totalling £124,149.37 on account of principal and £32,383.17 on account of Commercial Interest. Copies of the Notices of Declaration of Dividend dated 5 December 2017 and of the Final Distribution dated 21 June 2018 are at [3/2/337] and [3/2/338] of SJH8.
- 34.3 Nortel Czech Republic: all creditors (save one intercompany subordinated creditor, as explained at paragraphs 36 to 39 below) have been paid 100% of their claims with CVA Distributions totalling £1,764,769.53 on account of principal. No payments were made on account of Commercial Interest. Copies of the Notices of Declaration of Dividend dated 5 December 2017 and of the Final Distribution dated 20 April 2018 are at [3/3/521] and [3/3/522] of SJH8.
- 34.4 Nortel Hungary: all creditors (save one intercompany subordinated creditor as explained at paragraphs 36 to 39 below) have been paid 100% of their claims with CVA Distributions totalling £1,011,250.01 on account of principal. No payments were made on account of Commercial Interest. A copy of the Notice of First and Final Dividend dated 13 April 2018 is at [3/4/694] of SJH8.
35. No payments were made to creditors on account of Commercial Interest in Nortel Czech Republic or Nortel Hungary. The "top-up" payments were agreed as part of the Global Settlement and made by NNUK to other EMEA Debtors in accordance with the terms of the UKPI Settlement Deed. These "top-up" payments only provide the lesser of the amount needed to ensure that the unsecured creditors of those companies will be paid 100p in the £, excluding interest, or the amount required (after receipt of the Sales Proceeds) to restore the position of those companies to what it had been at 31 December 2009.

CCAA Subordinated Debts

36. At the outset of the Administrations, certain intercompany trading balances were due from certain EMEA Debtors to the Canadian Debtors, including from Nortel Czech Republic,

Nortel Hungary and Nortel Romania. On 9 July 2014, the EMEA Debtors and the Canadian Debtors entered into a settlement in respect of certain claims between the two estates including, inter alia, these pre-filing trading debts (the "Agreement Settling EMEA Canadian Claims") ([4/1/1] of SJH8). The terms of the Agreement Settling EMEA Canadian Claims permit certain of the intercompany trading balances against the EMEA Companies (the "CCAA Subordinated Debts") to be assigned to NNUK instead of being released by the Canadian Debtors. If the assignment took place the claims concerned were to be subordinated behind other unsecured creditors of the EMEA Debtors such that the effect of any assignment on the creditors of the affected EMEA Debtors would be the same.

37. The details of the Agreement Settling EMEA Canadian Claims are set out in Mr Bloom's Tenth Witness Statement dated 14 July 2014 ("Bloom 10", at [4/2/33] of SJH8). His Honour Judge Hodge QC made an Order granting the Joint Administrators liberty to perform and procure the EMEA Debtors perform the Agreement Settling EMEA Canadian Claims – copies of the Order and judgment dated 17 July 2014 are at [4/3/59] and [4/3/62] of SJH8. By way of an assignment dated 14 July 2014, the CCAA Subordinated Debts were assigned to NNUK and the relevant EMEA Debtors agreed that those CCAA Subordinated Debts would be subordinated to all unsecured claims. A copy of that assignment is at [4/4/76] of SJH8. The Terms of each CVA provide that CCAA Subordinated Debts are payable only once all provable and non-provable claims, together with Commercial Interest thereon, are paid in full.
38. The assets available to the CVA Supervisors in Nortel Czech Republic and Nortel Hungary did not allow distributions to be made to NNUK in respect of the CCAA Subordinated Debts. There remains a claim against Nortel Czech Republic of £2,241,399.58 and against Nortel Hungary of £996,193.95 which the Joint Administrators believe will not be satisfied. I will go on to discuss the claim against Nortel Romania at paragraph 54 below.
39. The Joint Administrators were informed by local counsel and other local advisers that the existence of CCAA Subordinated Debt would result in an insolvent winding-up which could be a longer process than a solvent winding-up. The Joint Administrators therefore considered a variety of mechanics to potentially deal with the CCAA Subordinated Debt prior to each Company's dissolution, including a debt-for-equity swap. However after due consideration it was concluded that the complexities of such actions would likely incur significant additional costs which would incur no substantive benefit and that therefore there was no realistic alternative to liquidate Nortel Hungary and Nortel Romania by way of an insolvent winding-up. In Nortel Czech Republic an immediate insolvent liquidation is not possible as the Company has only one creditor, but a solvent liquidation may not be a realistic alternative because of the potential tax position of the Company. Therefore additional steps are required to deal with the CCAA Subordinated Debt prior to the entry by

Nortel Czech Republic into a solvent liquidation. Further details on these additional steps to be taken for Nortel Czech Republic are set out at paragraph 80 to 85 (below).

Modification of the CVAs

40. Prior to the making of final distributions to the creditors of each CVA Company, the CVA Supervisors became aware that certain creditors had, despite repeated requests, not provided bank account details for payment. In most cases these creditors were either:
 - 40.1 automatically admitted as "small debts" of less than £1,000 based on the Company's books and records, pursuant to Terms of the CVAs which reflected similar provisions in the Rules; and
 - 40.2 those whose claims had been submitted in an informal proof process undertaken by the Joint Administrators in 2010 and who at that time had been assured that those claims would be deemed to be submitted into any subsequent CVA proposed by the Joint Administrators. As a result the terms of the CVA included a mechanism by which the claims of those creditors would be automatically submitted to the CVA Supervisors without any action on the part of the relevant creditors.
41. Despite numerous attempts by the CVA Supervisors, their staff and the legacy Nortel staff engaged by the Joint Administrators to locate and contact these unresponsive creditors, several creditors failed to respond and provide bank details for payment. The CVA Supervisors have made payment of distributions to those unresponsive creditors by cheque, certain of which remain uncashed. The Terms of the CVA provide that any unclaimed funds are to be held for a period of one year or until shortly before the final Distribution, at which point they are to be paid in accordance with the Terms of the CVA.
42. All creditors of NNIF have provided bank details for payment. However a small number of creditors of Nortel Sweden, Nortel Czech Republic and Nortel Hungary have failed to respond to the CVA Supervisors. The total value of claims of these unresponsive creditors amounts to £13,801.73 in Nortel Sweden, £57.24 in Nortel Hungary and £566.42 in Nortel Czech Republic.
43. In order to avoid the cost and delay of continuing the CVAs and/or the Administrations, the Joint Administrators used powers granted to them by the Terms of the CVAs to modify the CVAs. The modifications were modelled on the provisions of the Rules and the Insolvency Regulations 1994 (as amended) and were agreed with the Joint Administrators of NNUK. The modifications provide that:
 - 43.1 on the date of the termination of the CVA, the relevant CVA Company will transfer any unclaimed funds in respect of cheques to NNUK;
 - 43.2 on receipt, NNUK shall hold those funds for a period of one year from the relevant distribution date;

- 43.3 a creditor may seek payment from NNUK on provision of evidence satisfactory to the Joint Administrators of NNUK; and
- 43.4 after a period of one year from the relevant distribution date NNUK is to donate any remaining unclaimed funds to charity.
44. Copies of the Notices of Modification of the CVAs of Nortel Sweden, Nortel Czech Republic and Nortel Hungary, which include the Terms of the CVAs as modified are at [4/5/83], [4/6/143] and [4/7/205] of SJH8 respectively. The Letters of Undertaking from NNUK confirming the terms on which NNUK has agreed to hold these unclaimed funds are at [4/5/136], [4/6/197] and [4/7/259] of SJH8 respectively

Termination of the CVAs

45. The terms of each CVA provide that the CVA Supervisors shall serve a Notice of Termination on the creditors in certain circumstances including (i) if any assets remaining after the payment of all claims in full (including Commercial Interest thereon) have been returned to the Joint Administrators and/or the Company, and (ii) the CVA Supervisors have distributed all assets in accordance with the terms of the CVAs and there are no further assets that are or will be available for distribution under the CVAs. Given that the CVA Supervisors have paid all creditors of NNIF and Nortel Sweden in full (together with Commercial Interest in full) and there are no assets remaining in Nortel Czech Republic and Nortel Hungary, the CVA Supervisors of each of the CVA Companies served notices of termination of the CVAs on the creditors. Copies of these Notices of Termination are at [3/1/167], [3/2/347], [3/3/523] and [3/4/695] of SJH8. Copies of the CVA Supervisors' final reports prepared in accordance with Rule 2.44(2) are at [3/1/168-174], [3/2/348-356], [3/3/524-530] and [3/4/696-702] of SJH8 and include a summary of all receipts and payments in relation to each CVA.
46. 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, by which creditors were required to submit claims to the CVA Supervisors. The "Final Distribution Date" is the date on which the CVA Supervisors made a final Distribution to the creditors. The "Termination Date" is the date on which the CVA was terminated by the CVA Supervisors.

	NNIF	Nortel Sweden	Nortel Czech Republic	Nortel Hungary
Date of CVA	5 April 2017	5 April 2017	5 April 2017	5 April 2017
CVA Meeting	12 June 2017	22 May 2017	2 June 2017	16 May 2017

	NNIF	Nortel Sweden	Nortel Czech Republic	Nortel Hungary
Effective Date	13 June 2017	23 May 2017	5 June 2017	17 May 2017
Implementation Date	11 July 2017	20 June 2017	3 July 2017	14 June 2017
CVA Bar Date	5 October 2017	25 September 2017	13 October 2017	18 September 2017
First Distribution Date	5 December 2017	5 December 2017	5 December 2017	N/A
Final Distribution Date	21 June 2018	21 June 2018	20 April 2018	13 April 2018
Termination Date	30 July 2018	27 July 2018	2 July 2018	2 July 2018

Assets

47. There remain assets of value in NNIF and Nortel Sweden. Following the distributions to creditors pursuant to the terms of the CVAs of NNIF and Nortel Sweden and the termination of those CVAs, NNIF and Nortel Sweden hold approximately £55 million and £2.4 million of cash respectively. In addition, as the intermediate holding company, NNIF holds shares in 16 other companies in the EMEA group. Nortel Sweden holds shares in Nortel Finland. Having satisfied all creditors in full, the Joint Administrators are advised that there is no appropriate mechanism by which they may make distributions of those assets to those Companies' respective shareholders while those Companies are in administration as there is no express provision in insolvency legislation for distributions to members within an administration and it has been held that the statutory administration regime does not permit administrators to make distributions (at least directly) to a company's members. The Joint Administrators therefore consider it appropriate that those assets, and any other assets which may become available, be dealt with in the course of the proposed liquidations, the processes for which are set out in detail at paragraphs 73 and 76 below.
48. The Joint Administrators are not aware of any further assets of Nortel Hungary or Nortel Czech Republic which are still to be realised. In addition all pre-appointment intercompany claims have been recovered.

F. NORTEL FINLAND AND NORTEL ROMANIA

Proof Processes

49. The Order of Mr Justice Snowden dated 23 July 2015 (referred to at paragraph 27 above) granted the Joint Administrators liberty to promulgate CVAs in respect of Nortel Finland and Nortel Romania. However, following successful settlement of the Allocation Dispute, 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.
50. 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 [2/12/455], [2/11/421] and [2/11/433] of SJH8 respectively.
51. 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 copies are provided at [4/8/267] and [4/8/273] of SJH8. 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 [4/9/281] and [4/9/282] of SJH8. 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.
52. In accordance with Rule 14.30(a) of the Rules the Notices of Intended Distributions stated that it was the intention of the Joint Administrators to make a distribution to creditors within the period of two months from the last date of proving, being 16 December 2017.

Distributions to creditors of Nortel Finland and Nortel Romania

53. Further to the Notices of Intended Distribution referred to above, the Joint Administrators declared first interim distributions of 95p in the £ to non-preferential creditors of Nortel Finland and Nortel Romania on 5 December 2017. Copies of the Notices of Declaration of

Dividends were sent to creditors pursuant to Rule 14.35 of the Rules. Copies of these notices were also placed on the Companies' website and are provided at [4/10/283] and [4/10/284] of SJH8.

54. The Joint Administrators subsequently declared final dividends of 5p in the £ to non-preferential creditors of Nortel Finland and Nortel Romania on 4 May 2018. Copies of the Notices of Declaration of Dividend were sent to creditors pursuant to Rule 14.36 and 14.37 of the Rules. Copies of these notices were also placed on the Companies' website and are provided at [4/11/285] and [4/11/286] of SJH8. These final dividends brought the total dividends paid to unsecured creditors of Nortel Finland to 100p in the £ and to unsecured creditors of Nortel Romania of 100p in the £ (other than to NNUK in respect of the CCAA Subordinated Debts). There remains a claim by NNUK against Nortel Romania for CCAA Subordinated Debt in the amount of £966,193.95.
55. The Joint Administrators of Nortel Finland and Nortel Romania are not in a position either to pay interest to creditors pursuant to Rule 14.23(7) of the Rules or to make distributions to their respective shareholders. As set out at paragraph 35 above, this is because the "top-up" payments agreed as part of the Global Settlement and made by NNUK to other EMEA Debtors in accordance with the terms of the UKPI Settlement Deed do not extend to the payment of interest.
56. In total, the Joint Administrators have made distributions to creditors of Nortel Finland of £13,084.53 and to creditors of Nortel Romania of £466,085.61.

Assets

57. The Joint Administrators are not aware of any further assets of Nortel Finland or Nortel Romania which are still to be realised. All pre-appointment intercompany claims have been recovered, save for a number of remaining balances in respect of intercompany claims due to Nortel Finland by Nortel Ireland, Nortel Belgium, Nortel Spain, Nortel Germany and NNSA in the aggregate amount of £77,516.70 which were assigned for value to NNUK on 20 June 2018 in order to expedite the closure of the Administration of Nortel Finland. NNUK is to receive distributions in respect of those balances assigned to it from each of the respective companies in due course.

G. EXITING THE ADMINISTRATIONS

58. I confirm that all creditors (including for the avoidance of doubt those creditors who have been paid in full) of each Company and the directors of each Company, being the persons who made the administration applications in 2009, were given notice of the Applications by the Joint Administrators to exit the Administration and to be discharged from their liability on or before 2 August 2018, in accordance with Rule 3.57(2). Copies of the notice is provided at [4/12/287] of SJH8. To date, the Joint Administrators have received no

response from the creditors. The directors of each Company have been actively involved in the planning of the Applications and the subsequent liquidations. In addition, notice of the Applications was also given to creditors of the CVA Companies in the Notice of Termination of each CVA. Copies of these notices are provided at [3/1/167], [3/2/347], [3/3/523] and [3/4/695] of SJH8.

59. The Joint Administrators had hoped to make the Applications on 19 June 2018 and had given notice to each Company's creditors of their intention to do so. However, in order to finalise certain matters, the Joint Administrators decided to postpone the making of the Applications until August. Notice of this postponement was given to all creditors of the Companies on 22 June 2018. In each case, copies of these notices are at [4/13/289] and [4/14/291] of SJH8. The Joint Administrators did not receive any responses from the creditors to either the notice of the Applications or the notice of their postponement.
60. Following the appointment of the Joint Administrators, creditors' committees ("Committees") were established for Nortel Romania and Nortel Sweden. Despite the Joint Administrators inviting creditors to form Committees, no Committees were established for Nortel Finland, Nortel Hungary, NNIF and Nortel Czech Republic. Following the making of final distributions to the members of those Committees, such that their claims were satisfied in full, those Committees ceased to be quorate. Notices to the former members of the Committees of Nortel Romania and Nortel Sweden to inform them of the making and hearing of the Applications are due to be sent immediately after the filing of these Applications. Notice of the making and hearing of the Applications is also to be given to all creditors of each Company immediately following the filing of the Applications by way of the Nortel EMEA Administration proceedings website (<http://www.emeanortel.com/proceedings.html>). An update on any responses received by the Joint Administrators in connection therewith will be given to the Court at or before the hearing of the Applications.
61. As explained in detail at paragraph 47, a substantial equity surplus at NNIF is available to NNUK as sole shareholder. The ultimate economic interest in that surplus lies with NNUK's creditors and in particular the NNUK pension scheme (the "Scheme") as NNUK's largest creditor. As such notice of the making and hearing of the Applications is also to be given to the legal advisors to the Scheme immediately following the filing of the Applications.
62. As set out in the Statements of Proposals, 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.

63. Having terminated each of the CVAs and made final distributions in accordance with the Act and the Rules to creditors of Nortel Finland and Nortel Romania, the Joint Administrators are of the view that the purposes of the Administrations as set out in Paragraph 3(1)(c) of Schedule B1 to the Act have been sufficiently achieved.
64. The Joint Administrators are mindful of their obligation to make an application to Court to terminate the Administrations of the Companies pursuant to paragraph 79 of Schedule B1 to the Act.
65. The terms of the draft orders provide that the termination of the Joint Administrators' appointment is in each case conditional on the commencement by each Company's relevant shareholder of a process to wind up the Company in accordance with the law of the jurisdiction of that Company's incorporation. The reasons for this are set out below:
 - 65.1 Solvent liquidations which enable distributions of surplus assets to shareholders are necessary in the cases of NNIF and Nortel Sweden. Moreover certain non-cash assets identified at paragraph 47 above may be fully realised by the liquidator in the course of the winding-up. Absent a solvent liquidation, on termination of the Administrations responsibility for those assets would pass to the directors of NNIF and Nortel Sweden. Neither the directors nor the Joint Administrators consider it appropriate for the directors to bear this responsibility, even for a short time.
 - 65.2 Similarly, in the case of Nortel Czech Republic, Nortel Hungary, Nortel Finland and Nortel Romania, the Joint Administrators do not consider it appropriate for the Companies to be handed back to the control of the directors in circumstances where the only task is to petition for those Companies' liquidations. Having managed the business and affairs of the Companies for almost ten years, the Joint Administrators should bear the responsibility of placing those Companies into solvent or insolvent liquidation (as the case may be).
66. The Joint Administrators are mindful that the trigger for the termination of their appointment should be satisfied within a specified time. Given the complex nature of the various liquidation processes due to be commenced (further details of which are provided below) and the holiday periods, the Joint Administrators consider that a period of 45 days is appropriate (save in the case of Nortel Czech Republic where 60 days is a more appropriate time period). Should the liquidation of each Company not have commenced within the period specified, the draft orders envisage that the Joint Administrators shall return to this Court for further directions.

H. DETAIL OF SUBSEQUENT LIQUIDATIONS

67. The process required to wind up the affairs of each Company will vary in the first instance by the jurisdiction of that Company's incorporation. The type of process also varies between those Companies which have sufficient assets to return a surplus to their shareholder(s) (the "Equity Distributing Companies") and those Companies which have made distributions to all creditors on account of their unsecured claims in full (save in respect of CCAA Subordinated Debts) and will not be able to return any surplus to their shareholder(s) (the "Non-Equity Distributing Companies").
68. In these Applications, the Equity Distributing Companies are NNIF and Nortel Sweden. The Non-Equity Distributing Companies are Nortel Finland, Nortel Romania, Nortel Czech Republic and Nortel Hungary. In each case, the Joint Administrators have taken local legal and accounting advice regarding the most efficient process available to make distributions to that Equity Distributing Companies' shareholder(s).
69. Provided that the Court is minded to grant the relief sought, the Joint Administrators currently anticipate completing the steps necessary to commence the local liquidation proceedings of Nortel Finland, Nortel Sweden, Nortel Romania and Nortel Hungary well in advance of the expiry of the 45 days specified in the draft order on or around 13 September 2018. I understand from them that the Joint Administrators of NNUK, the sole shareholder of NNIF, anticipate resolving to appoint a liquidator at NNIF on or around 27 September 2018. I also understand from the Joint Administrators of NNUK that, on receipt of newly issued shares in Nortel Czech Republic for the reasons set out in paragraph 85 below, they anticipate resolving with NNIF to appoint a liquidator to Nortel Czech Republic on or around 7 October 2018.
70. I set out below by Company the details of its assets and liabilities, together with a brief summary of the liquidation process currently envisaged by the Joint Administrators.

NNIF

71. Following the distributions to creditors pursuant to the terms of the CVA and the termination of that CVA on 30 June 2018, NNIF holds approximately £55 million of cash. In addition NNIF, as the intermediate holding company, holds shares in 16 other companies in the EMEA group. These surplus assets are to be distributed to NNIF's shareholder, NNUK, for distribution to its creditors including the Scheme.
72. The Joint Administrators explored the possibility of making distributions to NNUK prior to their discharge, which they and the Scheme Trustees and their advisers hoped would be the quickest route to transfer assets to NNUK for onward distribution to the Pension Scheme. Ultimately, having taken legal and accounting advice, the Joint Administrators considered that this route was not an option, and in any event was not as expeditious or cost effective as a distribution made in a solvent liquidation under Dutch law.

73. The Joint Administrators are advised by local counsel and E&Y Netherlands that the process by which a Dutch-registered company moves into liquidation is as follows.
- 73.1 The Company's sole shareholder, NNUK, resolves at a general meeting to dissolve NNIF and appoint a liquidator. The existing executive directors of NNIF, being David Quane and Simon Freemantle, and the supervisory board director Jongheer Stoop, would also resign at the general meeting.
- 73.2 Under Dutch law, the liquidator is usually a director of the company and as such the Joint Administrators feel it appropriate that I together with Mr Bloom and Ms Hewitt-Schembri be appointed as liquidators. This would be of clear benefit to NNUK as shareholder, saving the time and costs associated with the appointment of a new third-party liquidator(s).
- 73.3 The liquidation commences on the approval of the resolution to appoint liquidators. As such the draft order in respect of NNIF provides that the Joint Administrators be discharged on the making of the resolution.
- 73.4 The liquidators must prepare a statement of final account (*rekening en verantwoording*), evidencing the amount and composition of any surplus in the company, and file that statement at the Dutch Trade Registry and the Company's registered office. The statement must be open for inspection for a period of two months commencing on the date on which the liquidation is advertised in a Dutch national newspaper.
- 73.5 Assuming that no creditors file claims during the two month period, the liquidators expect to be able to make distributions to NNUK as sole shareholder. The liquidation could remain open until any surplus available in NNIF's various subsidiaries has been collected and all other assets of NNIF, including the shares in its various subsidiaries, are dealt with.
- 73.6 Once all the assets of NNIF have been distributed or otherwise dealt with, NNIF will cease to exist and will be removed from the Dutch Trade Register.
74. A draft of the resolution to dissolve NNIF and to appoint a liquidator is at [4/15/293] of SJH8.

Nortel Sweden

75. As with NNIF, following distributions to creditors pursuant to the terms of the CVA and the termination of that CVA on 27 July 2018, Nortel Sweden holds approximately £2.4 million of cash. Nortel Sweden is also the shareholder of Nortel Finland. While the shares in Nortel Finland are of no value, the surplus cash assets are to be distributed to Nortel Sweden's shareholder, NNIF, for onward distribution by NNIF to NNUK by way of the Dutch liquidation process described above.

76. The Joint Administrators are advised by local counsel that the process by which a Swedish-registered company moves into liquidation is as follows.
- 76.1 The Company's sole shareholder, NNIF, resolves at an extraordinary general meeting to dissolve Nortel Sweden and proposes the appointment of a liquidator. Swedish law dictates that the liquidator must be suitable for performing the tasks of a liquidator as determined by the Swedish Companies Registration Office. Following informal discussions, the Swedish Companies Registration Office has confirmed that they have no objection in principle to the appointment of three liquidators, two of whom are not nationals of or resident in Sweden. It is therefore proposed that Mr. Roland Dahlman, a deputy director of Nortel Sweden, Ms Hewitt-Schembri and myself be appointed to act as liquidators. Mr Dahlman has been a director of Nortel Sweden since April 2002 and is considered to by the Joint Administrators to be of value to winding up the affairs of Nortel Sweden efficiently and expeditiously. A pre-condition to the appointment of a former deputy director, Mr Dahlman, is that auditors are appointed to audit the Company's accounts from 1 January 2018 up to the liquidation.
- 76.2 The liquidation commences on the approval of the resolution to appoint liquidators. As such the draft order in respect of Nortel Sweden provides that the Joint Administrators be discharged on the making of the resolution.
- 76.3 The liquidators will then need to file a list of known creditors with the Swedish Companies Registration Office which then advertises the liquidation.
- 76.4 The existing directors, David Quane and Simon Freemantle, are to then prepare financial accounts for the period from the last annual accounts until the appointment of the liquidator (*avgångsredovisning*). These financial accounts are then presented to the shareholder, NNIF, as soon as possible after the appointment of the liquidator and at that point the liquidators may discharge the directors from liability.
- 76.5 The liquidators are then to prepare accounts (*slutredovisningen*) for the liquidation period and, if the liquidation procedure extends into a new financial year, an annual report.
- 76.6 Six months after the advertisement of the liquidation, provided that no creditors have submitted claims, the liquidators may call a final extraordinary general meeting at which the liquidator may decide to distribute the surplus assets in Nortel Sweden to NNIF as shareholder. Nortel Sweden may then be dissolved by way of a filing at the Swedish Companies Registration Office.
77. A draft of the resolution to dissolve Nortel Sweden and to appoint a liquidator is at [4/16/299] of SJH8.

Nortel Czech Republic

78. Following distributions to creditors pursuant to the terms of the CVA and the termination of that CVA on 2 July 2018 referred to above, Nortel Czech Republic has no assets available for distribution to creditors and only one creditor, being NNUK in respect of its CCAA Subordinated Debt in the amount of £2,241,399.58.
79. It was hoped by the Joint Administrators that Nortel Czech Republic could be dissolved or removed from the Czech Commercial Register in a route similar to voluntary striking off under section 1003 of the Companies Act 2006. However, the Joint Administrators are advised that no such route is available in the Czech Republic (nor is such a route available in the majority of European jurisdictions). The only means by which a Czech-registered company may be dissolved is following either a solvent liquidation or an insolvent bankruptcy.
80. The Joint Administrators are advised by local counsel that an insolvent bankruptcy may only be commenced under Czech law where a company has (i) more than one creditor, (ii) financial liabilities which are overdue for more than 30 days, and (iii) the company has insufficient assets to pay those liabilities. The Joint Administrators are advised that any winding-up petition issued in the Czech Courts either by Nortel Czech Republic or NNUK would be dismissed on the basis that the Company has only one creditor. Therefore, notwithstanding Nortel Czech Republic's having insufficient assets to discharge the CCAA Subordinated Debt, the only route available to dissolve the Company under Czech law is by way of a solvent liquidation.
81. An additional complexity has very recently come to the attention of the Joint Administrators. The Joint Administrators are advised by local tax advisors that a Czech tax exemption will cease to apply on the termination of the Administration. This tax exemption means that a tax usually applied to debts outstanding for more than 30 months may crystallise. The Joint Administrators are advised that immediately following the commencement of the local solvent liquidation, the liquidator would be obliged to initiate Czech insolvent bankruptcy proceedings. Once subject to bankruptcy proceedings, the same tax exemption referred to above would again apply. The advice received by the Joint Administrators indicates that these insolvent bankruptcy proceedings may take several years to complete.
82. The Joint Administrators understand from their local advisers that the more appropriate route is a debt-for-equity conversion whereby Nortel Czech Republic is to issue new shares to NNUK. The value of those new shares in Nortel Czech Republic would then set off the existing CCAA Subordinated Debt such that NNUK's CCAA Subordinated Debt is eliminated.

83. Following the conversion of NNUK's CCAA Subordinated Debt, the Joint Administrators are advised that the process by which a Czech-registered company moves into a solvent liquidation is as follows.
- 83.1 The Company's shareholders, NNIF and NNUK, resolve by way of shareholder resolution to dissolve Nortel Czech Republic by way of liquidation and to appoint a liquidator. It is currently envisaged that I together with Ms Hewitt-Schembri be appointed as liquidators of Nortel Czech Republic. The Joint Administrators consider that their appointment will avoid the costs that would otherwise be incurred in transferring control and understanding of the Company's affairs to a new third party liquidator.
- 83.2 The liquidation commences on the day of the resolution to dissolve Nortel Czech Republic and to appoint liquidators. As such the draft order in respect of Nortel Czech Republic provides that the Joint Administrators be discharged on the making of the resolution.
- 83.3 The liquidation and identity of the liquidators are registered in the Czech Commercial Register and notified to all known creditors of the Company. The liquidators are to advertise in the Czech Business Journal twice, not less than two weeks apart, for creditors to submit claims within a period of not less than three months from the date of the second advertisement.
- 83.4 Following the expiry of that three month period and assuming no claims are submitted, the liquidators are to prepare a final report on the liquidation, financial statements, make any necessary tax filings to confirm that no tax is payable and apply for the deletion of Nortel Czech Republic from the Czech Commercial Register.
84. Drafts of the powers of attorney of NNIF and NNUK to allow for the resolutions required to dissolve Nortel Czech Republic and to appoint a liquidator are at [4/17/301] of SJH8.
85. The time required to effect the conversion of NNUK's CCAA Subordinated Debt into new shares in Nortel Czech Republic means that the commencement of Czech liquidation proceedings may take longer than the commencement of liquidations of the other Companies. The Joint Administrators therefore propose that the matter be re-listed for hearing only if liquidation proceedings have not been commenced within 60 days of the date of the Order.

Nortel Hungary

86. Following distributions to creditors pursuant to the terms of the CVA and the termination of that CVA on 2 July 2018 referred to above, Nortel Hungary has no assets available for distribution to creditors and, as is the case for Nortel Czech Republic, only one creditor,

being NNUK in respect of its CCAA Subordinated Claim in the amount of £966,193.95. There are no further assets of the Company available to satisfy this claim.

87. The Joint Administrators are advised by local legal advisors that the appropriate process by which Nortel Hungary would be dissolved is by way of an insolvent liquidation. The proposed process is as follows.

87.1 Nortel Hungary itself is to initiate the insolvent liquidation by application to the Hungarian Court. The Hungarian Court is to examine the solvency of Nortel Hungary as evidenced in the application and may declare insolvency on the grounds that the Company's liabilities exceed its assets, or the debtor is unable to settle its debts on the date when they are due.

87.2 An order of the Hungarian Court declaring the insolvency of Nortel Hungary is subject to a 15 day appeal period. On the expiry of that appeal period, the order becomes final and the Hungarian Court appoints a liquidator. As such the draft order in respect of Nortel Hungary provides that the Joint Administrators be discharged on the order appointing the liquidator becoming final.

87.3 The liquidation and the appointment of the liquidator are published in the Hungarian Company Gazette.

87.4 Creditors may submit claims to the liquidator within 40 days of the publication advertising the liquidation and appointment of the liquidator.

87.5 Following the expiry of that period, the liquidator prepares a final balance sheet and sends it to any creditors, the Hungarian [liquidation court] and then closes the liquidation, which operates to remove the Company from the Hungarian Trade Registry.

88. A draft of the application to be made to the Hungarian Court is at [4/18/313] of SJH8.

Nortel Finland

89. Following distributions to creditors in accordance with Part 14 of the Rules as referred to above at paragraphs 53 and 56 above, Nortel Finland has no outstanding creditors and no assets available for distribution.

90. The Joint Administrators are advised by their local legal advisors that the appropriate process by which Nortel Finland would be dissolved is by way of a solvent liquidation. The proposed process is as follows.

90.1 The directors of Nortel Finland are to convene a meeting of the sole shareholder, being Nortel Sweden, who is to resolve to place Nortel Finland into liquidation and to appoint a liquidator in accordance with the Finnish Limited Liability Companies Act 20:9. The Joint Administrators are advised that while there are no professional requirements regarding the person of the liquidator, it is common for the liquidator to be a local lawyer. As such it is anticipated that the Joint

Administrators' local legal adviser, Markku Koruenmaa, Managing Partner at HH Partners, Attorneys at Law Ltd, be appointed as liquidator.

- 90.2 The liquidation commences on the approval of the resolution to appoint a liquidator. As such the draft order in respect of Nortel Finland provides that the Joint Administrators be discharged on the making of the resolution.
- 90.3 The liquidator shall notify the Finnish Patent and Registration Office of the liquidation and their appointment, prepares financial statements for the period preceding the liquidation and advertises the liquidation.
- 90.4 After a period set out in the advertisement of the liquidation within which creditors and other interested parties may make submissions to the liquidator, the liquidator is to draw up final accounts and seek approval of those accounts from the shareholder.
- 90.5 On the approval of the liquidator's accounts by the shareholder, Nortel Sweden, Nortel Finland shall be deemed to have been dissolved and the liquidator shall thereafter notify the Finnish Patent and Registration Office of the dissolution.
91. A draft of the resolution to place Nortel Finland into liquidation and to appoint a liquidator is at [4/19/319] of SJH8.

Nortel Romania

92. As set out above at paragraph 54, following distributions to creditors in accordance with Chapter 14 of the Rules, Nortel Romania has only one creditor, being NNUK in respect of its CCAA Subordinated Debt in the amount of £204,498.16. There are no further assets available in Nortel Romania to satisfy this claim.
93. The Joint Administrators are advised that the appropriate process by which Nortel Romania would be dissolved is by way of an insolvent liquidation. The proposed process is as follows.
- 93.1 Nortel Romania itself is to initiate the insolvent liquidation by application to the Romanian Court. The Romanian Court is to examine the solvency of Nortel Romania as evidenced in the application and may declare insolvency on the grounds that the Company's liabilities exceed its assets and the debtor is unable to settle its debts on the date when they are due.
- 93.2 The first phase is the general insolvency procedure, where the syndic judge appoints a judicial administrator and the Company's right to manage itself is not withdrawn. Subsequently, at the request of the judicial administrator, the syndic judge opens the second phase of insolvency, namely the liquidation. The liquidation itself and the appointment of the liquidator commence on the order of the syndic judge in the Romanian Court that a liquidator be appointed and the Company's right to manage itself is withdrawn. As such the draft order in respect

of Nortel Romania provides that the Joint Administrators be discharged on the making of the order of the Romanian Court.

93.3 The initial insolvency phase, the appointment of a judicial administrator, the commencement of the liquidation and the appointment of the liquidator are all advertised by the Romanian Court.

93.4 Once the liquidator has satisfied themselves that there are no further assets of the Company, the liquidator submits a final report together with final financial statements to the syndic judge. Copies of these documents are published in the Insolvency Procedures Bulletin. Following a final meeting of the creditors convened by the liquidation judge, the liquidation judge shall approve the final report, and render a final and binding decision on the closing of the liquidation and the removal of the Company from the Romanian Trade Registry.

94. A draft of the application to be made to the Romanian Court is at [4/20/321] of SJH8.

I. DISCHARGE OF LIABILITY

95. Paragraph 98 of Schedule B1 to the Act provides that the Joint Administrators will only be discharged from their liability in respect of any action as joint administrators with effect from a time specified by the Court. The Joint Administrators respectfully request that this discharge of liability be granted and to take effect 28 days after the date on which their appointment has been terminated in the manner set out above. This would give any person becoming aware of any claim and seeking to bring that claim against the Joint Administrators sufficient time to do so.

96. The Joint Administrators are not aware of any claims made against the Joint Administrators which have not been dealt with during the course of the Administrations and none of the Joint Administrators are aware of any facts which would give rise to any such claim.

97. Throughout the Allocation Dispute and the FSD dispute, certain claims have been intimated or asserted against the Joint Administrators by, among others, the US Debtors, the Canadian Debtors or the UKPI. However such claims were released pursuant to the terms of the Global Settlement. Section 8 of the Settlement and Plans Support Agreement provided that all parties release all claims against each other and covenanted not to commence any litigation or file any further claims between entities in the Nortel group and others, provided that rights were reserved to enforce settlement and subject to certain intra-EMEA claims being carved out. The Joint Administrators provided the Court with the full details of the terms of the Settlement and Plans Support Agreement and the Deed of Release in Bloom 16, in particular paragraphs 118.8 to 118.19, 207 and 210 (at [2/3/257-260], [2/3/277-279] and [2/3/279-281] of SJH8). In addition, the terms of each CVA of each CVA Company include releases by each creditor of the Joint Administrators. Clause 33 of each CVA provides that each creditor of a CVA Company irrevocably and

unconditionally discharges the Joint Administrators from any liability in connection with their acts, omissions or default as Joint Administrators. A copy of the relevant clause in the CVA of NNIF may be found at [3/1/60-61] of SJH8. Identical clauses are included in each of the CVAs of the other CVA Companies.

J. THE REASONS FOR THE REMUNERATION APPLICATIONS

98. In the Statements of Proposals sent to creditors of each Company in February 2009, the Joint Administrators asserted that where a Committee was formed, in accordance with Rule 2.106 of the Insolvency Rules 1986 (the "1986 Rules") the Joint Administrators would ask the Committee to determine the basis of their remuneration and would consult and agree with the Committee, from time to time, on the quantum to be drawn. In the event that a Committee could not be formed, the Joint Administrators were to conduct a creditors' meeting by correspondence to fix the basis of their remuneration and the arrangements for drawing it. The Statements of Proposals set out that the Joint Administrators were to ask the Committee for payment of their professional fees on account on a monthly basis of 80% of time charged as agreed by the relevant Committee in accordance with Rule 2.106 of the 1986 Rules. It was stated that the residual 20% per month would be agreed by subsequent resolution of the Committee.
99. In advance of the initial meetings of creditors to approve the Statements of Proposals and the formation of Committees, the Joint Administrators made an application to Court to fix the basis of their remuneration pending approval by the Committees or the creditors. The justification for this application was set out in Alan Bloom's second witness statement dated 20 February 2009 ("Bloom 2", a copy of which is at [4/21/325] of SJH8) – time costs in the Administrations up to 27 March 2009 (the week of the last creditors' meeting) were anticipated to be £11.7 million which was an exceptional cost for E&Y to bear. It was therefore requested that the Court fix the basis of the Joint Administrators' remuneration but only for the interim period prior to its approval in accordance with the Rules.
100. By Order of Mr Justice Warren dated 23 February 2009 (a copy of which is at [4/22/347] of SJH8), the Joint Administrators were permitted to pay out of the assets of the Companies:
- 100.1 such sums as may amount to 80% of their fees properly chargeable by the Joint Administrators and/or E&Y for their conduct of the Administrations of the Companies for the period from 14 January 2009 up to and including 13 February 2009 (being the date of the application); and
 - 100.2 such further sums as may amount to 80% of the fees properly chargeable by the Joint Administrators and/or E&Y for their conduct of the Administrations of the Companies for the period from 14 February 2009 to the date on which the Applicants' remuneration is fixed or determined pursuant to rule 2.106 to 2.109 of the 1986 Rules.

101. In the first half of 2009, the creditors of each Company approved the Statements of Proposals. The creditors or the Committees of each Company then approved resolutions that, inter alia:
- 101.1 the Joint Administrators' remuneration be fixed on the basis of time properly spent by the Joint Administrators and their staff in attending to matters arising in the Administration; and
 - 101.2 the Joint Administrators' time costs for the period from the first period be approved; and
 - 101.3 the Joint Administrators be entitled to draw 80% of the time costs on account on a monthly basis in respect of the time properly spent by the Joint Administrators and their staff, as justified to the Committee.
102. On that basis the Joint Administrators have been drawing 80% of their time costs on account on a monthly basis in advance to avoid significant cash exposure, and subsequently seeking approval of all time costs from the Committees in accordance with Rule 2.106 of the 1986 Rules and, from 5 April 2017, Rule 18.18(2) of the Rules. Where no Committee exists, the body of creditors have been approving the remuneration in accordance with Rule 2.107 of the 1986 Rules and, from 5 April 2017, Rule 18.18(3) of the Rules. In addition, and in accordance with Rule 2.47(1) of the 1986 Rules and subsequently Rule 18.3 of the Rules, the details of the remuneration drawn have been included in each Progress Report.
103. The Joint Administrators' approach is only to seek approval for their remuneration at appropriate points in the Administrations, for example following the Global Settlement or receipt of the Sales Proceeds, such that creditors may see clear evidence of the value provided to them by the Joint Administrators. The Joint Administrators are conscious of the fact that, should a Committee or body of creditors refuse to subsequently approve their remuneration, they would be obliged to return some or all of the 80% drawn in advance back to the Company. Therefore the Joint Administrators have sought to ensure that fee packs are robust and detailed to avoid any risk of remuneration once drawn on account needing to be repaid.
104. During the course of the Administration, the Joint Administrators have prepared detailed fee packs which have been provided to each Company's creditors or Committee (as the case may be). These fee packs are in a similar form as provided in the Schedules and set out the detail of work undertaken and remuneration sought. Generally, approval for remuneration has been sought some months after the period in which the time costs were incurred to allow time for preparation of the fee packs. More recently in the Administrations, the fee packs have been further simplified as a result of less centralised work being undertaken at an EMEA group-wide level following the end of the litigation in North

America and the Global Settlement Copies of the most recent fee packs are provided in SJH8:

- 104.1 NNIF (for the period 3 September 2016 to 30 March 2018), dated 13 June 2018 and approved on 20 June 2018, at [4/23/351-372] of SJH8;
- 104.2 Nortel Sweden (for the period 3 September 2016 to 29 December 2017), dated 8 May 2018 and approved on 8 May 2018, at [4/23/373-395] of SJH8;
- 104.3 Nortel Hungary (for the period 3 September 2016 to 29 September 2017), dated 8 February 2018 and approved on 8 February 2018, at [4/23/396-417] of SJH8; and
- 104.4 Nortel Romania (for the period 3 September 2016 to 29 September 2017), dated April 2018 and approved on 10 April 2018, at [4/23/418-440] of SJH8.

Copies of the resolutions approving the Joint Administrators' remuneration as set out in these fee packs are at [4/24/441], [4/24/442], [4/24/443] and [4/24/444-445] of SJH8. Please note that the resolution in respect of NNIF incorrectly refers to "29 December 2017" instead of "30 March 2018". The correct fee period was set out in the fee pack and the quantum of the remuneration in the resolution is correct.

- 105. Where approval is sought from a Committee, the Joint Administrators' general approach is to table a fee pack at the next scheduled meeting of the Committee. After the Joint Administrators update the Committee on the business and process of the Administration, one of the Joint Administrators or a member of their staff provides a briefing to the Committee on the remuneration sought and the fee pack. The Committee are reminded of their duty to scrutinise the details of the remuneration sought. They are invited to consider the fee pack after the Committee meeting and, if they have any queries, to raise them to the Joint Administrators. If there are no queries, members are invited to sign a written resolution approving the remuneration. More recently where certain Committees have preferred not to hold a physical meeting, fee packs have been sent to Committee member with approval subsequently provided by way of written resolution. Where approval has been sought from the general body of creditors, fee packs have been sent to each creditor with approval subsequently provided by way of written resolution. In certain circumstances where no Committee exists, the Joint Administrators have sought to engage with a Company's most significant creditor in advance of circulating resolutions so that any immediate questions or concerns may be dealt with prior to formally seeking approval.
- 106. The creditors or Committees (as the case may be) of each Company have always approved the Joint Administrators' remuneration.
- 107. As described above, the Joint Administrators have made final distributions to the Companies' creditors. In the case of NNIF, Nortel Sweden and Nortel Finland these final distributions has paid all creditors in full. There are therefore no creditors or Committees

extant to approve the Joint Administrators' remuneration in accordance with the Rules. In the case of Nortel Romania, Nortel Hungary and Nortel Czech Republic, only the subordinated intra-group CCAA Subordinated Debts due to NNUK remain unpaid which leaves NNUK as the only creditor capable of approving remuneration. The Joint Administrators do not feel it appropriate in their capacity as Joint Administrators of NNUK to approve their remuneration as Joint Administrators of the Companies. To limit the burden placed on the Court in having to review and, if it is so minded, approve the basis of the Joint Administrators' remuneration, the Joint Administrators sought approval from the creditors or Committees (as the case may be) at the last practicable date prior to the CVA Supervisors making final distributions to each Company's creditors.

108. For those reasons the Joint Administrators have made the Applications to the Court for Orders that their remuneration be fixed by reference to time properly given by the Joint Administrators for the periods:
 - 108.1 from last approval by that Company's creditors or Committee to 20 July 2018, being the last practicable date prior to the filing of the applications up to which the Joint Administrators are able to provide a full breakdown in respect of their remuneration (i.e. Period 1); and
 - 108.2 for the period from 21 July 2018 to the termination of the Joint Administrators' appointment subject to a cap (i.e. Period 2).
109. No Applications are made for the fixing of the remuneration of the Joint Administrators of either Nortel Czech Republic or Nortel Finland. At the outset of the Administrations, the Joint Administrators considered that the costs that would likely be incurred in regularly obtaining creditor approval for the drawing of fees for Nortel Czech Republic and Nortel Finland, including the production of fee packs, in the Administrations could be considered disproportionate to the assets anticipated to be available and the costs expected to be incurred in the Administrations. The Joint Administrators therefore sought the views of the creditors as to the approval of the Joint Administrators' remuneration. In the case of Nortel Czech Republic, the creditors approved a resolution in August 2009 that the Joint Administrators be permitted to draw future time costs from time to time at the Joint Administrators' discretion without further recourse to creditors. An identical resolution was passed by the creditors of Nortel Finland in February 2010. Copies of these resolutions are at [4/25/447-470] and [4/25/471-476] of SJH8. Creditors of these two Companies have continued to be updated as to the Joint Administrators' remuneration by way of the six monthly Progress Reports, which also provide those creditors with the opportunity to challenge the remuneration in accordance with Rule 2.109 of the 1986 Rules and, after 6 April 2017, Rule 18.34 of the Rules.

110. In addition to their Applications for remuneration as Joint Administrators, the Joint Administrators of the CVA Companies also make Applications for approval of the CVA Supervisors' remuneration. The terms on which the Supervisors are to be remunerated are set out in the CVAs, copies of which are at [3/1/1-156], [3/2/175-328], [3/3/357-512] and [3/4/531-686] of SJH8. Clause 29.1 of the NNIF CVA provides that "*The Supervisors shall be paid in respect of their work in preparing, implementing and operating the CVA and all acts reasonably incidental thereto*" ([3/1/58] of SJH8). Clause 29.2 further provides that the basis of the CVA Supervisors' remuneration will be fixed by reference to the time properly given by them and their staff in attending to matters arising in connection with the CVA. Such time costs are to be charged at the Supervisors' rates from time to time for insolvency related work (Clause 29.2). CVA Clause 30.6.1 provides that the CVA Supervisors fees are to be invoiced monthly (or for such other periods as the CVA Supervisors determine appropriate) to the relevant CVA Company and Clause 30.6.2 permits the CVA Supervisors to be paid 80% of their fees immediately ([3/1/59] of SJH8). The balance of fees incurred by the CVA Supervisors are to be approved by the relevant CVA Creditors' Committee; Clause 30.6.4 provides that if there is from time to time no CVA Creditors' Committee to assist the CVA Supervisors then the balance of their fees is to be paid following the approval of those fees by either the Court or a meeting of Creditors, whichever the Supervisors deem to be the appropriate and most cost efficient process ([3/1/59] of SJH8). Virtually similar clauses are included in each of the CVAs of the other CVA Companies.
111. For the reasons set out at paragraph 107 above and as a result of the termination of the CVAs, there are no creditors or CVA Creditors' Committees extant to approve the CVA Supervisors' remuneration and as such the Court's approval for the payment of the balance is sought.
112. As in the Administrations, the CVA Supervisors have prepared detailed fee packs which have been provided to each CVA Company's creditors or CVA Creditors' Committee (as the case may be). The fee packs are in similar form as the fee packs prepared by the Joint Administrators described at paragraph 104 above. In addition to their remuneration as CVA Supervisors, the fee packs also include remuneration as Joint Administrators in respect of their time spent as Nominees of the CVA. Copies of the most recent fee packs setting out remuneration of the CVA Supervisors for the CVA Companies are provided in SJH8:
- 112.1 NNIF (for the period 3 September 2016 to 30 March 2018), dated 13 June 2018 and approved on 20 June 2018, at [4/26/477-493] of SJH8;
- 112.2 Nortel Sweden (for the period 3 September 2016 to 29 December 2017), dated 8 May 2018 and approved on 8 May 2018, at [4/26/494-510] of SJH8;

112.3 Nortel Hungary (for the period 3 September 2016 to 29 September 2017), dated 8 February 2018 and approved on 8 February 2018, at [4/26/511-527] of SJH8; and

112.4 Nortel Czech (for the period 3 September 2016 to 29 December 2017), dated 29 March 2018 and approved on 11 April 2018, at [4/26/528-544] of SJH8.

Copies of the resolutions approving the CVA Supervisors' remuneration set out in these fee packs are at [4/27/545], [4/27/546], [4/27/547] and [4/27/548] of SJH8.

113. The creditors or CVA Creditors' Committees (as the case may be) of each CVA Company have always approved the CVA Supervisors' remuneration. Again, to limit the burden placed on the Court in having to review and, if it is so minded, approve the CVA Supervisors' fees, the CVA Supervisors sought approval from the creditors or CVA Creditors' Committees (as the case may be) at the last practicable date prior to the CVA Supervisors making final distributions to each CVA Company's creditors.

114. The CVAs of Nortel Czech Republic and Nortel Hungary were each terminated on 2 July 2018. As such the Joint Administrators seek approval for the payment of CVA Supervisors' fees from last approval by that Company's CVA creditors or CVA Creditors' Committee in accordance with the terms of the CVA to 2 July 2018.

115. The CVAs of NNIF and Nortel Sweden were terminated on 30 July 2018 and 27 July 2018 respectively. The terminations therefore took place after the last practicable date prior to the filing of the Applications up to which the Joint Administrators are able to provide a full breakdown in respect of their remuneration. The Court's approval is therefore sought for the payment of fees:

115.1 from last approval by that Company's CVA creditors or CVA Creditors' Committee in accordance with the terms of the CVA to 20 July 2018 (i.e. CVA Period 1); and

115.2 from the period from 21 July 2018 to the termination of CVA.

116. I confirm that all creditors (including for the avoidance of doubt those creditors who have been paid in full) of each Company were given notice of the Joint Administrators' intent to issue applications in respect of their remuneration on 2 August 2018. To date, the Joint Administrators have received no response from the creditors. Further, and in accordance with Rule 18.28(6) of the Rules, notice of the making and hearing of these Applications will be given to all creditors at least 14 days before the hearing listed for 23 August 2018, together with access to a copy of this statement by way of the Nortel EMEA website, with a statement that the exhibit is available on request. Notice will also be given to the Trustee of the NNUK Pension Scheme who as the most significant creditor of NNUK has a clear interest in the surplus due to be distributed to NNUK by NNIF. An update and copies of these notices will be given to the Court at, or before, the hearing of the Applications.

K. COMMON ASPECTS AND PROCESSES APPLIED TO ALL COMPANIES

117. I set out below the ways in which the Joint Administrators ensure that the remuneration incurred is fair, reasonable and commensurate with the nature and extent of the work properly undertaken. The Joint Administrators endeavour to manage the affairs of the Companies on a group basis rather than an entity by entity basis, using a single engagement team of staff. This enables a consistent approach between Companies and allows significant synergies to be achieved and cost savings to be made by, for example, avoiding unnecessary duplication of work. The principles and processes set out in this section therefore apply to each of the Companies both in the Administrations and in the CVAs.
118. As a general note and by virtue of the control mechanisms applied by them, the Joint Administrators are confident that work in relation to the Administrations and CVAs of the Companies has been carried out in a timely and cost-effective manner. In certain instances it has been necessary for several members of the engagement team to be present at the same meeting or conference call, for example, because those members have different fields of expertise (for example, tax or restructuring) or because the matters discussed are common to several EMEA Debtors. In all cases, the Joint Administrators are confident that no unnecessary duplication of work has taken place.
119. I can confirm that the Joint Administrators and Ms Hewitt-Schembri have carefully considered each task that has needed to be done and whether it is necessary. Consultation with third party advisors acts as an additional control on the work undertaken. Herbert Smith Freehills LLP, as the Joint Administrators' English law legal advisors, are consulted by the Joint Administrators, CVA Supervisors and their staff as appropriate to discuss strategy and the work that may be required.

Resourcing

120. In each case, the E&Y engagement team who provide assistance to the Joint Administrators and the CVA Supervisors comprises:
- 120.1 staff from E&Y in the UK selected based on their ability, knowledge and experience of UK insolvency procedures. The E&Y team includes a billing team which is, broadly speaking, responsible for accounting for time costs and the reporting of time costs to creditors;
 - 120.2 staff from E&Y's local offices in Europe with applicable local experience and language skills to assist the Joint Administrators in liaising with creditors in those jurisdictions, in particular with local tax authorities, translating documents sent to and received from creditors, and ensuring local statutory compliance; and

- 120.3 staff from E&Y in India from the Global Shared Services ("GSS") team, who undertake high-volume administrative tasks and support the billing team performing tasks such as timesheet reconciliations and fee analysis.
121. Since July 2016 Ms Hewitt-Schembri, a Director from E&Y London has been responsible for overseeing the Administrations and the CVAs. Ms Hewitt-Schembri has 12 years restructuring experience and was also appointed as a Supervisor of each of the CVAs. Together with the Joint Administrators and Ms Hewitt-Schembri, a small team of senior members of E&Y staff undertake the management of the E&Y engagement team working on the Administrations and the CVAs. Where appropriate, Ms Hewitt-Schembri and this leadership team delegate tasks to staff to ensure they are carried out in a cost effective and efficient way, but with regard to the level of skill and experience required in a particular situation. Ms Hewitt-Schembri and this leadership team keep in touch regularly to ensure a consistency of approach and work allocation across the Companies.
122. The Schedules to this Statement group the members of E&Y staff undertaking work in the Administrations and CVAs, in order of seniority. In light of the number of team members it would be impractical to detail their experience individually. The scale of the Companies' Administrations has necessitated, in the early months, over 290 E&Y employees in Europe and the UK working on the matter. However, the Joint Administrators have kept the amount of resources deployed under continuous review and since September 2017 a core engagement team (that is, those recording more than 10 hours in a week) of around 25 people in London experienced in insolvency, restructuring and restructuring tax matters have worked on the Administrations and CVAs.
123. In addition to the experience and judgement of Ms Hewitt-Schembri, there are also several formal control mechanisms to ensure that tasks are allocated to the appropriate grade of staff member and are carried out properly and in a cost effective way. These are set out in detail below.
- 123.1 The Administration of each Company is supported by its own administration appointment checklist, which is used to provide a standardised methodology and more detailed framework with which to consider and structure the work planned for specific areas of the engagement. Once an engagement is underway, the primary responsibility for monitoring the appointment checklist resides with the engagement manager, in this case Ms Hewitt-Schembri.
- 123.2 Every formal appointment requires specific tasks to be performed which are unique to that appointment and are not included in standard appointment checklists. In such instances, engagement managers maintain their own individual task lists which supplement the standard checklists. Engagement managers review their individual task lists on a regular basis. For tasks which

have been delegated to other E&Y staff, internal update meetings are held in which the engagement manager obtains updates on any progress made and reviews the work completed to date on delegated tasks. The engagement manager applies professional skill, judgement and experience of formal appointments together with his or her knowledge of the specific intricacies of the engagement to ensure that all delegated tasks are completed to a satisfactory standard and in a timely manner by engagement staff. Appointment checklists are reviewed on a regular basis by the engagement manager.

123.3 Internal process meetings are held amongst the relevant staff on a regular basis. This ensures that senior members of the engagement team are kept fully apprised of work being taken across the various EMEA estates. This allows for members of the leadership team to escalate or delegate work as appropriate and to minimise any duplication of efforts amongst the engagement team. In addition, the Joint Administrators, Ms Hewitt-Schembri and the engagement leadership team meet periodically to consider that each task has been delegated to the appropriately qualified members of staff

123.4 In addition to their own experience, the Joint Administrators and Ms Hewitt-Schembri have the benefit of the E&Y internal risk management team, technical specialists and legislation experts providing them with advice regarding their statutory requirements, their professional requirements and best practice.

Time recording

124. The E&Y time recording system is designed to provide a detailed breakdown of the costs incurred in the conduct of the Administrations and CVAs of the Companies. Time is recorded against one of a number of different charge codes or "workstreams". The relevant workstreams in respect of each Company are listed and explained in detail in the Schedules to this statement.

125. The general practice at E&Y in respect of time recording is not to record periods of less than 6 minutes and so the minimum unit of time recording is 6 minutes. However, the E&Y time recording system allows for recording in multiples of the 6 minute unit if a large amount of time has been spent on one particular task or matter. For example, if a member of staff has worked on one particular task for one hour, that time will be recorded as one 60 minute unit as opposed to ten 6 minute units. The use of such multiples is particularly suited to longer periods of work spent on one matter and this practice has been adopted in respect of the conduct of the Companies' Administrations and the CVAs.

Charge out rates

126. Each E&Y staff member has specific hourly rates according to their level of seniority. The Schedules to this statement contain an individual listing of the hourly rates of each team

member for the relevant period next to the detail of the work undertaken. In most cases rates applied to work in respect of the CVAs are the same as those applied in the Administrations.

127. Professional skill and commercial judgement are applied when determining E&Y's Corporate Restructuring staff charge out rates. This ensures that fair and reasonable staff charge out rates are set for the financial year, which generate fair and reasonable margins for E&Y's Corporate Restructuring business unit. When applying professional skill and commercial judgement to the determination of annual staff charge out rates, the following factors are taken into account:
 - 127.1 overall market pressure on the level of staff charge out rates;
 - 127.2 increases in the general level of inflation;
 - 127.3 proposed salary increases for staff in E&Y's Corporate Restructuring business unit; and
 - 127.4 specific increases in the level of overheads.
128. The details of the charge out rate bands for each of the different grades of seniority are set out in the Schedules 1.1 in the case of the Administrations ([5/B/3], [5/C/30], [5/D/57] and [5/E/84] of SJH8) and 1.2 in the case of the CVAs ([5/B/4], [5/C/31], [5/D/58] and [5/F/105] of SJH8). Charge out rates are reviewed on an on-going basis to determine whether any increase or decrease should be applied, having regard to market conditions and the level of work being undertaken.
129. During the course of the Administrations, the Joint Administrators' charge out rates have changed only once. The hourly charge out rates set out in the Statements of Proposals and applied from the outset of the Administrations did not change for a number of years. The Joint Administrators, with regards to EY London, took the decision not to request a change to their hourly rates until after the Sales Proceeds had been received and a number of material distributions had been made to creditors, such that the Joint Administrators were in a strong position to justify the value provided to creditors. In the first half of 2018, the creditors of Nortel Sweden, Nortel Hungary, Nortel Czech Republic and Nortel Romania agreed to an increase in the charge out rates set for general restructuring staff and a decrease in the higher charge out rates charged by the tax team, applied from September 2016 onwards. This change in the charge out rates better reflected the current charge out rates of E&Y's Corporate Restructuring business unit which had increased since the date of the Statements of Proposals in line with those factors set out in paragraph 127 above. Copies of the relevant resolutions approving the change in charge the Joint Administrators' rates are at [4/28/549], [4/28/550], [4/28/551] and [4/28/552-553] of SJH8.
130. No similar change to the E&Y charge out rates was requested from the creditors of NNIF and Nortel Finland on the basis that the Joint Administrators estimated that the costs

involved in explaining and requesting a change in charge out rates was disproportionate to the commercial benefit to E&Y that would be obtained. In addition, at NNIF the Joint Administrators were not in a position to seek approval of their remuneration until March 2018 and did not feel it was appropriate so late in the Administration to request an increase in their charge out rates.

131. The charge out rates applied in the CVAs have been the same as those applied in the Administrations of those same CVA Companies, save in the case of NNIF where the new charge out rates were applied as it was felt that there was no reason to apply historic rates.
132. Charge out rates applied by staff based in E&Y's local offices are also set out in the Schedules to this Statement. Each E&Y local office determines its own hourly charge out rates in the applicable local currency. Time costs are submitted by each local office to the Joint Administrators on a weekly basis and are converted into Sterling at the average exchange rate for that week

Allocation of central costs

133. Throughout the Administrations and CVAs, certain fees of the Joint Administrators and Supervisors have been charged centrally, for work in the Administrations and CVA common to all EMEA Debtors. Each Company is therefore subject to both direct costs charged in respect of specific tasks undertaken for that Company alone and its allocation of central costs.
134. Appropriate apportionment rates have been applied to these fees and the costs are apportioned between the various EMEA Debtors (including the Companies) accordingly in order to ensure a proportionate and reasonable allocation of costs in accordance with the estimated benefit to each Company of the work. As a general principle, the Joint Administrators have used an allocation apportionment by reference to the value of creditors as per each EMEA Debtor's Statement of Affairs prepared at the outset of the Administration but where a task requires the same or a very similar level of work for each EMEA Debtor then an equal allocation apportionment is used. For example, billing processes and the work involved in preparing Progress Reports have been centralised and those costs apportioned equally amongst the EMEA Debtors. Further detail setting out the tasks performed centrally and the apportionment rates for each Company are at Schedule 2.5 at [5/B/15], [5/C/41], [5/D/68] and [5/E/96] of SJH8.
135. In respect of the CVA Companies, the allocation of central costs is governed by the CVA Cost Sharing Agreement dated 31 March 2017 made between the various CVA Companies. A copy of the CVA Cost Sharing Agreement is provided at [4/29/555] of SJH8 and sets out that:

- 135.1 direct time costs relating to a specific CVA Company are to be charged directly to that CVA Company. Such matters include statutory requirements, adjudication of creditor claims and the making of distributions; and
- 135.2 general costs are apportioned between CVA Companies at rates commensurate with the assets available to each CVA Company. Those costs include central time costs which relate to general controls and processes which have been put in place for the benefit of all CVA Companies.
136. The apportionment rates agreed between CVA Companies are set out in the CVA Cost Sharing Agreement and Schedule 5.2 at [5/B/24], [5/C/50], [5/D/78] and [5/F/112] of SJH8.
137. The Joint Administrators and CVA Supervisors have periodically regularly reviewed the apportionment rates used in order to ensure fairness and reasonableness and the resulting apportionments are set out in the Schedules to this Statement.

Comparison

138. Schedule GEN1 (at [5/A/1] of SJH8) is a comparison table showing the total administration time costs for all EMEA Debtors from the commencement of the Administrations to 20 July 2018. The remuneration figures referred to for the EMEA Debtors not the subject of these Applications are subject to change as not all time costs have yet been submitted to the creditors or the Committees of those companies for approval. "Transaction time costs" refers to fees for work involved in the Business Sales and the IP Sale from 2009 to 2011. "Non-Transaction time costs" refers to those other fees incurred by the Joint Administrators in respect of the overall management of the Administrations.
139. When considering Schedule GEN1, the Joint Administrators believe that it is important to recognise that the overall remuneration reflects the size and complexity of the affairs of the Nortel group, and the entities within the Nortel EMEA sub-group which they have been responsible for. The immediate cross-border effort to co-ordinate a reorganisation of the Nortel group was followed by significant amounts of work to complete Business Sales and IP Sales which produced Sale Proceeds of \$7.3 billion (net of certain costs). The Allocation Dispute in North America and the potential exercise by the UK Pensions Regulator of powers conferred on it by the Pensions Act 2004 to issue Financial Support Directions and Contribution Notices meant that the Joint Administrators were unable to make distributions to creditors and terminate the Administrations at an earlier point. Following lengthy negotiations between the various parties to the Allocation Dispute resulting in the Global Settlement, the Joint Administrators have successfully promulgated CVAs to enable distributions to creditors of certain EMEA Debtors and significant distributions have now been made to the creditors of each of the EMEA Debtors (with the exception of NNSA). In the meantime over a period of nearly 10 years the Joint Administrators have sought to

resolve the affairs of each of the EMEA Debtors, as well as comply with their various statutory reporting and audit obligations in England as well as in the various European jurisdictions.

140. Schedule GEN2 (at [5/A/2] of SJH8) is a comparison table showing the CVA Supervisors' time costs across all CVA Companies from the approval of each CVA until the earlier of (i) its termination and (ii) 20 July 2018. Again, the remuneration figures referred to for the CVA Companies not the subject of these Applications are subject to change as not all time costs have yet been submitted to the creditors or the CVA Creditors' Committees of those companies for approval.
141. While it is difficult to make direct comparisons between EMEA Debtors, I note that in each case, the time costs incurred by the Joint Administrators or CVA Supervisors is commensurate with the nature and extent of the work required and are within the range of time costs incurred in respect of other entities in the EMEA group of similar size and complexity.

Expenses

142. Whilst the Joint Administrators are not seeking approval of their expenses, Category 2 expenses (being those costs that are directly referable to the appointment in question but not to a payment to an independent third party, as set out in Statement of Insolvency Practice 9 and including printing) incurred in relation to the Administrations during Period 1 are set out in Schedule 4.2 at [5/B/22], [5/C/48], [5/D/75] and [5/E/103] of SJH8. The Joint Administrators do not anticipate charging any Category 2 expenses during Period 2.
143. The legal fees incurred in Period 1 and prudent estimates of the legal fees expected to be incurred in Period 2 are also set out in Schedule 4.2.
144. There are a number of procedures in place to subject expenses to critical scrutiny. In particular, expenses are first subject to review by a separate billing team and must be reported to a manager on a weekly basis. The Joint Administrators' legal advisers work on a time cost basis and internal review processes are undertaken to review their invoices regularly.

Receipts & Payments

145. In accordance with paragraph 21.7(a) of the Practice Direction: Insolvency Proceedings 2018, the Joint Administrators' most recent receipts and payments account ("R&P") for each Company in the Administration period to 13 July 2018, being period covered in the latest Progress Reports, are in Schedule 1.3 to this Statement ([5/B/5], [5/C/32], [5/D/59] and [5/E/86] of SJH8).

146. In addition, the CVA Supervisors' most recent R&P for each CVA Company in the period covered in the final CVA reports prepared in accordance with Rule 2.44(2), are at Schedule 1.4 to this Statement ([5/B/8], [5/C/35], [5/D/62] and [5/F/107] of SJH8).
147. The R&Ps are statements of cash received and cash paid out as at their date of issue and do not reflect costs incurred after that date. R&Ps are provided in both Sterling and local currency.

L. DETAIL OF THE REMUNERATION AND THE SCHEDULES

148. Set out in the Schedules to this Statement are the details of the remuneration for which the Court's approval is sought in accordance with Rule 18.24(b) and 18.28(2)(b) of the Rules and the Practice Direction: Insolvency Proceedings 2018. The Schedules, contained in Volume 5 of SJH8, are arranged by Company and their contents and structure are explained below. A single approach has been taken for the purposes of these Applications to ensure consistency between the Companies and cost efficiency. Where Schedule(s) are not relevant to a particular Company for the purposes of these Applications (for example, for Nortel Finland and Nortel Romania where no CVA was promulgated and there are no CVA costs), the relevant Schedules referred to below have not been produced.
149. **Schedule 1 (General)**, comprises the charge out rates applied in both the Administrations and the CVAs described at paragraphs 126 to 132 above. Also included at Schedule 1.3 (R&P in administration) and Schedule 1.4 (R&P in CVA) is the R&Ps in both Sterling and local currency. For reference, the Joint Administrators also include an abstract of receipts and payments for each CVA Company for the period of the CVA.
150. **Schedule 2 (Period 1)**, sets out the detail of the Joint Administrators' remuneration for Period 1 and comprises:
- 150.1 a table headed "*Schedule 2.1 Administration time (direct): analysis by person by workstream*", which contains a complete listing of all the members of the E&Y UK, E&Y local and GSS teams and their grades, together with the time they have recorded against each individual workstream and (based on their hourly rate, also listed), the corresponding direct time costs charged to the relevant Company for ease these direct time costs for Period 1 are highlighted in yellow.
- 150.2 a table headed "*Schedule 2.2 Administration time (direct): Analysis by grade workstream*", which groups the team members in their different grades rather than listing the team members individually. The hourly rate listed for each grade is an average arrived at by dividing the total time costs by the total number of hours.
- 150.3 a narrative summary headed "*Schedule 2.3 Administration time (direct): Summary of work completed*" which contains a detailed description of the tasks

undertaken by the Joint Administrators and their staff in Period 1 directly attributable to the Company. The heading for each workstream narrative contains the total time costs incurred in respect of that workstream, corresponding to those set out in the preceding Schedules 2.1 and 2.2.

- 150.4 a table headed "*Schedule 2.4 Administration (reallocated) time costs for all EMEA entities: analysis by grade and by workstream*", setting out the total costs recorded centrally for all EMEA Debtors during the period by workstream.
 - 150.5 a table headed "*Schedule 2.5 Administration time (reallocated) costs: Analysis by workstream*", setting out the allocation and resulting amount of time cost borne by the relevant Company in respect of work undertaken centrally for all EMEA Debtors during Period 1.
 - 150.6 a narrative summary headed "*Schedule 2.6 Administration time (reallocated): summary of work completed* " contains a detailed narrative description of the central tasks undertaken in Period 1, the costs of which have been reallocated to that Company.
151. **Schedule 3 (Period 2)**, sets out the detail of the Joint Administrators' estimated remuneration for Period 2. Period 2 includes time costs incurred by the Joint Administrators for work undertaken after 20 July 2018, being the last practicable date prior to the filing of the Applications up to which the Joint Administrators are able to provide information in respect of their remuneration, but before the making of these Applications. It also includes estimated time costs for the period from the date of these Applications to 7 October 2018, being the date falling 45 days from the date listed for the hearing of the Applications and the date before which the Joint Administrators are to be discharged on the commencement of the local liquidation process. Should the remuneration actually incurred be in excess of that amount, the Joint Administrators would consider whether to return to Court for directions. The Joint Administrators also note that they expect to be able to complete the formalities associated with placing each of the Companies into liquidation in the coming weeks. This Schedule comprise:
- 151.1 a table headed "*Schedule 3.1 Administration time (direct): Analysis by grade and by workstream*", which sets out the estimated direct time costs to the Company by workstream and groups the team members in their different grades. A complete listing of all the members of the E&Y UK, E&Y local and GSS teams is not provided as it is not possible to say with certainty which members of the engagement team will undertake the work in question.
 - 151.2 a narrative summary headed "*Schedule 3.2 Administration time (direct): Summary of work to be completed*", which contains the detailed description of the tasks to be undertaken in Period 2 and charged directly to the Company.

- 151.3 a table headed "*Schedule 3.3 Administration time (reallocated) for the company: analysis by workstream*", which sets out the allocation and resulting amount of time cost borne by the relevant Company in respect of work to be undertaken centrally and allocated to that Company during Period 2. The total forecasted time costs for all EMEA Debtors reflects an estimate of the Joint Administrators' costs to the termination of the Administration and commencement of the liquidation, in line with the process described at Section H (*Details of subsequent liquidations*) above.
- 151.4 a narrative summary headed "*Schedule 4.4 Administration time (reallocated): summary of work to be completed*", which contained the detailed narrative description of the tasks to be undertaken centrally in Period 2, the costs of which will be reallocated to the relevant Company.
152. **Schedule 4 (*Administration General*)**, sets out comparative data showing the time costs incurred in the Administrations compared both between Companies and the EMEA Debtors and over the duration of the Administrations as well as the details of certain expenses incurred during Period 1 or expected to be incurred in Period 2 and certain adjustments. These Schedules comprise:
- 152.1 a graph headed "*Schedule 4.1 Weekly time costs for the Administration to end of Period 1*", showing the weekly time costs in respect of the each Company's Administration from the date of their appointment to the end of Period 1. The graph illustrates, as I would expect to see, intensive time costs during the early part of the Administration while the team worked to stabilise the business and undertake the Asset Sales, followed by a decline in the weekly fees as this work was completed. Time costs then remained broadly consistent, in line with the operations having stabilised and as the Joint Administrators focused on the Allocation Dispute, until the commencement of the CVA or, in the cases of Nortel Finland and Nortel Romania, the proof process undertaken in accordance with Part 14 of the Rules. Increased costs in Period 1 are the result of the Joint Administrators' efforts to bring the Administrations to a close and finalise the affairs of each Company.
- 152.2 as described at paragraphs 142 to 144 above, a list of those expenses incurred in relation to the Administration of each Company during Period 1 is set out below a heading "*Schedule 4.2 Expenses in Administration (Category 2)*". The Joint Administrators do not expect to charge any Category 2 expenses during Period 2. Legal fees for Period 1 and estimated legal fees for Period 2 for both English law and local law advisors are also included.
153. **Schedule 2 (*Period 1*)**, **Schedule 3 (*Period 2*)** and **Schedule 4 (*Administration General*)** are not provided for the Applications made in respect of Nortel Czech Republic and Nortel

Finland as no Applications are made for the remuneration of the Joint Administrators' of those two Companies (the reasons for which are explained in detail at paragraph 109 above).

154. **Schedule 5 (CVA Period 1)** relates to the payment of costs to the CVA Supervisors for CVA Period 1 and for which the Court's approval is sought and follows a similar form to Schedule 2 (Period 1) described at paragraph 150 above. Schedule 5 (CVA Period 1) is not provided for the Applications made in respect of Nortel Finland and Nortel Romania where the Joint Administrators did not promulgate CVAs in respect of those entities. Schedule 5 (CVA Period 1) comprises:
- 154.1 a table headed "*Schedule 5.1 CVA Supervisors' direct time costs: by person, by grade and by workstream*" which contains a complete listing of all the members of the E&Y UK, E&Y local and GSS teams and their grades, together with the time they have recorded against each individual workstream and (based on their hourly rate, also listed), the corresponding direct CVA time costs charged to the relevant CVA Company.
- 154.2 a table headed "*Schedule 5.2 CVA Supervisors' general CVA time costs for all EMEA entities and for the Company*", setting out the total general CVA costs incurred centrally for each of the EMEA Debtors subject to a CVA for the period from approval of each CVA to 20 July 2018, each CVA Companies' allocation of those general costs and the allocation percentage agreed between the entities and used to calculate each CVA Companies' allocation.
- 154.3 a table headed "*Schedule 5.3 CVA Supervisors' general CVA time costs: by person, by grade*", which contains a complete listing of all the members of the E&Y UK, E&Y local and GSS teams and their grades together with the time they have recorded against each individual workstream and (based on their hourly rate, also listed), the corresponding general CVA time costs allocated to the relevant CVA Company in accordance with the terms of the CVA Cost Sharing Agreement.
- 154.4 a narrative summary headed "*Schedule 5.4 CVA Supervisors' time costs (both first and general): summary of work completed*" which contains a detailed narrative description of the tasks undertaken by the CVA Supervisors and their staff in CVA Period 1 in respect of both direct CVA work and general CVA work.
155. **Schedule 6 (CVA Period 2)**, relates to the payment of costs to the CVA Supervisors for CVA Period 2 and for which the Court's approval is sought. These costs relate to work which has already been undertaken prior to the termination of the relevant CVA but after the last practicable date prior to the filing of the applications up to which the Joint Administrators are able to provide a detailed breakdown of the CVA Supervisors' fees.

Schedule 6 (*CVA Period 2*) is relevant only for the Applications made in respect of NNIF and Nortel Sweden and comprises:

- 155.1 a table headed "*Schedule 6.1 CVA Supervisors' forecast time costs: by grade and by workstream*" which sets out the estimated direct CVA time costs and general CVA time cost to the CVA Company by workstream and groups the team members in their different grades. As with Schedule 3.1 (*Period 2 Administration time: Analysis by grade and workstream*), a complete listing of all the members of the E&Y UK, E&Y local and GSS teams is not provided as it is not possible to say with certainty which members of the engagement team will undertake the work in question.
 - 155.2 a narrative summary headed "*Schedule 6.2 CVA Supervisors' time costs: summary of forecast work to be completed*" which contains the detailed narrative description of the tasks undertaken by the CVA Supervisors and their staff in CVA Period 2 both in respect of direct and general CVA time.
156. **Schedule 7 (CVA General)**, sets out comparative data for the CVA Supervisors' fees, showing the time costs incurred in the CVAs compared both amongst CVA Companies and over the duration of the CVAs. This Schedule comprises a graph headed "*Schedule 7 Weekly CVA time costs for the period to 20 July 2018*" showing the weekly time costs in respect of the relevant CVA Company from the date of their appointment to 20 July 2018. The graph illustrates that time costs initially accrued at a very low level while claims were submitted to the CVA Supervisors, and rose following the occurrence of the bar date at which point claims began to be adjudicated. Time costs then remained broadly consistent with occasional increases reflecting the work required to effect distributions to creditors and terminate the relevant CVA.
157. Further commentary and detail for each Company is set out in Section M (*Details of the remuneration by Company*) below. In each case, a summary by period is provided of the remuneration incurred, or estimated to be incurred, and for which approval is sought.
- 157.1 NNIF – paragraphs 159 to 164;
 - 157.2 Nortel Sweden – paragraphs 165 to 169;
 - 157.3 Nortel Hungary – paragraphs 170 to 176;
 - 157.4 Nortel Romania – paragraphs 177 to 181; and
 - 157.5 Nortel Czech Republic – paragraphs 182 to 185.

M. DETAIL OF THE REMUNERATION BY COMPANY

Summary

158. For ease, the table below is a summary of the quantum of the Joint Administrators' remuneration and the CVA Supervisors' fees for which the Court's approval is sought in the present Applications. Also included are the dates within which time costs were incurred or are forecast to be incurred.

Company	Administration		CVA	
	Period 1	Period 2	Period 1	Period 2
NNIF	£115,786.82 (31 March 2018 – 20 July 2018)	£50,549.07 (21 July 2018 – 7 October 2018)	£26,617.36 (31 March 2018 – 20 July 2018)	£5,554.50 (21 July 2018 – 30 July 2018)
Nortel Sweden	£76,555.01 (30 December 2017 – 20 July 2018)	£16,202.54 (21 July 2018 – 7 October 2018)	£19,415.76 (30 December 2017 – 20 July 2018)	£2,410.40 (21 July 2018 – 27 July 2018)
Nortel Hungary	£237,200.47 (30 September 2017 – 20 July 2018)	£16,845.73 (21 July 2018 – 7 October 2018)	£47,104.22 (30 September 2017 – 2 July 2018)	N/A
Nortel Romania	£113,381.18 (30 September 2017 – 20 July 2018)	£11,146.72 (21 July 2018 – 7 October 2018)	N/A	N/A
Nortel Czech Republic	N/A	N/A	£57,952.90 (30 December 2017 – 2 July 2018)	N/A

NNIF

159. The Joint Administrators seek Orders that their remuneration in relation to the Administration of NNIF for:

159.1 Period 1, being the period between 31 March 2018 to 20 July 2018, be fixed at £115,786.82; and

159.2 Period 2, being the period from 31 July 2018 to the termination of the Joint Administrators' appointment, be fixed by reference to time properly given by the Joint Administrators and their staff but not to exceed £50,549.07.

160. The Joint Administrators also seek the Court's approval for the payment of the balance of the CVA Supervisors' fees in accordance with the terms of the CVA for:

- 160.1 CVA Period 1, being the period from 31 March 2018 to 20 July 2018, in an amount of £26,617.36; and
- 160.2 CVA Period 2, being the period from 20 July 2017 to 30 July 2018, in the amount of £5,554.50.
161. The work undertaken by the Joint Administrators and their staff in respect of NNIF has been substantial as a result of its position as intermediate holding company in the Nortel EMEA Group. Its affairs are complicated by its equity interest in its subsidiaries, in particular those subsidiaries which are expected to return a surplus to NNIF as shareholder. In addition, the tax affairs of NNIF have been complicated by the fact that NNIF and Nortel Networks B.V. share a tax grouping arrangement and the implications of the appointment of a liquidation at NNIF on the tax group and on NNIF had to be evaluated. Finally, the Joint Administrators and their English and Dutch legal advisors have spent time exploring and understanding the options available to the Joint Administrators to facilitate distributions of approximately £55 million to NNUK.
162. The time cost analysis by person, set out at Schedule NIF2.1 ([5/B/9] of SJH8) contains a list of all of the E&Y staff working directly on the NNIF Administration grouped in order of seniority. In addition to the E&Y staff referred to in paragraph 120 above, staff from E&Y Netherlands with particular experience of Dutch tax law assist the Joint Administrators in managing the affairs of the Company. Similarly, the time costs analysis by person set out at Schedules NIF5.1 and NIF5.3 ([5/B/23] and [5/B/25] of SJH8) contain lists of all of the E&Y staff working directly on the Company's CVA grouped in order of seniority.
163. The charge out rates applied in the Administration are set out in Schedule NIF1.1 ([5/B/3] of SJH8). As described above at paragraph 129, these rates have remained unchanged since the outset of the Administration. The charge out rates applied in the CVA are set out in Schedule NIF1.2 ([5/B/4] of SJH8) and differ from those applied in the administration, reflecting an increase in the charge out rates set for general restructuring staff and a decrease in the higher charge out rates charged by the tax team.
164. In respect of Period 2, Schedule NIF3.2 ([5/B/18] of SJH8) sets out that Joint Administrators expect that the time costs to be incurred largely relate to the remaining statutory matters in the Administration, the making of the present Application and the formalities involved in commencing the winding up NNIF voluntarily in accordance with Dutch law. In the circumstances and having considered the detail of the estimates, the Joint Administrators believe that their fees to be drawn during Period 2 should not exceed £50,549.07.

Nortel Sweden

165. The Joint Administrators seek Orders that their remuneration in relation to the Administration of Nortel Sweden for:

- 165.1 Period 1, being the period between 30 December 2017 to 20 July 2018, be fixed at £76,555.01; and
- 165.2 Period 2, being the period from 21 July 2018 to the termination of the Joint Administrators' appointment, be fixed by reference to time properly given by the Joint Administrators and their staff but not to exceed £16,202.54.
166. The Joint Administrators also seek the Court's approval for the payment of the balance of the CVA Supervisors' fees in accordance with the terms of the CVA for:
- 166.1 CVA Period 1, being the period from 30 December 2018 to 20 July 2018, in an amount of £19,415.76; and
- 166.2 CVA Period 2, being the period from 20 July 2017 to 27 July 2018, in the amount of £2,410.40.
167. The time cost analysis by person, set out at Schedule SWE2.1 ([5/C/36] of SJH8) contains a list of all of the E&Y staff working directly on the Nortel Sweden Administration grouped in order of seniority. Similarly, the time costs analysis by person set out at Schedules SWE5.1 and SWE5.3 ([5/C/49] and [5/C/51] of SJH8) contains a list of all of the E&Y staff working directly on the Company's CVA grouped in order of seniority.
168. The charge out rates applied in the Administration are set out in Schedule SWE1.1 ([5/C/30] of SJH8). As described above at paragraph 129 above, these rates have been applied to the Joint Administrators' work since September 2016 following their approval by the creditors of Nortel Sweden in September 2017. The charge out rates applied in the CVA are set out in Schedule SWE1.2 ([5/C/31] of SJH8) and are the same as those applied in the Administration, reflecting an increase in the charge out rates set for general restructuring staff and a decrease in the higher charge out rates charged by the tax team.
169. In respect of Period 2, Schedule SWE3.2 ([5/C/44] of SJH8) sets out that Joint Administrators expect that few time costs are to be incurred, largely relating to the remaining statutory matters in the Administration and the commencement of the Swedish liquidation. In the circumstances and having considered the detail of the estimates, the Joint Administrators believe that their fees to be drawn during Period 2 should not exceed £16,202.54.

Nortel Hungary

170. The Joint Administrators seek Orders that their remuneration in relation to the Administration of Nortel Hungary for:
- 170.1 Period 1, being the period between 30 September 2017 to 20 July 2018, be fixed at £237,200.47; and

- 170.2 Period 2, being the period from 21 July 2018 to the termination of the Joint Administrators' appointment, be fixed by reference to time properly given by the Joint Administrators and their staff but not to exceed £16,845.73.
171. The Joint Administrators also seek the Court's approval for the payment of the balance of the CVA Supervisors' fees in accordance with the terms of the CVA for CVA Period 1, being the period from 30 September 2017 to the termination of the CVA on 2 July 2018, in an amount of £47,104.22.
172. The work undertaken by the Joint Administrators and their staff in Period 1 in respect of the Administration of Nortel Hungary has been considerable, partly as a result of the necessary engagement with the Hungarian Tax Authority following its submission of an Expense Claim in autumn 2017. In particular, members of the E&Y Hungary team, together with the Joint Administrators, were required to attend a number of meetings with the Hungarian Tax Authority. The work undertaken as a consequence of the Expense Claim has necessitated the involvement of senior members of the E&Y team both in London and Hungary where a senior tax partner has ensured that a consensual outcome has been achieved with the Hungarian Tax Authority. Further work by the Joint Administrators and E&Y London staff was also required to understand the appropriate exit process given the existence of CCAA Subordinated Debt.
173. Similarly, receipt of a particularly complex claim which involved enforcement proceedings in the Hungarian Court resulting in limited access to bank accounts held by the CVA Supervisors necessitated a high level of work by the CVA Supervisors in CVA Period 1.
174. The time cost analysis by person, set out at Schedule HUN2.1 ([5/D/63] of SJH8) contains a list of all of the E&Y staff working directly on the Nortel Hungary Administration grouped in order of seniority. In addition to those E&Y staff referred to in paragraph 120 above, staff from E&Y Hungary with particular experience of Hungarian tax law and accounting assist the Joint Administrators in managing the affairs of the Company. Similarly, the time costs analysis by person set out at Schedules HUN5.1 and HUN5.3 ([5/D/77] and [5/D/79] of SJH8) contain lists of all of the E&Y staff working directly on the Company's CVA grouped in order of seniority.
175. The charge out rates applied in the Administration are set out in Schedule HUN1.1 ([5/D/57] of SJH8). As described above at paragraphs 129, these rates have been applied to the Joint Administrators' work since September 2016 following their approval by the creditors of Nortel Hungary on 8 February 2018. The charge out rates applied in the CVA are set out in Schedule HUN1.2 ([5/D/58] of SJH8) and are the same as those applied in the Administration.
176. In respect of Period 2, Schedules HUN3.2 and HUN3.4 ([5/D/71] and [5/D/73] of SJH8) set out that Joint Administrators expect that few time costs are to be incurred, largely relating

to the remaining statutory matters in the Administration and the making of the application to the Hungarian Court to place Nortel Hungary into liquidation. In the circumstances and having considered the detail of the estimates, the Joint Administrators believe that their fees to be drawn during Period 2 should not exceed £47,104.22.

Nortel Romania

177. The Joint Administrators seek Orders that their remuneration in relation to the Administration of Nortel Romania for:
- 177.1 Period 1, being the period between 30 September 2017 to 20 July 2018, be fixed at £113,381.18; and
- 177.2 Period 2, being the period from 21 July 2018 to the termination of the Joint Administrators' appointment, be fixed by reference to time properly given by the Joint Administrators and their staff but not to exceed £11,146.72.
178. The time cost analysis by person, set out at Schedule ROM2.1 ([5/E/90] of SJH8) contains a list of all of the E&Y staff working directly on the Nortel Romania Administration grouped in order of seniority.
179. The charge out rates applied in the Administration are set out in Schedule ROM1.1 ([5/E/84] of SJH8). As described above at paragraph 129, these rates have been applied to the Joint Administrators' work since September 2016 following their approval by the creditors of Nortel Romania on 9 April 2018.
180. In respect of Period 2, Schedule ROM3.2 ([5/E/99] of SJH8) sets out that Joint Administrators expect that very few time costs are to be incurred, largely relating to the remaining statutory matters in the Administration and the making of the application to the Romanian Court to place Nortel Romania into liquidation. In the circumstances and having considered the detail of the estimates, the Joint Administrators believe that their fees to be drawn during Period 2 should not exceed £47,104.22.
181. As set out in paragraphs 49 and 50 above, no CVA was promulgated in respect of Nortel Romania and as such no application is made in respect of any fees in relation to a CVA.

Nortel Czech Republic

182. The Joint Administrators seek the Court's approval for the payment of the balance of the CVA Supervisors' fees in accordance with the terms of the CVA for CVA Period 1, being the period from 30 December 2018 to the termination of the CVA on 2 July 2018, in an amount of £57,952.90.
183. The charge out rates applied in the CVA are set out in Schedule CZR1.2 ([5/F/105] of SJH8) and are the same as those which have been applied in the Administration since their approval by the creditors of Nortel Czech Republic on 11 April 2018.

184. The time costs analysis by person set out at Schedules CZR5.1 and CZR5.3 ([5/F/111] and [5/F/113] of SJH8) contain lists of all of the E&Y staff working on the Company's CVA grouped in order of seniority, and a detailed narrative of the work undertaken for both direct and general work is at Schedule CZR5.4 ([5/F/114] of SJH8).
185. No application is made by the Joint Administrators in respect of their remuneration in the Administration of Nortel Czech Republic. Further details are set out at paragraph 109 above and a copy of the resolution approved by creditors in August 2009 that the Joint Administrators be permitted to draw future time costs from time to time at the Joint Administrators' discretion without further recourse to creditors is at [4/25/447] of SJH8.

Nortel Finland

186. Similarly, no application is made by the Joint Administrators in respect of their remuneration in the Administration of Nortel Finland. Again, further details are set out at paragraph 109 above and a copy of the resolution approved by creditors in August 2009 that the Joint Administrators be permitted to draw future time costs from time to time at the Joint Administrators' discretion without further recourse to creditors is at [4/25/471] of SJH8.
187. As set out in paragraphs 49 and 50 above, no CVA was promulgated in respect of Nortel Finland and as such no application is made in respect of any fees in relation to a CVA.

N. RELIEF SOUGHT

188. For the reasons set out in this statement, the Joint Administrators consider that the purposes of the Administrations as set out at paragraph 3(1) of Schedule B1 to the 1986 Act have been sufficiently achieved in relation to each Company. The Joint Administrators have successfully realised the property of each Company, including its allocation of the Sale Proceeds. They have dealt with the FSDs issued in respect of each CVA Company by way of the Global Settlement and the promulgation of CVAs. Those CVAs in respect of NNIF, Nortel Sweden, Nortel Hungary and Nortel Czech Republic have been successful in providing a process for agreeing creditor claims and have allowed a quick and efficient distribution of each CVA Companies' assets. In the case of Nortel Finland and Nortel Romania, following receipt of the Sale Proceeds, the assets of those Companies have been distributed to creditors.
189. All the Companies' third-party creditors have been paid in full. Creditors of NNIF and Nortel Sweden have also received a significant amount of post-petition interest and those Companies are in a position to distribute surplus assets ultimately to NNUK as ultimate shareholder in the Nortel EMEA Group. Nortel Finland has paid all creditors in full. The only claims against Nortel Romania, Nortel Hungary and Nortel Czech Republic which have not been satisfied in full are the claims of NNUK for CCAA Subordinated Debt.

190. The Joint Administrators have considered the process for dissolving each Company in accordance with the law in their jurisdictions of incorporation. NNIF and Nortel Sweden are to be placed into solvent liquidations with the surplus available to be distributed in accordance with Dutch law and Swedish law respectively. Nortel Finland and Nortel Czech Republic are also to be placed into solvent liquidations although no surplus is expected to be available. Finally, the Joint Administrators are to petition in the relevant courts in Hungary and Romania for liquidators to be appointed who may ultimately dissolve those two Companies.
191. Accordingly, the Joint Administrators respectfully request that this Honourable Court makes the orders for the termination of the Administrations, conditional in each case on the commencement of a local liquidation procedure.
192. For the reasons set out in this statement, the Joint Administrators also request that the Joint Administrators be discharged under paragraph 98 of Schedule B1 to the Act in respect of any action as joint administrators arising out of each Company's Administration. The Joint Administrators are not aware of any existing claims made against any of the Joint Administrators arising out of the conduct of each Company's Administration, nor is any Joint Administrator aware of any facts which would give rise to any such claims.
193. Having made distributions to all creditors of the Companies (bar NNUK in respect of the CCAA Subordinated Debt), the Joint Administrators consider that, insofar as all the Companies save for Nortel Czech Republic and Nortel Finland are concerned, the only appropriate method by which their remuneration and expenses may be approved is by Order of the Court. The Joint Administrators respectfully request that the Court grants Orders in respect of the Joint Administrators' remuneration for Period 1 and those anticipated fees in Period 2 on the basis of the details set out in this statement and the Schedules.
194. Similarly, and also in accordance with the Terms of the CVAs, the Joint Administrators also respectfully request that the Court grants Orders in respect of the CVA Supervisors' remuneration for CVA Period 1 and CVA Period 2 on the basis of the details set out in this statement and the Schedules.
195. The Joint Administrators also wish to inform the Court that they anticipate making similar applications to the present Applications in late 2018 or early 2019 in respect of the termination of their appointment, their discharge and remuneration in respect of Nortel Networks N.V. (Belgium), Nortel Networks Polska sp. z.o.o. (Poland), Nortel Networks Portugal S.A., Nortel Networks Slovensko s.r.o (Slovakia), Nortel Hispania S.A. (Spain), Nortel Networks Austria GmbH (Austria), Nortel Networks B.V. (Netherlands), Nortel Networks S.p.A. (Italy), Nortel GmbH and Nortel Networks (Ireland) Limited.

O. CONCLUSION

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

STATEMENT OF TRUTH

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



.....

STEPHEN JOHN HARRIS

Date: 8 August 2018

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

IN THE MATTERS OF:

NORTEL NETWORKS INTERNATIONAL FINANCE & HOLDING BV	<u>No. 549 of 2009 / CR-2009-000039</u>
NORTEL NETWORKS SRO	<u>No. 538 of 2009 / CR-2009-000041</u>
NORTEL NETWORKS ENGINEERING SERVICE KFT	<u>No. 540 of 2009 / CR-2009-000042</u>
NORTEL NETWORKS AB	<u>No. 548 of 2009 / CR-2009-000046</u>
NORTEL NETWORKS OY	<u>No. 545 of 2009 / CR-2009-000049</u>
NORTEL NETWORKS ROMANIA SRL	<u>No. 546 of 2009 / CR-2009-000050</u>

**AND IN THE MATTER OF THE INSOLVENCY ACT
1986**

**EIGHTH WITNESS STATEMENT OF
STEPHEN JOHN HARRIS**

**Applicant
Stephen John Harris
Eighth Statement
Exhibit "SJH8"
8 August 2018**

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

IN THE MATTERS OF:

**NORTEL NETWORKS INTERNATIONAL
FINANCE & HOLDINGS BV
NORTEL NETWORKS SRO
NORTEL NETWORKS ENGINEERING
SERVICE KFT
NORTEL NETWORKS AB
NORTEL NETWORKS OY
NORTEL NETWORKS ROMANIA SRL**

No. 549 of 2009 / CR-2009-000039

No. 538 of 2009 / CR-2009-000041

No. 540 of 2009 / CR-2009-000042

No. 548 of 2009 / CR-2009-000046

No. 545 of 2009 / CR-2009-000049

No. 546 of 2009 / CR-2009-000050

AND IN THE MATTER OF THE INSOLVENCY ACT 1986

EXHIBIT "SJH8"

This is the Exhibit marked "SJH8" which is referred to in the eighth witness statement of Stephen John Harris dated 8 August 2018.

.....
Stephen John Harris

